

NEW STRATUS ENERGY INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025 AND 2024

NEW STRATUS ENERGY INC.

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Independent Auditor's Report

To the Shareholders of New Stratus Energy Inc.

Opinion

We have audited the consolidated financial statements of New Stratus Energy Inc. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2025 and 2024, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Group incurred a net loss of \$27.7 million during the year ended December 31, 2025 and has an accumulated deficit of \$75.2 million. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 32 to the financial statements, which explains that certain comparative information presented for the year ended December 31, 2024 and the opening statement of financial position as at January 1, 2024, have been restated. Our opinion is not modified in respect of this matter.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Valuation of Other Receivables

Description of the key audit matter

We refer to Note 7 of the consolidated financial statements, which describes that the Group recognized other receivables of \$5.1 million (US\$3.6 million) related to compensation receivable from the Government of Ecuador. The receivable arises from a claim under the tax stabilization clause in the Service Contracts, which protects the Group from adverse impacts of tax and regulatory changes during the contract term. The claim was recognized by the Government in 2024 and is to be settled in kind through crude oil. The number of barrels to be received will be determined based on the monetary value of the receivable and, accordingly, will vary depending on prevailing market prices of crude oil at the time of settlement.

As of year end, settlement remains outstanding and subject to administrative processes and the timing of lifting arrangements. Due to delays in collection, the receivable has been reclassified as non-current. In addition, the Company has recognized a provision of approximately 22% of the outstanding balance to reflect the estimated collectability risk associated with this item. Any potential interest related to delayed settlement has not been recognized.

Given the uncertainty in timing of collection and the judgment involved in estimating the recoverable amount, this matter was considered a key audit matter.

How the key audit matter was addressed in the audit

Our approach in addressing this matter included the following procedures, among others:

- Obtained and reviewed executed agreements supporting the other receivables, including settlement documentation.
- Assessed the existence and enforceability of the other receivables based on contractual terms and supporting documentation.
- Evaluated management's assessment of recoverability, including consideration of delays in settlement.
- Assessed the reasonableness of the valuation of the other receivables based on expected settlement terms.
- Reviewed the disclosures in the consolidated financial statements.



Other Information

Management is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis for the year ended December 31, 2025.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

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

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



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

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

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

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



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

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

BDO Canada LLP

Chartered Professional Accountants

Calgary, Alberta
May 5, 2026

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

	Note	December 31, 2025	December 31, 2024 (Restated Note 32)	January 1, 2024 (Restated Note 32)
ASSETS				
Current assets				
Cash and cash equivalents		\$ 1,042,017	\$ 150,598	\$ 32,651,495
Restricted cash	6	496,119	698,582	973,317
Other receivables	7	44,668	6,858,824	20,631
Recoverable taxes	8	-	584,060	7,434,764
Prepaid and advance payments	9	132,920	122,390	6,941,808
		1,715,724	8,414,454	48,022,015
Non-current assets				
Other receivables	7	5,060,365	-	-
Recoverable taxes	8	639,400	-	-
Property, plant, and equipment	10	34,959	574,436	629,306
Investment property	11	256,774	-	-
Investments in joint venture and loan commitment	12	-	61,547,291	-
Other assets		-	-	7,057
		5,991,498	62,121,727	636,363
Total assets		\$ 7,707,222	\$ 70,536,181	\$ 48,658,378
LIABILITIES AND (DEFICIT) EQUITY				
Current liabilities				
Trade and other payables	14 a	\$ 6,241,489	\$ 5,555,325	\$ 2,374,147
Loan commitment	14 b	-	40,003,230	-
Taxes payable		942,663	1,080,899	121,149
Shareholder loan	15	342,650	-	-
Employee benefit obligation	16	-	313,519	483,446
Defined benefit obligations	17	-	263,162	854,911
Asset retirement obligation	18	-	12,261	102,392
Other liabilities	19	31,633,955	28,981,443	22,662,562
		39,160,757	76,209,839	26,598,607
Non-current liabilities				
Deferred tax liability	24	2,279,989	-	-
		2,279,989	-	-
Total liabilities		41,440,746	76,209,839	26,598,607
Shareholders' (deficit) equity				
Share capital	20	36,960,133	36,932,501	31,828,122
Warrants		-	-	1,142,388
Contributed surplus	20	5,028,136	5,050,968	4,316,215
Cumulative translation adjustment		(480,649)	(130,236)	(177,408)
Deficit		(75,241,144)	(47,526,891)	(15,049,546)
Total (deficit) equity		(33,733,524)	(5,673,658)	22,059,771
Total liabilities and (deficit) equity		\$ 7,707,222	\$ 70,536,181	\$ 48,658,378

Commitments and Contingencies (Note 30) and Going Concern (Note 2).

Approved by the Board of Directors See accompanying notes to the Consolidated Financial Statements.

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

For the year ended December 31,	Notes	2025	2024 (Restated Note 32)
General and administrative	21	(8,862,148)	(14,290,140)
Stock-based compensation	20	-	(494,185)
Foreign exchange (loss) / gain		(226,616)	1,143,597
Guarantee provision expense	19	(1,289,639)	-
Write off receivables and deposits		-	(1,325,150)
Other income	22	771,096	7,697,351
Operating loss from continuing operations		(9,607,307)	(7,268,527)
Finance cost, net	23	(3,123,229)	(2,675,275)
Net loss before income taxes from continuing operations		(12,730,536)	(9,943,802)
Income tax expense			
Current	24	(14,490)	(1,572,559)
Deferred	24	(2,279,989)	-
Net loss from continuing operations		(15,025,015)	(11,516,361)
Discontinued operations			
Loss on disposal of discontinued operations	13(a,b)	(11,020,531)	(14,707,266)
Foreign exchange gain		1,460,956	(2,017,976)
Accretion loss on the loan commitment of discontinued operations	14(b)	(3,129,663)	(4,235,742)
Net loss from discontinued operations		(12,689,238)	(20,960,984)
Net loss		\$ (27,714,253)	\$ (32,477,345)
Other comprehensive loss:			
Items that may be subsequently reclassified to profit or loss			
Exchange differences in translation of the companies' subsidiaries.		(350,413)	47,172
Net loss and comprehensive loss		\$ (28,064,666)	\$ (32,430,173)
Net loss per share			
Basic and diluted loss from continuing operations	25	\$(0.11)	\$(0.09)
Basic and diluted from discontinued operations		\$(0.10)	\$(0.16)
Basic and diluted loss per share	25	\$(0.21)	\$(0.25)
Weighted average number of common shares outstanding		133,945,901	128,765,626

See accompanying notes to the Consolidated Financial Statements.

NEW STRATUS ENERGY INC.
CONSOLIDATED STATEMENTS OF CHANGES IN (DEFICIT) EQUITY
(in Canadian dollars)

For the year ended December 31,	Notes	2025	2024 (Restated Note 32)
Share capital			
Balance, beginning of the year	20	\$ 36,932,501	\$ 31,828,122
Share repurchase	20	-	(99,111)
Warrants exercise	20	-	5,172,490
Options exercise	20	27,632	31,000
Balance, end of the year		36,960,133	36,932,501
Warrants			
Balance, beginning of the year		-	1,142,388
Fair value of warrants exercised	20	-	(901,820)
Warrants expired	20	-	(240,568)
Balance, end of the year		-	-
Contributed surplus			
Balance, beginning of the year		5,050,968	4,316,215
Warrants expired		-	240,568
Stock based compensation		-	494,185
Options exercise		(22,832)	-
Balance, end of the year		5,028,136	5,050,968
Cumulative translation adjustment			
Balance, beginning of the year		(130,236)	(177,408)
Translation reserve		(350,413)	47,172
Balance, end of the year		(480,649)	(130,236)
Accumulated deficit			
Balance, beginning of the year		(47,526,891)	(15,049,546)
Net loss for the year		(27,714,253)	(32,477,345)
Balance, end of the year		(75,241,144)	(47,526,891)
Total shareholders' (deficit) equity		\$ (33,733,524)	\$ (5,673,658)

See accompanying notes to the Consolidated Financial Statements.

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

For the year ended December 31,	Notes	2025	2024 (Restated Note 32)
Net loss		\$ (27,714,253)	\$ (32,477,345)
Adjustment for non-cash items:			
Loss on disposal of discontinued operations	13(a)	11,020,531	10,067,961
Foreign currency exchange of discontinued operations		(1,460,956)	2,017,976
Accretion on the loan commitment of discontinued operations	14(b)	3,129,663	4,235,742
Depletion and depreciation	10,11	277,051	402,764
Impairment loss on receivables	7	1,427,282	-
Write off advances and deposit		-	1,325,150
Foreign currency exchange		226,616	(1,143,597)
Stock-based compensation	20	-	494,185
Payments of employee benefit obligations	16	(308,235)	(609,223)
Payments of defined benefit obligations	17	(245,908)	(533,269)
Payments of asset retirement obligation	18	(11,626)	(99,135)
Tax credit refund	8	-	6,850,704
Income tax expense	24	2,294,479	-
Net change in non-cash working capital items	29	4,639,824	1,158,268
Net cash flows used in operating activities from continuing operations		(6,725,532)	(8,309,819)
Investing activities			
Purchase of property, plant, and equipment	10	-	(342,099)
Net cash flows provided by (used in) investing activities from continuing operations		-	(342,099)
Cash flow from discontinued operations			
Cash provided by investing activities- discontinued operations	12	7,310,711	-
Cash used in investing activities- discontinued operations	13	(287,951)	(28,573,204)
Total cash flows provided by (used in) from discontinued operations		7,022,760	(28,573,204)
Financing activities			
Warrants exercised	20	-	4,270,670
Options exercised	20	4,800	31,000
Shareholder loan		355,017	-
Share repurchases	20	-	(99,111)
Total cash flows provided by financing activities from continuing operations		359,817	4,202,559
Net change in cash and restricted cash		657,045	(33,022,563)
Impact of foreign exchange on foreign currency-denominated cash balance		31,911	246,931
Cash and restricted cash, the beginning of the year		849,180	33,624,812
Cash and restricted cash, end of the year		\$ 1,538,136	\$ 849,180

See accompanying notes to the Consolidated Financial Statements.

NEW STRATUS ENERGY INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2025, and 2024
(in Canadian dollars except as otherwise noted)

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, under the Business Corporations Act (Alberta). The Company's registered office is 1500, 850 2nd Street S.W., Calgary, Alberta, Canada and is involved in the acquisition, exploration, and development of oil and gas properties.

NOTE 2 - BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") as at and for the year ended December 31, 2025, and 2024 and have been prepared in accordance with the accounting policies and methods of computation as set forth in note 3 below. These consolidated financial statements were approved by the Board of Directors on May 05, 2026.

Going Concern

The Company's consolidated financial statements for the year ended December 31, 2025, have been prepared on a going concern basis, which assumes that the Company has adequate resources to continue in operational existence for the foreseeable future.

For the year ended December 31, 2025, the Company reported a net loss from continuing operations of \$15.0 million (December 31, 2024- \$11.5 million), a net loss of \$27.7 million and a working capital deficiency of \$37.4 million (December 31, 2024- \$32.5 million and \$67.8 million, respectively). As of that date, the Company had cash and restricted cash of \$1.5 million (December 31, 2024-\$0.9 million), a deficit of \$75.2 million (December 31, 2024-\$47.5 million), and a total shareholders' equity deficit of \$33.7 million (December 31, 2024-\$5.7 million). Total liabilities amounted to \$41.4 million (December 31, 2024-\$76.2 million), including \$39.1 million in current liabilities (December 31, 2024-\$76.2 million) primarily driven by trade and other payables of \$6.2 million and other liabilities of \$31.6 million (December 31, 2024- \$5.6 million and \$28.9 million, respectively).

During the years ended December 31, 2025 and 2024, the Company recognized losses from discontinued operations of \$12.7 million and \$20.9 million, respectively, related to its investments in Operaciones Petroleras Soledad and Desarrolladora de Oriente Oil & Gas, Ltd.

These losses arose as a result of the respective Termination Agreements entered into during each period, which waived all future obligations and participation rights under the related ventures (Note 13). The recognition of these losses contributed significantly to the Company's reported net loss and reflects the operational and strategic risks associated with the Company's international investment portfolio.

The ability of the Company to continue as a going concern is dependent on management's ability to secure additional sources of funding through equity issuances, debt arrangements, or asset sales, and to identify and develop new business opportunities or investments that can generate future cash flows. While management is actively pursuing financing arrangements and evaluating strategic alternatives to establish new operations, and has taken measures to preserve liquidity, there can be no assurance that these efforts will be successful or sufficient to meet the Company's short-term obligations.

These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern. The consolidated financial statements do not reflect the adjustments that would be necessary if the going concern assumption were inappropriate, such as the realization of assets and settlement of liabilities in amounts other than those reported. Such adjustments could be material.

Basis of Measurement

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

The consolidated financial statements of the Company as at December 31, 2025 include the accounts of New Stratus Energy Inc. and its subsidiaries: Petrolia S.A.R.L., New Stratus Minerals Inc., Petrolia Ecuador S.A. and its Branch, New Stratus Latin America, New Stratus Power Inc., Operadora NSE Mexico and Petrolia Brazil Ltda.

During the year ended December 31, 2024, the Company completed the disposition of its interests in Desarrolladora de Oriente Oil & Gas Ltd., and during the year ended December 31, 2025, it disposed of its interests in Operaciones Petroleras Soledad S. de R.L. de C.V., both as part of its strategic restructuring (see Note 13 – Dispositions/Discontinued Operations). As a result, the composition of the consolidated group has changed compared to the prior year.

The Company is primarily engaged in the acquisition, exploration, and development of oil and gas properties for the purpose of producing oil and gas, principally in South America.

NEW STRATUS ENERGY INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2025, and 2024
(in Canadian dollars except as otherwise noted)

During the year ended December 31, 2025, the Company incorporated Petrolia Brazil Ltda., a wholly owned subsidiary established in Brazil. The entity was created in connection with a potential joint venture arrangement relating to an exploration concession in Brazil. As at December 31, 2025, the joint venture agreement had not been executed, and the entity had not commenced operations. Activities during the year were limited to incorporation, legal, and audit-related expenses.

Functional and presentation currency

The functional currency of the parent company and its subsidiaries is measured using the currency of the primary economic environment in which that entity operates. The presentation currency for a company is the currency in which the company chooses to present its consolidated financial statements.

The functional currency of Petrolia SARL, New Stratus Minerals Inc., Petrolia Ecuador, S.A. and its Branch, New Stratus Latin America, New Stratus Power Inc and Operadora NSE Mexico is the United States dollar (“USD”); the functional currency of Petrolia Brazil Ltda is the Brazilian Real (“BRL”), and the functional currency of the Company is the Canadian dollar (“CAD”).

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 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.

NOTE 3 – SUMMARY OF MATERIAL ACCOUNTING POLICIES

An accounting policy is considered material to the Company if it provides information to facilitate the understanding of other material information reported and disclosed in the Company’s consolidated financial statements. Accounting policy information may be material because of the nature of the related transactions, other events, or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The Company’s material accounting policies are as follows:

Consolidation

Subsidiaries

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 Company conducts a portion of its business through investments in joint ventures. In a joint operation, the investor has rights and obligations to the separate assets and liabilities of the investee. For a joint operation, the Company recognizes its share of the assets, liabilities, revenue, and expenses of the joint arrangement directly.

Fair value

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Fair value measurement for invested assets is categorized into levels within a fair value hierarchy based on the nature of the valuation inputs (Levels 1, 2 or 3). The three levels are defined based on the observability of significant inputs to the measurement, as follows.

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

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

NEW STRATUS ENERGY INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2025, and 2024
(in Canadian dollars except as otherwise noted)

Financial Instruments

The Company classifies its financial instruments in the following measurement categories:

- a) subsequently measured at fair value (either through profit or loss (“FVTPL”) or other comprehensive loss (“FVOCI”); and
- b) subsequently measured at amortized cost.

Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, trade and other receivables, other non-current assets, restricted cash, trade and other payables. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at FVTPL, and any directly attributable transaction costs. Transaction costs of financial assets measured at FVTPL are expensed in profit or loss.

Subsequent to initial recognition, the Company’s non-derivative financial instruments are measured as described below

a) Financial assets

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

- i) Financial assets measured at amortized cost: assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- ii) Financial assets at fair value through other comprehensive loss (“FVOCI”): assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- iii) Financial assets at fair value through profit or loss (“FVTPL”): assets that do not meet the criteria for amortized cost or FVOCI.
- iv) Financial assets are initially recognized at fair value and subsequently measured at amortized cost: Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Cash, Restricted cash, Trade and other receivables, Recoverable taxes, Prepaid and advances payments and Other assets have been classified as amortized cost.

b) Financial liabilities

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

- i) Financial liabilities measured at amortized cost: financial liabilities initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in the consolidated statement of operations and comprehensive loss. Trade and other payables, short-term borrowings (including shareholder loans), employee benefit obligations, taxes payable and other liabilities are classified as financial liabilities measured at amortized cost.
- ii) Financial liabilities measured at fair value through profit or loss: financial liabilities measured at fair value with changes in fair value and interest expense recognized in the consolidated statement of operations and comprehensive loss and the total gain or loss attributed to the change of the Company's credit risk, recorded in the consolidated statement of other comprehensive loss.
Loan commitments: Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. A loan commitment may involve fixed or variable terms, provided the conditions are sufficiently specified at inception. Loan commitments that can be settled net in cash or by delivering another financial instrument are accounted for as derivative financial instruments and measured at fair value through profit or loss. Loan commitments to provide a loan at a below-market interest rate are initially recognized at fair value and subsequently measured at the higher of (i) the amount determined in accordance with IFRS 15 and (ii) the expected credit loss allowance under IFRS 9. Loan commitments that do not fall into these categories are not separately recognized until they become onerous.
- iii) A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of operation and comprehensive loss.

c) Modification/Extinguishment

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

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

Investments in Joint Venture

The Company conducted a portion of its business through investments in joint ventures.

Joint arrangement	Location	Ownership interest	Classification and accounting method	Property
To Operaciones Petroleras Soledad S. de R.L	Mexico	49%	Joint Venture, equity method	Soledad block

In a joint arrangement, the parties are bound by contractual commitments establishing joint control, and decisions about the activities that significantly affect the returns of the investee require unanimous consent. A joint arrangement is classified as either a joint operation or a joint venture, subject to the terms that govern each investor’s rights and obligations in the arrangement.

In a joint operation, the investor has rights and obligations to the separate assets and liabilities of the investee. For a joint operation, the Company recognizes its share of the assets, liabilities, revenue, and expenses of the joint arrangement directly.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control and exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Company has joint control over its investment in OPS based on the governing contractual arrangements and accounts for this investment using the equity method.

The Company accounts for investments in joint ventures and associates using the equity method. The investment is initially recognized at cost, which includes the fair value of consideration transferred and any directly attributable costs incurred as part of the acquisition. These capitalized costs form part of the carrying amount of the investment, and subsequently increased or decreased to recognize the company’s share of net earnings and losses of the joint venture or associate, after any adjustments necessary to conform with accounting policies, to show any movement in the joint venture or associate’s reserves, and for impairment losses after the initial recognition date. The company’s share of a joint venture or an associate’s losses that are in excess of its investment are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. The company’s share of earnings and losses of joint ventures and associates are recognized in net earnings during the period. Dividends and repayment of capital received from a joint venture or an associate are accounted for as a reduction in the carrying amount of the Company’s investment. Unrealized gains and losses between the company and its joint ventures and associates are recognized only to the extent of unrelated investors’ interests in the joint ventures and associates. Intercompany balances and interest expense and income arising on loans and borrowings between the company and its joint ventures and associates are not eliminated.

If the investment ceases to be an associate or joint venture, the Company shall discontinue the use of the equity method from the date the Company loses significant influence or joint control. Any items previously recognized in other comprehensive loss are reclassified to profit and loss on discontinuation of the equity method.

As disclosed in Notes 12 and 13, the Company disposed of its investment in Operaciones Petroleras Soledad S. de R.L. de C.V. (“OPS”), which had previously been accounted for using the equity method, and, as a result, no longer holds any ownership interest in OPS as of December 31, 2025.

Impairment of financial assets carried at amortized cost - expected credit loss allowances

At each reporting date, the Company assesses whether a financial asset or group of financial assets is impaired under the expected credit loss (“ECL”) model. Loss allowances are measured based on (i) ECLs that result from possible default events within the 12 months after the reporting date (“12-month ECL”), or (ii) ECLs that result from all possible default events over the expected life of a financial instrument (“lifetime ECLs”).

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

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Non-financial assets

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

Cash and cash equivalents and restricted cash

Includes cash on hand, demand deposits in banks and other highly liquid equivalents. The fair value of cash and cash equivalents approximated their carrying value due to their liquidity and relatively short terms to maturity, respectively.

Interests in Joint Operations – Rights to Assets and Obligations for Liabilities

In Ecuador, the Company participates in the joint operations of Oil Consortium Block 16 and Oil Consortium Block 67. In accordance with IFRS 11 Joint Arrangements, these arrangements have been classified as joint operations, as the Company has direct rights to the assets and obligations for the liabilities related to the operations of the Consortium.

Accordingly, the Company recognizes in its financial statements its share of the assets, liabilities, revenues, and expenses arising from these joint operations, on a line-by-line basis. This recognition reflects the Company's contractual rights to the assets and obligations for the liabilities associated with the joint activities.

Property, plant, and equipment

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

The main characteristics by category are described below:

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

The estimated useful lives of fixed assets are as follows:

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

Investment property

Investment property is initially recognized at cost, including directly attributable transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is recognized on a straight-line basis over the estimated useful life of the asset. Land is not depreciated.

Stock options and warrants

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

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Impairment indicators and calculation of impairment

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

Asset retirement obligation

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

The present value of the costs for these obligations is capitalized together with the assets that gave rise to them (exploration and production investments) and amortized in the same manner. The liability is recognized based on management estimates, substantiated by studies carried out by internal technical specialists. The liability will decrease to the extent that the costs are incurred, until the date of termination of the contracts. If an adjustment to the estimate results in the accumulated amortization exceeding the asset, the difference is charged to the productive asset that generated the provision.

Based on technological changes and variations in the recovery costs necessary to protect the environment, the operation periodically reassesses the future costs of the asset retirement obligation.

Employee benefits - Ecuador

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

- Additional salaries and reserve funds are provided for and paid in accordance with current Ecuadorian legislation.
- Liabilities related to management achievement bonuses are recognized based on human resources models that measure accountability, development, and achievements. Performance is evaluated annually based on unit objectives and individual achievements.

Non-current benefits - Ecuador

Obligation for defined benefits: Includes bonus for termination, bonus for severance, and employer retirement pension, all of them regulated and required by Ecuadorian labor laws.

Termination of employment initiated by either the employer or the worker, the employee will receive as compensation, the equivalent of twenty-five percent of the last month's remuneration for each year of service provided by the employee to the company. The bonus for severance applies when the employer ends the labor contract with no cause, paying the equivalent of one month of salary for each year of services.

Finally, the employer retirement pension is a reserve created for those employees who have completed 25 years of service with the Branch.

These reserves are determined annually based on actuarial studies carried out by an independent professional and are reserved against the Other comprehensive loss of the year, applying the Projected Unit Credit Costing method and represent the present value of the obligations at the date of the statement of financial position, which is obtained by discounting the cash outflows at a rate of 4.82% in 2024, which was determined by applying the rate of high-quality US corporate bonds, which are denominated in the same currency in which the benefits will be paid and have terms that approximate the terms of the pension obligations until maturity. No reserve has been calculated at December 31, 2025, since all the labor contracts have been terminated and all these obligations have been paid in June 2025.

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

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

Other liabilities

The Company records provisions when: (i) it has a present obligation, whether legal or implicit, as a result of past events, (ii) it is probable that an outflow of resources will be necessary to settle the obligation and, the amount has been reliably estimated.

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The amounts recognized as a provision are management's best estimate at the closing date of the financial statements, of the disbursements necessary to settle the obligation.

Share capital

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

Revenue Recognition and Other Income

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

For the years ended December 31, 2025 and 2024, the Company did not generate revenue from its primary operations.

Other income is recognized when it is earned and can be measured reliably. Other income primarily consists of recoveries of costs and reimbursements from counterparties. Such amounts are recognized in the period in which the related costs are incurred or when the right to receive payment is established, provided that it is probable that the economic benefits will flow to the Company.

Stock based compensation

The fair value of equity instruments granted is measured at the grant date using the Black-Scholes option pricing model. The grant date fair value of options granted to employees, warrants, and non-employees is recognized as compensation expense within general and administrative expenses, with a corresponding increase in contributed surplus over the applicable vesting period. A forfeiture rate is estimated at the grant date and subsequently adjusted to reflect the actual number of equity instruments that vest.

Income tax

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

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

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

Discontinued operation

A discontinued operation is a component of the Company that either has been disposed of or is classified as held for sale, and (i) represents a separate major line of business or geographical area of operations, (ii) is part of a single coordinated plan to dispose of such a line of business or area of operations, or (iii) is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are presented separately in the consolidated statement of operation and comprehensive loss, net of tax, from continuing operations. Comparative figures are re-presented for consistency.

The assets and liabilities of a discontinued operation that are classified as held for sale are presented separately from other assets and liabilities in the consolidated statement of financial position. Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Cash flows associated with discontinued operations are disclosed separately in the notes to the consolidated financial statements.

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Net loss per share amounts

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

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

shares of the Company at the average market price of the shares for the period. The effect is to increase the number of shares used to calculate diluted earnings per share.

Segment reporting

As of December 31, 2025, the Company operated in three reportable operating segments, the exploration and evaluation of oil and gas properties in Ecuador, Colombia, and the third being the corporate administration office in Canada responsible for oversight and financing for the group. Operating segments are defined as components of an enterprise for which separate financial information is available. Such financial information is evaluated regularly by the Chief Executive Officer, who is responsible for deciding how to allocate resources and assessing performance.

Adoption of amended accounting standards

The following amendments are effective for the annual period beginning on January 1, 2025:

Lack of Exchangeability (Amendments to IAS 21)

On August 15, 2023, the International Accounting Standards Board (“IASB”) issued Lack of Exchangeability (the “Amendments”), which amended IAS 21 The Effects of Changes in Foreign Exchange Rates. The Amendments clarify how an entity determines whether a currency is exchangeable into another currency and, where exchangeability is lacking, how to determine the applicable spot exchange rate.

Under the Amendments, when a currency is not exchangeable into another currency at the measurement date, an entity is required to estimate the spot exchange rate that reflects the rate at which an orderly exchange transaction would take place between market participants under prevailing economic conditions.

The Company assessed the impact of these Amendments on its consolidated financial statements, including consideration of the jurisdictions in which it operates. Based on this assessment, the Company determined that exchangeability between relevant currencies existed during the reporting period, and therefore no estimation of exchange rates was required.

Accordingly, the adoption of these Amendments did not have a material impact on the Company’s consolidated financial statements.

New and Revised IFRS Accounting Standards Issued but not yet Effective

The Company is assessing the impact of the following amendment to the standards and interpretations applicable for future periods:

IFRS 18 – Presentation and Disclosure in Financial Statements

The IASB issued IFRS 18 Presentation and Disclosure in Financial Statements which will replace IAS 1 Presentation of Financial Statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss with defined subtotals;
- requirement to determine the most useful structure summary for presenting expenses in the statement of profit or loss;
- required disclosures in a single note within the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements; and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management defined performance measures within the financial statements. The new standard is effective for annual periods beginning on or after January 1, 2027. Retrospective application is required, and therefore, the comparative information for the financial year ending December 31, 2026 will be restated in accordance with IFRS 18. The Company is currently assessing the implications of applying this new standard on the consolidated financial statements.

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Amendments to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 to clarify the classification of financial assets and liabilities, including financial instruments with environmental, social and governance (“ESG”)-linked features and settlement through electronic payment systems. The amendments are effective for annual periods beginning on or after January 1, 2026. The Company is currently assessing the impact of these amendments on its consolidated financial statements.

Annual Improvements to IFRS Accounting Standards – Volume 11

In July 2024, the IASB issued Annual Improvements to IFRS Accounting Standards – Volume 11, which includes minor amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7. The amendments are effective for annual periods beginning on or after January 1, 2026. The Company does not expect these amendments to have a material impact on its consolidated financial statements.

NOTE 4 - CRITICAL JUDGMENTS AND ACCOUNTING ESTIMATES

Use of Estimates and Judgements

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards 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. The accounting policies subject to such judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported results and financial position are as follows:

Critical accounting judgments

- i. **Functional currency:** The determination of the functional currency for the Company and each of its subsidiaries was based on management’s judgment of the underlying transactions, events, and conditions relevant to each entity.
- ii. **Impairment:** Judgments are required to assess when impairment indicators are present and when impairment testing is required. This assessment primarily relates to the Company’s investment property, where management evaluates whether events or changes in circumstances indicate that the carrying amount may not be recoverable.
- iii. **Recoverable Taxes:** The Group incurs various taxes that are recoverable from tax authorities, such as value-added taxes (VAT). Judgment is applied in assessing the recoverability of these taxes, considering the applicable tax laws, the nature of the transactions, and the jurisdictional practices. While recoverable taxes are generally presented under income taxes, significant judgments regarding their recoverability are disclosed here due to their impact on the financial statements.
- iv. **Other Receivables:** The Group has been assigned certain amounts as compensation for tax changes arising during the execution of service contracts in Ecuador. Management applies significant judgment in assessing the recoverability of these receivables, considering the nature of the underlying transactions and the complexity of the regulatory framework in the oil and gas industry. Such judgments are disclosed due to their potential impact on the financial statements.
- v. **Other Liabilities:** The Company recognizes provisions related to legal, contractual and tax matters when management determines that a present obligation exists and a reliable estimate of the expected settlement amount can be made. Significant judgment is required in assessing the probability of settlement, analyzing applicable legislation and agreements, and determining the expected timing and amount of settlement. Estimation uncertainty exists due to the complexity of the underlying matters, discussions with authorities, and the assessment of amounts expected to be settled. The related provisions have been classified as a current liabilities, as the Company does not have the ability to unconditionally defer settlement of the obligations for at least twelve months after the reporting date.

Key sources of estimation uncertainty

- i. **Decommissioning provision:** Amounts recorded for the Company’s decommissioning provision require the use of management’s best estimates of future decommissioning expenditures, expected timing of expenditures and future inflation rates. The estimates are based on internal and third-party information and calculations and are subject to change over time and may have a material impact on profit and loss or financial position.
- ii. **Income taxes:** Management evaluates tax positions, annually or when circumstances require, which involves judgment and could be subject to differing interpretations of applicable tax legislation. The company recognizes a tax provision when a payment to tax authorities is considered probable. However, the results of audits and reassessments and changes in the interpretations of

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standards may result in changes to those positions and, potentially, a material increase or decrease in the company’s assets, liabilities and net earnings.

- iii. Impairment of assets, including investments in joint ventures: Estimates of the recoverable amount of non-financial assets, including investments in joint ventures, require management to make assumptions regarding future cash flows, discount rates, production profiles, commodity prices, and other market factors. The impairment of the Mexico and Venezuela investments during the years of 2025 and 2024, respectively required significant estimation of the likelihood of recovering invested amounts through future operations or cash settlements.

NOTE 5 – PETROLIA ECUADOR S.A. – ACQUISITION, SERVICE CONTRACTS AND TERMINATION OF OPERATIONS

On January 14, 2022, the Company acquired from Repsol 100 percent of the shares of Petrolia Ecuador S.A. (“Petrolia”) for \$7.2 million (USD \$5.0 million), comprised of a \$6.2 million (USD \$5.0 million) purchase price, and a closing adjustment of \$1.0 million (USD \$0.8 million.)

The obligations related to this transaction were settled in full subsequent to the acquisition, with final settlement completed during 2023 / 2024. As at December 31, 2025, there are no outstanding obligations with Repsol with respect to this transaction.

Service Contracts and Joint Operation Agreement

Service Contracts for two oil production blocks in Ecuador identified as Block 16 and Block 67 (the “Service Contracts”), were signed between Petrolia Ecuador S.A. (formerly known as Repsol Ecuador S.A.), and other companies making up the consortiums for each block (the “Consortiums”), and the Ecuador Ministry of Energy. On these Service Contracts the Consortiums were entitled to collect a fixed service tariff for each barrel delivered.

Currently, after several assignments of rights and obligations, the companies that signed the Service Contracts, 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%

By means of a joint operating agreement, the members of the Consortiums have appointed Petrolia Ecuador S.A. as operator for the exploration and exploitation of Block 16 and Block 67.

This agreement establishes that the members of the Consortiums 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

Termination of service contract agreements – Blocks 16 and 67 – Ecuador

On December 5, 2022, the Government of Ecuador informed the Corporation that it does not intend to extend nor migrate the service contracts for Blocks 16 & 67. 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.

The Company has concluded all the required environmental audits, as established by local law and the service contracts, including a specific environmental reversion audit. None of these audits have indicated the existence of any environmental liability. Furthermore, the Company has concluded minor outstanding administrative activities. Petrolia has fully discharged its Asset Retirement Obligations (“ARO”) liability.

NOTE 6 – RESTRICTED CASH

December 31,	2025	2024
		(Restated Note 32)
GIC- USD term deposit	\$ -	\$ -
GIC - One year cashable	20,000	100,000
Guarantee deposit	476,119	598,582
	\$ 496,119	\$ 698,582

As at December 31, 2025, restricted cash balance of \$0.5 million corresponds to a deposit on corporate credit card and collateral investment of tax trials bank guarantees (December 31, 2024, \$0.7 million)

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NOTE 7 – OTHER RECEIVABLES

	Total
Balance on December 31, 2023	\$ 20,631
Increases	6,838,193
Balance on December 31, 2024	\$ 6,858,824
Increases	44,668
Effect of change in exchange rates	(371,177)
Impairment loss on receivables	(1,427,282)
Balance on December 31, 2025	\$ 5,105,033
(-) Long term other receivables	5,060,365
Short term other receivables	\$ 44,668

As of December 31, 2025, other receivables include \$5.1 million (US\$3.6 million) (December 31, 2024: \$6.9 million) related to compensation receivable from the Government of Ecuador. The receivable arises from a claim under the tax stabilization clause in the Service Contracts, which protects the Company from adverse impacts of tax and regulatory changes during the contract term. The claim was recognized by the Government in 2024 and is to be settled in kind through crude oil. The number of barrels to be received will be determined based on the monetary value of the receivable and, accordingly, will vary depending on prevailing market prices of crude oil at the time of settlement.

As of year end, settlement remains outstanding and subject to administrative processes and the timing of lifting arrangements. Due to delays in collection, the receivable has been reclassified as non-current. In addition, the Company has recognized a provision of approximately 22% of the outstanding balance to reflect the estimated collectability risk associated with this item. Any potential interest related to delayed settlement has not been recognized.

NOTE 8 – RECOVERABLE TAXES

December 31,	2025	2024
Tax credits	\$ 639,400	\$ 584,060
	\$ 639,400	\$ 584,060

As of December 31, 2025, recoverable taxes include \$0.26 million related to income tax withheld by the Government of Ecuador and \$0.38 million of Colombian tax credits (December 31, 2024, \$0.2 million related to income tax withheld and \$0.32 million of Colombian tax credits). These tax credits are either refundable by the tax authorities or may be offset against future current tax liabilities.

NOTE 9 – PREPAID AND ADVANCE PAYMENTS

December 31,	2025	2024
		(Restated – Note 32)
Prepaid expenses	\$ 71,573	\$ 21,478
Advances and deposits	61,347	100,912
	\$ 132,920	\$ 122,390

Advances and deposits include an amount of \$61,348 (2024 – \$0.1 million) representing funds advanced by New Stratus Energy Inc. for a future capital contribution to Petrolia Brazil. The payment was initiated by New Stratus Energy Inc. on December 29, 2025, but was not received in Petrolia Brazil's bank account until January 3, 2026.

As at December 31, 2025, New Stratus Energy Inc. recorded the amount as an advance for future capital contribution. However, because Petrolia Brazil had not yet received the funds as at the reporting date, the subsidiary did not record any corresponding amount related to the transaction, including cash in transit, accounts receivable, or future capital contribution receivable. Accordingly, there was no corresponding balance recorded by Petrolia Brazil to eliminate on consolidation at December 31, 2025

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

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

Cost	Other Assets
Balance on December 31, 2023	\$ 1,258,048
Additions	342,099
Derecognition	-
Effect of change in exchange rates	50,493
Balance on December 31, 2024	\$ 1,650,640
Additions	7,076
Reclassification (Note 11)	(262,557)
Effect of change in exchange rates	(21,544)
Balance on December 31, 2025	\$ 1,373,615
Accumulated depletion and depreciation	
Balance on December 31, 2023	\$ (628,742)
Depreciation	(402,764)
Derecognition	-
Effect of change in exchange rates	(44,698)
Balance on December 31, 2024	\$ (1,076,204)
Depletion and depreciation	(271,268)
Effect of change in exchange rates	8,816
Balance on December 31, 2025	\$ (1,338,656)
Carrying amounts as at:	
December 31, 2024	\$ 574,436
December 31, 2025	\$ 34,959

As of December 31, 2022, when the Service Contracts in Ecuador were terminated, all the oil and gas production investments were fully depleted and depreciated, except for Other Assets representing information systems that remained with the Company. As a result, no depleted and depreciated assets are to be assessed for impairment on either December 31, 2025 or December 31, 2024.

NOTE 11 – INVESTMENT PROPERTY

December 31,	2025	2024
Initial Balance	-	-
Reclassification from Property, plant and equipment	\$ 262,557	-
Depreciation	(5,783)	-
	\$ 256,774	-

Effective August 1, 2025, management determined to lease the property to third parties in order to generate rental income. Accordingly, the property ceased to be used in the Company's own operations and was reclassified to investment property, as it is held to earn rentals, in accordance with IAS 40 Investment Property. The fair value of the investment property as at December 31, 2025 is estimated to be approximately \$290,000. The fair value has been determined as Level 3 in the fair value hierarchy.

NOTE 12 – INVESTMENT IN JOINT VENTURE AND LOAN COMMITMENT

The following table summarizes the Company's investment in Operaciones Petroleras Soledad S. de R.L. de C.V.

Loan

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	Investment in Joint venture	commitment (Note 14b)	Total (Restated – Note 32)
Balances on December 31, 2023	\$ -	\$ -	\$ -
Investments in shares	24,461,300	-	24,461,300
Company’s share of the income from the joint venture	1,504,416	-	1,504,416
Initial recognition	-	41,016,000	41,016,000
Accretion	-	(7,266,488)	(7,266,488)
Effect of change in exchange rates		1,832,063	1,832,063
Balances on December 31, 2024	\$ 25,965,716	\$ 35,581,575	\$ 61,547,291
Company’s share of the income from the joint venture	1,564,360	-	1,564,360
Partial repayment of CAPEX loan agreement	(7,310,711)	-	(7,310,711)
Effect of change in exchange rates		(1,513,000)	(1,513,000)
Disposal of discontinued operations (Note 13)	(20,219,365)	(34,068,575)	(54,287,940)
Investments in joint venture and loan commitment on December 31, 2025	\$ -	\$ -	\$ -

On May 14, 2024, NSE entered into definitive agreements (the “Definitive Agreements”) with an arm’s-length vendor for the acquisition of an initial 49% equity interest in Operaciones Petroleras Soledad S. de R.L. de C.V. (“OPS”), a private Mexican oil & gas company, with the exclusive right for New Stratus to negotiate the purchase of up to an additional 41% of the equity interest in OPS, as described in further detail below (the “Acquisition”).

OPS is the third-party contractor and operator of a hydrocarbons production contract awarded by Pemex Exploracion y Produccion, S.A. de C.V. (“PEP”), a subsidiary of Petroleos Mexicanos (“PEMEX”) the Mexican national oil company, on the Soledad block (“Soledad Block”) located in the State of Veracruz in eastern Mexico (the “O&G Contract”).

The acquisition of OPS has been structured into two tranches.

The first tranche, which closed on September 27, 2024, involved the purchase by New Stratus of an initial 49% equity interest in OPS. As consideration for this tranche, New Stratus (i) paid the vendor a fixed amount of US\$2 million at closing; (ii) committed to fund capital and, in certain cases, operational expenditures for OPS over the next two years under the O&G Contract, totaling US\$15 million for the first year (fully funded as of September 30, 2025) and US\$30 million for the next year (the “Commitment”) (Note 14); and assumed 49% of the abandonment obligations to be fulfilled by the end of the O&G Contract in 2039, with an estimated net obligation to New Stratus of US\$9.95 million.

According to the terms of the Definitive Agreements, effective May 1, 2024, New Stratus is entitled to economic benefits, including production revenues and cash flows, associated with holding a 49% equity interest in OPS, with these entitlements accruing in advance of the first tranche closing. With the signing of the first tranche of the Acquisition, NSE has nominated one director to the board of directors of OPS, has filled a number of technical and managerial positions of OPS, and will nominate a member of OPS in the operating committee of the O&G Contract.

The second tranche contemplated the potential acquisition by NSE of up to an additional 41% equity interest in OPS, with the specific terms to be negotiated between New Stratus and OPS based on the results of operations in the field.

As at December 31, 2024, the Company’s total investment and loan commitment related to OPS amounted to \$61.7 million (US\$48.2 million), consisting of the following components:

- \$21.6 million (US\$15.0 million) advanced to fund capital and operational expenditures under the O&G Contract for OPS.
- \$2.9 million (US\$2.0 million) paid as consideration for the acquisition of the Company’s initial 49% equity interest in OPS.
- \$1.6 million (US\$1.2 million) representing the Company’s share of income from the joint venture for the year ended December 31, 2024.
- \$35.6 million (US\$30.0 million) representing the remaining loan commitment under the O&G Contract.

For the period from January 1, 2025 to November 18, 2025, the Company recognized \$1,564,360 (US\$1,119,158) in income from its investment in the joint venture. (For the period from May 1 to December 31, 2024, the Company recognized \$1,504,416 (US\$1,110,711)). These amounts represent the Company’s 49% share of the net income of OPS, recognized using the equity method of accounting.

On November 18, 2025, upon execution of a settlement agreement (“Termination Agreement”) executed on November 18, 2025, the Company derecognized its investment in OPS accounted for under the equity method and recognized a loss on disposal of discontinued operations (Note 13).

The following tables summarize the financial information of **Operaciones Petroleras Soledad S. de R.L. de C.V.** at 100% expressed in

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United States dollar (“US\$”)

	December 31, 2024
Current assets	\$ 54,702,919
Non-current assets	27,062,083
Total	81,765,002
Current liabilities	57,460,798
Total liabilities	57,460,798
Total equity	24,304,204
Total liabilities and equity	\$ 81,765,002

	For period from Jan 1, 2025 to November 18, 2025	For the period from May 1, 2024 to December 31, 2024 (Restated – Note 32)
Revenue	\$ 15,041,882	\$ 13,332,108
Cost of goods sold	(1,256,013)	(8,954,305)
Gross profit	13,785,869	4,377,803
Operating expenses	(8,982,335)	(4,590)
General and administrative	(2,677,501)	(2,209,428)
Other expenses	(76,907)	325,335
Net income	\$ 2,049,126	\$ 2,489,120
Equity pick up at 49%	\$ 1,004,072	\$ 1,219,668
Equity pick up at 49% (CAD) As previously stated	\$ 1,404,797	\$ 1,663,979
Adjustment to reflect previously unrecorded accruals	159,563	(159,563)
Equity pick up at 49% (CAD) stated	\$ 1,564,360	\$ 1,504,416

NOTE 13 – DISCONTINUED OPERATIONS

a) Loss on disposal of discontinued operations - Operaciones Petroleras Soledad S. de R.L. de C.V. (OPS)

For the year ended December 31,	2025	2024
Disposal of discontinued operations	(54,287,940)	-
Loan Commitment Liability	41,991,000	-
	(12,296,940)	-
Reclassification of legal expenses to discontinued operations	(287,951)	(870,264)
(-) Company’s share of joint venture income reclassified to loss on disposal	1,564,360	1,504,416
(Loss) gain on disposal of discontinued operations	\$ (11,020,531)	\$ 634,152

On November 18, 2025, New Stratus Energy Inc. entered into a settlement agreement with the same entities from which it acquired the 49% interest in the Soledad Project (the “Termination Agreement”). Pursuant to this agreement, the Company terminated its 49% equity interest in Operaciones Petroleras Soledad S. de R.L. de C.V. (“OPS”), along with all related financing arrangements and governance rights associated with its Mexican operations.

Under the terms of the Settlement Agreement:

- The Company received US\$5.2 million as a partial reimbursement of the principal balance of the CAPEX Commitment Loan, which was received on November 19, 2025.
- In consideration for the settlement and release of claims related to the obligations assumed under the joint venture, the Company

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transferred its 49% partnership interest in OPS back to Baker Hughes subsidiary. As a result, the Company ceased to have any rights or obligations as a member of OPS as of the execution date.

- Concurrently with the transfer of the partnership interest, the Company assigned all rights and obligations under the CAPEX Commitment Loan Agreement to Baker Hughes subsidiary, resulting in the Company having no remaining rights or obligations under that agreement.
- The Company caused the resignation of its nominees from the Board of Directors of OPS and from any employment positions within OPS.
- The Settlement Agreement also includes customary confidentiality provisions governing the terms of the settlement.

As a result of the termination and classification of the Mexican operations as a discontinued operation, the Company recognized a net loss from discontinued operations of \$12.7 million for the year ended December 31, 2025. This loss reflects the difference between the carrying amount of the related investment and the partial repayment of CAPEX loan commitment, measured in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, and IAS 28, Investments in Associates.

The results of the discontinued operation have been separately presented in the consolidated statement of operation and comprehensive loss for all periods presented.

b) Loss on disposal of discontinued operations - Desarrolladora de Oriente Oil & Gas Ltd. (DOOG)

For the year ended December 31, 2024	Total
Investment in shares DOOG (a)	(16,707,518)
Company's share of the income from the joint venture (b)	(4,639,305)
Advance (cash call provided by New Stratus)	(6,658,566)
Accounts payable to Favilla. (Finder Fees)	8,024,666
	(19,980,723)
Company's share of joint venture income reclassified to loss on disposal	4,639,305
Loss on disposal of discontinued operations DOOG	(15,341,418)

On January 2, 2024, New Stratus announced the acquisition (the "Acquisition") of a 50% indirect interest in GoldPillar International Fund SPC Ltd. ("GoldPillar"), a private entity organized and existing under laws of the British Virgin Islands, which has acquired a 40% equity participation (the "Equity Subscription") in a joint venture company, Petrolera Vencupet, S.A. ("Vencupet"), which holds the oil production rights for the fields named "Adas," "Lido," "Limon," "Leona", "Oficina Norte" and "Oficina Central" all located onshore in the Anzoategui and Monagas States in Eastern Venezuela (the "Fields"). Petroleos de Venezuela S.A. ("PDVSA"), the Venezuelan national oil company, through its subsidiary Corporacion Venezolana de Petroleo S.A. ("CVP"), owns the remaining 60% of the share capital of Vencupet.

On May 23rd and May 27th, 2024, the Company executed all the documentation to recognize the investment in GoldPillar, effective retroactively to January 1, 2024. Pursuant to this documentation, the Company has modified its original 50% interest in GoldPillar down to 49%. At the same time, GoldPillar has (i) carved out its interest and capital share from Zenith, the general contractor entity that will provide technical assistance services to Vencupet, and (ii) executed a financing, operating, and logistics agreement with this supplier.

- a) During the year ended December 31, 2024 the Company has registered a \$16.7 million (USD\$ 12.5 million) investment, as follows:
- \$0.5 million (USD\$ 0.4 million) reclassification from the Advances accounts for considerations cost in share paid to Mr. Franco Favilla ("Favilla") during 2023. Franco Favilla was the beneficial owner of 100% of the share capital of GoldPillar
 - \$10.8 million (USD\$8.0 million) recognizing a finder's fee payable to Favilla, payable in installments over 24 months from May 27, 2024. (Note 14) and,
 - \$5.4 million (USD\$4.1 million) consideration paid as 40% equity participation in Vencupet.
- b) During the year ended December 31, 2024, the company recognized an income of \$4,639,305 in Income from investments in Joint venture. This amount related to the equity pickup of the company's 49% share of the net income from DOOG.

On December 19, 2024, New Stratus Energy Inc. ("NSE" or the "Company") entered into a Termination Agreement with Franco Favilla and related parties, effectively cancelling its indirect participation in Petrolera Vencupet, S.A. ("Vencupet") and permanently waiving all associated rights and claims related to the Venezuelan joint venture operations.

As a result of the termination and classification of the Venezuelan operations as a discontinued operation, the Company recognized a loss of \$15.3 million for the year ended December 31, 2024. This loss reflects the difference between the carrying amount of the related investment and the consideration received, measured in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, and IAS 28, Investments in Associates.

The results of the discontinued operation have been separately presented in the consolidated statement of operations and comprehensive loss for all periods presented.

Contingency Disclosure:

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In connection with a Side Letter Agreement, NSE has acknowledged a contingent obligation of up to USD 4.1 million, conditional upon the non-recovery of PDVSA receivables by Goldpillar. As at December 31, 2025, based on information available, the Company assessed that collection is probable and no provision has been recorded.

NOTE 14 – TRADE AND OTHER PAYABLES AND LOAN COMMITMENT

a) Trade and other payables

	Trade Payable (1)	Accruals (2)	Purchase price obligations	Total
	(Restated – Note 32)			
Balance, December 31, 2023	\$ 1,909,927	\$ 464,220	\$ -	\$ 2,374,147
Increases (Restated – Note 32)	8,758,227	220,902	8,248,845	17,227,974
Termination of agreement	-	-	(8,024,666)	(8,024,666)
Payments	(6,298,858)	(102,142)	(681,571)	(7,082,571)
Effect of change in exchange rates	603,049	-	457,392	1,060,441
Balance, December 31, 2024	\$ 4,972,345	\$ 582,980	-	\$ 5,555,325
Increases	5,574,712	694,239	-	6,268,951
Payments	(4,999,807)	(582,980)	-	(5,582,787)
Balance, December 31, 2025	\$ 5,547,250	\$ 694,239	-	\$ 6,241,489

- Trade Payable. As of December 31, 2025, accounts payable total \$5.5 million and relate to three categories of obligations: (i) Legal and consulting services account for \$2.7 million, representing amounts owed to external legal counsel and professional consulting firms for advisory, compliance, and transactional services rendered during the fiscal year, all expected to be settled within twelve months; (ii) Ecuador branch consortium Block 16 related payables amount to \$2.4 million, reflecting the Company's proportionate share of costs and contributions covered and paid by non operating partners; and, (iii) a loan payable attributable to the Ecuador Branch accounts for \$0.4 million, incurred to support the branch's operational requirements; the carrying amount approximates fair value given its short-term nature.
- As of December 31, 2025, accruals total \$0.7 million. First, executive salary accruals represent earned but unpaid fixed compensation owed to executive officers as of December 31, 2025, accrued pursuant to applicable employment agreements and expected to be settled in the second quarter of 2026. Second, accrued services rendered in December 2025 correspond to services fully performed during that month for which invoices were issued by service providers in January 2026. These liabilities are recorded in the period in which the obligation arose, in accordance with the accrual basis of accounting. Management considers all accruals to be fairly stated and is not aware of any material disputes or contingencies requiring further disclosure.

b) Loan Commitment

Loan commitment- Liability

Balance, December 31, 2023	\$ -
Increases	41,016,000
Accretion	(3,030,746)
Effect of change in exchange rates	2,017,976
Balance, December 31, 2024	\$ 40,003,230
Accretion	3,129,663
Effect of change in exchange rates	(1,141,893)
Disposal of discontinued operation (Note 13a)	(41,991,000)
Balance, December 31, 2025	\$ -

As described in Note 12, on May 14, 2024, the Company entered into an agreement related to Operaciones Petroleras Soledad S. de R.L. de C.V. ("OPS") to fund capital expenditures and, in certain cases, operational expenditures under the terms of the Oil and Gas (O&G) Contract. The total funding commitment amounted to US\$45.0 million, of which US\$15.0 million had been fully advanced as at December 31, 2024. The remaining US\$30.0 million (approximately CAD \$43.2 million) was contractually required to be funded by June 15, 2025, in accordance with the agreed funding schedule.

As disclosed in Note 13 a, on November 18, 2025, the Company entered into a Termination Agreement that resulted in the termination of its participation in OPS and the assignment of all rights and obligations under the related CAPEX Commitment Loan Agreement. As a result, the Company derecognized the loan commitment liability as part of the disposal of the discontinued operation, resulting in a nil balance as at December 31, 2025.

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NOTE 15 – SHAREHOLDER LOAN

December 31,	2025	2024
Shareholder loan	\$ 355,017	-
Effect of change in exchange rates	(12,367)	
Balance, December 31, 2025	\$ 342,650	-

In February 2025, the Company engaged external legal counsel to assist in structuring a potential financing of up to USD 500,000 from existing or related investors. Due to immediate liquidity requirements, management elected to pursue a debt instrument rather than convertible debt arrangement.

During 2025, the Company received proceeds of \$355,017 (US\$250,000) from shareholders, which were recognized as a non-interest-bearing, short-term financial liability and presented as a current liability in the consolidated statement of financial position as at December 31, 2025. There are no terms and conditions executed on this transaction.

Subsequent to December 31, 2025, the Company made repayments totaling US\$150,000 in January and February 2026, reducing the outstanding balance under this loan arrangement

NOTE 16 – EMPLOYEE BENEFIT OBLIGATION

The employee benefits obligations are summarized as follows:

Balance, December 31, 2023	\$ 483,446
Increases	405,119
Payments	(609,223)
Effect of change in exchange rates	34,177
Balance, December 31, 2024	\$ 313,519
Increases	247
Payments	(308,235)
Effect of change in exchange rates	(5,531)
Balance, December 31, 2025	\$ -

As at December 31, 2025, employee benefit obligations primarily related to amounts payable to employees for vacation pay, thirteenth and fourteenth salaries, reserve funds, and variable bonuses tied to performance objectives. During the year, the Company settled all outstanding employee benefit obligations, resulting in a nil balance as at December 31, 2025.

NOTE 17 – DEFINED BENEFIT OBLIGATION

Balance, December 31, 2023	\$ 854,911
Reverse provision	(533,269)
Payments	(133,655)
Effect of change in exchange rates	75,175
Balance, December 31, 2024	\$ 263,162
Payments	(245,908)
Reverse provision	(4,763)
Effect of change in exchange rates	(12,491)
Balance, December 31, 2025	\$ -

During 2023, Petrolia Ecuador S.A. rehired certain employees who had previously been employed by Petrolia Ecuador S.A. and whose

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employment had been formally terminated as of December 31, 2022. Under local labor regulations, termination followed by immediate rehire requires the recognition of continued employee entitlements, including pension rights, severance benefits, and other compensation obligations. As a result, the Company recognized a provision to reflect these obligations.

During the year ended December 31, 2025, the Company terminated all employee contracts associated with these obligations and settled the remaining balances. Accordingly, the defined benefit obligation was fully paid and reduced to \$nil as at December 31, 2025.

NOTE 18 – ASSET RETIREMENT OBLIGATION

Balance, December 31, 2023	\$ 102,392
Liabilities settled	(99,135)
Effect of change in exchange rates	9,004
Balance, December 31, 2024	\$ 12,261
Payments	(11,626)
Effect of change in exchange rates	(635)
Balance, December 31, 2025	\$ -

As at December 31, 2025, the Company has no recorded Asset Retirement Obligation (“ARO”) (December 31, 2024 – \$12,261). During the year ended December 31, 2025, all activities and costs associated with previously recognized decommissioning and site restoration commitments were fully settled. Accordingly, no further legal or constructive obligations exist as at the reporting date, and the ARO provision has been reduced to \$nil.

NOTE 19 – OTHER LIABILITIES

	Provision tax Credit and others (1)	Provision Solidarity Contribution tax (2)	Provision on Capital outflow tax (3)	Provision for Financial Guarantee (4)	Total (Restated Note 32)
Balances, December 31, 2023	20,502,123	2,160,439	-	-	22,662,562
Increases	-	-	1,394,031	-	1,394,031
Interest accrued (Note 23)	2,980,846	-	-	-	2,980,846
Reverse provision	-	(207,886)	-	-	(207,886)
Effect of change in exchange rates	2,009,109	142,781	-	-	2,151,890
Balances, December 31, 2024	\$ 25,492,078	\$ 2,095,334	\$ 1,394,031	\$ -	\$ 28,981,443
Increases	-	-	-	1,289,639	1,289,639
Interest accrued (Note 23)	2,359,358	116,865	119,970	192,856	2,789,049
Effect of change in exchange rates	(1,255,938)	(101,733)	(68,505)	-	(1,426,176)
Balance December 31, 2025	\$ 26,595,498	\$ 2,110,466	\$ 1,445,496	\$ 1,482,495	\$ 31,633,955

(1) Provision Tax Credit

On July 12, 2023, the Company announced that Consortium Block 16 had been notified of a final and definitive ruling by the National Court of Justice of Ecuador regarding a prior-year tax claim. The ruling granted the Consortium the right to obtain a tax credit of \$19.4 million (US\$14.6 million), which was subsequently received in cash. In connection with agreements and covenants entered into by the Company in prior years relating to this tax credit, management has recognized a provision reflecting its best estimate of potential exposure, based on the existence of a present obligation arising from those arrangements.

This obligation is subject to significant uncertainty regarding its outcome and timing. As of the reporting date, there is no demand for payment and settlement is not expected within the next twelve months. However, the Company does not have control over the timing or terms of settlement, as these depend on actions by third parties and the resolution of underlying legal and contractual matters. Accordingly, the provision has been classified as a current liability.

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As part of the restatement of prior period financial statements, as described in Note 32 – Restatement of the Financial Statements, this provision has been reclassified from non-current to current liabilities, and comparative figures have been presented on a consistent basis. This reclassification relates solely to the presentation of the liability and does not impact its measurement.

As of December 31, 2025, the balance of the provision related to this matter is \$26.6 million (US\$19.4 million) (December 31, 2024: \$25.4 million (US\$17.7 million)). During the year ended December 31, 2025, the Company accrued interest associated with this provision of \$2.4 million (US\$1.7 million) (December 31, 2024: \$2.9 million (US\$2.1 million)), recognized in profit or loss. The Company continues to pursue an amicable resolution of all outstanding matters arising from the Service Contracts, including those related to this tax refund.

(2) Provision – Solidarity Contribution Tax

As of December 31, 2025, the provision for the Solidarity Contribution tax amounts to \$2.1 million (US\$1.6 million) (December 31, 2024: \$2.1 million (US\$1.5 million)). This provision relates to obligations that are subject to uncertainty regarding timing and outcome. As of the reporting date, there is no demand for payment and settlement is not expected within the next twelve months. However, the Company does not have control over the timing or terms of settlement, and accordingly, the provision has been classified as a current liability.

As part of the restatement of prior period financial statements, as described in Note 32 – Restatement of the Financial Statements, this provision has been reclassified from non-current to current liabilities, and comparative figures have been presented on a consistent basis. This reclassification relates solely to presentation and does not impact the measurement of the underlying obligation.

Interest associated with this provision is recognized in profit or loss and amounted to \$0.1 million (US\$0.07 million) for the year ended December 31, 2025 (December 31, 2024: \$nil).

(3) Provision – Capital Outflow Tax

As of December 31, 2025, the provision related to foreign currency outflow tax amounts to \$1.4 million (US\$1.0 million) (December 31, 2024: \$1.4 million (US\$1.0 million)). This provision relates to obligations that are subject to uncertainty regarding timing and outcome. As of the reporting date, there is no demand for payment and settlement is not expected within the next twelve months. However, the Company does not have control over the timing or terms of settlement, and accordingly, the provision has been classified as a current liability.

As part of the restatement of prior period financial statements, as described in Note 32 – Restatement of the Financial Statements, this provision has been reclassified from non-current to current liabilities, and comparative figures have been presented on a consistent basis. This reclassification relates solely to presentation and does not impact the measurement of the underlying obligation.

Interest associated with this provision is recognized in profit or loss and amounted to \$0.1 million (US\$0.07 million) for the year ended December 31, 2025 (December 31, 2024: \$nil).

(4) Provision for Financial Guarantee

As at December 31, 2025, the Company recognized a provision in connection with an irrevocable corporate guarantee entered into on December 2, 2024 with Banco BTG Pactual S.A. – Cayman Branch (“BTG”), pursuant to a Memorandum of Understanding dated November 15, 2024. Under the terms of the guarantee, the Company guaranteed the obligations of Altamesa Energy Perú S.A.C. under a subordinated bond with a principal amount of US\$940,930.27. The bond matured on December 20, 2024, and on January 29, 2025, BTG formally demanded payment from the issuer. As no payments had been made by the issuer as at December 31, 2025, the guarantee became enforceable against the Company. The obligation accrues interest at a rate based on SOFR plus a contractual margin, compounded monthly. Accordingly, the Company recognized a provision of approximately \$1.46 million (US\$1.08 million) as at December 31, 2025, representing management’s best estimate of the obligation, including accrued interest.

Interest associated with this provision is recognized in profit or loss and amounted to \$0.2 million (US\$0.2 million) for the year ended December 31, 2025 (December 31, 2024: \$nil).

NOTE 20– SHARE CAPITAL

Authorized

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

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Issued and Outstanding

	Number	Amount
Balance, December 31, 2023	124,001,778	\$ 31,828,122
Warrants exercised	9,490,378	4,280,054
Warrants Non-cash exercised	104,617	-
Warrants exercised FV allocation	-	892,436
Option exercised	240,000	31,000
Shares repurchased	(190,500)	(99,111)
Balance, December 31, 2024	133,646,273	\$ 36,932,501
Option exercised-non cash	557,194	22,832
Option exercised	20,000	4,800
Balance, December 31, 2025	134,223,467	\$ 36,960,133

Warrants:

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

	Exercise price	Number of warrants	Fair value
Balance, December 31, 2023	\$ 0.45	12,992,100	\$ 1,142,388
Non-cash exercised	-	(104,617)	(9,384)
Warrants exercise	-	(9,490,378)	(892,436)
Warrants expired	-	(3,397,105)	(240,568)
Balance, December 31, 2024	-	-	-
Balance, December 31, 2025	-	-	-

During the years ended December 31, 2025, and 2024, a total of \$nil and 9,594,999 warrants, respectively, were exercised. These warrants were issued at an exercise price of \$0.45. The remaining 3,397,105 warrants expired unexercised on July 31, 2024.

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 for accounting purposes to value the stock options at the award date. 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 under the Company's Plan. The options are vested on granting and are exercisable at \$0.65 for five years. 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 under the Company's Plan. The options are exercisable at \$0.85 for five years and fully vested on the issuance date. 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.

On September 4, 2024, the Company granted an aggregate of 1,800,000 stock options to employees of its subsidiaries under the Company's Plan. The options are exercisable at \$0.46 for five years and fully vested on the issuance date. 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 2.86%, and an expected average life of 5 years. The fair value of all these options was estimated at \$494,185.

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The following schedule describes the stock-based compensation transactions as of December 31, 2025:

	Number of Stock Options	Weighted average Exercise price	Fair value
Balance, December 31, 2023	11,495,000	\$ 0.51	\$ 3,406,602
Options granted	1,800,000	\$ 0.46	494,185
Option canceled	(300,000)	\$ 0.30	(47,274)
Option canceled	(60,000)	\$ 0.50	(17,470)
Option canceled	(270,000)	\$ 0.65	(104,373)
Option canceled	(150,000)	\$ 0.85	(75,585)
Option exercised	(140,000)	\$ 0.05	(3,996)
Options exercised	(100,000)	\$ 0.10	(13,380)
Balances, December 31, 2024	12,275,000		\$ 3,638,709
Option exercised	(660,000)	\$ 0.05	(22,832)
Option exercised	(20,000)	\$ 0.24	(2,766)
Balance, December 31, 2025	11,595,000		\$ 3,613,111

During the year ended December 31, 2025, A total of 680,000 stock options were exercised by option holders.

- 660,000 options were exercised at an exercise price of \$0.05 on a non-cash basis. The volume-weighted average trading price (“VWAP”) for the five trading days immediately preceding the exercise date was \$0.321. This VWAP was used to estimate the cost associated with the exercised options and was deducted from the number of shares issued. As a result, 557,194 common shares were issued in connection with this non-cash exercise.
- An additional 20,000 options were exercised at an exercise price of \$0.24 on a cash basis. Cash proceeds received from this exercise totaled \$4,800, and 20,000 common shares were issued.

The following schedules describe the stock options available and their remaining contractual life on December 31, 2025, and December 31, 2024:

	Number of Stock Options	Remaining life (yrs.)	Exercise Price
Granted on April 13, 2021	1,140,000	0.28	0.24
Granted on October 1, 2021	3,200,000	0.75	0.30
Granted on December 6, 2021	50,000	0.93	0.56
Granted on January 13, 2022	270,000	1.04	0.50
Granted on April 28, 2022	1,885,000	1.33	0.65
Granted on October 4, 2022	3,250,000	1.76	0.85
Granted on September 04, 2024	1,800,000	3.67	0.46
Balance, December 31, 2025	11,595,000	1.54	\$ 0.54

	Number of Stock Options	Remaining life (yrs.)	Exercise Price
Granted on July 7, 2020	660,000	0.51	\$ 0.05
Granted on April 13, 2021	1,160,000	1.28	0.24
Granted on October 1, 2021	3,200,000	1.75	0.30
Granted on December 6, 2021	50,000	1.93	0.56
Granted on January 13, 2022	270,000	2.04	0.50
Granted on April 28, 2022	1,885,000	2.33	0.65
Granted on October 4, 2022	3,250,000	2.76	0.85
Granted on December 31, 2024	1,800,000	4.75	0.46
Balance, December 31, 2024	12,275,000	2.44	\$ 0.51

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NOTE 21 – GENERAL AND ADMINISTRATIVE

The following schedule describes the general and administrative expenses incurred during the years ended December 31, 2025, and 2024:

Years ended December 31,	2025	2024 (Restated – Note 32)
Insurances	\$ 62,847	\$ 121,855
Legal and Accounting	1,359,719	2,596,384
Management fees and salaries	3,413,078	6,135,242
Professional fees	1,123,042	4,147,032
Office and administration	1,133,306	1,660,627
Shareholders information and investor relations	65,823	96,500
Depletion and depreciation	277,051	402,764
Impairment loss on receivables	1,427,282	-
	\$ 8,862,148	\$ 15,160,404
(-) Reclassification of legal expenses to discontinued operations	-	(870,264)
	\$ 8,862,148	\$ 14,290,140

NOTE 22 – OTHER INCOME, NET

The following schedule describes other income incurred during the years ended December 31, 2025, and 2024:

For the years ended December 31,	2025	2024
Operator's fee income (1)	\$ (464,068)	\$ (456,677)
Other income	(307,028)	(429,733)
Correction Factor (Note 7)	-	(6,810,941)
	\$ (771,096)	\$ (7,697,351)

- (1) Pursuant to the Joint Operating Agreement and the Consortium Agreement, Petrolia Ecuador is entitled to recover from non-operating partners overhead and service fees related to activities performed in its capacity as operator, including accounting, tax, and financial reporting services for Consortium Block 16 and Consortium Block 67.

NOTE 23 – FINANCE COST (GAIN), NET

The following schedule describes Financial (cost) gain, net during the years ended December 31, 2025, and 2024:

For the years ended December 31,	2025	2024
Interest on tax contingency provision (1)	\$ 2,789,049	\$ 2,980,846
Other financial (income) expense, net	334,180	(305,571)
	\$ 3,123,229	\$ 2,675,275

- (1) During the years ended December 31, 2025 Petrolia accrued interests of (i) \$2.4 million (US\$1.7 million) related to the provision for income tax credit reserve and (ii) \$0.2 million (US\$0.2 million) related to the provision for Solidarity Contribution tax and Capital outflow tax. (December 31, 2024: \$2.9 million related to the provision for income tax credit reserve and \$nil for Solidarity Contribution tax and Capital outflow (US\$2.1 million and \$nil, respectively)

NOTE 24 – INCOME TAX

The determination of the current income tax for the years ended December 31, 2025, and December 31, 2024, is detailed as follows:

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For the years ended December 31,	2025	2024 (Restated – Note 32)
Net loss before income taxes from continuing operations	\$ (12,730,536)	\$ (9,943,802)
Expected income tax recovery	(3,225,098)	(2,635,108)
Change in statutory, foreign exchange rates and other	19,011	441,244
Permanent differences	965,098	444,555
Change in estimate	12,858,618	(1,041,165)
Change in unrecognized deductible temporary differences	(8,323,150)	4,363,033
Total income tax expense	\$ 2,294,479	\$ 1,572,559
Total income tax current	\$ 14,490	\$ 1,572,559
Total income tax deferred	\$ 2,279,989	\$ -

The determination of the deferred income tax for the years ended December 31, 2025, and December 31, 2024, is detailed as follows:

For the years ended December 31,	2025	2024
Deferred tax assets(liabilities)		
Exploration and evaluation assets	\$ 1,370,216	\$ 1,373,060
Share issue costs	9,631	49,528
Property and equipment	260,023	197,207
RIFE	613,717	33,611
Upstream Loan	(9,330,090)	6,126,075
Non-capital losses	4,796,514	1,396,242
Unrecognized Deferred Income Tax Asset	-	(9,175,723)
Net deferred tax liability	\$ (2,279,989)	\$ -

2024 income tax expense of \$1,572,559 is attributable mainly to Petrolia Ecuador correction factor. The enacted tax rate for the year ended December 31, 2024 is 26.5%. 2025 income tax expense of \$ 14,490 is attributable to Operadora NSE Mexico. Enacted tax rate for year ended December 31, 2025, is 25.33%

As at December 31, 2025, the Company has recognized deferred tax liability of \$2,279,989 attributable to upstream loan revenue inclusion in 2026, which assumes a complete non-capital losses consumption in 2026.

NOTE 25 – NET LOSS PER SHARE

Basic and diluted net income per share is calculated as follows for the twelve months ended December 31, 2025, and 2024

For the years ended December 31,	2025	2024 (Restated Note 32)
Net loss	\$ (27,714,253)	\$ (32,477,345)
Net loss from continuing operations	(15,025,015)	(11,516,361)
Net loss from discontinued operations	(12,689,238)	(20,960,984)
<i>Weighted-average common share adjustments:</i>		
Weighted-average common shares outstanding, basic	133,945,901	128,765,626
Weighted-average common shares outstanding, diluted	133,945,901	128,765,626
Basic and diluted loss per share from continuing operations	(0.11)	(0.09)
Basic and diluted loss per share from discontinued operations	(0.10)	(0.16)
Total Basic and diluted loss per share	\$ (0.21)	\$ (0.25)
Fully diluted loss per share	\$ (0.21)	\$ (0.25)

Stock options and warrants were anti-dilutive for the years ended December 31, 2025, and 2024, due to the net losses incurred during these periods.

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NOTE 26 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Given the short-term nature of these financial instruments, the carrying values of cash, other receivables, trade payables, and other payables approximate their respective fair values as of December 31, 2025, and December 31, 2024.

The Company's financial instruments have been assessed in accordance with the fair value hierarchy outlined in IFRS 13, Fair Value Measurement. This hierarchy categorizes financial instruments into three levels based on the significance of the inputs used in measuring fair value:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of December 31, 2025, and December 31, 2024, all of the Company's financial instruments were classified as Level 1 or Level 2 in the fair value hierarchy. No financial instruments were classified as Level 3 during these periods.

No financial instruments were transferred between Levels 1, 2, or 3 during the years ended December 31, 2025, and December 31, 2024. Assessing the significance of a particular input to fair value measurement requires management's judgment, and such judgment may affect the instrument's placement within the fair value hierarchy.

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. Market risk management aims to mitigate appropriate market risk exposures and maximize returns.

Commodity Price Risk

Commodity price risk is the risk that a financial instrument's fair value or future cash flows will fluctuate due to changes in commodity prices. Lower commodity prices can also impact the Company's ability to raise capital. World economic events that dictate the supply and demand levels affect crude oil prices. From time to time, the Company may attempt to mitigate commodity price risk by using financial derivatives.

The Company had no commodity contracts between December 31, 2025, and 2024. Since the termination of its service contract on December 31, 2022, the Company has not generated revenue for twelve months ended December 31, 2025.

Foreign Currency Risk

The foreign currency risk is the risk that a financial instrument's fair value or future cash flows will fluctuate due to changes in foreign currency exchange rates. The Company is exposed to foreign currency risk as certain expenditures are denominated in Colombian pesos and US dollars. As of December 31, 2025, the US dollar to Canadian dollar exchange rate was 1.3706:1 (December 31, 2024 – 1.4388:1). A 1% change in the exchange rate would not have a material impact on the Company's US dollar cash balances held at December 31, 2025. The Company had no forward exchange rate contracts in place as at or during the year ended December 31, 2025. Accounts payable denominated in US dollars as of December 31, 2025 totaled \$1.3 million, and a 1% change in the exchange rate would not have had a material impact on the Canadian dollar equivalent of these balances.

Liquidity Risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as reasonable, that it will have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses. As at December 31, 2025, the Company has a working capital deficit of \$37.4 million (2024 – deficit of \$67.8 million) which includes \$1.5 million (2024 – \$0.84 million) of financial assets comprised of cash and restricted cash, trade, other receivables and deposits of \$1.7 million (2024 – 8.4 million), and financial liabilities comprised of trade and other payables, loan commitments, taxes payable, benefits obligations and assets retirement obligations with a contractual maturity of less than one year of \$39.2 million (2024 – \$76.2 million). During the year ended December 31, 2025, the Company reported net cash used in operating activities in the amount of \$6.7 million (2024 – net cash used, for \$9.0 million). The Company prepares operating and capital expenditure budgets which are regularly monitored and updated as considered necessary.

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NOTE 27 – RELATED PARTY TRANSACTIONS

During the years ended December 31, 2025, and 2024, the transactions paid for services provided to directors and officers were as follows:

For the years ended December 31,	2025	2024
Officers and management fees	\$ 2,387,647	\$ 3,059,752
Consulting fees paid to a director	234,615	79,734
Share-based payments	-	164,011
	\$ 2,622,262	\$ 3,303,497

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

On August 23, 2023, the Company and its Chief Midstream and Downstream officer agreed to terminate the original Officer's contract, signed on February 1st, 2022. As compensation for bridging the original agreement, the Company agreed to repay the departing officer US\$151,500, payable in twelve equal quarterly installments of US\$12,625. The departing officer will continue to act as an independent business development consultant for a monthly fee of US\$10,000.

NOTE 28 – CAPITAL MANAGEMENT

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

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. To maintain or adjust its capital structure, the Company may, from time to time, issue new shares, issue new debt (secured, unsecured, convertible and 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 the overall capital risk management strategy did not change during the year ended December 31, 2025.

NOTE 29 – SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital are as follows:

For the years ended December 31,	2025	2024
		(Restated Note 32)
Other receivables	\$ (44,668)	\$ (6,838,193)
Recoverable taxes	(55,340)	-
Advances to suppliers and others	(10,530)	205,110
Other assets	-	7,057
Investment property	-	-
Trade and other payables	686,164	3,181,178
Loan commitment	-	-
Taxes payables	(14,490)	959,750
Employee benefit obligation	-	405,119
Defined benefit obligation	-	(58,480)
Other liability	4,078,688	4,166,991
	\$ 4,639,824	\$ 2,028,532
(-) Reclassification of legal expenses to discontinued operations	-	(870,264)
	\$ 4,639,824	\$ 1,158,268

NOTE 30 – COMMITMENTS AND CONTINGENCIES

COMMITMENTS

Block VMM-18

Under the terms of the agreement executed concerning the VMM-18 E&P contract, The Company was required to 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, The Company was required to perform and drill an exploration well valued at \$4,063,200 (US\$3,000,000). All activities that NSE committed were completed except for the drilling of the exploratory well.

Due to significant financial and operational constraints imposed by the exploration area granted to the Company, on September 26, 2022, the Company submitted a request to the ANH to mutually agree to terminate the exploration and production contract for Block VMM-18. In response, the ANH asked for confirmation of the restrictions imposed on the exploration area. The Company provided the requested documentation on March 9, 2023. On May 31, 2024, the ANH issued a formal termination of the Agreement relieving the Company of any further obligations of the Project.

Consulting agreements

The Company is obligated under a consulting agreement for US\$10,000 per month until May 31, 2026. (Note 27)

Executive compensation

On July 1, 2021, the Company entered into employment agreements with its senior executives, which contain clauses requiring additional payments of up to US\$3,390,000 upon the occurrence of certain events, such as a change of control. As these triggering events have not occurred, these Financial Statements have not provided contingent payment.

CONTINGENCIES

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 cooperation agreement with Petroproduccion to increase crude oil production and reserves in the Shushufindi field, EP Petroecuador issued invoices for \$4,090,186 (US\$3,013,420) and initiated an enforceable by law collection

Law 122: Ecuador Petroecuador EP ("Petroecuador") is requesting the payment of \$22,547,423 (US\$16,610,743) to the consortium that operated Block 67 (Tivacuno) where the Company has a 35% interest. On August 14, 2024, a payment request was issued based on a unilateral liquidation performed by Petroecuador under a service contract which ended in 2010, stating that Petroecuador has not withheld the entire tariff of the tax contemplated in Law 122. The Company has challenged such payment request before the Tax Court, stating that the statute of limitations to request such payment has been largely exceeded. On September 19, 2024, Petroecuador initiated a coercive procedure to collect this contingency with interest. On October 4, 2024 Petroecuador, based on the information provided by Petrolia Ecuador S.A., cancelled the coercive procedure. In March 2026, Petroecuador initiated a new coercive procedure in relation to this matter, prompting the Company to file a claim before the Administrative Court to challenge the payment requests and the precautionary measures imposed. Such measures include orders to financial institutions and public entities to withhold any amounts payable to Petrolia Ecuador S.A. Petroecuador, through this coercive procedure, is requesting US\$ 21.3 million (US\$ 7.5 million net to NSE). The Company has not recorded any provision in the financial statements.

Auca Process, Yulebra, Culebra: EP Petroecuador claims payment of \$1,387,307.59 (US\$1,002,223) for information provided to REPSOL within a failed bidding process called by EP Petroecuador. REPSOL paid the cost of the bidding conditions, which included access to the "data room" and all the information available for this purpose. After several judicial resolutions (both from the Superior Court and the National Court of Justice), the process must be sent to the District Court of Administrative Disputes in the Metropolitan District of Quito for resolution. However, the request was denied. The Company has filed an extraordinary protection action before the Constitutional Court, which has not been admitted yet. During the year ended December 31, 2022, a prepaid balance of \$1.4 million was written off. The Company has not recorded any provision in the financial statements.

Special Examination Reports of the Comptroller General's Office

Friction Reduction 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 \$3,500,208 (US\$2,578,612) for the purchase and use of friction reducing chemical, of which \$1,225,073 (US\$902,514) corresponds to the Company. On November 23, 2006, Petrolia's Branch, on behalf of the contractor filed a challenge before the Contentious Administrative Court.

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Solidarity Contribution tax trial

On October 7, 2019, the Internal Revenue Service of Ecuador requested two additional payments on the denominated solidarity contribution on profits, created by the Organic Law of Solidarity and Citizen Co-responsibility. The Internal Revenue Service requested two additional payments totaling \$2,172,764 (US\$1,653,441), including principal, interest and penalties. The Company has challenged such payment requests and currently the matter is being discussed at the Tax Court and at the National Court of Justice in Ecuador. The Company has recorded a provision for the above-mentioned matter.

Based on a final and definitive ruling from the National Court of Justice, one of the additional payment requests was resolved favorably for the Company. Therefore, a reversal on the provision was recorded for \$0.19 million (US\$0.14 million) in 2024. As at December 31, 2025, the provision for this contingency is \$2.1 million (US\$1.6 million).

NOTE 31 – SEGMENTED INFORMATION

The Company's reportable segments are consistent with the Company's geographic regions in which the Company's projects are located. 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 Company has three reportable operating segments: Ecuador, Colombia, and Canada. Following the execution of a termination agreement with respect to Operaciones Petroleras Soledad, S.A. de C.V (OPS) during the year ended December 31, 2025, the Company discontinued its investment in OPS and the Mexico segment is no longer considered a reportable operating segment (Note 13). The following table shows the Company's reportable segments and their geographic locations.

The Brazil entity does not constitute a reportable operating segment as it has not commenced revenue-generating activities and is not monitored separately by the Chief Operating Decision Maker.

	Mexico	Ecuador	Colombia	Canada	Total
Year ended December 31, 2025					
Net income (loss)	\$ -	\$ (5,228,194)	\$ (422,035)	\$ (22,064,024)	\$ (27,714,253)
As of December 31, 2025					
Current asset	-	1,152,652	56,845	506,227	1,715,724
Non-current asset	-	5,588,578	402,920	-	5,991,498
Total assets	-	6,741,230	459,765	506,227	7,707,222
Current liabilities	-	35,289,549	22,625	3,848,583	39,160,757
Non-current liabilities	-	-	-	2,279,989	2,279,989
Total liabilities	\$ -	\$ 35,289,549	\$ 22,625	\$ 6,128,572	\$ 41,440,746

	Mexico	Ecuador	Colombia	Canada	Total
Year ended December 31, 2024 (Restated Note 32)					
Net income (loss)	\$ 1,608,067	\$ 1,831,779	\$ (1,724,595)	\$ (34,192,596)	\$ (32,477,345)
As of December 31, 2024 (Restated Note 32)					
Current asset	1,452	7,822,276	358,355	232,371	8,414,454
Non-current asset	26,125,279	289,243	30,929	35,676,276	62,121,727
Total assets	26,126,731	8,111,519	389,284	35,908,647	70,536,181
Current liabilities	12,679	33,309,394	312,676	42,575,090	76,209,839
Non-current liabilities	-	-	-	-	-
Total liabilities	\$ 12,679	\$ 33,309,394	\$ 312,676	\$ 42,575,090	\$ 76,209,839

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NOTE 32 - RESTATEMENT

During the preparation of the December 31, 2025 financial statements, the Company identified certain prior period errors related to the classification and recognition of balances in accordance with IFRS requirements. In accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, the Company recognized these adjustments in the appropriate periods to which they relate.

The nature of the adjustments is summarized below:

Reclassification of a restricted guarantee deposit held with Produbanco from cash and cash equivalents to restricted cash of \$598,582;

Reclassification of provision tax settlement arrangements and other balances from non-current liabilities to current, as the Company did not have the right at the reporting date to defer settlement for at least twelve months after the reporting period. This reclassification totaled \$28,981,443 for 2024 and \$22,662,562 for 2023;

Reclassification of corporate credit card balances from prepaid assets to liabilities, as the amounts were determined to represent obligations upon receipt and processing of expense reports, totaling \$100,912;

Adjustment to reflect previously unrecorded accruals within Operaciones Petroleras Soledad (“OPS”), impacting the Company’s share of income recognized under the equity method, totaling \$159,563; and

Recognition of accruals not recorded at year-end related to legal and professional services incurred in prior periods, totaling \$650,162.

The effects of these adjustments on the consolidated financial statements are summarized below. There was no impact on the Company’s net cash flows; however, certain presentation and reconciliation line items within the consolidated statement of cash flows have been revised accordingly

Consolidated Statement of Financial Position

As at January 01, 2024	As previously stated	Adjustment	Restated
Cash and cash equivalents	\$ 33,114,273	\$ (462,778)	\$ 32,651,495
Restricted cash	510,539	462,778	973,317
Total assets	48,658,378	-	48,658,378
Other short-term liabilities	-	22,662,562	22,662,562
Total current liability	3,936,045	22,662,562	26,598,607
Other short-term liabilities	22,662,562	(22,662,562)	-
Total non-current liability	22,662,562	(22,662,562)	-
Total Liability	26,598,607	-	26,598,607

As at December 31, 2024	As previously stated	Adjustment	Restated
Cash and equivalent	\$ 749,180	\$ (598,582)	\$ 150,598
Restricted Cash	100,000	598,582	698,582
Prepaid and advances payments	\$ 21,478	\$ 100,912	\$ 122,390
Total current assets	8,313,542	100,912	8,414,454
Investments in joint venture and loan commitment	61,706,854	(159,563)	61,547,291
Total non- current assets	62,281,290	(159,563)	62,121,727
Total assets	70,594,832	(58,651)	70,536,181

Trade and other payables	4,801,609	753,716	5,555,325
Other liability	-	28,981,443	28,981,443

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Total current liabilities	46,474,680	29,735,159	76,209,839
Other liability	28,981,443	(28,981,443)	-
Total non-current liability	28,981,443	(28,981,443)	-
Total liabilities	75,456,123	753,716	76,209,839
Deficit	(46,714,524)	(812,367)	(47,526,891)
Total equity	(4,861,291)	(812,367)	(5,673,658)
Total liabilities and shareholders' equity	\$ 70,594,832	\$ (58,651)	\$ 70,536,181

Consolidated Statement of Operations and Comprehensive Loss

For the year ended December 31, 2024	As previously stated	Adjustment	Restated
General and administrative	\$ (14,507,600)	\$ (652,804)	\$ (15,160,404)
Income from investment in joint venture	1,663,979	(159,563)	1,504,416
Operating loss from continuing operations	(7,839,984)	(812,367)	(8,652,351)
Net loss from continuing operations	(16,323,560)	(812,367)	(17,135,927)
Net loss from discontinued operations	(15,341,418)	-	(15,341,418)
Net loss	(31,664,978)	(812,367)	(32,477,345)
Basic and diluted loss from continuing operations	(0.09)		(0.09)
Basic and diluted loss from continuing discontinued	(0.16)		(0.16)
Basic and diluted loss per share	(0.25)		(0.25)

Consolidated Statement of changes in (Deficit) Equity

As at December 31, 2024	As previously stated	Adjustment	Restated
Net loss for the year	\$ (31,664,978)	\$ (812,367)	\$ (32,477,345)
Deficit	(46,714,524)	(812,367)	(47,526,891)
Total equity	(4,861,291)	(812,367)	(5,673,658)

Consolidated Statement of Cash Flows

For the year ended December 31, 2024	As previously stated	Adjustment	Restated
Operating activities			
Net loss for the year	\$ (31,664,978)	\$ (812,367)	\$ (32,477,345)
Income from investments in joint venture	(1,663,979)	159,563	(1,504,416)
Net change in non-cash working capital items	1,375,728	652,804	2,028,532
Cash (used) in provided by operating activities-continuing operations	(9,031,824)	-	(9,031,824)