



NEW STRATUS ENERGY INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022

This Management's Discussion and Analysis ("MD&A") is meant to help readers understand key operational and financial events that influenced the results of New Stratus Energy Inc. (the "**Company**", "**our**", or "**we**") for the six months ended September 30, 2022.

This MD&A is dated November 29, 2022, and should be read with the Company's unaudited interim consolidated financial statements for the three months ended September 30, 2022. Additional information, including the Company's previous MD&A, and audited consolidated financial statements for the year ended March 31, 2022, is available on SEDAR at www.sedar.com. Information contained in the annual MD&A is not discussed in this MD&A if it remains substantially unchanged.

All dollar figures in this MD&A are expressed in Canadian dollars, unless otherwise stated.



TABLE OF CONTENTS

BUSINESS OVERVIEW	2
CORPORATE STRATEGY	2
QUARTERLY RESULTS OVERVIEW	4
FINANCIAL AND OPERATING RESULTS	5
OTHER EXPENSES AND INCOME.....	7
ENVIRONMENT, SOCIAL AND GOVERNANCE.....	11
LIQUIDITY AND CAPITAL RESOURCES.....	16
SHARE CAPITAL.....	19
INTERIM MD&A QUARTERLY INFORMATION.....	20
OUTLOOK.....	21
RISKS AND UNCERTAINTIES.....	21
NON-IFRS AND OTHER FINANCIAL MEASURES.....	21
OTHER FINANCIAL INFORMATION	25
ADVISORY ON FORWARD-LOOKING STATEMENTS	28
GLOSSARY.....	29



The following is management’s discussion and analysis of the financial condition and results of operations (“**MD&A**”) of New Stratus Energy Inc., (the “**Company**”), for the three and six months period ended September 30, 2022, and its financial position as of the same date, and should be read in conjunction with the Company’s interim unaudited consolidated financial statements as at September 30, 2022, including the notes thereto. The comparative reporting period is the six months ended September 30, 2021.

The consolidated financial statements of the Company have been prepared in accordance with IFRS as issued by the IASB.

All figures are in Canadian dollars, unless otherwise noted.

Additional information relating to the Company has been filed electronically through the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) and is available online at www.sedar.com

The date of this management’s discussion and analysis is November 29, 2022.

BUSINESS OVERVIEW

The Company is a publicly traded company domiciled in Canada. Its primary operations involve the acquisition, exploration, and development of oil and gas properties in two Latin American countries (Ecuador and Colombia) and, since January 14, 2022, the operation and production of oil and gas deposits. The Company was incorporated on April 12, 2005, pursuant to the *Business Corporations Act* (Alberta) and is a reporting issuer in Alberta, British Columbia, Ontario and Saskatchewan. The common shares of the Company are listed on the TSX Venture Exchange under the trading symbol “NSE”.

The Company’s registered office is 1500, 850 2nd Street S.W., Calgary, Alberta, Canada, and its mailing address is 372 Bay Street, Suite 3100, Toronto, Ontario, M5H 2W9.

CORPORATE STRATEGY

Management’s objective is to increase production to approximately 50,000 boe/d within 3 to 5 years. This strategy involves the acquisition of production up to 15,000 boe/d and the utilization of management expertise to improve and grow organically acquired production.

Among the countries in which the sub-Andean basins are found, the Company’s primary targets are in Colombia, Ecuador, Brazil and Mexico, which offer attractive contractual conditions.

These four countries have a significant production history, extensive oil reserves and established infrastructure, as well as the presence of important service companies for the management of hydrocarbon exploration, production and transportation operations. Ecuador is migrating from a legislation which establishes contracts with the government based on service contracts to a new form where the old contracts are being migrated to a profit-sharing partnership scheme.

Under this approach, the Company continues with the evaluation of projects with proven and probable reserves (2P reserves), as well as with an exploratory upside, in order to maximize the investments to be made by the Company and the return to its shareholders.

Management is focused on the following specific targets in the above-mentioned countries:



Colombia

- Acquire production operators/assets
- Farm-in
- Bidding rounds
- Direct negotiations with national producers and regulators.

Ecuador

While the existing Service Contracts (as defined below) for Blocks 16 and 67 are set to expire in December 2022, significant production potential remains and the Company has announced plans to spend approximately US\$200 million in 2023 and 2024, in drilling and workovers operations, increasing surface facilities and water disposal capacity following negotiations with the Government of Ecuador to extend rights to the Blocks.

Moreover, the Company plans to continue evaluating new opportunities and expanding its participation in additional production blocks.

On September 8, 2022, the Company entered into an asset purchase agreement (the “**Agreement**”) with one of the Company’s working interest partners (the “**Vendor**”) in Blocks 16 and 67 in Ecuador (the “**Blocks**”) to acquire the Vendor’s entire working interest in the Blocks. Pursuant to the Agreement, the Company will acquire an additional undivided 31% working interest in the service contracts (the “**Service Contracts**”) for the Blocks for total consideration of approximately US\$1.2 million cash, subject to adjustment for working capital and for carryforward payments under the Service Contracts (the “**Transaction**”). Completion of the Transaction is subject to prior regulatory approvals, including authorization by the Ecuadorian Ministry of Energy and Mines and antitrust authorities. The Transaction, upon statutory approval, will consolidate the Company’s working interest in the Blocks, increasing from 35% to 66%.

Brazil

- Current government has continued the liberalization of the Brazilian economy in general, and of the oil and gas industry
- Acquisition of existing operators with upside potential and environmental permits
- Farm-in on existing ready to drill or producing blocks
- Participate in bid rounds from the Brazilian National Agency of Petroleum (“**ANP**”)

Mexico

- The country is migrating from a legislation which establishes contracts with the government based on service contracts, to a new form where the old contracts are being migrated to a profit-sharing partnership scheme
- Acquisition of existing operators with upside potential and environmental permits
- Participate in onshore bid rounds from the Mexican National Hydrocarbons Commission



QUARTERLY RESULTS OVERVIEW

Financial and Operating Highlights

For the three months ended,	September 30, 2022	June 30, 2022
Revenues	\$ 29,492,399	\$33,226,400
Cash flow provided (used) by operating activities	(15,665,985)	9,151,256
Funds flow provided by operations ⁽¹⁾	8,999,535	20,781,579
Per share – basic ^{(2),(3)}	0.08	0.18
Per share – diluted ^{(2),(3)}	0.07	0.16
Net income	(3,756,711)	14,012,354
Per share – basic ⁽³⁾	(0.03)	0.12
Per share – diluted ⁽³⁾	(0.03)	0.11
Adjusted EBITDA ⁽³⁾	10,488,361	19,682,227
Per share – basic ^{(2), (3)}	0.09	0.17
Per share – diluted ^{(2), (3)}	0.08	0.15
Capital investment ⁽¹⁾	195,115	986,047
Free funds flow ⁽¹⁾	8,804,420	19,795,532
Weighted average shares outstanding (end of period)		
Basic	119,439,730	112,749,344
Diluted	131,556,191	127,209,694
Total assets (end of period) ⁽⁴⁾	\$ 113,178,928	\$ 113,386,768
Net non-cash working capital (end of period) ⁽⁴⁾	(36,074,726)	(11,421,766)
Total liabilities (end of period) ⁽⁴⁾	74,542,546	70,873,712

(1) Non-IFRS financial measure (as defined in NI 52-112), which is not a standardized financial measure under IFRS and might not be comparable to similar financial measures disclosed by other issuers. See Non-IFRS and Other Financial Measures for the composition of such measure, and explanation of how such a measure provides useful information to a reader and the additional purposes for which management uses such measure, and a reconciliation of such financial measure to the most directly comparable IFRS measure disclosed in the Company's financial statements.

(2) Non-IFRS ratio. See Non-IFRS and Other Financial Measures.

(3) Per share amounts are based on weighted average common shares.

(4) Comparative figure is as at June 30, 2022.



FINANCIAL AND OPERATING RESULTS

Financial Results

Periods ended September 30,	Three months		Six months	
	2022	2021	2022	2021
Income				
Provision of services	\$ 27,966,546	\$ -	\$ 60,158,736	\$ -
Operators fees	139,602	-	247,718	-
Other (1)	1,386,251	-	2,312,345	-
Total Revenue	29,492,399	-	62,718,799	-
Operating Expenses	16,095,221	-	27,635,602	-
Depletion & Depreciation	8,981,343	-	18,119,674	-
Gross Profit	\$ 4,415,835	\$ -	\$ 16,963,523	\$ -

(1) There was no income earned during the period ending September 30, 2021.

(2) Income for services rendered by the Block 16 Consortium to the Block 67 Consortium to execute exploration and exploitation of hydrocarbons activities

The Company's revenue growth for the three months ended September 30, 2022, when compared to the same period of last fiscal year, was mainly due to the acquisition of 35% working interest in Blocks 16 and 67 in Ecuador on January 14, 2022.

The total oil production of Blocks in Ecuador, including the partner's working interest was 14,890 bbl/d for the three months ended September 30, 2022, of which Petrolia Ecuador's share averaged 5,212 bbl/d, compared to nil for the same period in 2021

Oil production, net from auto consumption, generated \$28 million in revenue for the Company for the three months ended September 30, 2022, compared to \$nil for the same period in 2021.

For the six months ending September 30, 2022, the Company generated net income of \$10.3 million (\$0.09/share), compared with a net loss of \$1.4 million (\$0.01/share) for the six months ended September 30, 2021.

For the three months ending September 30, 2022, the Company generated a net loss of \$3.7 million (\$0.03/share) compared to a net loss of \$0.9 million (\$0.01/share) for the three month period ended September 30, 2021.

The Company did not have operating revenues during the six months ended September 30, 2021 as it had not started oil production until January 14, 2022, date of the acquisition of its operations in Ecuador.



Operational Highlights

Petrolia Ecuador S.A.

The main activity of Petrolia Ecuador S.A. (“**Petrolia Ecuador**”) is the production of hydrocarbons (crude oil directly or through its participation in "associations or consortiums", through which it can manage in different locations one or several contractual areas within the territory of the Republic of Ecuador, with each "association or consortium" having the material and human resources (its own or third parties).

Key Operational Highlights – Petrolia Ecuador:

The following schedule describes key production parameters for the three months period ended September 30, 2022 and compares it to the previous quarter ended June 30, 2022. As the Company acquired its producing operations on January 14, 2022, there are no comparative numbers for the three months ended September 30, 2021.

Key Operational Highlights

Three months ended		September 30, 2022	June 30, 2022
WTI	\$US/bbl	93.18	108.72
Total Blocks heavy crude oil production	bbl/d	14,890	15,369
Petrolia Gross heavy crude oil production	bbl/d	5,212	5,379
Sales production	bbl/d	4,379	4,438
Service Tariff ⁽¹⁾	\$/boe	49.02	49.55
Carryforward recovery ⁽²⁾	\$/boe	19.47	34.58
Net revenue ⁽³⁾	\$/boe	68.49	84.13
Operational costs	\$/boe	27.07	23.57
Gross Margin	\$/boe	41.42	60.56

(1) Service Tariffs (Block 16: \$50.61 \$/bbl and Block 67: \$38.32 \$/bbl)

(2) Recovery/accumulation of carryforward as per the Service Contract. As of Sept 30, 2022, the carryforward balance is \$389.34 M (\$136.27 M net the Company).

(3) Effectively collected by Petrolia (Tariff + Carryforward).

Financial Results – Production- in thousands of Canadian dollars

Three months ended	September 30, 2022	June 30, 2022
Service Tariff	19,980	20,013
Carryforward recovery	7,987	13,967
Net revenue	27,967	33,980
Net Income	11,564	21,697
Operational costs	15,207	11,540
Operating EBITDA	14,286	22,423



Income:

Total oil production from the Blocks, including working interest partner production, was 14,890 bbl/d in the three months ended September 30, 2022, of which Petrolia Ecuador's share averaged 5,212 bbl/d compared to 5,379 bbl/d for the three months ended June 30, 2022.

During the three months ended September 30, 2022, the Company's gross heavy crude oil production decreased marginally by approximately 167 bbl/d from the first quarter of fiscal 2023. Oil production increased marginally by 1.4% from 15,157 bbl/day in the three months ended March 31, 2022 to 15,369 bbl/day in the three months ended June 30, 2022 as a result of higher delivery of crude oil that was stored in tanks in December 2021. During the three months ended June 30, 2022, Ecuador experienced a national strike for 18 days in June 2022. Despite the strike occurring, the Company was able to maintain production levels, whereas most oil producers reduced their output.

The carryforward recovery decreased to \$8 million in the three months ended September 30, 2022, from \$14 million during the three months ended June 30, 2022. The decrease of the West Texas Intermediate (WTI) from an average of \$US108.83/Bbl in the first quarter of fiscal 2023 to US\$93.18/Bbl in the three months ended September 30, 2022 contributed to this decline.

During the three months ended June 30, 2022, the WTI allowed for a complete recovery of the service tariff and additional Carryforward amounts (as defined below), reaching net revenue of \$68.49/boe. During the three months ended June 30, 2022, the higher WTI and service tariffs adjustments also contributed to a higher net revenue of \$84.13/boe compared to \$65.49/boe in the three months ended March 31, 2022.

The Service Contracts establish that the Company will receive the Full Service Tariff when the Available Income is equal or higher than the Tariff; otherwise, the Company is entitled to collect only the Available Income. If a deficit is generated (the "Carryforward" amount), it could be collected in the future, when the available income, depending on oil price, is greater than the Tariff, until contract termination.

Operating cost and expenses:

Gross profit for the six months ended September 30, 2022 was \$17 million, compared to \$Nil for the comparative period ending September 30, 2021.

Gross profit for three months ended September 30, 2022 was \$4.4 million, compared to \$Nil for the comparative period ending September 30, 2021.

The Company had no profit for the six months period ending September 30, 2021, because there was no oil production and sales. The Company considers Petrolia Ecuador a profit center, accordingly all its general and administrative costs of the Ecuadorian operations are part of its operating cost.

During the three months ended June 30, 2022, a higher WTI and service tariffs adjustments contributed to a higher gross margin of \$60.56/boe when compared to \$41.42/boe in the three months ended September 30, 2022.



Operating expenses – Ecuador:

For the three months ended	September 30, 2022	June 30, 2022
Consumption of inventories & purchases	\$ 3,412,145	\$ 2,660,721
Participation to the state social investments projects	498,530	(93,321)
Employee benefits	2,980,085	3,584,822
Insurance premium	343,500	336,594
Catering services	215,158	278,027
Crude oil treatment	465,513	446,410
Plants maintenance	532,686	529,964
Taxes	689,211	774,539
Office and administration	1,750,460	833,101
Services received, rental of machinery & vehicles	4,319,230	2,189,524
Total direct operating expenses	\$ 15,206,518	\$ 11,540,381
Other indirect charges	888,703	-
Total operating expenses	\$ 16,095,221	\$ 11,540,381

Three months ended September 30, 2022 (“Q2F2023”) vs. Three months ended June 30, 2022 (“Q1F2023”):

For the periods under review, consumption of inventories and purchases increased by 30% from Q1F2023 to Q2F2023 mainly due to higher purchases of diesel (10K Bbls, aprox.), consumed on power generation to maintain the levels of fluid production and to have sufficient stock while Wartsila generators (crude based) entered scheduled maintenance.

Participation to the state social investments reflected in Q1F2023 a net effect between (i) a reversal of \$1.3 million (due to 2021 Ecuadorian tax returns amendments) and (ii) an additional accrual of \$1.26 million. In Q2 F2023 the amount reported contains only the current expense for this period.

Salary and employee benefits for Q1F2023 contains the effects of a salary increase applied to all the employees retroactively to January 1, 2022

Catering services for Q1F2023 reflect additional employee events as well as additional food purchases due to national strike.

Office and administration expenses increased by \$0.9 million from Q1F2023 to Q2F2023 due to the increase of various administrative expenses such as home office overhead, security and advertising.

Services received, rental of machinery and vehicles almost doubled from the Q1F2023 to Q2F2023 mainly due to a: (a) \$2.5 million increase on the implementation of new software and corporate licenses (i.e. SAP4 HANA, ZOHO), IT consultants and the cost of training personnel; (b) \$0.26 million increase due to additional development studies; and (c) \$0.65 million reduction on workover jobs.



Depletion and amortization

For the three and six months ended September 30, 2022, the Company recorded \$9.0 million and \$18.1 million, respectively, in depletion and amortization charges, a non-cash item. The charges mainly represent the amortization of the differential between the fair value allocated to the Ecuadorian oil reserves as estimated at the time of the acquisition of Blocks 16 and 67, over their book value. The unamortized value of these reserves as of September 30, 2022, is approximately US\$6.3 million.

CONSOLIDATED GENERAL AND OTHER EXPENSES:

A detail of the consolidated expenses and income items for the three and six months ended September 30, 2022 and 2021. These amounts are presented in accordance with IFRS accounting standards.

Periods ended September 30,	Three months		Six months	
	2022	2021	2022	2021
General and administrative	2,908,817	914,717	4,912,599	1,259,127
Financial (income) cost, net	297,801	(185)	414,093	(185)
Stock-based compensation	715,251	-	978,219	178,427
Foreign exchange loss (gain)	716,799	1,471	1,248,543	(7,073)
Write-off of exploration assets	1,952,358	-	1,952,358	-
Discount rate gain	392,985	-	561,985	-
Other income, net	(735,981)	-	(1,034,551)	-

General and Administrative

The following schedule describes the Company's general and administrative expenses for the three and six months ended September 30, 2022 and 2021:

Periods ended September 30,	Three months		Six months	
	2022	2021	2022	2021
Insurances	\$ 5,366	\$ 2,500	\$ 5,566	\$ 6,267
Legal and accounting	200,608	88,932	607,363	163,793
Management fees	441,125	375,624	886,254	526,674
Professional fees	805,296	323,019	1,504,682	412,142
Office and administration	959,237	51,648	1,331,124	61,692
Shareholders information and investor relations	497,185	72,994	577,610	88,559
	\$2,908,817	\$ 914,717	\$4,912,599	\$1,259,127



Stock-based Compensation

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

On April 28, 2022 the Company granted an aggregate of 2,340,000 stock options to employees of its subsidiaries, pursuant to the Plan. The options vested on granting and are exercisable at \$0.65 for a five-years period. The fair value of each option was estimated on the date of the grant using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%, expected volatility of 70%; risk-free interest rate of 2.66%; and an expected average life of 5 years. The fair value of all these options was estimated at \$904,568.

Reserves and Exploration Update

Proved and probable oil reserves

The Company received an independent certified reserves evaluation report (“Reserve Report”) from Petrotech Engineering Ltd. for the interests of Petrolia Ecuador, a subsidiary of the Company in Blocks 16 and 67 in the Oriente Basin of Ecuador, with total net 2P reserves of 1.2 million barrels of heavy oil. The Reserve Report was prepared as of March 31, 2022. As the current Service Contracts will expire on December 31, 2022, and a new operating contract has not been finalized, the reserve report was prepared assuming the termination of the operation on such date.

The Reserve Report was prepared in accordance with the definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook and NI 51-101.

Based on the rights granted to the Company in the Service Contracts, the Company is in the process of negotiating with Ecuadorian authorities the extension of the contract and its conversion from a service contract into a Production Sharing Contract.

Exploration activities: Colombia - Block VMM-18

On November 27, 2018, the Company entered into a Farm-in Agreement with Montajes JM (“JM”) where the Company has the right to earn up to 100% in Block VMM-18 (the “Project”) owned by Montajes JM. The vendor will receive a 5% overriding royalty in the production in the block. Montajes is the current operator of Block VMM-18. The Company will become the operator when the environmental license is granted by the National Authority for Environmental Licenses (“ANLA”).

The Block VMM 18 is an exploration and production contract (the “E&P VMM-18 Contract”) with the Colombian National Hydrocarbons Agency (“ANH”) it has a total area of 75,968 acres and is located in the Middle Magdalena Basin. The block is highly prospective for light and medium gravity oil, as are the surrounding oil fields. Management has identified several prospects and leads based on interpretation of the existing 2D and 3D seismic data. Analogous to nearby discoveries (Guaduas, Puli, and Toqui-Toqui), some of them in similar play-type, decreasing the risk of the prospects in the Block VMM-18, with nearby access to pipelines with extra capacity as well as a road transportation network to the export terminal.



The acquisition of the property requires the execution of an exploratory well, an environmental study in the prospective area has to be done. The Company is waiting for an approval of the required license by the ANLA.

As part of these activities, the cartography of a large perforable structure was achieved, which is divided by side ramps into four compartments of Northeast-Southwest orientation. The Company already placed on the maps the structure to be drilled in the first place, made the prognosis of the drilling of the same and made the visit to the field to verify the routes of penetration to reach the site where the location will be built for this first well to be drilled in this large structure.

Exploratory commitments of the VMM-18 contract

Completed Activities

Seismic Data Reprocessing:

As part of its commitments, the Company needed to complete 963 km² of 2D seismic and 60 km² of 3D seismic and on May 18, 2022, the support documentation for the testing of 803 km of 2D seismic and 60 km² of 3D seismic was submitted to the ANH, including documentation related to US\$251,416 invested on, to prove compliance with the obligations of the Mandatory Exploratory Program for Phase 2 of the E&P VMM-18 Contract.

Environmental Impact Study:

In November 2020, the Company contracted ASI S.A.S to prepare an environmental impact study (“EIS”) which started in December 2020.

The field activities required for the preparation and presentation of the EIS have been carried out in compliance with the schedule presented to the ANH. On April 4, 2022, the ANLA requested additional information which the Company sent that on May 10, 2022, fulfilling all ANLA requirements. The Company received the approval of the EIS on August 24, and the corresponding issuance of the required environmental license by the ANLA however with stringent limits in the exploration area.

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

As the exploration area granted the Company with limits to perform the exploratory well limits the feasibility of the project, both financially and operationally, on September 26, 2022, the Company requested the ANH to terminate of the Project. Accordingly, the Company has written-off \$1,952,358 of the capitalized exploration expenditure from its books.

ENVIRONMENT, SOCIAL AND GOVERNANCE

The Company’s environmental, social and governance (“ESG”) performance includes information of its operations in Ecuador and how it is helping to mitigate potential non-financial risks emanating from the oil fields.

The report complements information on our operations and financial performance above, in order to provide a holistic overview of our performance and priorities to ensure we are sustainable.



Environmental

The operation of Blocks 16 and 67 takes place in an area of great environmental sensitivity, which partially coincides with the Yasuní National Park, located in the Amazon jungle of Ecuador.

The Company continues to make improvements in the design and efficiency of the operational processes in Ecuador, with the goal to enhance environmental performance. We are reviewing practices such as cluster drilling (multiple wells drilled per location), directional and horizontal drilling, centralized production facilities, injection wells for handling produced water, construction of centralized industrial facilities, roads and right of way with minimization of the use of areas (reduction of deforestation) incorporated from the beginning. Thus, the area occupied by industrial facilities, internal roads and right of way is only 0.26% (367 hectares) of the total concession area (138,800 hectares).

In addition, all produced gas is used for self-generation of electricity, which means a zero-flaring operation. Throughout the years, a series of improvements have been introduced in the efficiency of power generation processes that have resulted in the reduction of approximately 140,000 tons of CO₂ equivalent (eq) per year, since 2014. As in previous periods, all the gas produced in this quarter has been used for electricity generation and, consequently, no gas has been burned in flares (zero flaring).

Since the start up of operations, 100% of water produced has been re-injected into geological formations isolated from any body of water or freshwater aquifer. Hydrogeological studies carried out in 2022 have shown that after 28 years of operation, the injection of formation water has not affected any underground or surface freshwater resource and therefore has not affected the environment or communities living in the area of influence. Industrial effluents are treated and monitored before being discharged into the environment.

100% of the waste generated in the operation is collected, segregated and transferred outside the operating area to be treated, recycled and finally disposed of by an authorized agent complying with the best practices of the industry. Our operations have a waste management program (circular economy) in place, to reduce, reuse and recycle a significant part of the raw materials and spare parts used in the operation. 70% of generated waste is re-used and/or recycled.

Current operations in Ecuador are subject to regular and frequent inspections, monitoring and audits, which are conducted by the Ministry of Environment. The results of these audits finalized in this period did not find any non-conformities or significant observations.

Future projects consider, very prominently, the interconnection of Blocks 16 and 67 with the interconnected electrical system of Ecuador (which is based on 85% of renewable hydroelectric sources), this will result in a reduction of approximately 70% (350,000 ton CO₂ eq.) of current emissions, becoming one of the projects with the greatest contribution in Ecuador and in the Region in the reduction of greenhouse gases and contribution to climate change as part of the Company's ESG strategy.

The remaining emissions (approximately 200,000 tons of CO₂ eq.) will be managed through an annual reduction and compensation program, which includes participation in own emission neutralization projects and participation in similar initiatives promoted by the Ministry of the Environment in Ecuador.



New projects for the development of Blocks 16 and 67 do not consider the opening of new areas in the jungle and other interconnection projects with adjacent blocks will have a very small impact in this regard, it is estimated that the deforested area in the concession area will remain below 0.3%.

The Company, through the implementation of its health and safety policy, maintains strict compliance with the Ecuadorian environmental legal framework, the World Bank's environmental performance practices and the best applicable environmental practices of the industry (The International Association of Oil & Gas Producers and the International Petroleum Industry Environmental Conservation Association). For the three months ended September 30, 2022, work has continued, to review the history of compliance of the obligations included in our Environmental Management Program and the requirements for environmental events occurred in the past, with the aim of ensuring that all regulatory and administrative aspects are closed before the end of the year. Compliance with all operational aspects related to environmental obligations and activities related to environmental events are up to date.

Petrolia Ecuador has expressed interest in participating in meetings being held by the Ecuadorian Ministry of Environment to gather information on the zero-carbon program. The program is an initiative to develop, together with the industry, options for offsetting emissions.

Social

Blocks 16 and 67 (Tivacuno) are located in the Waorani and Kichwa indigenous communities. To balance the opportunities that the communities have for a better quality of life, prior operators signed a collaboration agreement with the Nacionalidad Waorani del Ecuador (“N.A.W.E”) in the Waorani community. The agreement focuses on four broad clusters: health, education, support to N.A.W.E. management and community leaders and, support to the development of communities. For the year ending March 31, 2023, a budget has been assigned that is managed by Petrolia as operator for the Blocks 16 and 67 and indigenous communities N.A.W.E. and Kichwa, to ensure the goals planned are met.

In the three months ended September 30, 2022, the work related to community management has been conducted according to the Annual Operation Plan. Below are the figures related to the execution of the Annual Plan as of September 30th, that contains the figures on a Consortium basis and are expressed in USD:

Initiatives and actions:

Expressed in USD	Budget	Incurred	Balance to incurr
<i>Waorani communities:</i>			
Health	\$ 36,500	\$ 31,244	\$ 5,256
Education	264,127	167,959	96,168
Support to N.A.W.E organization	169,200	131,750	37,450
Support to communities	394,056	371,501	22,555
	863,883	702,454	161,429
<i>Kichwa community:</i>			
Overall support	215,990	221,433	(5,443)
Total all communities	\$ 1,079,873	\$ 923,887	\$ 155,986



Health Program:

The Company, through Petrolia Ecuador, provide aid to the community's sick that included healthy diet, accommodation, medical supplies, and other expenses to meet their needs as part of the medical health assistance. Patients who could not reach immediate medical help, due to their territorial location, were transported by air. We also support dental health care to the community.

Petrolia Ecuador continues to support a medical dispensary facility to assure the best medical aid is available to the Waorani community.

Education Program.

The Company supports educational establishments in different communities, such as: Guiyero, Yarentaro, Gabaro, "Yanchana Inti" school and "Guardiana de la Lengua Dicaro" school. Teachers, provided by the operator, guide children and young people following the guidelines of Ministerio de Educación (Ministry of Education). They accompanied the students during classes and in their homes when it was necessary, giving them the tools to enhance their education.

During the six months ended September 30, 2022 there were twenty students from the communities who obtained economical support for them to study in different institutions. This support includes diet, accommodation, transportation, uniforms, and supplies.

Support to N.A.W.E Organization:

A monthly economic support for administrative, office lease and other expenses related to the organization management was given, as well as logistical expenses for community leaders.

In addition to the above, we provide a free bus transportation for the communities.

For the Company, the conservation of the culture and traditions of Waorani people is important. This is the main reason that, during the three months ended September 30, 2022, food was delivered for the celebration of cultural and festive events, both in the Waorani communities located in Petrolia's operations, as well as the surrounding areas.

On November 10, 2022, the Company announced it had entered into a letter of intent (the "**LOI**") with the Waorani Nationality of Ecuador – NAWE- ("**Waorani Nationality**"). The LOI signed between Petrolia Ecuador, the Company's Ecuadorian subsidiary, outlines the terms and conditions for the extension, maintenance and enhancement of the agreement currently in place between the Company and the Waorani Nationality (the "**Waemo Kewingi Agreement**"), which outlines cooperation between the parties through annual operating plans, health, education, organisational support, project promotion and infrastructure support which is set to expire with the current service provision contract for Blocks 16 and 67 ("**Service Contract**") on December 31, 2022.

The LOI maintains the current concept of cooperation with the Waorani Nationality subject to the extension and migration of the Service Contract to a production sharing contract (the "**Production Sharing Contract**"). In addition, the LOI contemplates the following enhanced items to the Waemo Kewingi Agreement:



- Extending the term of the Waemo Kewingi Agreement to match the extension term of the new Production Sharing Contract.
- Expanding the budget to approximately US\$1.2 million to meet the most important needs of the community, focused on education, health and basic services.
- Allocation of 70% of the annual budget of the Annual Operating Plans for the communities of direct influence of the operation.
- Incorporating the term “Participation in Dividends” which permits the Waorani Nationality to participate in the financial success of the Company, which will provide benefit to the community based on the implementation of projects related to education, health, production and infrastructure; representing a disruptive change to the traditional oil sector business model in Ecuador.

Completion of the LOI is subject to certain conditions including, but not limited to, the completion of definitive documentation, completion of the extension and migration of the current Service Contracts to Production Sharing Contracts and all necessary third-party consents and approvals.

LIQUIDITY AND CAPITAL RESOURCES

The Company’s principal liquidity and capital resource requirements include:

- Capital expenditures for exploration, production and development, including growth plans.
- Costs and expenses relating to operations, commitments and existing contingencies.
- Mergers & acquisition activities.

Liquidity

The Company funds its anticipated cash requirements and strategic objectives using current cash and working capital balances, cash flows from operations, and, if required additional equity financing. In accordance with the Company’s investment policy, available cash balances are held in current non-interest-bearing accounts and interest-bearing savings accounts. The Company regularly reviews its capital structure and liquidity sources with a focus on ensuring that capital resources will be sufficient to meet operational needs and other obligations.

Operating Activities

For the six months ended September 30, 2022, cash used in operating activities was \$6,514,729 compared to \$1,712,190 used during the six months ended September 30, 2021. The Company’s working capital position increased from \$29.1 million on March 31, 2022, to \$ 41.5 million on September 30, 2022.

Investing Activities

Cash used in investing activities for the six months ended September 30, 2022 was \$ 1.2 million, compared to \$0.6 million used during the six months ended September 30, 2021. Investing activities for the six months ended September 30, 2022 were principally composed of property plant and equipment acquisitions for approximately \$0.7 million and \$0.6 million in exploration and evaluation expenditure, principally as due diligence and negotiation costs associated with Petrolia Ecuador partner’s acquisition.



Financing activities:

For the six months ended September 30, 2022, the Company generated \$0.9 million from financing activities. During the period, the Company issued 3,225,000 shares on exercise of options for net proceeds of \$322,500 and issued 18,291,658 shares on exercise of warrants for net proceeds of \$2,219,285. The Company also incurred \$1,558,488 on the repurchase of 1,619,000 shares.

Available Sources of Liquidity

The Company's cash and cash equivalents position as at September 30, 2022 was \$9 million compared to \$15.5 million as of March 31, 2022.

In addition, the Company has receivables from its partners and from crude oil shipments of approximately \$71.2 million and recoverable taxes of \$15 million, all current.

The working capital of the Company on September 30, 2022 was approximately \$41.5 million compared to a working capital position at March 31, 2022 of \$29.1 million.

Capital Investment

Capital investment is a non-IFRS financial measure which the Company uses to describe its total capital costs associated with exploration activities as well as the acquisition of other equipment. The measure includes expenditures for Property, Plant and Equipment and expenditures for exploration, production and development, including growth plans and can be found on the Company's cash flow statement for the period.

For the six months ended September 30,	2022	2021
Property, plant, and equipment expenditures	\$ 712,459	\$ -
Exploration and evaluation asset expenditures	468,703	565,864
Total capital investment⁽¹⁾	\$ 1,181,162	\$ 565,864

(1) Capital investment is a non-IFRS measure. Additional information regarding this non-IFRS measure is provided in the Non-IFRS and Other Measures section of this MD&A.

See also "Investing Activities" section above for an analysis of changes.

Funds Flow

Funds flow provided by operations and free funds flow are new metrics effective June 30, 2022. Funds flow provided by operations is a non-IFRS financial measure. Management considers this metric to be a measure of the Company's ability to finance its capital programs and meet its financial obligations. It is defined as cash from (used in) operating activities excluding the settlement of asset retirement obligations and net changes in non-cash working capital.

Free funds flow is a non-IFRS financial measure. In management's view, this metric assists the Company in measuring its available funds after financing its capital programs. It is defined as funds flow provided by operations less capital investment and demonstrates the Company's ability to fund its return on capital, such as dividend payments or a non-course issuer bid without accessing outside funds.



For the six months ended September 30,	2022	2021
Cash provided (used) by operating activities	\$ (6,514,729)	\$ (1,712,190)
(Add) deduct:		
Settlement of asset retirement obligations	221,117	-
Net change in non-cash working capital	36,074,726	460,321
Funds flow provided by operations ⁽¹⁾	29,781,114	(1,251,869)
Capital Investment	(1,181,162)	(565,864)
Free funds flow ⁽¹⁾	\$ 28,599,952	\$ (1,817,733)

(1) Funds flow provided by operations and Free funds flow are non-IFRS measures. Additional information regarding these non-IFRS measures are provided in the Non-IFRS and Other Measures section of this MD&A.

Non-Cash Working Capital

	2022	2021
		\$
Trade and other receivable	\$ (6,475,589)	(4,656)
Accounts receivable from consortium partners	(18,413,584)	-
Recoverable taxes	(8,096,444)	-
Inventory	(1,019,041)	-
Advances to suppliers and others	(919,894)	-
Other asset	(26,241)	(1,392)
Trade and other payables	3,721,588	(357,825)
Taxes payables	(595,167)	-
Employee benefit obligation	1,863,077	-
Due to related parties	-	(96,448)
Other liability	46,485	-
Defined benefit obligations	(6,188,876)	-
Decommissioning obligation	28,960	-
		\$
Total net change in non-cash working capital	\$ (36,074,726)	(460,321)

Total net change in working capital was principally affected by the incorporation of Petrolia Ecuador on January 14, 2014, which affected working capital at all levels. The most significant impact can be seen at trade and other receivables, where an increase of \$6.4 million as well as the increase on receivables from consortium partners for \$8.1 million occurred from the incorporation of Petrolia Ecuador and its trade receivables in the consolidated balance sheets. Trade and other payables increased by \$4.1 million for the same reason. The Company also assume the Ecuadorian operation defined benefits obligations with its Ecuadorian as well as other defined obligations for a net amount of \$4.3 million.

Capital Management

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company includes equity, comprised of issued capital stock, warrants, contributed surplus and deficit, in the definition of capital.



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

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the period ended September 30, 2022.

SHARE CAPITAL

The authorized capital of the Company consists of an unlimited number of Common Shares.

As of September 30, 2022, the Company had 123,239,023 common shares issued and outstanding, with a book value of \$32.3M and a market capitalization of \$104.8M

Normal course issuer bid

On July 13, 2022, the Company announced a normal course issuer bid where it plans to acquire up to an aggregate of 6,024,675 common shares of the Company over a 12-month period. As at September 30, 2022, the Company has bought back 1,619,900 common shares.

Warrants

During the six months ended September 30, 2022, a total of 18,291,658 shares were issued on the exercise of warrants.

Stock based compensation

On April 28, 2022, the Company granted an aggregate of 2,340,000 stock options to employees, directors and consultant of the Company, pursuant to the Plan. The options are vested on granting and are exercisable at \$0.65 for a five-years period. The fair value of all these options was estimated at \$904,568.

During the six months ended September 30, 2022, 3,225,000 options were exercised for net proceeds of \$322,500.

Subsequent to quarter end, on October 3, 2022, the Company announced that it has approved the grant of 3,550,000 incentive stock options to directors, officers, employees and consultants of the Company pursuant to the Company's stock option plan. Each stock option will vest immediately and will be exercisable at a price of \$0.85, for a period of five years from the grant date.

Fully diluted shares information

As at the date of this report there were:

Common shares	123,045,023
Warrants	15,687,855
Stock based compensation	<u>8,505,000</u>
	<u>147,237,878</u>



INTERIM MD&A QUARTERLY INFORMATION

The schedule below highlights selected quarterly information for the Company's last eight fiscal quarters of operations.

	Fiscal 2023		Fiscal 2022				Fiscal 2021	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	\$ 29,492,399	\$ 33,226,400	\$ 25,712,107	\$ -	\$ -	\$ -	\$ -	\$ -
Gross Profit	\$ 4,415,835	\$ 12,547,688	\$ 7,249,384	\$ -	\$ -	\$ -	\$ -	\$ -
Net income / (loss)	\$ (3,756,711)	\$ 14,012,354	\$ 18,117,270	\$ (1,848,213)	\$ (916,003)	\$ (514,293)	\$ (500,069)	\$ (316,479)
Basic income / (Loss) per share	\$ (0.03)	\$ 0.12	\$ 0.18	\$ (0.02)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Basic weighted average number of shares	123,239,023	112,749,344	61,105,445	80,214,054	73,515,313	61,105,445	54,090,519	51,794,998
Total assets	\$ 113,178,928	\$ 113,386,768	\$ 104,177,863	\$ 7,902,532	\$ 9,216,244	\$ 1,700,380	\$ 2,055,703	\$ 2,661,500

OUTLOOK

During the year ended March 31, 2022, the Company finalized the acquisition of Petrolia Ecuador (previously Repsol Ecuador S.A.). Management continues its negotiations with the Ecuadorian Ministry of Energy to extend the Service Oil Contract rights to the blocks, and its conversion into a Production Sharing Contract.

Between September 8th and October 20th, the Company has executed several purchase agreements (the “**Agreements**”) to acquire the three non-operating partners working interests in Blocks 16 and Block 67 in Ecuador (the “**Blocks**”). Pursuant to these Agreements the Company will fully consolidate its working interest in the Blocks, increasing to 100% interest in the service contracts. These Agreements will represent approximately a US\$43.8 million cash disbursement. The total consideration is comprised of the following amounts: purchase price value of US\$0.82 million; an anticipated carryforward recovery payment of US\$1.37 million; and, an estimated working capital adjustment of approximately US\$41.6 million. Completion of the Agreements is subject to Government of Ecuador regulatory approvals. These transactions will increase the Company's current production and cash flow while maintaining the Company's financial flexibility.

The Company continues the negotiation of the extension of Block 16 and 67 with the Government of Ecuador as well as evaluating different projects in the Sub-Andean Basins and will continue with these evaluations during the current year 2022 and has initiated the evaluation of opportunities in Brazil.

RISKS AND UNCERTAINTIES

There have been no significant changes in the three months ended September 30, 2022 to the risks and uncertainties as identified in the MD&A for the year ended March 31, 2022 and for the six months ended September, 2022.

NON-IFRS AND OTHER FINANCIAL MEASURES

This MD&A uses various “non-IFRS financial measures” and “non-IFRS ratios” (as defined in NI 52-112), which are described in further detail below. Such measures are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosed by other issuers. Investors are cautioned that non-IFRS financial measures should not be construed as alternatives to or more meaningful



than the most directly comparable IFRS measures as indicators of the Company's performance.

These measures facilitate management's comparisons to the Company's historical operating results in assessing its results and strategic and operational decision-making and may be used by financial analysts and others in the oil and gas industry to evaluate the Company's performance. Further, management believes that such financial measures are useful supplemental information to analyze operating performance and provide an indication of the results generated by the Company's principal business activities. Below is a description of each of these measures used in this MD&A.

Non-IFRS Measures

Adjusted EBITDA

Adjusted EBITDA is a non-IFRS measure. It is most comparable to net income before taxes as reported in the primary financial statements For Management and Investors. Adjusted EBITDA represents the operating results of the Company's primary business, excluding the following items: restructuring, severance and other costs, certain non-cash items (such as impairments, foreign exchange, costs under terminated pipeline contracts and share-based compensation) and gains or losses arising from the disposal of capital assets. In addition, other unusual or non-recurring items are excluded from Adjusted EBITDA, as they are not indicative of the underlying core operating performance of the Company.

Adjusted EBITDA is not a standardized financial measure under the reporting framework used to prepare our financial statements and may not be comparable to similar financial measures disclosed by other issuers.

The following table provides a reconciliation of net income before taxes to Adjusted EBITDA for the three months ended September 30, 2022 and 2021:

For the three months ended September 30,	2022	2021
Net Income Before Income Taxes	\$(1,832,195)	\$(916,003)
Add (deduct)		
Other income	(735,981)	-
Discount rate gain	392,985	-
Write off	1,952,358	-
Foreign exchange loss (gain)	716,799	1,471
Stock-based compensation ⁽¹⁾	715,251	-
Financial cost	297,801	(185)
Depletion & Depreciation	8,981,343	-
Adjusted EBITDA	\$10,488,361	\$(914,717)

(1) The stock-based compensation are expenses incurred towards stock option plan for employees, officers, directors and consultants.

Funds Flow Provided by Operations

Funds flow provided by operations is a non-IFRS financial measure. It is most comparable to cash from operating activities. Funds flow provided by operations is a measure of the Company's ability to finance its capital investment plans and meet its financial obligations. This measure is defined as cash from (used



in) operating activities excluding settlement of asset retirement obligations and net change in non-cash working capital items.

Funds flow provided by operations is not a standardized financial measure under the reporting framework used to prepare our financial statements and may not be comparable to similar financial measures disclosed by other issuers.

For the six months ended September 30,	2022	2021
Cash provided (used) by operating activities	\$(6,514,729)	\$(1,712,190)
Add (deduct):		
Settlement of asset retirement obligations	221,117	-
Net change in non-cash working capital	36,074,726	460,321
Funds flow provided by operations	\$29,781,114	\$(1,251,869)

Free Funds Flow

Free Funds Flow is a non-IFRS financial measure. It is most comparable to cash from operating activities as reported in the primary financial statements. Free funds flow assists the Company in measuring its available funds after financing its capital programs. It is defined as operating activities excluding the settlement of asset retirement obligations and net change in non-cash working capital less capital investment. It demonstrates the Company's ability to fund its return of capital, such as dividend payments or a non-course issuer bid without accessing outside funds.

Free funds flow is not a standardized financial measure under the reporting framework used to prepare our financial statements and may not be comparable to similar financial measures disclosed by other issuers.

For the six months ended September 30,	2022	2021
Cash provided (used) by operating activities	\$ (6,514,729)	\$ (1,712,190)
Add (deduct):		
Settlement of asset retirement obligations	221,117	-
Net change in non-cash working capital	36,074,726	460,321
Funds flow provided by operations	29,781,114	(1,251,869)
Capital Investment	(1,181,162)	(565,864)
Free funds flow	\$ 28,599,952	\$ (1,817,733)

Capital Investment

Capital investment is a non-IFRS financial measure which the Company uses to describe its total capital costs associated with exploration activities as well as the acquisition of other equipment. The measure includes expenditures for Property, Plant, and Equipment and expenditures for exploration, production, and development, including growth plans and can be found on the Company's cash flow statement for the period.

Capital investment is not a standardized financial measure under the reporting framework used to prepare our financial statements and may not be comparable to similar financial measures disclosed by other issuers.



For the six months ended September 30,	2022	2021
Property, plant, and equipment expenditures	\$ 712,459	\$ -
Exploration and evaluation asset expenditures	468,703	(565,864)
Total capital investment	\$ 1,181,162	\$ (565,864)

Non-IFRS Ratios

Adjusted EBITDA per share (basic and diluted)

Basic and diluted adjusted EBITDA per share is a non-IFRS ratio. It is calculated by dividing adjusted EBITDA by the weighted average number of basic and diluted shares outstanding.

For the three months ended September 30,	2022	2021
Net Income Before Income Taxes	\$(1,832,195)	\$(916,003)
Add (deduct)		
Other income	(735,981)	-
Discount rate gain	392,985	-
Write off	1,952,358	-
Foreign exchange loss (gain)	716,799	1,471
Stock-based compensation	715,251	-
Financial cost	297,801	(185)
Depletion & Depreciation	8,981,343	-
Adjusted EBITDA	\$10,488,361	\$(914,717)
Basic operating EBITDA income (loss) per share	\$0.09	(\$0.01)
Fully diluted operating EBITDA income (loss) per share	\$0.08	(\$0.01)

- (1) The stock-based compensation are expenses incurred towards stock option plan for employees, officers, directors, and consultants.

Funds flow provided by operations per share (basic and diluted)

Basic and diluted funds flow provided by operations per share is a non-IFRS ratio. It is calculated by dividing funds flow provided by operations by the weighted average number of basic and diluted shares outstanding. The Company presents basic and diluted funds flow provided by operations per share using the weighted-average shares outstanding to calculate per share amounts, consistent with the calculation of earnings per share.

For the six months ended September 30,	2022	2021
Cash provided (used) by operating activities	(6,514,729)	(1,712,190)
(Add) deduct:		
Settlement of asset retirement obligations	221,117	-
Net change in non-cash working capital	36,074,726	460,321
Funds flow provided by operations	29,781,114	(1,251,869)



Funds flow provided by operations per basic share	\$	0.25	\$	(0.03)
Funds flow provided by operations per diluted share	\$	0.23	\$	(0.02)

OTHER FINANCIAL INFORMATION

Critical Accounting Estimates

This MD&A should be read in conjunction with the Company's consolidated financial statements and related note 2 for the quarter ended September 30, 2022, wherein a more detailed discussion of accounting estimates is presented.

Internal Control Over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the period beginning on July 1, 2022, and ended on September 30, 2022, that materially affected or was reasonably likely to materially affect the Company's internal control over financial reporting.

Change in Accounting Policy

The following are future accounting pronouncements issued and not yet effective as at September 30, 2022. The Company intends to adopt these standards as they become effective and is evaluating the impacts, if any, on the consolidated financial statements and does not expect a significant impact.

IAS 1 – Presentation of Financial Statements

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

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

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

IAS 16 – Property, plant, and equipment

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

IAS 37 – Provisions, Contingent Liabilities and Contingent Assets

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



Off Balance Sheet Arrangements

There are no off-balance sheet arrangements at September 30, 2022, nor have any such arrangements been entered into by the Company as of the date of this MD&A.

Transactions With Related Parties

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

Periods ended September 30,	Three months		Six months	
	2022	2021	2022	2021
Salaries and management fees	\$ 435,960	\$ 331,439	860,110	486,097
Director fees	15,361	29,719	30,860	34,693
Consulting fees paid to a director	39,133	27,618	77,928	27,618
Share based payments	318,919	76,065	444,553	76,065
Total	\$ 809,373	\$ 464,841	\$ 1,413,451	\$ 624,473

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

Commitments and Contingencies

Block VMM-18

Pursuant to the terms of the agreement executed in respect of the VMM-18 E&P contract, the Company should fund an exploration commitment for the second phase of the VMM-18 E&P Contract. As per the contract and a recent extension by ANH, The Company has to perform seismic reprocessing valued at US\$250,000 and drill an exploration well valued at US\$3 million.

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

Consulting agreements

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

Executive compensation

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



COVID-19 Pandemic Considerations

In early 2020, the world was impacted by COVID-19, which was declared a pandemic by the World Health Organization. The overall impact of the COVID-19 pandemic is still uncertain and dependent on the progression of the virus and on actions taken by governments, businesses and individuals, which could vary by country and result in differing outcomes. The continued spread of COVID-19 nationally and globally could have an adverse impact on the Company's business, operations and financial results, as well as a deterioration of general economic conditions including a possible national or global recession. Due to the speed with which the COVID-19 situation is developing and the uncertainty of its magnitude, outcome and duration, it is not possible to estimate its impact on the Company's business, operations or financial results, including the Company's ability to secure financing; however, the impact could be material.

Subsequent Events

Warrants Exercised:

Subsequent to September 30, 2022, 418,000 common shares were issued on the exercise of warrants.

Option granted:

On October 4, 2022, the Company granted an aggregate of 3,550,000 stock options to employees of its subsidiaries, pursuant to the Plan. The options are exercisable at a price of \$0.85 for a five-years period and fully vested on the issuance dated. The fair value of each option was estimated on the date of the grant using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%, expected volatility of 70%; risk-free interest rate of 3.38%; and an expected average life of 5 years. The fair value of all these options was estimated at \$1,788,730.

Purchase agreements:

On September 8, 2022, the Company has entered into a share purchase agreement (the "**Agreement**") with one of the Company's working interest partners (the "**Vendor**") in Blocks 16 and 67 in Ecuador (the "**Blocks**") to acquire the Vendor's entire working interest in the Blocks, held by the Vendor's wholly owned subsidiary (the "**Target**"). Pursuant to the Agreement, the Company will acquire all of the issued and outstanding common shares of the Target from the Vendor such that the Company will indirectly acquire an additional undivided 14% working interest in the service contracts (the "**Service Contracts**") for the Blocks (the "**Transaction**"). The total consideration for the Transaction is approximately US\$10.7 million cash, subject to adjustment, which total consideration is comprised of the following amounts: a base purchase price of approximately US\$1.2 million; an estimated working capital adjustment payment of approximately US\$5.6 million; and, an estimated carryforward recovery adjustment payment of approximately US\$3.9 million. Completion of the Transaction is subject to prior regulatory approvals, including authorization by the Ecuadorian Ministry of Energy and Mines and antitrust authorities. The Transaction, upon statutory sanctioning, will consolidate the Company's working interest in the Blocks, increasing from 66% to 80%.

On October 20, 2022, the Company entered into an additional share purchase agreement (the "**Second Agreement**") with the Company's third and final working interest partner (the "**Second Vendor**") in the Blocks to acquire the Second Vendor's entire working interest in the Blocks, held by the Second Vendor's wholly owned subsidiary (the "**Second Target**"). Pursuant to the Second Agreement, the Company will



acquire all of the issued and outstanding common shares of the Second Target from the Second Vendor such that the Company will indirectly acquire the final undivided 20% working interest in the Service Contracts for the Blocks (the “**Second Transaction**”). The total consideration for the Second Transaction will be approximately US\$9.31 million cash, subject to adjustment, which total consideration is comprised of the following amounts: a base purchase price of US\$0.25 million; an estimated carryforward recovery payment of US\$0.42 million; and, an estimated working capital adjustment of approximately US\$8.64 million. Completion of the Second Transaction is subject to prior regulatory approvals, including authorization by the Ecuadorian Ministry of Energy and Mines and antitrust authorities. The Second Transaction, upon statutory sanctioning, will consolidate the Company’s working interest in the Blocks, increasing from 80% to 100%.

ADVISORY ON FORWARD-LOOKING STATEMENTS

Certain statements contained in the following MD&A constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from actual future results and achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made. Readers are also advised to consider such forward-looking statements while considering the risks set forth below.

Except for statements of historical fact relating to the Company, certain information contained in this MD&A constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information in this MD&A includes, but is not limited to, statements with respect to future acquisitions; the extension of the term of the Blocks and entering into the Production Share Contract with the Government of Ecuador in respect of the Blocks instead of the Service Contracts; the potential of the Company's properties; the future of commodity prices; success of exploration activities; cost and timing of future exploration and development; requirements for additional capital; the Company’s corporate strategy; the completion of the remaining interests in the Service Contracts, the Company’s ESG strategy; and other statements relating to the financial and business prospects of the Company.

Generally, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, “believes”, or variations of such words and phrases. Forward-looking information may also be identified in statements where certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made.

Forward-looking information is inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: the timing and progress of oil and gas exploration; future acquisitions; the government regulation of operations; permits and authorizations; expectations regarding the Company's



ability to raise capital; expenditures to be made by the Company to meet certain work commitments; environmental risks; and potential title disputes or claims and limitations on insurance coverage.

In addition, the Company has also made certain assumptions that the Company believes are reasonable. These assumptions include but are not limited to the legislative and regulatory environment; the impact of increasing competition; the success and timely completion of planned exploration and development projects; that general business and economic conditions will not change in a materially adverse manner; anticipated results of exploration, development and production activities; and the Company's ability to obtain additional financing on satisfactory terms.

Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, other factors could also cause materially different results. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

GLOSSARY

Term/Abbreviation	Definition
ANH	Colombian National Hydrocarbons Agency
ANLA	National Authority for Environmental Licenses
boe/d	Barrel of oil equivalent per day
bbl/d	Barrel of oil per day
Farm-in agreement	An agreement between two operators, one of which owns the interest in a piece of land where oil or gas has been discovered
WTI	West Texas Intermediate
US\$	United States Dollars