



# **NEW STRATUS ENERGY INC.**

**CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**

**NEW STRATUS ENERGY INC.**

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## **Management's Responsibility for Consolidated Unaudited Financial Statements**

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

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

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

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

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

(signed)

Jose Francisco Arata  
Chief Executive Officer

(signed)

Mario A. Miranda  
Chief Financial Officer

Toronto, Canada  
November 29, 2022

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

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

The accompanying unaudited condensed interim financial statements of the Company for the interim periods ended September 30, 2022 and 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS") accounting principles and are the responsibility of the Company's management.

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

**NEW STRATUS ENERGY INC.**  
**CONSOLIDATED UNAUDITED STATEMENTS OF FINANCIAL POSITION**

(in Canadian dollars)

	Note	September 30, 2022	March 31, 2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	\$ 8,574,478	\$ 15,474,166
Restricted cash		510,539	510,745
Trade and other receivables	6	15,539,937	9,064,348
Accounts receivable from consortium partners	7	55,698,861	37,285,277
Recoverable taxes	26	15,060,384	6,963,940
Inventory	8	3,940,064	2,921,023
Prepaid and advances payments		3,648,266	2,665,056
Property, plant, and equipment	9	9,244,823	26,652,038
		<b>112,217,352</b>	<b>101,536,593</b>
<b>Non-current assets</b>			
Exploration and evaluation assets	10	534,433	2,240,368
Other assets		427,143	400,902
		<b>961,576</b>	<b>2,641,270</b>
<b>Total assets</b>		<b>\$ 113,178,928</b>	<b>\$ 104,177,863</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables	11	30,947,837	27,702,752
Taxes payable		745,255	1,340,422
Employee benefit obligation	13	3,895,017	2,031,940
Defined benefit obligation	14	24,279,203	30,468,079
Asset retirement obligation	15	10,876,733	10,847,772
		<b>70,744,045</b>	<b>72,390,965</b>
<b>Non-current liabilities</b>			
Trade and other payables	11	3,253,831	2,999,609
Other liabilities	16	544,670	498,185
		<b>3,798,501</b>	<b>3,497,794</b>
<b>Total liabilities</b>		<b>74,542,546</b>	<b>75,888,759</b>
<b>Shareholders' equity</b>			
Share capital	12	32,259,625	29,153,448
Warrants	12	2,004,129	2,789,704
Contributed surplus		2,305,000	1,476,133
Cumulative translation adjustment		(2,240,956)	(371,073)
Retained earnings (deficit)		4,308,584	(4,759,108)
<b>Total equity</b>		<b>38,636,382</b>	<b>28,289,104</b>
<b>Total liabilities and equity</b>		<b>\$ 113,178,928</b>	<b>\$ 104,177,863</b>

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

Approved by the Board of Directors  
*(Signed) Wade Felesky*  
Wade Felesky, Director

*(Signed) Jose Francisco Arata*  
Jose Francisco Arata, Director

See accompanying notes to the unaudited consolidated financial statements

**NEW STRATUS ENERGY INC.**  
**CONSOLIDATED UNAUDITED STATEMENT OF OPERATIONS AND COMPREHENSIVE**  
**INCOME (LOSS)**

Periods ended September 30,	Note	Three months 2022	Three months 2021	Six months 2022	Six months 2021
<b>Income</b>					
Services Revenue	17	\$ 27,966,546	\$ -	\$ 60,158,736	\$ -
Operator fees	17	139,602	-	247,718	-
Other	17	1,386,251	-	2,312,345	-
		29,492,399	-	62,718,799	-
<b>Operating cost and expenses:</b>					
Operating expenses	18	16,095,221	-	27,635,602	-
Depletion and depreciation	9	8,981,343	-	18,119,674	-
Gross profit		4,415,835	-	16,963,523	-
General and administrative	19	2,908,817	914,717	4,912,599	1,259,127
Financial cost, net	21	297,801	(185)	414,093	(185)
Stock-based compensation	12	715,251	-	978,219	178,427
Write-off of exploration assets	10	1,952,358	-	1,952,358	-
Foreign exchange loss (gain)		716,799	1,471	1,248,543	(7,073)
Other income, net	20	(342,996)	-	(472,566)	-
<b>Net income (loss) before income taxes</b>		<b>(1,832,195)</b>	<b>(916,003)</b>	<b>7,930,277</b>	<b>(1,430,296)</b>
Current income tax recovery	26	(1,924,516)	-	2,325,366	-
Deferred income tax		-	-	-	-
<b>Total income tax expense</b>		<b>(1,924,516)</b>	<b>-</b>	<b>2,325,366</b>	<b>-</b>
<b>Net income (loss)</b>		<b>\$ (3,756,711)</b>	<b>\$ (916,003)</b>	<b>\$ 10,255,643</b>	<b>\$ (1,430,296)</b>
<b>Other comprehensive income:</b>					
Translation reserve		517,750	-	(2,240,956)	-
<b>Net income (loss) and comprehensive income (loss)</b>		<b>\$ (3,238,961)</b>	<b>\$ (916,003)</b>	<b>\$ 8,014,687</b>	<b>\$ (514,293)</b>
<b>Net income (loss) per share</b>					
Basic	22	<b>(\$0.03)</b>	<b>(\$0.02)</b>	<b>\$0.09</b>	<b>(\$0.01)</b>
Diluted	22	<b>(\$0.03)</b>	<b>(\$0.02)</b>	<b>\$0.08</b>	<b>(\$0.01)</b>

See accompanying notes to the unaudited consolidated financial statements

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

(in Canadian dollars)

<b>As at September 30,</b>	<b>Notes</b>	<b>2022</b>	<b>2021</b>
<b>Share capital</b>			
Balance, beginning of the period		\$ 29,153,448	\$ 18,473,981
Compensation shares		-	371,309
Issued warrants		-	(1,443,449)
Shares repurchase		(370,536)	-
Shares issued on exercise of warrants	12	3,004,860	-
Shares issued on exercise of options	12	471,853	29,262
Share issued on private placement		-	9,285,916
Share issue cost		-	(785,405)
Balance, end of the period		<b>32,259,625</b>	25,931,614
<b>Warrants</b>			
Balance, beginning of the period		2,789,704	1,635,594
Warrants issued on private placement		-	1,443,449
Fair value of warrants exercised	12	(785,575)	-
Balance, end of the period		<b>2,004,129</b>	3,079,043
<b>Contributed surplus</b>			
Balance, beginning of the period		1,476,133	684,920
Fair value of options exercised	12	(149,352)	(9,262)
Stock-based compensation	12	978,219	178,427
Balance, end of the period		<b>2,305,000</b>	854,085
<b>Cumulative translation adjustment</b>			
Balance, beginning of the period		(371,073)	(930)
Translation reserve		(1,869,883)	-
Balance, end of the period		<b>(2,240,956)</b>	(930)
<b>Retained earnings (accumulated deficit)</b>			
Balance, beginning of the period		(4,759,108)	(19,597,869)
Shares repurchase		(1,187,951)	-
Net income (loss) for the period		10,255,643	(1,430,296)
Balance, end of the period		<b>4,308,584</b>	(21,028,165)
<b>Total shareholders' equity</b>		<b>\$ 38,636,382</b>	\$ 8,835,647

See accompanying notes to the unaudited consolidated financial statements

## NEW STRATUS ENERGY INC.

### CONSOLIDATED UNAUDITED STATEMENTS OF CASH FLOWS

(in Canadian dollars)

Six months ended September 30,	Note	2022	2021
<b>Operating activities</b>			
Net income (loss)		\$ 10,255,643	\$ (1,430,296)
Adjustment for non-cash items:			
Depletion and depreciation	9	18,119,674	-
Stock based compensation	12	978,219	178,427
Write off Colombia projects	10	1,952,358	-
Foreign currency exchange		1,248,543	-
Translation reserve		(2,994,440)	-
Net change in non-cash working capital items:	27	(36,074,726)	(460,321)
		<b>(6,514,729)</b>	<b>(1,712,190)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	9	(712,459)	-
Investment in exploration and evaluation assets		(468,703)	(565,864)
		<b>(1,181,162)</b>	<b>(565,864)</b>
<b>Financing activities</b>			
Warrants exercised	12	2,155,970	20,000
Issuance of common shares and warrants		-	8,871,820
Repurchase of shares		(1,558,488)	-
Stock based compensation exercised	12	322,500	-
		<b>919,982</b>	<b>8,891,820</b>
<b>Net change in cash and restricted cash</b>		<b>(6,775,909)</b>	<b>6,613,766</b>
<b>Impact of foreign exchange on foreign currency-denominated cash balances</b>		<b>(123,985)</b>	<b>-</b>
<b>Cash and restricted cash, beginning of the period</b>		<b>15,984,911</b>	<b>867,392</b>
<b>Cash and restricted cash, end of the period</b>		<b>\$ 9,085,017</b>	<b>\$ 7,481,158</b>

See accompanying notes to the unaudited consolidated financial statements

# NEW STRATUS ENERGY INC.

## NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

For the six months ended September 30, 2022 and nine months ended September 30, 2021

(in Canadian dollars except as otherwise noted)

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### NOTE 1 – REPORTING ENTITY

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

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

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

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

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

The Service Contract agreements signed between Repsol Ecuador S.A., the other companies making up the Consortiums and the Ecuador Ministry of Energy is a Service Oil Contract where the Company is entitled to collect a fixed service tariff for each delivered barrel. The Company will receive the total service tariff when the Available Income is equal or higher than the Tariff; otherwise, the Contractor is entitled to collect only the available income. In this case, this difference "carryforward", could be collected, depending on oil prices, until contract termination. See Note 17. The current Service Contract expires on December 31, 2022 and the Company is in negotiation with the Ministry to renew the Contract.

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

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

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

#### **Joint operation agreement**

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

This agreement establishes that the members of the Consortium 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.

**NEW STRATUS ENERGY INC.**  
**NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

For the six months ended September 30, 2022 and nine months ended September 30, 2021

(in Canadian dollars except as otherwise noted)

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**NOTE 2 - BASIS OF PREPARATION**

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

**Statement of compliance and authorization**

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

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

**Basis of Measurement**

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

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

The consolidated financial statements of the Company at September 30, 2022 include the Company and its subsidiaries, Petrolia SARL, New Stratus Minerals Inc., Petrolia Ecuador, S.A. and its Branch, New Stratus Latin America and New Stratus Power Inc. The Company is primarily in the business of acquiring, exploring, and developing oil and gas properties, for the purpose of producing oil and gas, principally in South America.

**Functional and presentation currency:**

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

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

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

**Use of estimates and judgments:**

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

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

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

### **NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed in these unaudited condensed interim consolidated financial statements are consistent with those applied in the Corporation's audited annual consolidated financial statements for the year ended March 2022

#### **Significant accounting estimates:**

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

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

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

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

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

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

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

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

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

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

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

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

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

# NEW STRATUS ENERGY INC.

## NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

For the six months ended September 30, 2022 and nine months ended September 30, 2021

(in Canadian dollars except as otherwise noted)

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### New standards and interpretations not yet adopted:

#### Recent accounting pronouncements

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

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

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

#### Future accounting pronouncements

The following are future accounting pronouncements issued and not yet effective as at 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.

### NOTE 4 – BUSINESS COMBINATION

#### Petrolia Ecuador S.A.

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

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

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

**NEW STRATUS ENERGY INC.**  
**NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

For the six months ended September 30, 2022 and nine months ended September 30, 2021

(in Canadian dollars except as otherwise noted)

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

- (1) Purchase Price consideration has been discounted to its net present value considering a 1.13% and 1.15% discount rate for the installments due 12 and 24 months from closing, respectively.
- (2) Working capital mainly included inventory, trade receivable and other, recoverable taxes, offsetting by trade and other payables, employee benefit obligation payable, taxes payable among others.
- (3) As a result of the Petrolia Acquisition the Company performed an analysis on the fair value of the Property, Plant and Equipment. The Company evaluated the cash flows to be generated by Block 16 and Block 67 until December 31, 2022, as this is the end of the contractual period. The Company considered for this analysis: the reserves to be extracted from Block 16 and 67; a Sproule Price WTI Forecast @12/31 of \$73/bbl; a discount factor of 20.0%; and an estimation of operational costs and taxes to be incurred in 2022.

**NOTE 5 – CASH AND CASH EQUIVALENTS**

	<b>September 30, 2022</b>	March 31, 2022
Cash and banks	<b>\$ 4,436,439</b>	\$ 14,454,576
Short-term investments (1)	<b>4,138,039</b>	1,019,590
	<b>\$ 8,574,478</b>	\$ 15,474,166

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

**NOTE 6 – TRADE AND OTHER RECEIVABLES**

	<b>September 30, 2022</b>	March 31, 2022
Customer (1)	<b>\$ 15,539,937</b>	\$ 9,064,348
	<b>\$ 15,539,937</b>	\$ 9,064,348

- (1) Includes outstanding invoices from the Ministry of Energy and Non-Renewable Natural Resources for the provision of services for \$15,151,766; and accrual for services not yet invoiced \$6,857,000, and \$328,181 for others.

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**NOTE 7 – ACCOUNTS RECEIVABLE FROM CONSORTIUM PARTNERS**

	September 30, 2022	March 31, 2022
Block 16 & Block 67 Consortiums (1)	\$ 24,639,189	\$ 18,664,772
Account receivable – RTSA (2)	31,059,672	18,620,505
	<b>\$ 55,698,861</b>	<b>\$ 37,285,277</b>

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

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

**NOTE 8 – INVENTORY**

The consumption of materials and spare parts recognized in the results for the six months period ended September 30, 2022 was approximately \$6.2 million (USD \$4.6 million).

	September 30, 2022	March 31, 2022
Spare parts	\$ 2,475,817	\$2,068,011
Materials	1,682,715	1,052,834
	<b>4,158,532</b>	<b>3,120,845</b>
Less: impairment allowance and inventory net realizable value (NRV)	<b>(218,468)</b>	<b>(199,822)</b>
	<b>\$ 3,940,064</b>	<b>\$ 2,921,023</b>

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

<b>Three months ended,</b>	September 30, 2022	March 31, 2022
Balance at beginning of period	\$ 199,822	\$ -
Increases	-	199,822
Impact of foreign exchange	18,646	-
<b>Balance at end of period</b>	<b>\$ 218,468</b>	<b>\$ 199,822</b>

**NOTE 9 – PROPERTY, PLANT AND EQUIPMENT**

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

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

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Cost	Oil and gas production investments	Furniture fixtures & Other Equipment	Total property plant & equipment
Balance at March 31, 2021	\$ -	\$ -	\$ -
Acquired in a business combination (note 4)	34,323,827	-	34,323,827
Additions	17,850	60,681	78,531
Balance at March 31, 2022	34,341,677	60,681	34,402,358
Additions	712,232	-	712,232
<b>Balance at September 30, 2022</b>	<b>\$ 35,053,909</b>	<b>\$ 60,681</b>	<b>\$ 35,114,590</b>

**Accumulated depletion and depreciation**

Balance at March 31, 2021	\$ -	\$ -	\$ -
Depletion and depreciation	(7,750,093)	(227)	(7,750,320)
Balance at March 31, 2022	(7,750,093)	(227)	(7,750,320)
Depletion and depreciation	(18,119,447)	-	(18,119,447)
<b>Balance at September 30, 2022</b>	<b>\$ (25,869,540)</b>	<b>\$ (227)</b>	<b>\$ (25,869,767)</b>

**Carrying amounts as at:**

March 31, 2022	\$ 26,591,584	\$ 60,454	\$ 26,652,038
<b>September 30, 2022</b>	<b>\$ 9,184,369</b>	<b>\$ 60,454</b>	<b>\$ 9,244,823</b>

There were no impairment indicators present as at September 30, 2022.

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

**NOTE 10 – EXPLORATION AND EVALUATION ASSETS**

**Block VMM-18:**

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

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

Phase II of the exploration program contemplates:

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

All activities committed by NSE are now completed except for the drilling of the exploratory well.

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

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

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

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

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

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

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

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

On July 28, 2022 the ANH informed the Company that it has not accepted an application for the extension. Management has sent further communications to the ANH informing that certain work performed has not being considered in their evaluation. Management is confident, considering that all its exploration obligations have been met, that an extension will be granted by the ANH.

On August 24, 2022, NSE received the approval of the environmental license, however with stringent limits in the exploration area. As the exploration area granted limits materially the feasibility of the project, both financially and operational, on September 26, 2022, the Company requested the termination of the VMM-18 project. Accordingly, the Company has written-off \$1,952,358 of the capitalized exploration expenditure from its books.

**NOTE 11 – TRADE AND OTHER PAYABLES**

Trade and other payable are composed of:

	<b>September 30, 2022</b>	March 31, 2022
Trade payables	\$ 23,710,504	\$ 11,508,526
Purchase acquisition payable	7,199,139	7,030,139
Accrued liabilities (1)	2,383,718	11,081,988
Other	908,307	1,081,708
	<b>34,201,668</b>	30,702,361
Less: Purchase acquisition payable long-term	<b>(3,253,831)</b>	(2,999,609)
Current portion trade and other payable	<b>\$ 30,947,837</b>	\$ 27,702,752

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- (1) Included as part of the purchase price and as at September 30, 2022, the Company accrued a payable to REPSOL S.A. for \$2.2 million (USD \$ 2.1 million) (March 31, 2022 - \$10.6 million - USD \$ 8.7 million).

**NOTE 12 – SHARE CAPITAL**

**Authorized**

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

**Issued and Outstanding**

	Number	Amount
Balance at March 31, 2021	61,105,445	\$18,473,981
Shares issued on private placement	30,953,053	9,285,916
Compensation shares issued	1,237,698	371,309
Stock based compensation exercised	200,000	29,262
Warrants exercised	9,846,069	2,965,071
Warrants exercised FV allocation	-	256,763
Value allocated to warrants	-	(1,443,449)
Share issue cost	-	(785,405)
Balance at March 31, 2022	103,342,265	29,153,448
Stock based compensation exercised	3,225,000	471,853
Warrants exercised	18,291,658	2,219,285
Warrants exercised FV allocation	-	785,575
Shares purchase	(1,619,900)	(370,536)
<b>Balance at September 30, 2022</b>	<b>123,239,023</b>	<b>\$32,259,625</b>

**Private placement:**

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

**Warrants:**

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 issuance of the warrant. The Company uses a Black-Scholes valuation methodology to value the warrants at the date of issuance for accounting purposes. The significant inputs into the model were share price of \$0.32, exercise price of \$0.45, volatility of 70%, dividend yield of 0%, an expected warrant life of two years and an annual risk-free interest rate of 0.45%. Volatility was estimated based on average volatility of a sample of peer companies with public pricing data available.

See also note 30, subsequent events.

The following schedule describes the warrants transactions since March 31, 2021:

	Expiry date	Exercise price	Number of warrants	Amount
Balance at March 31, 2021		\$ 0.25	32,159,997	\$ 1,635,594
Issued on private placement	July 21, 2023	0.45	16,095,376	1,443,449
Warrants exercised		0.30	(9,846,069)	(256,763)
Warrants expired		0.30	(1,310,000)	(32,576)
Balance at March 31, 2022		0.28	37,099,304	2,789,704
Warrants exercised		0.10 – 0.30	(20,993,449)	(785,575)
<b>Balance at September 30, 2022</b>		<b>\$ 0.56</b>	<b>16,105,855</b>	<b>\$ 2,004,129</b>

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

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

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

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

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

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

The following schedule describes the stock-based compensation transactions since March 31, 2021:

	Number of Stock Options	Exercise Price
Balance at March 31, 2021	4,360,000	\$ 0.10
Options granted, April 13, 2021	1,290,000	0.24
Options granted, October 1st, 2021	3,500,000	0.30
Options granted, December 6, 2021	50,000	0.56
Options granted, January 13, 2022	450,000	0.50
Options exercised	(200,000)	0.10
Options cancelled	(60,000)	0.10
<b>Balance at March 31, 2022 *</b>	<b>9,390,000</b>	<b>\$ 0.21</b>
Options granted, April 29, 2022	2,340,000	\$ 0.65
Options exercised	(3,225,000)	\$ 0.10
<b>Balance at September 30, 2022 *</b>	<b>8,505,000</b>	<b>\$ 0.38</b>

\* Weighted average exercise price

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

	Number of Stock Options	Remaining life (yrs.)	Exercise Price
Granted on July 7, 2020	800,000	2.77	0.05
Granted on November 16, 2020	75,000	1.04	0.47
Granted on April 13, 2021	1,290,000	3.54	0.24
Granted on October 1, 2021	3,500,000	4.01	0.30
Granted on December 6, 2021	50,000	4.18	0.56
Granted on January 13, 2022	450,000	4.20	0.50
Granted on April 28, 2022	2,340,000	4.58	0.65
<b>Balance at September 30, 2022</b>	<b>8,505,000</b>	<b>3.96</b>	<b>\$0.38</b>

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

During the three and six months ended September 30, 2022 and 2021, \$715,251 and \$978,219 and \$nil and \$178,427, respectively, were charged as stock-based compensation in the consolidated statements of operations and comprehensive income (loss).

See also note 30, subsequent events.

**NOTE 13 – EMPLOYEE BENEFIT OBLIGATION**

The employee benefits are summarized as follow:

	Amount
<b>Balance at April 1, 2021</b>	\$ -
Acquired in a business combination (note 4 – Working capital)	1,555,540
Increases	1,759,848
Payments	(1,283,448)
<b>Balance at March 31, 2022</b>	2,031,940
Increases	2,065,473
Payments	(391,996)
Impact of foreign exchange	189,600
<b>Balance at September 30, 2022</b>	<b>\$ 3,895,017</b>

As at September 30, 2022, the employee benefits include mainly obligations payable to employees for vacations, thirteenth and fourteenth salary, reserved fund, and bonuses for management compliance.

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**NOTE 14 – DEFINED BENEFIT OBLIGATION**

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

	Employer retirement pension	Severance	Untimely dismissal	Total
<b>Balance at April 1, 2021</b>	\$ -	\$ -	\$ -	\$ -
Acquired in a business combination (note 4)	6,061,868	4,499,598	20,070,832	30,632,298
Benefits paid	(1,348,100)	(595,619)	1,779,500	(164,219)
Balance at March 31, 2022	4,713,768	3,903,979	21,850,332	30,468,079
Benefits paid	(4,427,136)	(1,320,853)	(3,283,860)	(9,031,849)
Impact of foreign exchange	439,840	364,282	2,038,851	2,842,973
<b>Balance at September 30, 2022</b>	<b>\$ 726,472</b>	<b>\$ 2,947,408</b>	<b>\$ 20,605,323</b>	<b>\$ 24,279,203</b>

The main actuarial assumptions used were as follows:

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

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

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

**NOTE 15 – ASSET RETIREMENT OBLIGATION**

The movement in the asset retirement obligation is as follows

	2022
Balances at beginning of year	\$ -
Acquired in a business combination (note 4)	10,854,410
Payments/uses	(25,876)
Other	19,238
Balance at March 31, 2022	<b>10,847,772</b>
Payments/uses	<b>(221,117)</b>
Other	<b>243,440</b>
Impact of foreign exchange	<b>6,638</b>
<b>Balance at September 30, 2022</b>	<b>\$ 10,876,733</b>

At September 30, 2022, the estimated total uninflated and undiscounted amount required to settle the asset retirement obligation was \$11,309,627 (March 31, 2022 – \$11,547,590). This obligation will be settled at the end of the Service Contract Agreements (December 31, 2022). The Company used a 3.98% rate to calculate the present value of this provision.

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

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**NOTE 16 – OTHER LIABILITIES**

The balance is summarized as follows:

	September 30, 2022	March 31, 2022
Cash collateral partners (1)	\$ 338,073	\$ 309,220
Temporary equity contribution	65,319	59,744
Other	141,278	129,221
	<b>\$ 544,670</b>	<b>\$ 498,185</b>

(1) As at September 30, 2022, corresponds to funds received from the partners of Oil Consortium Block 16 and Oil Consortium Block Tivacuno.

**NOTE 17 – REVENUES**

The following schedule describes the revenues obtained during the six months ended September 30, 2022 and nine months ended September, 30, 2021:

Period ended September 30,	Three months		Six months	
	2022	2021	2022	2021
Services revenue (1)	\$ 19,979,898	\$ -	\$ 39,992,957	\$ -
Carryforward recovery (2)	7,986,648	-	20,165,779	-
	<b>27,966,546</b>	<b>-</b>	<b>60,158,736</b>	<b>-</b>
Operator fee income (3)	139,602	-	247,718	-
Other income (4)	1,386,251	-	2,312,345	-
	<b>\$ 29,492,399</b>	<b>\$ -</b>	<b>\$ 62,718,799</b>	<b>\$ -</b>

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

During the first quarter of 2023, the Company has recognized as revenue the entire tariffs related to the execution of the Service Contracts, for each barrel of net crude oil extracted and delivered to the inspection and delivery center. Service Contract tariffs are adjusted annually, considering an operating cost inflation factor established in the Service contracts. For the calendar year 2022, the approved crude oil tariffs have been established at \$50.03/bbl for Block 16 and \$37.88 \$ /bbl for Block 67.

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

Due to high oil prices, during the first quarter of 2023 the Company was able to recover prior years carryforward balances on Block 16 Service Contract of \$20.2 million. As of September 30, 2022, the carryforward balance is \$412 million (\$143 million attributable to NSE) only for Block 16.

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- (3) Operator's fees: Income obtained from the Consortium Agreement entered into between the companies that make up the contractors of the Block 16 and Block 67 Oil Consortiums, whereby the Branch is entitled to an annual fee for the administration of the same.
- (4) Other income: Income for services rendered by the Block 16 Consortium to the Block 67 Consortium to execute exploration and exploitation of hydrocarbons activities viable.

**NOTE 18 - OPERATING EXPENSES**

The following schedule describes the operating expenses incurred during the three and six months ended September 30, 2022 and 2021:

Period ended September 30,	Three months		Six months	
	2022	2021	2022	2021
Consumption of inventories and purchases	\$ 3,452,816	\$ -	\$ 6,113,537	\$ -
Employee benefits	3,406,180	-	6,991,002	-
Insurance premium	344,449	-	681,043	-
Catering services	216,537	-	494,564	-
Cured oil treatment	466,685	-	913,095	-
Plant maintenance	534,250	-	1,064,214	-
Taxes	689,211	-	1,463,750	-
Office and administration	2,640,342	-	3,380,122	-
Services received, rental of machinery and vehicles	4,344,751	-	6,534,275	-
	<b>\$ 16,095,221</b>	<b>\$ -</b>	<b>\$ 27,635,602</b>	<b>\$ -</b>

**NOTE 19 – GENERAL AND ADMINISTRATIVE**

The following schedule describes the general and administrative expenses incurred during the three and six months ended September 30, 2022 and 2021:

Period 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
	<b>\$ 2,908,717</b>	<b>\$ 914,717</b>	<b>\$ 4,912,599</b>	<b>\$ 1,259,127</b>

**NOTE 20 – OTHER INCOME, NET**

The following schedule describes the other income, net incurred during the three and six months ended September 30, 2022 and 2021:

Period ended September 30,	Three months		Six months	
	2022	2021	2022	2021
Trading operations	\$ (95,801)	\$ -	\$ (360,446)	\$ -
Settlement of time sheets	(640,180)	-	(674,105)	-
Discount rate	392,985	-	561,985	-
	<b>\$ (342,996)</b>	<b>\$ -</b>	<b>\$ (472,566)</b>	<b>\$ -</b>

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**NOTE 21 – FINANCIAL COST, NET**

Finance costs during the three and six months ended September 30, 2022 and 2021 are comprised of the following:

Period ended September 30,	Three months		Six months	
	2022	2021	2022	2021
Financial update on asset retirement	\$ 48,213	\$ -	\$ 103,438	\$ -
Other	249,588	-	310,655	-
	\$ 297,801	\$ -	\$ 414,093	\$ -

**NOTE 22 – NET INCOME (LOSS) PER SHARE**

Basic and diluted net income (loss) per share during the three and six months ended September 30, 2022 and 2021 is calculated as follows:

Period ended September 30,	Three months		Six months	
	2022	2021	2022	2021
Net income (loss)	\$ (3,756,711)	\$ (916,003)	\$ 10,255,643	\$ (1,430,296)
<i>Weighted-average common share adjustments:</i>				
Weighted-average common shares outstanding, basic	119,439,740	73,515,313	115,307,293	73,515,313
Effect of stock options & warrants	12,116,461	-	12,116,461	-
Weighted-average common shares outstanding, diluted	131,556,191	73,515,313	127,423,754	73,515,313
Basic and diluted income (loss) per share	\$ (0.03)	\$ (0.01)	\$ 0.09	\$ (0.02)
Fully diluted income (loss) per share	\$ (0.03)	\$ (0.01)	\$ 0.08	\$ (0.02)

For the three and six months ended September 30, 2022, stock options and warrants were dilutive. For the three and six months ended September 30, 2021, stock options and warrants were anti-dilutive due to the net loss.

**NOTE 23 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The carrying values and respective fair values of cash, other receivables and trade and other payables approximate their fair values at September 30, 2022 and March 31, 2022, given the short-term nature of these financial instruments.

The Company's financial instruments have been assessed on the fair value hierarchy described under Note 3. Cash is classified as Level 1. There has been no reclassification of financial instruments into or out of each fair value hierarchy during the six months ended September 30, 2022 or nine months ended September 30, 2021. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair value hierarchy level.

**Market Risk**

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

(i) Commodity Price Risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in commodity prices. Lower commodity prices can also impact the Company's ability to raise capital. Commodity prices for crude oil is impacted by world economic events that dictate the levels of supply and demand. From time to time the Company may attempt to mitigate commodity price risk through the use of financial derivatives. The Company had no commodity contracts in place hierarchy during the six months ended September 30, 2022 and nine months ended September 30, 2021.

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### (ii) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign currency exchange rates. The Company is exposed to foreign currency fluctuations as certain expenditures are denominated in Colombian pesos and US dollars. As at September 30, 2022, the Colombian peso to the Canadian dollar exchange rate was 3,003:1 (March 31, 2022 – 3,003:1) and the United States dollar to Canadian dollar exchange rate was 0.7320:1 (March 31, 2022 – 0.7888:1). Cash held in US dollars at September 30, 2022 was USD \$5,757,111 and a change of 1% in the exchange rate would have impacted the Canadian dollar equivalent by +/- CAD \$57,571. The Company had no forward exchange rate contracts in place as at or during the six months ended September 30, 2022. Accounts payable in USD balance as of September 30, 2022 was USD \$23,682,493 and a change of 1% in the exchange rate would have impacted the Canadian dollar equivalent by +/- CAD \$236,824.

### Liquidity Risk

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

## NOTE 24 – RELATED PARTY TRANSACTIONS

During the three and six months ended September 30, 2022 and 2021, the transaction paid for services provided to officers and management, and directors were as follow:

Period ended September 30,	Three months		Six months	
	2022	2021	2022	2021
Officers and management fees	\$ 435,960	\$ 151,050	\$ 860,110	\$ 151,050
Director fees	15,361	29,719	30,860	34,693
Consulting fees paid to a director	39,133	27,619	77,928	27,618
Share based payments	318,919	76,065	444,553	76,065
<b>Total</b>	<b>\$ 809,373</b>	<b>\$ 464,841</b>	<b>\$ 1,413,451</b>	<b>\$ 624,473</b>

As of September 30, 2022 there were no outstanding balance with related parties.

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

## NOTE 25 – CAPITAL MANAGEMENT

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

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

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

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

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**NOTE 26 – INCOME TAX & RECOVERABLE TAXES**

During the six months ended September 30, 2022 and 2021, the income tax & recoverable taxes were as follow:

	2022	2021
2021 Income Tax accrual Petrolia Ecuador (1)	\$ (2,430,934)	\$ -
2022 Income Tax accrual Petrolia Ecuador (2)	3,148,494	-
2022 Income Tax accrual Petrolia Spain (3)	(3,042,925)	-
<b>Income Tax Payable Petrolia Spain 2022</b>	<b>\$ (2,325,365)</b>	<b>\$ -</b>

- (1) Income Tax accrual 2021 for Petrolia Ecuador was reversed upon binding opinion issued by Tax Administration in April 2022 regarding prior year carryforward income tax treatment.
- (2) Corresponds to current Petrolia Ecuador Income tax accrual for period April through September 2022. This amount is presented as net amount of recoverable Taxes.
- (3) Income Tax accrual as at June 30 for Petrolia Ecuador Spanish Office, was determined under Article 22 as well as double tax treaty in force between Spain and Ecuador considering Tax Court ruling issued on June 2022. Under this approach, Income tax accrual for 2022 was totally reversed.

	September 30 2022	March 31 2022
<b>Recoverable taxes</b>		
Income Tax withholdings Ecuador (4)	\$ 10,568,620	\$ 6,813,441
Income Tax accrual Petrolia Ecuador (5)	(3,330,086)	(2,544,126)
Net VAT Tax Credit Ecuador (4)	5,396,385	2,694,625
Income Tax Advance Spain (6)	2,377,417	-
VAT Tax Spain	2,996	-
Recoverable Taxes Colombia	45,052	-
<b>Net recoverable taxes</b>	<b>\$ 15,060,384</b>	<b>\$ 6,963,940</b>

- (4) Ecuador Income Tax & VAT tax credit
- (5) Income Tax accrual Petrolia Ecuador described in note (2)
- (6) Income Tax advance credit Spain. This amount will be reimbursed by Spanish Tax administration in 2023.

**NOTE 27 – SUPPLEMENTAL CASH FLOW INFORMATON**

During the six months ended September 30, 2022 and 2021, the change in non-cash working capital are as follows:

	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	-
<b>Total net change in non-cash working capital</b>	<b>\$ (36,074,726)</b>	<b>\$ (460,321)</b>

## **NOTE 28 – COMMITMENTS AND CONTINGENCIES**

### **COMMITMENTS**

#### **Block VMM-18**

Pursuant to the terms of the agreement executed in respect of the VMM-18 E&P contract, New Stratus should fund an exploration commitment for the second phase of the VMM 18 E&P Contract. As per the contract and a recent extension by ANH, NSE has to perform seismic reprocessing valued at USD \$250,000 and drill an exploration well valued at USD \$3 Million. The ANH has confirmed the extension until June 18, 2022. On July 28, 2022 ANH informed the Company that it has not accepted an application for the extension. Management has sent further communications to the ANH informing that certain work performed has not been considered in their evaluation. Management is confident, considering that all its exploration obligations have been met, that an extension will be granted by the ANH.

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

#### **Consulting agreements**

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

#### **Executive compensation**

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

#### **Novel Coronavirus**

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

#### **State Oil Company of Ecuador Petroecuador EP**

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

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

#### **Other Special Examination Reports of the Comptroller General's Office**

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

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

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

**Settlement of payment in respect of Solidarity Contribution on profits**

On October 7, 2019, the Internal Revenue Service issued payment liquidations No. 172010906502280204 and 172010906502280280 for the Block 16 and Tivacuno Block Petroleum Consortia respectively, for the concept of solidarity contribution on profits created by the Organic Law of Solidarity and Citizen Co-responsibility as a result of the income tax assessment report for the 2015 fiscal year of the Block 16 Petroleum Consortium as well as the substitute return filed by the Tivacuno Block Petroleum Consortium. The difference determined by the Internal Revenue Service for solidarity contribution amounts to US\$2,073,583 plus US\$414,715 for surcharge and US\$1,022,703 for interest for the Oil Consortium Block 16 while for the Oil Consortium Block Tivacuno amounts to US\$184,706 plus US\$36,941 for surcharge and US\$115,180 for interest. (The Company is responsible for 35% of the amounts mentioned above.)

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

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

**NOTE 29 – SEGMENTED INFORMATION**

The Company has three reportable operating segments: Ecuador, Colombia and Canada. The Company, through its operating segments, is engaged primarily in oil exploration, development and production, and the acquisition of oil and gas properties. The Canadian segment is also considered the corporate segment. The following tables show information regarding the Company's segments for the six months period ended at September 30, 2022, and 2021 and as at September 30, 2022 and March 31, 2022:

Six months ended September 30, 2022	Ecuador	Colombia	Canada	Total
<b>Revenue</b>	\$ 62,718,799	\$ -	\$ -	\$ 67,718,799
<b>Gross profit (loss)</b>	\$ 36,629,996	\$ (1,546,799)	\$ (18,119,674)	\$ 16,963,523
<b>Net income (loss)</b>	\$ 39,694,557	\$ (1,944,830)	\$ (27,494,084)	\$ 10,255,643

**As at September 30, 2022**

<b>Current assets</b>	\$ 99,705,543	\$ 322,039	\$ 12,189,770	\$ 112,217,352
<b>Non-current assets</b>	413,470	-	548,106	961,576
<b>Total assets</b>	\$ 100,119,013	\$ 322,039	\$ 12,737,876	\$ 113,178,928
<b>Current liabilities</b>	\$ 62,271,087	\$ 2,616,190	\$ 5,856,768	\$ 70,744,045
<b>Non-current liabilities</b>	544,670	-	3,253,831	3,798,501
<b>Total liabilities</b>	\$ 62,815,757	\$ 2,616,190	\$ 9,110,599	\$ 74,542,546

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<b>Six months ended September 30, 2021</b>	<b>Ecuador</b>	<b>Colombia</b>	<b>Canada</b>	<b>Total</b>
<b>Revenue</b>	\$ -	\$ -	\$ -	\$ -
<b>Gross profit (loss)</b>	\$ -	\$ -	\$ -	\$ -
<b>Net income (loss)</b>	\$ -	\$ -	\$ (1,430,296)	\$ (1,430,296)
<b>As at March 31, 2022</b>				
<b>Current asset</b>	\$ 70,659,165	\$ 455,430	\$ 30,421,998	\$ 101,536,593
<b>Non-current asset</b>	378,182	-	2,263,088	2,641,270
<b>Total assets</b>	\$ 71,037,347	\$ 455,430	\$ 32,685,086	\$ 104,177,863
<b>Current liabilities</b>	\$ 56,609,523	\$ 114,207	\$ 15,667,235	\$ 72,390,965
<b>Non-current liabilities</b>	498,185	-	2,999,609	3,497,794
<b>Total liabilities</b>	\$ 57,107,708	\$ 114,207	\$ 18,666,844	\$ 75,888,759

**NOTE 30 - SUBSEQUENT EVENT**

*Warrants exercised:*

Subsequent to September 30, 2022, 209,000 common shares were issued on the exercise of warrants exercisable at \$0.45 each, for cash proceeds of \$94,050.

*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 Company's Plan. The options are exercisable at a price of \$0.85 for a five-years period and fully vested on the issuance dated. The fair value of each option was estimated on the date of the grant using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%, expected volatility of 70%; risk-free interest rate of 3.38%; and an expected average life of 5 years. The fair value of all these options was estimated at \$1,788,730.

*Acquisitions of partner's interests:*

On September 8, 2022, and subsequent to September 30, 2022, 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 Corporation 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 New Stratus' current production and cash flow while maintaining the Corporation's financial flexibility