



NG ENERGY INTERNATIONAL CORP.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

SEPTEMBER 30, 2024

NG ENERGY INTERNATIONAL CORP.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited, expressed in U.S. Dollars)

September 30, 2024

December 31, 2023

Assets

Current Assets

Cash and cash equivalents	19,134,455	1,294,422
Deposit in escrow (Note 8)	-	1,584,608
Accounts receivable	5,249,679	3,545,419
Prepays	601,239	845,064
Inventory	146,944	343,663

25,132,317 7,613,176

Non-current Assets

Restricted cash (Note 4)	8,177,843	8,011,108
VAT receivable (Note 15)	3,560,076	3,129,360
Deferred Transaction Costs	-	205,966
Exploration and evaluation assets (Note 5)	38,086,713	35,988,224
Property, plant and equipment (Note 6)	49,092,152	51,909,141

Total Assets

124,049,101 106,856,975

Liabilities

Current Liabilities

Accounts payable and accrued liabilities	13,149,770	12,112,608
Current portion of lease obligations (Note 9)	7,727,954	7,308,590
Current portion of debt (Note 7)	8,634,317	-
Promissory notes (Note 7)	1,632,916	1,004,500

31,144,957 20,425,698

Non-current Liabilities

Liability component of convertible debentures (Note 8)	9,930,439	57,346,141
Lease obligations (Note 9)	14,699,415	16,524,880
Non-current portion of debt (Note 7)	16,672,793	-
Decommissioning obligations	2,434,513	2,468,904

Total Liabilities

74,882,117 96,765,623

Shareholders' Equity

Share capital (Note 10a)	185,164,207	114,641,544
Contributed surplus	33,557,543	25,792,259
Warrants (Note 10c)	13,710,990	6,459,578
Equity component of convertible debentures (Note 8)	499,320	2,454,288
Deficit	(183,446,679)	(137,664,038)
Accumulated other comprehensive loss	(318,397)	(1,592,279)

Total Shareholders' Equity

49,166,984 10,091,352

Total Liabilities and Shareholders' Equity

124,049,101 106,856,975

Going concern (Note 2)

Related parties (Note 14)

Commitments (Note 16)

Subsequent events (Note 19)

See accompanying notes to the interim condensed consolidated financial statements.

NG ENERGY INTERNATIONAL CORP.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the three and nine months ended September 30

<i>(Unaudited, expressed in U.S. Dollars)</i>	Three months ended		Nine months ended	
	2024	2023	2024	2023
Revenue:				
Natural gas and LNG sales (Note 12)	9,059,306	2,486,991	29,498,087	7,399,173
Royalty expense	(1,528,498)	(428,766)	(4,834,286)	(1,187,533)
Revenues, net of royalties	7,530,808	2,058,225	24,663,801	6,211,640
Expenses:				
Operating expenses	1,393,909	1,086,477	4,319,810	2,170,681
General and administrative	2,952,843	1,608,803	6,522,595	4,464,500
Share-based compensation (Note 10b & 11)	2,782,391	21,640	6,292,607	21,640
Exploration and evaluation expense (Note 5)	53,062	45,273	166,545	140,711
Depletion and depreciation (Note 6)	2,345,250	1,467,066	7,238,286	4,111,579
Impairment loss (Note 5)	-	-	9,679,592	-
Net finance expense (Note 13)	3,997,521	2,815,506	11,446,010	7,260,079
Debt settlement costs (Note 8)	-	-	22,927,667	-
Termination costs (Note 10a)	-	-	1,502,000	-
Foreign exchange (gain) loss	(52,926)	(24,669)	715,836	(277,926)
	13,472,050	7,394,683	70,810,948	18,265,851
Loss before income taxes	(5,941,242)	(5,336,458)	(46,147,147)	(12,054,211)
Current income tax recovery	791,155	-	364,506	-
Deferred income tax recovery	-	417,217	-	417,217
Net loss	(5,150,087)	(4,919,241)	(45,782,641)	(11,636,994)
Other comprehensive loss				
Foreign currency translation adjustment	(300,346)	922,312	1,273,882	178,802
Comprehensive Loss	(5,450,433)	(3,996,929)	(44,508,759)	(11,458,192)
Loss per share – basic and diluted (Note 10d)	(0.02)	(0.04)	(0.23)	(0.09)
Weighted average number of common shares outstanding	227,373,905	130,506,440	199,929,614	126,936,624

See accompanying notes to the interim condensed consolidated financial statements.

NG ENERGY INTERNATIONAL CORP.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and nine months ended September 30

<i>(Unaudited, expressed in U.S. Dollars)</i>	Three months ended		Nine months ended	
	2024	2023	2024	2023
Operating Activities				
Net loss	(5,150,087)	(4,919,241)	(45,782,641)	(11,636,994)
Items not affecting cash:				
Impairment loss (Note 8)	-	-	9,679,592	-
Depletion and depreciation (Note 6)	2,345,250	1,467,066	7,238,286	4,111,579
Share-based compensation (Note 10b & 11)	2,782,391	21,640	6,292,607	21,640
Unrealized foreign exchange (gain) loss	(269,165)	(725,814)	364,121	(1,455,759)
Net finance expense (Note 13)	3,997,521	2,815,506	11,446,010	7,260,079
Debt settlement costs (Note 8)	-	-	22,927,667	-
Termination costs (Note 10a)	-	-	1,502,000	-
Deferred income tax recovery	-	(417,217)	-	(417,217)
Change in non-cash working capital (Note 18)	2,615,436	656,555	2,574,399	(214,792)
Cash provided by (used in) operating activities	6,321,346	(1,101,505)	16,242,041	(2,331,464)
Investing Activities				
Exploration and evaluation asset additions (Note 5)	(4,240,284)	(629,579)	(11,812,704)	(1,878,526)
Property, plant and equipment additions (Note 6)	(1,746,812)	(6,099,061)	(3,246,053)	(8,989,204)
Change in restricted cash (Note 8)	933,176	48,042	(482,531)	(161,483)
Change in non-cash working capital (Note 18)	1,715,718	(3,055,923)	(3,392,507)	(4,823,649)
Cash used in investing activities	(3,338,202)	(9,736,521)	(18,933,795)	(15,852,862)
Financing Activities				
Proceeds on Macquarie debt financing	-	-	40,000,000	-
Transaction costs paid on Macquarie debt financing	-	-	(4,603,220)	-
Principal payments on Macquarie debt	(2,500,000)	-	(2,500,000)	-
Proceeds on convertible debentures (Note 8)	-	17,845,772	-	17,845,772
Cash paid on conversion/redemption of convertible debentures	-	-	(24,539,445)	-
Proceeds on private placement	22,285,396	-	22,285,396	-
Transaction costs paid on private placement	(1,181,079)	-	(1,181,079)	-
Proceeds from (repayment of) short-term loans (Note 7)	(500,000)	-	500,000	-
Proceeds on option exercises (Note 15b)	302,848	111,370	328,498	111,370
Proceeds on warrant exercises (Note 15c)	8,542	4,003,648	8,542	4,003,648
Proceeds released from (transfers to) escrow (Note 8)	-	(1,543,599)	1,554,036	132,961
Advances received toward future financing	-	-	-	8,308,157
Interest income	66,134	220,351	381,764	502,479
Interest expense paid	(2,227,633)	(1,516,752)	(6,442,806)	(3,481,593)
Lease payments, principal and interest	(1,824,570)	(1,649,697)	(5,463,386)	(4,920,290)
Change in non-cash working capital (Note 18)	(789,316)	-	289,254	-
Cash provided by (used in) financing activities	13,640,322	17,471,093	20,617,554	22,502,504
Net increase (decrease) in cash	16,623,466	6,633,067	17,925,800	4,318,178
Foreign exchange gain (loss) on cash	57,374	342,965	(85,767)	717,870
Increase (decrease) in cash	16,680,840	6,976,032	17,840,033	5,036,048
Cash, beginning of period	2,453,615	5,022,244	1,294,422	6,962,228
Cash, end of period	19,134,455	11,998,276	19,134,455	11,998,276

Cash is defined as cash and cash equivalents.

See accompanying notes to the interim condensed consolidated financial statements.

NG ENERGY INTERNATIONAL CORP.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

<i>(Unaudited, expressed in U.S. Dollars)</i>	Number of Common Shares	Share Capital	Contributed Surplus	Warrants	ECCD ⁽¹⁾	Deficit	AOCL ⁽²⁾	Total
Balance at December 31, 2023	137,450,742	114,641,544	25,792,259	6,459,578	2,454,288	(137,664,038)	(1,592,279)	10,091,352
Net loss	-	-	-	-	-	(45,782,641)	-	(45,782,641)
Shares issued through warrant exercise	13,000	9,094	-	(552)	-	-	-	8,542
Shares issued through option exercise	770,000	589,335	(260,837)	-	-	-	-	328,498
Shares issued for debt settlement	2,000,000	1,502,000	-	-	-	-	-	1,502,000
Conversion of debentures	85,731,098	47,317,917	-	-	(1,860,622)	-	-	45,457,295
Redemption of debentures	-	-	94,346	-	(94,346)	-	-	-
Shares issued through private placement, net of costs	28,572,000	21,104,317	-	-	-	-	-	21,104,317
Warrants issued under Macquarie debt financing	-	-	-	8,891,132	-	-	-	8,891,132
Warrants expired	-	-	1,639,168	(1,639,168)	-	-	-	-
Foreign currency translation adjustment	-	-	-	-	-	-	1,273,882	1,273,882
Share-based compensation	-	-	6,292,607	-	-	-	-	6,292,607
Balance at September 30, 2024	254,536,840	185,164,207	33,557,543	13,710,990	499,320	(183,446,679)	(318,397)	49,166,984
Balance at December 31, 2022	125,122,132	104,881,440	22,407,580	7,783,794	1,885,600	(120,986,462)	(465,415)	15,506,537
Net loss	-	-	-	-	-	(11,636,994)	-	(11,636,994)
Shares issued through acquisition (Note 4)	6,592,000	4,002,135	-	-	-	-	-	4,002,135
Shares issued through warrant exercise	4,610,500	5,160,346	-	(1,156,698)	-	-	-	4,003,648
Shares issued through option exercise	450,000	189,575	(78,205)	-	-	-	-	111,370
Issuance of convertible debentures	-	-	-	733,862	1,139,457	-	-	1,873,319
Debenture conversions	233,333	147,085	-	-	(8,307)	-	-	138,778
Foreign currency translation adjustment	-	-	-	-	-	-	178,802	178,802
Share-based compensation	-	-	21,640	-	-	-	-	21,640
Balance at September 30, 2023	137,007,965	114,380,581	22,351,015	7,360,958	3,016,750	(132,623,456)	(286,613)	14,199,235

(1) Equity component of convertible debentures

(2) Accumulated other comprehensive loss

See accompanying notes to the interim condensed consolidated financial statements.

NG ENERGY INTERNATIONAL CORP.
Notes to the Interim Condensed Consolidated Financial Statements
For the periods ended September 30, 2024 and 2023 (unaudited)

1. REPORTING ENTITY

NG Energy International Corp. (“NG” or the “Company”) is an oil and gas company incorporated in Canada and is engaged in exploration and development activities in Colombia. The Company’s registered address is 25th Floor, 700 West Georgia Street, Vancouver, British Columbia, Canada V7Y 1B3. NG’s common shares are listed on the TSX Venture Exchange (“TSX-V”) under the symbol “GASX”, the OTCQX in the United States of America under the symbol “GASXF”, and the Frankfurt Stock Exchange in Germany under the symbol “56P”.

2. GOING CONCERN

These interim condensed consolidated financial statements (“Financial Statements”) have been prepared on a going concern basis, which assumes that the Company will be able to discharge its obligations and realize its assets in the normal course of operations for the foreseeable future.

During the nine months ended September 30, 2024, the Company recognized a net loss of \$45.8 million and cash provided in operating activities of \$16.2 million. As of September 30, 2024, the Company had a working capital deficit of \$6.0 million, including cash and cash equivalents of \$19.1 million. For 2024, the Company has contractually committed exploration and development amounts of \$3.0 million (as outlined in Note 16), \$8.6 million in current debt obligations, \$1.6 million in current promissory notes obligations, and \$7.7 million in current lease obligations. The Company anticipates to see increased gas production from existing gas concessions during 2024 and 2025, but reaching these objectives is contingent upon successful development of necessary surface infrastructure to commence commercial production in the Sinu-9 Block. As such, the Company continues to need additional capital to fund the Company’s ongoing operations, and commitments, and the continued development of the Company’s exploration and evaluation assets.

In March 2024, the Company received an initial advance of \$40 million of \$50 million in committed funding pursuant to the terms of a definitive credit and guarantee agreement (the “Credit Agreement”) with Macquarie Group (“Macquarie”) for a financing of up to \$100 million (the “Macquarie Financing”). The remaining \$10 million in committed funding to be advanced to the Company on a date to be determined pursuant to the terms of the Credit Agreement. The additional \$50 million in uncommitted funding will be made available to the Company by Macquarie under an accordion feature. The Macquarie debt is secured by a first priority lien over all the assets of the Company, its wholly owned subsidiaries and a trust formed in Colombia and matures on December 29, 2028.

In March 2024, in connection with the Macquarie Financing, 100% of the holders of the Company’s debentures issued on November 2022 and July 2023 (the “Debentures”), elected to convert or redeem their Debentures in accordance with their terms. Holders of C\$2.4 million face value of Debentures chose to redeem, resulting in payment of C\$3.0 million in principal, interest and redemption premium per the Debenture terms. Holders of the remaining C\$67.2 million face value of Debentures chose to convert, resulting in the issuance of 85,731,098 common shares and payment C\$30.3 million in interest and conversion premium per the Debenture terms.

NG ENERGY INTERNATIONAL CORP.
Notes to the Interim Condensed Consolidated Financial Statements
For the periods ended September 30, 2024 and 2023 (unaudited)

In September 2024, the Company closed a brokered private placement of common shares for proceeds of \$21.1 million, net of issuance costs. The Company intends to utilize these funds towards the development of the Sinu-9 Block surface infrastructure.

These aforementioned financing events combined with cash flows from early-stage gas production on the Maria Conchita Block may not be sufficient to fund the Company's ongoing operations and commitments until the successful development of the Sinu-9 Block operations. The Company may require additional sources of capital to fund ongoing operations and commitments. There is no assurance that the Company will be successful in the realization of commercial production from the Sinu-9 Block, or in securing funding from debt or equity financing when required. As such, there remains a material uncertainty surrounding the Company's ability to obtain sufficient capital to meet its operational requirements and commitments. These conditions noted above indicate a material uncertainty exists that may cast significant doubt with respect to the Company's ability to continue as a going concern.

Management believes that the going concern assumption is appropriate for these Financial Statements and that the Company will be able to meet its operational requirements and commitments during the upcoming year and beyond. There is no guarantee that the Company will be successful in its endeavors and no certainty as to the timing of the Company's impending exploration commitments. Should the going concern assumption not be appropriate and the Company is not able to realize its assets and settle its liabilities, these Financial Statements would require adjustments to the amounts and classifications of assets and liabilities. These Financial Statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the statement of financial position classification used, that would be necessary if the company were unable to realize its asset and settle its liabilities as going concern in the normal course of operations. Such adjustments could be material.

3. BASIS OF PRESENTATION

Statement of compliance

These Financial Statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" under IFRS Accounting Standards as issued by the International Accounting Standards Board.

These Financial Statements follow the same accounting policies and method of computation as the Company's annual consolidated financial statements for the year ended December 31, 2023, with the exception of certain disclosures that are normally required to be included in annual consolidated financial statements which have been condensed or omitted. These Financial Statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2023. These Financial Statements have been approved and authorized for issuance by the Company's Board of Directors on November 25, 2024.

Basis of measurement

These Financial Statements have been prepared on the historical cost basis except for certain financial and non-financial assets and liabilities, restricted share units ("RSUs"), restricted share units with performance criteria ("PSUs") and deferred share units ("DSUs"), which have been measured at fair value.

NG ENERGY INTERNATIONAL CORP.
Notes to the Interim Condensed Consolidated Financial Statements
For the periods ended September 30, 2024 and 2023 (unaudited)

The methods used to measure fair value are consistent with the Company's December 31, 2023, annual consolidated financial statements.

Functional and presentation currency

These Financial Statements are presented in United States (US) dollars, except for Canadian dollars ("C\$") where indicated. The Company's functional currency is the Canadian dollar while each of its subsidiaries with significant activity has US dollar functional currency, which is the primary economic environment in which each subsidiary operates.

Material accounting policies

The Company's significant accounting policies can be read in Note 4 to the Company's annual consolidated financial statements as at and for the year ended December 31, 2023. There were no material changes in the Company's significant accounting policies from those disclosed in the 2023 annual audited financial statements.

Recent accounting pronouncements

IFRS 18 – Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued new IFRS 18 - Presentation and Disclosure in Financial Statements ("IFRS 18") replacing IAS 1. The new guidance is expected to improve the usefulness of information presented and disclosed in the financial statements of companies.

IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027, with early adoption permitted. The Company is currently assessing the impact of this new IFRS accounting standard on its consolidated financial statements.

4. RESTRICTED CASH

	September 30, 2024	December 31, 2023
Debt Service	5,091	-
Debt Service Reserve	8,138,907	-
Sinu-9 ANH Guarantee Deposit	-	2,651,358
Tiburon ANH Guarantee Deposit	-	351,935
Office Lease Escrow Deposit	33,845	-
VMM39 Escrow	-	2,797,923
INFRAES Construction Contract Letter of Credit	-	2,209,892
Restricted cash	8,177,843	8,011,108

Term deposits traditionally were established to secure performance guarantees required by the Colombian National Hydrocarbon Agency ("ANH") under the Exploration and Production ("E&P") Contracts for the Sinu-9 and Tiburon Block. In August 2024, the initial deposit-secured guarantees were replaced with unsecured standbys letter of credit, resulting in the release of the Sinu-9 and Tiburon deposits to the Company (see Note 7).

NG ENERGY INTERNATIONAL CORP.
Notes to the Interim Condensed Consolidated Financial Statements
For the periods ended September 30, 2024 and 2023 (unaudited)

Under the terms of the VMM39 Block option agreement, NG placed \$5.5 million into escrow for direct utilization in the drilling and completion of the San Diego-1X exploration well. Funds are disbursed from this escrow account as exploration activities are completed, until such funds are fully employed. As of September 30, 2024, all of escrowed funds had been disbursed from the escrow account towards exploration expenditures leaving no remaining balance.

Per the terms of the Credit Agreement under the Macquarie Financing, an amount equal to the sum of certain upcoming scheduled debt service payments is to be calculated, and for the funds equal to such upcoming scheduled payments to be maintained within the restricted “Debt Service” and “Debt Service Reserve” accounts at all times. Such Debt Service and Debt Service Reserve deposits are to be periodically calculated and maintained throughout the life of the debt arrangement. As of September 30, 2024, the Company maintained deposited balances of \$5,091 and \$8,138,907 in the requisite Debt Service and Debt Service Reserve accounts, respectively.

In November 2023, the Company entered into definitive agreements with third parties to complete the construction of the surface infrastructure required to start commercial production in the Sinu-9 Block. Among those agreements, INFRAES S.A.S E.S.P. (“INFRAES”) was contracted to construct a pipeline to connect Sinu-9 facilities to the Colombian transportation network. Under the terms of the INFRAES construction agreement, the Company was required to provide an initial letter of credit of approximately \$2.0 million, which was secured with the local bank with a restricted deposit denominated in Colombian pesos. In March 2024, the initial deposit-secured letter of credit was replaced with an unsecured standby letter of credit, resulting in the release of the restricted deposit previously required by the local bank.

5. EXPLORATION AND EVALUATION ASSETS

Exploration and Evaluation (“E&E”) assets consists of the following amounts as at September 30, 2024, and December 31, 2023:

	2024	2023
Balance, January 1	35,988,224	26,721,884
Additions	11,812,704	9,674,284
Revision of asset retirement estimate	(34,623)	(407,944)
Impairment loss	(9,679,592)	-
Balance, end of period	38,086,713	35,988,224

As at June 30, 2024, the Company completed an impairment review of its E&E assets. It was determined that impairment indicators existed for the VMM39 Block CGU when considering the Company’s decision to no longer pursue exploration activities within this exploration property. As a result, the carrying amount of the VMM39 Block CGU was written off, resulting in an impairment of \$9.7 million being recorded for the nine months ended September 30, 2024.

Further to the impairment review, it was determined that no impairment indicators existed for the Sinu-9 Block CGU within E&E assets. For the Tiburon CGU, the Company incurs ongoing maintenance costs from the third party operator, which are expensed as E&E expenses. Beyond maintenance costs, no further capital activity has occurred in the Tiburon Block in the period.

NG ENERGY INTERNATIONAL CORP.
Notes to the Interim Condensed Consolidated Financial Statements
For the periods ended September 30, 2024 and 2023 (unaudited)

6. PROPERTY, PLANT, AND EQUIPMENT

The Company's property, plant, and equipment ("PP&E") consist of development and production ("D&P") assets, corporate fixed assets and right-of-use leased ("ROU") assets. D&P assets include the Company's interests in any developed natural gas properties. The components of the Company's PP&E assets are as follows:

Cost	D&P	Corporate	ROU	Total
Balance, December 31, 2022	17,522,065	268,748	24,886,551	42,677,364
Capital additions	13,246,753	7,962	-	13,254,715
Asset retirement cost addition	648,117	-	-	648,117
Revision of right-of-use assets	-	-	2,503,412	2,503,412
Revision of asset retirement estimate	(396,119)	-	-	(396,119)
Balance, December 31, 2023	31,020,816	276,710	27,389,963	58,687,489
Capital additions	3,059,607	186,446	-	3,246,053
Right-of-use assets additions	-	-	203,235	203,235
Revision of right-of-use assets	-	-	1,044,140	1,044,140
Revision of asset retirement estimate	(72,131)	-	-	(72,131)
Balance, September 30, 2024	34,008,292	463,156	28,637,338	63,108,786

Accumulated depletion, depreciation and impairment

Balance, December 31, 2022	405,337	247,934	594,366	1,247,637
Depletion and depreciation	2,713,066	11,905	2,805,740	5,530,711
Balance, December 31, 2023	3,118,403	259,839	3,400,106	6,778,348
Depletion and depreciation	4,816,938	25,284	2,396,064	7,238,286
Balance, September 30, 2024	7,935,341	285,123	5,796,170	14,016,634

Net book value

Balance, December 31, 2023	27,902,413	16,871	23,989,857	51,909,141
Balance, September 30, 2024	26,072,951	178,033	22,841,168	49,092,152

As at September 30, 2024, the balance of D&P consisted of the oil and gas properties of the Maria Conchita CGU. Future development costs in the amount of \$29.8 million were included in depletion calculated for the nine months ended September 30, 2024 (\$32.9 million - December 31, 2023). As at September 30, 2024, the Company completed an impairment review of its PP&E assets. It was determined that no impairment indicators existed.

7. DEBT

Macquarie Debt

In February 2024, the Company announced that it had entered into a definitive credit and guarantee agreement (the "Credit Agreement") with Macquarie Group ("Macquarie") for a financing of up to \$100 million of which \$50 million is committed funding (the "Macquarie Financing"). The Macquarie debt is secured by a first priority lien over all the assets of the Company, its wholly owned subsidiaries and a trust formed in Colombia and matures on December 29, 2028. The Macquarie debt bears interest at the bank's assessed prime or SOFR terms rates plus applicable margins. The applicable margin charged by the bank is dependent upon criteria including loan life coverage ratio and short-term gas production results, with

NG ENERGY INTERNATIONAL CORP.
Notes to the Interim Condensed Consolidated Financial Statements
For the periods ended September 30, 2024 and 2023 (unaudited)

an applicable margin rate range between 6.25% to 8.5%. As at September 30, 2024, the Macquarie debt had an effective interest rate of 13.8% per annum. Repayments of principal are mandated on a quarterly basis. Quarterly principal repayments are \$2.5 million in 2024, \$3.0 million in 2025 and 2026, \$1.75 million in 2027, and \$1.0 million in 2028.

In March 2024, the Company received an initial advance of \$40 million pursuant to the terms of the Macquarie Financing, with the remaining \$10 million in committed funding to be advanced to the Company on a date to be determined pursuant to the terms of the Credit Agreement. The additional \$50 million in uncommitted funding will be made available to the Company by Macquarie under an accordion feature.

In connection with the Macquarie Financing, the Company issued 20,742,857 common share purchase warrants to Macquarie (the "Bonus Warrants"). Each Bonus Warrant entitles Macquarie to purchase one Common Share at an exercise price equal to C\$1.00 until December 29, 2028. Total transaction costs of \$13.7 million, which includes the assessed fair value of the Bonus Warrants of \$8.9 million (see Note 10), are to be amortized over the life of the debt.

A summary of the outstanding Macquarie debt as at September 30, 2024, is as follows:

Total commitment	50,000,000
Amount drawn	37,500,000
Amount drawn, net of unamortized issue costs	25,307,110
Current portion	8,634,317
Non-current portion	16,672,793

In addition, the Company obtained an uncommitted letter of credit facility from Macquarie of up to an additional \$13.6 million (the "LC Facility"). The Company uses the capacity of the LC Facility to guarantee work commitments under the Company's contracts with midstream partners and with the ANH. In October 2024, an amendment was made to the credit agreement under which the LC Facility was increased from \$13.6 million to \$25.6 million (see Note 19). As of September 30, 2024, \$11.3 million of the LC Facility was being utilized for said work commitments guarantees.

Financial covenants

The Company is required to maintain certain debt covenants throughout the term of the Macquarie debt, as follows:

- Maintain a current ratio (as defined in the Credit Agreement) of more than 1.00.
- Maintain a loan life coverage ratio (as defined in the Credit Agreement) of more than 1.30.
- Maintain an asset coverage ratio (as defined in the Credit Agreement) of more than 1.50.

As at September 30, 2024, the Company was compliant with all restrictions and covenants for the Macquarie debt.

NG ENERGY INTERNATIONAL CORP.
Notes to the Interim Condensed Consolidated Financial Statements
For the periods ended September 30, 2024 and 2023 (unaudited)

Promissory Notes

As of September 30, 2024, the Company maintained simple promissory notes for total proceeds of \$1,500,000 with certain lenders incurring interest expense at a rate of 12% per annum. As of September 30, 2024, total balance outstanding of principal plus accrued interest for the promissory notes was \$1,632,916. In October 2024, the remaining balance of the promissory notes was repaid in full. See Note 14 for promissory notes from related parties.

8. CONVERTIBLE DEBENTURES

July 2023 Offering

In July 2023, the Company completed a private placement offering of convertible debentures for aggregate proceeds of \$26.6 million (C\$35 million). Each convertible debenture unit was denominated in Canadian dollars and consisted of: (i) one 10% senior secured convertible debenture in the principal amount of \$1,000 maturing on July 31, 2026; and (ii) 1,000 common share purchase warrants of the Company, with each warrant entitling the holder thereof to purchase one common share of the Company at an exercise price of C\$0.90 per share for a period of three years ending July 31, 2026. The debentures were secured by a first priority lien over all the assets of the Company. Under the terms of the debentures, the lenders could at any time prior to the maturity date convert any or all the principal amount of the debentures into shares of the Company at a conversion price of C\$0.70 per share.

November 2022 Offering

In November 2022, the Company completed a private placement offering of convertible debentures for aggregate proceeds of \$25.9 million (C\$35 million). Each convertible debenture unit was denominated in Canadian dollars and consisted of: (i) one 10% convertible senior secured debenture in the principal amount of \$1,000 maturing on November 30, 2025; and (ii) 1,000 common share purchase warrants of the Company, with each warrant entitling the holder thereof to purchase one common share of the Company at an exercise price of C\$1.08 per share for a period of three years ending November 30, 2025. The debentures were secured by a first priority lien over all the assets of the Company. Under the terms of the debentures, the lenders could at any time prior to the maturity date convert any or all the principal amount of the debentures into shares of the Company at a conversion price of C\$0.90 per share.

Conversion and Redemption of Outstanding Convertible Debentures

In March 2024, in connection with the Macquarie Financing, 100% of the holders of the Company's debentures issued in November 2022 and July 2023 (the "Debentures"), elected to convert or redeem their Debentures in accordance with their terms. Holders of C\$2.4 million face value of Debentures chose to redeem, resulting in payment of C\$3.0 million in principal, interest and redemption premium per the Debenture terms. Holders of the remaining C\$67.2 million face value of Debentures chose to convert, resulting in the issuance of 85,731,098 common shares and payment of C\$30.3 million in interest and conversion premium per the Debenture terms. Upon completion of the conversion and redemption of the Debentures, the remaining balance of \$1.2 million of existing deposits in escrow was released to the Company.

NG ENERGY INTERNATIONAL CORP.
Notes to the Interim Condensed Consolidated Financial Statements
For the periods ended September 30, 2024 and 2023 (unaudited)

May 2022 Offering

In May 2022, the Company completed a prospectus offering of convertible debenture units for aggregate proceeds of \$13.4 million (C\$17.1 million). Each convertible debenture unit is denominated in Canadian dollars and consisted of: (i) one 8% convertible unsecured debenture in the principal amount of C\$1,000 maturing on May 20, 2027; and (ii) 400 common share purchase warrants of the Company, with each warrant entitling the holder thereof to purchase one common share of the Company at an exercise price of C\$1.40 per share for a period of five years ending May 20, 2027. Under the terms of the debentures, the lenders may at any time prior to the maturity date convert any or all the principal amount of the debentures into shares of the Company at a conversion price of C\$1.20 per share. Interest on the debentures is payable monthly in arrears on the last day of each month.

The Company is entitled to force the exercise, at any time after May 20, 2024, of all but not less than all of the then outstanding warrants on not more than 60 days' and not less than 30 days' notice, if the volume weighted average trading price of the common shares on the TSX-V is greater than C\$2.00 for the ten consecutive trading days preceding the notice.

The components of the Company's convertible debentures as of September 30, 2024, are as follows:

	Liability Component	Equity Component	Warrants	Total
Balance, December 31, 2022	8,771,829	499,320	2,354,764	11,625,913
Accretion	602,771	-	-	602,771
Impact of foreign exchange	223,363	-	-	223,363
Balance, December 31, 2023	9,597,963	499,320	2,354,764	12,452,047
Accretion	522,478	-	-	522,478
Impact of foreign exchange	(190,002)	-	-	(190,002)
Balance, September 30, 2024	9,930,439	499,320	2,354,764	12,784,523

9. LEASE OBLIGATIONS

As at September 30, 2024, the Company had service contracts and agreements in Colombia. The Company recognized right-of-use assets and corresponding lease obligations relating to the construction, ownership, maintenance, and transfer agreement ("BOOMT Agreement") with GTX International Corp. ("GTX") and the take-or-pay service contract with Surenergy SAS ESP ("Surenergy") (see Note 16 for "Contractual Commitments"). Furthermore, the Company had office lease agreements also in Colombia, for which the Company has recognized right-of-use assets and corresponding lease obligations. The presented lease obligations have a discount rate of 16.33% (2023 – 16.33%). A continuity of lease obligations is presented below.

NG ENERGY INTERNATIONAL CORP.
Notes to the Interim Condensed Consolidated Financial Statements
For the periods ended September 30, 2024 and 2023 (unaudited)

	GTX	Surenergy	Office Leases	Total
Balance, December 31, 2022	19,434,487	4,822,292	-	24,256,779
Adjustment to lease terms	2,044,572	458,840	-	2,503,412
Interest expense	3,107,576	711,891	-	3,819,467
Lease payments	(5,436,066)	(1,310,122)	-	(6,746,188)
Balance, December 31, 2023	19,150,569	4,682,901	-	23,833,470
Additions	-	-	203,235	203,235
Adjustment to lease terms	1,044,140	-	-	1,044,140
Interest expense	2,251,732	556,700	9,449	2,817,881
Lease payments	(4,386,350)	(1,056,717)	(20,319)	(5,463,386)
Foreign exchange	-	-	(7,971)	(7,971)
Balance, September 30, 2024	18,060,091	4,182,884	184,394	22,427,369
Current portion	6,215,195	1,435,783	76,976	7,727,954
Non-current portion	11,844,896	2,747,101	107,418	14,699,415
Total	18,060,091	4,182,884	184,394	22,427,369

Future lease payments as at September 30, 2024, are as follows:

	Less than 1 year	2-3 years	Thereafter	Total
GTX	6,215,195	6,215,195	12,447,417	24,877,807
Surenergy	1,435,783	1,435,783	2,935,379	5,806,945
Office Leases	76,976	87,528	65,445	229,949
Total	7,727,954	7,738,506	15,448,241	30,914,701

10. SHARE CAPITAL

a) Common Shares

The Company is authorized to issue an unlimited number of common shares, with no par value, with holders of common shares entitled to one vote per share and to dividends, if declared. Outstanding common shares as at September 30, 2024 are as follows:

NG ENERGY INTERNATIONAL CORP.
Notes to the Interim Condensed Consolidated Financial Statements
For the periods ended September 30, 2024 and 2023 (unaudited)

	Common shares	Amount (\$)
Balance, December 31, 2022	125,122,132	104,881,440
Shares issued through warrant exercise	4,625,500	5,177,634
Shares issued through option exercise	600,000	261,474
Shares issued on VMM39 Block option acquisition	6,592,000	4,002,135
Conversion of debentures	511,110	318,861
Balance, December 31, 2023	137,450,742	114,641,544
Shares issued through private placement, net of costs	28,572,000	21,104,317
Shares issued for debt settlement	2,000,000	1,502,000
Shares issued through warrant exercise	13,000	9,094
Shares issued through option exercise	770,000	589,335
Conversion of debentures (Note 8)	85,731,098	47,317,917
Balance, September 30, 2024	254,536,840	185,164,207

Brokered Private Placement

In September 2024, the Company completed a brokered private placement of 28,572,000 common shares at a price of C\$1.05 per share, for gross proceeds of \$22,285,396 (C\$30,000,600) before transaction costs. Total issuance costs on the private placement were \$1,181,079 (C\$1,589,968). See Note 14 for details regarding portion of the private placement associated with related parties.

Shares for Debt Settlement with Plus+

In March 2024, the Company announced that it completed a shares for debt settlement with Plus+ SAS ESP ("Plus+"), whereby the Company issued 2,000,000 common shares to Plus+ at a deemed issuance price of C\$1.00 per common share in satisfaction of \$1,502,000 owing to Plus+ pursuant to the terms of a termination agreement entered into between the Company and Plus+ in relation to the termination of the existing natural gas supply contract between the parties.

Conversion of Convertible Debentures

In March 2024, in connection with the Macquarie Financing, 100% of the holders of the Company's debentures issued in November 2022 and July 2023 (the "Debentures"), elected to convert or redeem their Debentures in accordance with their terms. Holders of C\$67.2 million face value of Debentures chose to convert, resulting in the issuance of 85,731,098 common shares.

b) Stock Options

The Company's stock option plan provides for the issue of stock options to directors, officers, employees, charities and consultants. The plan provides that stock options may be granted up to a number equal to 10% of the Company's outstanding shares. Vesting terms are determined by the Board of Directors as they are granted and currently include periods ranging from immediately vesting to one-fourth vesting on each anniversary date over four years. The options' maximum term is ten years.

NG ENERGY INTERNATIONAL CORP.
Notes to the Interim Condensed Consolidated Financial Statements
For the periods ended September 30, 2024 and 2023 (unaudited)

As at September 30, 2024, a total of 11,511,893 (December 31, 2023 – 12,801,893) options were issued and outstanding under this plan. Options which are forfeited/expired are available for reissue.

A summary of the changes in stock options is presented below:

	Stock options	Weighted average exercise price (C\$)
Balance, December 31, 2022	12,526,293	0.91
Options issued	2,850,000	1.18
Options exercised	(600,000)	0.33
Options forfeited	(1,974,400)	1.43
Balance, December 31, 2023	12,801,893	0.92
Options issued	300,000	1.18
Options exercised	(770,000)	0.59
Options expired	(820,000)	1.05
Balance, September 30, 2024	11,511,893	0.94

In August 2024, the Company granted 300,000 options to acquire common shares to a newly appointed officer of the Company at an exercise price of C\$1.18 per common share. The options are for a five-year term, expiring on August 6, 2029. All options vest over a period of four years, with one-fourth of total options vesting on each subsequent grant anniversary date.

The following summarizes information about stock options outstanding as at September 30, 2024:

Exercise prices (C\$)	Number of options outstanding	Weighted average term to expiry (years)	Number of options exercisable
0.275	786,000	5.73	786,000
0.45	1,575,000	4.75	1,575,000
0.91	1,675,000	5.39	1,675,000
1.00	2,350,000	6.15	2,350,000
1.14	1,965,893	6.99	1,965,893
1.18	3,150,000	4.08	712,500
8.00	10,000	2.86	10,000
	11,511,893	5.39	9,074,393

For stock options vesting over the three and nine months ended September 30, 2024, share-based compensation of \$226,150 and \$651,105 (three and nine months ended September 30, 2023 - \$2,716), respectively, was expensed.

c) Warrants

As at September 30, 2024, a total of 96,688,657 (December 31, 2023 - 80,634,050) warrants were issued and outstanding. A summary of the change in total warrants is presented below:

NG ENERGY INTERNATIONAL CORP.
Notes to the Interim Condensed Consolidated Financial Statements
For the periods ended September 30, 2024 and 2023 (unaudited)

	Warrants	Weighted average exercise price (C\$)
Balance, December 31, 2022	56,712,062	1.20
Warrants issued with convertible debentures	35,000,000	0.90
Warrants expired	(6,452,512)	1.29
Warrants exercised	(4,625,500)	1.18
Balance, December 31, 2023	80,634,050	1.06
Warrants issued on Macquarie Financing (Note 7)	20,742,857	1.00
Warrants expired	(4,675,250)	1.69
Warrants exercised	(13,000)	0.90
Balance, September 30, 2024	96,688,657	1.02

In connection with the Macquarie Financing, the Company issued 20,742,857 common share purchase warrants to Macquarie (the “Bonus Warrants”). Each Bonus Warrant entitles Macquarie to purchase one Common Share at an exercise price equal to C\$1.00 until December 29, 2028. For the Bonus Warrants issued, the Black-Scholes option pricing model was used to estimate their fair value based on the assumptions of expected stock price volatility of 80%, risk-free interest rate of 3.48%, expected dividend yield of 0%, and an expected life of 4.77 years, resulting in an assessed fair value per option of C\$0.58.

The following summarizes information about total purchase warrants outstanding as at September 30, 2024:

Exercise prices (C\$)	Number of warrants outstanding	Weighted average term to expiry (years)	Number of warrants exercisable
0.90	34,987,000	1.83	34,987,000
1.00	20,742,857	4.25	20,742,857
1.08	34,100,000	1.17	34,100,000
1.40	6,858,800	2.64	6,858,800
	96,688,657	2.17	96,688,657

d) Loss per share

For the purposes of the loss per share calculations for the three and nine months ended September 30, 2024 and 2023, there is no difference between the basic loss per share and the diluted loss per share amounts. For the three and nine months ended September 30, 2024, 11,511,893 stock options and 96,688,657 purchase warrants were excluded as either i) their impact was anti-dilutive for the periods when the Company had a net loss; or ii) the average market price of the common shares of the Company was less than the exercise price of existing stock options and purchase warrants.

11. LONG TERM INCENTIVE COMPENSATION

The long-term incentive compensation includes RSUs, PSUs and DSUs. Each of these compensation units are expected to be settled by way of the issuance of NG common shares when settled. As such, they are recognized as contributed surplus on a graded vesting basis over the vesting term of each grant. Share-

NG ENERGY INTERNATIONAL CORP.
Notes to the Interim Condensed Consolidated Financial Statements
For the periods ended September 30, 2024 and 2023 (unaudited)

based compensation relating to RSUs, PSUs and DSUs of \$2,556,241 and \$5,641,502 (three and nine months ended September 30, 2023 - \$18,924) was expensed during the three and nine months ended September 30, 2024, respectively.

The details of RSUs, PSUs and DSUs as at September 30, 2024, were as follows:

Units	Vesting Criteria	Outstanding
DSUs	50% vesting in September 2024, 50% vesting in September 2025	4,540,000
RSUs	50% vesting in September 2024, 50% vesting in September 2025	2,525,000
	50% vesting in August 2025, 50% vesting in August 2026	597,500
PSUs	3 tranches vesting based on milestone criteria, with minimum vesting period of one year (vest date of September 2024)	2,635,000
	3 tranches vesting based on milestone criteria, with minimum vesting period of one year (vest date of August 2025)	597,500
	3 tranches vesting based on milestone criteria, with minimum vesting period of one year (vest date of September 2025)	300,000

In August 2024, the Company granted a total of 597,500 PSUs to a newly appointed officer of the Company. The PSUs vest in four equal tranches with the vesting conditions of each tranche related to the successful realization of specific operational milestones that the Company expects to be achieved over the foreseeable future. The PSUs are expected to be settled in common shares of the Company.

In August 2024, the Company granted a total of 597,500 RSUs to a newly appointed officer of the Company. The RSUs vest in two equal tranches over two years from the grant date and are expected to be settled in common shares of the Company.

12. REVENUE

The following table presents the Company's sale revenue disaggregated by product type for the three and nine months ended September 30, 2024 and 2023:

	Three months ended		Nine months ended	
	2024	2023	2024	2023
Natural gas sales	8,991,219	2,430,805	29,255,088	7,325,479
Natural gas liquid sales	68,087	56,186	242,999	73,694
Total sales revenue	9,059,306	2,486,991	29,498,087	7,399,173

As at September 30, 2024, receivables from contracts with customers, which are included in accounts receivable, were \$3,216,351 (December 31, 2023 - \$2,657,467). For the nine months ended September 30, 2024, the Company had three external customers that each constituted more than 10% of commodity sales from production.

NG ENERGY INTERNATIONAL CORP.
Notes to the Interim Condensed Consolidated Financial Statements
For the periods ended September 30, 2024 and 2023 (unaudited)

13. NET FINANCE EXPENSE

The components of net finance expense for the three and nine months ended September 30, 2024 and 2023, are as follows:

	Three months ended		Nine months ended	
	2024	2023	2024	2023
Interest income	(66,134)	(220,351)	(381,764)	(502,479)
Bank/trust fees	67,849	88,226	195,609	173,268
Interest and fees on convertible debentures	246,286	1,335,554	2,029,916	3,132,614
Interest and fees on promissory notes	10,383	92,971	128,416	175,710
Interest and fees on Macquarie Financing	1,903,115	-	4,088,865	-
Accretion on decommissioning obligations	24,075	24,057	72,363	71,973
Accretion on liability component of convertible debentures	181,351	558,089	987,296	1,331,390
Accretion on lease obligations	908,286	936,960	2,817,881	2,877,603
Amortization of transaction costs on Macquarie Financing	722,310	-	1,507,428	-
Total net finance expense	3,997,521	2,815,506	11,446,010	7,260,079

14. RELATED PARTIES

During the three and nine months ended September 30, 2024 and 2023, there were separate related party transactions as follows:

- a) For the three and nine months ended September 30, 2024, the Company incurred expenditures of \$352,547 and \$1,139,711 in royalties paid to organizations that are affiliated with directors of NG. For the three and nine months ended September 30, 2023, the Company incurred expenditures of \$92,300 and \$274,723 in royalties paid to organizations that are affiliated with directors or former directors of NG as well as payments directly to a former director of NG who departed from the Company in August 2023.
- b) For the three and nine months ended September 30, 2024, the Company incurred expenditures of \$9,362 and \$29,288, respectively (three and nine months ended September 30, 2023 - \$8,496 and \$23,620, respectively), in office rental costs in Colombia. The related office space was rented from an entity affiliated with a certain former director of the Company. As at September 30, 2024, a payables balance of \$11,610.
- c) In September 2024, the Company completed a brokered private placement of common shares of the Company at C\$1.05 per common share. Of the common shares issued, 1,587,521 million were issued to directors of the Company.
- d) In July 2023, the Company completed a non-brokered private placement of convertible debentures of 35,000 debenture units at C\$1,000 per unit, with 1,000 common share purchase warrants issued per

NG ENERGY INTERNATIONAL CORP.
Notes to the Interim Condensed Consolidated Financial Statements
For the periods ended September 30, 2024 and 2023 (unaudited)

unit. Of the units issued, 6,100 units were issued for subscriptions by directors and key personnel of the Company.

- e) In June 2023, the Company entered into a simple agreement for future equity ("SAFE") with an investor related to a certain director of the Company for total proceeds of C\$5,000,000. In accordance with the terms of the SAFE, the full value of C\$5,000,000 was converted into 5,000 senior secured convertible debenture units of the Company in accordance with the terms and upon the closing of the July 2023 Offering.
- f) The Company maintains a BOOMT Agreement with service provider, GTX (see Note 16). Of the ownership of GTX, 3.0% is held by directors or affiliates of directors of the Company as of September 30, 2024.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks, and the Company's management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

Credit risk

Credit risk reflects the risk of loss if counterparties do not fulfill their contractual obligations. The carrying amount of cash and cash equivalents, deposits in escrow, accounts receivable, VAT receivable and restricted cash represent the maximum credit exposure. As at September 30, 2024, the Company had \$8,177,843 (December 31, 2023 - \$8,011,108) in restricted cash towards financial covenants, development activity and joint operations in Colombia (see Note 4).

As at September 30, 2024, the Company had \$5,249,679 (December 31, 2023 - \$3,545,419) in accounts receivable. The Company does not consider any of its receivables past due.

The Company maintained a VAT receivable balance of \$3,560,076 as of September 30, 2024 (December 31, 2023 - \$3,129,360), which is classified as a non-current asset. The Company considers these VAT balances to be collectible in the future as such VAT amounts will be utilized to offset future VAT charged on sales realized by the Company on future oil production that would otherwise be required to be paid to the Colombian tax authorities.

NG ENERGY INTERNATIONAL CORP.
Notes to the Interim Condensed Consolidated Financial Statements
For the periods ended September 30, 2024 and 2023 (unaudited)

As at September 30, 2024, the Company held cash and cash equivalents of \$19,134,455 (December 31, 2023 - \$1,294,422) and deposits in escrow of \$nil (December 31, 2023 - \$1,584,608). The Company manages the credit exposure related to cash and cash equivalents and deposits in escrow by ensuring counterparties (e.g., banks) maintain satisfactory credit ratings and monitors all investments to ensure a stable return.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due and describes the Company's ability to access cash. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient cash resources to finance operations, fund capital expenditures, and to repay debt and other liabilities of the Company as they come due without incurring unacceptable losses or risking harm to the Company's reputation. The Company's processes for managing liquidity risk include preparing and monitoring capital and operating budgets, coordinating and authorizing project expenditures, and authorization of contractual agreements. The Company seeks additional financing based on the results of these processes (see also Note 2). The budgets are updated when required as conditions change.

The following table outlines the contractual maturities of the Company's financial liabilities as at September 30, 2024:

	Within 1 Year	Year 2	Years 3-5	Thereafter	Total
Trade accounts payable	6,941,722	-	-	-	6,941,722
Royalties payable	3,161,103	-	-	-	3,161,103
Capital payables	3,046,945	-	-	-	3,046,945
Promissory Notes	1,632,916	-	-	-	1,632,916
Lease obligation payments	7,727,954	7,738,506	15,448,241	-	30,914,701
Convertible debentures - interest	981,778	981,778	872,692	-	2,836,248
Convertible debentures - principal	-	-	12,443,144	-	12,443,144
Macquarie Debt - interest ⁽¹⁾	4,950,041	3,311,433	2,763,497	-	11,024,971
Macquarie Debt - principal	11,500,000	12,000,000	14,000,000	-	37,500,000
	39,942,459	24,031,717	45,527,574	-	109,501,750

1) Presumed interest rate of 13.8% over the life of the debt.

Market risk

Market risk is the risk or uncertainty that changes in price, such as commodity prices, foreign exchange rates, and interest rates will affect the Company's net earnings and the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. From time to time, the Company may utilize financial derivative contracts to manage market risks in accordance with the risk management policy that has been approved by the Board of Directors. There were no financial derivative contracts or embedded derivatives outstanding at September 30, 2024 nor were there financial derivative contracts or embedded derivatives outstanding at December 31, 2023.

NG ENERGY INTERNATIONAL CORP.
Notes to the Interim Condensed Consolidated Financial Statements
For the periods ended September 30, 2024 and 2023 (unaudited)

Commodity price risk

Commodity price risk is the risk that the fair value of the future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for natural gas are affected not only by the United States dollar, but also by world economic events that dictate the levels of supply and demand.

The Company's natural gas revenue is derived from natural gas production on the Maria Conchita Block.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. Some of the Company's business transactions and commitments occur in currencies other than US dollars. A portion of the Company's oil and natural gas activities in Colombia transact in Colombian Peso (COP\$). In addition, the majority of the Company's financing and a portion of the administrative costs will be based and paid in Canadian dollars and COP\$. Therefore, the Company is exposed to the risk of fluctuations in foreign exchange rates between US dollars, COP\$ and Canadian dollars.

As at September 30, 2024, the Company had not entered into any foreign currency derivatives to manage its exposure to currency fluctuations, nor were there any foreign currency derivatives as at the previous year ended December 31, 2023.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in prevailing market interest rates. Fluctuations of interest rates for the nine months ended September 30, 2024 and 2023, would not have had a significant impact on cash and cash equivalents and short-term investments. Furthermore, the Company is not currently exposed to interest rate risk on its interest-bearing loans given these debt instruments are all subject to fixed interest rates.

Capital management

The Company's objectives when managing capital are to ensure the Company will have sufficient financial capacity, liquidity, and flexibility to fund the Company's operations, growth, and ongoing exploration and development commitment activities of its oil and gas assets. The Company is dependent upon funding these activities through a combination of available cash, debt, and equity, which it considers to be the components of its capital structure as outlined below. To maintain or adjust the capital structure, from time to time the Company may issue or repurchase common shares or other securities, sell assets or adjust its capital spending to manage current and projected debt levels.

The Company monitors leverage and adjusts its capital structure based on its net debt level. Net debt is defined as the principal amount of its outstanding debt less working capital. To facilitate the management of its net debt, the Company prepares annual budgets, which are updated as necessary depending on varying factors including current and forecasted commodity prices, changes in capital structure, execution of the Company's business plan and general industry conditions. The annual budget is approved by the Board of Directors and updates are prepared and reviewed as required.

NG ENERGY INTERNATIONAL CORP.
Notes to the Interim Condensed Consolidated Financial Statements
For the periods ended September 30, 2024 and 2023 (unaudited)

	September 30, 2024	December 31, 2023
Convertible debentures (8% May 2022)	12,443,144	12,699,985
Convertible debentures (10% Nov 2022)	-	26,115,228
Convertible debentures (10% Jul 2023)	-	26,463,027
Macquarie debt (13.8%)	37,500,000	-
Lease obligations	30,914,701	34,739,500
Total debt	80,857,845	100,017,740
Less: working capital (deficit) ⁽¹⁾	10,349,631	(5,503,932)
Net debt	70,508,214	105,521,672

1) Calculation of working capital excludes current portion of lease obligations and current portion of debt as presented on the consolidated statement of financial position.

The Company regularly monitors its capital structure and, as necessary, adjusts to changing economic circumstances and the underlying risk characteristics of its assets to meet current and upcoming obligations and investments by the Company. The Company frequently reviews alternate financing options and arrangements to meet its current and upcoming commitments and obligations.

Fair value of financial instruments

The carrying values of cash and cash equivalents, accounts receivable, prepaids, VAT receivable, restricted cash, accounts payables and accrued liabilities and promissory notes approximate their fair values at September 30, 2024. The liability component of convertible debentures and Macquarie Debt are carried at amortized cost. As at September 30, 2024, the fair value of the convertible debentures was \$11.2 million, and the fair value of the Macquarie Debt approximated the carrying value of the debt at \$37.3 million.

16. COMMITMENTS

Capital commitments

A summary of the Company's estimated capital commitments (in millions of dollars) are as follows:

Block	2024	2025	Total
Sinu-9 Block ⁽¹⁾	-	19.9	19.9
Tiburon Block ⁽²⁾	3.0	-	3.0
Maria Conchita Block ⁽³⁾	-	5.0	5.0
Total	3.0	24.9	27.9

1) NG's ANH commitment to carry out the minimum requirement to drill two exploration wells (for which the Company will pay 100% of the costs under the terms of the Sinu-9 Acquisition) for an estimated cost of \$22.3 million according to Phase 1 of the contractual exploration program. The first exploration well (Magico-1) was completed in August 2022 and drilling of the second exploration well (Brujo-1) was completed in November 2022. The Company has sought confirmation from the ANH that this Phase 1 commitment has been fulfilled. Currently, the ANH has acknowledged fulfillment of a portion of the commitment, leaving a remaining commitment of \$15.5 million. NG currently awaits final acknowledgement from the ANH that the remainder of this commitment of two exploration wells has been fulfilled. A further ANH commitment to acquire, process, and interpret 60 km² of 3D seismic for an estimated cost of \$4.4 million has been assumed

NG ENERGY INTERNATIONAL CORP.
Notes to the Interim Condensed Consolidated Financial Statements
For the periods ended September 30, 2024 and 2023 (unaudited)

by the Company as part of an 18-month extension request granted by the ANH under the current phase of the contractual exploration program. As such, the current deadline for completion of the Phase 1 commitments has been extended by the ANH to December 2025.

- 2) Relates to NG's share of the ANH commitment to carry out the minimum requirement to acquire, process, and interpret 69.75 km² of 3D seismic according to Phase 3 of the contractual exploration program. Currently, operations are delayed due to community disputes in the region, with 148 days to fulfil the commitment after the local disputes are resolved and the activities carried out in the previously proposed area. The Company assumes that activities related to the permits for the new seismic survey will commence in 2024 if the dispute is resolved by the Colombian Ministry of the Interior.
- 3) New ANH commitment to drill one exploration well for an estimated cost of \$5.0 million. This new commitment was assumed by the Company as part of an 18-month extension request granted by the ANH under the current phase of the contractual evaluation program. The current deadline for completion of the drilling program is August 2025.

The expenditures provided in the above table only represent the Company's estimated cost to satisfy contract requirements. Actual expenditures to satisfy these commitments, initiate production or create proved plus probable natural gas reserves may differ from these estimates. The expenditures in the above table are based on the latest possible date required per contract and may be incurred at an earlier date.

Contractual commitments

Natural Gas Transportation Services

In August 2022, the Company entered into a Build-Own-Operate-Maintain-Transfer agreement (the "BOOMT Agreement") with GTX International Corp. ("GTX") pursuant to which GTX has built and will operate production facilities and pipeline (the "Pipeline Facilities") with capacity of 20 million cubic feet per day ("MMcf/d") that will extend from the Company's Maria Conchita Block in Colombia to existing national infrastructure. The BOOMT Agreement outlines the take-or-pay arrangement ("ToP") pursuant to which NG has agreed to transport, or pay for, 16 MMcf/d through the Pipeline Facilities for a period of six years (the "Guaranteed Commitment") at an initial tariff of \$0.90/Mcf of gas, annually adjusted to the Consumer Price Index, which commenced on September 23, 2022. Following the end of the term of the Guaranteed Commitment, the Company will no longer be required to pay for the full capacity of 16 MMcf/d but rather will only pay for that capacity which is used. The BOOMT Agreement has a term of ten years, after which ownership of the Pipeline Facilities will transfer to the Company. The BOOMT Agreement was reviewed as per guidelines in IFRS 16 to determine if it was for financial reporting purposes considered a right-of-use asset and lease liability. It was determined that the agreement met the criteria to be accounted for as a right-of-use asset and lease liability and has been disclosed as such in Notes 6 and 9.

Natural Gas Compression Services

In November 2021, the Company entered a take-or-pay service contract with Surenergy SAS ESP ("Surenergy") for the compression of natural gas production derived from the Maria Conchita Block. Under the terms of the contract, Surenergy will install and maintain necessary infrastructure and equipment required to provide daily natural gas compression services for a natural gas production capacity of 20 MMcf/d, for a period of six years from the commencement of commercial natural gas production within the Maria Conchita Block. For these services, the Company will pay Surenergy an initial monthly service fee of \$96,240 plus tax, annually adjusted to the Consumer Price Index, regardless of whether the Company fully utilizes the daily stipulated natural gas compression capacity. In December 2022, Surenergy completed the delivery of the third gas compressor, thereby satisfying the last outstanding condition required to turn the Surenergy Agreement into a binding obligation on the Company. The agreement with Surenergy was reviewed as per guidelines in IFRS 16 to determine if it was for financial reporting purposes considered a right-of-use asset and lease liability. It was determined that

NG ENERGY INTERNATIONAL CORP.
Notes to the Interim Condensed Consolidated Financial Statements
For the periods ended September 30, 2024 and 2023 (unaudited)

the agreement met the criteria to be accounted for as a right-of-use asset and lease liability and has been disclosed as such in Notes 6 and 9.

17. SEGMENTED INFORMATION

The Company is engaged in the exploration and development of natural gas in the country of Colombia. The Company determined that it operates in a single operating segment based on the organization and management of its business activities. As a result, the financial performance of the Company is reported as a single operating segment. Therefore, the information provided in these Financial Statements primarily reflects the results of the Company's operations in the single operating segment.

18. SUPPLEMENTAL CASH FLOW INFORMATION

Information regarding changes in non-cash working capital for the three and nine months ended September 30, 2024 and 2023 is as follows:

	Three months ended		Nine months ended	
	2024	2023	2024	2023
Accounts receivable and prepaids	1,903,240	(1,147,021)	(1,460,435)	(2,567,084)
Inventory	75,984	-	196,719	-
VAT receivable	(123,325)	(257,372)	(430,716)	(929,844)
Accounts payable and accrued liabilities	2,475,255	(994,975)	876,324	(1,541,513)
Interest payable on Macquarie Financing	(799,699)	-	160,838	-
Interest payable on promissory notes	10,383	-	128,416	-
Change in non-cash working capital	3,541,838	(2,399,368)	(528,854)	(5,038,441)
Relating to:				
Operating activities	2,615,436	656,555	2,574,399	(214,792)
Investing activities	1,715,718	(3,055,923)	(3,392,507)	(4,823,649)
Financing activities	(789,316)	-	289,254	-
Change in non-cash working capital	3,541,838	(2,399,368)	(528,854)	(5,038,441)

19. SUBSEQUENT EVENTS

Amendment to LC Facility

In October 2024, the Company increased the LC Facility with Macquarie by an incremental \$12 million from \$13.6 million to \$25.6 million for operational use to the Company. In connection with the increase to the LC Facility, the Corporation has issued to Macquarie 5,714,286 common share purchase warrants (the "Bonus Warrants"). Each Bonus Warrant will entitle Macquarie to purchase one common share of the Company at an exercise price equal to C\$1.00 until December 29, 2028.