



# **NEW STRATUS ENERGY INC.**

## **CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

### **FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2021 AND 2020**

#### **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 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 interim financial statements of the Company for the interim periods ended December 31, 2021 and 2020 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.**

**Table of Contents**

<b>Page 3</b>	<b>Consolidated Unaudited Statements of Financial Position</b>
<b>Page 4</b>	<b>Consolidated Unaudited Statements of Operations and Comprehensive Loss</b>
<b>Page 5</b>	<b>Consolidated Unaudited Statements of Changes in Equity</b>
<b>Page 6</b>	<b>Consolidated Unaudited Statements of Cash Flows</b>
<b>Pages 7</b>	<b>Notes to the Unaudited Consolidated Financial Statements</b>

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

(in Canadian dollars)

	Note	December 31, 2021	March 31, 2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$4,956,100	\$867,392
Restricted cash	3	510,745	-
Other receivables		67,167	41,579
Prepaid expenses		2,913	4,794
		<b>5,536,925</b>	<b>913,765</b>
<b>Non-current assets</b>			
Deposits		22,720	1,150
Exploration and evaluation assets	5	2,342,887	1,140,788
		<b>2,365,607</b>	<b>1,141,938</b>
<b>Total assets</b>		<b>\$7,902,532</b>	<b>\$2,055,703</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables	6	257,199	721,367
Due to related parties	13	15,081	138,640
<b>Total liabilities</b>		<b>272,280</b>	<b>860,007</b>
<b>Shareholders' equity</b>			
Share capital	9	26,040,248	18,473,981
Warrants	9	3,060,580	1,635,594
Contributed surplus		1,406,732	684,920
Cumulative translation adjustment		(930)	(930)
Deficit		(22,876,378)	(19,597,869)
<b>Total equity</b>		<b>7,630,252</b>	<b>1,195,696</b>
<b>Total liabilities and equity</b>		<b>\$7,902,532</b>	<b>\$2,055,703</b>

Commitments and contingencies (Note 15)

Subsequent events (Note 16)

Approved by the Board of Directors:

*(Signed) Marino Ostos*

Marino Ostos, Director

*(Signed) Jose Francisco Arata*

Jose Francisco Arata, Director

See accompanying notes to the consolidated financial statements.

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

Periods ended December 31,	Note	Three months		Nine months	
		2021	2020	2021	2020
<b>Expenses:</b>					
General and administrative	10	\$ 1,309,385	\$ 311,432	\$ 2,568,512	\$ 632,231
Interest expense (income)	7 & 8	-	(1,108)	(185)	22,438
Stock-based compensation	9	552,647	-	731,074	22,832
Foreign exchange gain		(13,819)	6,155	(20,892)	(86,582)
<b>Total expenses</b>		<b>\$ 1,848,213</b>	<b>\$ 316,479</b>	<b>\$ 3,278,509</b>	<b>\$ 590,919</b>
<b>Net loss and comprehensive loss</b>		<b>\$ 1,848,213</b>	<b>\$ 316,479</b>	<b>\$ 3,278,509</b>	<b>\$ 590,919</b>
<b>Net loss per share</b>					
Basic and diluted	11	<b>(\$0.02)</b>	(\$0.01)	<b>(\$0.04)</b>	(\$0.01)

See accompanying notes to the consolidated financial statements.

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

(in Canadian dollars)

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Expressed in Canadian dollars)

Periods ended December 31,	Three months		Nine months	
	2021	2020	2021	2020
<b>Share capital</b>				
Balance, beginning of the period	\$ 18,473,981	\$ 17,798,596	\$ 18,473,981	\$ 16,220,362
Compensation shares	-	-	371,309	53,724
Issued warrants	-	(73,410)	(1,443,449)	(402,180)
Shares issued on exercise of warrants	108,634	-	108,634	-
Shares issued on exercise of options	-	-	29,262	-
Shares issued on private placement	-	1,310,000	9,285,916	3,223,286
Share issue cost	-	-	(785,405)	(60,005)
Balance, end of the period	18,582,615	19,035,186	26,040,248	19,035,187
<b>Warrants</b>				
Balance, beginning of the period	1,635,594	1,001,801	1,635,594	670,709
Warrants issued on private placement	-	71,088	1,443,449	402,180
Fair value of warrants exercised	(18,463)	-	(18,463)	-
Balance, end of the period	1,617,131	1,072,889	3,060,580	1,072,889
<b>Contributed surplus</b>				
Balance, beginning of the period	863,347	684,920	684,920	662,088
Fair value of options exercised	-	-	(9,262)	-
Stock based compensation	552,647	-	731,074	22,832
Balance, end of the period	1,415,994	684,920	1,406,732	684,920
<b>Cumulative translation adjustment</b>				
Balance, beginning of the period	-	(8,103)	(930)	(8,103)
Balance, end of the period	-	(8,103)	(930)	(8,103)
<b>Accumulated deficit</b>				
Balance, beginning of the period	(20,112,162)	(18,781,321)	(19,597,869)	(18,506,881)
Net loss for the period	(1,848,213)	(316,479)	(3,278,509)	(590,919)
Balance, end of the period	(21,960,375)	(19,097,800)	(22,876,378)	(19,097,800)
<b>Total shareholders' equity</b>	\$ (344,635)	\$ 1,687,092	\$ 7,630,252	\$ 1,687,093

See accompanying notes to the consolidated financial statements.

**NEW STRATUS ENERGY INC.**  
**CONSOLIDATED UNAUDITED STATEMENTS OF CASH FLOWS**

(in Canadian dollars)

<b>Nine months ended December 31,</b>	<b>2021</b>	<b>2020</b>
<b>Operating activities</b>		
Net loss	\$ (3,278,509)	\$ (590,919)
Adjustments:		
Accounts payable and accrued liabilities	(439,031)	(223,967)
Compensation shares issued	371,309	53,724
Deposits and prepaid expenses	(19,689)	(1,501)
Interest on shareholders and term loans	-	22,438
Stock based compensation	731,074	22,832
Payable to related parties	(123,559)	-
Trade and other receivable	(25,588)	(20,329)
	<b>(2,783,993)</b>	<b>(\$737,722)</b>
<b>Investing activities</b>		
Investment in exploration and evaluation assets	(1,227,236)	(429,591)
	<b>(1,227,236)</b>	<b>(429,591)</b>
<b>Financing activities</b>		
Exercise of options	20,000	-
Exercise of warrants	90,171	-
Issuance of common shares and warrants	9 9,285,916	3,223,286
Repayment of short term loan	7 -	(111,863)
Repayment of Shareholders' loans	8 -	(594,753)
Share issue cost	9 (785,405)	(60,005)
	<b>8,610,682</b>	<b>2,456,665</b>
<b>Net change in cash and restricted cash</b>	<b>4,599,453</b>	<b>1,289,352</b>
<b>Impact of foreign exchange on foreign currency-denominated cash balances</b>	<b>-</b>	<b>(22,438)</b>
<b>Cash and restricted cash, beginning of the period</b>	<b>867,392</b>	<b>252,865</b>
<b>Cash and restricted cash, end of the period</b>	<b>\$ 5,466,845</b>	<b>\$ 1,519,779</b>

See accompanying notes to the consolidated financial statements.

# NEW STRATUS ENERGY INC.

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended December 31, 2021 and 2020

(in Canadian dollars except as otherwise noted)

---

### 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 principal assets are mineral properties located in Colombia. The registered address of the Company's registered office is 2400 - 333 7<sup>th</sup>. Ave. SW, Calgary, Alberta, Canada.

The business of acquiring, exploring, and developing oil and gas properties involves a high degree of risk. New Stratus is in the exploration stage and is 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 future 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.

There is no assurance that New Stratus' funding initiatives will continue to be successful. 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.

The Board of Directors approved these financial statements for issuance on March 1st, 2022.

### NOTE 2 – RESTRICTED CASH

Restricted cash is composed by a deposit with the Royal Bank of Canada for US \$325,000 issued as warranty security to the Company's operations in its VMM-18 project, and a warranty on corporate credit cards issued for a total of \$100,000.

### NOTE 3 - BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

#### *Base of Preparation:*

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

#### **Statement of Compliance**

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, 2021. These financial statements have been prepared using the same accounting policies as the Company's audited financial statements for the year ended March 31, 2021.

#### **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:

- Note 4 - Determination of fair values;
- Note 5 - Exploration and evaluation assets;
- Note 9 - Share capital

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.

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

For the three and nine months ended December 31, 2021 and 2020

(in Canadian dollars except as otherwise noted)

---

**Impairment indicators and calculation of impairment:**

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

**Stock-based Compensation:**

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date they are granted. Estimating the fair value requires the determination of the most appropriate valuation model for a grant, which is dependent on the terms and conditions of the grant. This also requires the determination of the most appropriate inputs to the valuation model including the expected life of the option, risk free interest rates, volatility and dividend yield.

**Contingencies:**

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

**Novel coronavirus (COVID-19)**

The outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. The Company has been required to suspend its exploration activities in its VMM-18 Block in Colombia due to COVID-19 on March 2020 and resumed operations on September 2020, as well as during December 2020 to February 2021. The duration and impact of the COVID-19 pandemic is unclear at this time and as a result it is not possible for management to estimate the severity of the impact it may have on the financial results and operations of the Company in future periods. It is management's assumption that the Company will continue to operate as a going concern.

***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 31, 2021.

**New standards and interpretations not yet adopted:**

**Recent accounting pronouncements**

During the year ended March 31, 2021, the Company adopted a number of amendments and improvements of existing standards. These included IAS 1 – *Presentation of Financial Statements*, and IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*. The adoption of these new amendments did not have any material impact on the Company's financial statements. No new accounting policies have been implemented during the nine months ended December 31, 2021.

**Future accounting pronouncements**

Certain pronouncements were issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods commencing on or after January 1, 2021. Many are not applicable or do not have a significant impact to the Company and have been excluded.

IAS 1 – *Presentation of Financial Statements* ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023. The Company is currently evaluating the impact of the amendments on its financial statements.



#### **NOTE 4 – DETERMINATION OF FAIR VALUES**

A number of 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 the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Company classifies the fair value of financial instruments measured at fair value according to the following hierarchy based on the number of observable inputs used to value the instrument.

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

#### **Cash, other receivables, deposits & prepaids, trade and other payables and due to related parties:**

The fair value of cash, other receivables, deposits and prepaids, trade and other payables and due to related parties approximated their carrying value due to their liquidity and relatively short terms to maturity, respectively.

#### **Stock options and warrants:**

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

#### **NOTE 5 – 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 in progress, 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
- Drilling one exploratory well.

NSE has agreed as well to finance all decommissioning costs and payments due to the ANH.

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.

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.

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

For the three and nine months ended December 31, 2021 and 2020

(in Canadian dollars except as otherwise noted)

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.

Effectively April 1<sup>st</sup>, 2019, New Stratus begun capitalizing costs that were directly attributable to the project. As of December 31, 2021, there are \$2,342,887 (March 31, 2021 – \$1,140,788) capitalized to the project.

Included in trade and other payable are \$112,117 (Colombian Pesos (“CP”) 336.7 million) (March 31, 2021: \$104,293 (CP 304.1 million) payable to the project operator as part of the funding obligation toward the VMM-18 program.

**NOTE 6 – TRADE AND OTHER PAYABLES**

Trade and other payables are composed by:

<b>Periods ended</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Trade payables	\$ 78,294	\$ 418,038
Accrued liabilities	185,082	303,329
	<b>\$ 264,006</b>	<b>\$ 721,367</b>

**NOTE 7 - SHORT TERM LOAN**

On January 30, 2020, NSE agreed to repay the original amount of USD \$300,000 plus USD \$30,378 of the USD \$108,000 in interest accrued until then. The parties then entered into a new loan agreement (the “New Loan”) where the balance of the New Loan, being USD \$77,622, carries an interest rate of 12% per year and matures one year from the time it is granted.

During the nine months ended December 31, 2020, the Company accrued \$6,133 in interest expenses related to this loan.

On September 28, 2020, the Company paid the outstanding balance of the short-term loan in the amount of \$ 111,863 (USD \$83,519), including accrued interest as of \$6,133 (USD \$5,897).

**NOTE 8 – SHAREHOLDER’S LOAN**

During the year ended March 31, 2019, short term loans totaling \$668,150 (USD \$500,000) were received from a company controlled by directors and shareholders of the Company, bearing an annual interest rate of 6% with USD \$50,000 maturing on August 14, 2019, and USD \$450,000 due on December 5, 2019.

On November 2019, directors of the Company advanced USD \$450,000 to NSE to satisfy the above-mentioned loan. In addition to this advance, directors of the Company advanced to the Company funds to cover operating expenses while awaiting the closing of a private placement which took place on January 29, 2020. The advances carried an annual interest rate of 6% and had no terms of repayment.

**NEW STRATUS ENERGY INC.**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
For the three and nine months ended December 31, 2021 and 2020  
*(in Canadian dollars except as otherwise noted)*

The outstanding balance of \$594,753 was full paid during September 2020.

**NOTE 9 - SHARE CAPITAL**

**Authorized**

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

**Issued and Outstanding**

	<b>Number</b>	<b>Amount</b>
Balance at March 31, 2020	47,980,399	\$16,220,361
Shares issued on private placement	12,841,428	3,223,286
Compensation shares issued	268,618	53,724
Stock based compensation exercised	15,000	1,500
Value allocated to warrants	-	(964,885)
Share issue cost	-	(60,005)
<b>Balance at March 31, 2021</b>	<b>61,105,445</b>	<b>\$18,473,981</b>
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	263,069	108,634
Value allocated to warrants	-	(1,443,449)
Share issue cost	-	(785,405)
<b>Balance at December 31, 2021</b>	<b>93,759,265</b>	<b>\$26,040,248</b>

**Private Placement:**

On December 14, 2020, the Company completed a non-brokered private placement of 3,275,000 units (“Units”) at a price of \$0.40 per Unit for gross proceeds of \$1,310,000 (the “Offering”). Each Unit issued pursuant to the Offering was comprised of one Common Share and one-half warrant, with each warrant entitling the holder to acquire one Common Share at a price of \$0.55 per Common Share until December 14, 2022.

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 month 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:**

On April 22, 2020, the Company announced that it has applied to the TSX Venture Exchange (“TSXV”) for an extension of the expiry date of 10,000,000 common share purchase warrants (the “Warrants”) exercisable at \$0.10 and issued on May 3, 2017. The application, which was approved on April 23, 2020, by the TSX-V, requested the extension of the expiry date from May 3, 2020 to May 3, 2022.

As part of the September 21, 2020, financing the Company issued 9,566,428 warrants valued at \$778,109. Each warrant will entitle the holder to purchase one common share at an exercise price of \$0.30 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 \$0.16, exercise price of \$0.30, volatility of 70%, dividend yield of 0%, an expected warrant life of two year and an annual risk-free interest rate of 0.26%. Volatility was estimated based on average volatility of a sample of peer companies with public pricing data available.

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

For the three and nine months ended December 31, 2021 and 2020

(in Canadian dollars except as otherwise noted)

As part of the December 14, 2020, financing the Company issued 1,637,500 warrants valued at \$186,776. Each warrant will entitle the holder to purchase one common share at an exercise price of \$0.55 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 \$0.40, exercise price of \$0.55, volatility of 70%, dividend yield of 0%, an expected warrant life of two year and an annual risk-free interest rate of 0.25%. Volatility was estimated based on average volatility of a sample of peer companies with public pricing data available.

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 year 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.

The following schedule describes the warrants transactions since March 31, 2019:

	Expiry date	Exercise price	Number of warrants	Amount
Balance at March 31, 2019	May 3, 2022	\$ 0.10	10,000,000	\$ 398,265
Issued on private placement	January 29, 2022	0.30	10,956,069	272,444
Balance at March 31, 2020		0.25	20,956,069	670,709
Issued on private placement	September 21, 2022	0.30	9,566,428	778,109
Issued on private placement	December 14, 2022	0.55	1,637,500	186,776
Balance at March 31, 2021		0.28	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	(263,069)	(18,463)
<b>Balance at December 31, 2021</b>		<b>\$ 0.34</b>	<b>47,992,304</b>	<b>\$ 3,060,580</b>

**Stock based compensation:**

The Company has a stock option plan for employees, officers, directors and consultants. 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 July 7, 2020, the Company granted an aggregate of 800,000 stock options to consultants of the Company, pursuant to the Company's Plan. The options vested on granting and are exercisable at \$0.05 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 0.43%; and an expected average life of 5 years. The fair value of all these options was estimated at \$22,832.

On November 16, 2020, the Company granted an aggregate of 75,000 stock options to consultants of the Company, pursuant to the Company's Plan. The options vested over a period of 12 months, every three months, being the first vesting period 3 months after the granting date and are exercisable at \$0.47 for a three-year 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 0.19%; and an expected average life of 3 years. The fair value of all these options was estimated at \$17,218.

On January 5, 2021, 15,000 stock options were exercised at a price of \$0.10 each.

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 June 7, 2022 were exercised and 60,000 options of this same denomination were cancelled.

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

For the three and nine months ended December 31, 2021 and 2020

(in Canadian dollars except as otherwise noted)

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.

The following schedule describes de stock-based compensation transactions since March 31, 2019:

	Number of Stock Options	Exercise Price	Fair Value
Balance at March 31, 2019 & 2020	3,500,000	0.10	\$ 161,356
Granted on July 7, 2020	800,000	0.05	22,832
Granted on November 16, 2020	75,000	0.47	17,218
Options exercised	(15,000)	0.10	(692)
Balance at March 31, 2021	4,360,000	\$ 0.10	\$ 200,714
Options granted	4,840,000	\$0.24 - \$0.56	\$ 746,237
Options exercised	(200,000)	0.10	(9,220)
Options cancelled	(60,000)	0.10	(2,766)
<b>Balance at December 31, 2021</b>	<b>8,940,000</b>	<b>\$ 0.13</b>	<b>\$ 934,965</b>

The following schedules describe the stock options available and their remaining contractual life at December 31, 2021 and 2020:

	Number of Stock Options	Remaining life (yrs.)	Exercise Price
Granted on June 7, 2017	3,225,000	0.43	0.10
Granted on July 7, 2020	800,000	3.52	0.05
Granted on November 16, 2020	75,000	1.79	0.47
Granted on April 13, 2021	1,290,000	4.28	0.24
Granted on October 1, 2021	3,500,000	4.75	0.30
Granted on December 6, 2021	50,000	4.93	0.56
<b>Balance at December 31, 2021</b>	<b>8,940,000</b>	<b>2.99</b>	<b>\$ 0.20</b>

	Number of Stock Options	Remaining life (yrs.)	Exercise Price
Granted on June 7, 2017	3,500,000	1.43	0.10
Granted on July 7, 2020	800,000	4.52	0.05
Granted on October 15, 2020	75,000	2.79	0.40
<b>Balance at December 31, 2020</b>	<b>4,375,000</b>	<b>2.02</b>	<b>\$ 0.10</b>

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

For the three and nine months ended December 31, 2021 and 2020

(in Canadian dollars except as otherwise noted)

During the nine months ended December 31, 2021 and 2020, \$731,074 and \$22,832, respectively, were charged to income as stock-based compensation.

The following schedule describes the general and administrative expenses incurred during the three and nine months ended December 31, 2021 and 2020:

Periods ended December 31,	Three months		Nine months	
	2021	2020	2021	2020
Insurances	\$ 7,289	\$ 2,766	\$ 13,556	\$ 7,033
Legal and accounting	576,831	358,927	740,624	436,180
Management fees	419,912	19,957	946,586	61,357
Professional fees	223,002	(163,703)	635,144	-
Office and administration	74,763	20,265	136,455	30,514
Shareholders information and investor relations	7,588	73,432	96,147	97,147
	\$ 1,309,385	\$ 311,644	\$ 2,568,512	\$ 632,231

**NOTE 11 – NET LOSS PER SHARE**

Basic and diluted net loss per share is calculated as follows:

Periods ended December 31,	Three months		Nine months	
	2021	2020	2021	2020
Net loss	\$ 1,848,213	\$ 316,479	\$ 3,278,509	\$ 590,919
<i>Weighted-average common share adjustments:</i>				
Weighted-average common shares outstanding, basic	80,214,054	51,794,998	80,214,054	51,794,998
Effect of stock options & warrants	-	-	-	-
Weighted-average common shares outstanding, diluted	80,214,054	51,794,998	80,214,054	51,794,998
Basic and diluted loss per share	\$ (0.02)	\$ (0.01)	\$ (0.04)	\$ (0.01)
Fully diluted loss per share	\$ (0.02)	\$ (0.01)	\$ (0.04)	\$ (0.01)

For the three and nine months ended December 31, 2021 and 2020, stock options and warrants were anti-dilutive due to the net loss.

**NOTE 12 – 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 December 31, 2021, 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 4. Cash is classified as Level 1. There has been no reclassification of financial instruments into or out of each fair value hierarchy during the periods ended December 31, 2021 or 2020. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair value hierarchy level.

**Market Risk**

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

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

For the three and nine months ended December 31, 2021 and 2020

(in Canadian dollars except as otherwise noted)

(i) Commodity Price Risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in commodity prices. Lower commodity prices can also impact the Company's ability to raise capital. Commodity prices for crude oil is impacted by world economic events that dictate the levels of supply and demand. From time to time the Company may attempt to mitigate commodity price risk through the use of financial derivatives. The Company had no commodity contracts in place during the nine months ended December 31, 2021.

(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 December 31, 2021, the Colombian peso to the Canadian dollar exchange rate was 3,216:1 (March 31, 2020 – 2,883:1) and the United States dollar to Canadian dollar exchange rate was 0.7816:1 (March 31, 2020 – 0.7054:1). Cash held in US dollars at December 31, 2021 was USD \$568,117, including restricted cash, and a change of 1% in the exchange rate would have impacted the Canadian dollar equivalent by +/- CAD \$5,681. The Company had no forward exchange rate contracts in place as at or during the nine months ended December 31, 2021. Accounts payable in USD balance as of December 31, 2021 was \$65,063 and a change of 1% in the exchange rate would have impacted the Canadian dollar equivalent by +/- CAD \$650.

**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 13 – RELATED PARTY TRANSACTIONS**

The following transactions arise during the nine months ended December 31, 2021 and 2020 with directors and officers:

New Stratus paid to its CEO professional fees during the nine months ended December 31, 2021 and 2020 in the amount of \$204,490 and \$Nil, respectively.

A company controlled by an officer of the Company provided CFO services to the Company. During the nine months ended December 31, 2021 and 2020, fees incurred for CFO services provided by this officer totaled \$18,565 and \$62,247, respectively.

New Stratus paid to its COO professional fees during the nine months ended December 31, 2021 and 2020 in the amount of \$151,068 and \$Nil, respectively.

New Stratus paid to its executive director professional fees during the nine months ended December 31, 2021 and 2020 in the amount of \$204,490 and \$Nil, respectively.

New Stratus paid to a non-executive directors professional and director fee during the nine months ended December 31, 2021 and 2020 in the amount of \$211,049 and \$Nil, respectively.

Included as well in payables to related parties are \$3,037 payable to officers of the company related to expense refunds and \$12,044 in accrued director fees.

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

Periods ended December 31,	Three months		Nine months	
	2021	2020	2021	2020
Management fees	\$209,682	\$19,597	509,086	62,247
Salaries	118,041	-	235,206	-
Non-executive directors	79,210	-	211,049	-
Share based payments	433,346	-	509,411	5,708
<b>Total</b>	<b>\$840,278</b>	<b>\$19,597</b>	<b>\$ 1,464,751</b>	<b>\$ 67,955</b>

**NEW STRATUS ENERGY INC.**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
For the three and nine months ended December 31, 2021 and 2020  
*(in Canadian dollars except as otherwise noted)*

---

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.

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 December 31, 2021.

## **NOTE 15 – COMMITMENTS AND CONTINGENCIES**

### **Block VMM-18**

Pursuant to the terms of the agreement executed in respect of the VMM-18 E&P contract, New Stratus should fund an exploration commitment for the second phase of the VMM 18 E&P Contract. As per the contract and a recent extension by ANH, NSE has to perform seismic reprocessing valued at USD \$250,000 and drill an exploration well valued at USD \$3 Million by August 21, 2021, date which, in July 2021 was extended for a period of additional six months as part of the overall requested extension. The Company is waiting for a reply on the additional extension segment requested. (See also Note 5 - Exploration and Evaluation Assets).

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 months until May 31, 2026.

### **Executive compensation**

On July 1<sup>st</sup>, 2021, the Company entered into employment agreements with its senior executives which contain clauses requiring additional payments up to \$2,415,000 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 unaudited condensed interim 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.



## **NOTE 16 - SUBSEQUENT EVENTS**

### ***Ecuador Blocks 16 & 67 acquisitions:***

On January 14, 2022, the Company announced that further to its news release dated October 20, 2020, it has closed the previously disclosed transaction with affiliates of Repsol S.A. (the “Sellers”) for the transfer of the shares (“Shares”) of Repsol Ecuador S.A. to New Stratus (the “Transaction”). The Corporation now holds an indirect 35% operated working interest in service contracts (the “Service Contracts”) for Blocks 16 and 67 in Ecuador (the “Blocks”) and Repsol Ecuador S.A., now a wholly-owned subsidiary of New Stratus, remains the operator of the Blocks.

The aggregate consideration for the Transaction is structured as a guaranteed cash payment of US\$5 Million (subject to customary adjustments) to be paid in two (2) equal installments, and the actual collection of the “carry forward” and other items generated under the Service Contracts and the operations of Repsol Ecuador S.A. before closing.

### ***Warrants exercised:***

During January 2022, 9,583,000 warrants were exercised for net proceeds of \$2,874,900.