NG ENERGY INTERNATIONAL CORP

ANNUAL AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

MANAGEMENT'S REPORT

The accompanying consolidated financial statements and related financial information are the responsibility of management and have been prepared in accordance with International Financial Reporting Standards. They include certain amounts that are based on estimates and judgments relating to matters not concluded by year-end. Financial information presented elsewhere in this document is consistent with that contained in the consolidated financial statements.

In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies adopted by management. If alternate accounting methods exist, management has chosen those policies it deems the most appropriate in the circumstances. Management has established systems of accounting and internal control that provide reasonable assurance that assets are safeguarded from loss or unauthorized use and produce reliable accounting records for the preparation of financial information. Policies and procedures are maintained to support the accounting and internal control systems.

The independent external auditors, KPMG LLP, have conducted an examination of the 2022 consolidated financial statements on behalf of shareholders. The auditors have unrestricted access to the Company and the Audit Committee.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit Committee. This Committee reviews the consolidated financial statements with management and the auditors, as well as recommends to the Board of Directors the external auditors to be appointed by the shareholders at each annual meeting. The Audit Committee meets at least quarterly to review and approve interim financial statements prior to their release and recommend their approval to the Board of Directors.

The Board of Directors on the recommendation of the Audit Committee has approved the consolidated financial statements and information as presented.

(signed)

Serafino Iacono
Chief Executive Officer

(signed)

Jorge Fonseca
Chief Financial Officer

June 30, 2023
Calgary, Canada

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of NG Energy International Corp.

Opinion

We have audited the consolidated financial statements of NG Energy International Corp. (the Company), which comprise:

- the consolidated statements of financial position as at December 31, 2022 and December 31, 2021
- the consolidated statements of loss and comprehensive loss for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"*Auditor's Responsibilities for the Audit of the Financial Statements*"** section of our auditor's report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Company will require additional sources of capital to fund ongoing operations and commitments. There is no assurance the Company will be able to secure funding or equity financings when required.

As stated in Note 2 in the financial statements, these events or conditions, along with other matters as set forth in Note 2 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the "Material Uncertainty Related to Going Concern" section of the auditor's report, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Assessment of the impact of estimated proved plus probable natural gas reserves on property, plant and equipment ("PP&E") and exploration and evaluation ("E&E") assets

Description of the matter

We draw attention to note 3, note 4, note 8 and note 9 to the financial statements. The Company uses estimated proved plus probable natural gas reserves to deplete its natural gas assets included in PP&E, to assess for indicators of impairment on the Company's cash generating units ("CGU") and if any such indicators exist, to perform an impairment test to estimate the recoverable amount of the CGUs and to assess E&E costs for impairment when transferred to PP&E.

The Company has $41,429,727 of PP&E as of December 31, 2022.

During the year ended December 31, 2022, the Company transferred $14,315,751 of E&E costs related to its Maria Conchita CGU to PP&E. Immediately prior to transferring the E&E costs to PP&E, the Company performed the required impairment test to estimate the recoverable amount of the CGU. It was determined that the recoverable amount of the CGU exceeded its carrying value, resulting in no impairment expense recognized.

The estimated recoverable amount of the CGU involves significant estimates including:

- The estimate of proved plus probable natural gas reserves
- The discount rates.

The Company depletes its natural gas assets using the unit-of-production method by reference to the ratio of production in the period to the related proved plus probable natural gas reserves, taking into account forecasted future development costs.

Depletion expense on natural gas assets was $405,337 for the year ended December 31, 2022.

The estimate of proved plus probable natural gas reserves includes significant assumptions related to:

- Forecasted natural gas prices
- Forecasted production volumes
- Forecasted operating costs
- Forecasted royalty costs
- Forecasted future development costs.

The Company engages an independent third party reserve evaluators to estimate proved plus probable petroleum and natural gas reserves and the related future cash flows.

Why the matter is a key audit matter

We identified the assessment of the impact of estimated proved plus probable natural gas reserves on PP&E and E&E assets as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures regarding the estimate of proved plus probable natural gas reserves and the discount rates. Additionally, the assessment of the recoverable amount for impairment requires the use of professionals with specialized skills and knowledge in valuation.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

We assessed the depletion expense calculation for compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

With respect to the estimate of proved plus probable natural gas reserves at December 31, 2022:

- We evaluated the competence, capabilities and objectivity of the independent third party reserve evaluators engaged by the Company
- We evaluated the appropriateness of forecasted natural gas price assumptions by comparing to the relevant contract terms, the 2022 actual results, and to the historic natural gas prices as published by the governmental authority
- We evaluated the appropriateness of forecasted production and forecasted operating costs, royalty costs, and future development costs assumptions by comparing to 2022 historical results. We took into account changes in conditions and events affecting the Company to assess the adjustments or lack of adjustments made by the Company in arriving at the assumptions.

We involved valuation professionals with specialized skills and knowledge, who assisted in:

- Evaluating the appropriateness of the discount rate by comparing the discount rate to market and other external data
- Assessing the reasonableness of the Company's estimate of the recoverable amount by comparing the Company's estimate to market metrics and other external data.

Evaluation of income tax balances and disclosures

Description of the matter

We draw attention to note 3, note 4 (d) and note 17 to the financial statements. The Company conducts business internationally and therefore is required to comply with tax laws and regulations in various tax jurisdictions. Significant judgment, such as the interpretation of tax laws and regulations in each tax jurisdiction are required by management in determining the income tax balances and disclosures. The Company engages independent third party tax specialists to assist with the interpretation of international tax laws and regulations.

Why the matter is a key audit matter

We identified the evaluation of income tax balances and disclosures as a key audit matter. This matter represented an area that required significant auditor attention due to the various tax jurisdictions and the complexity of the application of the tax laws and regulations applicable to the Company. Specialized skills and knowledge were required in assessing the Company's interpretations of tax laws and regulations in the various jurisdictions.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

We evaluated the competence, capabilities and objectivity of the independent third party tax specialists engaged by the Company.

We involved income tax professionals with specialized skills and knowledge, who assisted in:

- Assessing the Company's judgments relating to the interpretation of the relevant tax laws and regulations in the various jurisdictions by examining the Company's correspondence obtained by the Company from the independent third party tax specialists
- Evaluating the appropriateness of the Company's interpretation of the relevant tax laws and regulations in the various jurisdictions and any impact on the tax balances and disclosures by performing an independent assessment based on our understanding of the tax laws and regulations
- Assessing the income tax calculations for compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB)
- Evaluating the appropriateness of the Company's income tax disclosures by reconciling the income tax disclosures to the underlying accounting records.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

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

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

The engagement partner on the audit resulting in this auditor's report is David Yung.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
June 30, 2023

NG ENERGY INTERNATIONAL CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in U.S. Dollars)	**December 31, 2022**	December 31, 2021
Assets		
Current Assets		
Cash and cash equivalents	**6,962,228**	5,848,957
Deposit in escrow (Note 11)	**2,788,368**	-
Accounts receivable and prepaids (Note 6)	**920,947**	682,799
	10,671,543	6,531,756
Non-current Assets		
Restricted cash (Note 7)	**1,968,873**	2,340,244
VAT receivable	**2,354,633**	2,284,965
Exploration and evaluation assets (Note 8)	**26,721,884**	11,980,739
Property, plant and equipment (Note 9)	**41,429,727**	8,129
Total Assets	**83,146,660**	23,145,833
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	**9,685,106**	2,615,205
Current portion of lease obligations (Note 12)	**2,776,384**	-
Current portion of debt (Note 10)	**-**	2,990,801
	12,461,490	5,606,006
Non-current Liabilities		
Liability component of convertible debentures (Note 11)	**31,172,380**	-
Lease obligations (Note 12)	**21,480,395**	-
Decommissioning obligations (Note 13)	**2,525,858**	806,830
Total Liabilities	**67,640,123**	6,412,836
Shareholders' Equity		
Share capital (Note 14a)	**104,881,440**	103,572,805
Contributed surplus	**22,407,580**	10,349,516
Warrants (Note 14c)	**7,783,794**	14,669,362
Equity component of convertible debentures (Note 11)	**1,885,600**	-
Deficit	**(120,986,462)**	(111,018,304)
Accumulated other comprehensive loss	**(465,415)**	(840,382)
Total Shareholders' Equity	**15,506,537**	16,732,997
Total Liabilities and Shareholders' Equity	**83,146,660**	23,145,833

Going concern (Note 2)
Related parties (Note 18)
Commitments (Note 20)

See accompanying notes to the consolidated financial statements.

NG ENERGY INTERNATIONAL CORP.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the years ended December 31

(Expressed in U.S. Dollars)	**2022**	2021
Revenue:		
Natural gas revenue	**1,766,325**	-
Royalty expense	**(315,289)**	-
Natural gas revenues, net of royalties	**1,451,036**	-
Expenses:		
Operating expenses	**511,248**	-
General and administrative (Note 15)	**3,936,244**	3,784,265
Share-based compensation (Note 14b)	**1,860,743**	1,298,396
Exploration and evaluation expense (Note 8)	**263,159**	195,846
Depletion and depreciation (Note 9)	**1,020,569**	6,768
Net finance expense (Note 16)	**2,321,028**	627,396
Gain on disposition (Note 22)	**(280,863)**	-
Foreign exchange loss	**2,386,415**	801,776
	12,018,543	6,714,447
Loss before income taxes	**(10,567,507)**	(6,714,447)
Deferred income tax recovery (Note 17)	**599,349**	-
Net loss	**(9,968,158)**	(6,714,447)
Other comprehensive income		
Foreign currency translation adjustment	**374,967**	5,504
Comprehensive Loss	**(9,593,191)**	(6,708,943)
Loss per share – basic and diluted (Note 14d)	**(0.08)**	(0.06)
Weighted average number of common shares outstanding	**123,957,528**	106,908,823

See accompanying notes to the consolidated financial statements.

NG ENERGY INTERNATIONAL CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31

(Expressed in U.S. Dollars)	**2022**	2021
Operating Activities		
Net loss	**(9,968,158)**	(6,714,447)
Items not affecting cash:		
Depletion and depreciation (Note 9)	**1,020,569**	6,768
Share-based compensation (Note 14b)	**1,860,743**	1,298,396
Unrealized foreign exchange loss	**866,465**	491,821
Net finance expense (Note 16)	**2,321,028**	627,396
Gain on disposition (Note 22)	**(280,863)**	-
Deferred income tax recovery	**(599,349)**	-
Change in non-cash working capital (Note 21)	**1,191,239**	(947,032)
Cash used in operating activities	**(3,588,326)**	(5,237,098)
Investing Activities		
Exploration and evaluation asset additions (Note 8)	**(30,605,990)**	(5,488,568)
Property, plant and equipment additions (Note 9)	**(33,551)**	(3,096)
Change in restricted cash (Note 4)	**(36,139)**	(6,715)
Change in non-cash working capital (Note 21)	**5,570,846**	(432,140)
Cash used in investing activities	**(28,311,148)**	(5,930,519)
Financing Activities		
Proceeds on convertible debentures, net of costs (Note 11)	**37,487,425**	-
Proceeds on debt issuance, net of costs	**-**	800,000
Proceeds on private placement, net of costs	**-**	13,361,392
Proceeds on warrant exercises	**1,002,644**	1,688,800
Proceeds on option exercises	**6,519**	43,809
Proceeds released from (put into) escrow	**(2,846,472)**	-
Proceeds on disposition (Note 16)	**280,863**	-
Purchase of shares cancelled under normal course issuer bid	**(106,279)**	-
Net finance received (paid)	**(779,241)**	30,549
Lease payments, principal and interest	**(1,483,400)**	-
Cash provided by financing activities	**33,562,059**	15,924,550
Net increase (decrease) in cash	**1,662,585**	4,756,933
Foreign exchange loss on cash	**(549,314)**	(116,741)
Increase (decrease) in cash	**1,113,271**	4,640,192
Cash, beginning of year	**5,848,957**	1,208,765
Cash, end of year	**6,962,228**	5,848,957

Cash is defined as cash and cash equivalents.

See accompanying notes to the consolidated financial statements.

NG ENERGY INTERNATIONAL CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in U.S. Dollars)	**Number of Common Shares**	**Share Capital**	**Contributed Surplus**	**Warrants**	**ECCD[1]**	**Deficit**	**AOCL[2]**	**Total**
Balance at December 31, 2021	119,930,155	103,572,805	10,349,516	14,669,362	-	(111,018,304)	(840,382)	16,732,997
Net loss	-	-	-	-	-	(9,968,158)	-	(9,968,158)
Shares issued through warrant exercise	5,011,111	1,205,561	-	(202,917)	-	-	-	1,002,644
Shares issued through option exercise	30,000	11,108	(4,589)	-	-	-	-	6,519
Issuance of convertible debentures	-	-	-	3,519,259	1,896,004	-	-	5,415,263
Debenture conversion	291,666	198,245	-	-	(10,404)	-	-	187,841
Warrants expired	-	-	10,201,910	(10,201,910)	-	-	-	-
Shared cancelled through share buyback	(140,800)	(106,279)	-	-	-	-	-	(106,279)
Foreign currency translation adjustment	-	-	-	-	-	-	374,967	374,967
Share-based compensation	-	-	1,860,743	-	-	-	-	1,860,743
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**
Balance at December 31, 2020	89,597,033	89,676,395	10,179,700	11,954,739	-	(104,303,857)	(845,886)	6,661,091
Net loss	-	-	-	-	-	(6,714,447)	-	(6,714,447)
Shares issued through private placement	17,080,900	9,800,062	-	-	-	-	-	9,800,062
Warrants issued through private placement	-	-	-	3,441,353	-	-	-	3,441,353
Shares issued to service provider	4,000,000	1,099,592	(1,099,592)	-	-	-	-	-
Warrants issued to broker	-	-	-	508,429	-	-	-	508,429
Shares issued through warrant exercise	9,082,222	2,923,959	-	(1,235,159)	-	-	-	1,688,800
Shares issued through option exercise	170,000	72,797	(28,988)	-	-	-	-	43,809
Foreign currency translation adjustment	-	-	-	-	-	-	5,504	5,504
Share-based compensation	-	-	1,298,396	-	-	-	-	1,298,396
Balance at December 31, 2021	**119,930,155**	**103,572,805**	**10,349,516**	**14,669,362**	**-**	**(111,018,304)**	**(840,382)**	**16,732,997**

(1) Equity component of convertible debentures (net of $599,349 deferred tax recovery at issuance)

(2) Accumulated other comprehensive loss

See accompanying notes to the consolidated financial statements.

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".

2. GOING CONCERN

These consolidated 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 year ended December 31, 2022, the Company recognized a net loss of $10.0 million and cash used in operating activities of $3.6 million. As of December 31, 2022, the Company had a working capital deficit of $1.8 million, including cash and cash equivalents of $7.0 million. For 2023, the Company has contractually committed exploration and development amounts of $3.0 million as outlined in Note 20 and $6.6 million for lease obligations as outlined in Note 12. Although in 2022, the Company commenced early-stage gas production on the Maria Conchita block, current gas flow is only stabilizing and production volumes are still below expectations such that the Company is anticipating that cash will continue to be used in operations. As such, the Company will need to obtain capital to fund the Company's ongoing operations, and commitments, and the ultimate continued development of the Company's exploration and evaluation assets.

The Company, in May and November 2022, closed separate convertible debenture offerings for aggregate gross proceeds of $13.4 million and $25.9 million (see Note 11), respectively. For the year ended December 31, 2022, the Company also received proceeds of $1.2 million on the exercise of purchase warrants and stock options. These proceeds are and continue to be used to fund general working capital needs and capital work programs as well as to settle outstanding liabilities. However, as indicated above, these proceeds combined with cash flows from early-stage gas production on the Maria Conchita block are not sufficient to fund the Company's ongoing operations and commitments, which include for 2023 committed exploration and development amounts of $3.0 million as outlined in Note 20 and $6.6 million for lease obligations as outlined in Note 12. The Company will require additional sources of capital to fund ongoing operations and commitments. There is no assurance the Company will be able to secure 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 consolidated 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 consolidated financial statements would require adjustments to the amounts and classifications of assets and liabilities, and these adjustments could be significant.

3. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements have been approved and authorized for issuance by the Company's Board of Directors on June 30, 2023.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial and non-financial assets and liabilities, which have been measured at fair value.

Estimates and judgments made by management in the preparation of these financial statements are subject to a higher degree of measurement uncertainty during this volatile period.

Functional and presentation currency

These consolidated financial statements are presented in United States (US) dollars, with the exception of Canadian dollar unit prices ("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.

Use of estimates and judgments

The timely preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. Accordingly, 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 period in which the estimates are revised and in any future periods affected. Significant estimates and judgments made by management in the preparation of these financial statements are outlined below.

Critical judgments in applying accounting policies

The following are the critical judgments that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in these consolidated financial statements:

i) *Identification of cash-generating units*
Natural gas assets and processing facilities are grouped into cash generating units ("CGUs") identified as having largely independent cash inflows and are geographically integrated. The determination of the CGUs was based on management's interpretation and judgment. The recoverability of development and production ("D&P") asset carrying values is assessed at the CGU level. The asset composition of a CGU can directly impact the recoverability of the assets included therein.

ii) *Impairment of property, plant and equipment and exploration and evaluation assets*
Judgments are required to assess when impairment indicators, or reversal indicators, exist and impairment testing is required. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of reserves, production rates, future oil and natural gas prices, future costs, discount rates, market value of land, transaction values and other relevant assumptions.

iii) *Exploration and evaluation assets*
The application of the Company's accounting policy for exploration and evaluation assets requires management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves have been found in assessing economic and technical feasibility.

iv) *Income taxes*
The Company conducts business internationally and therefore is required to comply with tax laws and regulations in various tax jurisdictions. Significant judgment, such as the interpretation of tax laws and regulations in each tax jurisdiction are required by management in determining the income tax balances and disclosures. The Company engages independent third party tax specialists to assist with the interpretation of international tax laws and regulations.

Additionally, judgments are made by management to determine the likelihood of whether deferred income tax assets at the end of the reporting period will be realized from future taxable earnings. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

v) *VAT recoverability*
Judgment is required by management in evaluating the likelihood of whether or not value added tax ("VAT") on purchases is recoverable from the Colombian government.

Key sources of estimation uncertainty
The following are the key assumptions concerning the sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities.

i) *Reserves and resource assessment*
The assessment of reported recoverable quantities of Proved plus Probable natural gas reserves and prospective resource estimates include estimates regarding forecasted production volumes, natural gas commodity prices, operating costs, royalty costs, and future development costs. Additional estimates are made in relation to geological and geophysical models in anticipated

recoveries. The economical, geological, and technical factors used to estimate Proved plus Probable natural gas reserves and prospective resources may change from period to period. Changes in reported Proved plus Probable natural gas reserves and prospective resources can affect the carrying values of the Company's natural gas properties and exploration and evaluation assets, the calculation of depletion and depreciation, the provision for decommissioning obligations, and the recognition of deferred tax assets due to changes in expected future cash flows.

The Company's Proved plus Probable natural gas reserves, if any, represent the estimated quantities of natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be economically recoverable in future years from known reservoirs and which are considered commercially viable. Such Proved plus Probable natural gas reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon (i) a reasonable assessment of the future economics of such production; (ii) a reasonable expectation that there is a market for all or substantially all the expected natural gas production; and (iii) evidence that the necessary production, transmission and transportation facilities are available or can be made available. Proved plus Probable natural gas reserves may only be considered proven and probable if the ability to produce is supported by either actual production or conclusive formation tests. Prospective resources are determined using an externally prepared valuation report which reflects estimated prospective resources and external pricing and costs assumptions reflective of the current market. The Company's Proved plus Probable natural gas reserves and prospective resources are determined pursuant to National Instrument 51-101, Standard of Disclosures for Oil and Gas Activities.

The Company uses estimated Proved plus Probable natural gas reserves to deplete its natural gas assets included in PP&E, to assess for indicators of impairment on the Company's cash generating units ("CGU") and if any such indicators exist, to perform an impairment test to estimate the recoverable amount of the CGUs and to assess E&E costs for impairment when transferred to PP&E.

ii) *Decommissioning obligations*
The Company estimates future remediation costs of production facilities, wells and pipelines at different stages of development and construction of assets or facilities. In most instances, removal of assets occurs many years into the future. This requires assumptions regarding abandonment date, future environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating cost, future removal technologies in determining the removal cost and liability-specific discount rates to determine the present value of these cash flows.

iii) *Share-based payments*
All equity-settled, share-based awards issued by the Company are recorded at fair value using the Black-Scholes option-pricing model. In assessing the fair value of such equity-based compensation, estimates have to be made regarding the expected volatility in share price, option life, and estimated forfeitures at the initial grant date. Share-based payments to non-employees are measured at the date when goods and services are received. Where the fair value of goods

and services received cannot be reliably measured, the measure of the goods and services received and the corresponding increase in equity indirectly by reference to the fair value of the equity instruments granted, measured at the date goods are obtained or services rendered. Assessing the fair value based on services rendered are subject to measurement uncertainty given that it is dependent upon obtaining reasonable data as to the value of services rendered or goods obtained based on readily available market metrics.

iv) *Tax provisions*
Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in the period of the change and future periods. In periods of rate change, the Company estimates the period of anticipated reversal of the associated deferred income tax liability to determine the appropriate tax rate to apply to temporary differences. Deferred income tax assets are recognized to the extent future recovery is probable in management's judgment. Deferred income tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered. Deferred income tax liabilities are recognized when it is considered probable that temporary differences will be payable to tax authorities in future periods. Income tax filings are subject to audits and reassessments and changes in facts, circumstances and interpretations of the standards may result in a material increase or decrease in the Company's provision for income taxes.

Matters relating to economic uncertainty
Estimates are more difficult to determine, and the range of potential outcomes can be wider, in periods of higher volatility and uncertainty. The impacts of the COVID-19 pandemic and the recovery therefrom coupled with several factors including higher levels of uncertainty due to the Russian invasion of Ukraine and its impact on energy markets, rising interest and inflation rates, and constrained supply chains have created a higher level of volatility and uncertainty. Management has, to the extent reasonable, incorporated known facts and circumstances into the estimates made, however, actual results could differ from those estimates and those differences could be material.

Changing regulations
Emissions, carbon and other regulations impacting climate and climate related matters are dynamic and constantly evolving. With respect to environmental, social and governance ("ESG") and climate reporting, the International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. In addition, the Canadian Securities Administrators have issued a proposed National Instrument 51-107 Disclosure of Climate-related Matters. The cost to comply with these standards, and others that may be developed or evolve over time, has not yet been quantified by the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

a) Basis of consolidation

Subsidiaries
These consolidated financial statements comprise the financial statements of the Company and its wholly owned subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

The following table summarizes the Company's subsidiaries, their country of incorporation, and the Company's ownership interest.

Subsidiaries	Country of Incorporation	Ownership Interest	
		2022	2021
1129523 BC Ltd.	Canada	100%	100%
PentaNova BVI Ltd.	British Virgin Islands	100%	100%
Patagonia Oil Corp.	British Virgin Islands	100%	100%
Bochica Investment Holdings Ltd.	British Virgin Islands	100%	100%
MKMS Enerji A.S.	British Virgin Islands	100%	100%
Bolivar Energy (Colombia) Inc.	Barbados	100%	100%
MKMS Enerji Sucursal Colombia	Colombia	100%	100%
Bolivar Energy Colombia Inc. Sucursal Colombia	Colombia	100%	100%

Jointly controlled operations and assets
Many of the Company's oil and natural gas activities involve jointly controlled assets. The consolidated financial statements include the Company's share of these jointly controlled assets and a proportionate share of the relevant revenue, operating expenses, operating cost and capital costs.

The Company currently has concessions in Colombia. The concessions in which the Company participates are governed by a Joint Operating Agreement ("JOA"). In the case of a JOA, an agreement is entered into between two or more parties with the purpose of gathering human, technological and economic resources temporarily, to develop or execute a project, render a service or provide a specific supply. The parties to a JOA maintain their legal and economic independence. The Company has determined these agreements to result in joint operations, and accounts for these operations in accordance with its proportionate working interest ("WI").

Transactions eliminated on consolidation
All intercompany balances and transactions are eliminated upon consolidation in preparing the financial statements.

b) Financial instruments

The Company recognizes a financial asset or liability when it becomes a party to the contractual provisions of a financial instrument. Financial assets and liabilities are not offset unless the Company has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

The Company characterizes its fair value measurements of financial instruments into a three-level hierarchy depending on the degree to which the inputs are observable, as follows:

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

Classification and measurement of financial assets
The initial classification of a financial asset depends upon the Company's business model for managing its financial assets and the contractual terms of the cash flows. There are three measurement categories into which the Company can classify its financial assets:

- Amortized Cost: Includes assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest;
- Fair Value through Other Comprehensive Income ("FVOCI"): Includes assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, where its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest; or
- Fair Value Through Profit or Loss ("FVTPL"): Includes assets that do not meet the criteria for amortized cost or FVOCI and are measured at fair value through profit or loss. This includes all derivative financial instruments.

At initial recognition, the Company measures a financial asset at its fair value, in the case of a financial asset not at FVTPL, including transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are recorded as an expense in net earnings.

Financial assets are reclassified subsequent to their initial recognition only if the business model for managing those financial assets changes. The affected financial assets will be reclassified on the first day of the first reporting period following the change in the business model. A financial asset is derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Impairment of financial assets
The Company recognizes loss allowances for Expected Credit Losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted

estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the related financial asset. The Company does not have any financial assets that contain a financing component.

As at December 31, 2022, there were $197,328 in trade receivables outstanding.

Classification and measurement of financial liabilities
A financial liability is initially classified as measured at amortized cost or FVTPL. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. The classification of a financial liability is irrevocable.

Financial liabilities at FVTPL are measured at fair value with changes in fair value, along with any interest expense, recognized in net earnings. Other financial liabilities are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in net earnings. Any gain or loss on derecognition is also recognized in net earnings.

A financial liability is derecognized when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same counterparty with substantially different terms, or the terms of an existing liability are substantially modified, it is treated as a derecognition of the original liability and the recognition of a new liability. When the terms of an existing financial liability are altered, but the changes are considered non-substantial, it is accounted for as a modification to the existing financial liability. Where a liability is substantially modified it is considered to be extinguished and a gain or loss is recognized in net earnings based on the difference between the carrying amount of the liability derecognized and the fair value of the revised liability. Where a liability is modified in a non-substantial way, the amortized cost of the liability is remeasured based on the new cash flows and a gain or loss is recorded in net earnings.

Loans
Loans are recorded at amortized cost, net of directly attributable transaction costs. Subsequent to initial recognition, the directly attributable transaction costs are amortized into the carry value using the effective interest method over the term of the debt facility through the consolidated statements of operations and comprehensive income or capitalized as part of a qualifying asset, as applicable. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash held at banks and short-term deposits with an original maturity of three months or less.

Restricted Cash
Restricted cash balances are those which meet the definition of cash and cash equivalents but are not available for use by the Company.

Short term investments
Short term investments are recorded at fair value through profit or loss on initial recognition. Subsequent measurement is recorded at fair value and changes therein are recognized in the consolidated statements of loss and comprehensive loss.

Receivables and payables
Other financial instruments such as trade and other receivables, trade and other payables, and dividend payable, are measured at amortized cost, less any impairment losses.

Other financial liabilities
Other financial liabilities are financial liabilities that are not quoted in an active market and with no intention of being traded. They are included in current liabilities, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current liabilities. Accounts payable are initially recognized at the amount required to be paid less any discount or rebates to reduce the payables to estimated fair value. Accounts payable are subsequently measured at amortized cost using the effective interest method. For accounts payable that have maturity dates of less than one year, the Company estimates their carrying value approximates their fair value due to their short-term nature.

Derivative financial instruments
Derivative financial instruments are classified at FVTPL and are measured at fair value. The resulting gain or loss is recognized immediately in net (loss) income.

c) Foreign currency

The Company's functional currency is the Canadian dollar while each of its subsidiaries with significant activity has a US dollar functional currency. Transactions in currencies other than each entity's functional currency are initially recorded at the exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate as at the date of the consolidated statement of financial position. All differences are recorded in net earnings or loss. Non-monetary items are translated using the historical exchange rates prevailing at the dates of the initial transactions.

The Company's financial statements are presented in US dollars. Management selected the US dollar as the presentation currency as it best facilitated comparability with industry peers. Assets and liabilities of entities with functional currencies other than US dollars are translated at the period end exchange rates, results of their operations are translated at average exchange rates for the period, and shareholders' equity is translated at the rate effective at the time of the transaction. The resulting translation adjustments are included in accumulated other comprehensive income in shareholders' equity.

d) Income taxes

Tax expense comprises current and deferred tax. Tax is recognized in the statements of loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current income tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax liabilities and assets are not recognized for temporary differences arising on:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which is not a business combination, at the time of the transaction, affects neither accounting net earnings nor taxable earnings, and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

e) Exploration and evaluation assets

All costs incurred after the rights to explore an area have been obtained, such as geological and geophysical costs, other direct costs of exploration (drilling, testing and evaluating the technical feasibility and commercial viability of extraction) and appraisal are accumulated and capitalized as exploration and evaluation assets. Gains and losses are not recognized on the disposition of exploration and evaluation assets. Proceeds on disposition are charged against the net book value.

Certain costs incurred prior to acquiring the legal rights to explore are charged directly to net income (loss).

Exploration and evaluation costs are not amortized prior to the conclusion of appraisal activities. At the completion of appraisal activities, if technical feasibility is demonstrated and commercial reserves are discovered, then the carrying value of the relevant exploration and evaluation asset will be reclassified as a property, plant and equipment asset into the cash-generating unit (“CGU”) to which it relates, but only after the carrying value of the relevant exploration and evaluation asset has been assessed for impairment and, where appropriate, its carrying value adjusted. Technical feasibility and commercial viability are considered to be demonstrable generally when proved or probable natural gas reserves are determined to exist and necessary infrastructure and markets are in place for sustainable operations of the asset. If it is determined that technical feasibility and commercial viability have not been achieved in relation to the exploration and evaluation assets appraised, all other associated costs are written down to the recoverable amount in net income (loss).

Expired land leases included as undeveloped land in exploration and evaluation assets are recognized in exploration and evaluation cost in net income (loss) upon expiry and are considered prior to expiry. Management considers upcoming land lease expiries and may recognize the costs in advance of expiry.

Indicators of impairment of exploration and evaluation assets are assessed at each reporting date which can include upcoming land lease expiries, third party land valuations and other information. When there are such indications, an impairment test is carried out and any resulting impairment loss is written off to net income (loss). The recoverable amount is the greater of fair value, less costs of disposal, or value-in-use. In addition, an assessment is carried out to evaluate whether impairment losses recognized in prior periods may no longer exist or may have decreased based on internal and external information with a favourable effect on the Company. If any such indication exists, the recoverable amount shall be estimated.

f) Property, plant, and equipment

The Company's property, plant and equipment is comprised of D&P assets, corporate fixed assets, and right-of-use leased assets.

Natural gas assets are measured at cost less accumulated depletion and depreciation and accumulated impairment losses, if any. Natural gas assets consist of the purchase price and costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Natural gas assets include D&P interests such as land acquisitions, geological and geophysical costs, facility and production equipment, including any directly attributable general and administration costs and share-based payments and the initial estimate of the costs of dismantling and removing an asset and restoring the site on which it was located.

Costs incurred subsequent to the determination of technical feasibility and commercial viability are recognized D&P interests when they increase the future economic benefits embodied in the specific asset to which they relate. Such capitalized natural gas interests generally represent costs incurred in developing proved and/or probable natural gas reserves and are accumulated on a field or geotechnical area basis. The cost of day-to-day servicing of an item of natural gas assets is expensed in income or loss as incurred. Natural gas assets are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal of an asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in net income or loss.

The Company depletes its natural gas assets using the unit-of-production method by reference to the ratio of production in the period to the related proved plus probable natural gas reserves, taking into account forecasted future development costs.

Natural gas assets are not depleted until production commences. This depletion calculation includes actual production in the period and total estimated proved plus probable natural gas reserves attributable to the assets being depleted, taking into account total capitalized costs plus estimated future development costs necessary to bring those reserves into production. Relative volumes of proved plus probable natural gas reserves and production (before royalties) are converted at the energy equivalent conversion ratio of six thousand cubic feet of natural gas to one barrel of oil.

Proved plus probable natural gas reserves are estimated using independent third party reserve evaluators reports and represent the estimated quantities of natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

Corporate assets are recorded at cost less accumulated depreciation. Depreciation is calculated on a declining balance method to write off the cost of these assets, less estimated residual values, over their estimated useful lives.

The Company's property, plant and equipment are grouped into CGUs based on separately identifiable and largely independent cash inflows considering geological characteristics, shared infrastructure and exposure to market risks. Estimates of future cash flows used in the calculation of the recoverable amount are based on reserve evaluation reports prepared by independent third party reserve evaluators.

The assessment for impairment entails the review of the CGUs for indicators of impairment at the end of each reporting period. Indicators are events or changes in circumstances that indicate that the carrying amount may not be recoverable. If indicators of impairment exist, the recoverable amount of the CGU is estimated, being the higher of fair value, less costs of disposal, and value in use. Fair value, less costs of disposal, is derived by estimating the discounted after-tax future net cash flows, when no comparable market transactions are available. Discounted future net cash flows are based on forecasted commodity prices and costs over the expected economic life of the proved plus probable natural gas reserves and discounted using market-based rates to reflect a market participant's view of the risks associated with the assets. Value-in-use is assessed using the expected future cash flows discounted at a pre-tax rate. The carrying value of the CGU is then compared with its recoverable amount. If the carrying amount of the CGU exceeds the recoverable amount, the CGU is written down with an impairment recognized in net income (loss).

Impairment of property, plant and equipment are reversed when there is significant evidence that the impairment has been reversed, but only to the extent of what the carrying amount would have been net of accumulated depletion had no impairment been recognized.

g) Right-of-use assets and Lease obligations

A contract is, or contains, a lease if the contract provides the right to control the use of an identified asset for a period of time in exchange for consideration. A Right-of-use ("ROU") asset and a corresponding lease obligation are recognized on the consolidated statements of financial position on the lease commencement date. Interest associated with the lease obligation is recognized over the lease period with a corresponding increase in the underlying lease obligation. ROU assets are depreciated on a straight-line basis over the lease term.

ROU assets and lease obligations are initially measured on a present value basis. Lease obligations are measured as the net present value of the lease payments which may include: fixed lease payments, variable lease payments and payments to exercise an extension or termination option if applicable, if the Company is reasonably certain to exercise either of those options. ROU assets are measured at cost, which is composed of the amount of the initial measurement of the lease obligation, less any incentives received. The rate implicit in the lease is used to determine the present value of the liability and ROU asset arising from a lease, unless this rate is not readily determinable, in which case the Company's incremental borrowing rate is used.

ROU assets and lease obligations are remeasured when there is a change in the future lease payments arising from a change in an index or rate or term, or if there is a change in the assessment on whether the Company will exercise an extension or termination option.

Short-term leases and leases of low-value assets are not recognized on the consolidated statements of financial position and lease payments are instead recognized in the financial statements as incurred.

h) Inventory

The Company recognizes crude oil inventory held in storage tanks, as well as supplies. They are valued at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis and relates to the direct cost of production on an actual basis. Oil inventories include expenditures incurred to produce, upgrade, and transport the product to the storage facilities and include operating, depletion and depreciation expenses and cash royalties. Allocated to inventory is a relevant share of operating, royalty expense and depletion. Depending on inventory levels, this could increase or decrease inventory otherwise recorded.

i) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

Decommissioning obligations
The Company's activities give rise to dismantling, decommissioning and reclamation requirements. Costs related to these abandonment activities are estimated by management in consultation with the Company's engineers based on risk-adjusted current costs which take into consideration current technology in accordance with existing legislation and industry practices.

Decommissioning obligations are measured at the present value of the best estimate of expenditures required to settle the obligations at the reporting date. When the fair value of the liability is initially measured, the estimated cost, discounted using a risk-free rate, is capitalized by increasing the carrying amount of the related natural gas assets. The increase in the provision due to the passage of time, or accretion, is recognized as a finance expense. Increases and decreases due to revisions in the estimated future cash flows are recorded as adjustments to the carrying amount of the related natural gas assets.

Actual costs incurred upon settlement of the liability are charged against the obligation to the extent that the obligation was previously established. The carrying amount capitalized in natural gas assets is depleted in accordance with the Company's depletion policy. The Company reviews the obligation at each reporting date and revisions to the estimated timing of cash flows, discount rates and estimated costs will result in an increase or decrease to the obligations. Any difference between the actual costs incurred upon settlement of the obligation and recorded liability is recognized as an increase or reduction in income.

j) Revenue from natural gas sales

Revenue from the sale of natural gas is recognized when performance obligations are met and control has transferred from the Company to customers. The transfer of control of oil and natural gas usually occurs at a point in time and coincides with title passing to the customer and the customer taking physical possession. The Company considers its performance obligations to be satisfied and control to be transferred when all the following conditions are satisfied:

- The Company has transferred title and physical possession of the commodity to the buyer;
- The Company has transferred the significant risks and rewards of ownership to the buyer; and
- The Company has the present right to payment

Revenue is measured based on the consideration specified in the sales contracts with customers and is recorded on a net working interest basis for producing properties, of which the Company has a related ownership interest. The transaction price for variable price contracts is based on the commodity price, adjusted for quality, location, and other factors. Any variability in the transaction price is recognized in the same period which the related revenue is earned and recorded.

The Company does not have any contracts where the period between the transfer of promised goods and services to the customer and payment by the customer exceeds one year. As a result, the Company does not adjust its revenue transactions for the time value of money. The Company’s revenue transactions do not contain significant financing components.

k) Share-based compensation

Share-based compensation expense is determined based on the estimated fair value of shares on the date of grant. Transactions with non-employees are measured at the date when goods and services are received. Where the fair value of goods and services received cannot be reliably measured, the measure of the goods and services received and the corresponding increase in equity indirectly by reference to the fair value of the equity instruments granted, measured at the date goods are obtained or services rendered. Forfeitures are estimated at the grant date and are subsequently adjusted to reflect actual forfeitures. The expense is recognized over the service period, with a corresponding increase to contributed surplus. At the time the stock options or warrants are exercised, the issuance of common shares is recorded as an increase to shareholders’ capital and a corresponding decrease to contributed surplus.

l) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Common shares, stock options and warrants are classified as equity instruments.

m) Per share amounts, basic and diluted

The Company presents basic and diluted earnings (loss) per share. Basic earnings (loss) per share is calculated by dividing the net profit or loss by the weighted average number of shares outstanding during the year. Diluted earnings per share is determined by adjusting the net profit or loss and the weighted average number of shares outstanding, for all dilutive potential shares, which comprises warrants, convertible debt and options issued. Items with an anti-dilutive impact are excluded from the calculation.

n) Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value for financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods below. 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 aims to maximize the use of observable inputs when preparing calculations of fair value. Classification of each measurement into the fair value hierarchy is based on the lowest level of input that is significant to the fair value calculation.

i) Cash and cash equivalents, accounts receivable, VAT receivable, and accounts payable and accrued liabilities
The fair value of cash, accounts receivable and accounts payable and accrued liabilities is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

ii) Convertible debentures: Embedded derivatives
The liability and equity (when applicable) components of convertible debentures are presented separately on the consolidated statement of financial position, starting from initial recognition. The Company determines the fair value of the financial instrument using the Black Scholes Model. This is invariably split between the liability, equity and warrants. The carrying amount of warrants, is obtained by deducting the equity component carrying amount. This embedded derivative is carried at fair value through profit or loss (FVTPL) with changes impacting the consolidated statement of loss and comprehensive loss.

5. ACCOUNTING STANDARDS ADOPTIONS

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2022 or later periods.

The Corporation has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that no pronouncements or amendments are expected to have a material impact on future financial statements.

6. ACCOUNTS RECEIVABLE, PREPAIDS AND ACCOUNTS PAYABLE

The table below represents the composition of the accounts receivable and accounts payable balances as at December 31, 2022 and 2021. See Note 18 for accounts receivables and accounts payable relating to related parties.

	2022	2021
Prepaid expenses	494,277	643,477
Trade receivable	197,328	-
Other receivables	229,342	39,322
Accounts receivable and prepaid expenses	**920,947**	**682,799**

Trade accounts payable and accruals	2,842,701	2,058,363
Royalties payable	365,942	-
Capital accruals	6,476,463	556,842
Accounts payable and accrued liabilities	**9,685,106**	**2,615,205**

7. RESTRICTED CASH

	2022	2021
SN-9 ANH Guarantee Deposit	1,704,618	2,039,321
Tiburon ANH Guarantee Deposit	264,255	300,923
Restricted cash	**1,968,873**	**2,340,244**

Term deposits of $2.4 million and $0.3 million were originally established to secure performance guarantees required by the Colombian National Hydrocarbon Agency (“ANH”) under the Exploration and Production (“E&P”) Contracts for the SN-9 and Tiburon Block. The SN-9 and Tiburon deposits amounts were defined in US dollars by the ANH but are held in Colombian pesos with Colombian banks and are subject to foreign currency fluctuation risks in relation to the US dollar. These deposits are to be released to the Company once current phase commitments under each E&P Contract are completed. As at December 31, 2022, the balances of the SN-9 term deposit and Tiburon term deposit were $1,704,618 and $264,255, respectively.

8. EXPLORATION AND EVALUATION ASSETS

Exploration and Evaluation (“E&E”) assets consists of the following amounts:

	2022	2021
Balance as at January 1	**11,980,739**	**8,398,358**
Additions	31,018,076	5,488,568
E&E reduction from loan conversion to royalty (Note 10)	(3,232,880)	(2,080,000)
Asset retirement cost addition (Note 13)	703,634	-
Revision of asset retirement estimate (Note 13)	568,066	173,813
Transfer of E&E assets to D&P assets (Note 9)	(14,315,751)	-
Balance as at December 31	**26,721,884**	**11,980,739**

As at December 31, 2021 and 2022, it was determined that no impairment indicators exist for the Tiburon, Maria Conchita and SN-9 CGUs. The Company incurs ongoing maintenance costs for the Tiburon CGU from the third party operator, which are expensed as E&E expenses. No further capital activity has occurred in the Tiburon block in the year.

During the year ended December 31, 2022, the Company asserted commercial viability of its Maria Conchita block. Accordingly, the Company assessed the Maria Conchita block for impairment which found no impairment to the producing asset. As such, $14.3 million of exploration costs associated with said commercial operation have been transferred to D&P assets.

9. PROPERTY, PLANT, AND EQUIPMENT

The Company's property, plant and equipment ("PP&E") consist of D&P assets, corporate fixed assets and right-of-use leased assets ("ROU"). 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**
As at December 31, 2020	-	232,101	-	232,101
Capital additions	-	3,096	-	3,096
As at December 31, 2021	-	235,197	-	235,197
Transfer of E&E assets to D&P (Note 8)	14,315,751	-	-	14,315,751
Capital additions	2,794,228	33,551	24,886,551	27,714,330
Revision of asset retirement estimate	412,086	-	-	412,086
As at December 31, 2022	**17,522,065**	**268,748**	**24,886,551**	**42,677,364**
Accumulated depletion, depreciation and impairment				
As at December 31, 2020	-	220,300		220,300
Depletion and depreciation	-	6,768		6,768
As at December 31, 2021	-	227,068	-	227,068
Depletion and depreciation	405,337	20,866	594,366	1,020,569
As at December 31, 2022	**405,337**	**247,934**	**594,366**	**1,247,637**
Net book value				
As at December 31, 2021	-	8,129	-	8,129
As at December 31, 2022	**17,116,728**	**20,814**	**24,292,185**	**41,429,727**

As at December 31, 2022, the balance of PP&E consisted of those oil and gas properties that were reclassified from E&E. Future development costs in the amount of $32.7 million were included in depletion calculated for the year ended December 31, 2022. Non-cash additions of $412,086 related to change in asset retirement cost estimates for decommissioning obligations.

As at December 31, 2021 and 2022, the Company completed an impairment review of its PP&E assets. It was determined that no impairment indicators existed.

10. DEBT AND DEBT ISSUANCE COSTS

The Company's debt at December 31, 2022 consists of the following:

	Aruchara	Maria Conchita	SN-9	Total
Balance, December 31, 2020	1,641,763	380,060	1,985,941	4,007,764
Utilized portion of drawdown facility	200,000	-	600,000	800,000
Accrued interest expense	219,834	7,924	330,250	558,008
Accrued commitment fees	2,833	-	44,750	47,583
Amortization of transaction costs	15,570	468	29,860	45,898
Loan repayment	-	(388,452)	-	(388,452)
Conversion to Royalty Interest	(2,080,000)	-	-	(2,080,000)
Balance, December 31, 2021	-	-	2,990,801	2,990,801
Accrued interest expense	-	-	221,874	221,874
Amortization of transaction costs	-	-	20,205	20,205
Conversion to Royalty Interest	-	-	(3,232,880)	(3,232,880)
Balance, December 31, 2022	**-**	**-**	**-**	**-**

In August 2020, the Company entered into the SN-9 loan in the amount of $2.5 million, secured by the assets of the Company. The loan was denominated in US dollars, was to mature in August 2022, and bore interest at the rate of 15% per annum. The proceeds of the loan were utilized for the costs of exploratory activities in the SN-9 block. Under the terms of the loan agreement, the lenders were also granted a 3% overriding royalty on NG's working interest in the gross production of the SN-9 block. Total interest and principal was payable at the maturity date, although the lenders had an option to convert the loan principal and interest into another 3% overriding royalty on NG's working interest in the gross production of the SN-9 block at the lenders' discretion at any point prior to the maturity date.

In August 2022, debtholders of the SN-9 loan exercised the option to convert the loan principal and cumulative interest payable to the additional 3% overriding royalty on NG's working interest in the gross production of the SN-9 block. Due to the conversion, the Company no longer has an outstanding balance owed to the SN-9 loan debtholders.

11. CONVERTIBLE DEBENTURES

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 $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 of the principal amount of the debentures into shares of the Company at a conversion price of C$1.20 per share.

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.

As the debenture has a conversion feature, the equity and debt components must be bifurcated with value assigned to each as well as to warrants issued as part of the offering. The value assigned to the liability on the date of issuance was the present value of the contractually determined stream of future cash flows discounted at 15%, being the estimated rate that the market would apply to an instrument with comparable credit status and provide substantially the same cash flows, on the same terms, but without the conversion option. From the date of issuance, the liability component accretes up to its principal value using the effective interest method, with the charge recorded in finance expenses in the consolidated statement of loss. The fair value assigned to the warrants on the date of issuance was based on the Black-Scholes option pricing model. Finally, the residual balance of proceeds on the offering was assigned to the conversion feature. On account of a temporary difference between the tax basis and the accounting basis of the convertible debentures due to the bifurcation of the book values between liability and equity components, a deferred income tax recovery of $94,961 was recognized on the consolidated statement of loss for the year ended December 31, 2022, with an offsetting reduction to the equity component of the convertible debentures in accordance with IFRS.

The components of the Company’s convertible debentures as of December 31, 2022 are as follows:

	Liability Component	**Equity Component**	**Warrants**	**Total**
On date of issuances, net of transaction costs	9,109,995	604,685	2,354,764	12,069,444
Deferred income tax recovery	-	(94,961)	-	(94,961)
Accretion	334,315	-	-	334,315
Conversion of debentures	(187,841)	(10,404)	-	(198,245)
Impact of foreign exchange	(484,640)	-	-	(484,640)
Balance, December 31, 2022	**8,771,829**	**499,320**	**2,354,764**	**11,625,913**

Interest on the debentures is payable monthly in arrears on the last day of each month, commencing June 30, 2022. An amount equal to the interest payable under the debentures from the closing date of the offering until the first anniversary of the offering was placed in escrow upon closing of the offering and shall be paid out to holders of debentures on a monthly basis. Interest thereafter shall be paid out of the Company’s cash flow. As of December 31, 2022, total balance of deposit in escrow was $411,762.

In August 2022, certain debenture holders elected to convert C$350,000 face value of their debentures to shares of the Company at the conversion price of C$1.20 per share, resulting in the issuance of 291,666 common shares.

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 is denominated in Canadian dollars and consisted of: (i) one 10% convertible unsecured 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. Under the terms of the debentures, the lenders may at any time prior to the maturity date convert any or all of the principal amount of the debentures into shares of the Company at a conversion price of C$0.90 per share.

As the debenture has a conversion feature, the equity and debt components must be bifurcated with value assigned to each as well as to warrants issued as part of the offering. The value assigned to the liability on the date of issuance was the present value of the contractually determined stream of future cash flows discounted at 15%, being the estimated rate that the market would apply to an instrument with comparable credit status and provide substantially the same cash flows, on the same terms, but without the conversion option.. From the date of issuance, the liability component accretes up to its principal value using the effective interest method, with the charge recorded in finance expenses in the consolidated statement of loss. The residual balance of the proceeds on the offering was allocated between the warrants and conversion feature based on the percentage of total fair value of the equity components. The warrants and conversion feature used the Black-Scholes option pricing model to determine their values for allocation purposes. On account of a temporary difference between the tax basis and the accounting basis of the convertible debentures due to the bifurcation of the book values between liability and equity components, a deferred income tax recovery of $504,388 was recognized on the consolidated statement of loss for the year ended December 31, 2022, with an offsetting reduction to the equity component of the convertible debentures in accordance with IFRS.

The components of the Company's convertible debentures as of December 31, 2022 are as follows:

	Liability Component	**Equity Component**	**Warrants**	**Total**
On date of issuances, net of transaction costs	22,362,818	1,890,668	1,164,495	25,417,981
Deferred income tax recovery	-	(504,388)	-	(504,388)
Accretion	76,523	-	-	76,523
Impact of foreign exchange	(38,790)	-	-	(38,790)
Balance, December 31, 2022	**22,400,551**	**1,386,280**	**1,164,495**	**24,951,326**

Interest on the debentures is payable monthly in arrears on the last day of each month, commencing December 31, 2022. An amount equal to the interest payable under the debentures from the closing date of the offering until the first anniversary of the offering was placed in escrow upon closing of the offering and shall be paid out to holders of debentures on a monthly basis. Interest thereafter shall be paid out of the Company's cash flow. As of December 31, 2022, total balance of deposit in escrow was $2,376,606.

12. LEASE OBLIGATIONS

As at December 31, 2022, the Company had service contracts and agreements in Colombia. The Company recognized right-of-use assets and corresponding lease obligations relating to the BOOMT agreement with GTX International Corp. ("GTX") and the take-or-pay service contract with Surenergy SAS ESP ("Surenergy") (see Note 20 for "Contractual Commitments"). The presented lease obligations have a discount rate of 16.33%. A continuity of lease obligations is presented below.

Lease obligations	GTX	Surenergy	Total
Balance, December 31, 2021	-	-	-
Additions	20,036,889	4,849,662	24,886,551
Interest expense	808,799	44,829	853,628
Lease payments	(1,411,201)	(72,199)	(1,483,400)
Balance, December 31, 2022	**19,434,487**	**4,822,292**	**24,256,779**

Current portion	2,228,621	547,763	2,776,384
Non-current portion	17,205,866	4,274,529	21,480,395
Total	**19,434,487**	**4,822,292**	**24,256,779**

Future lease payments as at December 31, 2022 are as follows:

Future lease payments	Less than 1 year	1-3 years	Thereafter	Total
GTX International Corp.	5,256,000	10,526,400	14,472,000	30,254,400
Surenergy SAS ESP	1,299,586	2,599,173	3,631,622	7,530,381
Total	6,555,586	13,125,573	18,103,622	37,784,781

13. DECOMMISSIONING OBLIGATIONS

The Company’s decommissioning obligations result from ownership interests in oil and gas properties. The Company estimates the total uninflated, undiscounted amount of cash flows required to settle its decommissioning obligation at December 31, 2022 to be $1.9 million (December 31, 2021 - $0.6 million) with the cost projected to be incurred between 2024 and 2038. The entire balance of decommissioning obligations are recorded as a non-current liability given that there is no anticipated obligation expected to be incurred by December 31, 2023. The decommissioning obligations have been estimated using existing technology at current prices and discounted using discount rates that reflect current market assessments of the time value of money and the risks specific to each liability.

At December 31, 2022 a US inflation rate of 6.5% (December 31, 2021 – 4.8%) was used. The US risk-free rate used to discount the liability at December 31, 2022 was 3.83% (December 31, 2021 – 1.42%). Settlement of the obligations is anticipated to be invoiced in US dollars and settled in Colombian pesos. As at December 31, 2022, no funds had been set aside to settle these obligations. Changes to decommissioning obligations for the years ended December 31, 2022 and 2021, were as follows:

	2022	2021
Balance, January 1	806,830	626,561
Additions	703,634	-
Accretion expense	35,242	6,456
Change in estimate	980,152	173,813
Balance, December 31	**2,525,858**	**806,830**

14. SHARE CAPITAL

a) Common Shares

As at December 31, 2022, the Company was 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 December 31, 2022 are as follows:

	Common shares	Amount ($)
Balance, December 31, 2020	89,597,033	89,676,395
Shares issued through private placements (net of costs)	17,080,900	9,800,062
Shares issued to service provider	4,000,000	1,099,592
Shares issued through warrant exercise	9,082,222	2,923,959
Shares issued through option exercise	170,000	72,797
Balance, December 31, 2021	119,930,155	103,572,805
Shares issued through warrant exercise	5,011,111	1,205,561
Shares issued through option exercise	30,000	11,108
Conversion of debentures	291,666	198,245
Shares cancelled through share buyback	(140,800)	(106,279)
Balance, December 31, 2022	**125,122,132**	**104,881,440**

May 2022 Debenture Offering

In May 2022, the Company closed a fully marketed prospectus offering of 17,147 convertible debenture units of the Company at a price of C$1,000 per convertible debenture unit for total gross proceeds of $13,366,087 (C$17,147,000). Each convertible debenture unit consisted of one 8% unsecured convertible debenture of the Company in the principal amount of C$1,000 and 400 common share purchase warrants of the Company. Each warrant entitles the holder thereof to purchase one common share at an exercise price equal to C$1.40 until May 20, 2027.

The convertible debentures bear interest at a rate of 8.0% per annum from the date of issue, payable monthly in arrears on the last day of each month. An amount equal to the interest payable under the convertible debentures from May 20, 2022 until May 20, 2023 was placed in escrow upon closing of the Offering and shall be paid out to holders of convertible debentures on a monthly basis. Interest thereafter shall be paid out of the Company's cash flow.

The principal amount of each convertible debenture is convertible, for no additional consideration, at the option of the holder in whole or in part at any time into common shares prior to the earlier of: (i) the close of business on May 20, 2027, and (ii) the business day immediately preceding the date specified by the Company for redemption of the convertible debentures upon a change of control, at a conversion price equal to C$1.20 per common share, subject to adjustment in certain events.

In connection with the offering, the underwriters received cash commissions of $516,474 (C$662,585) on gross proceeds raised.

The Company is entitled, at its sole option at any time after the second anniversary of the closing date of the offering to accelerate the expiry date of all of the outstanding warrants on not less than 30 days nor more than 60 days' notice, if the volume weighted average trading price of the common shares on the TSXV is greater than C$2.00 for the ten consecutive trading days preceding the notice.

During the year ended December 31, 2022, certain debenture holders elected to convert C$350,000 face value of their debentures to shares of the Company at the conversion price of C$1.20 per share, resulting in the issuance of 291,666 common shares.

November 2022 Debenture Offering

In November 2022, the Company closed a non-brokered private placement offering of 35,000 convertible debenture units of the Company at a price of C$1,000 per convertible debenture unit for total gross proceeds of $25,910,572 (C$35,000,000). Each convertible debenture unit consisted of one 10% senior secured convertible debenture of the Company in the principal amount of C$1,000 and 1,000 common share purchase warrants of the Company. Each warrant entitles the holder thereof to purchase one common share at an exercise price of C$1.08 until November 30, 2025.

The convertible debentures bear interest at a rate of 10% per annum from the date of issue, payable monthly in arrears on the last day of each month. An amount equal to the interest payable under the convertible debentures from November 30, 2022 until November 30, 2023 was placed in escrow upon closing of the Offering and shall be paid out to holders of convertible debentures on a monthly basis. Interest thereafter shall be paid out of the Company's cash flow.

The principal amount of each convertible debenture will be convertible, for no additional consideration, at the option of the holder, in whole or in part, at any time and from time to time, into common shares at a price equal to C$0.90 per common share.

Normal Course Issuer Bid

In July, 2022, the Company announced its intention to proceed with a normal course issuer bid (“NCIB”) for up to 6,248,563 common shares over the course of the next 12 months, at which time, represented 5% of the total issued and outstanding Common Shares. All Common Shares purchased under the NCIB would be purchased on the open market, through the facilities of the TSXV, in accordance with the applicable regulatory requirements. Such Common Shares would be purchased at the prevailing market price and subsequently returned to treasury and cancelled. The NCIB is being conducted through Haywood Securities Inc., in accordance with the policies of the TSXV. The Company may not purchase more than 2% of the issued and outstanding Common Shares in any 30-day period. The NCIB will expire on or about July 18, 2023.

In August 2022, the Company announced that it had purchased 38,300 Common Shares under the NCIB at a weighted average price of $0.98 per Common Share through the facilities of the TSXV. In the latter half of August 2022, the Company purchased an additional 102,500 common shares under the NCIB. To date the Company has purchased a total of 140,800 common shares under the NCIB which were repurchased at prevailing market prices for $106,279. The shares were then subsequently returned to the treasury and cancelled.

February 2021 bought deal and non-brokered private placement

In February 2021, the Company completed a bought deal private placement, pursuant to which a syndicate of underwriters purchased 7,400,000 units and exercised its option to purchase an additional 1,110,000 units, for an aggregate of 8,510,000 units at a price of C$1.15 per unit for aggregate gross proceeds to the Company of $7,712,586 (C$9,786,500) before transaction costs. Each unit consists of one common share of the Company and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one common share at a price of C$1.75 until February 10, 2024. The Company allocated $6,224,103 (C$7,897,764) of total proceeds from the private placement to share capital and $1,488,483 (C$1,888,736) to warrants. The warrant fair value was determined based on a Black-Scholes option pricing model (see Note 14c). The issuance costs on the private placement totaling $1,119,831 (C$1,420,953) were also allocated to share capital of $903,710 (C$1,146,718) and warrants of $216,121 (C$274,235).

In connection with the offering, the underwriters received a cash commission equal to 6.0% of the gross proceeds and 510,600 non-transferable broker warrants equal to 6.0% of the aggregate number of units sold. Each broker warrant is exercisable into one common share at a price of C$1.15 per share until February 10, 2024.

In parallel with the bought deal financing, the Company completed a non-brokered private placement offering of 429,300 units, on the same terms as those issued pursuant to the bought deal financing, for a deemed value of $388,452 (C$493,695). No fees or commissions were paid to the underwriters in connection with the private placement. The issuance of these units was completed as repayment of the outstanding balance of the Maria Conchita Loan of $350,000 plus accrued interest.

The Company allocated $313,483 (C$398,415) of total proceeds from the private placement to share capital and $74,969 (C$95,280) to warrants. The warrant fair value was determined based on a Black-Scholes option pricing model (see Note 13c). There were no issuance costs on the private placement.

October 2021 Non-brokered Private Placement

In October 2021, the Company closed its non-brokered private placement of 8,000,000 units, at a price of C$1.00 per unit, for gross proceeds of $6,474,063 (C$8,000,000). Each unit consists of one common share and one share purchase warrant, with each warrant entitling the holder to purchase one additional share at a price of C$1.20 for a period of 24 months from the date of issuance, expiring on October 22, 2023, and are subject to potential accelerated expiry in the event the closing price of the common shares of the Company on the TSX-V is equal to or exceeds C$2.00 for twenty consecutive trading days.

The Company allocated $4,235,149 (C$5,233,373) of total proceeds from the non-brokered private placement to share capital and $2,238,914 (C$2,766,627) to warrants. The warrant fair value was determined based on a Black-Scholes option pricing model (see Note 13c).

In connection with completion of the placement, the Company paid a C$6,000 cash commission and issued an aggregate 141,600 in units, on the same terms as those issued in the financing to eligible parties who introduced subscribers. The Company allocated $205,118 (C$253,464) to share capital and $108,436

(C$133,994) to warrants. The warrant fair value was determined based on a Black-Scholes option pricing model (see Note 14c).

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 to one-third on each anniversary date over three years. The options' maximum term is ten years.

As at December 31, 2022, a total of 12,526,293 (December 31, 2021 – 9,915,400) 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, 2020	7,912,600	1.01
Options issued	2,250,000	0.91
Options exercised	(170,000)	0.33
Options forfeited	(77,200)	7.95
Options amended (old price)	(125,000)	8.00
Options amended (new price)	125,000	0.91
Balance, December 31, 2021	9,915,400	0.85
Options issued	2,640,893	1.14
Options exercised	(30,000)	0.275
Balance, December 31, 2022	**12,526,293**	**0.91**

In August 2022, the Company granted 2,640,893 options to acquire common shares to certain directors, officers, employees and consultants of the Company at an exercise price of C$1.14 per common share. The options are for a ten-year term, expiring on August 8, 2032. All options granted vested immediately on the date of grant.

For the stock options issued, the Black-Scholes option pricing model was used to estimate their fair value based on the assumptions of expected stock price volatility of 75%, risk-free interest rate of 2.68%, expected dividend yield of 0%, and an expected option life of 10 years, resulting in an assessed fair value per option of C$0.91. This computed to $1,860,743 (C$2,392,357) of share-based compensation being recognized during the year ended December 31, 2022.

In July 2021, the Company granted 2,250,000 options to acquire common shares to certain directors, officers, employees and consultants of the Company and certain charitable organizations at an exercise price of C$0.91 per common share. The options are for a ten-year term, expiring on July 15, 2031. All options granted vested immediately on the date of grant.

For the stock options issued, the Black-Scholes option pricing model was used to estimate their fair value based on the assumptions of expected stock price volatility of 75%, risk-free interest rate of 1.26%, expected dividend yield of 0%, and an expected option life of 10 years, resulting in an assessed fair value per option of C$0.71. This computed to $1,298,396 (C$1,635,979) of share-based compensation being recognized during the year ended December 31, 2021.

Also in July 2021, the Company passed a resolution to re-price 125,000 outstanding options to acquire common shares at a price of C$8.00 per common share to a modified price of C$0.91 per common share. All other terms for these options (vesting periods, expiry, etc.) were not modified as part of this re-pricing. As such, the amended option had a weighted average expiry term of 6.07 years as of the date of the re-pricing.

The overall weighted average incremental fair value granted on account of this re-pricing was measured using the Black-Scholes option pricing model to estimate the incremental increase in fair value of the options due to the modification of exercise price. Overall, the fair value calculated for these re-priced options as of the measurement date of July 15, 2021, was C$0.60. This fair value was calculated based on the assumptions of expected stock price volatility of 75%, risk-free interest rate of 1.26%, expected dividend yield of 0%, and an expected option life of 6 years. The incremental fair value was computed based on the difference in the modified exercise price (from C$8.00 per option to C$0.91 per option) while using the same incremental fair value granted on account of this re-pricing was C$0.37 per option, which computed to $32,770 (C$41,199) of additional share-based compensation being recognized during the year ended December 31, 2021.

The following summarizes information about stock options outstanding as at December 31, 2022:

Exercise prices (C$)	Number of options outstanding	Weighted average term to expiry (years)	Number of options exercisable
0.275	1,346,000	7.48	1,346,000
0.45	2,125,000	6.51	2,125,000
0.91	2,375,000	8.33	2,375,000
1.00	3,900,000	7.90	3,900,000
1.14	2,640,893	9.61	2,640,893
6.10	29,400	3.64	29,400
8.00	110,000	4.61	110,000
	12,526,293	**8.02**	**12,526,293**

The value of the stock options vesting in the year ended December 31, 2022, equaled $1,860,743 (December 31, 2021 - $1,298,396), which was expensed as share-based payments.

See Note 18 for details regarding options granted to related parties.

c) Warrants

As at December 31, 2022, a total of 56,712,062 (December 31, 2021 – 25,489,373) warrants were issued and outstanding. A summary of the change in total warrants is presented below:

Balance, December 31, 2020	21,449,745	3.03
Warrants issued on private placement	12,469,650	1.40
Broker warrants issued on private placement	652,200	1.16
Warrants exercised	(9,082,222)	0.23
Balance, December 31, 2021	25,489,373	3.18
Warrants issued with convertible debentures	41,858,800	1.13
Warrants expired	(5,625,000)	10.50
Warrants exercised	(5,011,111)	0.26
Balance, December 31, 2022	**56,712,062**	**1.20**

Warrants issued with Convertible Debentures

Pursuant to the convertible debenture offering in May 2022 (see above) the Company issued 17,147 units, each consisting of one 8% unsecured convertible debenture and 400 purchase warrants of the Company. Each full warrant can be exercised to purchase one additional common share at a price of C$1.40 until May 20, 2027.

Pursuant to the convertible debenture offering in November 2022 (see above) the Company issued 35,000 units, each unit consisted of one 10% senior secured convertible debenture and 1,000 purchase warrants of the Company. Each full warrant can be exercised to purchase one additional common share at a price of C$1.08 until November 30, 2025.

Purchase warrants on 2021 bought deal and non-brokered private placements

Pursuant to the bought deal and non-brokered private placement of units in February 2021 (see Note 14a), the Company issued 8,510,000 units and 429,300 units respectively, each consisting of one common share and one-half share purchase warrant. Each warrant can be exercised to purchase one additional common share at a price of C$1.75 until February 10, 2024. A fair value of $1,272,362 (C$1,614,501) and $74,969 (C$95,280) respectively, was recognized at the time of issuance of these purchase warrants. In connection with the above, the underwriters received 510,600 non-transferable broker warrants equal to 6.0% of the aggregate number of units sold. Each broker warrant is exercisable into one common share at a price of C$1.15 per share until February 10, 2024. A fair value of $399,993 (C$507,551) was recognized at the time of the issuance of these broker warrants.

Pursuant to the non-brokered private placement of units in October 2021 (see Note 14a), the Company issued 8,000,000 units at a price of C$1.00 per unit. Each unit consists of one common share and one share purchase warrant. Each warrant can be exercised to purchase one additional common share at a price of C$1.20 for a period of 24 months from the date of issuance, expiring on October 22, 2023, and are subject to potential accelerated expiry in the event the closing price of the common share of the Company on the TSX-V is equal to or exceeds $2.00 for twenty consecutive trading days. A fair value of $2,238,914 (C$2,766,627) was allocated to the purchase warrants. In connection with the above, the underwriters received 141,600 non-transferable broker warrants. Each broker warrant is exercisable into one common share at a price of C$1.20 per share. A fair value of $108,436 (C$133,994) was recognized at the time of the issuance of these broker warrants.

The following summarizes information about total purchase warrants outstanding as at December 31, 2022:

Exercise prices (C$)	Number of warrants outstanding	Weighted average term to expiry (years)	Number of warrants exercisable
1.08	35,000,000	2.92	35,000,000
1.15	475,600	1.11	475,600
1.20	8,141,600	0.81	8,141,600
1.40	6,858,800	4.39	6,858,800
1.50	2,036,412	1.00	2,036,412
1.75	4,199,650	1.11	4,199,650
	56,712,062	**2.57**	**56,712,062**

For the warrants issued during the year ended December 31, 2022, the Black-Scholes option pricing model was used to estimate their fair value with the following assumptions:

	May 2022 Warrants	November 2022 Warrants
Share price	C$0.98	C$0.98
Exercise price	C$1.40	C$1.08
Expected stock price volatility	75%	75%
Term	5 years	3 years
Expected dividend yield	0%	0%
Risk-free interest rate	2.70%	3.64%
Fair value warrant price	C$0.54	C$0.48

See Note 18 for details regarding warrants granted to related parties.

d) Loss per share

For the purposes of the loss per share calculations for the years ended December 31, 2022 and 2021, there is no difference between the basic loss per share and the diluted loss per share amounts. For the year ended December 31, 2022, 12,526,293 stock options and 56,712,062 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.

15. GENERAL AND ADMINISTRATIVE EXPENSES BY NATURE

General and administrative (“G&A”) expenses relate to day-to-day operations of the business, not directly attributable to the production of goods and services. See Note 18 for details of general and administrative expenses to related parties. The components of G&A expense for the years ended December 31, 2022 and 2021, are as follows:

	2022	2021
Professional Fees	1,538,052	1,595,073
Wages & Salaries	900,285	467,690
Fees, Rent, Investor Relations and Other	1,497,907	1,721,502
Total general and administrative expense	3,936,244	3,784,265

16. FINANCE INCOME AND EXPENSE

The components of net finance expense/income for the years ended December 31, 2022 and 2021, from continuing operations, are as follows:

	2022	2021
Interest income	(273,892)	(82,377)
Interest expenses and bank charges	1,275,007	609,836
Commitment fees	-	47,583
Accretion on decommissioning obligations	35,242	6,456
Accretion on liability component of convertible debentures	410,838	-
Accretion on lease obligations	853,628	-
Amortization of transaction costs on loans	20,205	45,898
Total net finance expense	**2,321,028**	**627,396**

17. INCOME TAXES

Reconciliation of effective tax rate

The Company conducts business internationally and therefore is required to comply with tax laws and regulations in various tax jurisdictions. The Company has prepared the following reconciliation that presents how income tax expense varies from the amounts that would be computed by applying the expected basic federal and provincial income tax rates for Canada for the years ended December 31, 2022 and 2021, to income before income taxes, and includes the impacts of the various tax jurisdictions.

Actual income tax expense differs from the expected income tax expense that would have been computed by applying the statutory income tax rates as follows:

	2022	2021
Loss before income taxes	(10,567,507)	(6,714,447)
Tax Rate	27.00%	27.00%
Computed income taxes	(2,853,227)	(1,812,901)
Increase (decrease) in taxes:		
Effect of tax rates in foreign jurisdictions	(292,662)	(153,267)
Change in enacted tax rates	-	(1,172,375)
Non-deductible foreign exchange	3,516,383	1,747,499
Debt conversion	311,278	561,600
Stock-based compensation	502,401	350,567
Non deductible expenses and other ther permanent differences	509,628	(37,290)
Change in unrecognized tax assets and other	(2,293,150)	516,167
Total income tax recovery	**(599,349)**	**-**

Components of deferred tax asset or liability

Deferred tax assets (liabilities) relate to estimated deductible (taxable) temporary differences between the carrying values and tax bases of certain assets. The movement in deferred income tax assets (liabilities) during the year is as follows:

Deferred tax assets (liabilities)	Non-capital losses	Convertible debt	Total
As at January 1, 2022	-	-	-
Current period recovery (expense)	599,349	-	599,349
Recognized in equity	-	(599,349)	(599,349)
As at December 31, 2022	**599,349**	**(599,349)**	**-**
As at January 1, 2021	-	-	-
Current period recovery (expense)	-	-	-
As at December 31, 2021	**-**	**-**	**-**

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2022	2021
Non-capital loss carryforwards	15,799,584	58,690,337
Capital loss carryforwards	26,639,822	25,802,643
ARO	2,525,858	806,829
Share and debt issuance costs	1,948,347	693,003
PPE and other	8,525,116	10,217,075
	55,438,727	**96,209,887**

In December 2022 the Colombia government enacted a new tax reform bill which is effective January 1, 2023. The reform includes significant changes to the income tax regime applicable to oil companies, including an increase in the capital gain tax rate to 15% (from 10%), increase in the dividend tax rate to 20% (from 10%); the elimination of the tax deductibility of royalties paid-in cash and cost associated to royalties paid-in kind in the calculation of taxable income; and the introduction of a surcharge to the current 35% tax rate. The surcharge will be determined by comparing the average inflation-adjusted Brent price during the taxation year to the monthly inflation-adjusted Brent price during the prior 120 months. When the Brent price during the taxation year exceeds the 30th percentile of the historical price range a 5% surtax is applied. It increases to 10% and 15% when the Brent price during the taxation year exceeds the 45th and 60th percentiles, respectively. Based on current gas operations the Company expects the 2023 surtax to be nil for aggregated income tax rate of 35%. This may change in the future depending on future operating activities.

As at December 31, 2022, $8.5 million of the non-capital losses carryforwards are from Colombia ($9.5 million from 2021). As a result of the 2016 Colombian Tax Reform, Colombian losses can be carried forward for a period of 12 years, and not indefinitely as under the previous tax regime. There is a grandfathering rule for losses incurred prior to 2017, which may continue to be carried forward indefinitely. Colombian losses of $4.3 million can be carried forward indefinitely and $4.0 million are entitled to a carryforward period of 12 years. $9.2 million of the non-capital loss carry forwards as at December 31, 2022 are from Canada ($48.7 million from 2021). These losses expire between 2038 and 2041. The capital loss carryforward presented above are all from Canada and have no expiry. The other deductible temporary differences presented above do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company operates in multiple jurisdictions with complex tax laws and regulations, which are evolving over time. The Company has taken certain tax positions in its tax filings and these filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax impact may differ significantly from that estimated and recorded by management.

18. RELATED PARTIES

During the years ended December 31, 2022 and 2021, there were separate related party transactions as follows:

I. The Company paid a monthly advisory fee to a firm affiliated with a director of NG. As per the consulting agreement, NG paid the firm $102,244 (C$133,050) and $105,336 (C$132,000) for the years ended December 31, 2022 and 2021, respectively. Furthermore, additional fees were paid pursuant to the closing of successful financing arrangements, divestitures, or acquisitions for which the firm provides advisory services. Administrative success fees were paid upon closing of the 2022 and 2021 financing transactions summarized in Note 11 and 14 which resulted in the Company paying $133,661 (C$171,470) to the firm for the year ended December 31, 2022, and $145,575 (C$182,801) for the year ended December 31, 2021. For the years ended December 31, 2022 and 2021, the Company issued 75,000 and 125,000 stock options, respectively, to members of the firm. The Black-Scholes fair value recognized in the form of the expense associated with the vesting of these options for each year was $52,845 (C$67,942) and $70,321 (C$88,599), respectively. As at December 31, 2022, there were no outstanding payables owed to the firm.

II. For the year ended December 31, 2022, the Company incurred expenditures of $76,617 in royalty payments paid to service providers and firms that are affiliated with directors of NG as well as payments to a director of NG.

III. For the years ended December 31, 2022 and 2021, the Company incurred expenditures of $1,869,704 and $958,320, respectively, in professional fees for general corporate services as well as technical services related to exploration activities in Colombia. Such services were provided by a contracted service provider affiliated with a certain director of the Company. For the years ended December 31, 2022 and 2021, the Company issued 356,000 and 175,000 stock options, respectively, to members of the service provider. The Black-Scholes fair value recognized in the form of the expense associated with the vesting of these options was $250,837 (C$322,497) and $98,449 (C$124,038), respectively. As at December 31, 2022, there were no outstanding payables owed to the service provider.

IV. For the years ended December 31, 2022 and 2021, the Company incurred expenditures of $69,792 and $88,361, respectively, in office rental costs in Colombia. The related office space was rented from an entity affiliated with a certain director of the Company. As at December 31, 2022, a payables balance of $15,214 was owed to the lessor entity.

V. In November 2022, the Company completed a non-brokered private placement of convertible debentures of 35,000 debenture units at $1,000 per unit, with 1,000 common share purchase warrants issued per unit. Of the units issued, 3,250 units were issued for subscriptions by directors of the Company or investors related to directors of the Company.

VI. In May 2022, the Company completed a prospectus offering of convertible debentures of 17,147 debenture units at $1,000 per unit, with 400 common share purchase warrants issued per unit. Of the units issued, 7,135 units were issued for subscriptions by directors of the Company or investors related to directors of the Company.

VII. In August 2022, debt holders of the SN-9 loan exercised the conversion option to convert the loan principal and cumulative interest payable to the additional 3.0% overriding royalty on NG Energy's working interest in the gross production of the SN-9 Block (see Note 10). Of the original loan proceeds of $2,500,000, approximately $1,512,500 were provided by directors of the Company.

VIII. In August 2022, the Company entered into the BOOMT Agreement with GTX (see Note 20). Of the ownership of GTX, 26% is held by directors or affiliates of directors of the Company.

IX. In February 2021, the Company completed the aforementioned non-brokered private placement offering of 429,300 units, on the same terms as those issued pursuant to the bought deal financing, for a deemed value of $388,452 (C$493,695). The issuance of the non-brokered private placement through units was completed as repayment for the outstanding balance of the Maria Conchita Loan of $350,000 plus accrued interest. Of the units issued, 253,000 units were issued to Company directors.

X. In October 2021, the Company completed the aforementioned non-brokered private placement through units for proceeds of $6,474,063 (C$8,000,000) before issue costs. Of the total proceeds, approximately $50,579 (C$62,500) were from subscriptions by directors or by investors related to directors of the Company.

XI. For the year ended December 31, 2021, 100,000 stock options were issued and 125,000 previously issued stock options were re-priced to charitable organizations. The Black-Scholes fair value recognized in the form of the expense associated with the vesting and re-pricing of these options was $88,956 (C$112,078).

Compensation of Key Management

The Company considers its directors and officers to be key management personnel. Compensation expenses paid to key management personnel were as follows:

For the years ended December 31	2022	2021
Salaries, consulting fees, benefits	379,785	231,415
Director fees	247,261	107,496
Share-based compensation	1,155,545	900,108
Total	**1,782,591**	**1,239,019**

19. 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, accounts receivable, VAT receivable and restricted cash represent the maximum credit exposure. As at December 31, 2022, the Company had $1,968,873 (December 31, 2021 - $2,340,244) in restricted cash towards development activity and joint operations in Colombia.

As at December 31, 2022, the Company had $920,947 (December 31, 2021 - $682,799) in accounts receivable and prepaids, the majority of which related to prepaid expenses (Note 6). The Company does not consider any of its receivables past due.

The Company maintained a VAT receivable balance of $2,354,633 as of December 31, 2022 (December 31, 2021 - $2,284,965), 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 and gas production that would otherwise be required to be paid to the Colombian tax authorities.

As at December 31, 2022, the Company held cash and cash equivalents of $6,962,228 (December 31, 2021 - $5,848,957). The Company manages the credit exposure related to cash and cash equivalents and short-term investments by selecting counter parties (e.g., banks) based on 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 at December 31, 2022:

	Less than 1 year	1-3 years	Thereafter	Total
Trade accounts payable	2,842,701	-	-	2,842,701
Capital payables	6,476,463			6,476,463
Lease obligation payments	6,555,586	13,125,573	18,103,622	37,784,781
Convertible debentures - principal	-	-	38,243,503	38,243,503
	15,874,750	**13,125,573**	**56,347,125**	**85,347,448**

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 December 31, 2022 nor were there any in the previous year ended December 31, 2021.

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.

The impact to the accumulated other comprehensive loss for the year ended December 31, 2022, had the US dollar to Canadian dollar exchange rate changed by 1%, would amount to approximately $71,000 ($43,000 – December 31, 2021), and the impact to the net loss and comprehensive loss for the year had the US dollar to COP$ exchange rate changed by 1% would amount to approximately $21,000 ($49,000 – December 31, 2021).
As at December 31, 2022, 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, 2021.

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 years ended December 31, 2022 and 2021, 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, as defined above. In order 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 forecast 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.

	December 31, 2022	December 31, 2021
SN-9 loan (15%)	-	3,012,500
Convertible debentures (8%)	12,401,802	-
Convertible debentures (10%)	25,841,701	-
Lease obligations	37,784,781	-
Total debt	76,028,284	3,012,500
Working capital (deficit)(1)	986,437	3,916,551
Net debt (net surplus)	**75,041,847**	**(904,051)**

1) Calculation of working capital excludes 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 Company's financial instruments as at December 31, 2022, include cash and cash equivalents, accounts receivable, VAT receivable, restricted cash, and accounts payable, accrued liabilities and debt. These financial instruments are initially recognized at fair value and subsequently measured at amortized cost. The fair values of the current financial instruments approximate their carrying amounts due to their short terms to maturity.

20. COMMITMENTS

Capital Commitments

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

Block	2023	2024	Total
SN-9 Block (1)	22.3	-	**22.3**
Tiburon Block (2)	3.0	-	**3.0**
Total	**25.3**	**-**	**25.3**

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 SN-9 Acquisition) according to Phase 1 of the contractual exploration program. The aforementioned ANH commitment was approved by the ANH in May 2022 to replace the previous minimum requirement to process and interpret 204.4 km of 2D seismic and drill one exploration well, with an extension up to January 2023 for the completion of the Phase 1 exploration program.

The first exploration well (Magico-1) was completed in August 2022 and drilling of the second exploration well (Brujo-1) was commenced in September 2022. With the completion of the Brujo-1 well, the Company has sought confirmation from the ANH that the Phase 1 exploration commitments have been fulfilled.

2) Relates to NG's share of the ANH commitment to carry out the minimum requirement to acquire, process, and interpret 69.75 km^2 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 2023 if the dispute is resolved by the Colombian Ministry of Interior.

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") 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 a tariff of $0.90/Mcf of gas, 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 9 and 12.

Natural Gas Compression Services
In November 2021, the Company entered into 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 a 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 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 9 and 12.

21. SUPPLEMENTAL CASH FLOW INFORMATION

Information regarding changes in non-cash working capital for the years ended December 31, 2022 and 2021 is as follows:

Continuing Operations	**2022**	2021
Accounts receivable and prepaids	**(238,148)**	(191,345)
Inventory	**-**	3,939
VAT receivable	**(69,668)**	(632,984)
Accounts payable and accrued liabilities	**7,069,901**	(558,782)
Change in non-cash working capital	**6,762,085**	(1,379,172)
Relating to:		
Operating activities	**1,191,239**	(947,032)
Investing activities	**5,570,846**	(432,140)
Change in non-cash working capital	**6,762,085**	(1,379,172)

22. GAIN ON DISPOSITION

The Company held 12,250,000 common shares of Horizon Petroleum Ltd. (“Horizon Shares”). As of December 31, 2019, it was determined that a disposition of the investment in Horizon Shares in the next 12 months was not highly probably and was deemed to have no recoverable value as Horizon Petroleum Ltd. was delisted from the TSX-V, resulting in a devaluation to a balance of $nil. During the year ended December 31, 2022, the Horizon Shares were re-listed and consequently sold for total proceeds of $280,863, net of transaction costs.

23. SUBSEQUENT EVENT

Between March and June 2023, the Company entered into simple agreements for future equity (“SAFE”), for total proceeds of C$11,000,000, of which C$1,000,000 was with a third-party fund to which a certain director and officer of the Company provides investment recommendations. In accordance with the terms of the SAFE agreements, the full value of the C$11,000,000 will be converted into securities of the Company in accordance with the terms and upon the closing of a future finance offering of the Company, with said offering to be finalized by August 31, 2023. In the event that an offering is not finalized, proceeds received will be constituted as a promissory note for future repayment, bearing annual interest of 10%.