



**NG ENERGY INTERNATIONAL CORP.**  
**(FORMERLY CRUZSUR ENERGY CORP.)**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2021**

# NG ENERGY INTERNATIONAL CORP.

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(Unaudited, expressed in U.S. Dollars)</i>	<b>September 30, 2021</b>	<b>December 31, 2020</b>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	<b>1,690,663</b>	1,208,765
Accounts receivable and prepaids	<b>1,000,541</b>	491,454
Inventory	<b>3,939</b>	3,939
	<b>2,695,143</b>	1,704,158
Non-current Assets		
Restricted cash (Note 4)	<b>2,426,520</b>	2,706,991
VAT receivable	<b>2,162,656</b>	1,651,981
Exploration and evaluation assets (Note 5)	<b>13,399,432</b>	8,398,358
Property, plant and equipment (Note 6)	<b>9,788</b>	11,801
<b>Total Assets</b>	<b>20,693,539</b>	14,473,289
<b>Liabilities</b>		
Current Liabilities		
Accounts payable and accrued liabilities	<b>3,038,786</b>	3,177,873
Current portion of debt (Note 7)	<b>4,924,167</b>	2,021,823
	<b>7,962,953</b>	5,199,696
Non-current Liabilities		
Non-current portion of debt (Note 7)	-	1,985,941
Decommissioning obligation	<b>719,349</b>	626,561
<b>Total Liabilities</b>	<b>8,682,302</b>	7,812,198
<b>Shareholders' Equity</b>		
Share capital (Note 8a)	<b>98,599,229</b>	89,676,395
Contributed surplus	<b>10,349,516</b>	10,179,700
Warrants (Note 8c)	<b>12,623,364</b>	11,954,739
Deficit	<b>(108,889,824)</b>	(104,303,857)
Accumulated other comprehensive loss	<b>(671,048)</b>	(845,886)
<b>Total Shareholders' Equity</b>	<b>12,011,237</b>	6,661,091
<b>Total Liabilities and Shareholders' Equity</b>	<b>20,693,539</b>	14,473,289

*Going concern (Note 2)*

*Related parties (Note 11)*

*Commitments (Note 13)*

*Subsequent events (Note 16)*

*See accompanying notes to the interim condensed consolidated financial statements.*

# NG ENERGY INTERNATIONAL CORP.

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the three and nine months ended September 30

<i>(Unaudited, expressed in U.S. Dollars)</i>	For the three months ended		For the nine months ended	
	2021	2020 <i>restated</i> <sup>(1)</sup>	2021	2020 <i>restated</i> <sup>(1)</sup>
<b>Expenses:</b>				
General and administrative	620,996	647,619	2,168,586	1,334,951
Business development	-	-	2,005	48,300
Share-based compensation (Note 8b)	1,298,396	9,026	1,298,396	270,078
Depletion and depreciation (Note 6)	1,727	4,477	4,972	11,283
Net finance expense (Note 9)	164,268	158,469	493,176	380,161
Fair value loss on derivative liability (Note 3)	-	14,302,667	-	14,711,456
Foreign exchange loss	265,416	88,195	618,832	743,469
	<b>2,350,803</b>	<b>15,210,453</b>	<b>4,585,967</b>	<b>17,499,698</b>
Loss from continuing operations	<b>(2,350,803)</b>	<b>(15,210,453)</b>	<b>(4,585,967)</b>	<b>(17,499,698)</b>
Loss from discontinued operations (Note 10)	-	(1,232,194)	-	(1,691,363)
<b>Net loss</b>	<b>(2,350,803)</b>	<b>(16,442,647)</b>	<b>(4,585,967)</b>	<b>(19,191,061)</b>
<b>Other comprehensive income (loss)</b>				
Foreign currency translation adjustment	119,668	(605,177)	174,838	(280,191)
<b>Comprehensive Loss</b>	<b>(2,231,135)</b>	<b>(17,047,824)</b>	<b>(4,411,129)</b>	<b>(19,471,252)</b>
<b>Loss per share - basic and diluted</b>				
Loss per share from continuing operations (Note 8d)	(0.02)	(0.32)	(0.04)	(0.46)
Loss per share from discontinued operations (Note 10)	-	(0.03)	-	(0.04)
	<b>(0.02)</b>	<b>(0.35)</b>	<b>(0.04)</b>	<b>(0.50)</b>
Weighted average number of common shares outstanding	106,839,679	47,893,807	103,388,971	38,302,150

(1) Restated for correction of accounting treatment based on IFRS clarification - see Note 3

See accompanying notes to the interim condensed consolidated financial statements.

# NG ENERGY INTERNATIONAL CORP.

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and nine months ended September 30

<i>(Unaudited, expressed in U.S. Dollars)</i>	For the three months ended		For the nine months ended	
	2021	2020	2021	2020
		<i>restated</i> <sup>(1)</sup>		<i>restated</i> <sup>(1)</sup>
<b>Operating Activities</b>				
Net income (loss)	<b>(2,350,803)</b>	(15,210,453)	<b>(4,585,967)</b>	(17,499,698)
Items not affecting cash:				
Depletion and depreciation (Note 6)	<b>1,727</b>	4,477	<b>4,972</b>	11,283
Share-based compensation (Note 8b)	<b>1,298,396</b>	9,026	<b>1,298,396</b>	270,078
Unrealized foreign exchange loss	<b>174,438</b>	46,887	<b>637,053</b>	591,493
Net finance expense	<b>164,268</b>	158,469	<b>493,176</b>	380,161
Fair value loss on derivative liability (Note 3)	-	14,302,667	-	14,711,456
Change in non-cash working capital (Note 15)	<b>(781,629)</b>	(136,741)	<b>(997,744)</b>	(11,458)
Continuing operations	<b>(1,493,603)</b>	(825,668)	<b>(3,150,114)</b>	(1,546,685)
Discontinued operations	-	68,689	-	(93,258)
<b>Cash used in operating activities</b>	<b>(1,493,603)</b>	(756,979)	<b>(3,150,114)</b>	(1,639,943)
<b>Investing Activities</b>				
Exploration and evaluation asset additions	<b>(495,927)</b>	(878,222)	<b>(5,047,416)</b>	(1,645,190)
Property, plant and equipment additions	<b>(621)</b>	(2,961)	<b>(2,959)</b>	(5,528)
Change in restricted cash	<b>(10)</b>	(6,363)	<b>(3,565)</b>	(13,226)
Change in non-cash working capital (Note 15)	<b>(278,975)</b>	(178,397)	<b>(157,219)</b>	(231,814)
Continuing operations	<b>(775,533)</b>	(1,065,943)	<b>(5,211,159)</b>	(1,895,758)
Discontinued operations	-	137,196	-	-
<b>Cash used in investing activities</b>	<b>(775,533)</b>	(928,747)	<b>(5,211,159)</b>	(1,895,758)
<b>Financing Activities</b>				
Proceeds on debt issuance, net of transaction costs (Note 7)	-	2,108,075	<b>800,000</b>	2,208,075
Proceeds on private placement, net of costs (Note 8a)	-	(5,646)	<b>6,992,748</b>	1,487,484
Proceeds on warrant exercises	<b>513,898</b>	753,181	<b>1,037,870</b>	753,181
Proceeds on option exercises	<b>17,904</b>	30,715	<b>43,809</b>	30,715
Net finance received (paid)	<b>5,538</b>	14,875	<b>15,809</b>	48,723
Continuing operations	<b>537,340</b>	2,901,200	<b>8,890,236</b>	4,528,178
Discontinued operations	-	(2,152)	-	(7,575)
<b>Cash provided by financing activities</b>	<b>537,340</b>	2,899,048	<b>8,890,236</b>	4,520,603
<b>Net increase (decrease) in cash</b>	<b>(1,731,796)</b>	1,213,322	<b>528,963</b>	984,902
Foreign exchange loss on cash	<b>(7,660)</b>	(7,202)	<b>(47,065)</b>	(55,026)
<b>Increase (decrease) in cash</b>	<b>(1,739,456)</b>	1,206,120	<b>481,898</b>	929,876
Cash, beginning of period	<b>3,430,119</b>	1,146,940	<b>1,208,765</b>	1,423,184
<b>Cash, end of period</b>	<b>1,690,663</b>	2,353,060	<b>1,690,663</b>	2,353,060

(1) Restated for correction of accounting treatment based on IFRS clarification - see Note 3

Cash is defined as cash and cash equivalents.

See accompanying notes to the interim condensed consolidated financial statements.

## NG ENERGY INTERNATIONAL CORP.

### INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

<i>(Unaudited, expressed in U.S. Dollars)</i>	Number of Common Shares	Share Capital	Contributed Surplus	Warrants	Deficit	AOCL <sup>(2)</sup>	Total
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 from continuing operations	-	-	-	-	(4,585,967)	-	(4,585,967)
Shares issued through private placement	8,939,300	5,633,876	-	-	-	-	5,633,876
Warrants issued through private placement	-	-	-	1,347,331	-	-	1,347,331
Shares issued to service provider	4,000,000	1,099,592	(1,099,592)	-	-	-	-
Warrants issued to broker	-	-	-	399,993	-	-	399,993
Shares issued through warrant exercise	6,467,232	2,116,569	-	(1,078,699)	-	-	1,037,870
Shares issued through option exercise	170,000	72,797	(28,988)	-	-	-	43,809
Foreign currency translation adjustment	-	-	-	-	-	174,838	174,838
Share-based compensation	-	-	1,298,396	-	-	-	1,298,396
<b>Balance at September 30, 2021</b>	<b>109,173,565</b>	<b>98,599,229</b>	<b>10,349,516</b>	<b>12,623,364</b>	<b>(108,889,824)</b>	<b>(671,048)</b>	<b>12,011,237</b>

*(Unaudited, expressed in U.S. Dollars - restated<sup>(1)</sup>)*

Balance at December 31, 2019	30,175,840	64,997,628	6,956,218	10,297,588	(80,603,452)	(415,762)	1,232,220
Net loss from continuing operations	-	-	-	-	(17,499,698)	-	(17,499,698)
Net loss from discontinued operations	-	-	-	-	(1,691,363)	-	(1,691,363)
Shares issued through private placement	12,000,000	1,067,957	-	-	-	-	1,067,957
Warrants issued through private placement	-	-	-	419,527	-	-	419,527
Reserve for future share-based payment	-	-	824,964	-	-	-	824,964
Conversion of debentures	21,666,659	10,657,548	-	8,914,439	-	-	19,571,987
Shares issued through warrant exercise	6,604,994	3,448,488	-	(2,695,307)	-	-	753,181
Shares issued through option exercise	90,000	49,850	(19,135)	-	-	-	30,715
Shares issued for interest payment	806,719	115,122	-	-	-	-	115,122
Foreign currency translation adjustment	-	-	-	-	-	(280,191)	(280,191)
Share-based compensation	-	-	270,078	-	-	-	270,078
<b>Balance at September 30, 2020</b>	<b>71,344,212</b>	<b>80,336,593</b>	<b>8,032,125</b>	<b>16,936,247</b>	<b>(99,794,513)</b>	<b>(695,953)</b>	<b>4,814,499</b>

(1) Restated for correction of accounting treatment based on IFRS clarification - see Note 3

(2) Accumulated other comprehensive loss

See accompanying notes to the interim condensed consolidated financial statements.

NG ENERGY INTERNATIONAL CORP.  
Notes to the Interim Condensed Consolidated Financial Statements  
For the periods ended September 30, 2021 and 2020 (unaudited)

## 1. REPORTING ENTITY

NG Energy International Corp. (“NG” or the “Company”), formerly known as CruzSur Energy Corp., 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 25<sup>th</sup> 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 Interim condensed consolidated financial statements (“Financial Statements”) have been prepared on a going concern basis, which assumes that the Company will be able to discharge its obligations and realize its assets in the normal course of operations for the foreseeable future.

During the nine-month period ended September 30, 2021, the Company recognized a loss from continuing operations of \$4.6 million and used \$3.1 million of cash flow in its operating activities for continuing operations. The Company had a working capital deficit of \$5.3 million as of September 30, 2021, which would suggest that the Company has limited ability to fund its operational and capital commitment amounts that exist for the upcoming year and beyond and repay existing debt obligations. As the Company will continue to utilize its financial resources to service debt obligations and fund existing operations and capital commitments for the foreseeable future, there is material uncertainty as to the future operating ability of the Company as it will be contingent upon the Company’s ability to successfully identify and procure necessary financing and develop oil and gas operations that generate positive cash flows. Currently, the Company has contractually committed exploration and development amounts of \$25.3 million as outlined in Note 13. These commitments could leave the Company potentially cash deficient depending on the outcome of the Company’s ongoing operations. As a result, these conditions give rise to a material uncertainty that creates significant doubt on the Company’s ability to continue as a going concern.

In February 2021, the Company closed a bought deal private placement for aggregate gross proceeds of \$7.7 million (see Note 8). In October 2021, the Company closed a non-brokered private placement for additional aggregate gross proceeds of \$6.5 million (see Note 16). These proceeds are being used to fund general working capital needs and capital work programs as well as to settle outstanding liabilities, however, will not be sufficient to fund the Company’s ongoing operational and capital commitments.

Management believes that the going concern assumption is appropriate for these Financial Statements and that the Company will be able to meet its operational and capital commitments during the upcoming year and beyond. There is no guarantee that the Company will be successful in its endeavors and no certainty as to the timing of the Company’s impending exploration commitments. Should the going concern assumption not be appropriate and the Company is not able to realize its assets and settle its liabilities, these Financial Statements would require adjustments to the amounts and classifications of assets and liabilities, and these adjustments could be significant.

NG ENERGY INTERNATIONAL CORP.  
Notes to the Interim Condensed Consolidated Financial Statements  
For the periods ended September 30, 2021 and 2020 (unaudited)

### **3. BASIS OF PRESENTATION**

#### **Statement of compliance**

These Financial Statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” under International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

These Financial Statements follow the same accounting policies and method of computation as the Company’s annual audited consolidated financial statements for the year ended December 31, 2020, with the exception of certain disclosures that are normally required to be included in annual consolidated financial statements which have been condensed or omitted. These Financial Statements should be read in conjunction with the Company’s annual audited consolidated financial statements for the year ended December 31, 2020. These Financial Statements were authorized for issuance by the Company’s Board of Directors on November 24, 2021.

#### **Basis of measurement**

These 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. The methods used to measure fair value are consistent with the Company’s December 31, 2020 audited consolidated financial statements.

More than a year after being declared a global pandemic by the World Health Organization in March 2020, COVID-19 continues to impact global economic conditions. Global financial markets, and commodity prices in particular, have experienced significant volatility and uncertainty. The crisis has caused periodic delays in the Company’s Colombian exploration activities planned due to temporary restrictions on exploration activities implemented by the Colombian government. The scale and duration of these developments remain uncertain but could impact the Company’s operations, future net earnings, cash flows and financial condition.

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 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.

#### **Significant accounting policies**

The Company’s significant accounting policies can be read in Note 4 to the Company’s annual audited consolidated financial statements as at and for the year ended December 31, 2020.

NG ENERGY INTERNATIONAL CORP.  
Notes to the Interim Condensed Consolidated Financial Statements  
For the periods ended September 30, 2021 and 2020 (unaudited)

**Correction of accounting treatment**

The Company restated its interim condensed consolidated statement of financial position as of September 30, 2020, and its interim condensed consolidated statement of loss and comprehensive loss for the period ended September 30, 2020. Management has determined that the accounting treatment for its convertible debentures was inappropriate. According to IAS 32 *Financial Instruments: presentation*, an issuer is required to separate convertible debt into liability and equity components based on the fair value of the liability component, unless the equity conversion component must be bifurcated as an embedded derivative. The correction relates to treatment of the embedded derivative as a financial liability instead of as an equity instrument. The conversion feature within the convertible debentures was considered an embedded derivative liability as the contractual right of conversion to units contains an additional contractual right within, in the form of share purchase warrants. Based on this accounting guidance, the Company has determined the effects of restatement, regarding this complex financial instrument. The tables below reflect the effects of restatement, with “as presented” balances already reflecting the removal of figures related to discontinued operations (see Note 10).

Effects of restatement to the interim condensed consolidated statement of financial position as of September 30, 2020:

<b>As of September 30, 2020</b>	<b>As presented</b>	<b>Restatement</b>	<b>As restated</b>
Share capital	68,602,556	11,734,037	80,336,593
Warrants	11,437,789	5,498,458	16,936,247
Deficit	(83,013,872)	(16,780,641)	(99,794,513)
Accumulated other comprehensive loss	(244,099)	(451,854)	(695,953)
Effects to shareholders' equity	(3,217,626)	-	(3,217,626)

Effects of restatement to the interim condensed consolidated statement of loss and comprehensive loss for the period ended September 30, 2020:

<b>Periods ended September 30, 2020</b>	<b>For the three months ended</b>			<b>For the nine months ended</b>		
	<b>As presented</b>	<b>Restatement</b>	<b>As restated</b>	<b>As presented</b>	<b>Restatement</b>	<b>As restated</b>
Net finance expense	180,955	(22,486)	158,469	456,832	(76,671)	380,161
Fair value loss on derivative liability	-	14,302,667	14,302,667	-	14,711,456	14,711,456
Effects to net loss	180,955	14,280,181	14,461,136	456,832	14,634,785	15,091,617
Foreign currency translation adjustment	(93,348)	(511,829)	(605,177)	100,696	(380,887)	(280,191)
Effects to comprehensive loss	87,607	13,768,352	13,855,959	557,528	14,253,898	14,811,426



NG ENERGY INTERNATIONAL CORP.  
Notes to the Interim Condensed Consolidated Financial Statements  
For the periods ended September 30, 2021 and 2020 (unaudited)

Effect of restatement to the interim condensed consolidated statement of cash flows for the period ended September 30, 2020:

Periods ended September 30, 2020	For the three months ended			For the nine months ended		
	As presented	Restatement	As restated	As presented	Restatement	As restated
Net finance expense	180,955	(22,486)	158,469	456,832	(76,671)	380,161
Fair value loss on derivative liability	-	14,302,667	14,302,667	-	14,711,456	14,711,456
Effects to cash flows used in operating activities	180,955	14,280,181	14,461,136	456,832	14,634,785	15,091,617

#### 4. RESTRICTED CASH

As of September 30, 2021, funds totaling \$2,426,520 (December 31, 2020 - \$2,706,991) comprised the balance represented in restricted cash. The composition of this amount is as follows:

	2021	2020
SN-9 ANH Guarantee	2,114,846	2,362,822
Tiburon ANH Guarantee	311,674	344,169
	<b>2,426,520</b>	<b>2,706,991</b>

Term deposits of \$2.4 million and \$0.3 million were established to secure performance guarantees required by the Colombian National Hydrocarbon Agency (“ANH”) under the 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 of September 30, 2021, the balances of the SN-9 term deposit and Tiburon term deposit were \$2,114,846 and \$311,674 respectively.

#### 5. EXPLORATION AND EVALUATION ASSETS

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

Balance, December 31, 2019	2,659,153
Additions	5,606,624
Asset retirement cost addition	291,191
Revision of asset retirement estimate	21,100
Impairment	(179,710)
Balance, December 31, 2020	8,398,358
Additions	4,912,416
Revision of asset retirement estimate	88,658
<b>Balance, September 30, 2021</b>	<b>13,399,432</b>

NG ENERGY INTERNATIONAL CORP.  
Notes to the Interim Condensed Consolidated Financial Statements  
For the periods ended September 30, 2021 and 2020 (unaudited)

**6. PROPERTY, PLANT, AND EQUIPMENT**

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

<b>Cost</b>	<b>D&amp;P</b>	<b>Corporate</b>	<b>Total</b>
Balance, December 31, 2019	4,002,333	695,167	4,697,500
Capital additions	-	8,209	8,209
Disposals - Discontinued Operations	(4,002,333)	(471,275)	(4,473,608)
Balance, December 31, 2020	-	232,101	232,101
Capital additions	-	2,959	2,959
<b>Balance, September 30, 2021</b>	<b>-</b>	<b>235,060</b>	<b>235,060</b>

**Accumulated depletion, depreciation and impairment**

Balance, December 31, 2019	2,806,626	203,052	3,009,678
Additions	-	17,248	17,248
Additions - Discontinued Operations	203,220	64,170	267,390
Impairment - Discontinued Operations	833,268	341,795	1,175,063
Disposals - Discontinued Operations	(3,843,114)	(405,965)	(4,249,079)
Balance, December 31, 2020	-	220,300	220,300
Additions	-	4,972	4,972
<b>Balance, September 30, 2021</b>	<b>-</b>	<b>225,272</b>	<b>225,272</b>

**Net book value**

Balance, December 31, 2020	-	11,801	11,801
<b>Balance, September 30, 2021</b>	<b>-</b>	<b>9,788</b>	<b>9,788</b>

NG ENERGY INTERNATIONAL CORP.  
Notes to the Interim Condensed Consolidated Financial Statements  
For the periods ended September 30, 2021 and 2020 (unaudited)

**7. DEBT AND DEBT ISSUANCE COSTS**

The Company's debt as of September 30, 2021, consists of the following:

	Aruchara	Maria Conchita	SN-9	Total
Balance, December 31, 2019	1,087,447	-	-	1,087,447
Issuance, net of transaction costs	-	346,500	1,838,633	2,185,133
Utilized portion of drawdown facility	300,000	-	-	300,000
Accrued interest expense	165,000	30,528	104,500	300,028
Accrued commitment fees	75,000	-	33,000	108,000
Amortization of transaction costs	14,316	3,032	9,808	27,156
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	176,500	7,924	238,208	422,632
Accrued commitment fees	2,833	-	44,750	47,583
Amortization of transaction costs	12,351	468	21,821	34,640
Loan repayment	-	(388,452)	-	(388,452)
<b>Balance, September 30, 2021</b>	<b>2,033,447</b>	<b>-</b>	<b>2,890,720</b>	<b>4,924,167</b>
Current portion of debt	2,033,447	-	2,890,720	4,924,167
Non-current portion of debt	-	-	-	-
<b>Balance, September 30, 2021</b>	<b>2,033,447</b>	<b>-</b>	<b>2,890,720</b>	<b>4,924,167</b>

**a) Aruchara Loan**

In December 2019, the Company entered into a loan in the amount of \$1.6 million, secured by the assets of the Company. The loan is denominated in US dollars, matures on December 5, 2021, and bears interest at the rate of 15% per annum. The proceeds of the loan were utilized for the costs of the re-entry project of the Aruchara well in the Maria Conchita block. Under the terms of the loan agreement, the lenders have also been granted a 2.5% overriding royalty derived from the production of the Maria Conchita block. Total interest and principal is payable at the maturity date, although the lenders have an option to convert the loan principal and interest into another 2.5% overriding royalty from the Maria Conchita block at the lenders' discretion at any point prior to the maturity date. Currently, no value has been attributed to the 2.5% overriding royalty or the conversion option for an additional 2.5% overriding royalty as this is contingent upon the successful realization of commercially viable operations within the Maria Conchita block.

Of the principal amount of the Aruchara loan, \$0.5 million had been accounted for as a "drawdown" facility given this funding had been made available to the Company for purposes of covering expenditures on the Aruchara well as necessary, in contrast to the other \$1.1 million of the principal being provided as cash funds to the Company on the date of issuance. Finance costs incurred in relation to this drawdown component of the loan have been classified as a commitment fee. At present, the drawdown facility has been utilized entirely, bringing the loan amount from \$1.1 million to \$1.6 million. See Note 11 for details of loan from related parties.

NG ENERGY INTERNATIONAL CORP.  
Notes to the Interim Condensed Consolidated Financial Statements  
For the periods ended September 30, 2021 and 2020 (unaudited)

**b) Maria Conchita Loan**

In July 2020, the Company entered into a loan in the amount of \$350,000. The loan was denominated in US dollars and bore interest at the rate of 20% per annum. The loan matured at the earlier of six months from the advance date or such time as proceeds to the Company from gross production in the Maria Conchita block total or exceed the principal amount plus accrued interest. The proceeds of the loan were utilized to fund exploration activities in the Maria Conchita block. In February 2021, the Company issued 429,300 units by way of a non-brokered private placement as repayment of the principal and accrued interest of the Maria Conchita Loan (see Note 8). See Note 11 for details of loan from related parties.

**c) SN-9 Loan**

In August 2020, the Company entered into a loan in the amount of \$2.5 million, secured by the assets of the Company. The loan is denominated in US dollars, matures in August 2022, and bears interest at the rate of 15% per annum. The proceeds of the loan are to be utilized for the costs of exploratory activities in the SN-9 block. Under the terms of the loan agreement, the lenders have also been granted a 3% overriding royalty on NG's working interest in the gross production of the SN-9 block. Total interest and principal is payable at the maturity date, although the lenders have 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. Currently, no value has been attributed to the 3% overriding royalty or the conversion option for an additional 3% overriding royalty as this is contingent upon the successful realization of commercially viable operations within the SN-9 block.

Of the principal amount of the SN-9 loan, \$0.6 million had been accounted for as a "drawdown" facility given this funding had been made available to the Company for purposes of covering expenditures on the SN-9 Block as necessary, in contrast to the other \$1.9 million of the principal being provided as cash funds to the Company on the date of issuance. Finance costs incurred in relation to this drawdown component of the loan have been classified as a commitment fee. In June 2021, cash funding for the full amount of the drawdown facility was transferred to the Company, bringing the loan amount from \$1.9 million to \$2.5 million. See Note 11 for details of loan from related parties.

**8. SHARE CAPITAL**

**a) Common shares**

As at September 30, 2021, 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 of September 30, 2021 are as follows:

NG ENERGY INTERNATIONAL CORP.  
Notes to the Interim Condensed Consolidated Financial Statements  
For the periods ended September 30, 2021 and 2020 (unaudited)

	Common shares	Amount (\$)
Balance, December 31, 2019	30,175,840	64,997,628
Shares issued through private placements (net of costs)	16,072,823	3,287,545
Conversion of debentures	21,666,659	10,657,548
Shares issued through warrant exercise	20,544,992	10,444,789
Shares issued through option exercise	330,000	173,763
Shares issued for interest payment	806,719	115,122
Balance, December 31, 2020	89,597,033	89,676,395
Shares issued through private placements (net of costs)	8,939,300	5,633,876
Shares issued to service provider	4,000,000	1,099,592
Shares issued through warrant exercise	6,467,232	2,116,569
Shares issued through option exercise	170,000	72,797
<b>Balance, September 30, 2021</b>	<b>109,173,565</b>	<b>98,599,229</b>

***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 8c). 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). The net proceeds of the offering will be used for working capital and general corporate purposes.

In connection with the offering, the underwriters received a cash commission equal to 6% 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 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 8c). There were no issuance costs on the private placement.

NG ENERGY INTERNATIONAL CORP.  
Notes to the Interim Condensed Consolidated Financial Statements  
For the periods ended September 30, 2021 and 2020 (unaudited)

***Settlement of services for shares***

Pursuant to a Memorandum of Understanding with Panacol Oil and Gas Corp. (“Panacol”) and Landsons Investment Corp. (“Landsons”), the Company formalized the definitive agreement in December 2020 to issue an aggregate of 4,000,000 common shares. In February 2021, the terms of that definitive agreement were completed as the Company issued 2,800,000 common shares to Panacol in satisfaction of project management services provided and 1,200,000 common shares to Landsons for services provided towards obtaining the environmental and social licenses for the SN-9 project. See Note 11 for details of common shares issued to related parties.

**b) Stock options**

The Company’s stock option plan provides for the issue of stock options to directors, officers, employees, charities and consultants, who are all considered related parties to the Company. 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 September 30, 2021, a total of 9,915,400 (December 31, 2020 – 7,912,600) options were issued and outstanding under this plan. Options which are forfeited/expired are available for reissue. See Note 11 for details of stock options to related parties.

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

	<b>Stock options</b>	<b>Weighted average exercise price (C\$)</b>
Balance, December 31, 2019	2,876,600	1.33
Options issued	5,456,000	0.79
Options exercised	(330,000)	0.42
Options expired	(90,000)	0.45
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
<b>Balance, September 30, 2021</b>	<b>9,915,400</b>	<b>0.85</b>

In July 2021, the Company granted 2,250,000 options to acquire common shares to certain 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.

NG ENERGY INTERNATIONAL CORP.  
Notes to the Interim Condensed Consolidated Financial Statements  
For the periods ended September 30, 2021 and 2020 (unaudited)

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 C\$1,594,780 of share-based compensation being recognized.

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 10 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 C\$41,199 of additional share-based compensation being recognized.

The value of the stock options vesting in the nine months ended September 30, 2021, equated to \$1,298,396 (September 30, 2020 - \$270,078), which was expensed as share-based payments.

The following summarizes information about stock options outstanding as at September 30, 2021:

Exercise prices (C\$)	Number of options outstanding	Weighted average term to expiry (years)	Number of options exercisable
0.275	1,376,000	8.73	1,376,000
0.45	2,125,000	7.76	2,125,000
0.91	2,375,000	9.58	2,375,000
1.00	3,900,000	9.15	3,900,000
6.10	29,400	4.89	29,400
8.00	110,000	5.86	110,000
	<b>9,915,400</b>	<b>8.85</b>	<b>9,915,400</b>

**c) Warrants**

As at September 30, 2021, a total of 19,962,763 (December 31, 2020 – 21,449,745) warrants were issued and outstanding. A summary of the change in total warrants is presented below:

NG ENERGY INTERNATIONAL CORP.  
Notes to the Interim Condensed Consolidated Financial Statements  
For the periods ended September 30, 2021 and 2020 (unaudited)

	Warrants	Weighted average exercise price (C\$)
Balance, December 31, 2019	6,291,666	9.40
Warrants issued on convertible debenture conversion	21,666,659	0.15
Warrants issued on private placement, March 2020	2,000,000	0.18
Warrants issued on private placement, May 2020	10,000,000	0.23
Warrants issued on private placement, December 2020	2,036,412	1.50
Warrants exercised	(20,544,992)	0.15
Balance, December 31, 2020	21,449,745	3.03
Warrants issued on private placement, February 2021	4,469,650	1.75
Broker warrants issued on private placement, February 2021	510,600	1.15
Warrants exercised	(6,467,232)	0.20
<b>Balance, September 30, 2021</b>	<b>19,962,763</b>	<b>1.28</b>

***Purchase warrants on private placements***

Pursuant to the bought deal and non-brokered private placement of units in February 2021 (see Note 8a), 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. See Note 11 for details of warrants issued to related parties.

The following summarizes information about total purchase warrants outstanding as at September 30, 2021:

Exercise prices (C\$)	Number of warrants outstanding	Weighted average term to expiry (years)	Number of warrants exercisable
0.18	2,000,000	0.49	2,000,000
0.23	5,321,101	0.66	5,321,101
1.15	510,600	2.36	510,600
1.50	2,036,412	2.25	2,036,412
1.75	4,469,650	2.36	4,469,650
10.50	5,625,000	0.83	5,625,000
	<b>19,962,763</b>	<b>1.28</b>	<b>19,962,763</b>

For the warrants issued during the period ended September 30, 2021, the Black-Scholes option pricing model was used to estimate their fair value with the following assumptions:



NG ENERGY INTERNATIONAL CORP.  
Notes to the Interim Condensed Consolidated Financial Statements  
For the periods ended September 30, 2021 and 2020 (unaudited)

	<b>Broker Warrants</b>	<b>Warrants</b>
Share price	C\$1.70	C\$1.70
Exercise price	C\$1.15	C\$1.75
Expected stock price volatility	75%	75%
Term	3 years	3 years
Expected dividend yield	0%	0%
Risk-free interest rate	0.23%	0.23%
Fair value warrant price	C\$0.99	C\$0.81

#### d) Loss per share

For the purposes of the loss per share calculations for the periods ended September 30, 2021 and 2020, there is no difference between the basic loss per share and the diluted loss per share amounts. For the period ended September 30, 2021, 9,915,400 stock options and 19,962,763 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.

#### 9. FINANCE INCOME AND EXPENSE

The components of net finance expense/income for the periods ended September 30, 2021 and 2020, are as follows:

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Interest income	(18,319)	(27,783)	(59,770)	(84,030)
Interest expenses and bank charges	169,281	142,966	466,593	366,026
Commitment fees	-	29,000	47,583	66,292
Accretion on decommissioning obligations	1,380	2,822	4,130	6,118
Accretion on liability component of convertible debentures	-	4,710	-	12,178
Amortization of transaction costs on loans	11,926	6,754	34,640	13,577
<b>Total net finance expense</b>	<b>164,268</b>	<b>158,469</b>	<b>493,176</b>	<b>380,161</b>

#### 10. DISCONTINUED OPERATIONS

In October 2020, the Company finalized the sale of Alianza Petrolera Argentina S.A. ("Alianza"), the Argentine subsidiary through which NG previously operated the SRDE Asset and held interest in the Mariposa Asset. Due to the sale, the Company ceased operations in Argentina and, as such, reclassified its entire Argentine segment to discontinued operations.

For the three and nine months ended September 30, 2021 and 2020, income and expenses allocated to net loss from discontinued operations are as follows:

NG ENERGY INTERNATIONAL CORP.  
Notes to the Interim Condensed Consolidated Financial Statements  
For the periods ended September 30, 2021 and 2020 (unaudited)

	Three months ended		Nine months ended	
	2021	2020	2021	2020
<b>Revenue</b>				
Oil and natural gas revenue	-	171,636	-	171,636
Net revenue on carried working interest	-	102,665	-	312,009
Royalty expense	-	(26,423)	-	(26,423)
		247,878		457,222
<b>Expenses</b>				
Operating expenses	-	145,213	-	145,213
Inventory revaluation	-	-	-	266,085
General and administrative	-	68,603	-	302,472
Depletion and depreciation	-	82,291	-	267,390
Impairment loss	-	1,175,063	-	1,175,063
Net finance expense	-	2,614	-	8,949
Foreign exchange loss (gain)	-	6,288	-	(16,587)
	-	1,480,072	-	2,148,585
<b>Net loss from discontinued operations</b>	-	<b>(1,232,194)</b>	-	<b>(1,691,363)</b>

For the three and nine months ended September 30, 2021 and 2020, cash flows related to discontinued operations are as follows:

	Three months ended		Nine months ended	
	2021	2020	2021	2020
Loss from discontinued operations	-	(1,232,194)	-	(1,691,363)
Depletion and depreciation	-	82,291	-	267,390
Unrealized foreign exchange loss (gain)	-	3,982	-	(22,216)
Impairment loss	-	1,175,063	-	1,175,063
Net finance expense	-	2,614	-	8,949
Change in non-cash working capital	-	36,933	-	168,919
<b>Cash flows for operating activities of discontinued operations</b>	-	<b>68,689</b>	-	<b>(93,258)</b>
Changes in non-cash working capital	-	137,196	-	-
<b>Cash flows for investing activities of discontinued operations</b>	-	<b>137,196</b>	-	-
Net financing expense paid	-	(2,152)	-	(7,575)
<b>Cash flows for financing activities of discontinued operations</b>	-	<b>(2,152)</b>	-	<b>(7,575)</b>

## 11. RELATED PARTIES

During the periods ended September 30, 2021 and 2020, 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 with this firm, NG pays a monthly fee of C\$10,000 (September 30, 2020 – C\$10,000) plus reimbursable expenses. Furthermore, additional fees are to be paid pursuant to

NG ENERGY INTERNATIONAL CORP.  
Notes to the Interim Condensed Consolidated Financial Statements  
For the periods ended September 30, 2021 and 2020 (unaudited)

the closing of successful financing arrangements, divestitures, or acquisitions for which the firm provides advisory services. During the period ended September 30, 2021, administrative success fees were paid upon closing of the private placement through units summarized in Note 8 which resulted in the Company paying C\$102,802 to the firm. During the period ended September 30, 2020, administrative success fees were paid upon closing of the private placement through units which resulted in the Company paying C\$21,000 to the firm. Also during the period ended September 30, 2020, in conjunction with the completion of the Maria Conchita and SN-9 loan summarized in Note 7, the firm was paid \$28,500 as an administrative success fee for their advisory services. As at September 30, 2021, there were no outstanding payables owed to the firm.

- II. For the periods ended September 30, 2021 and 2020, the Company incurred expenditures of \$31,728 and \$42,309 respectively, in office rental costs in Colombia. The related office space was rented from an entity affiliated with a certain director of the Company.
- III. For the periods ended September 30, 2021 and 2020, the Company incurred expenditures of \$269,103 and \$247,668 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 year ended December 31, 2020, the Company issued 320,000 stock option 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 \$104,835. As at September 30, 2021, there were no outstanding payables owed to the firm.
- IV. In July 2021, the Company issued 50,000 and 100,000 stock options to a charitable organization and a consulting firm that have affiliations with certain directors of the Company. The Black-Scholes fair value recognized in the form of expenses associated with the vesting of these options was \$35,440 and \$70,879 respectively.
- V. In February 2021, the Company completed the aforementioned non-brokered private placement offering 429,300, 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.
- VI. For the year ended December 31, 2020, the Company issued 205,000 stock options to charitable organizations that have affiliations with certain directors of the Company. The Black-Scholes fair value recognized in the form of the expense associated with the vesting of these options was \$32,385.
- VII. For the year ended December 31, 2020, the Company recognized expenditures on exploration activities of \$1,099,592 for technical services provided from certain service providers affiliated with certain directors of the Company. Furthermore, for the year ended December 31, 2020, the Company issued 230,000 stock options to members of the service providers. As at September 30, 2021, there were no outstanding payables owed to the service providers.

NG ENERGY INTERNATIONAL CORP.  
Notes to the Interim Condensed Consolidated Financial Statements  
For the periods ended September 30, 2021 and 2020 (unaudited)

- VIII. In August 2020, the Company completed the debt financing arrangement of the SN-9 loan for committed proceeds of \$2,500,000 before transaction costs. Of the total loan proceeds including the drawdown facility, approximately \$1,512,500 were provided by directors of the Company.
- IX. In July 2020, the Company completed the debt financing arrangement of the Maria Conchita loan for proceeds of \$350,000 before transaction costs. Of the total loan proceeds, approximately \$206,250 were provided by directors of the Company. The full balance of the loan and interest were repaid to the lenders in February 2021 through the issuance of units of the Company (see Note 8).
- X. In May 2020, the Company completed the non-brokered private placement through units for proceeds of C\$1,800,000 before issue costs. Of the total proceeds, approximately C\$339,480 were from subscriptions by directors or by investors related to directors of the Company.
- XI. In May 2020, the Company completed the debt financing arrangement of a bridge loan for proceeds of \$100,000. Total loan proceeds were provided by a director of the Company. The full balance of the loan and \$3,000 in interest were repaid to the lender in August 2020.
- XII. In March 2020, the Company completed the non-brokered private placement through units for proceeds of C\$300,000 before issue costs. Of the total proceeds, approximately C\$265,000 were from subscriptions by directors or by investors related to directors of the Company.

## 12. 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 and restricted cash represent the maximum credit exposure. As at September 30, 2021, the Company had \$2,426,520 (December 31, 2020 - \$2,706,991) in restricted cash towards development activity and joint operations in Colombia.

NG ENERGY INTERNATIONAL CORP.  
Notes to the Interim Condensed Consolidated Financial Statements  
For the periods ended September 30, 2021 and 2020 (unaudited)

As at September 30, 2021, the Company had \$1,000,541 (December 31, 2020 - \$491,454) in accounts receivable and prepaids. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with large purchasers. The Company does not consider any of its receivables past due.

The Company maintained a VAT receivable balance of \$2,162,656 as of September 30, 2021 (December 31, 2020 - \$1,651,981), 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.

The Company held cash and cash equivalents of \$1,690,663 (December 31, 2020 - \$1,208,765) as at September 30, 2021. The Company manages the credit exposure related to cash and cash equivalents and short-term investments by selecting counter parties (i.e., 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. The budgets are updated when required as conditions change.

The following table outlines the contractual maturities of the Company's financial liabilities at September 30, 2021:

	Less than 1 year	1-2 years	Thereafter	Total
Trade accounts payable	2,076,467	-	-	2,076,467
Capital payables	962,319	-	-	962,319
Aruchara loan - principal	1,600,000	-	-	1,600,000
SN-9 loan - principal	2,500,000	-	-	2,500,000
Aruchara loan - finance costs	436,666	-	-	436,666
SN-9 loan - finance costs	420,458	-	-	420,458
	<b>7,995,910</b>	<b>-</b>	<b>-</b>	<b>7,995,910</b>

NG ENERGY INTERNATIONAL CORP.  
Notes to the Interim Condensed Consolidated Financial Statements  
For the periods ended September 30, 2021 and 2020 (unaudited)

**Market risk**

Market risk is the risk or uncertainty that changes in price, such as commodity prices, foreign exchange rates, and interest rates will affect the Company's net earnings and the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. From time to time, the Company may utilize financial derivative contracts to manage market risks in accordance with the risk management policy that has been approved by the Board of Directors. There were no financial derivative contracts or embedded derivatives outstanding at September 30, 2021 nor were there any in the previous year ended December 31, 2020.

***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 petroleum and 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 oil revenue was previously derived from oil production on the SRDE Asset in Argentina. With the disposal of Argentina operations in October 2020 (see Note 10), the Company currently has no production revenue.

***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\$), respectively. In addition, the majority of the Company's financing and a portion of the administrative costs will be based and paid in Canadian dollars and COP\$. Therefore, the Company is exposed to the risk of fluctuations in foreign exchange rates between US dollars, COP\$ and Canadian dollars. As at September 30, 2021, 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, 2020.

***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 period ended September 30, 2021 would not have had a significant impact on cash and cash equivalents. 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

NG ENERGY INTERNATIONAL CORP.  
Notes to the Interim Condensed Consolidated Financial Statements  
For the periods ended September 30, 2021 and 2020 (unaudited)

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 long-term obligations 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.

	September 30, 2021	December 31, 2020
Aruchara loan (15%)	2,036,666	1,657,333
Maria Conchita loan (20%)	-	380,528
SN-9 loan (15%)	2,920,458	2,037,500
Total debt	4,957,124	4,075,361
Working capital (deficit) <sup>(1)</sup>	(343,643)	(1,473,715)
<b>Net debt</b>	<b>5,300,767</b>	<b>5,549,076</b>

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.

The Company's objectives when managing capital are: (i) to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and (ii) to maintain investor, creditor, and market confidence to sustain the future development of the business. The Company's share capital is not subject to external restrictions.

#### **Fair value of financial instruments**

The Company's financial instruments as at September 30, 2021, include cash and cash equivalents, accounts receivable, restricted cash, and accounts payable and accrued liabilities. 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. The fair value of the Aruchara loan and the SN-9 loan are \$1.6 million and \$2.5 million, respectively.

NG ENERGY INTERNATIONAL CORP.  
Notes to the Interim Condensed Consolidated Financial Statements  
For the periods ended September 30, 2021 and 2020 (unaudited)

### 13. COMMITMENTS

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

<b>Block</b>	<b>2022</b>	<b>2023</b>	<b>Total</b>
SN-9 Block <sup>(1)</sup>	22.3	-	<b>22.3</b>
Tiburon Block <sup>(2)</sup>	3.0	-	<b>3.0</b>
<b>Total</b>	<b>25.3</b>	-	<b>25.3</b>

- 1) NG's ANH commitment to carry out the minimum requirement to process and interpret 204.4 km of 2D seismic and drill one exploration well (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. On account of the ongoing COVID-19 outbreak during which non-essential oil & gas operations were suspended by the Government of Colombia for several months, program extensions are being provided by the ANH. The Company expects that the extension request to the ANH for an additional 6 months on the current deadline of December 2021 will be granted.
- 2) Relates to NG's share of the ANH commitment to carry out the minimum requirement to acquire, process, and interpret 69.75 km<sup>2</sup> 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 2022.

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 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.

### 14. SEGMENTED INFORMATION

The Company is engaged in the exploration and development of natural gas. Management has defined the operating segments of the Company based on geographical areas, identifying operations held in Colombia as a separate reporting segment. The Corporate segment reflects balances and expenses related to all Company operations outside of Colombia, which collectively represent the corporate operations of the Company. With the sale of Argentina operations in October 2020, Argentina is no longer considered an operating segment of the Company and its net loss for the period ended September 30, 2020 is included in discontinued operations in the interim condensed consolidated statement of loss (see also Note 10). Management finds that each of the defined reporting segments have distinct economic characteristics and regulatory environments.

The following tables show information regarding the Company's segments for periods ended September 30, 2021 and 2020.



NG ENERGY INTERNATIONAL CORP.  
Notes to the Interim Condensed Consolidated Financial Statements  
For the periods ended September 30, 2021 and 2020 (unaudited)

For the nine months ended September 30, 2021	Colombia	Corporate	Total
<b>Expenses:</b>			
General and administrative	491,944	1,676,642	2,168,586
Business development	-	2,005	2,005
Share-based compensation	-	1,298,396	1,298,396
Depletion and depreciation	4,972	-	4,972
Net finance expense	202	492,974	493,176
Foreign exchange loss	600,791	18,041	618,832
<b>Loss from continuing operations</b>	<b>(1,097,909)</b>	<b>(3,488,058)</b>	<b>(4,585,967)</b>
<b>Assets, September 30, 2021</b>	<b>18,695,775</b>	<b>1,997,764</b>	<b>20,693,539</b>
<b>Liabilities, September 30, 2021</b>	<b>1,454,888</b>	<b>7,227,414</b>	<b>8,682,302</b>

For the nine months ended September 30, 2020	Colombia	Corporate	Total
<b>Expenses:</b>			
General and administrative	465,357	869,594	1,334,951
Business development	-	48,300	48,300
Share-based compensation	-	270,078	270,078
Depletion and depreciation	11,283	-	11,283
Net finance expense (income)	(48,645)	428,806	380,161
Loss on fair value of derivative liability	-	14,711,456	14,711,456
Foreign exchange loss	708,124	35,345	743,469
<b>Loss from continuing operations</b>	<b>(1,136,119)</b>	<b>(16,363,579)</b>	<b>(17,499,698)</b>
<b>Assets, September 30, 2020</b>	<b>9,153,512</b>	<b>2,939,642</b>	<b>12,093,154</b>
<b>Liabilities, September 30, 2020</b>	<b>1,576,873</b>	<b>5,601,782</b>	<b>7,178,655</b>

For the three months ended September 30, 2021	Colombia	Corporate	Total
<b>Expenses:</b>			
General and administrative	187,182	433,814	620,996
Share based compensation	-	1,298,396	1,298,396
Depletion and depreciation	1,727	-	1,727
Net finance expense (income)	(3,094)	167,362	164,268
Foreign exchange loss	109,310	156,106	265,416
<b>Loss from continuing operations</b>	<b>(295,125)</b>	<b>(2,055,678)</b>	<b>(2,350,803)</b>

For the three months ended September 30, 2020	Colombia	Corporate	Total
<b>Expenses:</b>			
General and administrative	142,429	505,190	647,619
Share-based compensation	-	9,026	9,026
Depletion and depreciation	4,477	-	4,477
Net finance expense (income)	(18,567)	177,036	158,469
Loss on fair value of derivative liability	-	14,302,667	14,302,667
Foreign exchange loss (gain)	131,768	(43,573)	88,195
<b>Loss from continuing operations</b>	<b>(260,107)</b>	<b>(14,950,346)</b>	<b>(15,210,453)</b>

NG ENERGY INTERNATIONAL CORP.  
Notes to the Interim Condensed Consolidated Financial Statements  
For the periods ended September 30, 2021 and 2020 (unaudited)

Assets and liabilities of the Argentina segment of \$690,369 and \$790,369, respectively, are included in the consolidated statement of financial position as of September 30, 2020 but excluded from segmented information.

## 15. SUPPLEMENTAL CASH FLOW INFORMATION

Information regarding changes in non-cash working capital for the periods ended September 30, 2021 and 2020 is as follows:

	Three months ended		Nine months ended	
	2021	2020	2021	2020
<b>Continuing Operations</b>				
Accounts receivable and prepaids	(443,295)	(225,866)	(509,087)	(656,159)
Inventory	-	(94,102)	-	(94,102)
VAT receivable	(39,147)	(27,388)	(510,675)	(19,392)
Accounts payable and accrued liabilities	(578,162)	32,218	(135,201)	526,381
<b>Change in non-cash working capital</b>	<b>(1,060,604)</b>	<b>(315,138)</b>	<b>(1,154,963)</b>	<b>(243,272)</b>
Relating to:				
Operating activities	(781,629)	(136,741)	(997,744)	(11,458)
Investing activities	(278,975)	(178,397)	(157,219)	(231,814)
<b>Change in non-cash working capital</b>	<b>(1,060,604)</b>	<b>(315,138)</b>	<b>(1,154,963)</b>	<b>(243,272)</b>
<b>Discontinued Operations</b>				
Accounts receivable	-	239,389	-	199,932
Inventory	-	(6,192)	-	(6,192)
Accounts payable and accrued liabilities	-	(59,068)	-	(24,821)
<b>Change in non-cash working capital</b>	<b>-</b>	<b>174,129</b>	<b>-</b>	<b>168,919</b>
Relating to:				
Operating activities	-	36,933	-	168,919
Investing activities	-	137,196	-	-
<b>Change in non-cash working capital</b>	<b>-</b>	<b>174,129</b>	<b>-</b>	<b>168,919</b>

## 16. SUBSEQUENT EVENTS

### Warrant Exercises

Subsequent to September 30, 2021, warrant holders have exercised 2,564,990 warrants resulting in the issuance of 2,564,990 common shares. Based on the exercise price of warrants exercised, approximately C\$721,214 in gross proceeds was received by the Company.

### 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 \$6,474,400 (C\$8,000,000). Each unit consists of one common share

NG ENERGY INTERNATIONAL CORP.  
Notes to the Interim Condensed Consolidated Financial Statements  
For the periods ended September 30, 2021 and 2020 (unaudited)

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 share of the Company on the TSX-V is equal to or exceeds C\$2.00 for twenty consecutive trading days.

In connection with completion of the placement, the Company has 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.