NG ENERGY INTERNATIONAL CORP

ANNUAL AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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 2021 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)

Marianella Bernal
Chief Financial Officer

April 13, 2022
Calgary, Canada

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of NG Energy International Corp.

Opinion

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

- the consolidated statement of financial position as at December 31, 2021
- the consolidated statement of loss and comprehensive loss for the year then ended
- the consolidated statement of changes in shareholders' equity for the year then ended
- the consolidated statement of cash flows for the year 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 Entity as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year 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 "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Entity 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.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Entity will require additional sources of capital to fund ongoing operational requirements and capital commitments which may not be available when needed.

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 Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Matter – Comparative Information

The financial statements for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 30, 2021.

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 auditors' 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 auditors' 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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 Entity 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.

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

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
April 13, 2022

NG ENERGY INTERNATIONAL CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in U.S. Dollars)	**December 31, 2021**	December 31, 2020
Assets		
Current Assets		
Cash and cash equivalents	**5,848,957**	1,208,765
Accounts receivable and prepaids (Note 6)	**682,799**	491,454
Inventory	**-**	3,939
	6,531,756	1,704,158
Non-current Assets		
Restricted cash (Note 7)	**2,340,244**	2,706,991
VAT receivable	**2,284,965**	1,651,981
Exploration and evaluation assets (Note 8)	**11,980,739**	8,398,358
Property, plant and equipment (Note 9)	**8,129**	11,801
Total Assets	**23,145,833**	14,473,289
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	**2,615,205**	3,177,873
Current portion of debt (Note 10)	**2,990,801**	2,021,823
	5,606,006	5,199,696
Non-current Liabilities		
Non-current portion of debt (Note 10)	**-**	1,985,941
Decommissioning obligation (Note 11)	**806,830**	626,561
Total Liabilities	**6,412,836**	7,812,198
Shareholders' Equity		
Share capital (Note 12a)	**103,572,805**	89,676,395
Contributed surplus	**10,349,516**	10,179,700
Warrants (Note 12c)	**14,669,362**	11,954,739
Deficit	**(111,018,304)**	(104,303,857)
Accumulated other comprehensive loss	**(840,382)**	(845,886)
Total Shareholders' Equity	**16,732,997**	6,661,091
Total Liabilities and Shareholders' Equity	**23,145,833**	14,473,289

Going concern (Note 2)
Related parties (Note 17)
Commitments (Note 19)
Subsequent events (Note 21)

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)	**2021**	2020
Expenses:		
General and administrative (Note 13)	**3,784,265**	1,546,983
Business development	**-**	59,616
Share-based compensation (Note 12b)	**1,298,396**	2,190,475
Transaction cost on private placement	**-**	2,663,000
Depletion and depreciation (Note 9)	**6,768**	17,248
Impairment loss (Note 8)	**-**	179,710
Exploration and evaluation expense (Note 8)	**195,846**	-
Net finance expense (Note 14)	**627,396**	577,111
Fair value loss on derivative liability	**-**	14,711,456
Foreign exchange loss	**801,776**	63,443
	6,714,447	22,009,042
Loss from continuing operations	**(6,714,447)**	(22,009,042)
Loss from discontinued operations (Note 16)	**-**	(1,691,363)
Net loss	**(6,714,447)**	(23,700,405)
Other comprehensive income (loss)		
Foreign currency translation adjustment	**5,504**	(430,124)
Comprehensive Loss	**(6,708,943)**	(24,130,529)
Loss per share - basic and diluted		
Loss per share from continuing operations (Note 12d)	(0.06)	(0.44)
Loss per share from discontinued operations (Note 16)	-	(0.03)
	(0.06)	**(0.47)**
Weighted average number of common shares outstanding	**106,908,823**	49,923,440

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)	**2021**	2020
Operating Activities		
Net loss	**(6,714,447)**	(22,009,042)
Items not affecting cash:		
Impairment loss (Note 8)	**-**	179,710
Depletion and depreciation (Note 9)	**6,768**	17,248
Share-based compensation (Note 12b)	**1,298,396**	2,190,475
Transaction cost on private placement	**-**	2,663,000
Unrealized foreign exchange loss	**491,821**	140,872
Net finance expense (Note 14)	**627,396**	577,111
Fair value loss on derivative liability	**-**	14,711,456
Change in non-cash working capital (Note 20)	**(947,032)**	(552,304)
Continuing operations	**(5,237,098)**	(2,081,474)
Discontinued operations	**-**	(485,638)
Cash used in operating activities	**(5,237,098)**	(2,567,112)
Investing Activities		
Exploration and evaluation asset additions (Note 8)	**(5,488,568)**	(4,507,032)
Property, plant and equipment additions (Note 9)	**(3,096)**	(8,209)
Change in restricted cash	**(6,715)**	(4,936)
Change in non-cash working capital (Note 20)	**(432,140)**	494,538
Continuing operations	**(5,930,519)**	(4,025,639)
Discontinued operations	**-**	(10,065)
Cash used in investing activities	**(5,930,519)**	(4,035,704)
Financing Activities		
Proceeds on debt issuance, net of transaction costs (Note 10)	**800,000**	2,485,133
Proceeds on private placement, net of costs (Note 12a)	**13,361,392**	1,465,011
Proceeds on warrant exercises	**1,688,800**	2,347,035
Proceeds on option exercises	**43,809**	107,178
Net finance received (paid)	**30,549**	(38,057)
Continuing operations	**15,924,550**	6,366,300
Discontinued operations	**-**	(7,575)
Cash provided by financing activities	**15,924,550**	6,358,725
Net increase (decrease) in cash	**4,756,933**	(244,091)
Foreign exchange gains (loss) on cash	**(116,741)**	29,672
Increase (decrease) in cash	**4,640,192**	(214,419)
Cash, beginning of year	**1,208,765**	1,423,184
Cash, end of year	**5,848,957**	1,208,765

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	Deficit	AOCL[1]	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	-	-	-	-	(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**
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	-	-	-	-	(22,009,042)	-	(22,009,042)
Net loss from discontinued operations	-	-	-	-	(1,691,363)	-	(1,691,363)
Shares issued through private placement	16,072,823	3,287,545	-	-	-	-	3,287,545
Warrants issued through private placement	-	-	-	840,466	-	-	840,466
Conversion of debentures	21,666,659	10,657,548	-	8,914,439	-	-	19,571,987
Shares issued through warrant exercise	20,544,992	10,444,789	-	(8,097,754)	-	-	2,347,035
Shares issued through option exercise	330,000	173,763	(66,585)	-	-	-	107,178
Shares issued for interest payment	806,719	115,122	-	-	-	-	115,122
Reserve for future share-based payment	-	-	1,099,592	-	-	-	1,099,592
Foreign currency translation adjustment	-	-	-	-	-	(430,124)	(430,124)
Share-based compensation (Note 12b)	-	-	2,190,475	-	-	-	2,190,475
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**

(1) 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.

The Company currently has no production and had no source of revenue. Further, during the year ended December 31, 2021, the Company recognized a net loss of $6.7 million and cash used in operating activities of $5.2 million. Although, the Company had a working capital surplus of $0.9 million as of December 31, 2021, this only provides the Company with limited ability to fund its operational requirements and capital commitment amounts that exist for the upcoming year and beyond and repay existing debt obligations. For 2022, the Company has contractually committed exploration and development amounts of $25.3 million as outlined in Note 19. The need to obtain capital to fund the Company’s ongoing operations, and capital commitments, and the ultimate development of the Company’s exploration and evaluation assets give rise to a material uncertainty that creates significant doubt on the Company’s ability to continue as a going concern.

The Company, in February 2021 and October 2021, closed separate private placements for aggregate gross proceeds of $7.7 million and $6.5 million (see Note 12a), respectively. For the year ended December 31, 2021, the Company received proceeds of $1.7 million on the exercise of purchase warrants. The Company also received proceeds of C$0.7 million on the exercise of purchase warrants subsequent to December 31, 2021 (see Note 21). 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 are not sufficient to fund the Company’s ongoing operational and capital commitments. While the Company is also currently undertaking a best-efforts financing arrangement (see Note 21), there can be no certainty as to the amount, if any, of proceeds that will be raised. The Company will require additional sources of capital to fund ongoing operational requirements and capital commitments which may not be available when needed.

Due to the conditions noted above, there remains a material uncertainty surrounding the Company’s ability to obtain sufficient financing to meet its operational requirements and capital 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 capital commitments as well its other potential 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 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.

These consolidated financial statements have been approved and authorized for issuance by the Company's Board of Directors on April 13, 2022.

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.

The ongoing impact of COVID-19 on the Company's operations and future financial performance is uncertain. The continued impact of COVID-19 will depend on future developments that are uncertain and unpredictable, its continued impact on capital and financial markets on a macro-scale and any new information that may emerge COVID-19 continues to present uncertainty and risk with respect to the Company, its performance, and estimates and assumptions used by management in the preparation of its financial results.

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

Unless otherwise stated, these consolidated financial statements are presented in United States (US) dollars, apart from 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.

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**	
		2021	**2020**
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, 2021, there were no outstanding trade receivables.

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 and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The amortization is included in finance expense in the consolidated statement of loss. The losses arising from impairment are recognized in the consolidated statement of loss as a finance cost. Loans and receivables are comprised of cash and cash equivalents and accounts receivable in the consolidated statement of financial position.

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.

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.

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 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 petroleum and natural gas assets and corporate assets.

Petroleum and natural gas assets are measured at cost less accumulated depletion and depreciation and accumulated impairment losses, if any. Petroleum and 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. Petroleum and natural gas assets include developing and producing 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 as developing and producing petroleum and natural gas interests when they increase the future economic benefits embodied in the specific asset to which they relate. Such capitalized petroleum and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and are accumulated on a field or geotechnical area basis. The cost of day-to-day servicing of an item of petroleum and natural gas assets is expensed in income or loss as incurred. Petroleum and 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 costs for petroleum and natural gas properties, including related pipelines and facilities, are depleted using a unit-of-production method based on the commercial proved and probable reserves.

Petroleum and natural gas assets are not depleted until production commences. This depletion calculation includes actual production in the period and total estimated proved and probable 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 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 and probable reserves are estimated using independent reservoir engineering reports and represent the estimated quantities of crude oil, 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 reservoir engineers.

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 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) 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.

h) 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 petroleum and 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 petroleum and 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 petroleum and 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.

i) Leases

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 lease obligation is recognized at the commencement of the lease term measured as the present value of the lease payments not already paid at that date. Interest expense is recognized on the lease obligations using the effective interest rate method and net payments are applied against the lease obligation. At the commencement date, a corresponding right-of-use asset is recognized at the amount of the lease obligation, adjusted for lease incentives received and initial direct costs. Depreciation is recognized on the right-of-use asset over the lease term.

j) Revenue recognition

Revenue from the sale of commodities, which include oil and 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) Discontinued operations

A discontinued operation is a component of an entity that has been disposed of or classified as held for sale and represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

o) 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 and crude oil assets and processing facilities are grouped into cash generating units ("CGUs") identified as having largely independent cash flows and are geographically integrated. The determination of the CGUs was based on management's interpretation and judgment. The

recoverability of development and production 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*
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 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 and probable reserves and prospective resource estimates include estimates regarding production profile, commodity prices, exchange rates, remediation costs, timing and amount of future development costs, and production, transportation, and marketing costs for future cash flows. It also requires interpretation of geological and geophysical models in anticipated recoveries. The economical, geological, and technical factors used to estimate reserves and prospective resources may change from period to period. Changes in reported reserves and prospective resources can affect the carrying values of the Company's petroleum and 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 petroleum and natural gas reserves, if any, represent the estimated quantities of petroleum, 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 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 petroleum and natural gas production; and (iii) evidence that the necessary production, transmission and transportation facilities are available or can be made available. 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 petroleum and gas reserves and prospective resources are determined pursuant to National Instrument 51-101, Standard of Disclosures for Oil and Gas Activities.

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 profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse.

p) 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, 2021 or later periods.

New standards adopted on January 1, 2021

On January 1, 2021, the Company adopted Interest Rate Benchmark Reform - Phase 2 issued by the IASB which required amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, and IFRS 16 Leases. The amendments provide temporary reliefs that address the financial reporting effects when an interbank offered rate ("IBOR") is replaced with an alternative nearly risk-free interest rate ("RFR"). There was not a material impact to the Company's financial statements.

Standards issued but not yet effective

Amendments to standards that have been issued but are not yet effective up to the date of issuance of these consolidated financial statements, which are likely to have an impact on the Company, are listed

below. The Company intends to adopt these amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 16 Property, Plant and Equipment
In May 2020, the IASB issued Property, Plant and Equipment - Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment. Effective January 1, 2022, the amendments prohibit a company from deducting from the cost of PP&E amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

Amendments to IAS 37 Provisions Contingent Liabilities and Contingent Assets
In May 2020, the IASB issued Onerous Contracts - Cost of Fulfilling a Contract, which made amendments to IAS37 Provisions Contingent Liabilities and Contingent Assets. Effective January 1, 2022, the amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

Amendments to IAS 1 Presentation of Financial Statements
In January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify its requirements for the presentation of liabilities as current or non-current in the statements of financial position. This will be effective on January 1, 2023.

6. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

The table below represents the composition of the accounts receivable and accounts payable balances as at December 31, 2021 and 2020. See Note 17 for accounts receivables and accounts payable relating to related parties.

	2021	2020
Prepaid expenses	643,477	456,020
Other receivables	39,322	35,434
Accounts receivable and prepaid expenses	**682,799**	**491,454**

Trade accounts payable and accruals	2,058,363	2,191,122
Capital accruals	556,842	982,865
Interest payable on convertible debentures	-	3,886
Accounts payable and accrued liabilities	**2,615,205**	**3,177,873**

7. RESTRICTED CASH

	2021	2020
SN-9 ANH Guarantee Deposit	2,039,321	2,362,822
Tiburon ANH Guarantee Deposit	300,923	344,169
Restricted cash	**2,340,244**	**2,706,991**

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, 2021, the balances of the SN-9 term deposit and Tiburon term deposit were $2,039,321 and $300,923, respectively.

8. EXPLORATION AND EVALUATION ASSETS

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

Balance as at December 31, 2019	**2,659,153**
Additions	5,606,624
Asset retirement cost addition	291,191
Revision of asset retirement estimate	21,100
Impairment loss	(179,710)
Balance as at December 31, 2020	**8,398,358**
Additions	5,488,568
MC reduction from Aruchara loan conversion to royalty (Note 10)	(2,080,000)
Revision of asset retirement estimate	173,813
Balance as at December 31, 2021	**11,980,739**

Impairment Test of Exploration and Evaluation Assets

As at December 31, 2020, it was determined that potential impairment indicators exist for the Tiburon CGU. The Company incurs ongoing maintenance costs for the Tiburon CGU from the third-party operator, which were subsequently impaired given the property's estimated recoverable value at this time was $nil. An impairment loss of $0.2 million was recognized on the Tiburon CGU. No indicators of impairment were identified on the Maria Conchita and SN-9 CGUs.

As at December 31, 2021, 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.

See Note 17 for exploration and evaluation additions associated with related party transactions.

9. PROPERTY, PLANT, AND EQUIPMENT

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 interests in any developed natural gas properties. The components of the Company's PP&E assets are as follows:

Cost	D&P	Corporate	Total
As at 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)
As at December 31, 2020	-	232,101	232,101
Capital additions	-	3,096	3,096
As at December 31, 2021	**-**	**235,197**	**235,197**
Accumulated depletion, depreciation and impairment			
As at December 31, 2019	2,806,626	203,052	3,009,678
Depletion and depreciation	-	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)
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**
Net book value			
As at December 31, 2020	-	11,801	11,801
As at December 31, 2021	**-**	**8,129**	**8,129**

Impairment Test of Property, Plant and Equipment

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

As at September 30, 2020, the Company completed an impairment review of its PP&E assets. It was determined that impairment indicators existed prior to the sale of the Company's subsidiary in Argentina (see Note 16) due to the carrying amount of the PP&E assets unlikely to be recovered in full based on the terms of the aforementioned sale. As a result, an impairment calculation was performed by comparing the PP&E assets carrying amount for each CGU to the recoverable amount. The recoverable amount was estimated using fair value less costs of disposal based on market transactions which includes the purchase of the PP&E assets. As a result, an impairment loss was recorded relating to PP&E assets for carrying values greater than the recoverable value. The recognized impairments of $1.2 million on the Mariposa Asset and associated corporate assets in Argentina is included in the operating results reported for discontinued operations (see Note 16).

10. DEBT AND DEBT ISSUANCE COSTS

The Company's debt at December 31, 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	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 (Note 12)	-	(388,452)	-	(388,452)
Conversion to Royalty Interest	(2,080,000)	-	-	(2,080,000)
Balance, December 31, 2021	**-**	**-**	**2,990,801**	**2,990,801**
Current portion of debt	-	-	2,990,801	2,990,801
Non-current portion of debt	-	-	-	-
Balance, December 31, 2021	**-**	**-**	**2,990,801**	**2,990,801**

a) Aruchara Loan

In December 2019, the Company entered a loan in the amount of $1.6 million, secured by the assets of the Company. The loan was denominated in US dollars, matured on December 5, 2021, and bore 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 were granted a 2.5% overriding royalty derived from the production of the Maria Conchita 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 2.5% overriding royalty from the Maria Conchita block at the lenders' discretion at any point prior to the maturity date. See Note 17 for details regarding portion of loan from related parties.

Of the principal amount of the Aruchara loan, $0.5 million was accounted for as a "drawdown" facility given this funding was 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 were classified as a commitment fee.

In December 2021, debt holders exercised the conversion option to convert the loan principal and interest to the 2.5% overriding royalty. Due to the conversion, the Company no longer has an outstanding balance owed to the debt holders.

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 totaled or exceeded 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 12a). See Note 17 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. See Note 17 for details regarding portion of loan from related parties.

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.

11. 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, 2021 to be $0.6 million (December 31, 2020 - $0.6 million) with the cost projected to be incurred between 2024 and 2029. 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, 2022. 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, 2021 a US inflation rate of 4.8% (December 31, 2020 – 1.3%) was used. The US risk-free rate used to discount the liability at December 31, 2021 was 1.42% (December 31, 2020 – 1.0%).

Settlement of the obligations is anticipated to be invoiced in US dollars and settled in Colombian pesos. As at December 31, 2021, no funds had been set aside to settle these obligations. Changes to decommissioning obligations for the year ended December 31, 2021 were as follows:

Balance, December 31, 2019	390,778
Additions	291,191
Accretion expense	9,329
Accretion expense - discontinued operations	1,374
Change in estimate	21,100
Disposals	(87,211)
Balance, December 31, 2020	626,561
Accretion expense	6,456
Change in estimate	173,813
Balance, December 31, 2021	**806,830**

12. SHARE CAPITAL

a) Common Shares

As at December 31, 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 at December 31, 2021 are as follows:

	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)	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**

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 12c). 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 12c). 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 12c).

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 12c).

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. 2,800,000 common shares are to be issued to Panacol in satisfaction of project management services provided and 1,200,000 common shares are to be issued to Landsons for services provided towards obtaining the environmental and social licenses for the SN-9 project. Balances related to this transaction were accrued and included as an increase to contributed surplus within the consolidated statement of financial position as at December 31, 2020, with shares issued later in February 2021. See Note 17 for details regarding common shares granted to related parties.

March 2020 private placement

In March 2020, the Company completed a non-brokered private placement of 2,000,000 units at a price of C$0.15 per unit, for gross proceeds of $213,432 (C$300,000) before transaction costs. Each unit consisted 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$0.18 until March 27, 2022.

The Company has allocated $148,395 (C$208,584) of total proceeds from the private placement to share capital and $65,037 (C$91,416) to warrants. The warrant fair value was determined based on a Black-Scholes option pricing model (see note 11c). The issuance costs on the private placement totaling $9,456 (C$13,291) were also allocated to share capital of $6,575 (C$9,241) and warrants of $2,881 (C$4,050). See Note 18 for details regarding portion of the private placement associated with related parties.

May 2020 private placement

In May 2020, the Company completed a non-brokered private placement of 10,000,000 units at a price of C$0.18 per unit, for gross proceeds of $1,306,240 (C$1,800,000) before transaction costs. Each unit consisted 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$0.23 until May 27, 2022.

The Company has allocated $942,540 (C$1,298,820) of total proceeds from the private placement to share capital and $363,700 (C$501,180) to warrants. The warrant fair value was determined based on a Black-Scholes option pricing model (see Note 11c). The issuance costs on the private placement totaling $22,733 (C$31,326) were also allocated to share capital of $16,403 (C$22,604) and warrants of $6,330 (C$8,722). See Note 18 for details regarding portion of the private placement associated with related parties.

December 2020 private placement

In December 2020, the Company completed a non-brokered private placement of 4,072,823 units at a price of C$0.85 per unit. Each unit consisted of one common share and one-half of a share purchase warrant, with each full warrant entitling the holder to purchase one additional share at a price of C$1.50 until December 29, 2023. The attributed value of $2,663,000 (C$3,461,900) relates to the $2.5 million deposit previously received in October 2017 by the subscriber group, plus interest. Said deposit was received under a farmout agreement and utilized as the requisite guarantee for the exploration license on the SN-9 Block. Under the original terms of the farmout agreement, the deposit was to be returned to

the subscribers upon release of the guarantee by the Colombian government. At the time of the termination of the farmout agreement in 2018, the elimination of the Company's obligation to return the deposit was treated as a gain, with the deposit to be retained by the Company upon release. Subsequently, with the new agreement between the Company and the subscriber group in 2020 for compensation to the subscriber group for the original deposit, plus interest, the issuance of these units by way of private placement has been recognized as a transaction expense to offset the previously recognized gain. See Note 17 for details regarding portions of the private placement associated with related parties.

The Company has allocated $2,237,631 (C$2,908,921) of the private placement to share capital and $425,369 (C$552,979) to warrants. The warrant fair value was determined based on a Black-Scholes option pricing model (see Note 11c). The issuance costs on the private placement totaling $15,398 (C$20,015) were also allocated to share capital of $12,938 (C$16,818) and warrants of $2,460 (C$3,197).

Transactions on Convertible Debentures

During the year ended December 31, 2020, debenture holders elected to convert the remaining C$3,250,000 face value of their debentures to units of the Company at the conversion price of C$0.15 per unit, resulting in the issuance of 21,666,659 common shares and 21,666,659 share purchase warrants. As at December 31, 2020, all debentures had been converted to units.

In May 2020, the Company made the second instalment payment on accrued interest of $115,122 (C$161,344) corresponding to the convertible debentures issued in May 2019 (see Note 12a). In accordance with the terms of the convertible debentures, the Company elected to issue 806,719 common shares having a deemed price of C$0.20 per share in satisfaction of the aggregate accrued interest. The price per share was determined using the 30-day volume weighted average price of the common shares on the TSX-V ending on May 6, 2020.

In October 2020, the Company made cash interest payments totaling $83,761 (C$106,645), which represents the majority of the final accrued interest. Interest payable of $3,888 (C$4,950) remains outstanding pending final payment arrangements with one debenture holder.

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, 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.

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

	Stock options	Weighted average exercise price (C$)
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
Balance, December 31, 2021	**9,915,400**	**0.85**

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.

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.

In June 2020, the Company granted 1,556,000 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$0.275 per common share. The options are for a ten-year term, expiring on June 24, 2030. All options granted vested immediately on the date of grant.

In November 2020, the Company granted 3,900,000 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$1.00 per common share. The options are for a ten-year term, expiring November 25, 2030. All options granted vested immediately on the date of grant.

The following summarizes information about stock options outstanding as at December 31, 2021:

Exercise prices (C$)	Number of options outstanding	Weighted average term to expiry (years)	Number of options exercisable
0.275	1,376,000	8.48	1,376,000
0.45	2,125,000	7.51	2,125,000
0.91	2,375,000	9.33	2,375,000
1.00	3,900,000	8.90	3,900,000
6.10	29,400	4.64	29,400
8.00	110,000	5.61	110,000
	9,915,400	**8.60**	**9,915,400**

The value of the stock options vesting in the year ended December 31, 2021, equaled $1,298,396 (December 31, 2020 - $2,190,475), which was expensed as share-based payments.
See Note 17 for details regarding options granted to related parties.

c) Warrants

As at December 31, 2021, a total of 25,489,373 (December 31, 2020 – 21,449,745) warrants were issued and outstanding. A summary of the change in total warrants is presented below:

	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	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**

Purchase warrants on bought deal and non-brokered private placements

Pursuant to the bought deal and non-brokered private placement of units in February 2021 (see Note 12a), 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 17 for details of warrants issued to related parties.

Pursuant to the non-brokered private placement of units in October 2021 (see Note 12a), 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. See Note 17 for details of warrants issued to related parties.

Purchase warrants on 2020 private placements

Pursuant to the non-brokered private placement of units in March 2020 (see Note 12a), the Company issued 2,000,000 units, each consisting 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$0.18 until March 27, 2022. A fair value of $62,156 (C$87,366), net of issue costs, was recognized at the time of the issuance of these purchase warrants.

Pursuant to the non-brokered private placement of units in May 2020 (see Note 12a), the Company issued 10,000,000 units, each consisting 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$0.23 until May 27, 2022. A fair value of $358,943 (C$494,624), net of issue costs, was recognized at the time of the issuance of these purchase warrants. During the year ended December 31, 2020, 125,000 of these share purchase warrants were exercised, resulting in the issuance of 125,000 common shares of the Company.

Pursuant to the non-brokered private placement of units in December 2020 (see Note 12a), the Company issued 4,072,823 units, each consisting of one common share and one half of a share purchase warrant, with each full warrant entitling the holder to purchase one additional share at a price of C$1.50 until December 29, 2023. A fair value of $425,369 (C$552,979) was recognized at the time of the issuance of these purchase warrants.

Purchase warrants on conversion of debentures

Pursuant to the convertible debentures issued in May 2019 (see Note 12a), during the year ended December 31, 2020, debenture holders elected to convert all remaining debentures, having a C$3,250,000 face value, to units of the Company at the conversion price of C$0.15 per unit, resulting in the issuance of 21,666,659 purchase warrants. Of the overall value assigned to these debentures, $1,128,019 was reclassed to warrants as the attributable value of the issued purchase warrants.

Of the total issued warrants from the conversion of debentures, 20,119,992 warrants were exercised during the year ended December 31, 2020, by warrant holders at an exercise price of C$0.15, resulting in the issuance of 20,119,992 common shares of the Company.

The following summarizes information about total purchase warrants outstanding as at December 31, 2021:

Exercise prices (C$)	Number of warrants outstanding	Weighted average term to expiry (years)	Number of warrants exercisable
0.18	333,333	0.24	333,333
0.23	4,577,778	0.41	4,577,778
1.15	475,600	2.11	475,600
1.20	8,141,600	1.81	8,141,600
1.50	2,036,412	2.00	2,036,412
1.75	4,299,650	2.11	4,299,650
10.50	5,625,000	0.58	5,625,000
	25,489,373	**1.34**	**25,489,373**

For the warrants issued during the year ended December 31, 2021, the Black-Scholes option pricing model was used to estimate their fair value with the following assumptions:

	February 2021 Issuance		October 2021 Issuance	
	Broker Warrants	Warrants	Broker Warrants	Warrants
Share price	C$1.70	C$1.70	C$1.79	C$1.79
Exercise price	C$1.15	C$1.75	C$1.20	C$1.20
Expected stock price volatility	75%	75%	75%	75%
Term	3 years	3 years	2 years	2 years
Expected dividend yield	0%	0%	0%	0%
Risk-free interest rate	0.23%	0.23%	0.87%	0.87%
Fair value warrant price	C$0.99	C$0.81	C$0.95	C$0.95

See Note 17 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, 2021 and 2020, there is no difference between the basic loss per share and the diluted loss per share amounts. For the year ended December 31, 2021, 9,915,400 stock options and 25,489,373 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.

13. 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 17 for details of general and administrative expenses to related parties. The components of G&A expense for the years ended December 31, 2021 and 2020 from continuing operations, are as follows:

	2021	2020
Professional Fees	1,595,073	948,127
Wages & Salaries	467,690	150,997
Fees, Rent, Investor Relations and Other	1,721,502	447,859
Total general and administrative expense	3,784,265	1,546,983

14. FINANCE INCOME AND EXPENSE

The components of net finance expense/income for the years ended December 31, 2021 and 2020, from continuing operations, are as follows:

	2021	2020
Interest income	(82,377)	(100,775)
Interest expenses and bank charges	609,836	521,223
Commitment fees	47,583	108,000
Accretion on decommissioning obligations	6,456	9,329
Accretion on liability component of convertible debentures	-	12,178
Amortization of transaction costs on loans	45,898	27,156
Total net finance expense	**627,396**	**577,111**

See Note 17 for details regarding finance income and expense relating to related parties.

15. INCOME TAXES

Reconciliation of effective tax rate

Income tax expense varies from the amount that would be computed by applying the expected basic federal and provincial income tax rates for Canada for the years ended December 31, 2021 and 2020, of 27% to income before income taxes. A reconciliation of this difference is presented below.

	2021	2020
Loss before income taxes from continuing operations	(6,714,447)	(22,009,042)
Loss before income taxes from discontinued operations	-	(1,691,363)
Loss before income taxes	(6,714,447)	(23,700,405)
Tax Rate	27.00%	27.00%
Computed income taxes	(1,812,901)	(6,399,109)
Increase (decrease) in taxes:		
Effect of tax rates in foreign jurisdictions	(153,267)	(81,071)
Change in enacted tax rates	(1,172,375)	-
Non-deductible foreign exchange	1,747,499	-
Debt conversion	561,600	-
Stock-based compensation	350,567	591,428
Other permanent differences	(37,290)	4,155,883
Change in unrecognized tax assets and other	516,167	1,732,869
Total income tax expense (recovery)	**-**	**-**

In 2021 the Colombia government enacted a new tax reform to replace the 2019 tax reform. The new tax reform increases the corporate tax rate to 35% as from January 1, 2022 onwards. The tax rates applied to the calculation of deferred income taxes have been adjusted to reflect this change.

Unrecognized deferred tax assets

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

	2021	2020
Non-capital loss carryforwards	58,690,337	50,090,006
Capital loss carryforwards	25,802,643	20,265,978
Other deductible temporary differences net of taxable temporary differences	11,716,907	18,476,003
	96,209,887	**88,831,987**

As at December 31, 2021, $10.0 million of the non-capital losses carryforwards are from Colombia ($10.5 million from 2020). As a result of the 2016 Colombian Tax Reform, Colombian losses can be carryforward 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 $5.1 million can be carried forward indefinitely and $4.8 million are entitled to a carryforward period of 12 years. $48.5 million of the non-capital loss carry forwards as at December 31, 2021 are from Canada ($39.6 million from 2020). These losses expire between 2026 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.

16. 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.

Under the terms of the purchase agreement, the purchaser acquired Alianza and assumed all rights and responsibilities relating to the oil and gas assets and general operations of Alianza. As consideration, the purchaser granted a royalty of 7% to the Company calculated on the net profit of oil production from the SRDE Asset, after applicable royalties and operating costs, up to total royalty payments of $100,000. However, there was no value ascribed to the royalty. The transaction also included the assumption by the purchaser of all responsibilities for any existing and future liabilities as well as a guarantee of indemnity for potential claims against NG, its related companies, former directors, executives, employees, representatives and advisers.

The Company ceased operations in Argentina and, as such, reclassified its entire Argentine segment to discontinued operations. Income and expenses allocated to net (loss) income from discontinued operations are as follows:

For the years ended December 31	2021	2020
Revenue		
Oil and natural gas revenue	-	171,636
Net revenue on carried working interest	-	312,009
Royalty expense	-	(26,423)
	-	457,222
Expenses		
Operating expenses	-	145,213
Inventory revaluation	-	266,085
General and administrative	-	302,472
Depletion and depreciation	-	267,390
Impairment loss	-	1,175,063
Net finance expense	-	8,949
Foreign exchange gain	-	(16,587)
	-	2,148,585
Net loss from discontinued operations	-	**(1,691,363)**

Operating cash flows related to discontinued operations are as follows:

For the years ended December 31	2021	2020
Loss from discontinued operations	-	(1,691,363)
Depletion and depreciation	-	267,390
Unrealized foreign exchange gain	-	(122,414)
Loss on Alianza, net of cash	-	(302,247)
Impairment loss	-	1,175,063
Net finance expense	-	8,949
Change in non-cash working capital	-	178,984
Cash flows used in operating activities of discontinued operations	-	**(485,638)**
Changes in non-cash working capital	-	(10,065)
Cash flows from investing activities of discontinued operations	-	**(10,065)**
Net financing expense paid	-	(7,575)
Cash flows from financing activities of discontinued operations	-	**(7,575)**

17. RELATED PARTIES

During the years ended December 31, 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, NG paid the firm $105,336 (C$132,000) and $98,485 (C$132,000) for the years ended December 31, 2021 and 2020 respectively. Furthermore, additional fees are 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 2021 private placements through units summarized in Note 12 which resulted in the Company paying $145,757 (C$182,801) to the firm for the year ended December 31, 2021, and $15,536 (C$21,000) for the year ended December 31, 2020. Also, during the year ended December 31, 2020, in conjunction with the completion of the Maria Conchita Loan and SN-9 Loan summarized in Note 10, the firm was paid $21,583 (C$28,500) as an administrative success fee for their advisory services. For the years ended December 31, 2021 and 2020, the Company issued 125,000 and 345,000 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 $70,321 (C$88,599) and $134,329 (C$180,203), respectively. As at December 31, 2021, there were no outstanding payables owed to the firm.

II. 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.

III. 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.

IV. In March 2020, the Company completed the aforementioned 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.

V. 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.

VI. In May 2020, the Company completed the aforementioned non-brokered private placement through units for proceeds of $1,306,241 (C$1,800,000) before issue costs. Of the total proceeds, approximately $246,357 (C$339,480) were from subscriptions by directors or by investors related to directors of the Company.

VII. 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 above).

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 December 2019, the Company completed the debt financing arrangement of the Aruchara Loan for committed proceeds of $1,600,000 before transaction costs. Of the total loan proceeds including the drawdown facility, approximately $1,100,000 were provided by directors of the Company. In December 2021, the full amount of the loan was converted to an additional 2.5% overriding royalty in the future production of the Maria Conchita block.

X. 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. The Black-Scholes fair value recognized in the form of the expense associated with the vesting of these options was $100,196 (C$134,414). As at December 31, 2021, there were no outstanding payables owed to the service providers.

XI. For the years ended December 31, 2021 and 2020, the Company incurred expenditures of $958,320 and $330,762, 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, 2021 and 2020, the Company issued 175,000 and 320,000 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 $98,449 (C$124,038) and $104,835 (C$140,636), respectively. As at December 31, 2021, a payables balance of $176,151 was owed to the service provider.

XII. For the years ended December 31, 2021 and 2020, the Company incurred expenditures of $88,361 and $88,200, 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, 2021, a payables balance of $7,394 was owed to the to the lessor entity.

XIII. For the year ended December 31, 2021, the Company issued 100,000 stock options and re-priced 125,000 previously issued stock options to charitable organizations that have affiliations with certain directors of the Company. 205,000 stock options were issued to said charitable organizations for year ended December 31, 2020. The Black-Scholes fair value recognized in the form of the expense associated with the vesting and re-pricing of these options for each year, as applicable, was $88,956 (C$112,078) and $32,385 (C$43,444), respectively.

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	2021	2020
Salaries, consulting fees, benefits	231,415	118,876
Director fees	107,496	-
Share-based compensation	900,108	862,225
Total	**1,239,019**	**981,101**

18. 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, 2021, the Company had $2,340,244 (December 31, 2020 - $2,706,991) in restricted cash towards development activity and joint operations in Colombia.

As at December 31, 2021, the Company had $682,799 (December 31, 2020 - $491,454) 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 $2,284,965 as of December 31, 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 $5,848,957 (December 31, 2020 - $1,208,765) as at December 31, 2021. 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, 2021:

	Less than 1 year	1-2 years	Thereafter	Total
Trade accounts payable	2,058,363	-	-	2,058,363
Capital payables	556,842			556,842
SN-9 loan - principal	2,500,000	-	-	2,500,000
SN-9 loan - finance costs	512,500	-	-	512,500
	5,627,705	**-**	**-**	**5,627,705**

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, 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 16), 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$). In addition, the majority of the Company's financing and a portion of the administrative costs will be based and paid in Canadian dollars and COP$. 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, 2021, had the US dollar to Canadian dollar exchange rate changed by 1 percent, would amount to approximately $43,000 ($56,000 – December 31, 2020), and the impact to the net loss and comprehensive loss for the year had the US dollar to COP$ exchange rate changed by 1 percent would amount to approximately $49,000 ($47,000 – December 31, 2020).

As at December 31, 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 years ended December 31, 2021 and 2020, 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, 2021	December 31, 2020
Aruchara loan (15%)	-	1,657,333
Maria Conchita loan (20%)	-	380,528
SN-9 loan (15%)	3,012,500	2,037,500
Total debt	3,012,500	4,075,361
Working capital (deficit)[1]	3,916,551	(1,473,715)
Net debt (net surplus)	**(904,051)**	**5,549,076**

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, 2021, 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.

19. COMMITMENTS

Capital Commitments

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

Block	2022	2023	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 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 July 2022 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^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 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.

Contractual Commitments

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 in order to provide daily natural gas compression services for a capacity of 16 million cubic feet per day ("MMcf/d") of natural gas production for a term of six years from the commencement of commercial natural gas production within the Maria Conchita Block. For these services, the Company has committed to pay a monthly service fee of $96,240 to Surenergy over the six-year term of the service contract. The monthly service fee is to be paid to Surenergy each month regardless of whether the Company fully utilizes the daily stipulated gas compression capacity made available by Surenergy under the terms of the service contract. Future amendments to the service contract may be made upon mutual agreement of both parties. The Company may unilaterally terminate the service contract prior to the completion of the six-year term with 30 days notices, but a final fee equal to 20% of the monthly service fee for the remaining life of the service contract would be assessed and paid by the Company. As of the date hereof, commercial natural gas production has not commenced within the Maria Conchita Block.

Natural Gas Delivery Contract
The Company has entered into a take-or-pay natural gas delivery contract with Energy Transitions SAS ESP (the "Buyer") for a ten-year period that was initially to commence December 1, 2021, pending initiation

of commercial natural gas production within the Maria Conchita Block. The Company is to deliver natural gas production volumes of 16 MMcf/d (the "Daily Committed Production") to Energy Transitions SAS ESP once production testing has been completed after well tie-in (the "Committed Period"), with gas sales prices commencing at $5.08 per million British thermal units ("MMBtu") and indexed annually with the Producers Price Index (PPI) series WPSFD41312. During the Committed Period, in the event that the Company is unable to deliver the Daily Committed Production, the Company will be required to compensate the Buyer the monetary equivalent of the production deficiency. As of the date hereof, commercial natural gas production has not commenced within the Maria Conchita Block.

Natural Gas Transportation Services
In December 2020, the Company entered into a memorandum of understanding (the "MOU") with GTX International Corp. ("GTX") pursuant to which GTX is to build and 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 field in Colombia to existing national infrastructure. The MOU outlines that the Company and GTX will enter into a take-or-pay agreement (the "ToP Agreement") pursuant to which NG will agree 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 per MMBtu of gas. The Company's Guaranteed Commitment will convert after six years into payment for only the capacity that is used. The ToP Agreement will have a term of 18 years, after which ownership of the Pipeline Facilities will transfer to the Company. Under the terms of the MOU, the execution of the ToP Agreement is conditional upon 1) the successful raise by GTX of $10 million in financing (which was accomplished), and 2) the construction of the Pipeline Facilities and the satisfactory results of operational trials of the infrastructure by GTX.

20. SUPPLEMENTAL CASH FLOW INFORMATION

Information regarding changes in non-cash working capital for the years ended December 31, 2021 and 2020 is as follows:

Continuing Operations	**2021**	2020
Accounts receivable and prepaids	**(191,345)**	(342,181)
Inventory	**3,939**	(3,939)
VAT receivable	**(632,984)**	(463,242)
Accounts payable and accrued liabilities	**(558,782)**	751,596
Change in non-cash working capital	**(1,379,172)**	(57,766)
Relating to:		
Operating activities	**(947,032)**	(552,304)
Investing activities	**(432,140)**	494,538
Change in non-cash working capital	**(1,379,172)**	(57,766)

Discontinued Operations	**2021**	2020
Accounts receivable	-	434,340
Inventory	-	22,993
Accounts payable and accrued liabilities	-	(727,979)
Working capital adjustments for Alianza disposal	-	439,565
Change in non-cash working capital	-	168,919
Relating to:		
Operating activities	-	178,984
Investing activities	-	(10,065)
Change in non-cash working capital	-	168,919

21. SUBSEQUENT EVENTS

Warrant exercises

Subsequent to December 31, 2021, warrant holders exercised 2,383,333 purchase warrants resulting in the issuance of 2,383,333 common shares. Based on the exercise price of each warrant exercised, approximately C$0.7 million in gross proceeds were received by the Company.

Stock option exercises

Subsequent to December 31, 2021, stock option holders exercised 30,000 stock options resulting in the issuance of 30,000 common options Based on the exercise price of each stock option exercised, approximately C$8,250 in gross proceeds were received by the Company.

Prospectus offering of convertible debentures

In March 2022, the Company commenced the distribution of a best-efforts, fully marketed offering (the "Offering") of up to 45,000 convertible debenture units (the "Debenture Units") of the Company at a price of C$1,000 per Debenture Unit (the "Offering Price") for total gross proceeds of up to C$45,000,000. Each Debenture Unit will consist of one 8.0% unsecured convertible debenture of the Company in the principal amount of C$1,000 (each a "Convertible Debenture") and 400 common share purchase warrants of the Company (each a "Warrant").

The Convertible Debentures will 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, commencing in the month in which the closing of the Offering occurs, and will mature on the date which is five years from the closing of the Offering (the "Maturity Date"). An amount equal to the interest payable under the Convertible Debentures from the closing date of the Offering until the first anniversary of the Offering shall be 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 (the "Principal Amount") 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 ("Common Shares") of the Company (the "Conversion Shares") prior to the earlier of: (i) the close of business on the Maturity Date, and (ii) the business day immediately preceding the date specified by the Company for redemption of the Convertible Debentures upon a Change of Control (as further defined below) at a conversion price equal to C$2.25, subject to adjustment in certain events (the "Conversion Price"). Any accrued and unpaid interest on the Convertible Debentures will be settled through cash payment only.

Each Warrant will entitle the holder thereof to purchase one common share (a "Warrant Share") at an exercise price equal to C$2.50 (the "Exercise Price") for a period of five years following the Closing Date (subject to the Forced Conversion as set out below and subject to adjustment in certain customary events). The Company may force the conversion (the "Forced Conversion"), at any time after the second anniversary of the Closing Date, of all but not less than all of the then outstanding Warrants at a price of C$2.50 per Common Share, on not more than 60 days' and not less than 30 days' notice, if the volume weighted average trading price ("VWAP") of the Common Shares on the TSXV is greater than C$3.00 for the ten consecutive trading days preceding the notice.