LNG Energy Group Corp.

Condensed Interim Consolidated Financial Statements
For the three-and nine-month periods ended September 30, 2023 and period from incorporation to September 30, 2022

LNG Energy Group Corp.

Unaudited Condensed Interim Consolidated Statement of Financial Position

For the three-and nine-month periods ended September 30, 2023 and period from incorporation to September 30, 2022

(In thousands of United States dollars, except per share amounts)

	Notes	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Assets			
Cash and cash equivalents		$ **8,808**	$ 2,238
Restricted cash		**2,598**	-
Receivables	6	**8,944**	429
Inventory	7	**8,586**	-
Prepaid expenses		**266**	-
Assets classified as held for sale	8	**3,146**	-
Total current assets		**32,348**	2,667
Exploration and evaluation assets	9	**13,338**	-
Property, plant and equipment	10	**176,067**	-
Other assets	11	**3,511**	-
Deferred tax asset		**4,310**	-
Total assets		$ **229,574**	$ 2,667
Liabilities			
Accounts payable and accrued liabilities	12	$ **19,357**	$ 448
Deferred purchase price payment	13	**8,992**	-
Current portion – long-term debt	16	**11,902**	-
Risk management liabilities	21	**320**	-
Tax liabilities		**266**	-
Current portion – lease obligations		**29**	-
Current liabilities held for sale	8	**3,146**	-
Total current liabilities		**44,012**	448
Decommissioning obligations	14	**4,197**	-
Lease obligations		**15**	-
Risk management liabilities	21	**1,098**	-
Contingent liabilities	15	**30,086**	-
Deferred purchase price payment	13	**2,342**	-
Long-term debt	16	**50,778**	-
Warrant derivative liability	25	**4,414**	-
Deferred tax liabilities	5	**38,076**	-
Total liabilities		**175,018**	448
Shareholders' Equity			
Share capital	17	**35,852**	-
Shares to be issued		**-**	1,556
AOCI		**2**	2
Other reserves		**2,986**	1,111
Retained earnings (deficit)		**15,716**	(450)
Total shareholders' equity		**54,556**	2,219
Total liabilities and shareholders' equity		$ **229,574**	$ 2,667

Contractual obligations and commitments (note 22)
Subsequent events (note 26)
Contingencies (note 27)

Approved by the Board of Directors and authorized for issue on November 29, 2023

"Pablo Navarro" (Signed)
Pablo Navarro, Chief Executive Officer and Director

"Angel Roa" (Signed)
Angel Roa, Chief Financial Officer

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

LNG Energy Group Corp.

Unaudited Condensed Interim Consolidated Statement of Income and Comprehensive Income

For the three-and nine-month periods ended September 30, 2023 and period from incorporation to September 30, 2022

(In thousands of United States dollars, except per share amounts)

	Notes	Three-months ended September 30, 2023	Nine-months ended September 30, 2023[1]
Revenues			
Revenue, net of royalties	19	**4,032**	**4,032**
Interest and other income	19	**50**	**50**
		4,082	**4,082**
Expenses			
Operating expenses		**820**	**820**
Geological and geophysical costs		**45**	**45**
General and administrative		**941**	**1,080**
Share-based payments	17	**1,875**	**1,875**
Depletion and depreciation	10	**1,061**	**1,061**
Foreign exchange loss		**185**	**185**
Impairment of inventory	7	**113**	**113**
Loss on disposition and derecognition of PP&E	10	**5**	**5**
Finance charges	20	**1,175**	**1,175**
Loss on risk management contracts	21	**1,367**	**1,367**
Professional fees		**516**	**2,683**
Other income		**(3)**	**(3)**
Gain on acquisition	5	**(24,407)**	**(24,407)**
Listing expense	5	**1,917**	**1,917**
Total expenses		**(14,390)**	**(12,084)**
Net income and comprehensive income		**$18,472**	**$16,166**
Net income per share (basic and diluted)		**$0.24**	**$0.62**
Weighted average number of shares outstanding (basic and diluted)	17	**78,406,275**	**26,231,511**

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

LNG Energy Group Corp.
Unaudited Condensed Interim Consolidated Statement of Changes in Shareholders' Equity
For the nine-month period ended September 30, 2023 and period from incorporation to September 30, 2022
(in thousands of United States dollars, and thousands of shares)

	Number of Shares	Share Capital	Shares to be issued	Other Reserves	AOCI	Retained earnings (deficit)	Total Shareholders' Equity
Balance, September 7, 2022	**1**	**$ -**	**$ -**	**$ -**	**-**	**$ -**	**$ -**
Net loss for the period	-	-	-	-	-	-	-
Balance, September 30, 2022	**1**	**-**	**-**	**-**	**-**	**-**	**-**
Balance, December 31, 2022	**1**	**$ -**	**$ 1,556**	**$ 1,111**	**2**	**$ (450)**	**$ 2,219**
Resulting issuer shares issued for subscription receipts	36,675	1,556	(1,556)	-	-	-	-
Resulting issuer shares issued to former Mind Cure holders (note 5a)	19,661	6,642	-	-	-	-	6,642
Shares issued on corporate acquisition (note 5b)	53,928	14,566	-	-	-	-	14,566
Units issued pursuant to private placement	44,843	13,088	-	-	-	-	13,088
Share-based payments (note 17)	-	-	-	1,875	-	-	1,875
Net income for the period	-	-	-	-	-	16,166	16,166
Balance, September 30, 2023	**155,108**	**$ 35,852**	**$ -**	**$ 2,986**	**$ 2**	**$ 15,716**	**$ 54,556**

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

LNG Energy Group Corp.
Unaudited Condensed Interim Consolidated Statement of Changes in Cash Flows
For the nine-month period ended September 30, 2023 and period from incorporation to September 30, 2022
(in thousands of United States dollars)

	Notes		Nine months ended September 30, 2023
OPERATING			
Net income		$	**16,166**
Adjustments for:			
Unwinding of discount on decommissioning obligations	14		**46**
Accrued interest	16		**46**
Impairment of inventory	7		**113**
Depletion and depreciation	10		**1,061**
Unrealized loss on risk management contracts	21		**1,340**
Share-based payments	17		**1,875**
Gain on acquisition	5		**(24,407)**
Listing expense	5		**1,917**
Changes in non-cash working capital	23		**2,049**
Cash provided by operating activities			**206**
INVESTING			
Expenditures on PP&E	10		**(1,413)**
Expenditures on E&E	9		**(651)**
Corporate acquisitions, net of cash acquired	5		**(67,351)**
Cash used in investing activities			**(69,415)**
FINANCING			
Payments on lease obligations			**(5)**
Deferred purchase price payment	13		**(800)**
Increase in long-term debt, net of issue costs	16		**64,348**
Repayment of long-term debt	16		**(1,750)**
Proceeds on shares issued pursuant to private placement	17		**16,584**
Cash provided by financing activities			**78,377**
Increase in cash and cash equivalents, and restricted cash during period			**9,168**
Cash and cash equivalents, beginning of period			**2,238**
Cash and cash equivalents, and restricted cash end of period		$	**11,406**

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

1. INCORPORATION AND NATURE OF BUSINESS

LNG Energy Group Corp. ("**LNG Energy**" or the "**Corporation**") was incorporated on March 6, 2020, pursuant to the *Business Corporations Act* (British Columbia).

On May 5, 2023, the Corporation entered into an arrangement agreement ("**Arrangement Agreement**") with LNG Holdings Inc. (formerly LNG Energy Group Inc.) ("**LNG Holdings**"), a private corporation focused on the acquisition of natural gas production and exploration assets in Latin America, pursuant to which the Corporation became the holder of all of the issued and outstanding securities in the capital of LNG Energy by way of a plan of arrangement under the laws of British Columbia under the Supreme Court of British Columbia (the "**Transaction**"). Pursuant to the terms of Arrangement Agreement, the Corporation acquired LNG Holdings effective on August 15, 2023, and the Transaction constituted a reverse take-over of the Corporation by the shareholders of LNG Holdings.

The Corporation was continued under the *Business Corporations Act* (Ontario) on August 15, 2023. The address of the Corporation's head, principal, and registered office is located at Bay Adelaide Centre – North Tower, 40 Temperance St Suite 3200, Toronto, Ontario, M5H 0B4. On August 15, 2023, the Corporation changed its name from Mind Cure Health Inc. to "LNG Energy Group Corp." (the "**Name Change**"). The common shares in the capital of the Corporation (the "**Common Shares**") trade on the TSX Venture Exchange ("**TSXV**") under the ticker symbol "LNGE".

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on November 29, 2023.

2. BASIS OF PRESENTATION

The financial statements have been prepared by management in accordance with International Accounting Standard ("**IAS**") 34, "Interim Financial Reporting". These financial statements do not include all of the information required for the annual financial statements; however, they have been prepared in accordance with the accounting policies outlined and should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended December 31, 2022, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board.

These condensed interim consolidated financial statements have been prepared for the period **January 1, 2023** to **September 30**, **2023**, and the comparative amounts presented in the condensed interim consolidated statement of income and comprehensive income are for the period from incorporation on September 7, 2022, to September 30, 2022. The Corporation had no transactions during this period.

Results from operations for Lewis Energy Colombia, Inc. **("LEC")** are included in the Corporation's condensed interim consolidated financial statements from the closing date of the acquisition on **August 15, 2023** to **September 30, 2023.**

The amounts presented in the condensed interim consolidated statement of income and comprehensive income are not entirely comparable.

Basis of Measurement

These financial statements have been prepared on a historical cost basis, except for its warrant derivative liability, certain risk management contracts, investments, contingent liabilities (overriding royalty interest, earn out and net operating losses) and deferred share units ("**DSUs**"), which are initially measured at fair value. Estimates and judgements made by management in the preparation of these financial statements are subject to a higher degree of measurement uncertainty during volatile periods. These financial statements have been prepared on a going concern basis.

Functional and Presentation Currency

The condensed interim consolidated financial statements are presented in United States (U.S.$) dollars. The functional currency of the parent is the Canadian dollar, and the functional currency of the Company's subsidiaries is the US dollar. All values are rounded to the nearest thousand, except where otherwise indicated.

Basis of Consolidation

The condensed interim consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries. The accounts of the subsidiaries are prepared for the same reporting period as the Corporation, using consistent accounting policies.

The table below lists the Corporation's wholly owned subsidiaries:

Name of subsidiary	Jurisdiction incorporated	Functional currency	% Ownership
LNG Energy Group Corp.	Canada	Canadian dollars	
LNG Holdings Inc.	Canada	Unites States dollars	100%
Lewis Energy Colombia, Inc.	Cayman Islands	United States dollars	100%
Navarro Services (USA), Inc.	Delaware (USA)	United States dollars	100%
LNG Canada Holdco Inc.	Canada	United States dollars	100%
LNG Resource Management (USA), Inc.	Delaware (USA)	United States dollars	100%

3. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of the unaudited condensed interim consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Corporation's accounting policies.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Critical accounting judgements:

Going concern

The assessment of the Corporation's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operations, meet its liabilities for the ensuing year as they fall due, involves judgment based on historical experience and other factors including the expectation of future events that are believed to be reasonable under the circumstances. Management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

Identification of impairment and impairment reversal indicators

Judgment is required to assess when indicators of impairment or impairment reversal exist and when a calculation of the recoverable amount is required. The Corporation's oil and gas properties are reviewed at each reporting date to assess whether there is any indication of impairment or impairment reversal. The assessment considers significant changes in reservoir performance including forecasted production volumes, forecasted royalty, operating, capital and abandonment and reclamation costs, forecasted oil and gas prices and the resulting cash flows from proved plus probable oil and gas reserves.

Cash Generating Unit

The determination of a cash generating unit ("**CGU**") requires judgment in defining a group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks, and materiality. The Corporation has determined that it has one CGU.

Critical accounting estimates:

Share-based payments

Share-based payments expense related to grant of stock options is measured by reference to the fair value of the stock options at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. Share-based payments expense as related to the DSUs are based on the Corporation's share price on the date of grant.

Deferred tax assets and liabilities

The measurement of a deferred tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Corporation's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful operations of the Corporation. To the extent that management's assessment of the Corporation's ability to utilize future tax deductions changes, the Corporation would be required to recognize more or fewer deferred tax assets, and future tax provisions or recoveries could be affected.

Valuation of investments

The Corporation recognizes its investments at fair value. The basis in determining fair value is market prices from independent sources, if available. If there is no market price, then the fair value is determined using level 3 inputs which involve considerable estimates as the inputs used to value these financial instruments are based on unobservable market data. These level 3 inputs may include assessing the discounted cash flows of the investee, determining the net book value of the investee in comparison to the Corporation's cost of investment and reviewing the price-per-share of recently completed financings of the investee.

Risk Management Contracts

The Corporation measures a portion of its financial instruments, specifically risk management contracts, at fair value on each reporting date. The fair value at each reporting date is subject to measurement uncertainty.

For the risk management contracts, external forward market curves and contracted volumes are used to determine the fair value. The fair values of the Corporation's risk management contracts are derived from and affected by market pricing between maturity and period end dates.

Estimation of petroleum and natural gas reserves

Petroleum and natural gas reserve estimates are used in the unit-of-production depletion and depreciation calculation; determining the timing of abandonment costs; and the impairment analysis of the Corporation's assets. Annually, the Corporation's proved plus probable reserves are estimated by independent reserve engineers with reference to available geological, geophysical, and engineering data. Estimates of petroleum and natural gas reserves are inherently uncertain; require the application of judgment; and are subject to regular revision, either upward or downward, based on new information. The impact of future changes to estimates for the annual financial statements of subsequent periods could be material. Changes to estimates of petroleum and natural gas reserves prospectively affect the amounts of depletion, depreciation, and impairment charged.

Consequently, the carrying amounts of petroleum and natural gas properties and exploration and evaluation assets could be affected. Information related to the carrying amounts of petroleum and natural gas properties; and the amounts charged to statements of income (loss) and comprehensive income (loss), including depletion, depreciation, and impairment, is presented in note 10.

Recoverable amount of assets

Recoverable amount of the Corporation's assets is determined based on the higher of value-in-use ("**VIU**") and fair value less costs of disposal ("**FVLCD**"). Both calculations require various assumptions and estimates including future commodity prices; expected production volumes; discount rates; operating costs; future capital requirements; and decommissioning costs. The assumptions and estimates are highly uncertain and are subject to change as new information becomes available. Changes in assumptions could affect the carrying amounts of assets; thus, impairment charges and reversals will affect the statements of income (loss) and comprehensive income (loss).

Decommissioning obligations

Provisions are recognized for the future abandonment and reclamation cost of petroleum and natural gas properties at the end of their economic lives. The estimates used to determine the decommissioning provisions are uncertain and based on industry practice, current legislation, constructive requirements, and economic variables. As such, the carrying amounts of the decommissioning provisions are reviewed regularly and adjusted to reflect relevant changes. The decommissioning provision is accreted until the date of expected settlement and the unwinding of discount is recognized in finance charges in the statements of income (loss) and comprehensive income (loss).

Business combinations, corporate and property acquisitions

Business combinations, corporate and property acquisitions are accounted for using the acquisition method of accounting whereby the assets acquired, and the liabilities assumed are recorded at fair values. The determination of fair value often requires management to make assumptions and estimates about future events. The fair value of property, plant and equipment recognized in a business combination, corporate or property acquisition is based on market values.

The market value of property, plant and equipment is the estimated amount for which property, plant and equipment ("**PP&E**") could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests (included in PP&E) are estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports. The market value of the evaluation and exploration ("**E&E**") assets are estimated with reference to the market values of current arm's length transactions in comparable locations. Assumptions are also required to determine the fair value of decommissioning obligations associated with the properties.

Changes in any of these assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill (or gain from a bargain purchase) in the acquisition equation. Future net earnings can be affected as a result of changes in future depletion and depreciation, asset impairment or goodwill impairment.

Inventory

The Corporation values inventory at the lower of cost and net realizable value through inventory allowances. The Corporation records valuation adjustments for inventory by comparing the inventory cost to its net realizable value. This process requires the use of estimates and assumptions related to future market demand and selling prices. Such assumptions are reviewed quarterly and may have a significant impact on the valuation adjustments for inventory. Net realizable value is assessed on an item-by-item basis except when they cannot be practically evaluated separately from other items.

Assets held for sale

The Corporation engaged a qualified third-party appraiser to conduct an appraisal of the assets held for sale.

4. SIGNIFICANT ACCOUNTING POLICIES

In the preparation of these condensed interim consolidated financial statements, the Corporation has used the same accounting policies and methods of computation as in the annual financial statements for the year ended December 31, 2022, except as follows:

Inventory

Inventories are stated at the lower of cost or net realizable value. Costs comprise direct purchase and blending costs, costs of production, and other indirect costs and is determined using the weighted average cost method. The net realizable value is the estimated selling price in the ordinary course of business less costs to complete and sell. All costs in the form of long-lead material and equipment inventory, such as drill casing, are initially capitalized. As the assets are used, they will be incorporated into the costs of the related E&E and PP&E projects.

Risk Management Contracts

Derivative financial instruments are used to manage economic exposure to market risks related to commodity prices and interest rates. When specific financial instruments are executed, the Corporation assesses whether the financial instrument used in a particular transaction is effective in offsetting changes in fair values or cash flows of the transaction. Risk management assets and liabilities are derivative financial instruments classified as FVTPL unless designated for hedge accounting. Derivative instruments that do not qualify as hedges, or are not designated as hedges, are recorded using mark-to-market accounting whereby instruments are recorded on the balance sheet as an asset or liability with fair value changes recognized in the statements of operations and comprehensive earnings as a gain or loss on risk management.

Assets held for sale

Non-current assets, or disposal groups comprising of assets and liabilities, whose value is anticipated to be recovered primarily through a sale transaction rather than continuing use, are classified as assets and liabilities held for sale. Immediately prior to classification as held for sale, the assets, or components of a disposal group, are measured at the lower of their carrying amount and FVLCS. Impairment losses, or impairment reversals to the extent allowable, on initial classification are recognized on the statement of net loss and comprehensive loss. Upon classification as assets held for sale, property, plant and equipment are no longer depreciated.

Exploration and Evaluation Assets

Oil and gas E&E expenditures are accounted for in accordance with IFRS 6, Exploration for and Evaluation of mineral resources, whereby costs associated with the exploration for and evaluation of oil and gas reserves are accumulated on an area-by-area basis and are capitalized as either tangible or intangible E&E assets when incurred. All costs directly associated with the exploration and evaluation of oil and natural gas reserves are initially capitalized. E&E costs are those expenditures for an area where technical feasibility and commercial viability have not yet been determined. These costs include unproved property acquisition costs, exploration costs, geological and geophysical costs, decommissioning costs, E&E drilling, sampling and appraisals. Costs incurred prior to acquiring the legal rights to explore an area are charged directly to comprehensive income (loss). Costs incurred for unsuccessful drilling are charged directly to comprehensive income (loss).

When an area is determined to be technically feasible and commercially viable the accumulated costs are transferred to PP&E, where they are depleted. When an area is determined not to be technically feasible and commercially viable or the Corporation decides not to continue with its activity, the unrecoverable costs are charged to comprehensive income as impairment of exploration and evaluation assets. Net proceeds from any disposal of an intangible exploration asset are recorded as a reduction in E&E assets. No depletion or depreciation is provided for E&E assets.

Property, Plant, and Equipment

Recognition and measurement

PP&E is initially recognized at cost and represents all costs directly associated with the development of petroleum and natural gas reserves where the technical feasibility and commercial viability has been determined. Such costs include drilling costs of development wells; tangible costs of facilities and infrastructure construction; costs of optimization and enhanced recovery projects; proved property acquisition costs; asset decommissioning costs; and borrowing costs related to qualifying assets. Expenditures on major maintenance repairs comprise the cost of replacement assets or parts of assets, inspection costs, and overhaul costs. Where an asset or part of an asset that was separately depreciated is replaced and it is probable that future economic benefits associated with the item will flow to the Corporation, the expenditure is capitalized and the carrying amount of the replaced asset is derecognized. Routine overhaul and repair and maintenance costs are charged to the statements of income (loss) and comprehensive income (loss) when incurred. PP&E assets are carried at cost less accumulated depletion, depreciation, and impairment. Gains and losses on disposals are determined by comparing disposal proceeds to the carrying amounts of assets sold and are recognized in the statements of income (loss) and comprehensive income (loss).

Depletion and depreciation

PP&E related to petroleum and natural gas properties, including substantially all related facilities, are depleted and depreciated using the unit-of production method over proved developed reserves before royalties, which is determined using forecast prices and costs. Proved developed reserves are estimated using independent reserve engineer reports. Costs of major development projects are excluded from depletion and depreciation until the asset is available for use. Facilities and equipment that have a useful life independent of the reserve life are amortized based on their expected useful life. Plant and equipment are generally depreciated on a straight-line basis over their estimated useful lives, which range from one to ten years. Land is not amortized.

Provisions

Decommissioning obligation

A decommissioning obligation is estimated and recorded for the future abandonment and reclamation costs related to the Corporation's operational activities. Future dismantling and restoration costs required to restore the land to its original condition relate to the Corporation's: petroleum and natural gas wells, surface equipment and facilities, and removal of equipment from leased acreage. The decommissioning obligation is estimated using the present value of management's estimated expected future cash outflows discounted at a risk-free interest rate. Initially, the decommissioning obligation is capitalized as part of the carrying amount of the related PP&E. Subsequent to the initial measurement, the liability is adjusted to reflect the passage of time and changes to the estimated timing, estimated cash flows, and discount rate. The effects of changes to the liability resulting from the changes in estimates are reflected on a prospective basis with a corresponding adjustment to the carrying amount of the related PP&E. Actual abandonment and reclamation expenditures are charged against the liability as incurred and obligations related to properties disposed are removed.

Leases

A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A recognized lease includes a right-of-use ("**ROU**") asset and a lease liability on the balance sheet. The ROU asset is measured at the initial amount of the lease liability plus any initial direct costs incurred and an estimate of costs to dismantle and remove or restore the asset or the site on which the asset is located, less any lease payments made at or before the commencement date and any lease incentives received. ROU assets are subsequently measured at cost less accumulated amortization and impairment losses. The lease liability is measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Corporation's incremental borrowing rate. Lease liabilities are subsequently measured amortized cost using the effective interest rate method.

Foreign currency

Foreign currency transactions

Transactions denominated in foreign currencies are translated to the Corporation's functional currency at the exchange rate in place at transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate prevailing on the reporting date. Foreign exchange gains and losses resulting from the translation and settlement are recognized in the statement of income (loss) and comprehensive income (loss).

Finance charges

Finance charges comprise unwinding of the discount on decommissioning and lease liabilities; bank charges; interest expense on long-term debt, and any impairment losses recognized on financial assets.

Earning Per Share

Basic earnings per share is calculated using net income attributable to equity holders of the Corporation divided by the weighted average number of Common Shares outstanding. Diluted earnings per share is calculated by adjusting the weighted-average number of Common Shares outstanding for the impact of potential dilutive instruments such as DSUs. The Corporation follows the treasury stock method in the calculation of diluted earnings per share whereby any proceeds received from in-the-money options would be used to buy Common Shares at the average market price for the period.

Revenue recognition

The Corporation generates revenue from the sale of gas and condensate, which represents the Corporation's share of commodity sales, net of royalties. The Corporation's commodity sales contracts represent a series of distinct transactions. Revenue is recognized when control is transferred from the Corporation to the customer and collection is reasonably assured. Generally, the Corporation considers its performance obligations to be satisfied and control is deemed to have transferred when the Corporation transfers title and physical possession of the commodity to the customer and the significant risks and rewards of ownership of the commodity to the customer. The amount of revenue recognized is based on the consideration specified in the contract with the customer. The Corporation's gas and condensate contracts include fixed- and variable-priced contractual components. For variable-priced contracts, the transaction price is based on the commodity price, adjusted for quality, location, or other factors, depending on the contract terms. Payment is received on the 30th day of the month following product delivery. The Corporation is not subject to arrangements whereby the period between the transfer of control and payment by the customer exceeds one year.

The Corporation accounts for its forward physical delivery sales and purchase contracts that are entered into and continue to be held for the purpose of receipt or delivery of non-financial items in accordance with its expected purchase, sale or usage requirements, as executory contracts. As such, these contracts are not considered derivative financial instruments; thus, have not been recorded on the statement of financial position sheet. Settlements of these physical sales and purchase contracts are recognized in related revenues and expenses at the time of settlement.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or,
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Corporation. The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Corporation uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The Corporation measures the risk management contracts at fair value at each reporting date. For the purposes of impairment testing, FVLCD and VIU are considered to determine the recoverable amount of the Corporation's non-financial assets.

All asset and liabilities for which fair value is measured or disclosed in the annual financial statements are categorized within the fair value hierarchy:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable; or
- Level 3 – Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the annual financial statements on a recurring basis, the Corporation determines whether transfers have occurred between levels in the hierarchy by reassessing categorization at the end of each reporting period.

The Corporation assesses the fair value of recurring (risk management contracts) and non-recurring (impairment testing) transactions at each reporting date or as needed. When the fair value of a particular item is assessed, the major inputs included in the fair value assessment are reviewed for appropriateness.

The Corporation categorizes the risk management contracts as Level 2; whereas the recoverable amount related to impairment is categorized as Level 3.

Financial Instruments

Classification and measurement of financial assets

The initial classification is dependent on the Corporation's objective for the financial asset and the contractual cash flow characteristics of the financial asset. A financial asset is classified as amortized cost if the asset is held with the objective to collect contractual cash flows that are solely payments of principal and interest on principal amounts outstanding. A financial asset is classified as fair value through other comprehensive income ("**FVTOCI**") if the financial asset is held with the objective to both collect contractual cash flows and sell the financial asset. All other financial assets are classified as fair value through profit or loss ("**FVTPL**").

At initial recognition, the Corporation measures a financial asset at its fair value. In the case of a financial asset not classified as FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset are included. Transaction costs related to the financial assets classified as FVTPL are recorded as an expense in the statement of operations and comprehensive 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 Corporation has transferred substantially all the risks and rewards of ownership.

Impairment of financial assets

The Corporation recognizes loss allowances for Expected Credit Losses ("**ECLs**") on its financial assets measured at amortized cost, which is equal to the 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 probability-weighted estimates of credit losses, which are measured as the present value of all cash shortfalls. ECLs are discounted at the effective interest rate of the related financial asset.

Classification and measurement of financial liabilities

Financial liabilities are measured at amortized cost or FVTPL. A financial liability is measured at FVTPL if it is considered held-for-trading, a derivative, or designated as FVTPL at initial recognition. For financial liabilities measured at FVTPL, any change in value resulting from a change in the Corporation's credit-risk is recorded through other comprehensive income or loss, rather than the statements of operations and comprehensive 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 different, 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 not material, 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 the statements of operations and comprehensive 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 the statements of operations and comprehensive earnings.

Jointly controlled operations

Substantially all of the Corporations exploration and production activities are conducted under joint operating agreements, whereby two or more parties jointly control the assets. These financial statements reflect only the Corporation's share of these jointly controlled assets and, once production commences, a proportionate share of the relevant revenue and related costs.

Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the Corporation expects some or all of a provision to be reimbursed the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statements of operations and comprehensive earnings (loss) net of any reimbursement. Non-current provisions are determined by discounting the expected future cash flows using a pre-tax rate that reflects a market risk free interest rate and the risks specific to the liability. Provisions are not recognized for future operating losses. The Corporation is involved in various claims and litigation arising in the normal course of business. Since the outcomes of these matters are uncertain, there can be no assurance that such matters will be resolved in the Corporation's favour.

The outcome of adverse decisions in any pending or threatened proceedings related to these and other matters could have a material impact on the Corporation's financial position, results of operations or cash flows. Provisions and liabilities for legal and other contingent matters are recognized in the period when it becomes probable a future cash outflow resulting from past operations or events will occur and the amount of the cash outflow can be reasonably estimated. The timing of recognition and measurement of the provision requires the application of judgment to existing facts and circumstances, which can be subject to change, and the carrying amounts of provisions and liabilities are reviewed regularly and adjusted accordingly. The Corporation is required to both determine whether a loss is probable based on judgment and interpretation of laws and regulations and determine that the loss can be reasonably estimated. When a loss is recognized, it is charged to the consolidated statements of income and comprehensive income. The Corporation continually monitors known and potential contingent matters and makes appropriate provisions when warranted by the circumstances present.

5. CORPORATE ACQUISITION

a) Arrangement Agreement

On August 15, 2023, the Corporation completed the acquisition of LNG Holdings (formerly LNG Energy Group Inc.) by way of court-approved plan of arrangement. Pursuant to the terms of the Arrangement Agreement, LNG Energy acquired all the issued and outstanding common share in the capital of LNG Holdings in exchange for the issuance of one (1) Common Share resulting in the issuance of 135,180,762 Common Shares. Upon the closing of the transaction contemplated by the Arrangement Agreement, the Corporation had 155,108,066 Common Shares issued and outstanding. The Arrangement Agreement was accounted for as an asset acquisition, as the assets acquired and liabilities assumed did not constitute a business, as defined in IFRS 3, Business Combinations. The difference between the fair value of the shares issued by the accounting acquirer and the fair value of the accounting acquiree's identifiable net assets is consideration for a service rendered to the accounting acquirer, and the amount is recognized as a listing expense.

In connection with the Arrangement Agreement, the Corporation adopted new articles of incorporation, set the number of directors to five and replaced the prior board of directors and officers, and effected the Name Change. In connection with the Transaction, the Common Shares and Warrants will be delisted from the Canadian Securities Exchange and, upon the receipt by the TSXV of the final listing approval, the Corporation listed 155,108,066 Common Shares. The Corporation also listed 44,577,350 warrants with an exercise price of C$0.60 per warrant (the "**Warrants**") on the TSXV. The Common Shares and the Warrants are listed for trading on the TSXV under the ticker symbols "LNGE" and "LNGE.WT", respectively.

Total purchase price (000s)	**Mind Cure Health Inc.**
Common shares issued and outstanding	19,661,304
Cost of acquisition	$6,751
Fair value of net assets including cash	$4,834
Excess paid over net assets – listing expense	$ 1,917

b) Lewis Energy Colombia Acquisition

On February 27, 2023, LNG Holdings entered into a share purchase agreement with, as amended from time-to-time (the "**Share Purchase Agreement**") with Lewis Energy Group, L.P. ("**LEG**" or "**Lewis Energy**"), and arms-length party, whereby LNG Holdings agreed to acquire Lewis Energy Colombia, Inc. ("**LEC**"). On August 15, 2023, the parties completed the transactions contemplated by the Share Purchase Agreement and LNG Canada Holdco Inc. ("**LNG Holdco**"), an assignee of LNG Holdings, acquired 100% of the issued and outstanding shares in the capital of LEC.

LEC is a Cayman incorporated entity with a Colombian branch that owns and operates production, exploration and development oil and gas assets onshore in Colombia. As consideration, LNG Holdco satisfied the purchase price by paying U.S.$80.0 million in cash; U.S. $20.0 million in Common Shares, which are subject to a TSVX imposed escrow, resulting in the issuance of 53,928,000 Common Shares; 13,482,000 Warrants; plus, certain other payments, including a working capital adjustment payable over two years, earn-out and royalty consideration based upon performance of the drilling results.

Results from operations for LEC are included in the Corporation's consolidated financial statements from the closing date of the acquisition of LEC. The estimated acquisition date fair value attributed to the PP&E was derived from the estimate of proved and probable oil and gas reserves and the related cash flows prepared at December 31, 2022, by independent third-party reserves evaluators and updated to reflect production results and pricing assumptions as at August 15, 2023. The estimated proved and probable oil and gas reserves and the related cash flows were discounted at a rate based on what a market participant would have paid, as well as market metrics in the prevailing area at that time.

The acquisition of LEC has been accounted for using the purchase method based on provisional estimated fair values as follows, using discount rates based on what a market participant would have paid:

Total purchase price (000s)	**Lewis Energy Colombia ($)**
Cost of acquisition paid in cash	80,000
Share issuance	14,566
	94,566
Contingent earnout	7,036
Warrant issuance	809
Contingent overriding royalty interest	19,351
Estimated net operating losses tax benefit payment	3,699
Working capital adjustment	12,133
Total consideration	**$137,594**
Fair value of net assets acquired:	
Cash and cash equivalents	5,259
Restricted cash	2,500
Trade and other receivables and prepayments	9,757
Inventory	8,786
Assets held for sale	3,146
Exploration and evaluation assets	12,687
Rigs and machinery	10,039
Property, plant and equipment	165,418
Right-of-use-assets	60
Other assets	3,542
Deferred tax asset	4,310
Liability for assets held for sale	(3,146)
Trade and other payables	(17,941)
Current tax liabilities	(394)
Decommissioning obligations	(3,897)
Lease obligations	(49)
Deferred tax liability	(38,076)
Total	**162,001**
Gain on acquisition	(24,407)
Total	**$137,594**

Included in the consolidated statements of income and comprehensive income for the period ended September 30, 2023, is a gain on acquisition of $24,407 which reflects an increase in the natural gas sales prices of the contracts entered into by LEC prior to closing of the Transaction.

If the Corporation had acquired LEC on January 1, 2023, the pro-forma results of the oil and gas revenue, and net income and comprehensive income for the nine months ended September 30, 2023, would have been as follows:

	As Stated ($)	**Lewis Energy Colombia ($)**	**Pro-forma nine Months ended September 30, 2023 ($)**
Revenue, net of royalties	4,032	20,708	**24,740**
Interest and other income	50	318	**368**
Net income and comprehensive income	1,069	1,800	**2,869**

(in thousands of United States dollars except per share amounts)

6. RECEIVABLES

	September 30, 2023	December 31, 2022
Trade receivables	**3,662**	-
Tax receivables	**4,072**	-
Other receivables	**1,210**	429
	8,944	429

As at September 30, 2023, $3,662 (December 31, 2022 - $nil) trade receivables were current (less than 30 days), corresponding to gas and condensate sales. As at September 30, 2023, $1,210 (December 31, 2022 - $nil) other receivables were current, which includes a joint operating balance with Hocol, S.A of $529.

7. INVENTORY

	September 30, 2023	December 31, 2022
Parts and supplies	**8,659**	-
Commodities	**40**	-
Impairment	**(113)**	-
	8,586	-

8. ASSETS HELD FOR SALE AND LIABILITIES HELD FOR SALE

	September 30, 2023	December 31, 2022
Land – Funza Yard	**3,146**	-
	3,146	-

For the nine-month period ended September 30, 2023, the Corporation as part of the acquisition of LEC acquired assets held for sale. The assets have been recorded at fair value and the Corporation has hired two brokers to proceed with the sale of the asset. Pursuant to the terms of the Share Purchase Agreement, these assets are in the process of being sold with the net proceeds of such asset sales to be paid to LEG.

9. EXPLORATION AND EVALUATION

	Total
Balance, December 31, 2022	-
Corporate acquisition (note 5)	12,687
Additions	651
Balance, September 30, 2023	**13,338**

(in thousands of United States dollars except per share amounts)

10. PROPERTY, PLANT AND EQUIPMENT

	Rigs and machinery ($)	Petroleum and natural gas properties ($)	Total ($)
Cost			
Balance, December 31, 2022	-	-	-
Corporate acquisition (note 5)	10,039	165,418	175,457
Additions	-	1,413	1,413
Disposals	-	(5)	(5)
Change in decommission obligations (Note 14)	-	263	263
Balance, September 30, 2023	**10,039**	**167,089**	**177,128**
Accumulated depletion and depreciation			
Balance, December 31, 2022	-	-	-
Depletion and depreciation	-	(1,061)	(1,061)
Balance, September 30, 2023	**-**	**(1,061)**	**(1,061)**
Carrying amount of PP&E			
As at December 31, 2022	-	-	-
As at September 30, 2023	**10,039**	**166,028**	**176,067**

As at September 30, 2023, no indicators of impairment were identified.

11. OTHER ASSETS

	September 30, 2023	December 31, 2022
Other financial assets - Restricted cash in fiduciaries	**$ 3,458**	$ -
Legal and escrow deposits	**12**	-
Right-of-use assets	**41**	-
	$ 3,511	$ -

12. TRADE AND ACCRUED PAYABLES

	September 30, 2023	December 31, 2022
Trade payables	**$ 17,127**	$ 448
Other accrued liabilities	**2,230**	-
	$ 19,357	$ 448

13. DEFERRED PURCHASE PRICE PAYMENT

On February 27, 2023, LNG Holdings entered into the Share Purchase Agreement in connection with the acquisition of LEC. On August 15, 2023, the Corporation announced the closing of the acquisition of LEC. Pursuant to the Share Purchase Agreement, Lewis Energy agreed to a deferred purchase price in connection with the working capital adjustment to be paid in monthly instalments of $800. As at September 30, 2023, the balance of $11,334 represents amounts owed to Lewis Energy by LNG Holdings with $8,992 of the total recorded as current.

(in thousands of United States dollars except per share amounts)

14. DECOMMISSIONING OBLIGATIONS

The following table summarizes the details of decommissioning obligations:

	September 30, 2023	December 31, 2022
Balance, beginning of period	**-**	-
Corporate acquisition (note 5)	**3,897**	-
Additions	**263**	
Unwinding of discount	**46**	-
Decommissioning obligations settled	**(9)**	-
Balance, end of period	**4,197**	-

As at September 30, 2023 the total undiscounted cost to settle the decommissioning obligations was $5,999 (December 31, 2022 - $nil). The risk-free, US Treasury bond, and inflation rates used in the determination of the present value of decommissioning obligations are as follows:

- A risk-free rate between 3.70% and 8.43%
- Interest rate on US Treasury Bond Bonus between 3.88% and 4.73%
- Inflation rate between 2.30% and 3.10%
- The settlement of the decommissioning obligations is expected to occur in 2034.

15. CONTINGENT LIABILITIES

	September 30, 2023	December 31, 2022
Balance, beginning of period	**-**	-
Contingent overriding royalty interest (note 5)	**19,351**	-
Net operating loss tax benefit (note 5)	**3,699**	
Contingent earnout (note 5)	**7,036**	-
Balance, end of period	**30,086**	-

As at September 30, 2023, the total overriding royalty interest of $19,351 (December 31, 2022 – $nil) represents the estimated payment to LEG based on the 12.5% royalty rate as per the Share Purchase Agreement. The overriding royalty is based upon hydrocarbons produced from the VIM-41 block, VIM-42 block, and the SSJN-3-1 block.

As of September 30, 2023, the estimated contingent earnout of $7,036 (December 31, 2022 - $nil) represents the expected payment to LEG based on the drilling of wells in accordance with the Share Purchase Agreement and is based on recoverable resource volumes.

16. LONG-TERM DEBT

Credit Facility

On July 26, 2023, LNG Holdco entered into a credit agreement (the "**Credit Agreement**") with Macquarie Group for a U.S.$70 million secured credit facility (the "**Credit Facility**"). On August 15, 2023, the Corporation announced the closing of the Credit Facility. The proceeds from the Credit Facility were used to fund the acquisition of LEC. Pursuant to the terms of the Credit Agreement, the Credit Facility is secured against the assets of LEC and has a five-year term on an amortizing basis. The Credit Facility bears an annual interest rate of SOFR plus 7.0% and for the period ended September 30, 2023, the effective rate on the credit facility was 12.02% and is subject to financial covenants. As at September 30, 2023, the Corporation was in compliance with the covenants set out in the Credit Agreement.

As at September 30, 2023, the amount drawn on the Credit Facility was $68.3 million, and the Corporation was in compliance with all debt covenants.

(in thousands of United States dollars except per share amounts)

	September 30, 2023	December 31, 2022
Credit facility	70,000	-
Accrued interest and other expenses	82	-
Debt repayment	(1,750)	-
Deferred financing charges	(5,652)	-
Balance, September 30, 2023	**62,680**	**-**
Current portion	**(11,902)**	**-**

17. SHARE CAPITAL

Authorized - Unlimited Common Shares

Issued	**# (000's)**	**$**
Balance, December 31, 2022	1	-
Conversion of shares into the resulting issuer	36,675,412	1,556
Issued to former Mind Cure holders (note 5a)	19,661,304	6,642
Issued on acquisition LEC (note 5b)	53,928,000	14,566
Shares issued pursuant to subscription receipt financing	44,843,350	13,088
Balance, September 30, 2023	**155,108,066**	**35,852**

On August 15, 2023, with completion of the Transaction, the Common Shares were delisted from the Canadians Securities Exchange. On September 8, 2023, the Corporation received its final approval from the TSXV to list the Common Shares and Warrants.

On August 15, 2023, the Corporation completed a subscription receipt financing for gross aggregate proceeds of approximately $16.6 million comprised of 44,843 subscription receipts at price of C$0.50 per subscription receipt. Each subscription receipt was automatically converted into one common share and warrant of the Corporation. The proceeds from the subscription receipt financing were used in part to fund the LEC Acquisition.

On September 28, 2023, the Corporation settled certain management and consulting fees owed to executives and officers, in Common Shares. Mr. Roa, the Corporation's Chief Financial Officer, has agreed to receive 269,280 Common Shares at a price of C$0.50 per share and Mr. Ziperovich, the Corporation's Chief Operating Office, has agreed to receive 157,080 Common Shares at a price of C$0.50 per share. The foregoing transactions remain subject to the approval the TSXV.

Stock Options

The Corporation has established a stock option plan for its directors, officers and consultants under which the Corporation may grant options from time to time to acquire, a maximum of 10% of the issued and outstanding Common Shares. The exercise price of each option granted under the plan shall be determined by the Board of Directors but shall not be less than 100% of the fair market value of the Common Shares as of the date of the grant.

Options may be granted for a maximum term of five years from the date of the grant. Except as provided for by the stock option plan the options are non-transferable and, subject to the stock option plan, are exercisable in the manner set by the Board of Directors. Upon the option holder's termination as an employee or officer of the Corporation or as a member of the Board of Directors, the options will expire according to either the stock option plan, as determined by the Board of Directors, the option agreement or employment agreement, as applicable.

(in thousands of United States dollars except per share amounts)

The of the number and weighted-average exercise prices of stock options are as follows:

	Period ended September 30, 2023	
	Number of options	**Weighted average exercise price**
Options outstanding, beginning	-	$ -
Options granted	12,446	0.37
Options outstanding, ending	12,446	$ 0.37

Details of options outstanding as at September 30, 2023, are as follows:

Exercise price	**Weighted average contractual life**	**Number of options outstanding**	**Number of options exercisable**
C$0.37	4.47 years	12,446	12,446

On September 28, 2023, the Corporation granted 12,446 options to directors, officers and management, the options vested on the date of grant, at an exercise price of C$0.37 per share. These options vested immediately and were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, discount rate 4.33%, expected volatility of 60% and an expected life of five years. The value attributed to these options was $1.8 million and recognized as a share-based payment.

Pursuant to the Equity Incentive Plan, directors, officers and consultants of the Corporation are entitled to receive DSUs as part of their compensation. On September 28, 2023, the Corporation issued 13,800 DSUs to directors and officers. Subject to the terms of thereof, the DSUs vest after one year and each DSU entitles the holder to receive one Common Share at the time the holder ceases to be a director, officer or employee of the Corporation, subject to the terms of the agreement granting the DSUs and the Equity Incentive Plan. The Corporation recognized $28 of share-based compensation expense for the period ended September 30, 2023 (December 31, 2022 - $nil).

The following table provides a summary of the activity related to DSUs during the year:

Issued	**#**	**$**
Balance, December 31, 2022	-	-
Granted	13,800	28
Balance, September 30, 2023	**13,800**	**$28**

18. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated as follows:

Weighted average number of shares – basic:		**For the three months ended September 30, 2023**		**For the nine months ended September 30, 2023**
Issued common shares as at beginning of the period		78,406,275		26,231,511
Net income	$	18,472	$	16,166
Earnings per share - basic and diluted	**$**	**0.24**	**$**	**0.62**

The basic loss per share is computed by dividing the net loss by the weighted average number of Common Shares outstanding during the period.

The diluted loss per share reflects the potential dilution of Common Share equivalents, such as stock options and share purchase warrants, in the weighted average number of Common Shares outstanding during the period, if dilutive. There were no dilutive stock options or share purchase warrants during the nine months ended September 30, 2023 as the exercise price at the date of these condensed interim consolidated financial statements was greater than the stock price of the Common Shares.

19. REVENUE

The following table summarizes revenue, net of royalties, recorded in the statements of income and comprehensive income:

(US dollars in thousands)	**Three months ended September 30, 2023[1]**	**Nine months ended September 30, 2023[1]**
Gas revenue	**5,010**	**5,010**
Oil and condensate revenue	**725**	**725**
Gas royalties	**(1,505)**	**(1,505)**
Oil and condensate royalties	**(198)**	**(198)**
Revenue, net of royalties	**4,032**	**4,032**
Interest and other income	**50**	**50**
Revenue	**4,082**	**4,082**

(1) Results from operations for LEC are included in the Corporation's condensed interim consolidated statements of income and comprehensive income from the closing date of the acquisition on **August 15, 2023** to **September 30, 2023.**

As at September 30, 2023, $nil (September 30, 2022 - $nil) was included in accrued revenue.

20. FINANCE CHARGES

	September 30, 2023	December 31, 2022
Interest expense	**1,129**	-
Unwinding of discount on decommissioning liabilities (note 14)	**46**	-
Total finance charges	**1,175**	-

21. FINANCIAL AND CAPITAL RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board has implemented and monitors compliance with risk management policies. The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Corporation's activities. The Corporation's financial risks are consistent with those discussed in note 4 of the Corporation's consolidated financial statements for the year ended December 31, 2022.

Market Risk

As at September 30, 2023, the Corporation has entered into certain financial derivative contracts in order to manage commodity price and interest rate risk. These instruments are not used for trading or speculative purposes. The Corporation has not designated its financial derivative contracts as effective accounting hedges, even though the Corporation considers all commodity and interest rate contracts to be effective economic hedges. As a result, all such contracts are recorded on the condensed interim consolidated statement of financial position at fair value, with changes in the fair value being recognized as an unrealized gain or loss on the condensed interim consolidated statement of income and comprehensive income.

The following table summarizes certain aspects of the fair value of derivative financial assets and liabilities recorded in the condensed interim consolidated statement of financial position as at September 30, 2023.

(US dollars in thousands)	**Financial asset (current) ($)**	**Financial asset (non-current) ($)**	**Financial liability (current) ($)**	**Financial liability (non-current)**
Condensate swap contracts	-	-	(242)	(1,098)
Interest rate swap contracts	-	-	(78)	-
As at September 30, 2023	**-**	**-**	**(320)**	**(1,098)**

The following table illustrates unrealized gains (losses) recognized in the condensed interim consolidated statement of income and other comprehensive income related to the Corporation's derivative financial instruments.

(US dollars in thousands)	**Three months ended September 30, 2023 ($)**	**Nine months ended September 30, 2023 ($)**
Condensate swap contracts	(1,234)	(1,234)
Interest rate swap contracts	(106)	(106)
Unrealized loss on derivatives	**(1,340)**	**(1,340)**

The following table illustrates realized gains (losses) recognized in the condensed interim consolidated statement of income and other comprehensive income related to the Corporation's derivative financial instruments.

(US dollars in thousands)	**Three months ended September 30, 2023 ($)**	**Nine months ended September 30, 2023 ($)**
Condensate swap contracts	(78)	(78)
Interest rate swap contracts	51	51
Realized loss on derivatives	**(27)**	**(27)**

Commodity Swaps – Condensate

As part of its risk management strategy, since August 15, 2023, the Corporation uses derivative commodity instruments to manage exposure to price volatility by hedging a portion of its oil production. The Corporation's strategy aims to protect part of the estimated monthly production of condensate until December 2028.

The Corporation has the following financial swaps contracts in place as at September 30, 2023:

Condensate financial swaps	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Total**
Mbbl	14.0	50.8	42.8	32.0	20.3	13.0	
Fixed price (USD/bbl) (1)	75.76	75.76	73.24	67.60	67.60	67.60	
Carrying amount – liability	($146)	($430)	($257)	($257)	($106)	($144)	**($1,340)**

(1) The prices reported are the weighted average prices for the period.

As at September 30, 2023, the Corporation has unrealized losses on the condensate swaps based on the movements in the OIL-BRENT-ICE price forecasts for $1,234 (2022 - $nil). As at September 30, 2023 the Corporation has realized losses on the condensate swaps based on the movements in the OIL-BRENT-ICE price for $78 (2022 - $nil). The effective rate for the nine-month period ended September 30, 2023 was 5.36%.

Interest rate swaps

The Corporation has a financial derivative to manage exposure to risks due to the fluctuation of the interest rate expressed in USD-SOFR CME Term. As at September 30, 2023, the Corporation has a swap contract from September 2023 to December 2028 which is settled quarterly.

The Corporation has the following financial rate swaps contracts in place as at September 30, 2023:

(in thousands of United States dollars except per share amounts)

Interest rate financial swaps	2023	2024	2025	2026	2027	2028	Total
Notional amount (MUSD) (1)	68.3	59.7	40.7	21.9	11.4	3.8	
Fixed Rate	4.78%	4.78%	4.78%	4.78%	4.78%	4.78%	
Calculated Days	91	366	365	365	365	364	
Carrying amount – liability	($15)	($12)	($18)	($11)	($8)	($15)	**($78)**

(4) The notional amount reported are the weighted average notional amounts for the period.

As at September 30, 2023, the Corporation has unrealized losses on the interest rate swaps based on the movements in the USD-SOFR CME Term rate forecasts for $106 (2022 - $nil). As at September 30, 2023, the Corporation has realized gain on the oil swaps based on the movements in the USD-SOFR CME term rate for $51 (2022 - $nil).

Fair value

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for assets or liabilities that are not based on observable market data.

The fair values of the Corporation's financial instruments are not materially different from their carrying values due to the short-term maturity nature of the financial instruments and floating rate on long-term debt. Cash is measured using level 1 hierarchy.

Financial Risk

The Corporation's financial instruments are exposed to certain financial risks, which include but are not limited to the following:

Credit risk

Credit risk is the risk that the contracting entity will not fulfill its obligations under a contract when due. The Corporation generally extends unsecured credit to customers who maintain investment grade credit ratings from Moody's or S&P Global Ratings; however, the collection of trade receivables may be affected by changes in economic or other conditions. The majority of the Corporation's customers operate in oil and gas exploration and development, energy marketing or energy transportation industries. They may be exposed to long-term downturns in energy commodity prices, including the price for gas and condensate, or other events impacting these industries. Management believes the risk is mitigated by the size and creditworthiness of the companies to which credit is extended. The Corporation periodically assesses the financial strength of its customers and will adjust its marketing plan to mitigate credit risks as needed. The Corporation's cash balances are held by creditworthy financial institutions.

Historically, the Corporation has not experienced any material credit loss in the collection of trade receivables. The Corporation considers all amounts due over 90 days as past due.

The maximum exposure to credit risk relating to the above classes of financial assets at September 30, 2023, is the carrying amount of these assets.

(in thousands of United States dollars except per share amounts)

Liquidity risk

Liquidity risk is the risk that the Corporation will not have sufficient funds to repay its debts and fulfill its financial obligations.

To manage this risk, the Corporation monitors expenditures against pre-approved budgets to control costs; regularly monitors its operating cash flow, working capital, and bank balances against its business plan; and maintains prudent insurance programs to minimize exposure to insurable losses. Additionally, the long-term nature of the Corporation's debt repayment obligations is aligned with the long-term nature of its assets.

The Corporation forecasts cash requirements to ensure funding is available to settle financial liabilities when they become due. In the normal course of business, the Corporation accesses cash and cash flows from operations to pay current and long-term liabilities. Annual cash inflows from operations are collected based on the production of Gas, oil and condensate revenue and fluctuate in response to production volumes and commodity prices.

The Corporation considers its expected cash flows from financial assets, cash, accounts receivable and the trade and accounts payable in assessing and managing liquidity risk. The Corporation's existing cash resources and accounts receivable are sufficient to cover current cash outflow requirements.

The Corporation balances the operating, investing, and financing of cash through on-going operations of its business. The Corporation is required to manage all cash and borrowings to maintain an adequate ability to cover operational and business needs.

The following table displays the maturities of the Corporation's financial liabilities:

	Total	*Within 1 year*	*2-3 years*	*4-5 years*
Non-derivative financial liabilities:				
Accounts payable and accrued liabilities	**19,357**	19,357	–	–
Tax liabilities	**266**	266	–	–
Long-term debt	**62,680**	11,902	31,875	18,903
Contingent overriding royalty interest	**19,351**	-	19,351	-
Deferred purchase price	**11,334**	8,992	2,342	-
Contingent earnout	**7,036**	-	7,036	-
Net Operating Losses tax benefit obligation	**3,699**	-	3,699	-
	123,723	**40,517**	**64,303**	**18,903**

Liquidity risk is the risk that the Corporation will encounter difficulties in meeting obligations when they become due. The Corporation ensures that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Corporation's holdings of cash. The Corporation's cash is held in corporate bank accounts available on demand. The Corporation's accrued liabilities are due within 90 days of September 30, 2023.

Currency Risk

The Corporation is subject to normal market risks including fluctuations in foreign exchange rates and interest rates. While the Corporation manages its operations in order to minimize exposure to these risks, the Corporation has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure.

The Corporation is not exposed to significant currency risk.

(in thousands of United States dollars except per share amounts)

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation has entered into derivative contracts to mitigate its exposure to interest rate risk.

Price Risk

The Corporation is exposed to price risk with respect to equity prices. Price risk as it relates to the Corporation is defined as the potential adverse impact on the Corporation's ability to raise financing due to movements in individual equity prices or general movements in the level of the stock market. The Corporation closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Corporation. The Corporation is not exposed to significant price risk.

Capital Management

When managing capital, the Corporation's objectives are to maintain a capital structure that optimizes the cost of capital to support operating activities and sustain the development of its business while maintaining compliance with the terms and conditions of financial obligations. The Corporation manages its capital structure and makes adjustments in light of changes in economic conditions, operating risks and working capital requirements. To maintain or adjust its capital structure, the Corporation may issue or buy back shares, change its dividend policy, raise or refinance debt and/or adjust its capital spending to manage its operating and growth objectives. Specifically, the Corporation's capital management objectives are to maintain compliance with the financial covenant ratios associated with the secured credit facility, which are currently met, and to maintain sufficient liquidity to meet all contractual obligations and execute its business plan. To facilitate the management of these objectives, the Corporation utilizes a planning, budgeting and forecasting process to help determine and monitor the funds needed to maintain appropriate liquidity for operational, capital and financial needs.

	September 30, 2023	December 31, 2022
Current assets	**32,348**	2,667
Current liabilities	**(44,012)**	(448)
Net working capital	**(11,664)**	2,219
Shareholders' equity	**58,970**	2,219
Total	**47,306**	4,438

22. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at September 30, 2023, performance guarantees were in place with the Agencia Nacional de Hidrocarburos ("**ANH**") for certain blocks. The guarantees are in the form of issued letters of credit totaling $2,500 (December 31, 2022 - $nil) to support the exploration work commitments in respect of the blocks in Colombia.

The Corporation's exploration commitments as at September 30, 2023, in respect of the Colombia work commitments under E&P contracts, and joint venture farm-in arrangements are estimated to be as follows:

	2023	**2024**	**2025**	**2026-2029**	**Total**
Phase 1 y 2 Unified PEP SSJN-1 Block	-	2,500	-	-	2,500
Exploration Phase 1/2 SSJN-1	-	1,250	-	-	1,250
Exploration Phase 1 VIM 41 Block	-	-	5,066	-	5,066
Total commitments	**-**	**3,750**	**5,066**	**-**	**8,816**

(in thousands of United States dollars except per share amounts)

23. SUPPLEMENTAL CASH FLOW INFORMATION

	September 30, 2023
Receivables	**1,242**
Inventory	**87**
Other assets	**31**
Prepaid expenses	**(266)**
Accounts payable and accrued liabilities	**2,443**
Current tax liabilities	**(128)**
Total	**$ 2,049**
Relating to:	
Operations	**2,049**
Investing	**-**
Total	**$ 2,049**

24. RELATED PARTY TRANSACTIONS

For the nine-month period ended September 30, 2023, the following expenses were incurred with key management personnel of the Corporation. Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers. Key management compensation comprises: (i) the Corporation recorded accrued consulting fees of $50 to the Corporation's Chief Executive Officer; (ii) the Corporation recorded accrued consulting fees of $19 to the Corporation's Chief Financial Officer; (iii) the Corporation recorded accrued consulting fees of $25 to the Corporation's Chief Legal Officer; (iv) the Corporation recorded accrued consulting fees of $22 to the Corporation's Chief Operating Officer; and (v) the Corporation recorded accrued consulting fees of $16 to the Corporation's Vice President of Business Development.

As of September 30, 2023, the Corporation has $44 as payable to directors and officers of the Corporation in the ordinary course of business. Amounts due to related parties are without interest, unsecured and without stated terms of repayment. Transactions with related parties are incurred in the normal course of operations and are initially recorded at fair value.

The Corporation incurred stock-based compensation expense related to directors and officers valued at $1.8 during the period ended September 30, 2023 (September 30, 2022 - $nil).

25. WARRANTS

The Corporation has the following Warrants issued and outstanding:

Warrant Series	**Number Issued/Outstanding**	**Exercise Price (C$)**	**Term**	**Warrant terms**
$0.42 Warrants	13,634	$0.42	3 years	Cash conversion
Brokers Warrants [(1)]	2,075	$0.50	2 years	Automatic conversion at C$1.50[(2)] cashless conversion [(3)]
$0.60 Warrants [(4)]	68,325	$0.60	3 Years	Automatic conversion [(2)] Cashless conversion [(3)]
Total	84,034			

(1) Non-transferrable Common Share purchase warrants issued in connection with the subscription receipt financing that closed on August 4, 2023 with each such broker warrant being exercisable into one (1) Common

Share and one (1) Warrant at any time up to 24 months following the date on which the escrow release conditions pursuant to the subscription receipt financing are satisfied, at a price of C$0.50 per Common Share.

(2) See the Corporation's filing statement dated August 14, 2023 for a description of the terms.

(3) See the Corporation's filing statement dated August 14, 2023 for a description of the terms.

(4) 13,482,000 Warrants issued to LEG pursuant to the Share Purchase Agreement. 10,000,000 Warrants issued to Macquarie and are subject to cash conversion.

The Corporation has warrants subject to a cashless exercise. The existence of the potential settlement option causes the instrument to fail the fixed-for-fixed criteria. Accordingly, the warrants subject to a cashless exercise are classified as a derivative liability.

The warrant derivative liability was valued on the date of issue and at September 30, 2023, using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, discount rate 45%, expected volatility of 40% and an expected life of five years. The fair value of the warrant derivative liability is $4,414.

26. SUBSEQUENT EVENTS

On October 17, 2023, the Corporation through its wholly owned subsidiary, LNG Holdco (the "**Borrower**") entered into a letter of credit facility (the "**LC Facility**") with Macquarie Group in the aggregate principal amount of U.S.$13.3 million in order to fund its work commitment guarantees for its exploration and development blocks in Colombia. LEC (the "**Guarantor**"), a wholly owned subsidiary of the Borrower, has entered into the LC Facility as a guarantor. The LC Facility includes customary representations and warranties, events of default and change of control provisions substantially similar to those set out in the Credit Agreement entered into by the Borrower, Guarantor and Macquarie, including with respect to senior security over the assets of the Borrower and Guarantor. The letters of credit funded by the LC Facility will be used to guarantee work commitments under the Corporation's contracts with the ANH in Colombia.

27. CONTINGENCIES

LEC is involved in claims arising in the normal course of operations. Management is of the opinion that there are no potential claims that would have a material adverse impact on the Company's condensed interim consolidated financial position or results of its condensed interim consolidated operations.