

New Stratus Energy Inc

Corporate Presentation

October 2020



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All figures in US\$ unless otherwise specified.

- **New Stratus Energy Inc. (“NSE”) is an E&P company currently pursuing acquisition opportunities in South America**
 - Targeting Sub-Andean geological basins with both existing production and exploratory potential
 - Aims to grow production to 50,000+ boe/d within 3 to 5 years through acquisitions and organic growth
- **On October 20th, 2020 NSE announced it had entered into a binding Letter of Intent (LOI) to potentially acquire assets in Ecuador from affiliates of Repsol S.A.**
 - Midstream Assets: a 29.7% ownership stake in OCP—the owner and operator of Ecuador’s 2nd largest pipeline
 - Pays dividends of \$57 million to NSE by end of 2023
 - Upstream Assets: 35.0% ownership of the outstanding share capital in Blocks 16 & 67
 - Gross Prod: 17.8 mbb/d / Net Prod: 6.2 mbb/d⁽¹⁾
- **NSE has exploration assets located in Colombia’s Middle Magdalena Basin (VMM-18 Block)**
 - Management estimates an initial drilling program at this location has a NAV of \$23.5 million⁽²⁾
 - Additional prospects + leads can bring VMM-18 NAV to >\$150 million⁽²⁾
 - Phase II evaluation of the asset to be completed by August 2021 with completion of an exploration well

Sub-Andean Basins



Capital Structure⁽³⁾

Basic Capital Structure		
Share Price (Oct 19 Close)	(C\$/sh)	\$0.49
Basic Shares O/S	(mm)	57.8
Market Capitalization	(C\$mm)	\$28.3
Net Debt	(C\$mm)	-\$0.3
Enterprise Value	(C\$mm)	\$28.1

Executive Management



Jose Francisco Arata, Chairman and CEO

- Geology/Engineering background
- >38 years of experience as a top executive in large E&P companies
- Former President, Executive Director at Pacific Rubiales
- Former Founder, President and CEO of Pacific Stratus



Marino Ostos, Executive Director

- Geologist, with a PhD in sciences
- Extensive experience overseeing processes in over 10 different LATAM countries
- Former VP, New Business at Pacific Rubiales



Camilo E. Valencia, Chief Operating Officer

- Petroleum Engineer with >22 years LATAM operations experience
- Has held operational leadership roles in Colombia, Ecuador, Peru, and Mexico
- Significant experience in field development, heavy/light O&G fields. Planning, drilling, project facilities and ops



Mario Miranda, Chief Financial Officer

- President of Finterra Consulting Inc.
- Former CFO of Pacific Stratus Energy, Medoro Resources, Alexandria Minerals among other TSX listed companies
- CPA, CA and MFin with >30 years experience in the Canadian Energy sector

Technical Team

Octavio Urdaneta <i>Production Manager</i>			40+ yrs experience
Alberto Narvaez <i>Operations Manager</i>			40+ yrs experience
Enrique Laya <i>Production Facilities Manager</i>			35+ yrs experience
Nelson Contreras <i>Drilling Manager</i>			35+ yrs experience
Emir Arzola <i>Production Manager</i>			38+ yrs experience
Zulay J. Jimenez <i>Reservoir Manager</i>			30+ yrs experience
Juan F. Arminio <i>Geosciences Manager</i>			35+ yrs experience
Arturo Lara <i>Exploration Manager</i>			35+ yrs experience
Javier Perdomo <i>Finance Manager</i>			25+ yrs experience
Alvaro Atencio <i>Corporate Develop. Manager</i>			10+ yrs experience

Board of Directors

Jose Francisco Arata Chairman and CEO			35+ yrs experience
Marino Ostos Executive Director			35+ yrs experience
William Andres Mauco Director			35+ yrs experience
Krishna Vathyam Director			30+ yrs experience

- Acquisition of the Ecuadorian assets gives management a solid platform to begin executing its consolidation strategy
 - **No Upfront Cost:** a unique purchase arrangement allows NSE to acquire the assets for zero upfront cost
 - **Operator Status:** operatorship of the upstream assets enhances NSE's access to additional consolidation opportunities
 - **Fully Funded Growth:** a low risk development program will be funded within cash flow at current prices



Midstream Assets

A 29.7% participating interest in Oleoducto de Crudos Pesados Ecuador S.A. ("OCP") which owns and operates Ecuador's 2nd largest pipeline

- Provides stable near-term dividend income until 2023 when ownership reverts to the State

Upstream assets generate robust cash flow once partial abandonment/development is completed



Free Cash Flow

Potential uses for free cash:

- Fund additional growth opportunities
- Return to shareholders

Income from the pipeline funds upstream development and partial abandonment efforts in early years of the project



Upstream Assets

A 35.0% W.I. in service contracts for Block 16 and 67 representing 6,200 bbl/d of production⁽¹⁾

- Blocks require near term capital for partial abandonment and new development
- Partial abandonment completed by end of 2022; development completed in 2028
- New production agreement with the Ecuadorian State enhances cash flow beginning in 2023

Monopoly Power

The only pipeline in Ecuador which can move heavy oil

Steady Volume

Fed by mature, low decline fields requiring minimal reinvestment

Stable Cash Flow

Term contracts with steady volume and competitive tariffs

Highlights

- OCP represents a key piece of Ecuador's infrastructure
 - 2nd largest pipeline in the country
 - Transports 30% of Ecuador's crude oil production
 - Completed in 2003 at a total cost of \$1.5B
- In 2019 the OCP transported 190 mbb/d
 - 92% of volumes transported were from Ecuador
- Ownership of the pipeline will revert to the government in Nov 2023
 - OCP is the only privately held pipeline in Ecuador

Operations

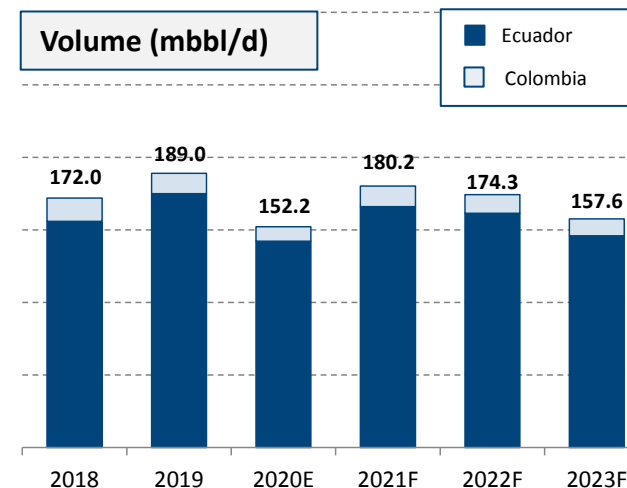
Length	485 kilometers
Diameter	24"/36"
Avg. Oil Quality	19° API
Capacity	450,000 bbl/d
Utilization – 2019	42.2%



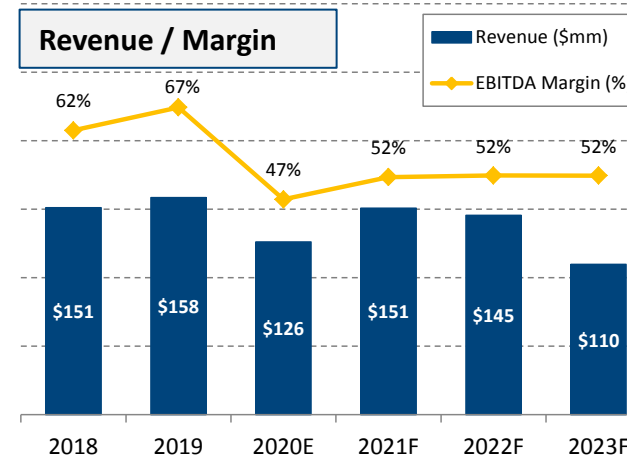
OCP connects the Oriente Basin to the port of Ballao on the Pacific Ocean

Projections

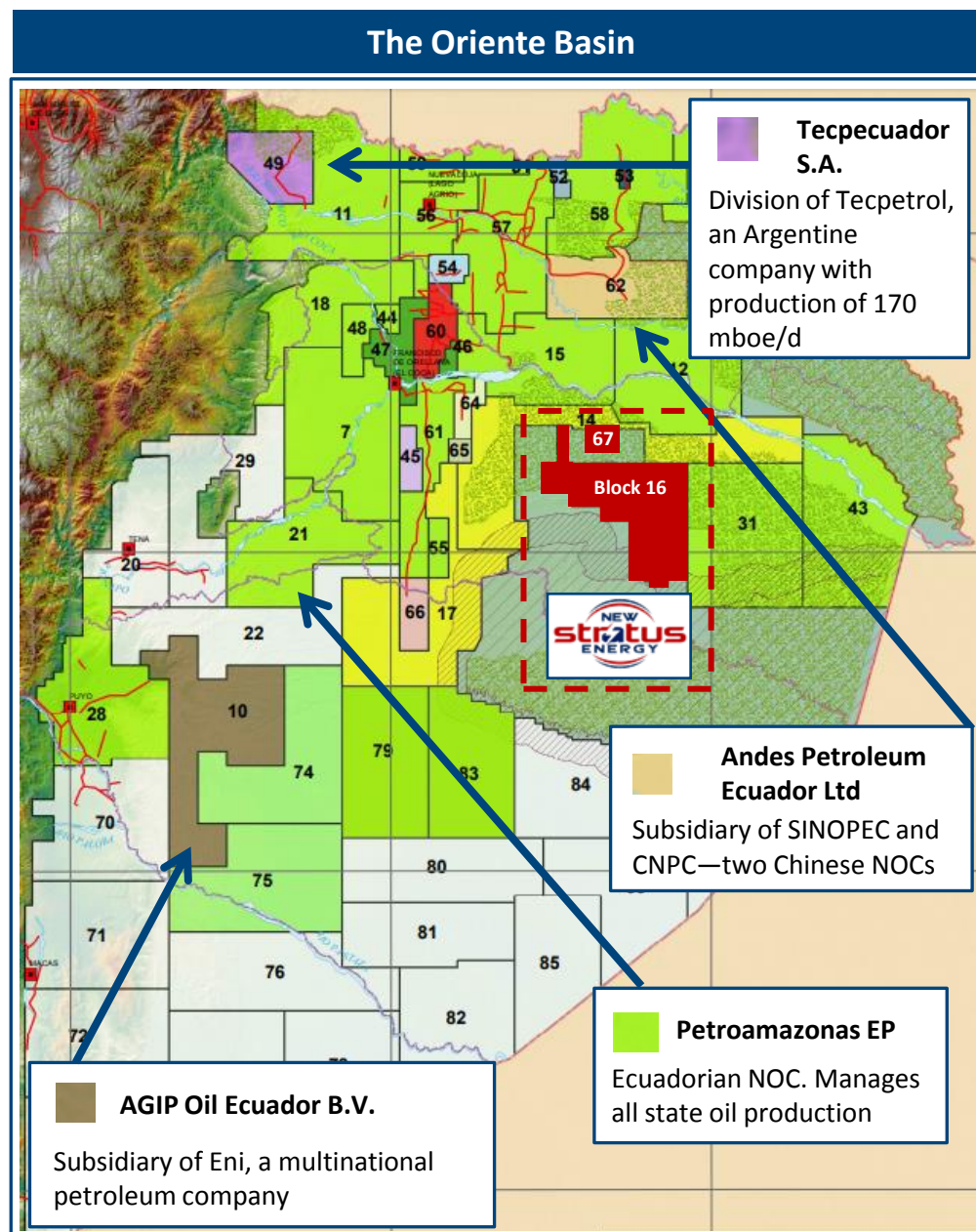
Volume (mbbl/d)



Revenue / Margin

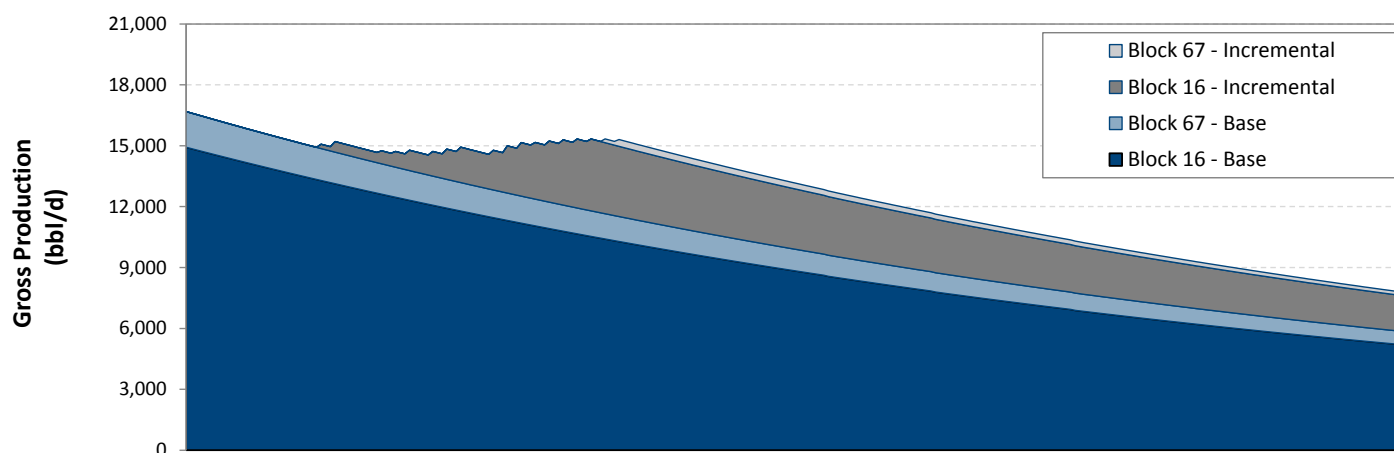


- The upstream Blocks are located in Ecuador’s Orellana Province and target the country’s prolific Oriente Basin
 - The Oriente contains most of Ecuador's commercial oil reserves
 - The Blocks are offset by a number of significant producers actively developing the Basin
- Blocks 16 & 67 produce heavy oil at a rate of 17.8 mbb/d⁽¹⁾
 - The Blocks are comprised of a total of 13 fields
 - Average API of 14°
- A long production history and excellent seismic coverage contribute to substantial knowledge of the area
 - 342 total wells drilled
 - Cumulative production: 362 mmbbl⁽²⁾
- Current service agreements expire in 2022—NSE plans to renegotiate E&P rights with the Ecuadorian state
 - Shift to a PSC-style contract will further enhance NSE profits
 - PSC = “Production Sharing Contract”
 - PSC-style contract is in-line with recent precedents set by the Ecuadorian government



- New Stratus plans to implement a development program to compliment the Blocks' low decline production base and extend the life of the fields
 - The mature production base exhibits an annual rate of decline of less than 5.0%
 - Low risk infill drilling program is funded within cash flow and increases life-time production of the Blocks by 20%

Production Snapshot⁽¹⁾



Production (mmbbl/d)	2021/22	2023 - 2026	2027 - 2030	2031 - 2034	2035 - 2038	2039 - 2042	Total (mmbbl)
Block 16	14.3	13.4	13.4	11.2	9.2	7.6	90.5
Block 67	1.7	1.5	1.4	1.3	1.1	0.9	10.2
Total	15.9	14.8	14.8	12.5	10.3	8.5	100.7
Development	2021/22	2023 - 2026	2027 - 2030	2031 - 2034	2035 - 2038	2039 - 2042	Total
Development Capex (\$mm)	\$0.0	\$65.2	\$36.8	\$0.0	\$0.0	\$0.0	\$101.9
New Drills (# of wells)	0	10	8	0	0	0	18

Transaction Summary

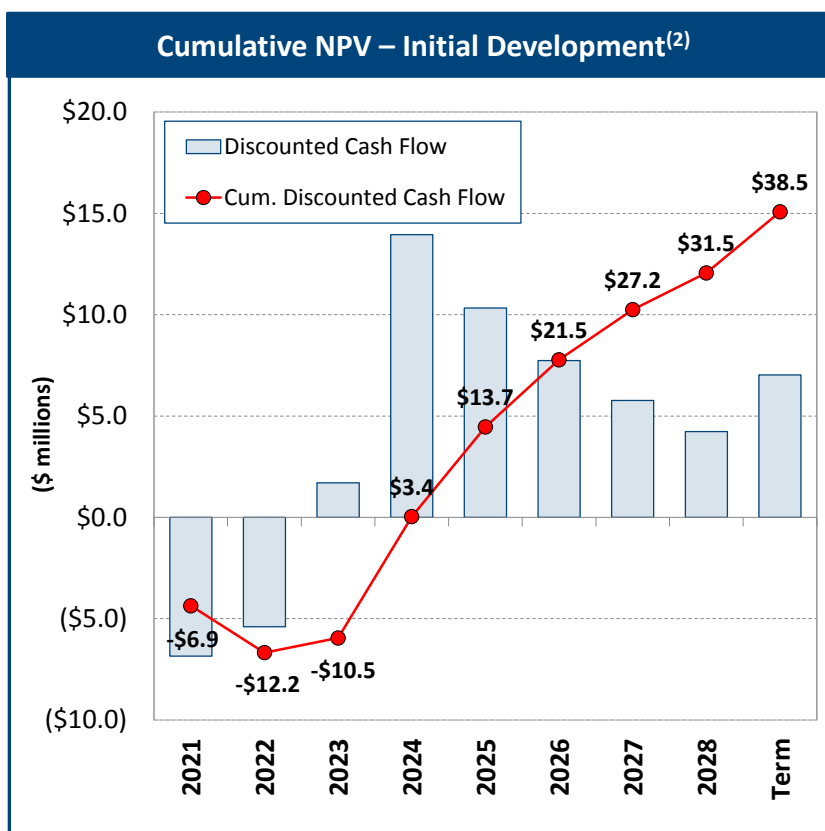
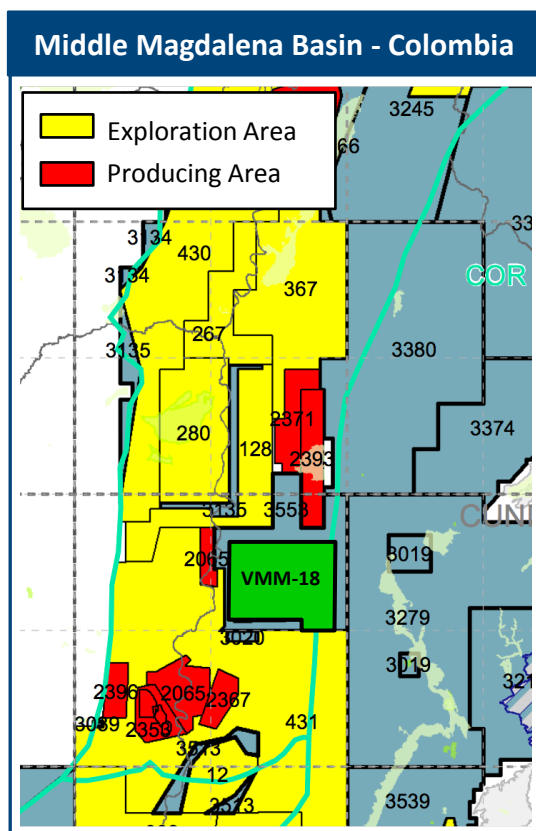
Strictly Private & Confidential

- **The proposed deal structure will see NSE acquire the Ecuadorian assets for a transaction value of \$23.9 million**
 - \$28.2 million equity
 - \$3.5 million net debt
 - \$7.9 million cash
- **Working capital surplus and significant cash on hand leaves the consolidated business well capitalized at close**
- **All cash payments to Repsol are deferred—no upfront capital required**
 - Extension payment: incurred when upstream contracts are renegotiated
 - Midstream Earn Out: NSE pays Repsol 33% of dividends received above \$22.5 million
 - Cash Consideration: paid in two equal installments 12 and 24 months after close
 - Upstream Earn Out: paid out in 2021 and 2022 if Brent rises above \$50/bbl and \$55/bbl, respectively

Transaction Value		
Extension Payment	(\$mm)	\$12.0
Midstream Earn Out	(\$mm)	\$11.2
Cash Consideration	(\$mm)	\$5.0
Upstream Earn Out	(\$mm)	\$0.0
Equity Consideration	(\$mm)	\$28.2
W.C. Surplus / (Deficit)	(\$mm)	\$1.2
Term Debt	(\$mm)	\$4.8
Net Debt	(\$mm)	\$3.5
Cash	(\$mm)	\$7.9
Transaction Value	(\$mm)	\$23.9

Transaction Metrics		
Transaction Value	(\$mm)	\$23.9
2021E Cash Flow	(\$mm)	\$18.2
TV / Cash Flow	(x)	1.3x

- Block VMM-18 is located in the established Middle Magdalena Basin—Colombia’s most explored conventional basin
 - Management plans to build on appraisal work already completed by drilling an exploration well in 2021
- Huge prospective resource and robust economics imply a significant step change in NSE’s valuation if exploration is successful
 - Drill-ready prospects have breakeven economics at ~\$25/bbl Brent
 - An initial 12-well development program yields NAV of \$23.5 million⁽¹⁾
 - Development of additional prospects and leads gives New Stratus line of site to NAV of >\$150 million⁽¹⁾



Highlights

Development Plan		
New Drills	(#)	12
Total Capex	(\$mm)	\$42.7
Production ⁽¹⁾	(mmbbl)	6.8

Financial Metrics		
IRR	(%)	57.5%
PIR	(x)	1.2x

Net Asset Value (NAV)		
NPV	(\$mm)	\$38.5
Debt	(\$mm)	\$15.0
NAV	(\$mm)	\$23.5

9 Notes
 (1) Based on internal management estimates
 (2) Assumes Brent strip as of October 16th, 2020
 2021: \$44.56 / 2022: \$46.30 / 2023: \$47.66 / 2024+: \$50.00



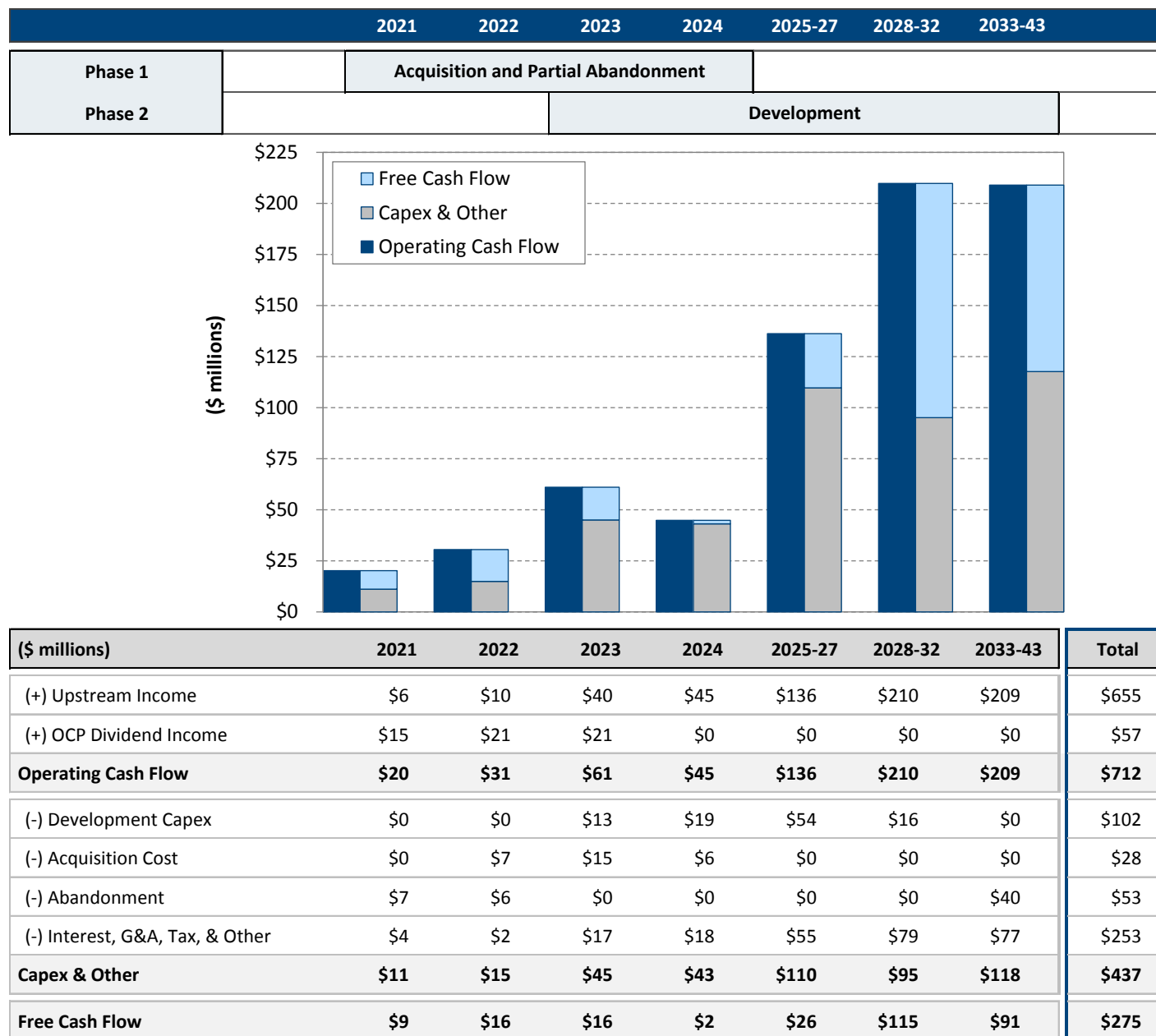
Phase 1: Acquisition and Partial Abandonment

- Acquire assets for deferred considerations worth \$28mm
- Meet partial abandonment obligations worth \$13mm
- Stable income from the pipeline backstops near-term outlays

Phase 2: Development

- 18-well development program
- Mitigates production declines and extends life of the fields
- Infill drilling program is to be executed within cash flow

Program produces \$275 million in Free Cash Flow to New Stratus



Equity Valuation (Discount Rate = 10.0%)⁽⁵⁾

		USD	CAD ⁽¹⁾
(+) Ecuador Assets	(\$mm)	\$88.3	\$117.8
(+) VMM-18	(\$mm)	\$23.5	\$31.3
Equity Value	(\$mm)	\$111.8	\$149.1
Basic Shares O/S	(mm)	57.8	57.8
Share Value - Basic	(\$/sh)	\$1.93	\$2.58
Share Value - F.D.⁽²⁾	(\$/sh)	\$1.28	\$1.71

Share Value – Basic (C\$/sh)

		Discount Rate (%)				
		0.0%	5.0%	10.0%	15.0%	20.0%
Brent Price (\$/bbl)	Strip	\$6.52	\$4.02	\$2.58	\$1.70	\$1.13
	\$50	\$6.79	\$4.25	\$2.79	\$1.89	\$1.30
	\$55	\$10.14	\$6.38	\$4.25	\$2.96	\$2.12
	\$60	\$13.42	\$8.46	\$5.68	\$4.00	\$2.92
	\$65	\$16.63	\$10.49	\$7.08	\$5.03	\$3.70

Highlights

- **Base Case valuation of C\$2.58/sh represents a 427% premium over the October 19th close**
 - Ecuador assets have a risked value of \$88.3mm⁽³⁾
 - Exploration assets at VMM-18 have a NAV of \$23.5 million⁽⁴⁾

Additional Upside

- An increase in Brent prices will provide significant upside to the base case valuation
- Potential to achieve a NAV of >\$150mm⁽⁴⁾ at VMM-18 through exploration upside and price improvement
- Potential for additional accretive acquisitions within the Sub-Andean Basins

**Close @ Oct 19, 2020:
C\$0.49/sh**

427% ROI

**Share Value - Basic:
C\$2.58/sh**

Management

Jose Francisco Arata

Chairman & CEO

Marino Ostos

Executive Director

Camilo E. Valencia

Chief Operating Officer

Mario Miranda

Chief Financial Officer

Directors

Jose Francisco Arata

Marino Ostos

William Andres Mauco

Krishna Vathyam

TSX Venture Listing

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Laurentian Bank Securities Inc.

Horizon Capital Management Inc.