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## DELTA REPORT

10-Q

HUSA - HOUSTON AMERICAN ENERGY C

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

**TOTAL DELTAS 375**

█ CHANGES 179

█ DELETIONS 94

█ ADDITIONS 102

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended ~~June~~ September 30, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number 1-32955

**HOUSTON AMERICAN ENERGY CORP.**

(Exact name of registrant as specified in its charter)

Delaware	76-0675953
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
801 Travis Street, Suite 1425, Houston, Texas 77002	
(Address of principal executive offices)(Zip Code)	
(713) 222-6966	
(Registrant's telephone number, including area code)	
(Former name, former address and former fiscal year, if changed since last report)	

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value per share	HUSA	NYSE American

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>
Smaller reporting company	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of **August 14, 2023** **November 14, 2023**, we had 10,906,353 shares of \$0.001 par value common stock outstanding.

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HOUSTON AMERICAN ENERGY CORP.

FORM 10-Q

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PART I - FINANCIAL INFORMATION

ITEM 1 Financial Statements

HOUSTON AMERICAN ENERGY CORP.  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	June 30, 2023	December 31, 2022		
	(Unaudited)			
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 5,532,834	\$ 4,547,210		
Accounts receivable – oil and gas sales	278,546	164,575		
Prepaid expenses and other current assets	181,506	84,544		
<b>TOTAL CURRENT ASSETS</b>	<b>5,992,886</b>	<b>4,796,329</b>		
<b>PROPERTY AND EQUIPMENT</b>				
Oil and gas properties, full cost method				
Costs subject to amortization	62,774,064	62,786,267		
Costs not being amortized	2,343,126	2,343,126		
Office equipment	90,004	90,004		
Total	65,207,194	65,219,397		
Accumulated depletion, depreciation, amortization, and impairment	(60,693,947)	(60,602,051)		
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>4,513,247</b>	<b>4,617,346</b>		
Equity investment – Hupecol Meta LLC	2,584,086	2,102,139		
Right of use asset	179,366	212,202		
Other assets	3,167	3,167		
<b>TOTAL ASSETS</b>	<b>\$ 13,272,752</b>	<b>\$ 11,731,183</b>		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 79,678	\$ 113,741		
Accrued expenses	17,354	16,035		
Current portion of lease liability	70,183	65,385		
<b>TOTAL CURRENT LIABILITIES</b>	<b>167,215</b>	<b>195,161</b>		
<b>LONG-TERM LIABILITIES</b>				
Lease liability, net of current portion	109,967	146,359		
Reserve for plugging and abandonment costs	60,587	72,789		
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>170,554</b>	<b>219,148</b>		
<b>TOTAL LIABILITIES</b>	<b>337,769</b>	<b>414,309</b>		
<b>COMMITMENTS AND CONTINGENCIES</b>				
<b>SHAREHOLDERS' EQUITY</b>				
Common stock, par value \$0.001; 12,000,000 shares authorized 10,906,353 and 10,327,646 shares issued and outstanding, respectively	10,907	10,328		
Additional paid-in capital	86,908,002	85,094,266		
Accumulated deficit	(73,983,926)	(73,787,720)		
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>12,934,983</b>	<b>11,316,874</b>		
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 13,272,752</b>	<b>\$ 11,731,183</b>		
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 4,456,158	\$ 4,547,210		
Accounts receivable – oil and gas sales	350,764	164,575		
Prepaid expenses and other current assets	101,845	84,544		
<b>TOTAL CURRENT ASSETS</b>	<b>4,908,767</b>	<b>4,796,329</b>		

<b>PROPERTY AND EQUIPMENT</b>			
Oil and gas properties, full cost method		62,775,441	62,786,267
Costs subject to amortization		2,343,126	2,343,126
Costs not being amortized		90,004	90,004
Office equipment		65,208,571	65,219,397
Total		(60,717,696)	(60,602,051)
Accumulated depletion, depreciation, amortization, and impairment		4,490,875	4,617,346
<b>PROPERTY AND EQUIPMENT, NET</b>			
Equity investment – Hupecol Meta LLC		4,390,467	2,102,139
Right of use asset		162,444	212,202
Other assets		3,167	3,167
<b>TOTAL ASSETS</b>		\$ 13,955,720	\$ 11,731,183
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 504,024	\$ 113,741	
Accrued expenses	17,083	16,035	
Current portion of lease liability	72,691	65,385	
<b>TOTAL CURRENT LIABILITIES</b>		\$ 593,798	\$ 195,161
<b>LONG-TERM LIABILITIES</b>			
Lease liability, net of current portion	90,940	146,359	
Reserve for plugging and abandonment costs	61,964	72,789	
<b>TOTAL LONG-TERM LIABILITIES</b>		\$ 152,904	\$ 219,148
<b>TOTAL LIABILITIES</b>		\$ 746,702	\$ 414,309
<b>COMMITMENTS AND CONTINGENCIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Common stock, par value \$0.001; 12,000,000 shares authorized 10,906,353 and 10,327,646 shares issued and outstanding, respectively	10,907	10,328	
Additional paid-in capital	86,958,669	85,094,266	
Accumulated deficit	(73,760,558)	(73,787,720)	
<b>TOTAL SHAREHOLDERS' EQUITY</b>		\$ 13,209,018	\$ 11,316,874
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		\$ 13,955,720	\$ 11,731,183

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

HOUSTON AMERICAN ENERGY CORP.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE THREE AND **SIX NINE** MONTHS ENDED **JUNE** **SEPTEMBER** 30, 2023 AND 2022  
(Unaudited)

	2023		2022		2023		2022		2023		2022	
	Six Months Ended June 30, 2023		2022		Three Months Ended June 30, 2023		2022		Three Months Ended September 30, 2023		2022	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
OIL AND GAS REVENUE	\$ 434,414	\$ 886,809	\$ 204,390	\$ 462,989	\$ 112,994	\$ 427,256	\$ 547,408	\$ 1,314,065				
EXPENSES OF OPERATIONS												
Lease operating expense and severance tax	215,400	311,757	101,714	150,485	128,918	184,488	344,318	496,245				
General and administrative expense	1,046,434	628,996	716,615	258,896	363,011	594,081	1,409,445	1,223,077				
Depreciation and depletion	91,896	109,740	44,941	51,501	23,749	50,755	115,645	160,495				
<b>Total operating expenses</b>	<b>1,353,730</b>	<b>1,050,493</b>	<b>863,270</b>	<b>460,882</b>	<b>515,678</b>	<b>829,324</b>	<b>1,869,408</b>	<b>1,879,817</b>				
<b>Total operating expense</b>												
Income (loss) from operations	(919,316)	(163,684)	(658,880)	2,107								
<b>Loss from operations</b>					<b>(402,684)</b>	<b>(402,068)</b>	<b>(1,322,000)</b>	<b>(565,752)</b>				
OTHER INCOME												
Interest income	74,635	2,489	44,135	2,258	39,426	10,788	114,061	13,277				
Other income	648,475	—	314,364	—	586,626	—	1,235,101	—				
<b>Total other income</b>	<b>723,110</b>	<b>2,489</b>	<b>358,499</b>	<b>2,258</b>	<b>626,052</b>	<b>10,788</b>	<b>1,349,162</b>	<b>13,277</b>				
Net income (loss) before taxes	(196,206)	(161,195)	(300,381)	4,365	223,368	(391,280)	27,162	(552,475)				
Income tax expense	—	—	—	—	—	—	—	—				
<b>Net income (loss)</b>	<b>\$ (196,206)</b>	<b>\$ (161,195)</b>	<b>\$ (300,381)</b>	<b>\$ 4,365</b>	<b>\$ 223,368</b>	<b>\$ (391,280)</b>	<b>\$ 27,162</b>	<b>\$ (552,475)</b>				
Basic income (loss) per common share	\$ (0.02)	\$ (0.02)	\$ (0.03)	\$ 0.00	\$ 0.02	\$ (0.04)	\$ 0.00	\$ (0.06)				
Diluted income (loss) per common share					\$ 0.02	\$ (0.04)	\$ 0.00	\$ (0.06)				
Basic weighted average number of common shares outstanding	10,659,076	9,923,338	10,896,996	9,923,338	10,906,353	9,928,338	10,742,407	9,928,338				
Diluted weighted average number of common shares outstanding					10,949,956	10,379,291	10,946,991	9,928,338				

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

HOUSTON AMERICAN ENERGY CORP.  
 CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
 FOR THE THREE AND **SIX NINE** MONTHS ENDED **JUNE SEPTEMBER** 30, 2023 AND 2022  
 (Unaudited)

	Shares					Amount					Capital			Deficit		Total		Shares					Amount					Capital			Deficit		Total	
	Common Stock		Additional			Common Stock		Additional			Common Stock	Paid-in	Accumulated			Shares	Common Stock	Paid-in	Accumulated	Shares	Capital													
	Shares	Amount	Capital	Deficit	Total	Shares	Amount	Capital	Deficit	Total	Shares	Amount	Capital	Deficit	Total	Shares	Amount	Capital	Deficit	Total	Shares	Amount	Capital	Deficit	Total	Shares	Amount	Capital						
Balance - December 31, 2022	10,327,646	\$ 10,328	\$ 85,094,266	\$ (73,787,720)	\$ 11,316,874						10,327,646	\$ 10,328	\$ 85,094,266	\$ (73,787,720)	\$ 11,316,874																			
Stock-based compensation	—	—	84,445	—	84,445						—	—	84,445	—	84,445																			
Issuance of common stock	294,872	295	901,205	—	901,500						294,872	295	901,205	—	901,500																			
Net income	—	—	—	104,175	104,175						—	—	—	—	—																			
Balance - March 31, 2023	10,622,518	10,623	86,079,916	(73,683,545)	12,406,994						10,662,518	10,623	86,079,916	(73,683,545)	12,406,994																			
Stock-based compensation	—	—	77,870	—	77,870						—	—	77,870	—	77,870																			
Issuance of common stock	283,835	284	750,216	—	750,500						283,835	284	750,216	—	750,500																			
Net loss	—	—	—	(300,381)	(300,381)						—	—	—	—	—																			
Balance - June 30, 2023	10,906,353	\$ 10,907	\$ 86,908,002	\$ (73,983,926)	\$ 12,934,983						10,906,353	10,907	86,908,002	(73,983,926)	12,934,983																			
Stock-based compensation	—	—	—	—	50,667						—	—	50,667	—	50,667																			
Net income	—	—	—	—	223,368						—	—	223,368	—	223,368																			
Balance - September 30, 2023	10,906,353	\$ 10,907	\$ 86,958,669	\$ (73,760,558)	\$ 13,209,443						10,906,353	\$ 10,907	\$ 86,958,669	\$ (73,760,558)	\$ 13,209,443																			
Balance - December 31, 2021	9,928,338	\$ 9,928	\$ 83,345,456	\$ (73,043,441)	\$ 10,311,943						9,928,338	\$ 9,928	\$ 83,345,456	\$ (73,043,441)	\$ 10,311,943																			
Stock-based compensation	—	—	85,485	—	85,485						—	—	85,485	—	85,485																			
Net loss	—	—	—	(165,560)	(165,560)						—	—	—	—	—																			

Balance – March 31, 2022	9,928,338	9,928	83,430,941	(73,209,001)	10,231,868	9,928,338	9,928	83,430,941	(73,209,001)	10,231,868
Balance, value	9,928,338	9,928	83,430,941	(73,209,001)	10,231,868					
Stock-based compensation	—	—	25,520	—	25,520	—	—	25,520	—	25,520
Net income	—	—	—	4,365	4,365	—	—	—	4,365	4,365
Balance – June 30, 2022						9,928,338	9,928	83,456,461	(73,204,636)	10,261,75
Balance						9,928,338	9,928	83,456,461	(73,204,636)	10,261,75
Stock-based compensation						—	—	95,205	—	95,205
Net loss						—	—	—	(391,280)	(391,280)
Net income (loss)	—	—	—	4,365	4,365	—	—	—	(391,280)	(391,280)
Balance – June 30, 2022	9,928,338	\$ 9,928	\$ 83,456,461	\$ (73,204,636)	\$ 10,261,753					
Balance, value	9,928,338	\$ 9,928	\$ 83,456,461	\$ (73,204,636)	\$ 10,261,753					
Balance – September 30, 2022						9,928,338	\$ 9,928	\$ 83,551,666	\$ (73,595,916)	\$ 9,965,67
Balance						9,928,338	\$ 9,928	\$ 83,551,666	\$ (73,595,916)	\$ 9,965,67

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

HOUSTON AMERICAN ENERGY CORP.  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 FOR THE SIX NINE MONTHS ENDED JUNE SEPTEMBER 30, 2023 AND 2022  
 (Unaudited)

	For the Nine Months Ended September 30,	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 27,162	\$ (552,475)
Adjustments to reconcile net income (loss) to net cash used in operations:		
Depreciation and depletion	115,645	160,495
Accretion of asset retirement obligation	2,336	3,697
Stock-based compensation	212,982	206,210
Amortization of right of use asset	49,758	45,237
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	125,355	(3,870)
Increase in accrued earning distributions from Hupecol Meta LLC	(311,544)	—
Increase in prepaid expenses and other current assets	(34,659)	(21,997)
Increase in accounts payable and accrued expenses	72,541	1,939)
Decrease in operating lease liability	<u>(48,113)</u>	<u>(42,136)</u>
Net cash provided by (used in) operating activities	<u>211,463</u>	<u>(202,900)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for the acquisition and development of oil and gas properties	—	(14,160)
Payments for capital contribution for equity investment	<u>(1,954,515)</u>	<u>(781,155)</u>
Net cash used in investing activities	<u>(1,954,515)</u>	<u>(795,315)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of common stock for cash, net of offering costs	<u>1,652,000</u>	<u>—</u>
Net cash provided by financing activities	<u>1,652,000</u>	<u>—</u>
Decrease in cash	(91,052)	(988,215)
Cash, beginning of period	4,547,210	4,894,578
Cash, end of period	<u>\$ 4,456,158</u>	<u>\$ 3,896,362</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	\$ —	\$ —
Taxes paid	\$ —	\$ —
<b>SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Changes in estimate of asset retirement obligations, net	\$ 10,826	\$ —
Changes in accrued equity investment contributions and distributions	\$ 333,813	\$ —
<b>For the Six Months Ended June 30,</b>		
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (196,206)	\$ (161,195)
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation and depletion	91,896	109,740
Accretion of asset retirement obligation	2,678	3,697
Stock-based compensation	162,315	111,005
Amortization of right of use asset	32,836	30,169
Earnings distribution from Hupecol Meta LLC	(648,475)	—
Changes in operating assets and liabilities:		
Increase in accounts receivable	(113,971)	(52,164)

Increase in prepaid expenses and other current assets	534,155	(14,467)
Decrease in accounts payable and accrued expenses	(51,101)	(24,552)
Decrease in operating lease liability	(31,594)	(31,594)
Net cash used in operating activities	(217,467)	(29,361)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for the acquisition and development of oil and gas properties	—	(14,162)
Payments for capital contribution for equity investment	(448,909)	(248,282)
Net cash used in investing activities	(448,909)	(262,444)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of common stock for cash, net of offering costs	1,652,000	—
Net cash provided by financing activities	1,652,000	—
Increase (decrease) in cash	985,624	(291,805)
Cash, beginning of period	4,547,210	4,894,577
Cash, end of period	\$ 5,532,834	\$ 4,602,772
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	\$ —	\$ —
Taxes paid	\$ —	\$ —
<b>SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Changes in estimate of asset retirement obligations, net	\$ 1,259	\$ —
Changes in accrued equity investment contributions and distributions	\$ 33,038	\$ —

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

**HOUSTON AMERICAN ENERGY CORP.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**NOTE 1 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

The accompanying unaudited consolidated financial statements of Houston American Energy Corp., a Delaware corporation (the "Company"), have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q. They do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for a complete financial presentation. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation, have been included in the accompanying unaudited consolidated financial statements. Operating results for the periods presented are not necessarily indicative of the results that may be expected for the full year.

These unaudited consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and footnotes, which are included as part of the Company's Form 10-K for the year ended December 31, 2022.

*Consolidation*

The accompanying consolidated financial statements include all accounts of the Company and its subsidiaries (HAEC Louisiana E&P, Inc., HAEC Oklahoma E&P, Inc., and HAEC Caddo Lake E&P, Inc.). All significant inter-company balances and transactions have been eliminated in consolidation.

*Liquidity and Capital Requirements*

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business for the twelve-month period following the issuance date of these consolidated financial statements. With limited exceptions, the Company has incurred continuing losses since 2011, with an accumulated deficit of \$74million as of **June 30, 2023** **September 30, 2023**.

The Company believes that it has the ability to fund, from cash on hand, its operating costs and anticipated drilling operations for at least the next twelve months following the issuance of these financial statements.

The actual timing and number of wells drilled during 2023 and beyond will be principally controlled by the operators of the Company's acreage, based on a number of factors, including but not limited to availability of financing, performance of existing wells on the subject acreage, energy prices and industry condition and outlook, costs of drilling and completion services and equipment and other factors beyond the Company's control or that of its operators.

In the event that the Company pursues additional acreage acquisitions or expands its drilling plans, the Company may be required to secure additional funding beyond our resources on hand. While the Company may, among other efforts, seek additional funding from "at-the-market" sales of common stock, and private sales of equity and debt securities, it presently does not have any commitments to provide additional funding, has limited shares of common stock available to support capital raising efforts and there can be no assurance that the Company can secure the necessary capital to fund its share of drilling, acquisition or other costs on acceptable terms or at all. If, for any reason, the Company is unable to fund its share of drilling and completion costs, it would forego participation in one or more of such wells. In such event, the Company may be subject to penalties or to the possible loss of some of its rights and interests in prospects with respect to which it fails to satisfy funding obligations and it may be required to curtail operations and forego opportunities.

*Accounting Principles and Use of Estimates*

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. In preparing financial statements, management makes informed judgments and estimates that affect the reported amounts of assets and liabilities as of the date of the financial statements and affect the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management reviews its estimates, including those related to such potential matters as litigation, environmental liabilities, income taxes and the related valuation allowance, determination of proved reserves of oil and gas and asset retirement obligations. Changes in facts and circumstances may result in revised estimates and actual results may differ from these estimates.

#### Concentration of Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk include cash, cash equivalents (if any) and any marketable securities (if any). The Company had cash deposits of \$5,142 million in excess of the FDIC's current insured limit on interest bearing accounts of \$250,000 as of June 30, 2023 September 30, 2023. The Company also had cash deposits of \$5,500,388 in Colombian banks at June 30, 2023 September 30, 2023 that are not insured by the FDIC. The Company has not experienced any losses on its deposits of cash and cash equivalents.

#### Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted in common shares that then shared in the earnings of the Company. In periods in which the Company reports a net loss, dilutive securities are excluded from the calculation of diluted net loss per share amounts as the effect would be anti-dilutive.

#### Recently Issued Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses of Financial Instruments*, which was codified in Accounting Standards Codification ("ASC") 326, *Financial Instruments — Credit Losses* ("ASC 326"). The standard changes the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded. Because the Company is a smaller reporting company based on the most recent determination as of November 15, 2019, ASC 326 became effective for the Company for fiscal years beginning after December 15, 2022. As such, the Company adopted ASC 326 effective January 1, 2023, utilizing the modified retrospective transition method. Upon adoption, the Company updated its impairment model to utilize a forward-looking current expected credit losses ("CECL") model in place of the incurred loss methodology for financial instruments measured at amortized cost, primarily including its accounts receivable and contract asset. In relation to available-for-sale ("AFS") debt securities, the guidance eliminates the concept of "other-than-temporary" impairment, and instead focuses on determining whether any impairment is a result of a credit loss or other factors. The adoption of ASC 326 did not have a material impact on our unaudited condensed consolidated financial statements as of the adoption date.

#### Subsequent Events

The Company has evaluated all transactions from September 30, 2023 through the financial statement issuance date for subsequent event disclosure consideration.

#### NOTE 2 – REVENUE FROM CONTRACTS WITH CUSTOMERS

##### Disaggregation of Revenue from Contracts with Customers

The following table disaggregates revenue by significant product type for the three and six-month nine-month periods ended June 30, 2023 September 30, 2023 and 2022:

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Oil sales	\$ 150,767	\$ 263,427	\$ 313,049	\$ 542,905	\$ 95,506	\$ 245,714	\$ 408,555	\$ 788,619
Natural gas sales	16,963	119,824	41,874	191,206	11,544	119,644	53,418	310,850
Natural gas liquids sales	36,660	79,738	79,491	152,698	5,944	61,898	85,435	214,596
Total revenue from customers	\$ 204,390	\$ 462,989	\$ 434,414	\$ 886,809	\$ 112,994	\$ 427,256	\$ 547,408	\$ 1,314,065

There were no significant contract liabilities or transaction price allocations to any remaining performance obligations as of June 30, 2023 September 30, 2023 or 2022.

### NOTE 3 – OIL AND GAS PROPERTIES

During the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, the Company incurred costs attributable to final expenses related to the plugging and abandonment of the Lou Brock well.

During the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**, the Company recorded depletion expense of **\$44,941** **23,749** and **\$79,640** **115,645**, respectively. During the three and **six** **nine** months ended **June 30, 2022** **September 30, 2022**, the Company recorded depletion expense of **\$91,896** **50,755** and **\$109,740** **160,495**, respectively.

#### Geographical Information

The Company currently has properties in two geographical areas, the United States and Colombia. Revenues for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and long lived assets (net of depletion, amortization, and impairments) as of **June 30, 2023** **September 30, 2023** attributable to each geographical area are presented below:

	<b>Six Months Ended June 30, 2023</b>	<b>As of June 30, 2023</b>	<b>Nine Months Ended September 30, 2023</b>	
			<b>Revenues</b>	<b>Long Lived Assets, Net</b>
			<b>Revenues</b>	<b>Long Lived Assets, Net</b>
United States	\$ 434,414	\$ 2,170,121	\$ 547,408	\$ 2,147,749
Colombia	—	2,343,126	—	2,343,126
Total	\$ 434,414	\$ 4,513,247	\$ 547,408	\$ 4,490,875

Revenues and long-lived assets attributable to the Company's investments in Hupecol Meta LLC ("Hupecol Meta"), and its underlying assets and operations in Colombia, are excluded from the above table.

### NOTE 4 – EQUITY INVESTMENT

The Company's carrying value of its the Company's holdings in Hupecol Meta is reflected in the line item "equity investment – Hupecol Meta LLC" on the Company's Consolidated Balance Sheet.

During the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, the Company made capital contributions totaling **\$481,947** **2,288,328**, to Hupecol Meta to cover its share of required capital contributions. During the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, the Company received distributions, totaling **\$648,475** **1,235,101**, from Hupecol Meta representing the Company's share of distributable net profits.

### NOTE 5 – STOCK-BASED COMPENSATION EXPENSE

In 2008, the Company adopted the Houston American Energy Corp. 2008 Equity Incentive Plan (the "2008 Plan"). The terms of the 2008 Plan, as amended in 2012 and 2013, allow for the issuance of up to 480,000 shares of the Company's common stock pursuant to the grant of stock options and restricted stock.

In 2017, the Company adopted the Houston American Energy Corp. 2017 Equity Incentive Plan (the "2017 Plan"). The terms of the 2017 Plan, allow for the issuance of up to 400,000 shares of the Company's common stock pursuant to the grant of stock options and restricted stock.

In 2021, the Company adopted the Houston American Energy 2021 Equity Incentive Plan (the "2021 Plan" and, together with the 2008 Plan and the 2017 Plan, the "Plans"). The terms of the 2021 Plan allow for the issuance of up to 500,000 shares of the Company's common stock pursuant to the grant of stock options and restricted stock.

Persons eligible to participate in the Plans are key employees, consultants and directors of the Company.

The Company periodically grants options to employees, directors and consultants under the Plans and is required to make estimates of the fair value of the related instruments and recognize expense over the period benefited, usually the vesting period.

#### Stock Option Activity

A summary of stock option activity and related information for the **six nine** months ended **June 30, 2023** **September 30, 2023** is presented below:

	<b>Options</b>	<b>Weighted-Average Exercise Price</b>		<b>Aggregate Intrinsic Value</b>		<b>Options</b>	<b>Weighted-Average Exercise Price</b>		<b>Aggregate Intrinsic Value</b>
		<b>Options</b>	<b>Average Exercise Price</b>	<b>Options</b>	<b>Average Exercise Price</b>		<b>Options</b>	<b>Average Exercise Price</b>	
Outstanding at January 1, 2023	944,177	\$ 2.08				944,177	\$ 2.08		
Granted	60,000	2.09				60,000	2.09		
Exercised	—	—				—	—		
Forfeited	—	—				—	—		
Outstanding at June 30, 2023	<u>1,004,177</u>	\$ 2.45	\$ 286,160						
Exercisable at June 30, 2023	<u>958,851</u>	\$ 2.46	\$ 284,240						
Expired						(3,370)	3.85		
Outstanding at September 30, 2023						1,000,807	\$ 2.46	\$ 190,520	
Exercisable at September 30, 2023						955,481	\$ 2.47	\$ 190,520	

During the **six nine** months ended **June 30, 2023** **September 30, 2023**, options to purchase an aggregate of 60,000 shares of the Company's common stock were granted to the Company's directors. The options have a ten-year life, are exercisable at \$2.09 per share, vest 20% on the date of grant and 80% nine months from the date of grant. The grant date fair value of these stock options was \$119,252 based on the Black-Scholes Option Pricing model based on the following assumptions: market value of common stock on grant date – \$2.13; risk free interest rate based on the applicable US Treasury bill rate – 0%; dividend yield – 0%; volatility factor based on the trading history of the Company – 116%; weighted average expected life in years – 10; and expected forfeiture rate – 0%.

During the three and **six nine** months ended **June 30, 2023** **September 30, 2023**, the Company recognized \$77,870 **50,667** and \$162,315 **212,982**, respectively, of stock-based compensation expense attributable to the amortization of stock options. As of **June 30, 2023** **September 30, 2023**, total unrecognized stock-based compensation expense related to non-vested stock options was approximately \$119,253 **75,990**. The unrecognized expense is expected to be recognized over a weighted average period of **2.23** 0.5 years and the weighted average remaining contractual term of the outstanding options and exercisable options at **June 30, 2023** **September 30, 2023** is **5.78** 6.15 years and **6.13** 5.95 years, respectively.

As of **June 30, 2023** **September 30, 2023**, there were 181,333 shares of common stock available for issuance pursuant to future stock or option grants under the Plans.

#### Stock-Based Compensation Expense

The following table reflects total stock-based compensation recorded by the Company for the **six nine** months ended **June 30, 2023** **September 30, 2023** and 2022:

	<b>2023</b>		<b>2022</b>		<b>2023</b>		<b>2022</b>	
	<b>Six Months Ended June 30,</b>		<b>Nine Months Ended September 30,</b>		<b>2023</b>		<b>2022</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Stock-based compensation expense included in general and administrative expense	\$ 162,315	\$ 212,982	\$ 111,005	\$ 206,210				
Earnings per share effect of share-based compensation expense – basic and diluted	\$ (0.02)	\$ (0.01)	\$ (0.02)	\$ (0.01)				

#### NOTE 6 – CAPITAL STOCK

##### Common Stock – At-the Market Offering

In November 2022, the Company entered into an At-the-Market Sales Agreement (the "Sales Agreement") with Univest Securities, LLC ("Univest") pursuant to which the Company could sell (the "2022 ATM Offering"), at its option, up to an aggregate of \$3.5 million in shares of its common stock through Univest, as sales agent. Sales of shares under the Sales Agreement (the "2022 ATM Offering") were made, in accordance with placement notices delivered to Univest, which notices set parameters under which shares could be sold. The 2022 ATM Offering was made pursuant to a shelf registration statement by methods deemed to be "at the market," as defined in Rule 415 promulgated under the Securities Act of 1933. The Company paid Univest a commission in cash equal to **3.3%** of the gross proceeds from the sale of shares in the 2022 ATM Offering. The Company reimbursed Univest for \$25,000 of expenses incurred in connection with the 2022 ATM Offering.

During the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, the Company sold an aggregate of 578,707 shares in connection with the 2022 ATM Offering and received proceeds, net of commissions and expenses, of \$1,652,000.

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## Warrants

A summary of warrant activity and related information for 2023 is presented below:

<b>Warrants</b>	<b>Warrants</b>	<b>Weighted-Average Exercise Price</b>	<b>Aggregate Intrinsic Value</b>
Outstanding at January 1, 2023	94,400	\$ 2.46	
Issued	—	—	
Exercised	—	—	
Expired	—	—	
Outstanding at <b>June 30, 2023</b> <b>September 30, 2023</b>	<b>94,400</b>	\$ 2.46	\$
Exercisable at <b>June 30, 2023</b> <b>September 30, 2023</b>	<b>94,400</b>	\$ 2.46	\$

### NOTE 7 – EARNINGS PER COMMON SHARE

Earnings (loss) per common share-basic is calculated by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Net income (loss) per common share-diluted assumes the conversion of all potentially dilutive securities and is calculated by dividing net (loss) income by the sum of the weighted average number of shares of common stock, as defined above, outstanding plus potentially dilutive securities. Net income (loss) per common share-diluted considers the impact of potentially dilutive securities except in periods in which there is a loss because the inclusion of the potential common shares, as defined above, would have an anti-dilutive effect.

The calculation of earnings (loss) per common share for the periods indicated below were as follows:

Numerator:	2023	2022	2023	2022	2023	2022	2023	2022
	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
Numerator:	2023	2022	2023	2022	2023	2022	2023	2022
Net income (loss)	\$ (300,381)	\$ 4,365	\$ (196,206)	\$ (161,195)	\$ 223,368	\$ (391,280)	\$ 27,162	\$ (552,475)
Effect of common stock equivalents	—	—	—	—	—	—	—	—
Net income (loss) adjusted for common stock equivalents	\$ (300,381)	\$ 4,365	\$ (196,206)	\$ (161,195)	\$ 223,368	\$ (391,280)	\$ 27,162	\$ (552,475)
Denominator:								
Weighted average common shares – basic	10,896,996	9,923,338	10,659,076	9,923,338	10,906,353	9,928,338	10,742,407	9,928,338
Dilutive effect of common stock equivalents:								
Options and warrants	—	455,953	—	—	43,603	455,953	204,584	—
Denominator:								
Weighted average common shares – diluted	10,896,996	10,379,291	10,659,076	9,923,338	10,949,956	10,379,291	10,946,991	9,928,338
Earnings (loss) per common share – basic	\$ (0.03)	\$ 0.00	\$ (0.02)	\$ (0.02)	\$ 0.02	\$ (0.04)	\$ 0.00	\$ (0.06)
Earnings (loss) per common share – diluted	\$ (0.03)	\$ 0.00	\$ (0.02)	\$ (0.02)	\$ 0.02	\$ (0.04)	\$ 0.00	\$ (0.06)
Earnings (loss) per share – basic								
Earnings (loss) per share – diluted								

For the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022, the following warrants and options to purchase shares of common stock were excluded from the computation of diluted net loss per share, as the inclusion of such shares would be anti-dilutive:

	2023	2022	2023	2022	2023	2022	2023	2022
	Six Months Ended June 30,		Three Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Stock warrants	94,400	94,400	94,400	94,400	94,400	94,400	—	94,400
Stock options	1,004,177	74,000	1,004,177	990,177	485,481	999,477	473,481	999,477

Total	1,098,577	168,400	1,098,577	1,084,577	579,881	1,093,877	473,481	1,093,877
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## NOTE 8 -- COMMITMENTS AND CONTINGENCIES

### Lease Commitment

The Company leases office facilities under an operating lease agreement that expires October 31, 2025. During the three and **six** nine months ended **June 30, 2023** **September 30, 2023**, the operating cash outflows related to operating lease liabilities totaled **\$21,560** 4,992 and **\$43,121** 48,113, respectively, and the expense for the right of use asset for operating leases totaled **\$22,161** 5,436 and **\$44,322** 49,758, respectively. As of **June 30, 2023** **September 30, 2023**, the Company's operating lease had a weighted-average remaining term of **2.3** 2.08 years and a weighted average discount rate of **12** 12%. As of **June 30, 2023** **September 30, 2023**, the lease agreement requires future payments as follows:

Year	Amount	Amount
2023	\$ 43,770	22,011
2024	88,801	88,801
2025	75,051	75,051
Total future lease payments	207,622	185,863
Less: imputed interest	27,472	22,232
Present value of future operating lease payments	180,150	163,631
Less: current portion of operating lease liabilities	70,183	72,691
Operating lease liabilities, net of current portion	\$ 109,967	\$ 90,940
Right of use assets	\$ 179,366	\$ 162,444

Total base rental expense was **\$22,570** 22,161 and **\$22,161** 19,647 for the three months ended **June 30, 2023** **September 30, 2023** and 2022, respectively, and **\$45,731** 66,483 and **\$46,836** 58,837 for the **six** nine months ended **June 30, 2023** **September 30, 2023** and 2022, respectively. The Company does not have any capital leases or other operating lease commitments.

## ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Forward-Looking Information

This Form 10-Q quarterly report of Houston American Energy Corp. (the "Company") for the **six nine** months ended **June 30, 2023** **September 30, 2023**, contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. To the extent that there are statements that are not recitations of historical fact, such statements constitute forward-looking statements that, by definition, involve risks and uncertainties. In any forward-looking statement, where we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the statement of expectation or belief will be achieved or accomplished.

The actual results or events may differ materially from those anticipated and as reflected in forward-looking statements included herein. Factors that may cause actual results or events to differ from those anticipated in the forward-looking statements included herein include the Risk Factors described in Item 1A herein and in our Form 10-K for the year ended December 31, 2022.

Readers are cautioned not to place undue reliance on the forward-looking statements contained herein, which speak only as of the date hereof. We believe the information contained in this Form 10-Q to be accurate as of the date hereof. Changes may occur after that date, and we will not update that information except as required by law in the normal course of our public disclosure practices.

Additionally, the following discussion regarding our financial condition and results of operations should be read in conjunction with the financial statements and related notes contained in Item 1 of Part I of this Form 10-Q, as well as the Risk Factors in Item 1A and the financial statements in Item 7 of Part II of our Form 10-K for the fiscal year ended December 31, 2022.

### Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. We believe certain critical accounting policies affect the more significant judgments and estimates used in the preparation of our financial statements. A description of our critical accounting policies is set forth in our Form 10-K for the year ended December 31, 2022. As of, and for the **six nine** months ended, **June 30, 2023** **September 30, 2023**, there have been no material changes or updates to our critical accounting policies.

### Unevaluated Oil and Gas Properties

Unevaluated oil and gas properties not subject to amortization, include the following at **June 30, 2023** **September 30, 2023**:

	<b>June 30, 2023</b>	<b>September 30, 2023</b>
Acquisition costs	\$ 143,847	\$ 143,847
Development and evaluation costs	2,199,279	2,199,279
<b>Total</b>	<b>\$ 2,343,126</b>	<b>\$ 2,343,126</b>

The carrying value of unevaluated oil and gas prospects above was primarily attributable to legacy properties in the South American country of Colombia, a substantial portion **substantially all** of which is expected to be reclassified to "costs subject to amortization" and evaluated for impairment.

### Recent Developments

#### Drilling and Oil and Gas Property Activity

During the **six nine** months ended **June 30, 2023** **September 30, 2023**:

- no drilling activities were conducted on our U.S. properties;
- our capital investment expenditures totaled \$481,948, **\$2,288,328**, principally attributable to investments in our equity investment in Hupecol Meta LLC ("Hupecol Meta"); and
- Hupecol Meta LLC (i) drilled and completed, and production commenced on, two wells in Colombia, the Venus 1-H horizontal well and the Venus 2-H ST1 horizontal well; and (ii) shut-in the Saturno 1ST - 1 well during the three months ended September 30, 2023 (Hupecol has advised that the Saturno 1ST - 1 well is expected to be brought back on production); and (iii) as of September 30, 2023, had three wells on production and one well shut-in; and
- we released our interest in Colombia, the last of our legacy non-Hupecol Meta properties in Colombia, formally terminating our interests in the Picachos and Macaya blocks, in addition to our previously released Serrania block.

In July 2023, the Venus 2-H well was spud, plugged back and side-tracked by Hupecol Meta as the Venus 2-H ST1 well and, in August 2023, the well was completed and brought on production. Our estimated share of cost associated with the Venus 1H and Venus 2-H ST1 well wells totals \$900,000 as of September 30, 2023.

With the formal termination of our interest in the Picachos, Macaya and Serrania blocks, all costs associated with the blocks will be reclassified to "costs subject to amortization" and evaluated for impairment.

#### *Plans in Colombia*

Hupecol has advised that it intends to evaluate potential monetization of its assets in Colombia, including the interest in the CPO-11 block held by Hupecol Meta. Pending the outcome of Hupecol's evaluation of, and potential efforts regarding, monetization of the CPO-11 block, we have no planned drilling operations, or other planned operations, in Colombia and we expect to continue to operate our existing wells on the CPO-11 block. There is \$600,000. no assurance as to the timing or outcome of Hupecol's potential monetization of assets.

#### *Distributions from Equity Investment*

During the six nine months ended June 30, 2023 September 30, 2023, we received distributions, totaling \$648,475, \$1,235,101, from Hupecol Meta, representing our share of distributable net income and reflected as "Other Income" on our Statement of Operations.

#### *Financing – At-the Market Offering*

In November 2022, we entered into an At-the-Market Sales Agreement (the "Sales Agreement") with Univest Securities, LLC ("Univest") pursuant to which we could sell (the "2022 ATM Offering"), at our option, up to an aggregate of \$3.5 million in shares of common stock through Univest, as sales agent. Sales of shares under the Sales Agreement (the "2022 ATM Offering") were made, in accordance with placement notices delivered to Univest, which notices set parameters under which shares could be sold. The 2022 ATM Offering was made pursuant to a shelf registration statement by methods deemed to be "at the market," as defined in Rule 415 promulgated under the Securities Act of 1933. We pay Univest a commission in cash equal to 3% of the gross proceeds from the sale of shares in the 2022 ATM Offering. We reimbursed Univest for \$25,000 of expenses incurred in connection with the 2022 ATM Offering.

During the six nine months ended June 30, 2023 September 30, 2023, we sold an aggregate of 578,707 shares in connection with the 2022 ATM Offering and received proceeds, net of commissions and expenses, of \$1,652,000.

#### *Executive Compensation Changes*

During the six nine months ended June 30, 2023 September 30, 2023, our compensation committee approved, and we paid, a cash bonus of \$200,000 to our Chief Executive Officer and increased, effective July 1, 2023, our Chief Executive Officer's annual base salary from \$180,000 to \$240,000.

#### **Results of Operations**

**Oil and Gas Revenues.** Total oil and gas revenues declined 56% decreased 74% to \$204,390 \$112,994, in the three months ended June 30, 2023 September 30, 2023, compared to \$462,989 \$427,256 in the three months ended June 30, 2022 September 30, 2022. Oil and gas revenues declined 51% decreased 58% to \$434,414 \$547,408 in the six nine months ended June 30, 2023 September 30, 2023, compared to \$886,809 for \$1,314,065 in the six nine months ended June 30, 2022 September 30, 2022. The change in revenue was due to (i) a decline in oil production, down 13% 77% and 20% 30% for the three and six-month nine month periods, respectively; (ii) a decrease decline in average sales price of oil, down 34% 21% and 28% 26% for the three and six-month periods; nine month periods, respectively; (iii) a decline in natural gas production, down 13% 81% and 6% 25% for the three and six-month periods; nine month periods, respectively; and (iv) a decrease in average sales price of natural gas, down 84% 68% and 77% for the three and six-month periods. nine month periods, respectively.

The following table sets forth the gross and net producing wells, net oil and gas production volumes and average hydrocarbon sales prices for the quarter and six nine months ended June 30, 2023 September 30, 2023 and 2022:

	Six Months Ended June 30, <sup>(1)</sup>		Three Months Ended June 30, <sup>(1)</sup>		Nine Months Ended September 30, (1)		Three Months Ended September 30, (1)	
			2023	2022	2023	2022	2023	2022
	Gross producing wells	4	4	4	4	4	4	4
Net producing wells	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68
Net oil production (Bbl)	4,359	5,478	2,116	2,438	5,667	8,140	1,308	5,702
Net gas production (Mcf)	33,456	35,542	15,862	18,250	40,188	53,339	6,732	35,089
Average sales price – oil (per barrel)	\$ 71.82	\$ 99.11	\$ 71.23	\$ 108.05	\$ 72.09	\$ 96.88	\$ 73.01	\$ 91.97
Average sales price – natural gas (per Mcf)	\$ 1.25	\$ 5.38	\$ 1.07	\$ 6.57	\$ 1.33	\$ 5.83	\$ 1.72	\$ 5.44

(1) All well, production and price information excludes wells operated by Hupecol Meta.

(1) All well, production and price information excludes wells operated by Hupecol Meta.

The change in production volumes was primarily attributable to the natural decline in production. The change in average oil and natural gas sales price realized reflects declining movements in global energy prices.

Our current focus is on development of our CPO-11 assets in Colombia, which investments are accounted for using the as equity method investments and, therefore, excluded from consolidation and from inclusion in operations in our Statement of Operations (See "Other Income" below for discussion of equity method investment results relating to the CPO-11 block). As our investments in oil and gas projects are focused in Colombia, and we have no present plans to drill domestic wells to replace and grow U.S. production, we expect production and revenues reported in our Statement of Operations to continue to decline for the foreseeable future.

Oil and gas sales revenues are entirely attributable to our U.S. properties.

*Lease Operating Expenses.* Lease operating expenses decreased 32% 30% to \$101,714 \$128,918 for the three months ended September 30, 2023, from \$184,488 during the three months ended June 30, 2023, from \$150,485 during the three months ended June 30, 2022 September 30, 2022. Lease operating expenses decreased 31% to \$215,400 \$344,318 for the nine months ended September 30, 2023, from \$496,245 during the six nine months ended June 30, 2023, from \$311,757 during the six months ended June 30, 2022 September 30, 2022.

The decrease change in lease operating expenses was principally attributable to the decline in oil production volumes.

All lease operating expenses are attributable to U.S. operations and exclude lease operating expenses associated with our investment in, and operation of, Hupecol Meta properties in Colombia.

*Depreciation and Depletion Expense.* Depreciation and depletion expense was \$44,941 \$23,749 and \$51,501 \$50,756 for the three months ended June 20, 2023 September 30, 2023 and 2022, respectively, and \$91,896 \$115,645 and \$109,740 \$160,496 for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. The change in depreciation and depletion was due to the decrease in oil production volumes.

*General and Administrative Expenses (excluding stock-based compensation).* General and administrative expense increased 174% decreased by 37% to \$638,745 \$312,344 for the three months ended September 30, 2023, from \$498,876 during the three months ended June 30, 2023, from \$233,376 during the three months ended June 30, 2022 September 30, 2022, and increased 71% by 18% to \$884,119 \$1,196,463 for the nine months ended September 30, 2023, from \$1,016,867 during the six nine months ended June 30, 2023, from \$517,991 during the six months ended June 30, 2022 September 30, 2022. The increase change in general and administrative expenses was attributable to payment of a bonus of \$200,000 to our CEO during the 2023 period (compared to 2022 when bonuses were paid in the third quarter) and an increase in professional fees (up approximately \$150,000 relating to increases in accounting fees and the timing of our annual meeting which accelerated certain professional fees by one quarter compared to 2022) fees.

*Stock-Based Compensation.* Stock-based compensation increased decreased to \$77,870 \$50,667 during the three months ended June 30, 2023 September 30, 2023, from \$25,520 \$95,205 during the three months ended June 30, 2022 September 30, 2022, and increased 46% 3% to \$162,315 \$212,982 during the six nine months ended June 30, 2023 September 30, 2023, from \$111,005 \$206,210 during the six nine months ended June 30, 2022. The increase in stock-based compensation year-over-year, relates to the timing of option grants to directors with 2023 grants made in the quarter ended June 30, 2023, while 2022 grants were made in the quarter ended September 30, 2022.

*Other Income.* Other income totaled \$358,499 \$626,052 during the three months ended June 30, 2023 September 30, 2023, compared to \$2,258 \$10,788 during the three months ended June 30, 2022 September 30, 2022, and totaled \$723,110 \$1,349,162 during the six nine months ended June 30, 2023 September 30, 2023, compared to \$2,489 \$13,277 during the six nine months ended June 30, 2022 September 30, 2022. Other income consisted of (i) equity investment distributions from Hupecol Meta, totaling \$314,364 \$586,626 during the three months ended June 30, 2023 September 30, 2023 and \$648,475 \$1,235,101 during the six nine months ended June 30, 2023 September 30, 2023, compared to no distributions during 2022; and (ii) interest income earned on cash balances, totaling \$44,135 \$39,426 during the three months ended June 30, 2023 September 30, 2023, compared to \$2,258 \$10,788 during the three months ended June 30, 2022 September 30, 2022, and \$74,635 \$114,061 during the six nine months ended June 30, 2023 September 30, 2023, compared to \$2,489 \$13,277 during the six nine months ended June 30, 2022 September 30, 2022.

Distributions from Hupecol Meta reflect, generally, our share of distributable net income of Hupecol Meta. Distributions should not be viewed as a measure of actual operating results of Hupecol Meta for the period of such distributions or any other periods. Distributions merely reflect determinations by the managers of Hupecol Meta to make distributions in accordance with contractual rights of the various members of Hupecol Meta within the discretion of the managers as permitted under the contracts governing Hupecol Meta. We report distributions from Hupecol Meta as "Other Income" to the extent that the character of the distributions are in the nature of income and not a return of capital. The distributions received during 2023 are, generally, attributable to operations of Hupecol Meta's initial wells, the Saturno ST1 vertical well, the Venus 2A vertical well, a legacy well that had been shut-in, and the Venus 1-H well, Hupecol Meta's first horizontal well, which began production in May 2023, and the Venus 2-H ST1 well, which began production in August 2023.

The increase in interest income from 2022 to 2023 was attributable to the increase in our cash balances, resulting from sales of common stock during 2023, and substantial increases in interests due to trends in the broad debt market.

## Financial Condition

*Liquidity and Capital Resources.* At June 30, 2023 September 30, 2023, we had a cash balance of \$5,532,834 \$4,456,158 and working capital of \$5,825,671, \$4,314,969, compared to a cash balance of \$4,547,210 and working capital of \$4,601,168 at December 31, 2022.

*Cash Flows.* Operating activities used \$217,467 provided \$211,463 during the six nine months ended June 30, 2023 September 30, 2023, compared to \$29,361 \$202,900 used during the six nine months ended June 30, 2022 September 30, 2022. The change in operating cash flow was primarily attributable to the timing of payment of cash bonuses (totaling \$200,000 decrease in 2023) which were paid during the quarter ended June 30, while 2022 bonuses were paid during the quarter ended September 30, depletion expense and larger changes accounts receivable, offset by an increase in operating assets and liabilities during 2023, accrued earnings distributions from Hupecol Meta.

Investing activities used \$448,909 \$1,954,515 during the six nine months ended June 30, 2023 September 30, 2023, compared to \$262,444 \$795,315 used during the six nine months ended June 30, 2022 September 30, 2022. The change in funds used by investing activities is principally attributable to the commencement of, and acceleration, during 2023, of a drilling program on our CPO-11 assets in Colombia.

Financing activities provided \$1,652,000 during the six nine months ended June 30, 2023 September 30, 2023, compared to \$0 provided during the six nine months ended June 30, 2022 September 30, 2022. Cash provided by financing activities during the six nine months ended June 30, 2023 September 30, 2023 was attributable to funds received from the 2022 ATM offering.

*Long-Term Liabilities.* At June 30, 2023 September 30, 2023, we had long-term liabilities of \$170,554, \$152,904, compared to \$219,148 at December 31, 2022. Long-term liabilities at June 30, 2023 September 30, 2023 and December 31, 2022, consisted of a reserve for plugging costs and the long-term lease liability.

*Capital and Exploration Expenditures and Commitments.* Our principal capital and exploration expenditures relate to capital contribution obligations associated with our equity investment in Hupecol Meta, costs associated with the operation of our Permian Basin acreage and ongoing efforts to acquire, drill and complete prospects. The Venus 1-H well and Venus 2-H ST1 well, the first horizontal well wells of Hupecol Meta in the Venus Exploration Area of the CPO-11 block in Colombia was were drilled during the first six nine months of 2023. Our allocable share of costs associated with the Venus 1-H well was approximately \$576,000. A second horizontal well on the CPO-11 block, the and Venus 2-H ST1 commenced drilled, wells was plugged back and side-tracked in July 2023. Our estimated approximately \$900,000. The well cost, associated with the Venus 2-H ST1 well is approximately \$490,000. The actual cost of such anticipated well, and the timing and number of well operations undertaken during 2023 and beyond, in Colombia and the Permian Basin, will be principally controlled by the operators of our acreage, based on a number of factors, including but not limited to the outcome of Hupecol's evaluation of the potential monetization of the CPO-11 block, availability of financing, performance of existing wells on the subject acreage, energy prices and industry condition and outlook, costs of drilling and completion services and equipment and other factors beyond our control or that of our operators. We presently have no planned operations in Colombia or in the U.S.

In addition to possible operations on our existing acreage holdings, we continue to evaluate drilling prospects in which may acquire an interest and participate.

During the six nine months ended June 30, 2023 September 30, 2023, we invested \$481,947 \$2,288,328 for the acquisition and development of oil and gas properties, consisting of capital contributions to Hupecol Meta (\$481,947) \$2,288,328. The \$481,947 \$2,288,328 invested in Hupecol Metal Meta was capitalized to our equity investment in Hupecol Meta.

As our allocable share of well costs will vary depending on the timing and number of wells drilled as well as our working interest in each such well and the level of participation of other interest owners, we have not established a drilling budget but will budget on a well-by-well basis as our operators propose wells.

We believe that we have the ability, through our cash on-hand, to fund operations, and our cost including well operations, for all planned wells expected to be drilled during the remainder of 2023 and for the upcoming twelve-month period.

In the event that we pursue additional acreage acquisitions or expand our drilling plans, we may be required to secure additional funding beyond our resources on hand. While we may, among other efforts, seek additional funding from "at-the-market" sales of common stock, and private sales of equity and debt securities, we presently have limited authorized shares of common stock available for issuance to support equity capital raises and we have no commitments to provide additional funding, and there can be no assurance that we can secure the necessary capital to fund our share of drilling, acquisition or other costs on acceptable terms or at all. If, for any reason, we are unable to fund our share of drilling and completion costs and fail to satisfy commitments relative to our interest in our acreage, we may be subject to penalties or to the possible loss of some of our rights and interests in prospects with respect to which we fail to satisfy funding commitments and we may be required to curtail operations and forego opportunities.

#### **Inflation**

We believe that inflation has not had a significant impact on operations since inception. However, persistent inflation may increase our operating costs broadly, adversely affecting our operating results.

**ITEM 3****QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK****Commodity Price Risk**

The price we receive for our oil and gas production heavily influences our revenue, profitability, access to capital and future rate of growth. Crude oil and natural gas are commodities and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand. Historically, the markets for oil and gas have been volatile, and these markets will likely continue to be volatile in the future. The price we receive for production depends on numerous factors beyond our control.

We have not historically entered into any hedges or other transactions designed to manage, or limit, exposure to oil and gas price volatility.

**ITEM 4****CONTROLS AND PROCEDURES****Evaluation of Disclosure Controls and Procedures**

Under the supervision and the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation as of **June 30, 2023** **September 30, 2023** of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were not effective as of **June 30, 2023** **September 30, 2023**. Such conclusion reflects the 2013 departure of our chief financial officer and assumption of duties of principal financial officer by our chief executive officer and the resulting lack of an appropriate level of accounting knowledge and experience commensurate with the financial reporting requirements for a public company, in particular with respect to technical accounting knowledge regarding accounting for certain transactions, and a related lack of segregation of duties. Until we are able to remedy these material weaknesses, we are relying on third party consultants and our SEC consultant to assist with financial reporting.

**Changes in Internal Control over Financial Reporting**

No change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during the quarter ended **June 30, 2023** **September 30, 2023** that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II****ITEM 6****EXHIBITS**

Exhibit Number	Description
31.1	<a href="#">Certification of CEO and Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1	<a href="#">Certification of CEO and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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**SIGNATURES**

**Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on behalf by the undersigned thereunto duly authorized.**

HOUSTON AMERICAN ENERGY CORP.

Date: **August 14, 2023** **November 14, 2023**

By: \_\_\_\_\_ **/s/ John Terwilliger**

John Terwilliger  
CEO and President (Principal Executive Officer and Principal Financial Officer)

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**Exhibit 31.1**

**CERTIFICATION OF CEO PURSUANT TO 15 U.S.C. SECTION 10A, AS ADOPTED  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

**I, John Terwilliger, certify that:**

1. I have reviewed this quarterly report on Form 10-Q of Houston American Energy Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respect the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

**Date: August 14, 2023** **November 14, 2023**

**/s/ John Terwilliger,**

John Terwilliger,  
Chief Executive Officer and Principal  
Financial Officer

**Exhibit 32.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, John Terwilliger, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Houston American Energy Corp. on Form 10-Q for the quarterly period ended **June 30, 2023** **September 30, 2023** fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents in all material respects the financial condition and results of operations of Houston American Energy Corp.

By: /s/ John Terwilliger  
Name: John Terwilliger  
Title: Chief Executive Officer and Principal  
Financial Officer  
Dated: August **November** 14, 2023

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