SHOAL POINT ENERGY LTD.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JANUARY 31, 2022 AND 2021

EXPRESSED IN CANADIAN DOLLARS

Crowe MacKay LLP
1100 - 1177 West Hastings Street
Vancouver, BC V6E 4T5
Main +1 (604) 687-4511
Fax +1 (604) 687-5805
www.crowemackay.ca

Independent Auditor's Report

To the Shareholders of Shoal Point Energy Ltd.

Opinion

We have audited the consolidated financial statements of Shoal Point Energy Ltd. (the "Group"), which comprise the consolidated statements of financial position as at January 31, 2022 and January 31, 2021 and the consolidated statements of operations and comprehensive loss, changes in shareholders' (deficiency) equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at January 31, 2022 and January 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Diana Huang.

"Crowe MacKay LLP"

Chartered Professional Accountants
Vancouver, Canada
May 26, 2022

SHOAL POINT ENERGY LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

		January 31, 2022		January 31, 2021
ASSETS				
CURRENT				
Cash and cash equivalents	**$**	**46,601**	$	104,110
Accounts receivable		**22,995**		15,612
Prepaid expenses		**10,384**		8,530
		79,980		128,252
RECLAMATION DEPOSIT (Note 5)		**50,000**		50,000
OIL & NATURAL GAS PROPERTIES AND EQUIPMENT (Note 6)		**2,849**		1,196,458
	$	**132,829**	$	1,374,710
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	**$**	**174,634**	$	73,882
GOVERNMENT LOAN PAYABLE (Note 7)		**30,000**		40,000
RECLAMATION OBLIGATION		**38,157**		38,340
		242,791		152,222
SHAREHOLDERS' (DEFICIENCY) EQUITY				
Share capital (Note 8)		**62,675,239**		62,063,986
Warrants (Note 8)		**11,903,439**		12,016,267
Contributed surplus (Note 8)		**4,923,720**		4,746,779
Accumulated other comprehensive loss		**(51,161)**		(46,190)
Deficit		**(79,561,199)**		(77,558,354)
		(109,962)		1,222,488
	$	**132,829**	$	1,374,710

GOING CONCERN (Note 1)

COMMITMENTS AND CONTINGENCIES (Note 9)

SUBSEQUENT EVENTS (Notes 8 and 13)

Approved on behalf of the board:

"Brian Usher-Jones"	*"Mark Jarvis"*
Director	CEO, Chairman and Director

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

SHOAL POINT ENERGY LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED JANUARY 31, 2022 AND 2021
(Expressed in Canadian Dollars)

	January 31, 2022	January 31, 2021
Expenses		
Depreciation (Note 6)	**$ 1,344**	$ 1,519
Property investigation cost	**113,277**	22,527
Foreign exchange loss	**3,116**	8,010
Oil and natural gas property impairment (Note 6)	**1,494,834**	-
Investor relations	**-**	18,043
Management salaries (Note 10)	**51,142**	82,341
Office, general and administrative	**114,057**	126,056
Professional fees (Note 10)	**27,661**	37,407
Rent	**30,567**	30,673
Share-based compensation (Notes 8 and 10)	**176,941**	177
Loss from operations	**(2,012,939)**	(326,753)
Interest and other income	**10,094**	286
Net loss for the year	**(2,002,845)**	(326,467)
Other comprehensive loss		
Exchange differences on translation of foreign operations	**(4,971)**	(43,780)
Comprehensive loss for the year	**$ (2,007,816)**	$ (370,247)
Loss per share		
Basic and diluted (Note 11)	**$ (0.03)**	$ (0.01)
Weighted average number of common shares outstanding	**72,188,964**	62,949,046

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

SHOAL POINT ENERGY LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIENCY) EQUITY
(Expressed in Canadian Dollars)

	Share capital		Warrants					
	Number of shares	**Amount**	**Number of warrants**	**Amount**	**Contributed Surplus**	**Accumulated Other Comprehensive Loss**	**Deficit**	**Total**
Balance, January 31, 2020	59,309,160	$ 61,566,208	12,433,015	$ 12,021,605	$ 4,746,602	$ (2,410)	$ (77,231,887)	$ 1,100,118
Shares issued for cash (Note 8)	4,257,500	340,600	4,257,500	-	-	-	-	340,600
Less: issuance costs - cash	-	(7,560)	-	-	-	-	-	(7,560)
Less: issuance costs - warrants	-	(4,950)	94,500	4,950	-	-	-	-
Exercise of warrants (Note 8)	1,555,000	169,688	(1,555,000)	(10,288)	-	-	-	159,400
Expired warrants	-	-	(1,741,140)	-	-	-	-	-
Stock-based compensation (Note 8)	-	-	-	-	177	-	-	177
Comprehensive loss for the year	-	-	-	-	-	(43,780)	(326,467)	(370,247)
Balance, January 31, 2021	**65,121,660**	**62,063,986**	**13,488,875**	**12,016,267**	**4,746,779**	**(46,190)**	**(77,558,354)**	**1,222,488**
Shares issued for cash (Note 8)	5,335,354	373,475	5,335,354	-	-	-	-	373,475
Less: issuance costs - cash	-	(2,550)	-	-	-	-	-	(2,550)
Less: issuance costs - warrants	-	(1,194)	36,428	1,194	-	-	-	-
Exercise of warrants (Note 8)	2,125,000	241,522	(2,125,000)	(114,022)	-	-	-	127,500
Expired warrants	-	-	(384,500)	-	-	-	-	-
Stock-based compensation (Note 8)	-	-	-	-	176,941	-	-	176,941
Comprehensive loss for the year	-	-	-	-	-	(4,971)	(2,002,845)	(2,007,816)
Balance, January 31, 2022	**72,582,014**	**$ 62,675,239**	**16,351,157**	**$ 11,903,439**	**$ 4,923,720**	**$ (51,161)**	**$ (79,561,199)**	**$ (109,962)**

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

SHOAL POINT ENERGY LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31, 2022 AND 2021
(Expressed in Canadian Dollars)

	2022	2021
Cash flows from operating activities		
Net loss for the year	$ (2,002,845)	$ (326,467)
Adjustments not effecting cash:		
Depreciation	1,344	1,519
Oil and natural gas property impairment	1,494,834	-
Forgiveness of government loan	(10,000)	-
Foreign exchange loss	3,116	8,010
Share-based compensation	176,941	177
Changes in non-cash working capital		
Accounts receivable	(7,383)	11
Prepaid expenses	(1,854)	(1,348)
Accounts payable and accrued liabilities	99,584	12,258
Cash flows used in operating activities	(246,265)	(305,840)
Cash flows from investing activities		
Purchase of equipment	-	(1,338)
Oil and natural gas properties	(306,751)	(464,915)
Cash flows used in investing activities	(306,751)	(466,253)
Cash flows from financing activities		
Proceeds from government loan	-	40,000
Proceeds from share issuances	373,475	340,600
Share issuance costs - cash	(2,550)	(7,560)
Exercise of warrants	127,500	159,400
Cash flows provided by financing activities	498,425	532,440
Decrease in cash and cash equivalents	(54,591)	(239,653)
Effect of exchange rate changes on cash	(2,918)	(9,126)
Cash and cash equivalents, beginning of year	104,110	352,889
Cash and cash equivalents, end of year	$ 46,601	$ 104,110

The components of cash and cash equivalents are as follows:

	2022	2021
Cash	$ 35,600	$ 93,109
Term deposit	11,001	11,001
	$ 46,601	$ 104,110

	2022	2021
Non-cash investing and financing activities		
Fair value transferred upon exercise of warrants	$ 114,022	$ 10,288
Fair value of agents' warrants	$ 1,194	$ 4,950
Accounts payable related to oil & natural gas properties	$ 1,168	$ 4,023
Reclamation obligation included in oil & natural gas properties	$ -	$ 38,340

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

1. REPORTING ENTITY AND GOING CONCERN

Shoal Point Energy Ltd. (the "Company") was incorporated on December 22, 2006 under the Business Corporations Act (Alberta). The Company was incorporated for the purpose of acquisition, exploration and development of oil and natural gas properties. The Company is headquartered at Suite 203 – 700 West Pender Street, Vancouver, B.C. V6E 3V7. On October 26, 2010, the Company filed articles of continuance in Ontario. On November 23, 2010, the Company began trading on the Canadian Securities Exchange ("CSE") under the symbol SHP.

The Company is in the exploration stage of exploring its oil and natural gas properties and has not yet determined whether these properties contain oil and natural gas resources that are economically recoverable, as a result, it is considered an exploration stage company. The recoverability of amounts shown for oil and natural gas properties is dependent upon the existence of economically recoverable reserves, securing and maintaining the title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production or proceeds from disposition of the oil and natural gas properties.

The consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. This assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations. The Company has incurred operating losses since inception, including $2,002,845 for the year ended January 31, 2022 and has accumulated a deficit of $79,561,199 as at January 31, 2022. As at January 31, 2022 the Company has cash and cash equivalents of $46,601 and a working capital deficiency of $94,654.

The Company has a need for equity capital and financing for working capital and exploration and development of its properties. Due to continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. To continue as a going concern, the Company needs to raise the capital necessary to continue in its oil and natural gas exploration business and ultimately to achieve positive cash flow from operations. In March 2020, there was a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and specifically, the regional economies in which the Company operates. The Company's business financial condition and results of operations may be further negatively affected by economic and other consequences from Russia's military action against Ukraine and the sanctions imposed in response to that action in late February 2022. While the Company expects any direct impacts of the pandemic and the conflict in the Ukraine to the business to be limited, the indirect impacts on the economy and on the oil and gas industry and other industries in general could negatively affect the business and may make it more difficult for it to raise equity or debt financing. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about on its business, results of operations, financial position and cash flows in the future. These factors indicate the existence of a material uncertainty that may give rise to significant doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of Compliance
The consolidated financial statements of the Company comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were authorized for issue by the board of directors on May 26, 2022.

Basis of Measurement
The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable.

Consolidation
These consolidated financial statements include the financial statements of the Company and its wholly-owned and controlled subsidiary, Shoal Point U.S.A. Inc., incorporated in Wyoming, USA on April 2, 2019.

Control is achieved when the Company has the power to, directly or indirectly, govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is obtained, and continue to be consolidated until the date that such control ceases. Intercompany balances, transactions and unrealized intercompany gains and losses are eliminated upon consolidation.

Use of estimates and assumptions
The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of expenses during the reporting period and contingent assets and liabilities. Significant estimates include the recoverability of the carrying value of oil and natural gas properties, and the recognition and valuation of provisions for restoration and environmental liabilities.

The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. Actual results could significantly differ from those estimates.

Significant judgments
The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include the classification of expenditures on oil and natural gas assets and the going concern assumption.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting polices set out below have been applied consistently to all periods presented in these consolidated financial statements.

FOREIGN CURRENCY TRANSLATION

The presentation currency of the Company is the Canadian dollar. The functional currency of the Company is the Canadian dollar. The functional currency of Shoal Point U.S.A. Inc. is the US dollar.

Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the closing date exchange rate, and non-monetary assets and liabilities at the historical rates. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in profit or loss.

Entities whose functional currencies differ from the presentation currency are translated into Canadian dollars as follows: assets and liabilities – at the closing rate as at the reporting date, and income and expenses – at the average rate of the period. All resulting changes are recognized in other comprehensive income as cumulative translation differences.

When the Company disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary are reallocated between controlling and non-controlling interests.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

FINANCIAL INSTRUMENTS

Recognition and classification

The Company recognizes a financial asset or financial liability on the consolidated statement of financial position when it becomes party to the contractual provisions of the financial instrument.

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Measurement

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income.

Financial assets at FVTOCI
Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income.

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Impairment of financial assets at amortized cost
The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk on the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income.

Financial liabilities
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets, is recognized in profit or loss.

EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation ("E&E") expenditures incurred prior to acquiring the legal right to explore are charged to expense as incurred.

E&E expenditures incurred subsequent to acquisition of the legal right to explore, including license and property acquisition costs, geological and geophysical expenditures, costs of drilling exploratory wells and directly attributable overhead including salaries and employee benefits, are initially capitalized as E&E assets. Certain overhead costs are included in E&E.

All items currently in oil and natural gas properties are considered E&E properties under IFRS 6, "Exploration for and Evaluation of Mineral Resources". The Company's oil and natural gas properties are not subject to depletion and will be moved into developed oil and natural gas properties when they are determined to meet certain technical feasibility and commercial viability thresholds as determined by management. Upon transfer to developed oil and natural gas properties, these E&E assets are assessed for impairment to ensure that they are not carried at amounts above their recoverable values.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the E&E asset is unlikely to be recovered in full from successful development or by sale.

EQUIPMENT

Recognition and Measurement

Equipment is measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes all expenditures that are directly attributable to the acquisition of the asset.

Depreciation

Equipment is depreciated annually on a declining balance basis using rates of 20%-30% respectively.

Impairment

The carrying amounts of the Company's equipment is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

PROVISIONS

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

RECLAMATION OBLIGATION

A legal or constructive obligation to incur restoration, rehabilitation, and environmental costs may arise when environmental disturbance is caused by the exploration, development, or ongoing production of an oil and natural gas property interest. The Company's exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and are generally becoming more restrictive.

The fair value of the liability for a reclamation obligation is recorded when it is incurred and is measured at the net present value. The corresponding increase to the asset is amortized over the life of the asset. The liability is adjusted each period for the unwinding of discount with the associated expense included in net loss.

The Company has made, and intends to make in the future, expenditures to comply with such laws and regulations.

At January 31, 2022, the Company estimated that the fair value of the reclamation obligation is $38,157 (2021 – $38,340). The fair value of the liability was determined to be equal to the estimated reclamation costs. Due to the early stage of the project, the Company is unable to predict with any precision the timing of the cashflow related to the reclamation activities.

LEASES

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control an identified asset for a period of time in exchange for consideration.

The lease liability is recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option.

SHARE ISSUANCE COSTS

Professional, consulting, regulatory fees and other costs that are directly attributable to the issuance of shares are charged to share capital when the related shares are issued, net of any tax effects. Transaction costs of abandoned equity transactions are recognized in profit and loss.

WARRANTS

Proceeds from unit placements are allocated first to shares and then to warrants for any residual value. The fair value of the share component is credited to share capital and the value of the warrant component is credited to the warrants account. Upon exercise of the warrants, consideration paid by the warrant holder together with the amount previously recognized in the warrants account is recorded as an increase to share capital. Broker warrants issued separately are valued using the Black-Scholes Option Pricing Model.

RESERVES

Warrant reserve

The warrant reserve records the value recognized of warrants issued with respect to financings, until such time as the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount remains in the reserve account.

Contributed surplus

Contributed surplus records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount remains in the reserve account.

SHARE-BASED PAYMENTS

Share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Under this method, the fair value of the equity-settled share-based payment is measured on the date of grant using the Black-Scholes Option Pricing Model, and is recognized as an expense or capitalized, depending on the nature of the grant, with a corresponding increase in equity, over the period that the employees earn the options. For options that do not vest immediately, the fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period in which the options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest.

Equity-settled, share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service, using the Black-Scholes Option Pricing Model. The Black-Scholes Option Pricing Model requires the input of subjective assumptions, including the expected term of the option and stock price volatility.

GOVERNMENT CONTRIBUTIONS

The Company receives contributions from government agencies related to COVID-19. These contributions are recognized in profit or loss when there is reasonable assurance that the Company will comply with the conditions attached to the contributions and the contributions will be received.

ACCOUNTING FOR INCOME TAXES

Income tax expense is comprised of current and deferred tax expense. Current tax expense is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Income tax expense is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity. Income taxes are calculated using the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and for tax losses and other deductions carried forward.

Deferred income tax assets and liabilities are calculated using substantively enacted tax rates expected to apply when the asset is realized or the liability is settled. An asset is recognized on the statement of financial position when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably. The effect on deferred tax assets and liabilities of changes in tax rates are recognized in income in the period in which the change is substantively enacted.

Deferred taxes are not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

BASIC AND DILUTED LOSS PER COMMON SHARE

The Company presents basic and diluted loss per share ("LPS") data for its common shares. Basic LPS is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted LPS is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise the warrants and share options granted by the Company.

ACCOUNTING CHANGES AND RECENT PRONOUNCEMENTS

New and amended standards not yet adopted

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
The amendments to IAS 37 specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). These amendments are effective for reporting periods beginning on or after January 1, 2022 and are expected to have no significant impact upon adoption.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
The amendments to IAS 1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. These amendments are effective for reporting periods beginning on or after January 1, 2023 and are expected to have no significant impact upon adoption.

4. FINANCIAL RISK AND CAPITAL MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. All of the cash is deposited in bank accounts held with major banks in Canada and USA. Since all of the Company's cash is held by two major banks there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company has operations in Canada and the United States and incurs operating and exploration expenditures in both currencies. The fluctuation of the Canadian dollar in relation to the American dollar will have an impact upon the results of the Company. A fluctuation in the exchange rates between Canada and the American dollar of 10% would result in a $900 change in the Company's profit or loss. The Company does not use any techniques to mitigate foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have any significant interest rate risk.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence, safeguard the Company's ability to support the exploration and development of its exploration and evaluation assets and to sustain future development of the business. The capital structure of the Company consists of equity and debt obligations, net of cash.

There were no changes in the Company's approach to capital management during the period and no restrictions.

Classification of financial instruments

The following financial assets and liabilities are classified under Amortized cost: cash and cash equivalents, reclamation deposit, accounts payable and accrued liabilities, and government loan payable.

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

5. RECLAMATION DEPOSIT

The reclamation deposit consists of a $50,000 deposit with the Department of Natural Resources of Newfoundland and Labrador posted in August 2016.

(Expressed in Canadian Dollars)

6. OIL AND NATURAL GAS PROPERTIES AND EQUIPMENT

	Oil and natural gas properties	Equipment and software	Total
Cost			
Balance at January 31, 2020	$ 1,043,375	$ 29,319	$ 1,072,694
Additions	191,554	1,338	192,892
Foreign exchange	(42,664)	-	(42,664)
Balance at January 31, 2021	1,192,265	30,657	1,222,922
Additions	307,919	-	307,919
Foreign exchange	(5,350)	-	(5,350)
Impairment	(1,494,834)	-	(1,494,834)
Balance at January 31, 2022	$ -	$ 30,657	$ 30,657

	Oil and natural gas properties	Equipment and software	Total
Accumulated Depreciation			
Balance at January 31, 2020	$ -	$ 24,945	$ 24,945
Depreciation for the year	-	1,519	1,519
Balance at January 31, 2021	-	26,464	26,464
Depreciation for the year	-	1,344	1,344
Balance at January 31, 2022	$ -	$ 27,808	$ 27,808
Carrying Amounts			
As at January 31, 2021	$ 1,192,265	$ 4,193	$ 1,196,458
As at January 31, 2022	$ -	$ 2,849	$ 2,849

Newfoundland, Canada

The Company currently holds exploration license 1070 ("EL 1070") off the west coast of Newfoundland which totals approximately 150,000 acres. In November of 2013, the Minister of Natural Resources announced that applications for hydraulically fracturing wells would not be accepted which effectively imposed a moratorium. In October 2014, the Government of Newfoundland appointed five members to the Newfoundland and Labrador Hydraulic Fracturing Review Panel ("NLFRP") to study the socio-economic and environmental impacts of hydraulic fracturing in western Newfoundland. The report was made public on May 31, 2016 and recommends, among other things, significant further study before hydraulic fracturing could be considered. The Company originally anticipated that it would use hydraulic fracturing to achieve commercial production. The Company submitted a summary planning document to the applicable regulators in Newfoundland and Labrador ("C-NLOPB") which did not involve hydraulic fracturing. The Board of the C-NLOPB met on July 25, 2017 and voted to reject the Company's application to drill a new well.

After assessing the C-NLOPB decision, the Company, on April 10, 2019, submitted a letter to the Board proposing to do other work on EL 1070 while remaining in diligent pursuit of well 3K-39. The proposal was rejected by the C-NLOPB, and no substantive expenditure on further exploration has been planned; accordingly the previously capitalized cost of $2,176,303 was written off during the year ended January 31, 2020.

Mount Evans, Kansas, USA

On June 7, 2019, the Company entered into a farm in agreement with Shelby Resources LLC in the Mount Evans prospect in Kansas. The farm in agreement has a five-year term.

Pursuant to the terms of the agreement, the Company would earn a 65% working interest of an 80% net revenue interest by paying US$75,000 (paid), financing a 3D seismic shoot over approximately 5,700 acres at an estimated cost of US$420,000 (paid), and drilling the first well to casing point to a depth of approximately 4,700 feet or the bottom of the Arbuckle Formation for an estimated cost of US$135,000 (paid). Completing and equipping the first well and all operations on subsequent wells will be paid for by the Company proportionate to its 65% working interest. The Area of Mutual Interest is 121 square miles. During the year ended January 31, 2020 the Company completed all earn-in requirements earning a 65% working interest in the joint venture.

During the year ended January 31, 2021, the Company determined that its first well in the Mount Evans project has not performed as expected. In February 2021, the Company and its partner have elected to plug and abandon the second well, which commenced drilling in February 2021, and also abandon the third well, which commenced drilling in September 2021, at the Mount Evans project. Due to the under performance of the wells at the Mount Evans project, the Company has decided to abandon the project and has written off the previously capitalized cost of $1,494,834 during the year ended January 31, 2022. The Company intends to pursue other opportunities in the state of Kansas.

7. GOVERNMENT LOAN PAYABLE

In April 2020 the Company received a loan of $40,000 through the Canadian Emergency Business Account Program ("CEBA Loan"), which provides financial relief for Canadian small businesses during the COVID-19 pandemic. The CEBA Loan has an initial term date on December 31, 2023 (the "Initial Term Date") and may be extended to December 31, 2025. The CEBA Loan is non-revolving, with an interest rate being 0% per annum prior to the Initial Term Date and 5% per annum thereafter during any extended term, which is calculated daily and paid monthly. The CEBA Loan can be repaid at any time without penalty and, if at least 75% of the CEBA Loan is paid prior to the Initial Term Date, the remaining balance of the CEBA Loan will be forgiven. The Company expects to repay the CEBA Loan prior to the Initial Term Date and therefore has recorded a forgiveness of government loan for $10,000 during the year ended January 31, 2022, reducing the outstanding balance to $30,000.

8. EQUITY INSTRUMENTS

(a) Share Capital

Shares issued during the year ended January 31, 2022

On February 24, 2021, the Company closed a non-brokered private placement and issued 5,335,354 units at $0.07 per unit for total gross proceeds of $373,475. Each unit consisted of one share and one share purchase warrant. Each full warrant is exercisable at a price of $0.10 with an expiry on the third anniversary of the date of closing of the transaction. The Company incurred finder's fees of $2,550 associated with the private placement. The Company also issued 36,428 broker warrants. Each broker warrant is exercisable at $0.10 per share until February 24, 2022. The fair value of these warrants was accounted for as a share issuance cost and has been determined to be $1,194 and was estimated using the Black Scholes Option Pricing Model with the following weighted average assumptions: risk free rate of 0.23%; expected term of 1 year; exercise price of $0.10 per share; volatility of 114%; and expected future dividends of $nil.

During the year ended January 31, 2022, the Company issued 2,125,000 common shares pursuant to exercise of warrants for total gross proceeds of $127,500. A value of $114,022 was transferred from warrant reserve to share capital as a result. The weighted average share price at the dates the warrants were exercised was $0.06.

Shares issued during the year ended January 31, 2021

On June 17, 2020, the Company closed a non-brokered private placement and issued 4,257,500 units at $0.08 per unit for total gross proceeds of $340,600. Each unit consisted of one share and one share purchase warrant. Each full warrant is exercisable at a price of $0.12 with an expiry on the third anniversary of the date of closing of the transaction. The Company incurred finder's fees of $7,560 associated with the private placement. The Company also issued 94,500 broker warrants, each entitling the holder to subscribe for one common share at $0.10 per share until June 17, 2021. The fair value of these warrants was accounted for as a share issuance cost and has been determined to be $4,950 and was estimated using the Black-Scholes Option Pricing Model with the following weighted-average assumptions: risk free rate of 0.26%; expected term of 1 year; exercise price of $0.10 per share; volatility of 115%; and expected future dividends of $nil.

(Expressed in Canadian Dollars)

During the year ended January 31, 2021, the Company issued 1,555,000 common shares pursuant to exercise of warrants for total gross proceeds of $159,400. A value of $10,288 was transferred from warrant reserve to share capital as a result. The weighted average share price at the dates the warrants were exercised was $0.16.

(b) Stock option plan and stock-based compensation

The Company has a stock option plan to provide employees, directors, officers and others providing consulting services with options to purchase common shares of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock on the day of grant and the maximum term of an option is five years. The maximum number of shares which may be issued under the program shall not exceed 10% of the issued and outstanding shares.

The following table summarizes information concerning the Company's stock options outstanding:

	January 31, 2022		January 31, 2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	5,010,000	$ 0.22	5,010,000	$ 0.22
Options expired	(910,000)	0.80	-	-
Options granted	2,100,000	0.10	-	-
Options outstanding, ending	6,200,000	$ 0.09	5,010,000	$ 0.22
Options exercisable, ending	6,200,000	$ 0.09	5,010,000	$ 0.22

Details of options outstanding as at January 31, 2022 are as follows:

Weighted average exercise price	Weighted average contractual life	Number of options outstanding
$0.10	0.37 years	500,000
$0.13	0.54years	200,000
$0.07	1.12 years	2,350,000
$0.07	1.29 years	100,000
$0.13	2.54 years	950,000
$0.10	4.09 years	2,100,000
$0.09	2.27 years	6,200,000

The grant date fair value of share purchase options granted during the year ended January 31, 2022 has been estimated using the Black-Scholes Option Pricing Model with the following weighted-average assumptions: market value of underlying stock of $0.09; risk free rate of 0.74%; expected term of 5 years; exercise price of the option of $0.10 per share; volatility of 167%; and expected future dividends of nil, for a weighted average grant date fair value of $0.08 per option. These stock options vested upon grant.

During the year ended January 31, 2022, share-based compensation of $176,941 was recognized (2021 – $177).

(Expressed in Canadian Dollars)

(c) Warrants

The following table summarizes warrants that have been issued, exercised or have expired during the years ended January 31, 2022 and 2021:

	January 31, 2022		January 31, 2021	
	Number of warrants	**Weighted average exercise price**	**Number of warrants**	**Weighted average exercise price**
Warrants outstanding, beginning	13,488,875	$ 0.12	12,433,015	$ 0.16
Warrants issued	5,371,782	0.10	4,352,000	0.12
Warrants exercised	(2,125,000)	0.06	(1,555,000)	0.10
Warrants expired	(384,500)	0.07	(1,741,140)	0.40
Warrants outstanding, ending	16,351,157	$ 0.12	13,488,875	$ 0.12

At January 31, 2022, the following warrants were outstanding:

Exercise price	Number outstanding	Weighted average remaining contractual life (in years)
$0.10	36,428[1]	0.07
$0.15	6,721,875	0.52
$0.12	4,257,500	1.38
$0.10	5,335,354	2.07
	16,351,157	1.25

[1] These warrants have expired unexercised subsequent to January 31, 2022.

9. COMMITMENTS AND CONTINGENCIES

The Company was named as a defendant in a $3,414,000 lawsuit relating to seismic data which the litigant, Geophysical Services Inc., claims was disclosed by NWest Oil & Gas Inc. ("NWest") to the Company when the Company acquired certain acreage from NWest in a prior year. Management believes the claim to be frivolous towards the Company and without merit. The Company has filed a Summary Dismissal Application with the Alberta Court. A date for hearing of this Application has not been set. No loss provision has been recorded.

10. RELATED PARTY TRANSACTIONS

Key management consists of the Company's directors and officers. Details of key management compensation are as follows:

	January 31, 2022	January 31, 2021
Management salaries	**$ 46,328**	$ 53,209
Professional fees	**19,864**	15,207
Share-based compensation	**50,554**	-
	$ 116,746	$ 68,416

(Expressed in Canadian Dollars)

11. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share has been calculated by dividing the net loss per the financial statements by the weighted average number of common shares outstanding during the period. The fully diluted loss per share would be calculated using a common share balance increased by the number of common shares that could be issued on the exercise of outstanding warrants and options of the Company. As the Company is in a loss position for the years ended January 31, 2022 and 2021, the inclusion of options and warrants in the calculation of diluted earnings per share would be anti-dilutive, and accordingly, were excluded from the diluted loss per share calculation.

12. INCOME TAXES

The movement in deferred tax in the statement of financial position and the Company's deferred tax assets and liabilities are as follows:

Nature of temporary differences	**January 31, 2022**	January 31, 2021
Oil and natural gas property	$ 1,909,000	$ 1,966,000
Capital assets	28,000	31,000
Share issuance costs and other	9,000	15,000
Non-capital losses	14,876,000	14,424,000
	16,822,000	16,436,000
Deferred tax benefits not recognized	(16,822,000)	(16,436,000)
	$ -	$ -

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable income will be available against which the Company can utilize the benefits.

Income taxes differ from that which would be expected from applying the combined effective Canadian federal and provincial tax rates of 26.5% (2021 – 26.5%) to the loss before income taxes as follows:

	January 31, 2022	January 31, 2021
Expected tax recovery	$ (530,754)	$ (86,514)
Stock based compensation costs and other non-deductible expenses	46,889	47
True-up	14,226	9,643
Rate difference in other jurisdiction and foreign exchange movement	57,810	3,489
Change in deferred tax assets not recognized	411,829	73,335
	$ -	$ -

As at January 31, 2022 the Company has Canadian non-capital losses of approximately $55,939,000 that can be used to reduce future taxable income, and if not utilized, will expire between 2027 and 2042.

13. SUBSEQUENT EVENT

On March 22, 2022, the Company closed a non-brokered private placement and issued 18,116,667 units for total gross proceeds of $543,500. Each unit consisted of one share and one share purchase warrant. Each full warrant is exercisable at a price of $0.05 with an expiry on the third anniversary of the date of closing of the transaction. A finders fee of $13,920 and 444,000 Finders Warrants were paid pursuant to the private placement.