SHOAL POINT ENERGY LTD.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JANUARY 31, 2024 AND 2023

EXPRESSED IN CANADIAN DOLLARS

Crowe MacKay LLP

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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, 2024 and January 31, 2023 and the consolidated statements of operations and comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material 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, 2024 and January 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Other than the matter described in the Material Uncertainty Related to Going Concern section, we have determined there are no key audit matters to be communicated in our report.

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 IFRS Accounting Standards as issued by the International Accounting Standards Board, 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 29, 2024

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

		January 31, 2024		January 31, 2023
ASSETS				
CURRENT				
Cash and cash equivalents	**$**	**28,197**	$	16,239
Accounts receivable		**54,767**		43,451
Prepaid expenses		**15,277**		11,099
		98,241		70,789
RECLAMATION DEPOSIT (Note 5)		**50,000**		50,000
OIL & NATURAL GAS PROPERTIES AND EQUIPMENT (Note 6)		**1,396**		9,337
	$	**149,637**	$	130,126
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities (Notes 6 and 11)	**$**	**676,754**	$	473,354
Loan payable (Note 7)		**66,629**		-
		743,383		473,354
GOVERNMENT LOAN PAYABLE (Note 8)		**40,000**		30,000
		783,383		503,354
SHAREHOLDERS' DEFICIENCY				
Share capital (Note 9)		**63,417,065**		63,201,937
Warrants (Note 9)		**11,963,593**		11,906,321
Contributed surplus (Note 9)		**5,099,899**		5,031,991
Accumulated other comprehensive loss		**(41,906)**		(40,588)
Deficit		**(81,072,397)**		(80,472,889)
		(633,746)		(373,228)
	$	**149,637**	$	130,126

REPORTING ENTITY AND GOING CONCERN (Note 1)

COMMITMENTS AND CONTINGENCIES (Note 10)

SUBSEQUENT EVENTS (Notes 9 and 14)

Approved on behalf of the board:

"Brian Usher-Jones"
Director

"Mark Jarvis"
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, 2024 AND 2023
(Expressed in Canadian Dollars)

	January 31, 2024	January 31, 2023
Revenues (Note 6)	$ 30,650	$ 48,614
Lease operating expenses	(19,531)	(7,789)
Gross profit	11,119	40,825
Expenses		
Depreciation (Note 6)	598	855
Property investigation cost	192,331	92,174
Foreign exchange loss (gain)	973	(1,878)
Oil and natural gas property impairment (Note 6)	7,438	378,609
Management salaries (Note 11)	48,392	80,432
Office, general and administrative (Notes 7 and 8)	195,993	174,921
Professional fees (Note 11)	67,284	88,985
Rent	30,552	30,561
Share-based compensation (Notes 9 and 11)	67,908	108,271
	(611,469)	(952,930)
Loss from operations	(600,350)	(912,105)
Interest and other income	842	415
Net loss for the year	(599,508)	(911,690)
Other comprehensive (loss) income		
Exchange differences on translation of foreign operations	(1,318)	10,573
Comprehensive loss for the year	$ (600,826)	$ (901,117)
Loss per share		
Basic and diluted (Note 12)	$ (0.02)	$ (0.04)
Weighted average number of common shares outstanding	24,827,367	22,066,645

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

SHOAL POINT ENERGY LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
(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, 2022	18,146,625	$ 62,675,239	4,087,789	$ 11,903,439	$ 4,923,720	$ (51,161)	$ (79,561,199)	$ (109,962)
Shares issued for cash (Note 9)	4,529,167	543,500	4,529,167	-	-	-	-	543,500
Less: issuance costs - cash	-	(13,920)	-	-	-	-	-	(13,920)
Less: issuance costs - warrants	-	(2,882)	111,000	2,882	-	-	-	-
Expired and cancelled warrants	-	-	(180,982)	-	-	-	-	-
Stock-based compensation (Note 9)	-	-	-	-	108,271	-	-	108,271
Comprehensive loss for the year	-	-	-	-	-	10,573	(911,690)	(901,117)
Balance, January 31, 2023	22,675,792	63,201,937	8,546,974	11,906,321	5,031,991	(40,588)	(80,472,889)	(373,228)
Shares issued for cash (Note 9)	2,775,000	222,000	2,775,000	55,500	-	-	-	277,500
Less: issuance costs - cash	-	(5,100)	-	-	-	-	-	(5,100)
Less: issuance costs - warrants	-	(1,772)	51,000	1,772	-	-	-	-
Expired warrants	-	-	(1,175,375)	-	-	-	-	-
Stock-based compensation (Note 9)	-	-	-	-	67,908	-	-	67,908
Comprehensive loss for the year	-	-	-	-	-	(1,318)	(599,508)	(600,826)
Balance, January 31, 2024	**25,450,792**	**$ 63,417,065**	**10,197,599**	**$ 11,963,593**	**$ 5,099,899**	**$ (41,906)**	**$ (81,072,397)**	**$ (633,746)**

* Effective April 3, 2023, the Company consolidated its common shares on the basis of one new common share for every two old common shares issued and outstanding at that time. Effective February 29, 2024, the Company consolidated its common shares on the basis of one new common share for every two old common shares issued and outstanding at that time (Note 9). All references to share and per share amounts in these consolidated financial statements have been retroactively restated to reflect the share consolidation.

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, 2024 AND 2023
(Expressed in Canadian Dollars)

		2024		2023
Cash flows from operating activities				
Net loss for the year	**$**	**(599,508)**	$	(911,690)
Adjustments not effecting cash:				
Depreciation		**598**		855
Oil and natural gas property impairment		**7,438**		378,609
Accrued loan interest		**1,629**		-
Reversal of forgiveness of government loan		**10,000**		-
Foreign exchange loss (gain)		**973**		(1,878)
Reversal of reclamation obligation		**-**		(40,580)
Share-based compensation		**67,908**		108,271
Changes in non-cash working capital				
Accounts receivable		**(11,316)**		(20,456)
Prepaid expenses		**(4,178)**		(715)
Accounts payable and accrued liabilities		**203,950**		196,403
Cash flows used in operating activities		**(322,506)**		(291,181)
Cash flows from investing activity				
Oil and natural gas properties		**(550)**		(273,095)
Cash flows used in investing activity		**(550)**		(273,095)
Cash flows from financing activities				
Proceeds from share issuances		**277,500**		543,500
Share issuance costs - cash		**(5,100)**		(13,920)
Loan proceeds		**65,000**		-
Cash flows provided by financing activities		**337,400**		529,580
Increase (decrease) in cash and cash equivalents		**14,344**		(34,696)
Effect of exchange rate changes on cash		**(2,386)**		4,334
Cash and cash equivalents, beginning of year		**16,239**		46,601
Cash and cash equivalents, end of year	**$**	**28,197**	$	16,239

The components of cash and cash equivalents are as follows:

Cash	**$**	**17,024**	$	5,230
Term deposit		**11,173**		11,009
	$	**28,197**	$	16,239

Non-cash investing and financing activities				
Fair value of agents’ warrants	**$**	**1,772**	$	2,882
Accounts payable related to oil & natural gas properties	**$**	**102,867**	$	102,317

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. V6C 1G8. 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. On February 27, 2023, the Company filed articles of continuance to British Columbia.

Effective April 3, 2023, the Company consolidated its common shares on the basis of one new common share for every two old common shares issued and outstanding at that time. Effective February 29, 2024, the Company consolidated its common shares on the basis of one new common share for every two old common shares issued and outstanding at that time (Note 9). All references to share and per share amounts in these consolidated financial statements have been retroactively restated to reflect the share consolidation.

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 $599,508 for the year ended January 31, 2024 and has accumulated a deficit of $81,072,397 as at January 31, 2024. As at January 31, 2024 the Company has cash and cash equivalents of $28,197 and a working capital deficit of $645,142.

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. 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
These consolidated financial statements, including comparatives, have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issue by the board of directors on May 29, 2024.

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 the consolidated 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 consolidated 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 the consolidated 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 consolidated financial statements include the going concern assumption.

3. MATERIAL 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

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

Fair value

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

EXPLORATION AND EVALUATION ASSETS AND OIL AND NATURAL GAS PROPERTIES

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.

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.

When an area is determined to be technically feasible and commercially viable, the accumulated costs are transferred to oil and natural gas properties. Upon transfer to developed oil and natural gas properties, these E&E assets were assessed for impairment to ensure that they are not carried at amounts above their recoverable values. When an area is determined not to be technically feasible and commercially viable or the Company decides not to continue with its activity, the unrecoverable costs are charged to profit or loss as impairment of exploration and evaluation costs.

The oil and natural gas properties are subject to depletion. Costs accumulated within each area are depleted using the unit-of-production method based on proven plus probable reserves incorporating estimated future prices and costs. Costs subject to depletion include estimated future costs to be incurred in developing proven reserves. Costs of major development projects are excluded from the costs subject to depletion unless they are available for use.

REVENUE RECOGNITION

The Company recognized revenue from customers applying the five-step model framework in IFRS 15, as follows:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize the revenue when the entity has satisfied the performance obligation(s).

The Company earns revenue from extracting oil and natural gas from wells, which is transferred through pipelines to the customer. Revenue represents the fair value of consideration received or receivable from customers for the transfer of control of the commodities by the Company to the customer. Control is achieved when the products are delivered to the customer, the Company has a present right to payment for the service, significant risks and rewards of ownership have transferred and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Revenue from oil and natural gas sales is recognized in the period in which the customer receives and takes control of the product, at a point in time.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of the Company's non-financial assets, other than E&E assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For other intangible assets that have indefinite lives or that are not yet available for use, an impairment test is completed each year. E&E assets are assessed for impairment when they are reclassified to oil and natural gas properties, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

The Company considers its Pratt County assets as a CGU. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell ("FVLCTS"). Value in use is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or CGU. FVLCTS is based on available market information, where applicable. In the absence of such information, FVLCTS is determined using discounted future net cash flows of proved and probable reserves using forecast prices and costs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

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.

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 intends to make in the future, expenditures to comply with such laws and regulations.

At January 31, 2024, the Company estimated that the fair value of the reclamation obligation is $nil (2023 – $nil).

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 warrant reserve. Upon exercise of the warrants, consideration paid by the warrant holder together with the amount previously recognized in the warrant reserve 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 or are canceled, 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.

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.

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 adopted by the Company

Amendments to IAS 8 – Definition of Accounting Estimates
These amendments clarify how companies distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The distinction between the two is important because changes in accounting policies are applied retrospectively, whereas changes in accounting estimates are applied prospectively. Further, the amendments clarify that accounting estimates are monetary amounts in the financial statements subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies

and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The adoption of this standard on February 1, 2023 did not have a material measurement or disclosure impact on the Company's consolidated financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
These amendments continue the IASB's clarifications on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include: requiring companies to disclose their material accounting policies instead of their significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material. The IASB also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures. The adoption of this standard on February 1, 2023 had reduced the disclosures in the Company's consolidated financial statements.

New and amended standards not yet adopted

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, 2024 and are expected to have no significant impact upon adoption.

IFRS 18 Presentation and Disclosure in Financial Statements
IFRS 18 introduces three sets of new requirements to give investors more transparent and comparable information about companies' financial performance for better investment decisions.

1. Three defined categories for income and expenses—operating, investing and financing—to improve the structure of the income statement, and require all companies to provide new defined subtotals, including operating profit.

2. Requirement for companies to disclose explanations of management-defined performance measures (MPMs) that are related to the income statement.

3. Enhanced guidance on how to organize information and whether to provide it in the primary financial statements or in the notes.

This new standard is effective for reporting periods beginning on or after January 1, 2027. The Company is currently in the process of assessing its impact on future consolidated financial statements.

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 most of the Company's cash is held by one major bank 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. To address the current working capital deficiency, the Company will need to obtain additional funding.

Historically, the Company's main 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 $7,000 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's loan payable and government loan payable have fixed rates of interest and do 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 years ended January 31, 2024 and 2023 and there were no externally imposed restrictions.

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, 2022	$ -	$ 30,657	$ 30,657
Additions	375,412	-	375,412
Foreign exchange	10,540	-	10,540
Impairment	(378,609)	-	(378,609)
Balance at January 31, 2023	7,343	30,657	38,000
Foreign exchange	95	-	95
Impairment	(7,438)	-	(7,438)
Balance at January 31, 2024	$ -	$ 30,657	$ 30,657

	Oil and natural gas properties	Equipment and software	Total
Accumulated Depreciation			
Balance at January 31, 2022	$ -	$ 27,808	$ 27,808
Depreciation for the year	-	855	855
Balance at January 31, 2023	-	28,663	28,663
Depreciation for the year	-	598	598
Balance at January 31, 2024	$ -	$ 29,261	$ 29,261
Carrying Amounts			
As at January 31, 2023	$ 7,343	$ 1,994	$ 9,337
As at January 31, 2024	$ -	$ 1,396	$ 1,396

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.

The EL 1070 in Newfoundland is considered to be an exploration and evaluation asset, as it is still in the exploration stage.

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.

Included in accounts payable and accrued liabilities at January 31, 2024 is $369,133 (2023 - $218,646) due to Natural Resources Canada for research fund.

In early 2023, the Company attempted to engage with the Government of Newfoundland and Labrador regarding compensation for its efforts to develop its hydrocarbon assets on the west coast of Newfoundland. In November 2023, the Company filed a Statement of Claim in the Supreme Court of Newfoundland and Labrador against His Majesty the King in

Right of Newfoundland and Labrador (“Newfoundland”). The claim seeks damages against Newfoundland for de facto expropriating and constructively taking the Company’s interest in certain exploration lands, among other claims. There is no certainty that the claim will be successful or that a settlement will be reached.

<u>Mount Evans, Kansas, USA</u>
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 had a five-year term.

Pursuant to the terms of the agreement, the Company earned a 65% working interest of an 80% net revenue interest by paying US$75,000, financing a 3D seismic shoot over approximately 5,700 acres at an estimated cost of US$420,000, 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. Completing and equipping the first well and all operations on subsequent wells were paid for by the Company proportionate to its 65% working interest.

The Mount Evans project was considered to be an exploration and evaluation asset.

Due to the under performance of the wells at the Mount Evans project, the Company had decided to abandon the project and had written off the previously capitalized cost of $1,494,834 during the year ended January 31, 2022. The wells have been plugged and a net recovery of $2,797 (2023 – $48,473) was received for disposal of equipment, net of reclamation cost during the year ended January 31, 2024.

<u>Pratt County, Kansas, USA</u>
On March 10, 2022, the Company committed to participate in the first of three oil and gas prospects in Pratt County, Kansas, operated by Shelby Resources LLC. Participation in the first prospect gave the Company the option of participating in the other two prospects in the package. In April 2022, the Company exercised its option to participate in the second Pratt County prospect. In May 2022, the Company exercised its option to participate in the third Pratt County prospect. Total acquisition costs of US$19,500 have allowed the Company to earn a working interest of 6.5% of an 81% net revenue interest in each of the wells and possible offset locations in the second and third Pratt County prospects. In September 2023, the Company disposed its interest in the third Pratt County prospect for US$19,500.

The Pratt County project is considered a developed oil and natural gas property, as they have been determined to meet certain technical feasibility and commercial viability thresholds as determined by management.

Due to the underperformance of four of the six wells at the Pratt County project, the Company had decided to write down the previously capitalized cost to $7,343, resulting in an impairment of $378,609 during the year ended January 31, 2023. The Company wrote down the remaining capitalized cost, resulting in an impairment of $7,438 during the year ended January 31, 2024. During the year ended January 31, 2024, the Company recorded $30,650 (2023 – $48,614) in revenues.

7. LOAN PAYABLE

In August 2023, the Company received a loan of $65,000 from a company controlled by the CEO of the Company. The loan bears interest at 5% per annum, is unsecured and is payable on demand. The balance of the loan payable including accrued interest of $1,629 was $66,629 at January 31, 2024 (2023 – $nil).

8. 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 had an initial term date on December 31, 2023 (the “Initial Term Date”). 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 expected to repay the CEBA Loan prior to the Initial Term Date and therefore recorded a forgiveness of government loan for $10,000 during the year ended January 31, 2022, reducing the outstanding balance to $30,000.

During the year ended January 31, 2024, the Company has determined that it will not repay 75% of the CEBA Loan prior to the Initial Term Date. Accordingly, the Term Date of the CEBA Loan has been extended to December 31, 2025, and the outstanding balance of the CEBA Loan has been increased back to $40,000, resulting in an interest expense for $10,000 which is included in the office, general and administrative expense.

9. EQUITY INSTRUMENTS

(a) Share Capital

Shares issued during the year ended January 31, 2024

On April 24, 2023, the Company closed a non-brokered private placement and issued 2,775,000 units for total gross proceeds of $277,500. Each unit consisted of one share and one share purchase warrant. Each full warrant is exercisable at a price of $0.12 for two years following completion of the private placement. $222,000 has been allocated to shares and $55,500 has been allocated to the warrants. A finder's fee of $5,100 and 51,000 broker warrants were paid for a portion of the placement. Each broker warrant is exercisable at $0.12 per share until April 24, 2024. The fair value of these warrants was accounted for as a share issuance cost and has been determined to be $1,772 and was estimated using the Black Scholes Option Pricing Model with the following weighted average assumptions: risk free rate of 3.69%; expected term of 1 year; exercise price of $0.12 per share; volatility of 142%; and expected future dividends of $nil.

Shares issued during the year ended January 31, 2023

On March 22, 2022, the Company closed a non-brokered private placement and issued 4,529,167 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 $0.20 with an expiry on the third anniversary of the date of closing of the transaction. A finder's fee of $13,920 and 111,000 Finders Warrants were paid pursuant to the private placement. Each broker warrant was exercisable at $0.20 per share until March 22, 2023. The fair value of these warrants was accounted for as a share issuance cost and has been determined to be $2,882 and was estimated using the Black Scholes Option Pricing Model with the following weighted average assumptions: risk free rate of 2.21%; expected term of 1 year; exercise price of $0.20 per share; volatility of 94%; and expected future dividends of $nil.

(b) Share consolidation

Effective April 3, 2023, the Company consolidated its common shares on the basis of one new common share for every two old common shares issued and outstanding at that time.

Effective February 29, 2024, the Company consolidated its common shares on the basis of one new common share for every two old common shares issued and outstanding at that time.

All references to share and per share amounts in these consolidated financial statements have been retroactively restated to reflect the share consolidation.

(Expressed in Canadian Dollars)

(c) 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 for the years ended January 31, 2024 and 2023:

	January 31, 2024		January 31, 2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	2,037,500	$ 0.31	1,550,000	$ 0.36
Options expired	(612,500)	0.28	(175,000)	0.44
Options granted	1,270,000	0.10	662,500	0.20
Options cancelled	(150,000)	0.43	-	-
Options outstanding, ending	2,545,000	$ 0.21	2,037,500	$ 0.31
Options exercisable, ending	2,545,000	$ 0.21	2,037,500	$ 0.31

Details of options outstanding as at January 31, 2024 are as follows:

Weighted average exercise price	Weighted average contractual life	Number of options outstanding
$0.52	0.54 years	162,500
$0.40	2.09 years	475,000
$0.20	3.58 years	637,500
$0.10	1.48 years	75,000
$0.10	4.48 years	1,045,000
$0.12	4.89 years	150,000
$0.21	3.49 years	2,545,000

The grant date fair value of share purchase options granted during the year ended January 31, 2023 has been estimated using the Black-Scholes Option Pricing Model with the following weighted-average assumptions: market value of underlying stock of $0.18; risk free rate of 3.40%; expected term of 5 years; exercise price of the option of $0.20 per share; volatility of 149%; and expected future dividends of nil, for a weighted average grant date fair value of $0.16 per option. These stock options vested upon grant.

The grant date fair value of share purchase options granted during the year ended January 31, 2024 has been estimated using the Black-Scholes Option Pricing Model with the following weighted-average assumptions: market value of underlying stock of $0.10; risk free rate of 3.92%; expected term of 4.83 years; exercise price of the option of $0.10 per share; volatility of 131%; and expected future dividends of nil, for a weighted average grant date fair value of $0.06 per option. These stock options vested upon grant.

During the year ended January 31, 2024, share-based compensation of $67,908 was recognized (2023 – $108,271).

(Expressed in Canadian Dollars)

(d) Warrants

The following table summarizes warrants that have been issued, exercised, cancelled or have expired during the years ended January 31, 2024 and 2023:

	January 31, 2024		January 31, 2023	
	Number of warrants	**Weighted average exercise price**	**Number of warrants**	**Weighted average exercise price**
Warrants outstanding, beginning	8,546,974	$ 0.27	4,087,789	$ 0.48
Warrants issued	2,826,000	0.12	4,640,167	0.20
Warrants expired	(1,175,375)	0.45	(171,875)	0.24
Warrants canceled	-	-	(9,107)	0.40
Warrants outstanding, ending	10,197,599	$ 0.21	8,546,974	$ 0.27

At January 31, 2024, the following warrants were outstanding:

Exercise price	Number outstanding	Weighted average remaining contractual life (in years)
$0.24	1,508,594[(1)]	0.52
$0.40	1,333,838[(2)]	0.07
$0.20	4,529,167	1.14
$0.12	51,000[(2)]	0.23
$0.12	2,775,000	1.23
	10,197,599	0.93

(1) The warrants are subject to an accelerated expiry provision whereas in the event the market price of the shares is above $0.30 for a ten day trading period, the expiry date of the warrants will be accelerated to 30 days. The 30 day period will commence 7 days following the end of the ten day trading period.

(2) These warrants expired unexercised subsequent to January 31, 2024.

10. COMMITMENTS AND CONTINGENCIES

The Company was named as a defendant in a 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. Management has performed an assessment of the probability of an unfavourable outcome of the claim and has determined that the likelihood and financial impact cannot be reasonably estimated at the reporting period date; hence, no loss provision has been recorded.

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS

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

	January 31, 2024	January 31, 2023
Management salaries	**$ 46,494**	$ 46,419
Professional fees	**23,540**	18,048
Share-based compensation	**44,547**	63,328
	$ 114,581	$ 127,795

Included in accounts payable and accrued liabilities at January 31, 2024 is $46,795 (2023 - $12,170) due to a company in which the CFO of the Company is an owner and an officer of the Company.

12. 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, 2024 and 2023, 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.

13. INCOME TAXES

The summary of the Company's unrecognized deductible temporary differences are as follows:

Nature of temporary differences	**January 31, 2024**	Expiry	January 31, 2023	Expiry
Oil and natural gas property	$ 6,821,000	None	$ 6,911,000	None
Capital assets	86,000	None	107,000	None
Share issuance costs and other	18,000	2024-2028	22,000	2023-2027
Non-capital losses	57,969,000	2027-2044 or no expiry	57,004,000	2027-2043 or no expiry
Total	$ 64,894,000		$ 64,004,000	

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 27% (2023 – 26.5%) to the loss before income taxes as follows:

	Year ended January 31, 2024	Year ended January 31, 2023
Expected tax recovery	$ (161,867)	$ (241,598)
Stock based compensation costs and other non-deductible expenses	58,967	54,932
True-up	7,284	34,108
Rate difference in other jurisdiction and foreign exchange movement	3,161	(309,188)
Change in tax benefits not recognized	92,455	461,746
	$ -	$ -

14. SUBSEQUENT EVENTS

On April 2, 2024, the Company closed a non-brokered private placement and issued 6,176,870 units for total gross proceeds of $308,844. Each unit consisted of one share and one share purchase warrant. Each full warrant is exercisable at a price of $0.07 for three years following completion of the private placement. A finder's fee of $3,750 and 75,000 broker warrants were paid for a portion of the placement. Each broker warrant is exercisable at $0.07 per share until April 2, 2025.

In February 2024, the Company received an additional loan of $10,000 from a company controlled by the CEO of the Company. This $10,000 additional loan and the loan payable outstanding as of January 31, 2024 with a principal amount of $65,000 have been fully repaid subsequently.