WEDGEMOUNT RESOURCES CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

July 31, 2024

(Expressed in Canadian Dollars)

Report Date – January 24, 2025

The following Management's Discussion & Analysis ("MD&A") provides a review of activities, results of operations and the financial condition of Wedgemount Resources Corp. (the "Company") for the years ended July 31, 2024 and 2023. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and related notes thereto for the year ended July 31, 2024. All amounts disclosed in this MD&A are expressed in Canadian dollars, unless otherwise noted.

MANAGEMENT'S RESPONSIBILITY

The Company's management is responsible for the preparation and presentation of the financial statements and this MD&A. The financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board. This MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators.

FORWARD-LOOKING STATEMENTS

This MD&A may contain forward-looking statements based on assumptions and judgments of management regarding events or results that may prove to be inaccurate as a result of operational or other risk factors beyond its control. Actual results may differ materially from the expected results.

Except for statements of historical fact, this MD&A contains certain "forward-looking information" within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. In particular, forward-looking information in this MD&A includes, but is not limited to, statements with respect to future events such as the sufficiency of the Company's current working capital, anticipated cash flow or its ability to raise necessary funds, and the Company's plans and expectations for its operations and is subject to certain risks, uncertainties and assumptions. Although we believe that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. We cannot guarantee future results, performance or achievements. Consequently, there is no representation that the actual results achieved will be the same, in whole or in part, as those set out in the forward-looking information.

Forward-looking information is based on the opinions and estimates of management at the date the statements are made, which are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking information. Some of the risks and other factors that could cause results to differ materially from those expressed in the forward-looking statements include, but are not limited to: general economic conditions in Canada, the United States and globally; industry conditions, including fluctuations in commodity prices; the outbreak of an epidemic or a pandemic, or other health crisis and the related global health emergency affecting workforce health and wellbeing, regional or country-wide lock-downs, travel restrictions and disruptions to supply chains; governmental regulation of the oil and gas industry, including environmental regulation; geological, technical and operating challenges; unanticipated operating events; competition for and/or inability to retain service rigs and other services; the availability of capital on acceptable terms; the need to obtain required approvals from regulatory authorities; stock market volatility; volatility in market prices for commodities; liabilities inherent in oil and gas operations; changes in tax laws and incentive programs relating to the oil and gas industry; and the other factors described herein under "Risks and Uncertainties" as well as in our public filings available at www.sedarplus.ca. Readers are cautioned that this list of risk factors should not be construed as exhaustive.

(Expressed in Canadian Dollars)

The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. We undertake no duty to update any of the forward-looking information to conform such information to actual results or to changes in our expectations except as otherwise required by applicable securities legislation. Readers are cautioned not to place undue reliance on forward-looking information.

BUSINESS OVERVIEW

The Company is focused on the acquisition, optimization and exploitation of producing oil and gas assets in the Permian Basin of west central Texas. In fiscal 2023 and 2024, the Company acquired the Willowbend, Millican and TCS properties and in August of 2024 the Huggy property. The Company is listed on the Canadian Securities Exchange ("CSE") under the symbol WDGY and on the OTCQB under the symbol WDGRF.

Willowbend Property

On March 31, 2023, the Company completed the acquisition of a 100% working interest in the Willowbend oil and gas property located 55km south of the city of Abilene, Runnels County, Texas. Willowbend, located in the Permian Basis of west Texas, consists of 5 leases hosting 11 wells producing from the Gardner formation and one injection well.

The acquisition of Willowbend was completed for total cash consideration of USD $1,500,000 ($2,029,418) plus transactions costs of $19,940. The Company applied the optional IFRS 3 concentration test to this acquisition which resulted in the acquired assets being accounted for as an asset acquisition. Fair value of consideration paid is allocated to assets and liabilities acquired.

The fair value assigned to the identified assets acquired and liabilities assumed are presented below:

Cost of acquisition:		
Cash consideration	$	2,029,418
Transactions costs	$	19,940
	$	**2,049,358**
Allocated as follows:		
Inventory	$	56,388
Oil and gas properties	$	2,398,790
Decommissioning obligations		(405,820)
	$	**2,049,358**

(Expressed in Canadian Dollars)

Millican Property

On March 28, 2023, the Company completed the acquisition of a 100% working interest in the Millican oil and gas property, located in Runnels County, Texas approximately 5km from the Willowbend property. The Millican property consists of seven leases over 2,000 acres hosting seven wells producing from the Gardner formation.

The acquisition of Millican was completed for total cash consideration of USD $160,000 ($219,086). The Company applied the optional IFRS 3 concentration test to this acquisition which resulted in the acquired assets being accounted for as an asset acquisition. Fair value of consideration paid is allocated to assets and liabilities acquired.

The fair value assigned to the identified assets acquired and liabilities assumed are presented below:

Cost of acquisition:	
Cash consideration	$ 219,086
	$ 219,086
Allocated as follows:	
Oil and gas properties	$ 440,888
Decommissioning obligations	(221,802)
	$ 219,086

TCS Property

On November 1, 2023, the Company completed the acquisition of a 100% working interest in the TCS oil and gas property located in Runnels County, Texas, approximately 3km from the Company's Willowbend property. TCS consists of nine leases covering 1200 acres and include nine producing oil wells and one injector well.

The acquisition of TCS was completed for total consideration of USD $650,000 comprised of USD $50,000 in cash and a USD $600,000 vendor take back loan ("VTB"). The VTB loan bears interest at 10% per annum and will be repaid from 50% of the net cash flows of the acquired assets over a period of 24 months.

The fair value assigned to the identified assets acquired and liabilities assumed are presented below:

Cost of acquisition:	
Cash consideration	$ 69,355
VTB	$ 832,260
	$ 901,615
Allocated as follows:	
Oil and gas properties	$ 1,242,174
Decommissioning obligations	(340,559)
	$ 901,615

(Expressed in Canadian Dollars)

Huggy Property

On August 16, 2024, the Company completed the acquisition of a 100% working interest in the Huggy oil and gas property located in Coleman County, Texas. Huggy covers 20,000 acres of 37 oil and gas leases, hosting 111 producing wells, eight injectors and all surface facilities. Current production from the 111 wells is approximately 72 boe/d (barrels of oil equivalent per day) of high-quality, low-decline operated production. The area's geology consists of numerous hydrocarbon-producing formations, which management anticipates will be targeted by the company. The acquisition of Huggy was completed for a total cash consideration of USD $840,000.

OPERATIONS UPDATE

Since the closing of the Company's recently announced Huggy asset acquisition and concurrent financing, Wedgemount's operations team has commenced optimization of wells and surface facilities in both the Echo and Novice fields which make up the core of the Huggy assets. As a result, the Company now has a total of 72 wells producing up from 23 prior to the Huggy purchase. Initial work has been focused on our Echo operating unit where the Company has completed significant surface processing improvements and completed enhancement work on six producing wells. At Novice one production well has been repaired and turned back on.

SELECTED ANNUAL INFORMATION

The following table sets out selected annual financial information for the financial years ended July 31, 2024, 2023 and 2022 derived from the Company's audited consolidated financial statements:

Period Ended		Year ended July 31, 2024		Year ended July 31, 2023		Year ended July 31, 2022
Revenue	$	857,855	$	236,224	$	Nil
Loss from continuing operations	$	(1,550,382)	$	(1,358,560)	$	(1,663,186)
- per share[(1)]	$	(0.03)	$	(0.04)	$	(0.07)
Loss and comprehensive loss	$	(1,563,603)	$	(1,356,742)	$	(1,663,186)
- per share [(1)]	$	(0.03)	$	(0.04)	$	(0.07)
Total assets	$	7,431,768	$	5,161,708	$	617,085
Total non-current financial liabilities	$	Nil	$	Nil	$	Nil
Cash dividends declared - per share	$	Nil	$	Nil	$	Nil

1. Fully diluted loss per share was not calculated as the effect was anti-dilutive.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS: YEAR-TO-DATE

During the year ended July 31, 2024, the Company had revenue of $857,855 (2023 - $236,224) and incurred a loss and comprehensive loss of $1,563,603 (2023 - $1,356,742). Revenue consisted of oil and gas sales of $1,082,018 (2023 - $292,180), net of royalties of $224,163 (2023 - $55,956). Expenses during fiscal 2024 consist primarily of operating expenses, general and administrative costs and share-based payments compared to fiscal 2023 when general and administrative costs and share-based payments were similar but operating costs were significantly lower. The results from fiscal 2024 and 2023 are significantly changed from fiscal 2022 which is consistent with the Company's change in focus from exploration on its exploration and evaluation assets to the exploration for and the development of petroleum and natural gas. Operating expenses also include share-based payments, from options granted to directors, officers, and consultants, and marketing, as the Company completed its listing on the CSE and commenced exploration. Additional expenses in fiscal 2024 and 2023 include accretion, loan interest, and property investigation costs, which relate to the Company's change in focus, and foreign exchange which relates to operating in the U.S.A.

(Expressed in Canadian Dollars)

The table below explains the significant changes in expenditures for the year ended July 31, 2024 as compared to the corresponding year ended July 31, 2023.

Expenses	Change in Expenses	Explanation for Change
Accretion	Increase of $50,084	Accretion relates to the amortization of projected future rehabilitation liabilities over the life of the related oil and gas assets The increase in fiscal 2024 over 2023 is due to the rehabilitation liability recognized on acquisition of the TCS asset as well as increases to those liabilities projected for the Willowbend and Millican assets.
Foreign exchange	Decrease of $210,371	The decrease in foreign exchange expense relates to an increase in the value of the US dollar vs the Canadian dollar and the relative increase of US dollar denominated assets held.
Loan interest	Increase of $110,812	Loan interest increased due to fact that loans were outstanding for all of fiscal 2024 compared with only part of the year in 2023.
Operating	Increase of $1,005,810	Increased operating costs in fiscal 2024 is due to initiation of operations for the newly acquired TCS asset and overall increased production and related activities in oil and gas operations.
Property investigation costs	Decrease of $80,224	The Company incurred costs to examine the oil and gas properties during fiscal 2023 but did not incur any in fiscal 2024.
Exploration and evaluation assets recovery	Decrease of $125,533	The decrease in the BC Government exploration incentive received in fiscal 2024 is due to lower exploration costs incurred by the Company in fiscal 2024 vs 2023 on it exploration and evaluation assts.
Inventory impairment	Increase of $367,023	The increase is due to the fact that no inventory impairment was recorded in fiscal 2023.
Unrealized gain/loss on investment	Increase of $52,500	The increase was due to an increase in the fair value of investments recognized in fiscal 2024.

(Expressed in Canadian Dollars)

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected unaudited quarterly financial information for the most recent eight quarters. The amounts presented have been prepared in accordance with IFRS for all quarters.

Period Ended		Three months ended July 31, 2024		Three months ended April 30, 2024		Three months ended January 31, 2024		Three months ended October 31, 2023
Revenue	$	298,506	$	250,713	$	110,779	$	197,856
Net income (loss) from continuing operations	$	(631,799)	$	(349,676)	$	(367,429)	$	(201,478)
- per share[(1)]	$	(0.01)	$	(0.01)	$	(0.01)	$	0.00
Comprehensive income (loss)	$	(637,509)	$	(358,820)	$	(358,837)	$	(208,437)
- per share [(1)]	$	(0.01)	$	(0.01)	$	(0.01)	$	0.00
Total assets	$	7,431,421	$	7,351,060	$	6,736,943	$	5,523,660
Total non-current financial liabilities	$	828,540	$	824,760	$	979,118	$	198,894
Cash dividends declared - per share	$	Nil	$	Nil	$	Nil	$	Nil

Period Ended		Three months ended July 31, 2023		Three months ended April 30, 2023		Three months ended January 31, 2023		Three months ended October 31, 2022
Revenue	$	189,769	$	46,455	$	Nil	$	Nil
Net income (loss) from continuing operations	$	116,088	$	(813,997)	$	(561,099)	$	(99,552)
- per share[(1)]	$	0.00	$	(0.03)	$	(0.02)	$	(0.00)
Comprehensive income (loss)	$	117,906	$	(813,997)	$	(561,099)	$	(99,552)
- per share [(1)]	$	0.00	$	(0.03)	$	(0.02)	$	(0.00)
Total assets	$	5,161,708	$	3,059,647	$	853,949	$	532,777
Total non-current financial liabilities	$	231,511	$	473,788	$	Nil	$	Nil
Cash dividends declared - per share	$	Nil	$	Nil	$	Nil	$	Nil

1. Fully diluted income (loss) per share was not calculated as the effect was anti-dilutive.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS: QUARTERLY

The Company's revenues and losses from continuing operations have for the most part increased since oil and gas operations began in the quarter ended July 31, 2023. During the quarters ended April 30 and January 31, 2023, the Company's losses from continuing operations were due in most part to write-offs of exploration and evaluation assets as the Company ceased mineral exploration activities and abandoned its exploration and evaluation assets. The Company's total assets have grown steadily over the last eight quarters with significant increases realized in the most recent six fiscal quarters, since the Company began to acquire oil and gas assets.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position was $99,476 as at July 31, 2024 (July 31, 2023 - $950,618). The Company had a working capital surplus/(deficit) of $(3,055,254) as at July 31, 2024 (July 31, 2023 - $357,671). The Company's cash position consists primarily of funds received from the issuance of its common shares and funds received from loans payable, less expenditures. The cash spent during the current period was primarily attributable to general working capital and operations on its oil and gas assets.

Net cash provided by/(used in) operating activities for the year ended July 31, 2024 was $(33,110) (2023 - $(595,040)) and in investing activities was $(910,942) (2023 - $(3,035,851)). The Company's investing activities were the acquisition and investment in oil and gas assets. The financing activities in the current period consisted of the issuance of share capital from warrant exercise, which provided proceeds of $142,500 (2023 – 1,161,100), and proceeds from loans payable $nil (2023 – 985,000).

Management estimates additional funding will be required to further operations in the upcoming twelve months. The Company is continuing to explore various potential sources of financing, but there is no certainty that any additional financings will be completed.

Loans payable

During the year ended July 31, 2023, the Company entered into a loan agreement with the President and CEO, under which USD $400,000 ($535,000) was loaned (the "Vanry Loan"). The Vanry Loan bears interest at a rate of 15% per annum, payable monthly for the first 22 months and thereafter at the rate of 18% per annum. The Company will make payments on account of principal on the Vanry Loan commencing June 30, 2023 at the rate of USD $20,000 per month plus an amount equal to 25% of net cash flows over USD $200,000. The Vanry Loan matures, and all outstanding principal shall be payable, on February 28, 2025. The Company may repay the Vanry Loan at any time without penalty. The Vanry Loan is secured by a pledge of the shares of WTC and a general security interest over the assets of WTC. Additionally, the Company, as further compensation, issued 275,000 warrants to the President. Each warrant is exercisable at a price of $0.30 until February 21, 2026. The warrants were valued at $39,440, calculated using the Black-Scholes option pricing model assuming a life expectancy of three years, a risk-free interest rate of 3.96%, a dividend rate of nil%, a forfeiture rate of nil%, and volatility of 134%. The fair value of the warrants was recorded as transaction cost of the loan and will be amortized to loan interest over the term of the loan, of which $19,560 (2023 - $8,551) was amortized to loan interest. As at July 31, 2024, the Vanry Loan has a current liability of $365,656 (2023 - $297,483) and a long-term liability of $nil (2023 - $41,511). During the year ended July 31, 2024, the Company accrued interest of $56,856 (2023 - $33,544), recorded in loan interest. As at July 31, 2024, accrued and unpaid interest on the Vanry Loan totals $70,127 (2023 - $11,828).

(Expressed in Canadian Dollars)

During the year ended July 31, 2023, the Company also entered into a loan agreement with an arm's length individual, under which $450,000 was loaned (the "Loan"). The Loan bears interest at a rate of 15% per annum, payable monthly for the first 22 months and thereafter at the rate of 18% per annum. The Company will make payments on account of principal on the Loan commencing June 30, 2023 at the rate of $20,000 per month plus an amount equal to 25% of net cash flows over USD $200,000. The Loan matures, and all outstanding principal shall be payable, on February 28, 2025. The Company may repay the Loan at any time without penalty. The Loan is guaranteed by a general security interest over the assets of WTC. As at July 31, 2024, the Loan has a current liability of $390,000 (2023 - $240,000) and a long-term liability of $nil (2023 - $190,000). During the year ended July 31, 2024, the Company accrued interest of $59,121 (2023 - $23,408), recorded in loan interest. As at July 31, 2024, accrued and unpaid interest on the Loan totals $53,642 (2023 - $5,593).

On November 1, 2023, the Company closed a purchase and sale agreement for the TCS property, the consideration for which included a USD$600,000 VTB loan ($832,260). The VTB loan bears interest at 10% per annum. In addition to monthly interest, commencing February 28, 2024, monthly principal payments equal to 50% of the net cash flows of the acquired assets from the prior month shall be paid (no such principal payments were triggered and owing during 2024). The loan matures and all outstanding principal shall be payable on November 1, 2025. As at July 31, 2024, the loan has a long term liability of $828,540 with accrued interest payable of $40,778 (2023 - $nil).

OFF-BALANCE SHEET ARRANGEMENTS

The Company did not enter into any off-balance sheet arrangements or transactions during the period.

TRANSACTIONS WITH RELATED PARTIES

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and the members of its Board of Directors.

The following summarizes the Company's related party transactions with its key management personnel.

Years ended,	2024	2023
Paid or accrued management fees to Mark Vanry, a director, President, and CEO of the Company	$ 150,000	$ 150,000
Paid or accrued professional fees to Lesia Burianyk, ex-CFO of the Company	22,500	39,000
Paid or accrued professional fees to Steve Vanry, CFO of the Company	52,000	-
Share-based payments to Steve Vanry	30,374	-
Share-based payments to Mark Vanry	69,211	54,801
Share-based payments to Cody Campbell, a director of the Company	13,532	9,294
Share-based payments to Richard Barth, a director of the Company	22,876	18,333
Share-based payments to Garry Clark, a director of the Company	13,532	9,294
Share-based payments to Lesia Burianyk	3,369	9,294
	$ 377,396	$ 290,016

During the year ended July 31, 2023, the Company entered into a loan agreement with:

- its President (Note 10) whereby the President advanced USD $400,000 ($535,000). The Company issued 275,000 warrants, valued at $39,440, to the President as compensation for the loan. During the year ended July 31, 2024, interest expense was $56,856 (2023 - $33,544).
- The son of its CFO (appointed in fiscal 2024) (Note 10) whereby he advanced $450,000. During the year ended July 31, 2024, interest expense was $59,121 (2023 - $23,408).

As at July 31, 2024, included in accounts payable and accrued liabilities was $322,921 (2023 - $150,574) owing to a director, a corporation controlled by a director, and an officer.

The Company has a management services agreement with its President which provides that in the event the President's services are terminated without cause or upon a change of control of the Company, a termination payment of an amount equal to 200% of the current annual compensation plus an amount equal to two times the average of the cash discretionary bonuses paid for the two most recently completed years will be payable.

The Company has a management services agreement with its Chief Financial Officer which provides that in the event the President's services are terminated without cause or upon a change of control of the Company, a termination payment of an amount equal to 100% of the current annual compensation plus an amount equal to two times the average of the cash discretionary bonuses paid for the two most recently completed years will be payable.

SHARE CAPITAL INFORMATION

Disclosure of Outstanding Share Data as at Report Date

The authorized capital of the Company consists of an unlimited number of common shares without par value.

Shares Issued and Outstanding

As at the Report Date, there were 52,387,935 common shares issued and outstanding.

Stock Options

As at the Report Date, there were 3,505,000 stock options outstanding.

Warrants

As at the Report Date, there were 18,535,703 warrants outstanding.

FINANCIAL INSTRUMENT RISK

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. As at July 31, 2024, the Company's risk exposure and the impact on the Company's financial instruments are summarized below:

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 credit risk is primarily attributable to its liquid financial assets, being cash and receivables. The maximum credit risk of the investments is their carrying value. The Company's primary bank accounts are held with a major Canadian bank and funds are transferred to the subsidiary's foreign bank account as required to cover current expenditures, minimizing the risk to the Company. Receivables are due from a government agency and from oil and gas marketers. The Company's policy to mitigate credit risk going forward is to maintain marketing relationships with established and reputable purchasers that are considered to be creditworthy.

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's approach to managing liquidity is through regular monitoring of cash requirements. When necessary, the Company obtains financing from various investors to ensure all future obligations are fulfilled. The Company does not have sufficient cash as at July 31, 2024 to settle its current liabilities as they come due and additional funds are required to continue current operations for the upcoming twelve months (Note 1).

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of market price changes:

<u>Foreign currency exchange risk</u>

This risk relates to any changes in foreign currencies in which the Company transacts. The Company is exposed to foreign currency risk on fluctuations related to cash, accounts payables and accrued liabilities, and loans that are denominated in United States Dollars. The effect of a 10% change in foreign exchange rates would be approximately $327,000 for the year ended July 31, 2024.

<u>Interest rate risk</u>

This risk relates to the change in the borrowing rates of the Company. The Company is not exposed to interest rate risk as it does not have any significant financial instruments with variable interest rates, with the exception of cash. Loans payable carry fixed interest rates. Interest earned on cash is based on prevailing bank account interest rates, which may fluctuate. A 1% increase or decrease in interest rates would result in a nominal difference for the year ended July 31, 2024.

<u>Price risk</u>

This risk relates to fluctuations in commodity and equity prices. The Company closely monitors commodity prices of precious and base metals, and of oil and gas, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

The Company does not currently use financial instruments designed to hedge these market risks.

Fair value hierarchy

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1

Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2

Pricing inputs are other than quoted prices in active markets included in level 1. Prices in level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3

Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The fair value of cash, receivables, accounts payable and accrued liabilities, and loans payable approximates their carrying values because of the short-term nature of these instruments. The long term portion of the loans payable approximates its carrying value because it bears interest at the market rate. The BC Co. shares, recorded in investment, are measured using level 3 of the fair value hierarchy. Investments classified within level 3 may have significant unobservable inputs. The investment was made near year end, accordingly, cost is considered to remain most representative of its fair value. The carrying value of the investment was increased to $202,500 (2023 - $150,000) due to an evidence-based re-assessment of its fair value made at year end.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. As at July 31, 2024, the Company's risk exposure and the impact on the Company's financial instruments are summarized below:

CAPITAL MANAGEMENT

The Company defines capital as cash, debt, and the components of shareholders' equity. The Company's objectives when managing capital are to identify, pursue, and complete the exploration and development of its exploration and evaluation assets, to maintain financial strength, to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness, and to maximize returns for shareholders over the long term. The Company manages its capital in a manner consistent with the risk characteristics of the assets it holds. All financings, including equity and debt, are analyzed by management and approved by the Board of Directors. The Company does not have any externally imposed capital requirements. There have been no significant changes in the Company's objectives, policies, and processes for managing its capital during the year ended July 31, 2024.

RISKS AND UNCERTAINTIES

Investors should carefully consider the risk factors set out below and consider all other information contained herein and, in the Company's other public filings before making an investment decision. The risks set out below are not an exhaustive list and should not be taken as a complete summary or description of all the risks associated with the Company's business and the oil and natural gas business generally. For a discussion of risks and uncertainties which are the most applicable to the Company, please refer to the Company's audited consolidated financial statements and related notes thereto and the annual MD&A for the year ended July 31, 2023.

RISKS AND UNCERTAINTIES

The Company is in the mineral exploration and development business and, as such, is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. Investors should carefully consider the risk factors set out below and consider all other information contained herein and in the Company's other public filings before making an investment decision. The risks set out below are not an exhaustive list and should not be taken as a complete summary or description of all the risks associated with the Company's business and the oil and natural gas business generally. Some of the possible risks include the following:

Environmental and Climate Change Risks

Oil and gas exploration and production can involve environmental risks such as litigation, physical and regulatory risks. Physical risks include the pollution of the environment, climate change and destruction of natural habitat, as well as safety risks such as personal injury. The Company works hard to identify the potential environmental impacts of its new projects in the planning stage and during operations. The Company conducts its operations with high standards in order to protect the environment, its employees and consultants, and the general public. The Company maintains current insurance coverage for comprehensive and general liability as well as limited pollution liability. The amount and terms of this insurance are reviewed on an ongoing basis and adjusted as necessary to reflect current corporate requirements, as well as industry standards and government regulations.

The Company's exploration and production facilities and other operations and activities emit greenhouse gasses ("GHG") which may require compliance with federal and/or state GHG emissions legislation. Climate change policy is evolving at regional, national, and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place to prevent climate change or mitigate its effects. The direct or indirect costs of compliance with GHG-related regulations may have a material adverse effect on our business, financial condition, results of operations and prospects.

Exploration, Development and Production Risks

The Company's future performance may be affected by the financial, operational, and environmental and safety risks associated with the exploration, development and production of oil and natural gas.

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Company depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, the Company's existing reserves, and the production from them, will decline over time as the Company produces from such reserves. A future increase in the Company's reserves will depend on both

the ability of the Company to explore and develop its existing properties and its ability to select and acquire suitable producing properties or prospects. There is no assurance that the Company will be able to continue to find satisfactory properties to acquire or participate in. Moreover, management of the Company may determine that current markets, terms of acquisition, participation or pricing conditions make potential acquisitions or participation uneconomic. There is also no assurance that the Company will discover or acquire further commercial quantities of oil and natural gas.

Future oil and natural gas exploration may involve unprofitable efforts from dry wells or from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, completing (including hydraulic fracturing), operating and other costs. Completion of a well does not ensure a profit on the investment or recovery of drilling, completion, and operating costs.

Drilling hazards, environmental damage and various field operating conditions could greatly increase the cost of operations and adversely affect the production from successful wells. Field operating conditions include, but are not limited to, delays in obtaining governmental approvals or consents, shut ins of wells resulting from extreme weather conditions, insufficient storage or transportation capacity or geological and mechanical conditions. While diligent well supervision, effective maintenance operations and the development of enhanced oil recovery technologies can contribute to maximizing production rates over time, it is not possible to eliminate production delays and declines from normal field operating conditions, which can negatively affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including, but not limited to, fire, explosion, blowouts, cratering, sour gas releases, spills, and other environmental hazards. These typical risks and hazards could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment and cause personal injury or threaten wildlife. Particularly, the Company may explore for and produce sour gas in certain areas. An unintentional leak of sour gas could result in personal injury, loss of life or damage to property and may necessitate an evacuation of populated areas, all of which could result in liability to the Company.

Oil and natural gas production operations are also subject to geological and seismic risks, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

As is standard industry practice, the Company is not fully insured against all risks, nor are all risks insurable. Although the Company maintains liability insurance in an amount that it considers consistent with industry practice, liabilities associated with certain risks could exceed policy limits or not be covered.

Prices, Markets and Marketing

Various factors may adversely impact the marketability of oil and natural gas, affecting net production revenue, production volumes and development and exploration activities.

The Company's ability to market its oil and natural gas may depend upon its ability to acquire capacity in pipelines that deliver oil, NGLs and natural gas to commercial markets or contract for the delivery of crude oil by truck. Numerous factors beyond the Company's control do, and will continue to, affect the marketability and price of oil and natural gas acquired, produced, or discovered by the Company, including:

- deliverability uncertainties related to the distance the Company's reserves are from pipelines, roadways, processing and storage facilities;
- operational problems affecting pipelines, roadways and processing and storage facilities; and
- government regulation relating to prices, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business may also affect the Company.

Oil and natural gas prices are expected to remain volatile for the near future because of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, the COVID-19 pandemic, shale oil production in the United States, OPEC actions, political uncertainties, sanctions imposed on certain oil producing nations by other countries, conflicts in the Middle East and ongoing credit and liquidity concerns. Prices for oil and natural gas are also subject to the availability of foreign markets and the Company's ability to access such markets. A material decline in prices could result in a reduction of the Company's net production revenue. The economics of producing from some wells may change because of lower prices, which could result in reduced production of oil or natural gas and a reduction in the volumes and the value of the Company's reserves. The Company might also elect not to produce from certain wells at lower prices.

Any substantial and extended decline in the price of oil and natural gas would have an adverse effect on the Company's carrying value of its reserves, borrowing capacity, revenues, profitability and cash flows from operations and may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Volatile oil and natural gas prices make it difficult to estimate the value of producing properties for acquisitions and often cause disruption in the market for oil and natural gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for, and project the return on, acquisitions and development and exploitation projects.

Market Price

The trading price of the securities of oil and natural gas issuers is subject to substantial volatility often based on factors related and unrelated to the financial performance or prospects of the issuers involved. Factors unrelated to the Company's performance could include macroeconomic developments nationally, within North America or globally, domestic and global commodity prices, and/or current perceptions of the oil and natural gas market. In recent years, the volatility of commodities has increased due, in part, to the implementation of computerized trading and the decrease of discretionary commodity trading. In addition, the volatility, trading volume and share price of issuers have been impacted by increasing investment levels in passive funds that track major indices, as such funds only purchase securities included in such indices and, in certain jurisdictions, institutions, including government sponsored entities, have determined to decrease their ownership in oil and natural gas entities which may impact the liquidity of certain securities and may put downward pressure on the trading price of those securities. Similarly, the market price of the common shares of the Company could be subject to significant fluctuations in response to variations in the Company's operating results, financial condition, liquidity, and other internal factors. Accordingly, the price at which the common shares of the Company will trade cannot be accurately predicted.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The anticipated benefits of acquisitions may not be achieved, and the Company may dispose of non-core assets for less than their carrying value on the financial statements as a result of weak market conditions.

The Company considers acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner and the Company's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Company. The integration of acquired businesses and assets may require substantial management effort, time and resources diverting management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided by third parties and the resources required to provide such services. In this regard, non-core assets may be periodically disposed of so the Company can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Company may realize less on disposition than their carrying value on the financial statements of the Company.

Adverse Economic Conditions

Adverse general economic, business, and industry conditions could have a material adverse effect on the Company's results of operations and cash flow.

The demand for energy, including crude oil, NGL and natural gas, is generally linked to broad-based economic activities. If there was a slowdown in economic growth, an economic downturn or recession, or other adverse economic or political development in the United States, Europe, or Asia, there could be a significant adverse effect on global financial markets and commodity prices. In addition, hostilities in the Middle East, Ukraine, and Taiwan and the occurrence or threat of terrorist attacks in the United States or other countries could adversely affect the global economy. Global or national health concerns, including the outbreak of pandemic or contagious diseases may adversely affect the Company by (i) reducing global economic activity thereby resulting in lower demand for crude oil, NGL and natural gas, (ii) impairing its supply chain, for example, by limiting the manufacturing of materials or the supply of goods and services used in the Company's operations, and (iii) affecting the health of its workforce, rendering employees unable to work or travel. These affect the supply and demand for crude oil, NGL and natural gas, and the Company's business and industry, could ultimately have an adverse impact on the Company's financial condition, financial performance, and cash flows.

Political Uncertainty

The Company's business may be adversely affected by recent political and social events and decisions made in the United States, Europe and elsewhere.

The Company's results can be adversely impacted by political, legal, or regulatory developments in the U.S.A. and elsewhere that affect local operations and local and international markets. Changes in government, government policy or regulations, changes in law or interpretation of settled law, third-party opposition to industrial activity generally or projects specifically, and duration of regulatory reviews could impact the Company's existing operations and planned projects. This includes actions by regulators or other political actors to delay or deny necessary licenses and permits for the Company's activities or restrict the operation of third-party infrastructure that the Company relies on. Additionally, changes in environmental regulations, assessment processes or other laws, and increasing and expanding stakeholder consultation, may increase the cost of compliance or reduce or delay available business opportunities and adversely impact the Company's results.

Other government and political factors that could adversely affect the Company's financial results include increases in taxes (including retroactive claims) and changes in trade policies and agreements. Further, the adoption of regulations mandating efficiency standards, and the use of alternative fuels or uncompetitive fuel components could affect the Company's operations. Many governments are providing tax advantages and other subsidies to support alternative energy sources or are mandating the use of specific fuels or technologies. Governments and others are also promoting research into new technologies to reduce the cost and increase the scalability of alternative energy sources, and the success of these initiatives may decrease demand for the Company's products.

A change in federal, state or county governments in the U.S.A. may have an impact on the directions taken by such governments on matters that may impact the oil and natural gas industry including the balance between economic development and environmental policy.

The oil and natural gas industry has become an increasingly politically polarizing topic in the U.S.A., which has resulted in a rise in civil disobedience surrounding oil and natural gas development—particularly with respect to infrastructure projects. Protests, blockades and demonstrations have the potential to delay and disrupt the Company's activities.

Russian Ukrainian Conflict

The Russian Ukrainian conflict and the related sanctions imposed by many Western countries will impact the world economy and the supply of oil and natural gas as Russia is a significant exporter of both oil and natural gas.

In February 2022, Russian military forces invaded Ukraine. In response, Ukrainian military personnel and civilians are actively resisting the invasion. Many countries throughout the world have provided aid to the Ukraine in the form of financial aid and in some cases military equipment and weapons to assist in their resistance to the Russian invasion. The North Atlantic Treaty Organization ("NATO") has also mobilized forces to NATO member countries that are close to the conflict as deterrence to further Russian aggression in the region. The outcome of the conflict is uncertain and is likely to have wide-ranging consequences on the peace and stability of the region and the world economy. In addition, certain countries including the U.S.A. have imposed strict financial and trade sanctions against Russia, which sanctions may have far reaching effects on the global economy.

In addition, in September 2022 the 1,200 km twin Nord Stream natural gas pipelines that were built to carry natural gas from Russia to Germany exploded underwater, likely as a result of sabotage. Russia is a major exporter of oil and natural gas. Disruption of supplies of oil and natural gas from Russia could cause a significant worldwide supply shortage of oil and natural gas and have a significant impact on worldwide prices of oil and natural gas. A lack of supply of energy and high prices of oil and natural gas could have a significant adverse impact on the world economy.

COVID-19 and its Effect on the Global Economy

The COVID-19 pandemic continues to cause disruptions in economic activity in Canada and internationally and impact demand for oil, NGL and natural gas.

In March 2020, the World Health Organization declared COVID-19 a global pandemic, prompting many countries around the world to close international borders and order the closure of institutions and businesses deemed nonessential. This resulted in a swift and significant reduction in economic activity in the U.S.A. and internationally along with a sudden drop in demand for oil, liquids and natural gas. Since 2020, oil prices have largely recovered from their historic lows, and most countries have resumed full economic activity without any restrictions. However, certain countries, such as China, continue to experience varying degrees of virus outbreak. Any reduction in economic activity in certain countries resulting from COVID-19 outbreaks, government-imposed lockdowns and other restrictions may have a negative effect on demand for oil, NGL and natural gas.

Low commodity prices resulting from reduced demand associated with the impact of COVID-19 has had, and may continue to have, a negative impact on the Company's operational results and financial condition. Low prices for oil, NGL and natural gas will reduce the Company's funds from operations, and impact the Company's level of capital investment and may result in the reduction of production at certain producing properties.

The extent to which the Company's operational and financial results are affected by COVID-19 will depend on various factors and consequences beyond its control such as the duration and scope of the pandemic; additional actions taken by business and government in response to the pandemic, and the speed and effectiveness of responses to combat the virus. Additionally, COVID-19 and its effect on local and global economic conditions stemming from the pandemic could also aggravate the other risk factors identified herein, the extent of which is not yet known.

Operational Dependence

The successful operation of a portion of the Company's properties is dependent on third parties.

Other companies operate some of the assets in which the Company has an interest. The Company has limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect the Company's financial performance. The Company's return on assets operated by others depends upon a number of factors that may be outside of the Company's control, including, but not limited to, the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

In addition, due to the current volatile commodity prices, many companies, including companies that may operate some of the assets in which the Company has an interest, may be in financial difficulty, which could impact their ability to fund and pursue capital expenditures, carry out their operations in a safe and effective manner and satisfy regulatory requirements with respect to abandonment and reclamation obligations. If companies that operate some of the assets in which the Company has an interest fail to satisfy regulatory requirements with respect to abandonment and reclamation obligations, the Company may be required to satisfy such obligations and to seek reimbursement from such companies. To the extent that any of such companies go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in such assets being shut-in, the Company potentially becoming subject to additional liabilities relating to such assets and the Company having difficulty collecting revenue due from such operators or recovering amounts owing to the Company from such operators for their share of abandonment and reclamation obligations. Any of these factors could have a material adverse effect on the Company's financial and operational results.

Project Risks

The success of the Company's operations may be negatively impacted by factors outside of its control resulting in operational delays and cost overruns.

The Company manages a variety of small and large projects in the conduct of its business. Project interruptions may delay expected revenues from operations. Significant project cost overruns could make a project uneconomic. The Company's ability to execute projects and market oil and natural gas depends upon numerous factors beyond the Company's control, including:

- availability of processing capacity;
- availability and proximity of pipeline capacity;
- availability of storage capacity;
- availability of, and the ability to acquire, water supplies needed for drilling, hydraulic fracturing, and waterfloods or the Company's ability to dispose of water used or removed from strata at a reasonable cost and in accordance with applicable environmental regulations;
- effects of inclement and severe weather events, including fire, drought and flooding;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- regulatory changes;
- availability and productivity of skilled labour; and
- regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, the Company could be unable to execute projects on time, on budget, or at all.

Gathering and Processing Facilities, Pipeline Systems and Trucking

Lack of capacity and/or regulatory constraints on gathering and processing facilities, pipeline systems and trucking may have a negative impact on the Company's ability to produce and sell its oil and natural gas

The Company delivers its products through gathering and processing facilities, flow-line systems and by truck. The amount of oil and natural gas that the Company can produce and sell is subject to the accessibility, availability, proximity and capacity of these gathering and processing facilities, as well as pipeline systems. The lack of firm pipeline capacity, production limits and limits on availability of capacity in gathering and processing facilities continues to affect the oil and natural gas industry and limits the ability to transport produced oil and natural gas to market.

Competition

The Company competes with other oil and natural gas companies, some of which have greater financial and operational resources.

The petroleum industry is competitive in all of its phases. The Company competes with numerous other entities in the exploration, development, production and marketing of oil and natural gas. The Company's competitors include oil and natural gas companies that have substantially greater financial resources, staff, and facilities than those of the Company. Some of these companies not only explore for, develop and produce oil and natural gas, but also carry on refining operations and market oil and natural gas on an international basis. As a result of these complementary activities, some of these competitors may have greater and more diverse competitive resources to draw on than the Company. The Company's ability to increase its reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price, process, and reliability of delivery and storage.

Cost of New Technologies

The Company's ability to successfully implement new technologies into its operations in a timely and efficient manner will affect its ability to compete.

The petroleum industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other companies may have greater financial, technical and personnel resources that allow them to implement and benefit from technological advantages. There can be no assurance that the Company will be able to respond to such competitive pressures and implement such technologies on a timely basis, or at an acceptable cost. If the Company does implement such technologies, there is no assurance that the Company will do so successfully. One or more of the technologies currently utilized by the Company or implemented in the future may become obsolete. If the Company is unable to utilize the most advanced commercially available technology, or is unsuccessful in implementing certain technologies, its business, financial condition, and results of operations could also be adversely affected in a material way.

Alternatives to and Changing Demand for Petroleum Products

Changes to the demand for oil and natural gas products and the rise of petroleum alternatives may negatively affect the Company's financial condition, results of operations and cash flow.

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas and technological advances in fuel economy and renewable energy generation systems could reduce the demand for oil, natural gas, and liquid hydrocarbons. Recently, certain jurisdictions have implemented policies or incentives to decrease the use of fossil fuels and encourage the use of renewable fuel alternatives, which may lessen the demand for petroleum products and put downward pressure on commodity prices. Advancements in energy efficient products have a similar effect on the demand for oil and natural gas products. The Company cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Company's business, financial condition, results of operations and cash flow by decreasing the Company's profitability, increasing its costs, limiting its access to capital, and decreasing the value of its assets.

Regulatory

Modification to current, or implementation of additional, regulations may reduce the demand for oil and natural gas and/or increase the Company's costs and/or delay planned operations.

The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for crude oil and natural gas and increase the Company's costs, either of which may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. Further, the ongoing third-party challenges to regulatory decisions or orders has reduced the

efficiency of the regulatory regime, as the implementation of the decisions and orders has been delayed resulting in uncertainty and interruption to business of the oil and natural gas industry.
In order to conduct oil and natural gas operations, the Company will require regulatory permits, licenses, registrations, approvals and authorizations from various governmental authorities at the municipal, state and federal level. There can be no assurance that the Company will be able to obtain all of the permits, licenses, registrations, approvals and authorizations that may be required to conduct operations that it may wish to undertake.

Royalty Regimes

Changes to tax regimes may negatively impact the Company's cash flows.

There can be no assurance that the governments in the jurisdictions in which the Company has assets will not adopt new tax regimes, or modify the existing tax regimes, which may have an impact on the economics of the Company's projects. An increase in royalties would reduce the Company's earnings and could make future capital investments, or the Company's operations, less economic.

Waterflood

Regulatory water use restrictions and/or limited access to water or other fluids may impact the Company's production volumes from its waterflood operations.

The Company undertakes or intends to undertake certain waterflooding programs, which involve the injection of water or other liquids into an oil reservoir to increase production from the reservoir and to decrease production declines. To undertake such waterflooding activities the Company needs to have access to sufficient volumes of water, or other liquids, to pump into the reservoir to increase the pressure in the reservoir. There is no certainty that the Company will have access to the required volumes of water. In addition, in certain areas there may be restrictions on water use for activities such as waterflooding. If the Company is unable to access such water it may not be able to undertake waterflooding activities, which may reduce the amount of oil and natural gas that the Company is ultimately able to produce from its reservoirs. In addition, the Company may undertake certain waterflood programs that ultimately prove unsuccessful in increasing production from the reservoir and as a result have a negative impact on the Company's results of operations.

Disposal of Fluids used in Operations

Regulations regarding the disposal of fluids used in the Company's operations may increase its costs of compliance or subject it to regulatory penalties or litigation.

The safe disposal of the hydraulic fracturing fluids (including the additives) and water recovered from oil and natural gas wells is subject to ongoing regulatory review by the federal and state governments, including its effect on fresh water supplies and the ability of such water to be recycled, amongst other things. While it is difficult to predict the impact of any regulations that may be enacted in response to such review, the implementation of stricter regulations may increase the Company's costs of compliance.
Environmental

Compliance with environmental regulations requires the dedication of a portion of the Company's financial and operational resources.

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, state, and local laws and regulations. Environmental legislation provides for, among other things, the initiation and approval of new oil and natural gas projects, restrictions and prohibitions on the spill, release or emission of various substances produced in association with oil and natural gas industry operations. In addition, such legislation sets out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment, and reclamation of well and facility sites. New environmental legislation at the federal and state levels may increase uncertainty among oil and natural gas industry participants as the new laws are implemented, and the effects of the new rules and standards are felt in the oil and natural gas industry.

Compliance with environmental legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. Although the Company believes that it will be in material compliance with current applicable environmental legislation, no assurance can be given that environmental compliance requirements will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Transition risks

Foreign and domestic governments continue to evaluate and implement policy, legislation, and regulations focused on restricting emissions commonly referred to as GHG emissions, promoting adaptation to climate change and the transition to a low-carbon economy. It is not possible to predict what measures foreign and domestic governments may implement in this regard, nor is it possible to predict the requirements that such measures may impose or when such measures may be implemented. However, international multilateral agreements, the obligations adopted thereunder and legal challenges concerning the adequacy of climate-related policy brought against foreign and domestic governments may accelerate the implementation of these measures. Given the evolving nature of climate change policy and the control of GHG emissions and resulting requirements, including carbon taxes and carbon pricing schemes implemented by varying levels of government, it is expected that current and future climate change regulations will have the effect of increasing the Company's operating expenses, and, in the long-term, potentially reducing the demand for oil, NGL, natural gas and related products, resulting in a decrease in the Company's profitability and a reduction in the value of its assets.

Claims have been made against certain energy companies alleging that GHG emissions from oil and natural gas operations constitute a public nuisance under certain laws or that such energy companies provided misleading disclosure to the public and investors of current or future risks associated with climate change. As a result, individuals, government authorities, or other organizations may make claims against oil and natural gas companies, including the Company, for alleged personal injury, property damage, or other potential liabilities. While the Company is not a party to any such litigation or proceedings, it could be named in actions making similar allegations. An unfavorable ruling in any such case could adversely affect the demand for and price of securities issued by the Company, impact its operations and have an adverse impact on its financial condition.

Given the perceived elevated long-term risks associated with policy development, regulatory changes, public and private legal challenges, or other market developments related to climate change, there have also been efforts in recent years affecting the investment community, including investment advisors, sovereign wealth funds, banks, public pension funds, universities and other institutional investors, promoting direct engagement and dialogue with companies in their portfolios on climate change action (including exercising their voting rights on matters relating to climate change) and increased capital allocation to investments in low-carbon assets and businesses while decreasing the carbon intensity of their portfolios through, among other measures, divestments of companies with high exposure to GHG-intensive operations and products. Certain stakeholders have also pressured insurance providers to reduce or stop providing insurance coverage to, and commercial and investment banks to reduce or stop financing, oil and natural gas and related infrastructure businesses and projects. The impacts of such efforts require the Company's management to dedicate significant time and resources to these climate change-related concerns, may adversely affect the Company's operations, the demand for and price of the Company's securities and may negatively impact the Company's cost of capital and access to the capital markets.

Physical risks

Based on the Company's current understanding, the potential physical risks resulting from climate change are long- term in nature and associated with a high degree of uncertainty regarding timing, scope, and severity of potential impacts. Many experts believe global climate change could increase extreme variability in weather patterns such as increased frequency of severe weather, rising mean temperature and sea levels, and long-term changes in precipitation patterns. Extreme hot and cold weather, heavy snowfall, heavy rainfall, and wildfires may restrict the Company's ability to access its properties and cause operational difficulties, including damage to equipment and infrastructure. Extreme weather also increases the risk of personnel injury as a result of dangerous working conditions. Certain of the Company's assets are located in locations that are proximate to forests and rivers and a wildfire or flood may lead to significant downtime and/or damage to the Company's assets or cause disruptions to the production and transport of its products or the delivery of goods and services in its supply chain.

Inflation and Rising Interest Rates

A failure to secure the services and equipment necessary to the Company's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on the Company's financial performance and cash flows.

Recently in the United States and other countries there have been high levels of inflation, supply chain disruptions, equipment limitations and escalating supply costs. These factors have resulted in the escalation of operating costs of the Company. The Company's inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash flows.

The cost or availability of oil and gas field equipment may adversely affect the Company's ability to undertake exploration, development and construction projects. The oil and gas industry is cyclical in nature and is prone to shortages of supply of equipment and services including drilling rigs, geological and geophysical services, engineering and construction services, major equipment items for infrastructure projects and construction materials generally. These materials and services may not be available at reasonable prices when required. A failure to secure the services and equipment necessary to the Company's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on the Company's financial performance and cash flows.

In addition, many central banks, including the U.S. Federal Reserve, have taken steps to raise interest rates in an attempt of combat inflation. The rise in interest rates may impact the Company's borrowing costs. Any increase in borrowing costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash flows of the Company. The rising interest rates could also result in a recession in the United States or other countries in the world. A recession may have a negative impact on demand for oil and natural gas which would result in a decrease in commodity prices. A decrease in commodity prices would immediately impact the Company's revenues and cash flows and could also reduce drilling activity on the Company's properties. It is unknown how long inflation will continue to impact the economies of the United States and other western nations and the impact inflation and rising interest rates will have on demand for oil and gas and commodity prices.

Variations in Foreign Exchange Rates and Interest Rates

Variations in foreign exchange rates and interest rates could adversely affect the Company's financial condition.

World oil and natural gas prices are quoted in United States dollars. The Canadian/United States dollar exchange rate, which fluctuates over time, consequently affects the price received by Canadian domiciled oil and natural gas companies. Material increases in the value of the Canadian dollar relative to the United States dollar will negatively affect the Company's production revenues. Accordingly, exchange rates between Canada and the United States could affect the future value of the Company's reserves as determined by independent evaluators. Although a low value of the Canadian dollar relative to the United States dollar may positively affect the price the Company receives for its oil and natural gas production, it could also result in an increase in the price for certain goods used for the Company's operations, which may have a negative impact on the Company's financial results.

To the extent that the Company engages in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which the Company may contract.

An increase in interest rates could result in a significant increase in the amount the Company pays to service debt, resulting in a reduced amount available to fund its exploration and development activities, and if applicable, the cash available for dividends. Such an increase could also negatively impact the market price of the common shares of the Company.

Substantial Capital Requirements

The Company's access to capital may be limited or restricted as a result of factors related and unrelated to it, impacting its ability to conduct future operations and acquire and develop reserves.

The Company anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. As future capital expenditures will be financed out of cash generated from operations, borrowings and possible future equity sales, the Company's ability to do so is dependent on, among other factors:
- the overall state of the capital markets;
- the Company's credit rating (if applicable);
- commodity prices;
- interest rates;
- royalty rates;

- tax burden due to current and future tax laws; and
- investor appetite for investments in the energy industry and the Company's securities in particular.

Further, if the Company's revenues or reserves decline, it may not have access to the capital necessary to undertake or complete future drilling programs. The conditions in, or affecting, the oil and natural gas industry have negatively impacted the ability of oil and natural gas companies, including the Company, to access additional financing and/or the cost thereof. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. The Company may be required to seek additional equity financing on terms that are highly dilutive to existing shareholders. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's business financial condition, results of operations and prospects.

Additional Funding Requirements

The Company may require additional financing from time to time to fund the acquisition, exploration and development of properties and its ability to obtain such financing in a timely fashion and on acceptable terms may be negatively impacted by the current economic and global market volatility.

The Company's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times and, from time to time, the Company may require additional financing in order to carry out its oil and natural gas acquisition, exploration and development activities. Failure to obtain financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. Due to the conditions in the oil and natural gas industry and/or global economic and political volatility, the Company may, from time to time, have restricted access to capital and increased borrowing costs. The current conditions in the oil and natural gas industry have negatively impacted the ability of oil and natural gas companies to access, or the cost of, additional financing.

As a result of global economic and political conditions and the domestic lending landscape, the Company may, from time to time, have restricted access to capital and increased borrowing costs. Failure to obtain suitable financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Company's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Company's ability to expend the necessary capital to replace its reserves or to maintain its production. To the extent that external sources of capital become limited, unavailable, or available on onerous terms, the Company's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result. In addition, the future development of the Company's petroleum properties may require additional financing and there are no assurances that such financing will be available or, if available, will be available upon acceptable terms. Alternatively, any available financing may be highly dilutive to existing shareholders. Failure to obtain any financing necessary for the Company's capital expenditure plans may result in a delay in development or production on the Company's properties.

Issuance of Debt

Increased debt levels may impair the Company's ability to borrow additional capital on a timely basis to fund opportunities as they arise

From time to time, the Company may enter into transactions to acquire assets or shares of other entities. These transactions may be financed in whole, or in part, with debt, which may increase the Company's debt levels above industry standards for oil and natural gas companies of similar size. Depending on future exploration and development plans, the Company may require additional debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Company's articles nor its by-laws limit the amount of indebtedness that the Company may incur. The level of the Company's indebtedness from time to time could impair the Company's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Hedging

Hedging activities expose the Company to the risk of financial loss and counterparty risk

From time to time, the Company may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline. However, to the extent that the Company engages in price risk management activities to protect itself from commodity price declines, it may also be prevented from realizing the full benefits of price increases above the levels of the derivative instruments used to manage price risk. In addition, the Company's hedging arrangements may expose it to the risk of financial loss in certain circumstances, including instances in which:

- production falls short of the hedged volumes or prices fall significantly lower than projected;
- there is a widening of price-basis differentials between delivery points for production and the delivery point assumed in the hedge arrangement;
- counterparties to the hedging arrangements or other price risk management contracts fail to perform under those arrangements; or
- a sudden unexpected event materially impacts oil and natural gas prices.

Similarly, from time to time, the Company may enter into agreements to fix the exchange rate of Canadian to United States dollars or other currencies in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to other currencies. However, if the Canadian dollar declines in value compared to such fixed currencies, the Company will not benefit from the fluctuating exchange rate.

Title to and Right to Produce from Assets

Defects in the title or rights to produce the Company's properties may result in a financial loss.

The Company's actual title to and interest in its properties, and its right to produce and sell the oil and natural gas therefrom, may vary from the Company's records. In addition, there may be valid legal challenges or legislative changes that affect the Company's title to and right to produce from its oil and natural gas properties, which could impair the Company's activities and result in a reduction of the revenue received by the Company.

If a defect exists in the chain of title or in the Company's right to produce, or a legal challenge or legislative change arises, it is possible that the Company may lose all, or a portion of, the properties to which the title defect relates and/or its right to produce from such properties. This may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Reserves Estimates

The Company's estimated reserves are based on numerous factors and assumptions which may prove incorrect, and which may affect the Company.

There are numerous uncertainties inherent in estimating reserves, and the future cash flows attributed to such reserves. The reserves and associated cash flow information set forth in this document are estimates only. Generally, estimates of economically recoverable oil and natural gas reserves (including the breakdown of reserves by product type) and the future net cash flows from such estimated reserves are based upon a number of variable factors and assumptions, such as:

- historical production from properties;
- production rates;
- ultimate reserve recovery;
- timing and amount of capital expenditures;
- marketability of oil and natural gas;
- royalty rates; and
- the assumed effects of regulation by governmental agencies and future operating costs (all of which may vary materially from actual results).

For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times may vary. The Company's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates and such variations could be material.

The estimation of proved reserves that may be developed and produced in the future is often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Recovery factors and drainage areas are often estimated by experience and analogy to similar producing pools. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

In accordance with applicable securities laws, the Company's independent reserves evaluator has used forecast prices and costs in estimating the reserves and future net cash flows as summarized herein. Actual future net cash flows will be affected by other factors, such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and cash flows derived from the Company's oil and natural gas reserves will vary from the estimates contained in the reserve evaluation, and such variations could be material. The reserve evaluation is based in part on the assumed success of activities the Company intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom and contained in the reserve evaluation will be reduced to the extent that such activities do not achieve the level of success assumed in the reserve evaluation. The reserve evaluation is effective as of a specific effective date and, except as may be specifically stated, has not been updated and therefore does not reflect changes in the Company's reserves since that date.

Insurance

Not all risks of conducting oil and natural gas opportunities are insurable and the occurrence of an uninsurable event may have a materially adverse effect on the Company.

The Company's involvement in the exploration for and development of oil and natural gas properties may result in the Company becoming subject to liability for pollution, blowouts, leaks of sour gas, property damage, personal injury, or other hazards. Although the Company maintains insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability and may not be sufficient to cover the full extent of such liabilities. In addition, certain risks are not, in all circumstances, insurable or, in certain circumstances, the Company may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of any uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Non-Governmental Organizations

The Company's properties may be subject to action by non-governmental organizations or terrorist attack.

The oil and natural gas exploration, development and operating activities conducted by the Company may, at times, be subject to public opposition. Such public opposition could expose the Company to the risk of higher costs, delays or even project cancellations due to increased pressure on governments and regulators by special interest groups including Indigenous groups, landowners, environmental interest groups (including those opposed to oil and natural gas production operations) and other non-governmental organizations, blockades, legal or regulatory actions or challenges, increased regulatory oversight, reduced support of the federal, state or municipal governments, delays in, challenges to, or the revocation of regulatory approvals, permits and/or licenses, and direct legal challenges, including the possibility of climate-related litigation. There is no guarantee that the Company will be able to satisfy the concerns of the special interest groups and non-governmental organizations and attempting to address such concerns may require the Company to incur significant and unanticipated capital and operating expenditures.

Reputational Risk Associated with the Company's Operations

The Company relies on its reputation to continue its operations and to attract and retain investors and employees.

The Company's business, operations or financial condition may be negatively impacted as a result of any negative public opinion towards the Company or as a result of any negative sentiment toward, or in respect of, the Company's reputation with stakeholders, special interest groups, political leadership, the media or other entities. Public opinion may be influenced by certain media and special interest groups' negative portrayal of the industry in which the Company operates as well as their opposition to certain oil and natural gas projects. Potential impacts of negative public opinion or reputational issues may include delays or interruptions in operations, legal or regulatory actions or challenges, blockades, increased regulatory oversight, reduced support for, delays in, challenges to, or the revocation of regulatory approvals, permits and/or licenses and increased costs and/or cost overruns. The Company's reputation and public opinion could also be impacted by the actions and activities of other companies operating in the oil and natural gas industry, particularly other producers, over which the

Company has no control. Similarly, the Company's reputation could be impacted by negative publicity related to loss of life, injury or damage to property and environmental damage caused by the Company's operations. In addition, if the Company develops a reputation of having an unsafe work site, it may impact the ability of the Company to attract and retain the necessary skilled employees and consultants to operate its business. Opposition from special interest groups opposed to oil and natural gas development and the possibility of climate related litigation against governments and fossil fuel companies may impact the Company's reputation.

Reputational risk cannot be managed in isolation from other forms of risk. Credit, market, operational, insurance, regulatory and legal risks, among others, must all be managed effectively to safeguard the Company's reputation. Damage to the Company's reputation could result in negative investor sentiment towards the Company, which may result in limiting the Company's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Company's securities.

Changing Investor Sentiment

A number of factors, including the effects of the use of fossil fuels on climate change, the impact of oil and natural gas operations on the environment, environmental damage relating to spills of petroleum products during production and transportation have affected certain investors' sentiments towards investing in the oil and natural gas industry. As a result of these concerns, some institutional, retail and governmental investors have announced that they no longer are willing to fund or invest in oil and natural gas properties or companies, or are reducing the amount thereof over time. In addition, certain institutional investors are requesting that issuers develop and implement more robust social, environmental and governance policies and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from the Company's Board of Directors, management, and employees of the Company. Failing to implement the policies and practices, as requested by institutional investors, may result in such investors reducing their investment in the Company, or not investing in the Company at all. Any reduction in the investor base interested or willing to invest in the oil and natural gas industry and more specifically, the Company, may result in limiting the Company's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Company's securities even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause a decrease in the value of the Company's asset which may result in an impairment change.

Dilution

The Company may issue additional common shares, diluting current shareholders.

The Company may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Company, which may be dilutive to shareholders.

Management of Growth

The Company may not be able to effectively manage the growth of its business.

The Company may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. If the Company is unable to deal with this growth, it may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Expiration of Licenses and Leases

The Company, or its working interest partners, may fail to meet the requirements of a licence or lease, causing its termination or expiry.

The Company's properties are held in the form of licences and leases and working interests in licences and leases. If the Company, or the holder of the licence or lease, fails to meet the specific requirement of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of the Company's licences or leases or the working interests relating to a licence or lease and the associated abandonment and reclamation obligations may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Litigation

In the normal course of the Company's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions. Potential litigation may develop in relation to personal injuries (including resulting from exposure to hazardous substances, property damage, property taxes, land and access rights, environmental issues, including claims relating to contamination or natural resource damages and contract disputes). The outcome with respect to outstanding, pending, or future proceedings cannot be predicted with certainty and may be determined adversely to the Company and could have a material adverse effect on the Company's assets, liabilities, business, financial condition and results of operations. Even if the Company prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from business operations, which could have an adverse effect on the Company's financial condition.

Breach of Confidentiality

Breach of confidentiality by a third party could impact the Company's competitive advantage or put it at risk of litigation.

While discussing potential business relationships or other transactions with third parties, the Company may disclose confidential information relating to its business, operations, or affairs. Although confidentiality agreements are generally signed by third parties prior to the disclosure of any confidential information, a breach could put the Company at competitive risk and may cause significant damage to its business. The harm to the Company's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Company will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Income Taxes

Taxation authorities may reassess the Company's tax returns.

The Company files all required income tax returns and believes that it is in full compliance with the provisions of the Internal Revenue Code and all other applicable tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Company, whether by re-characterization of exploration and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable.

Income tax laws relating to the oil and natural gas industry, such as the treatment of resource taxation or dividends, may in the future be changed or interpreted in a manner that adversely affects the Company. Furthermore, tax authorities having jurisdiction over the Company may disagree with how the Company calculates its income for tax purposes or could change administrative practices to the Company's detriment.

Third Party Credit Risk

The Company may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In addition, the Company may be exposed to third party credit risk from operators of properties in which the Company has a working or royalty interest. In the event such entities fail to meet their contractual obligations to the Company, such failures may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. In addition, poor credit conditions in the industry, generally, and of the Company's joint venture partners may affect a joint venture partner's willingness to participate in the Company's ongoing capital program, potentially delaying the program and the results of such program until the Company finds a suitable alternative partner. To the extent that any of such third parties go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in the Company being unable to collect all or a portion of any money owing from such parties. Any of these factors could materially adversely affect the Company's financial and operational results.

Reliance on a Skilled Workforce and Key Personnel

An inability to recruit and retain a skilled workforce and key personnel may negatively impact the Company.

The operations and management of the Company require the recruitment and retention of a skilled workforce, including engineers, technical personnel, and other professionals. The loss of key members of such workforce, or a substantial portion of the workforce as a whole, could result in the failure to implement the Company's business plans which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the development and operation of its business. The Company does not have any key personnel insurance in effect.

Contributions of the existing management team to the immediate and near-term operations of the Company are likely to be of central importance. If the Company is unable to: (i) retain current employees; and/or (ii) recruit new employees with the requisite knowledge and experience, the Company could be negatively impacted. In addition, the Company could experience increased costs to retain and recruit these professionals.

Natural Disasters, Terrorist Acts, Civil Unrest, Pandemics and Other Disruptions and Dislocations

Upon the occurrence of a natural disaster, or upon an incident of war, riot or civil unrest, the impacted country, state, or region may not efficiently and quickly recover from such event, which could have a materially adverse effect on the Company, its customers, and/or either of their businesses or operations. Terrorist attacks, public health crises including epidemics, pandemics or outbreaks of new infectious disease or viruses (including, most recently, the novel coronavirus (COVID-19), civil unrest and related events can result in volatility and disruption to local and global supply chains, operations, mobility of people and the financial markets, which could affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations and other factors relevant to the Company, its customers, and/or either of their businesses or operations.

Information Technology Systems and Cyber-Security

Breaches of the Company's cyber-security and loss of, or access to, electronic data may adversely impact the Company's operations and financial position.

The Company is increasingly dependent upon the availability, capacity, reliability and security of our information technology infrastructure and our ability to expand and continually update this infrastructure, to conduct daily operations. The Company depends on various information technology systems to estimate reserve quantities, process and record financial data, manage our land base, manage financial resources, analyze seismic information, administer our contracts with our operators and lessees and communicate with employees and third-party partners.

Further, the Company is subject to a variety of information technology and system risks as a part of its operations, including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of the Company’s information technology systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to our business activities or our competitive position. In addition, cyber phishing attempts, in which a malicious party attempts to obtain sensitive information such as usernames, passwords, and credit card details (and money) by disguising as a trustworthy entity in an electronic communication, have become more widespread and sophisticated in recent years. If the Company becomes a victim to a cyber-phishing attack it could result in a loss or theft of the Company’s financial resources or critical data and information, or could result in a loss of control of the Company’s technological infrastructure or financial resources. The Company’s employees are often the targets of such cyber phishing attacks, as they are and will continue to be targeted by parties using fraudulent “spoof” emails to misappropriate information or to introduce viruses or other malware through “Trojan horse” programs to the Company’s computers. These emails appear to be legitimate emails, but direct recipients to fake websites operated by the sender of the email or request recipients to send a password or other confidential information through email or to download malware. The ongoing COVID-19 pandemic has increased the Company’s cyber-attacks, as increased malicious activities are creating more threats for cyberattacks including COVID-19 phishing emails, malware-embedded mobile apps that purport to track infection rates, and targeting of vulnerabilities in remote access platforms as many companies continue to operate with work from home arrangements.

The Company maintains policies and procedures that address and implement employee protocols with respect to electronic communications and electronic devices and conducts annual cyber-security risk assessments. The Company also employs encryption protection of its confidential information, all computers, and other electronic devices. Despite the Company's efforts to mitigate such cyber phishing attacks through education and training,

cyber phishing activities remain a serious problem that may damage its information technology infrastructure. The Company applies technical and process controls in line with industry-accepted standards to protect its information, assets, and systems, including a written incident response plan for responding to a cyber-security incident. However, these controls may not adequately prevent cyber-security breaches. Disruption of critical information technology services, or breaches of information security, could have a negative effect on our performance and earnings, as well as on our reputation, and any damages sustained may not be adequately covered by the Company's current insurance coverage, or at all. The significance of any such event is difficult to quantify but may in certain circumstances be material and could have a material adverse effect on the Company's business, financial condition and results of operations.

Social Media

Increasingly, social media is used as a vehicle to carry out cyber phishing attacks. Information posted on social media sites, for business or personal purposes, may be used by attackers to gain entry into the Company's systems and obtain confidential information. As social media continues to grow in influence and access to social media platforms becomes increasingly prevalent, there are significant risks that the Company may not be able to properly regulate social media use and preserve adequate records of business activities and client communications conducted through the use of social media platforms.

Expansion into New Activities

Expanding the Company's business exposes it to new risks and uncertainties.

The operations and expertise of the Company's management are currently focused primarily on oil and natural gas production, exploration, and development in the Western Canada Sedimentary Basin. In the future, the Company may acquire or move into new industry related activities or new geographical areas and may acquire different energy-related assets and as a result, the Company may face unexpected risks or, alternatively, its exposure to one or more existing risk factors may be significantly increased, which may in turn result in the Company's future operational and financial conditions being adversely affected.

Forward-Looking Information

Shareholders and prospective investors are cautioned not to place undue reliance on the Company's forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Additional information on the risks, assumption and uncertainties are found under the heading "Forward-Looking Statements" in this MD&A.

PROPOSED TRANSACTIONS

Currently there are no pending proposed transactions; however, the Company continues to seek new business and/or investment opportunities and to raise capital.

ADDITIONAL INFORMATION

Additional information relating to the Company, is available on the SEDAR+ website.

APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this Management's Discussion and Analysis.

"Mark Vanry"

On Behalf of the Board of Directors,

January 24, 2025