G2 Energy Corp.

Condensed Interim Consolidated Financial Statements

Period ended March 31, 2023, and 2022

(Expressed in Canadian dollars)

(Prepared by management)

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these consolidated financial statements.

G2 ENERGY CORP.
Condensed Interim Consolidated Statements of Financial Position (Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Notes	March 31, 2023 - $ -	June 30 2022 - $ -
ASSETS			
Current assets			
Cash		87,996	201,898
Trade receivables		387,329	288,035
Prepaid and other receivables		333,070	168,461
		808,395	658,394
Right of use asset	9	37,884	-
Property, plant and equipment	5	6,983,526	7,129,506
TOTAL ASSETS		7,829,805	7,787,900
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	11	369,976	406,040
Due to related parties	11	350,406	451,101
Promissory note - Masten	7	838,402	585,351
Lease liability	9	41,571	-
		1,600,355	1,442,492
Non-current liabilities			
Asset retirement obligation		1,375,070	1,281,672
Promissory note - Masten	7	977,957	1,417,371
Debenture – Cloudbreak	8	2,981,758	2,395,345
Loan payable - CEBA	9	37,281	34,680
Lease liability	6	16,526	-
		5,388,592	5,129,068
TOTAL LIABILITIES		6,988,947	6,571,560
SHAREHOLDERS' EQUITY			
Share capital	12	16,538,061	15,240,788
Shares to be issued		337,837	488,857
Reserves		3,124,379	2,773,502
Accumulated other comprehensive income		(379,234)	(10,211)
Deficit		(18,780,185)	(17,276,596)
TOTAL SHAREHOLDERS' EQUITY		840,858	1,216,340
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		7,829,805	7,787,900

Going concern (Note 1)
Commitments (Notes 14)
Contingencies (Note 17)
Subsequent events (Note 18)

Approved and authorized for issuance by the Board of Directors on May 30, 2023:

/s/ "Slawomir Smulewicz"

Slawomir Smulewicz, Director

/s/ "John Costigan"

John Costigan, Director

(The accompanying notes are an integral part of these interim unaudited consolidated financial statements)

G2 ENERGY CORP.

Condensed Interim Consolidated Statements of Comprehensive Loss (Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Notes	Three months ended March 31, 2023	Three months ended March 31, 2022	Nine months ended March 31, 2023	Nine months ended March 31, 2022
		- $ -	- $ -	- $ -	- $ -
Revenues		692,832	-	1,605,906	-
Cost of Sales	10	(336,593)	-	(816,736)	-
Gross Profit		356,239	-	789,170	-
Operating Expenses					
Consulting and management fees		(279,254)	(175,853)	(711,670)	(473,658)
Corporate development fees (recovery)	17	276,812	(19,789)	276,812	(90,800)
Depreciation – right of use asset		(9,463)	-	(28,389)	-
General and administrative		(57,354)	(58,524)	(318,815)	(147,325)
Professional fees		(141,941)	(98,223)	(376,401)	(276,996)
Travel		(2,366)	(22,895)	(15,610)	(41,325)
Share-based payments		(43,550)	-	(222,377)	-
Total Operating Expenses		(257,116)	(375,284)	(1,369,450)	(1,030,104)
Operating Income (Loss)		99,123	(375,284)	(607,280)	(1,030,104)
Other Expense					
Foreign exchange loss		59,471	(820)	34,489	(3,681)
Finance expense		(290,988)	(789)	(925,090)	(2,365)
Loss from settlement of liabilities		-	-	(5,831)	-
Total Other Expense		(231,517)	(1,609)	(869,309)	(6,046)
Loss before income tax		(132,394)	(376,893)	(1,503,589)	(1,036,150)
Tax expense (recovery)		39,979	-	-	-
Net loss		(92,415)	(376,893)	(1,456,607)	(1,036,150)
Foreign currency translation		(47,746)	-	(369,023)	-
Comprehensive loss		(140,161)	(376,893)	(1,872,612)	(1,036,150)
Basic and diluted loss per share		(0.00)	(0.01)	(0.03)	(0.03)
Weighted average common shares outstanding - basic and diluted		58,017,915	39,052,209	56,522,556	33,009,113

(The accompanying notes are an integral part of these interim unaudited consolidated financial statements)

G2 ENERGY CORP.

Condensed Interim Consolidated Statements of Cash Flowss (Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Nine months ended March 31,	
	2023	**2023**
	- $ -	- $ -
Cash from (used in):		
Operating Activities		
Net loss	(1,503,589)	(1,036,150)
Items not involving cash:		
Share-based payments	222,377	-
Depletion	119,401	-
Depreciation	49,797	-
Finance cost - non-cash	925,091	2,365
Loss from settlement of liabilities	5,831	-
Foreign exchange gain on non-monetary items	(68,432)	-
Change in non-cash working capital items:		
Trade receivables	(99,294)	-
Prepaid and other receivables	(164,609)	(143,375)
Accounts payable and accrued liabilities	(7,875)	31,410
Due from related parties	-	28,831
Net cash used in operating activities	(521,302)	(1,116,919)
Investing Activities		
Deposits	-	(544,260)
Cash used in investing activities	-	(544,260)
Financing activities		
Proceeds from private placement, net of share issuance cost (note 6)	1,140,038	1,543,651
Proceeds from loan received	-	-
Proceeds – advance for private placement	-	441,000
Promissory note - Masten repayment	(628,807)	-
Debenture – Cloudbreak repayment	(89,974)	-
Lease payment	(13,857)	-
Cash provided by financing activities	407,400	1,984,651
Increase (decrease) in cash and cash equivalents	(113,902)	323,472
Cash and cash equivalents, beginning	201,898	159,077
Cash and cash equivalents, ending	87,996	482,549

(The accompanying notes are an integral part of these interim unaudited consolidated financial statements)

G2 ENERGY CORP.

Consolidated Statements of Changes in Shareholders' Equity (Deficit)
(Expressed in Canadian dollars)

			Reserves						
		Share capital	Share-based payments reserve	Warrants reserve	Convertible Debt Reserves	Shares to be issued	Accumulated other comprehensive income	Deficit	Total shareholders' equity
	Number of shares	- $ -	- $ -	- $ -	- $ -	- $ -		- $ -	- $ -
Balance, June 30, 2022	50,786,085	15,240,788	1,598,402	1,139,425	35,675	488,857	(10,211)	(17,276,596)	1,216,340
Masten acquisition (note 4a)	1,200,000	151,020	-	-	-	(151,020)	-	-	-
Stock based compensation	-	-	222,377	-	-	-	-	-	222,377
Share issuance – private placement (note 12)	32,261,800	1,029,253	-	128,500	-	-	-	-	1,157,753
Share issuance – shares for debt (note 12)	2,340,000	117,000	-	-	-	-	-	-	117,000
Cumulative translation adjustments	-	-	-	-	-	-	(369,023)	-	(369,023)
Net loss	-	-	-	-	-	-	-	(1,503,589)	(1,503,589)
Balance, March 31, 2023	86,587,885	16,538,061	1,820,779	1,267,925	35,675	337,837	(379,234)	(18,780,185)	840,858
Balance, June 30, 2021	23,376,135	12,298,829	1,462,622	322,770	35,675	-	-	(14,080,151)	39,745
Share issuance – private placement (note 12)	16,324,950	1,217,152	-	326,499	-	-	-	-	1,543,651
Shares to be issued	-	-	-	-	-	441,000	-	-	441,000
Net loss	-	-	-	-	-	-	-	(1,036,150)	(1,036,150)
Balance, March 31, 2022	39,701,085	13,515,981	1,462,622	649,269	35,675	441,000	-	(15,116,301)	988,246

(The accompanying notes are an integral part of these interim unaudited consolidated financial statements)

1. Corporate Information

G2 Energy Corp. (the "Company" or "GTOO") was incorporated on October 9, 2014, in British Columbia under the Business Corporations Act.

On January 16, 2017, the Company entered into a Share Exchange Agreement with G2BE Canada Inc. ("G2BEC"), a private British Columbia company incorporated on May 30, 2014, resulting in a reverse-takeover transaction whereby the Company acquired all of the issued and outstanding common shares in the capital of GTOO (the "Transaction").

Up until the disposition of all of its then operating subsidiaries on March 31, 2020, the Company was in the business of manufacturing, marketing, and distributing softwood pellets for consumer and industrial customers and arranging transactions between buyers and sellers of alternative energy products.

On June 1, 2022, the Company acquired the Masten Unit ("Masten") and changed its business to that of an oil and gas producer (note 4).

On June 9, 2022, the Company changed its name to G2 Energy Corp. and traded under the ticker symbol to "GTOO". The Company's registered office is located at Suite 430 – 744 West Hastings Street, Vancouver BC, V6C 1A5.

Going concern

These interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As of March 31, 2023, the Company had a negative cash flow from operations, and had an accumulated deficit of $18,733,203 (June 30, 2022 - $17,276,596). Furthermore, the Company incurred a net loss of $1,456,607 during the nine months ended March 31, 2023 (2021 - $1,036,150). The Company has suffered recurring losses and negative cash flows from operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The Company will need to raise funds through either the sale of its securities, issuance of corporate bonds, joint venture agreements and/or bank financing to accomplish its goals. If additional financing is not available when needed, the Company may need to cease operations. The Company may not be successful in raising the capital needed to drill and/or rework existing oil wells. Any additional wells that the Company may drill may be non-productive. Management believes that actions taken to secure additional funding for the reworking of its existing infrastructure will provide the resources for the Company to continue as a going concern. Since the Company has an oil-producing asset, its goal is to increase the production rate by optimizing its current infrastructure. The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern; no adjustments to the financial statements have been made to account for this uncertainty, and any adjustments required could be material.

2. Basis of Presentation

(a) Statement of Compliance and Principles of Consolidation

These interim consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended June 30, 2022, which have been prepared in accordance with IFRS as issued by the IASB. The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements.

The interim consolidated financial statements were authorized for issue by the Board of Directors on May 30, 2023.

The interim consolidated financial statements include the accounts and results of operations of the Company and its wholly owned subsidiaries listed in the following table:

Name of Subsidiary	Place of Incorporation	March 31, 2023 Ownership Interest	June 30, 2022 Ownership Interest
G2 Energy Holding US Inc. ("G2HUS")	US	100%	N/A
G2 Energy TX1 Inc.("G2TX1")	US	100%	N/A
G2 Energy TX2 Inc.("G2TX2")	US	100%	N/A
G2 Energy USA Corp. ("G2USA")	Canada	100%	N/A

(b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis, modified where applicable for financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.
The consolidated financial statements are presented in Canadian dollars, except where otherwise indicated. The functional currency of each entity is measured using the currency of the primary economic environment in which the entity operates. The functional currency of the Company, G2USA is Canadian dollars and G2HUS, G2 TX1 and G2TX2 's functional currency is United States dollars ("US$").

(c) Use of Estimates and Judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the period. These estimates are, by their nature, uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the reporting date could result in a material adjustment to the carrying amounts of assets and liabilities.
Significant areas of estimation and judgment include the collectability of other receivables, useful life and recoverability of long-lived assets, measurement of provisions, the fair value of share-based payments, application of the going concern assumption, and deferred income tax asset valuation allowances.

(Expressed in Canadian dollars)

The Company's policy for property and equipment requires judgment in determining whether the present value of future expected economic benefits exceeds capitalized costs. The policy requires management to make certain estimates and assumptions about future economic benefits related to its operations. Estimates and assumptions may change if new information becomes available. If information becomes available suggesting that the recovery of capitalized cost is unlikely, the capitalized cost is written off in the consolidated statement of comprehensive loss.

Proved and probable developed oil and gas reserves estimates are not recorded in the Company's consolidated financial statements, but they do affect net earnings and assets and liabilities through their impact on depreciation, depletion, and amortization the impairment calculations, the recoverability of deferred income tax assets and the fair values of assets acquired through business combinations. By their nature, oil and gas reserves estimates, include significant assumptions related to future royalty production volumes and forecasted oil and gas commodity prices, which are subject to measurement uncertainty. Accordingly, the impact on amounts reported in the consolidated financial statements for future periods could be material. The Company's oil and gas reserves are evaluated by independent qualified reserve evaluators at least annually and are determined pursuant to National Instrument 51-101 Standard of Disclosures for Oil and Gas Activities.

The assessment of whether the going concern assumption is appropriate requires management to consider all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt about the Company's ability to continue as a going concern.

3. Proposed New Accounting Policies

As of March 31, 2023, there were no new accounting pronouncements that are expected to have a material impact to the consolidated financial statements.

4. Acquisition of Masten

On June 1, 2022, the Company completed the acquisition of the Masten Unit ("Masten"). Masten is a 2,600-acre project located within the prolific billion-barrel Levelland Field in Cochran County, Texas. Four wells currently operate on the project.

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. The fair value of the consideration paid is allocated to assets and liabilities acquired.

Details of the fair value of the consideration paid is as follows:

Cash consideration – US$400,000	$	514,879
Cash consideration – US$2,000,000		2,529,564
Promissory note – US$1,600,000 (note 7)		1,943,884
Transaction cost – cash expenditures for legal fees		157,400
Transaction cost – 1,200,000 closing shares to be issued (a)		151,020
Transaction cost – US$400,000 performance shares (b)		337,837
Transaction cost – 5,000,000 finder's shares (note 12)		825,000
Transaction cost – 3,000,000 finder's warrants (note 12)		243,865
Total purchase price	$	6,703,450

Fair value of the consideration paid was allocated to the acquired assets as follows:

Oil and gas property	$	7,302,593
Property, plant and equipment		404,730
Accounts receivable		250,524
Asset retirement obligation acquired		(1,254,397)
Net assets acquired	$	6,703,450

(Expressed in Canadian dollars)

a) The 1,200,000 closing shares were issued on August 30, 2022. The fair value of the contingent shares as of the acquisition date was $151,020 and was determined based on the fair value of the shares less a discount for the lack of marketability using a Black-Scholes valuation model with the following assumptions:

	At acquisition
Fair value of common shares	$0.165
Exercise price	$0.165
Expected life (years)	0.25
Volatility	120%
Risk free rate	1.52%
Dividend rate	0%
Discount	46,980

b) The fair value of the $505,913 (US$400,000) performance shares was determined based on the fair value of the shares less a discount for the lack of marketability using a Black-Scholes valuation model with the following assumptions:

c)

	At acquisition
Fair value of common shares	$0.165
Exercise price	$0.165
Expected life (years)	0.50
Volatility	120%
Risk free rate	2.15%
Dividend rate	0%
Discount	168,076

5. Property, plant and equipment

	Plant	Oil and gas property	Total
Balance, June 30, 2021	$ -	$ -	$ -
Additions (note 4)	404,730	7,302,593	7,707,323
Disposal of royalty interest	-	(696,151)	(696,151)
Depreciation, depletion	(3,373)	(13,242)	(16,615)
Foreign exchange impact	10,151	124,798	134,949
Balance, June 30, 2022	**$ 411,508**	**$ 6,717,998**	**$ 7,129,506**
Depreciation, depletion	(32,111)	(119,401)	(151,512)
Foreign exchange impact	319	5,213	5,532
Balance, March 31, 2023	**$ 379,716**	**$ 6,603,810**	**$ 6,983,526**

The Masten project had a total royalty payable on its oil and gas revenue of 24.16% (inclusive of royalty payable to Cloudbreak). Accordingly, the Company has a net revenue interest in the oil and gas property of 75.84%.

As part of obtaining the debenture from Cloudbreak the Company assigned a revenue royalty of 3.25% to Cloudbreak. The assignment of the royalty was accounted for as a disposal of the oil and gas asset with a carrying value of $696,151 (the carrying value was determined based on the relative fair value) and a net loss on the disposal of $586,564 was recognized in the consolidated statement of comprehensive loss.

6. Loans Payable - CEBA

On April 29, 2020, the Company was approved and received a $40,000 line of credit (“CEBA LOC”) with CIBC under the Canada Emergency Business Account (“CEBA”) program funded by the Government of Canada. The CEBA LOC is non-interest bearing and can be repaid at any time without penalty.

On January 1, 2021, the outstanding balance of the CEBA LOC will automatically convert to a 2-year interest-free term loan ("CEBA Term Loan"). The CEBA Term Loan may be repaid at any time without notice or the payment of any penalty. If 75% of the CEBA Term Loan, at the CEBA Term Loan Commencement Date, is repaid on or before December 31, 2023, the repayment of the remaining 25% of such CEBA Term Loan shall be forgiven. If on December 31, 2023, the Company exercises the option for a 3-year term extension, 5% interest during the term extension period will apply on any balance remaining.

(Expressed in Canadian dollars)

The Company recorded the fair value of $28,190 at the initial recognition date of the CEBA LOC using an effective interest rate of 10% per annum. The difference of $11,810 between the fair value and the total amount of CEBA LOC received has been recorded as a government grant in finance income, during the year ended June 30, 2020.

	Total
Balance, June 30, 2020	**$ 28,661**
Accretion expense	2,866
Balance, June 30, 2021	**$ 31,527**
Accretion expense	3,153
Balance, June 30, 2022	**$ 34,680**
Accretion expense	2,601
Balance, March 31, 2023	**$ 37,281**

7. Promissory note – Masten

On May 31, 2022, the sellers of Masten ("Sellers") financed a portion of the purchase price for the acquisition of the Masten with a secured loan by promissory note (the "Note") in the principal amount of US$1,600,000 with the following terms:

- Primary security by deed of trust over all of the property and assets of G2 TX1, including the oil and gas leases.
- Three (3) year maturity.
- Bears 10% interest per annum.
- Principal and interest to be paid in 35 equal monthly installments of USD$51,627 and the balance in the 36th month.

	Total
Balance, June 30, 2021	**$ -**
Principal acquired (a)	1,943,884
Accretion expense	4,157
Interest expense	16,873
Foreign exchange impact	37,808
Balance, June 30, 2022	**$ 2,002,722**
Accretion expense	178,309
Interest expense	160,557
Repayment	(628,807)
Foreign exchange impact	103,578
Balance, March 31, 2023	**$ 1,816,359**
Less: current portion	**$ (838,402)**
Non-current portion	**$ 977,957**

a) The Note's carrying value was discounted through the effective interest rate method over 3 years at 13.5% (based on the Company's incremental borrowing rate for the secured debt). As a result, the US$1,600,000 had an opening carrying value of $1,943,884 (US$1,536,932). The difference between the face value of the debt and the fair value represents a reduction of the purchase price of the oil and gas property.

(Expressed in Canadian dollars)

8. Convertible debenture – Cloudbreak

Cloudbreak Discovery PLC ("Cloudbreak"), a third-party lender, financed a portion of the purchase price for the Masten acquisition with a US$2,000,000 secured debenture (the "Debenture") having the following terms:

- Secondary security (behind the Note, note 7) over all of the property and assets of G2 TX1.
- Pledge of 100% of the issued common shares of G2 TX1, which are held by another subsidiary of the Company.
- Guarantee by the Company of all of G2 TX1's obligations under the Debenture.
- Two (2) year of maturity.
- 12% interest per annum payable quarterly.
- Accrued interest is convertible to common shares of the Company at Cloudbreak's option. The interest conversion price will be based on the closing price of the Company's shares on the last trading day of the applicable calendar quarter end, subject to regulatory approval, if required. As of June 30, 2022, interest of $25,310 (US$20,000) was paid in cash and the remaining accrued interest was $nil.

The Company issued 6,500,000 share purchase warrants to Cloudbreak with an exercise price of C$0.30 per share exercisable for two (2) years from the closing date, with G2 having the right to accelerate the expiry date of the warrants if the closing price of the common shares on the CSE trades above $0.60 for a period of 10 consecutive trading days. The fair value if the discount attributed to the warrants was recorded as part of the loss on disposal of the 3.25% revenue royalty interest (note 6).

	Total
Balance, June 30, 2021	**$ -**
Principal acquired – US$2,000,000	2,529,564
Loss on disposal of the 3.25% royalty interest	(109,931)
Debt issuance cost – legal fees	(75,933)
Interest expense	25,310
Interest paid	(25,310)
Accretion expense	31,422
Foreign exchange impact	20,223
Balance, June 30, 2022	**$ 2,395,345**
Interest paid	(81,198)
Interest expense	240,835
Accretion expense	307,849
Foreign exchange impact	118,927
Balance, March 31, 2023	**$ 2,981,758**

- 3.25% overriding royalty on production from Masten which was accounted for as a disposal of part of the property (note 6).
- Cloudbreak has the right for two (2) years to provide debt financing for future acquisitions of properties by the Company or G2 TX1 within an area of interest and area of influence set out in the Debenture. If Cloudbreak decides to provide financing to the Company's future acquisitions, Cloudbreak will be entitled to a 1% overriding royalty on all oil and gas and other substances produced and sold from the applicable area of interest property.

The Debenture's carrying value was discounted through the effective interest rate method over 2 years at 15.5% (based on the Company's incremental borrowing rate for the second secured debt). As a result, the US$2,000,000 had an opening carrying value of $2,419,633. The difference between the face value of the debt and the fair value of the debenture was recorded as part of the loss on the disposal of the 3.25% revenue royalty.

Reinstatement, renewal and release agreement with Cloudbreak

On January 20, 2023, the Company announces that it has received a notice of default from Cloudbreak to the Company and its subsidiary, G2 Energy TX1, Inc. ("G2 TX1"), regarding a default under Cloudbreak's US$2 million secured Debenture related to default in payment of an interest installment, which was due March 31, 2023, among other alleged defaults.

(Expressed in Canadian dollars)

On March 29, 2023, the Company, as Guarantor, has entered into a reinstatement, renewal and release agreement (the "Agreement"), dated as of March 29, 2023, with its subsidiary, G2 TX, as Mortgagor, and Cloudbreak, as Mortgagee, pursuant to which, among other things, the Loan Documents (defined below) will be reinstated to the extent as if no default had occurred.

Pursuant to the terms of the Agreement, Cloudbreak has agreed to, among other things: (i) accept payment from the Company and G2 TX1 in the sums set forth below; (ii) reinstate the Loan Documents to the same extent as if no default had occurred; (iii) withdrawal the foreclosure proceedings; and (ii) renegotiate (with the assistance of a mediator) certain terms of the Loan Documents relating to working capital requirements and governing jurisdiction. Furthermore, pursuant to the terms of the Agreement, the Company and G2 TX1 shall, subject to receipt of any required regulatory approvals, pay to Cloudbreak: (a) the sum of USD$61,332.10 cash representing the past due Fourth Quarter End 2022 payment on the Debenture of USD$60,000.00 plus non-default interest in the amount of USD$1,332.10 cash through February 22, 2023; (b) part of Cloudbreak's attorneys' fees in the amount of USD$20,000.00 cash; (c) the remaining part of Cloudbreak's attorney's fees in the amount of USD$13,311.74 by way of transferring or issuing to Cloudbreak 907,000 common shares in the capital of the Company ("Common Shares"); (d) the First Quarter End 2023 payment on the Debenture of USD$60,000.00 plus a USD$15,000 bonus by way of transferring or issuing to Cloudbreak 5,110,000 Common Shares; (e) 4,769,000 Common Shares transferred or issued to Cloudbreak in escrow by May 31, 2023; and (f) the Second Quarter 2023 payment on the Debenture of $60,000.00 plus a USD$15,000 by way of transferring or issuing 5,110,000 Common Shares.

9. Lease liability and right of use assets

Right of use asset – office	**March 31, 2023**	**June 30, 2022**
Opening balance	$ -	$ -
Recognition of right of use asset	66,273	-
Less: depreciation	(18,926)	-
	$ 47,347	**$ -**
Lease liability		
Opening balance	$ -	$ -
Recognition of lease liability	66,273	-
Lease payments	(13,857)	-
Lease interest	5,681	-
	$ 58,097	**$ -**
Lease liability – current	(41,571)	**-**
Lease liability – non-current	16,526	**-**
Undiscounted lease payment		
Not later than a year	$ 41,571	$ -
Later than a year	22,319	
	$ 63,890	**$ -**

The Company's lease relates to an office lease. Interest expense on the lease liabilities for the nine months ended March 31, 2023, is $5,681 (2021 - $nil). Depreciation of right-to-use assets is calculated using the straight-line method over the remaining lease term.

(Expressed in Canadian dollars)

10. Cost of sales

	Nine months ended March 31, 2023	2022
Operating cost	$ 380,440	$ -
Operating overhead	121,132	-
Oil and gas severance tax	163,652	
Depreciation	32,111	-
Depletion	119,401	-
	$ 816,736	**$ -**

11. Related Party Transactions

Key Management Personnel Compensation

The Company has determined that the key management personnel of the Company consists of its officers and directors. In addition to the fees paid to officers and fees paid to directors, the Company also provides compensation through participation in the Company's stock option plan. The compensation included in general and administrative expenses relating to key management personnel for the nine months ended March 31, 2023, was $732,202 (2021 – $348,588).

12. Share Capital

Preferred Shares

The Company is authorized to issue an unlimited number of preferred shares without par value. The Company has not issued any preferred shares since its inception.

Common Shares

The Company is authorized to issue an unlimited number of common shares without par value. As of March 31, 2023, there was a total of 58,411,085 common shares outstanding (June 30, 2022 – 50,786,085).

Issued during nine months ended March 31, 2023

i) On August 30, 2022, the Company issued 1,200,000 common shares as part of the Masten acquisition (note 4).
ii) On October 21, 2022, the Company completed a non-brokered private placement financing of a total of $642,500 through the issuance of 6,425,000 of units. Each unit comprises of one common share and one-half share purchase warrant (exercise price of $0.20 with a 2-year life).
iii) On March 22, 2023, the Company completed a non-brokered private placement financing of a total of $516,736 ($206,080.00 in cash and settled $310,656.00 in debt to certain creditors) through the issuance of 25,836,800 of units at a price $0.02 per unit. Each unit comprises of one common share and one share purchase warrant (exercise price of $0.05 with a 3-year life).
i) On March 22, 2023, the Company issued 2,340,000 common shares at a deemed price of $0.05 to settle $117,000 in debt.

Issued during year ended June 30, 2022

ii) On September 7, 2021, the Company completed a non-brokered private placement financing issuing an aggregate of 6,370,000 units at a price of $0.10 per unit, for gross proceeds of $637,000. Each Unit consists of 1 common share and 1 share purchase warrant (exercise price of $0.15, expires on September 7, 2023).The totall finder's fee and transactional cost were $32,117, resulting in net proceeds of $604,883.
iii) On October 4, 2021, the Company completed a non-brokered private placement financing issuing an aggregate of 5,619,950 units at a price of $0.10 per unit, for gross proceeds of $561,995. Each Unit consists of 1 common

(Expressed in Canadian dollars)

share and 1 share purchase warrant (exercise price of $0.15, expires on October 4, 2023). The total finder's fee and transactional cost were $35,213, resulting in net proceeds of $526,782.

iv) On December 30, 2021, the Company completed a non-brokered private placement financing issuing an aggregate of 2,585,000 units at a price of $0.10 per unit, for gross proceeds of $258,500. Each Unit consists of 1 common share and 1 share purchase warrant (exercise price of $0.15, expires on December 30, 2023). The total finder's fee and transactional cost were $2,298, resulting in net proceeds of $256,202.

v) On February 3, 2022, the Company closed a non-brokered private placement through issuing 1,750,000 units at a price of $0.10 per unit for total gross proceeds of $175,000. Each unit consists of 1 common share of the Company and 1 transferable common share purchase warrant (exercise price of $0.15 per warrant and expiry date of February 3, 2023). The total finder's fee and transactional cost were $19,216, resulting in net proceeds of $155,784.

vi) On May 27, 2022, the Company closed a non-brokered private placement through issuing 6,005,000 units at a price of $0.20 per unit for total gross proceeds of $1,201,000. Each unit consists of 1 common share of the Company and 1/2 transferable common share purchase warrant (exercise price of $0.30 per warrant and expiry date of November 27, 2023). The total finder's fee and transactional cost were $66,902, resulting in net proceeds of $1,134,098.

vii) On June 1, 2022, the Company issued 5,000,000 finder's shares (note 5) as part of the Masten acquisition. The fair value of the finder's shares was $825,000.

viii) On June 16, 2022, the Company issued 80,000 shares at $0.15 (proceeds of $12,000) due to warrants exercised.

For the private placements noted above in which shares and warrants were issued, the Company first determined the fair value of the shares from the private placements, and the residual amount of $572,790 was allocated to the warrant reserve representing the value assigned to the warrants in the private placements.

Stock Options

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees, and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each stock option may be no less than the greater of $0.10 per share and the closing market price of the Company's shares on the trading day immediately preceding the date of grant of the option, less any applicable discount allowed by the stock exchange on which the shares are traded, as calculated on the date of grant.

On June 2, 2022, the Company granted incentive stock options to purchase an aggregate amount of 3,150,000 common shares (vesting terms – 25% on the grant date, 25% on December 2, 2022, June 2, 2023, and December 2, 2023) at an exercise price of $0.20 per share (expires on June 2, 2027) to certain directors, officers and consultants in accordance with the provisions of its rolling incentive stock option plan. The grant of incentive stock options is subject to the policies of and acceptance by the Canadian Securities Exchange.

The total fair of these options at the grant date was $424,043, determined using a Black Scholes Option Pricing Model with the following assumptions: risk free interest rate of 2.89%, expected life of 5 years, expected volatility of 120%, and a dividend yield of 0%.

The following table summarizes the changes during the period ended March 31, 2023, and year ended June 30, 2022:

	March 31, 2023		June 30, 2022	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding – beginning of year	3,750,000	0.19	600,000	0.15
Canceled	(1,100,000)	0.19	-	-
Granted	-	-	3,150,000	0.20
Outstanding – end of period	2,650,000	0.19	3,750,000	0.19
Exercisable – end of period	1,575,000	0.19	1,387,500	0.19

(Expressed in Canadian dollars)

The following table summarizes information about stock options outstanding and exercisable as of March 31, 2023, and June 30, 2022:

Exercise Price	Expiry Date	Number of Options Outstanding and Exercisable	Number of Options Exercisable	Remaining Contracted Life (Years)
$ 0.20	June 2, 2027	2,150,000	1,075,000	4.18
$ 0.15	May 5, 2026	500,000	500,000	3.10
$ 0.19		2,650,000	1,575,000	3.83

During the nine months ended March 31, 2023, the Company recognized share-based compensation expense of $222,377 for the options vested (2021 - $nil) in share-based payment reserve.

Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2021	16,883,000	$0.15
Exercised*	(80,000)	$0.15
Issued – February 3, 2021	16,803,000	$0.15
Issued – September 7, 2021	6,370,000	$0.15
Issued – October 4, 2021	5,619,950	$0.15
Issued – December 30, 2021	2,585,000	$0.15
Issued – February 2, 2022	1,750,000	$0.15
Issued – May 27, 2022	3,002,500	$0.30
Issued – May 27, 2022 broker's warrants	304,400	$0.30
Issued – May 31, 2022 – Cloudbreak (note 8)	6,500,000	$0.30
Issued – June 2, 2022 – Masten acquisition (note 4)**	3,000,000	$0.30
Balance, June 30, 2022	45,934,850	$0.19
Issued – October 14, 2022	350,000	$0.15
Issued – October 20, 2022	2,862,500	$0.15
Issued – March 22, 2023	25,836,800	$0.05
Balance, March 31, 2023	74,984,150	$0.10

*The share price on the date when the warrants were exercised was $0.12.
** On June 2, 2022, the Company issued of 3,000,000 finder's warrants related to the Masten acquisition (see note 5), the fair value of $243,865 was determined based on the following assumptions with the Black Scholes valuation model – fair value of the common share at grant ($0.165), the exercise price of $0.30, expected life of the warrant (2 years), volatility of 120%, the dividend rate of 0%, and risk free rate of 2.76%.

As of March 31, 2023, the Company had the following share purchase warrants:

(Expressed in Canadian dollars)

Exercise Price	Expiry Date	Number of Warrants	Remaining Contracted Life (Years)
$ 0.20	February 3, 2025	16,803,000	1.85
$ 0.20	October 21, 2024	350,000	1.56
$ 0.20	October 20, 2024	2,862,500	1.56
$ 0.30	June 2, 2024	3,000,000	1.18
$ 0.30	May 31, 2024	6,500,000	1.17
$ 0.30	November 27, 2023	3,306,900	0.66
$ 0.15	February 3, 2024	1,750,000	0.85
$ 0.15	December 30, 2023	2,585,000	0.75
$ 0.15	October 4, 2023	5,619,950	0.51
$ 0.15	September 7, 2023	6,370,000	0.44
$ 0.05	March 22, 2026	25,836,800	2.98

13. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity comprised of issued share capital, and reserves.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its board of directors, will balance its overall capital structure through new equity issuances or by undertaking other activities as deemed appropriate under specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged as of March 31, 2023, and June 30, 2022.

14. Commitments

Aside from the royalty payments (note 5), asset retirement obligation, promissory note (note 7), Cloudbreak debenture (note 8) and CEBA loan (note 6), the Company had no other significant commitments or contractual obligations with any parties related to executive compensation, consulting arrangements, or other matters.

15. Financial Instruments and Risk Management

The Company is exposed in varying degrees to a variety of financial instruments and related risks. Those risks and management's approach to mitigating those risks are as follows:

(a) Fair Values

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Cash is carried at fair value using a level 1 fair value measurement. The carrying value of trade receivables, accounts payable, promissory note, debenture and due to related parties, approximate their fair value due of the short-term nature of these instruments or having been measured using market discount rates, and are recorded at amortised cost.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

(b) 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 exposure to credit risk is in its cash and trade receivables. Cash is held with major banks in Canada, which are high-credit quality financial institutions as determined by rating agencies, while other receivables are dues from the government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

(c) Currency Risk

The Company's functional currencies are the Canadian dollar and the US dollar. Currency risk is the risk that the fair value of the Company's financial instruments will fluctuate because of changes in foreign currency exchange rates. The Company's head office and some operating expenses are denominated in Canadian dollars. The Company's revenue and a large portion of operating expenses were denominated in US dollars. The Company managed its exposure to foreign currency fluctuations by maintaining foreign currency bank accounts to offset foreign currency payables where possible.

(d) Interest Rate Risk

The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates and its short-term term deposits at prescribed market rates. The fair value of the Company's cash is not significantly affected by changes in short-term interest rates. The interest expenses accrued for loans payable is subject to movement in interest rates, however, all loans, promissory notes, and debentures bear interest at fixed rates and are not subject to change.

(e) Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. As of March 31, 2023, the Company had a cash balance of $4,523 to settle current liabilities of $1,825,006. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. Accounts payable, loans payable, and accrued liabilities and amounts payable to related parties are all current. As the Company has limited sources of revenue, it may require additional financing to accomplish its long-term strategic objectives. Liquidity risk is assessed as high.

(f) Concentration risk related to Sales and Accounts Receivable

Two customers' accounts for 100% of the revenue for the period ended March 31, 2023. Accounts receivables, which the operator of the oil and gas property collects, are due from the two customers.

16. Segmented information

The Company had one operating segment which is oil and gas production. All long-term assets are located in the United States, which is where all the revenue is generated.

17. Contingencies

Civil Claim against the Company

On July 22, 2019, the Company served with a notice of civil claim, filed on July 11, 2019 with the Supreme Court of British Columbia, by Plaintiffs under the Class Proceedings Act, RSBC 1996, c 50, naming the Company as a defendant along with 86 additional defendants, in connection with allegations of the inappropriate use of the exemption from prospectus requirements contained in Section 2.12 of National Instrument 45-106 Prospectus

Exemptions, and the disclosure records of the Company in respect of distributions of securities to consultants using such exemption. Honourable Madam Justice Adair has been assigned as the Judicial Management Judge in the above noted matter under the Class Proceedings Act. As of the date of approval of the financial statements, no legal decision has been made.

The Company also had a regulatory hearing submission before the B.C. Securities Commission ("BCSC") in respect of the allegation of misuse of the exemption from prospectus requirements contained in section 2.12 of National Instrument 45-106 and connected agreements with consultants of the Company. On April 29, 2021, BCSC filed a Notice of Discontinuance in the Supreme Court of British Columbia whereby proceedings against the Company were discontinued.

Michael Tietz, Duane Loewen against the Company

Related to the civil claim noted above, the Company also has a claim outstanding with Michael Tietz and Duane Loewen. The plaintiff has not specified its claim amount and the proposed class proceeding has not been certified. For greater clarity, the British Columbia supreme court has not yet given permission to the plaintiff to pursue any claim against the Company.

TriVsta Oil Co. LLC ("Trivista")

On September 7, 2021, the Company paid a deposit ("Deposit") of $506,880 (US$400,000) to TriVista Oil Co. LLC ("Trivista') as part of a purchase and sale agreement. On October 21, 2021, the Company provided a Default Notice as the Company alleged certain title defects, defaults, and misrepresentation by Trivista. The Company has demanded the escrow agent to release the Deposit back to the Company. The Deposit was written off as of June 30, 2022, to corporate development expenses. During nine month ended March 2023, the Company settled with Trivista and the Deposit was partially refunded for $276,812.

18. Subsequent Events

Bridwell Agreement

On September 21, 2022, the Company signed a purchase and sale agreement with a Texas company to acquire Bridwell Oil Company's Masten lease. The consideration of the acquisition is the cash sum of US$200,000. As of March 31, 2023, the transaction has not closed.

Common Shares Issuance

On May 11, 2023, the Company issued 5,110,000 common shares as part of the Coudbreak agreement (note 8).