

G2 ENERGY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED MARCH 31, 2023

This discussion and analysis of financial position and results of operations is prepared as of May 30, 2023 and should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2022 and unaudited interim financial statements for the period ended March 31, 2023, of G2 Energy Corp. ("GTOO" or the "Company"). The audited and unaudited consolidated financial statements are presented in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). All references to dollar amounts are in Canadian dollars unless otherwise noted. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

CAUTIONARY STATEMENT ON FORWARD LOOKING INFORMATION

This MD&A contains statements which are, or may be deemed to be, "forward-looking information" which are prospective in nature. Often, but not always, forward-looking information can be identified by the use of forward-looking words such as "plans", "expects" or "does not expect", "is expected", "scheduled", "estimates", "forecasts", "projects", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Such information in this MD&A includes, without limitation, statements regarding the Company's future plans and expectations relating to the Company's future operations and transactions.

Forward-looking information is not based on historical facts, but rather on then current expectations, beliefs, assumptions, estimates and forecasts about the business and the industry and markets in which the Company operates, including assumptions relating to the Company will be able to continue its progress as currently planned and will not have to make additional changes to any proposed business plan, that the Company will have access to capital if required, that all necessary approvals and arrangements will be obtained, renewed and/or finalized in a satisfactory manner in order to continue developing the Company's projects, and that the Company's equipment will operate at expected levels. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the Company's actual results, revenues, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Important risks that could cause the Company's actual results, revenues, performance or achievements to differ materially from the Company's expectations include, among other things:

- (i) risks related to the ability of the Company to obtain contractors, if required,
- (ii) that the Company will be able to generate sufficient cash flow to continue as a going concern,
- (iii) risks related to production activity
- (iv) risks related to the availability of capital on satisfactory terms,
- (v) changes in the market prices of oil and gas which could affect the profitability of the Company's operations and financial condition;
- (vi) risks related to governmental regulations, including taxation statutes;

Risks related to the Company include political, economic, and regulatory instability and other risks found in the risk section of this report. Other than in accordance with its legal or regulatory obligations, the Company is not under any obligation and the Company expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

DESCRIPTION OF BUSINESS

G2 Energy Corp. (formerly G2 Technologies Corp.) (the "Company" or "GTOO") was incorporated on October 9, 2014 in British Columbia under the Business Corporations Act. The Company was previously engaged in the business of mineral exploration and the acquisition of mineral property assets in Ontario through its subsidiary, Brigadier. The Company has since terminated all of its mineral property interests.

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, for a reverse-takeover transaction whereby the Company would acquire all of the issued and outstanding common shares in the capital of GTOO (the "Transaction").

Up until the disposition of all the Company's 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 5).

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

KEY BUSINESS EVENTS – NINE MONTHS ENDED MARCH 31, 2023

- Share issuance – Masten Acquisition

On August 30, 2022, the Company issued 1,200,000 common shares as part of the Masten acquisition.

- Private placement

On October 21, 2022, The Company closed a non-brokered financing, over two tranches, of a total of \$642,500 through the issuance of 6,425,000 of units. Each unit comprise of one common share and one-half share purchase warrant (exercise price of \$0.20 with a 2 year life).

- 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.

On March 29, 2023, the Company, as Guarantor, 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.

- Management and directors changes

On January 12, 2023, the Company announced of appointment of Mr. Oleg Scherbina as Interim Chief Financial Officer (“CFO”) of the Company and resignation of Mr. Sam Wong as CFO and director of the Company to focus his attention on other professional opportunities.

The Company also announces the appointment of Mr. Gabriel Monteiro Queiroz as director of the Company. Mr. Queiroz replaces Mr. Matthew Roma who has also resigned as a director of the Company to focus his attention on other professional opportunities.

MASTEN OIL AND GAS ASSET

Overview

Willrich Energy Advisors (an independent third-party Petroleum Engineering and Geology firm, qualified reserves evaluator) prepared a Reserve Report on Masten, dated effective January 1, 2022 (the "Report") in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities. The Report is available for review under the Company's profile on SEDAR www.sedar.com. The technical information and data in this news release have been extracted from the Report. This appraisal in the Report evaluates G2's Proved Developed Producing (PDP) and Probable Undeveloped (PrUD) reserves. The table below summarizes G2's net oil and gas reserves and cash flows generated using the requested price deck. The results shown below are presented for your information and should not be construed as our estimate of fair market value. As of July 1, 2022 (updated from January 1, 2022), G2's net total proved and probable reserves have been estimated to be as follows:

Reserve Category	Net Reserves as of 7/1/2022		Future Net Income, \$	Present Worth of FNI Discounted @ 10%/Annum, \$	Present Worth of FNI Discounted @ 15%/Annum, \$
	Light and Medium Oil (Bbl)	Natural Gas (Mcf)			
Forecast Price					
Proved Producing	<u>310,650</u>	<u>459,230</u>	<u>10,330,790</u>	<u>5,599,020</u>	<u>4,379,060</u>
Total Proved	310,650	459,230	10,330,790	5,599,020	4,379,060
Probable Undeveloped	<u>303,350</u>	<u>373,680</u>	<u>17,360,790</u>	<u>6,448,350</u>	<u>4,361,140</u>
Total Probable	303,350	373,680	17,360,790	6,448,350	4,361,140
Total Proved + Probable	614,000	832,910	27,691,580	12,047,370	8,740,200

There is at least a 90% probability that the quantities actually recovered will equal or exceed the estimated proved reserves and at least a 50% probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves. Future net income (FNI) is after deducting estimated operating and future development costs, severance, and ad valorem taxes, but before Federal income taxes. Total net Proved and Probable Reserves are defined as those natural gas and hydrocarbon liquid Reserves to G2's interests after deducting all shrinkage, royalties, overriding royalties, and reversionary interests owned by outside parties that become effective upon payout of specified monetary balances. All Reserves estimates have been prepared using standard engineering practices generally accepted by the petroleum industry and conform to those classifications defined in the Canadian Oil and Gas Evaluation Handbook (“COGEH”). All hydrocarbon liquid Reserves are expressed in United States barrels (“Bbl”) of 42 gallons. Natural gas Reserves are expressed in thousand standard cubic feet (“Mcf”) at the contractual pressure and temperature bases. All monies are expressed in United States dollars.

OVERALL PERFORMANCE

The following table sets forth selected financial information about the Company for the comparable periods of the last two fiscal years. This financial information has been prepared using IFRS:

	Three months ended March 31,		Six months ended March 31,	
	2023	2022	2023	2022
	- \$ -	- \$ -	- \$ -	- \$ -
Revenues	692,832	-	1,605,906	-
Cost of Sales	(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)	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)

Revenues – revenues from the oil and natural gas production at Masten were \$1,605K for the nine months ended March 31, 2023, compared to \$Nil in the previous fiscal year 2022 period.

Cost of Sales – the cost of sales of the oil and natural gas of Masten were \$817K for the nine months ended March 31, 2023, compared to \$Nil in the previous fiscal year 2022 period.

Consulting and management fees – \$712K for the nine months ended March 31, 2023, compared to \$474K in the previous fiscal year 2022 period, the consulting fees were higher as the Company increased its corporate activity since the Masten acquisition in the prior fiscal year.

General and administrative expenses – \$319K for the nine months ended March 31, 2023, compared to \$147K in the previous fiscal year 2022 period, the general and administrative expenses were higher as the Company increased its corporate activity since the Masten acquisition in the prior fiscal year.

Professional fees – \$376K for the nine months ended March 31, 2023, compared to \$276K in the previous fiscal year 2022 period, mostly due to the increase of production activities and related legal costs. Professional fees related to legal, accounting, and audit expenses. The fees are mostly consistent and differ due to timing differences or due to significant transactions.

Quarterly Information

	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
	- \$ -	- \$ -	- \$ -	- \$ -
Revenue	692,832	464,716	448,358	228,943
Net Loss	(92,415)	(1,469,882)	(222,201)	(2,160,295)
Earnings (Loss) Per Share	(0.00)	(0.03)	0.00	(0.04)
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
	- \$ -	- \$ -	- \$ -	- \$ -
Revenue	-	-	-	-
Net Loss	(376,893)	(438,029)	(221,228)	(283,244)
Loss per Share	(0.02)	(0.01)	(0.01)	(0.02)

Revenue – upon acquisition of the Masten asset during the quarter ended June 30, 2022, the Company started to earn revenue (through its oil and gas assets). Revenue has increased every quarter since.

Net loss – net loss on a quarterly basis typically fluctuates in nature as revenue and costs are not consistent throughout the year. The losses in the current quarter ended June 30, 2021, were higher due to an increase in corporate development activities upon closing of private placement in February 2021. The net loss between September 30, 2021, to March 31, 2022, was consistent aside from minor timing differences as the Company was operating as a shell. The net loss significantly increased in the quarter ended June 30, 2022, as the Company acquired an oil and gas asset and was still in the process of ramping up production. The net loss has improved in the quarter ended September 30, 2022, as there are less acquisition related costs while earning revenue from its operation. The net loss increased in the quarter ended March 31, 2023, as the result of higher finance expenses, foreign exchange loss, and professional fees.

Capital Resources

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.

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).

Contractual Obligations and Commitments

The Company had no significant commitments or contractual obligations with any parties related to executive compensation, consulting arrangements, or other matters other than disclosed in Note 14 in the financial statements for the interim period ended March 31, 2023.

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.

TriVista 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 expense. During nine months ended March 2023, the Company settled with Trivista and the Deposit was partially refunded for \$276,812.

Off Balance Sheet Arrangements

As of March 31, 2023, and the date of this report, the Company does not have any, and during the periods presented we did not have any off-balance sheet arrangements, other than the contractual obligations and commitments described above.

Proposed Transactions

The Company does not have any proposed transactions as of March 31, 2023, and the date of the report, other than as disclosed elsewhere in this document.

Outstanding Share Data

As of March 31, 2023, and the date of this report, May 30, 2023, the Company had 91,697,885 common shares issued and outstanding.

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.

Significant Accounting Policies

Please refer to the audited consolidated financial statements for the year ended June 30, 2022, and unaudited interim financial statements for the period ended March 31, 2023, which were filed on SEDAR.

Risk and uncertainties

The Company does not intend to pay dividends for the foreseeable future.

The Company has never declared or paid any cash dividends on the Company's common shares and does not intend to pay any cash dividends in the foreseeable future. The Company anticipates that it will retain all of its future earnings for use in the development of its business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of the Company's board of directors. In addition, from time to time the Company may enter into agreements that restrict its ability to pay dividends.

The price of the Company's common shares may be volatile.

The trading price of the Company's common shares has been and may continue to be subject to material fluctuations and may increase or decrease in response to a number of events and factors, including: - changes in the market price of hospitality management systems and number of market competitors offering same or similar products; - current events affecting the economic situation and exchange rates in Canada, the United States, and internationally; - changes in financial estimates and recommendations by securities analysts; - acquisitions and financings; - quarterly variations in operating results; - the operating and share price performance of other companies that investors may deem comparable; - the issuance of additional equity securities by the Company or the perception that such issuance may occur; and - purchases or sales of blocks of the Company's common shares. Part of this volatility may also be attributable to the current state of the stock market, in which wide price swings are common. This volatility may adversely affect the price of the Company's common shares regardless of the Company's operating performance and could cause the market price of the Company's common shares to decline.

The Company may issue additional equity securities which may reduce the Company's earnings per share.

The Company has in the past issued and may continue to issue equity securities to finance its activities, including in order to finance working capital requirements, capital expenditures and acquisitions. If the Company issues additional common shares, your percentage ownership of the Company will decrease, and you may experience dilution in the Company's earnings per share. Moreover, as the Company's intention to issue any additional equity securities becomes publicly known, the common share price may be materially and adversely affected.

Holders of the Company's common shares may experience dilution when outstanding options and warrants are exercised, or as a result of additional securities offerings.

There are a number of outstanding options and warrants pursuant to which additional common shares of the Company may be issued in the future. Exercise of such options and warrants may result in dilution to the Company shareholders. In addition, if the Company raises additional funds through the sale of equity securities, shareholders may have their investment further diluted.

Commodity price risk

The prices we receive for our oil and natural gas production heavily influence our revenue, operating results, profitability, access to capital, future rate of growth, and carrying value of our properties. Oil and natural gas are commodities, and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand.

Historically, the commodities markets have been volatile, and these markets will likely continue to be volatile in the future. If the prices of oil and natural gas experience a substantial decline, our operations, financial condition and level of expenditures for the development of our oil and natural gas reserves may be materially and adversely affected. The prices we receive for our production, and the levels of our production, depend on numerous factors beyond our control and include the following:

- changes in global supply and demand for oil and natural gas;
- the actions of the Organization of Petroleum Exporting Countries, or OPEC;
- political conditions, including embargoes, in or affecting other oil-producing activity;
- the level of global oil and natural gas exploration and production activity;
- the level of global oil and natural gas inventories;
- weather conditions;
- technological advances affecting energy consumption; and
- the price and availability of alternative fuels.

Volatile oil and natural gas prices make it difficult to estimate the value of producing properties for acquisition 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.

Our revenues, operating results, profitability, and future rate of growth depend primarily upon the prices we receive for oil and, to a lesser extent, natural gas that we sell. Prices also affect the amount of cash flow available for capital expenditures and our ability to borrow money or raise additional capital. In addition, we may need to record asset carrying value write-downs if prices fall. A significant decline in the prices of natural gas or oil could adversely affect our financial position, financial results, cash flows, access to capital, and ability to grow.

Reserve recovery risk

There are numerous uncertainties inherent in estimating crude oil and natural gas reserves and their value. Reservoir engineering is a subjective process of estimating underground accumulations of crude oil and natural gas that cannot be measured in an exact manner. Because of the high degree of judgment involved, the accuracy of any reserve estimate is inherently imprecise, and a function of the quality of available data and the engineering and geological interpretation. Our reserves estimates are based on 12-month average prices, except where contractual arrangements exist; therefore, reserves quantities will change when actual prices increase or decrease. In addition, the results of drilling, testing, and production may substantially change the reserve estimates for a given reservoir over time. The estimates of our proved reserves and estimated future net revenues also depend on a number of factors and assumptions that may vary considerably from actual results, including:

- historical production from the area compared with production from other areas;
- the effects of regulations by governmental agencies, including changes to severance and excise taxes;
- future operating costs and capital expenditures; and
- workover and remediation costs

For these reasons, estimates of the economically recoverable quantities of crude oil and natural gas attributable to any particular group of properties, classifications of those reserves and estimates of the future net cash flows expected from them prepared by different engineers or by the same engineers but at different times may vary substantially. Accordingly, reserves estimates may be subject to upward or downward adjustment, and actual production, revenue, and expenditures with respect to our reserves likely will vary, possibly materially, from estimates.

Additionally, because some of our reserves estimates are calculated using volumetric analysis, those estimates are less reliable than the estimates based on lengthy production history. The volumetric analysis involves estimating the volume of a reservoir based on the net feet of pay of the structure and an estimation of the area covered by the structure. In addition, the realization, or recognition of proven undeveloped reserves will depend on our development schedule and plans. A change in future development plans for proved undeveloped reserves could cause the discontinuation of the classification of these reserves as proved.

Property acquisition risk

Although we perform a review of properties that we acquire that we believe is consistent with industry practices, such reviews are inherently incomplete. It generally is not feasible to review in-depth every individual property involved in each acquisition. Ordinarily, we will focus our review efforts on the higher-value properties and will sample the remainder. However, even a detailed review of records and properties may not necessarily reveal existing or potential problems, nor will it permit us as a buyer to become sufficiently familiar with the properties to assess fully and accurately their deficiencies and potential. Inspections may not always be performed on every well, and environmental problems, such as groundwater contamination, are not necessarily observable even when an inspection is undertaken. Even when

problems are identified, we often assume certain environmental and other risks and liabilities in connection with acquired properties. There are numerous uncertainties inherent in estimating quantities of proved oil and gas reserves and future production rates and costs with respect to acquired properties, and actual results may vary substantially from those assumed in the estimates. In addition, there can be no assurance that acquisitions will not have an adverse effect upon our operating results, particularly during the periods in which the operations of acquired businesses are being integrated into our ongoing operations.

Weather and climate

Demand for oil and gas are, to a degree, dependent on weather and climate, which impact the price we receive for the commodities we produce. In addition, our exploration and development activities and equipment can be adversely affected by severe weather, which may cause a loss of production from temporary cessation of activity or lost or damaged equipment. Our planning for normal climatic variation, insurance programs, and emergency recovery plans may inadequately mitigate the effects of such weather conditions, and not all such effects can be predicted, eliminated, or insured against.

Environmental factors

As an owner or lessee and operator of oil and gas properties, we are subject to various federal, state, local, and foreign country laws and regulations relating to the discharge of materials into, and protection of, the environment. These laws and regulations may, among other things, impose liability on the lessee under an oil and gas lease for the cost of pollution clean-up and other remediation activities resulting from operations, subject the lessee to liability for pollution and other damages, limit or constrain operations in affected areas, and require suspension or cessation of operations in affected areas. Our efforts to limit our exposure to such liability and cost may prove inadequate and result in significant adverse effects to the results of operations. In addition, it is possible that the increasingly strict requirements imposed by environmental laws and enforcement policies could require us to make significant capital expenditures. Such capital expenditures could adversely impact our cash flows and our financial condition.

Governmental risk

Our US operations have been, and at times in the future may be, affected by political developments and by federal, state, and local laws and regulations such as restrictions on production, changes in taxes, royalties, and other amounts payable to governments or governmental agencies, price or gathering rate controls, and environmental protection laws and regulations.

The U.S. federal and state income tax laws affecting oil and gas exploration, development, and extraction may be modified by administrative, legislative, or judicial interpretation at any time. Previous legislative proposals, if enacted into law, could make significant changes to such laws, including the elimination of certain key U.S. federal income tax incentives currently available to oil and gas exploration and production companies. These changes include, but are not limited to, (i) the repeal of the percentage depletion allowance for oil and gas properties, (ii) the elimination of current deductions for intangible drilling and development costs, and (iii) an extension of the amortization period for certain geological and geophysical expenditures. The passage or adoption of these changes, or similar changes, could eliminate or postpone certain tax deductions that are currently available with respect to oil and gas exploration and development. We are unable to predict whether any of these changes or other proposals will be implemented. Any such changes could adversely affect our business, financial condition, and results of operations.

Market conditions

The financial markets are subject to fluctuation and are vulnerable to unpredictable shocks. We have a significant development project inventory, which will require substantial future investment. We and/or our partners may need to seek financing in order to fund these or other future activities. Our future access to capital, as well as that of our partners and contractors, could be limited if the debt or equity markets are constrained. This could significantly delay the development of our property interests.

Liquidity and future financing risk

The Company is in the early stages of business and has not generated revenue in excess of its expenses. The Company will likely operate at a loss until its business becomes established and the Company may require additional financing in order to fund future operations and expansion plans. The Company's ability to secure any required financing to sustain

operations will depend in part upon prevailing capital market conditions and business success. There can be no assurance that the Company will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to management. If additional financing is raised by issuance of additional shares, control may change and shareholders may suffer dilution. If adequate funds are not available, or are not available on acceptable terms, the Company may be required to scale back its current business plan or cease operating.

Global Economy risk

Economic slowdowns and volatility of global capital markets may from time to time make the raising of capital by equity or debt financing more difficult. The Company may be dependent upon capital markets to raise additional financing in the future while concurrently establishing a wider customer base. Access to financing may be negatively impacted by global economic downturns. As such, the Company is subject to liquidity risks in meeting its operating expenditure requirements and future development cost requirements in instances where adequate cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact on the ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to the Company and its management. If levels of volatility and slow market conditions persist, the Company's operations, the Company's ability to raise capital and the trading price of the Company's shares could be adversely impacted.

Limited prior operating history

The Company has a limited operating history, business operations and assets. There is no assurance that it will be profitable or that its investment strategy will be successful. The Company's operations are subject to all of the risks inherent in the creation of new investment activity, including a limited prior operating history.

The Company does not intend to pay dividends for the foreseeable future.

The Company has never declared or paid any cash dividends on the Company's common shares and does not intend to pay any cash dividends in the foreseeable future. The Company anticipates that it will retain all of its future earnings for use in the development of its business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of the Company's board of directors. In addition, from time to time the Company may enter into agreements that restrict its ability to pay dividends.

The price of the Company's common shares may be volatile.

The trading price of the Company's common shares has been and may continue to be subject to material fluctuations and may increase or decrease in response to a number of events and factors, including: - changes in the market price of hospitality management systems and number of market competitors offering same or similar products; - current events affecting the economic situation and exchange rates in Canada, the United States, and internationally; - changes in financial estimates and recommendations by securities analysts; - acquisitions and financings; - quarterly variations in operating results; - the operating and share price performance of other companies that investors may deem comparable; - the issuance of additional equity securities by the Company or the perception that such issuance may occur; and - purchases or sales of blocks of the Company's common shares. Part of this volatility may also be attributable to the current state of the stock market, in which wide price swings are common. This volatility may adversely affect the price of the Company's common shares regardless of the Company's operating performance and could cause the market price of the Company's common shares to decline.

The Company may issue additional equity securities which may reduce the Company's earnings per share.

The Company has in the past issued and may continue to issue equity securities to finance its activities, including in order to finance working capital requirements, capital expenditures and acquisitions. If the Company issues additional common shares, your percentage ownership of the Company will decrease, and you may experience dilution in the Company's earnings per share. Moreover, as the Company's intention to issue any additional equity securities becomes publicly known, the common share price may be materially and adversely affected.

Holders of the Company's common shares may experience dilution when outstanding options and warrants are exercised, or as a result of additional securities offerings.

There are a number of outstanding options and warrants pursuant to which additional common shares of the Company may be issued in the future. Exercise of such options and warrants may result in dilution to the Company shareholders.

In addition, if the Company raises additional funds through the sale of equity securities, shareholders may have their investment further diluted.

Commodity price risk

The prices we receive for our oil and natural gas production heavily influence our revenue, operating results, profitability, access to capital, future rate of growth and carrying value of our properties. Oil and natural gas are commodities, and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand. Historically, the commodities markets have been volatile, and these markets will likely continue to be volatile in the future. If the prices of oil and natural gas experience a substantial decline, our operations, financial condition and level of expenditures for the development of our oil and natural gas reserves may be materially and adversely affected. The prices we receive for our production, and the levels of our production, depend on numerous factors beyond our control and include the following:

- changes in global supply and demand for oil and natural gas;
- the actions of the Organization of Petroleum Exporting Countries, or OPEC;
- political conditions, including embargoes, in or affecting other oil-producing activity;
- the level of global oil and natural gas exploration and production activity;
- the level of global oil and natural gas inventories;
- weather conditions;
- technological advances affecting energy consumption; and
- the price and availability of alternative fuels.

Volatile oil and natural gas prices make it difficult to estimate the value of producing properties for acquisition 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.

Our revenues, operating results, profitability and future rate of growth depend primarily upon the prices we receive for oil and, to a lesser extent, the natural gas that we sell. Prices also affect the amount of cash flow available for capital expenditures and our ability to borrow money or raise additional capital. In addition, we may need to record asset carrying value write-downs if prices fall. A significant decline in the prices of natural gas or oil could adversely affect our financial position, financial results, cash flows, access to capital and ability to grow.

Reserve recovery risk

There are numerous uncertainties inherent in estimating crude oil and natural gas reserves and their value. Reservoir engineering is a subjective process of estimating underground accumulations of crude oil and natural gas that cannot be measured in an exact manner. Because of the high degree of judgment involved, the accuracy of any reserve estimate is inherently imprecise, and a function of the quality of available data and the engineering and geological interpretation. Our reserves estimates are based on 12-month average prices, except where contractual arrangements exist; therefore, reserves quantities will change when actual prices increase or decrease. In addition, results of drilling, testing, and production may substantially change the reserve estimates for a given reservoir over time. The estimates of our proved reserves and estimated future net revenues also depend on a number of factors and assumptions that may vary considerably from actual results, including:

- historical production from the area compared with production from other areas;
- the effects of regulations by governmental agencies, including changes to severance and excise taxes;
- future operating costs and capital expenditures; and
- workover and remediation costs

For these reasons, estimates of the economically recoverable quantities of crude oil and natural gas attributable to any particular group of properties, classifications of those reserves and estimates of the future net cash flows expected from them prepared by different engineers or by the same engineers but at different times may vary substantially. Accordingly, reserves estimates may be subject to upward or downward adjustment, and actual production, revenue and expenditure with respect to our reserves likely will vary, possibly materially, from estimates.

Additionally, because some of our reserves estimates are calculated using volumetric analysis, those estimates are less

reliable than the estimates based on a lengthy production history. Volumetric analysis involves estimating the volume of a reservoir based on the net feet of pay of the structure and an estimation of the area covered by the structure. In addition, realization or recognition of proved undeveloped reserves will depend on our development schedule and plans. A change in future development plans for proved undeveloped reserves could cause the discontinuation of the classification of these reserves as proved.

Property acquisition risk

Although we perform a review of properties that we acquire that we believe is consistent with industry practices, such reviews are inherently incomplete. It generally is not feasible to review in-depth every individual property involved in each acquisition. Ordinarily, we will focus our review efforts on the higher-value properties and will sample the remainder. However, even a detailed review of records and properties may not necessarily reveal existing or potential problems, nor will it permit us as a buyer to become sufficiently familiar with the properties to assess fully and accurately their deficiencies and potential. Inspections may not always be performed on every well, and environmental problems, such as groundwater contamination, are not necessarily observable even when an inspection is undertaken. Even when problems are identified, we often assume certain environmental and other risks and liabilities in connection with acquired properties. There are numerous uncertainties inherent in estimating quantities of proved oil and gas reserves and future production rates and costs with respect to acquired properties, and actual results may vary substantially from those assumed in the estimates. In addition, there can be no assurance that acquisitions will not have an adverse effect upon our operating results, particularly during the periods in which the operations of acquired businesses are being integrated into our ongoing operations.

Weather and climate

Demand for oil and gas are, to a degree, dependent on weather and climate, which impact the price we receive for the commodities we produce. In addition, our exploration and development activities and equipment can be adversely affected by severe weather, which may cause a loss of production from temporary cessation of activity or lost or damaged equipment. Our planning for normal climatic variation, insurance programs, and emergency recovery plans may inadequately mitigate the effects of such weather conditions, and not all such effects can be predicted, eliminated, or insured against.

Environmental factors

As an owner or lessee and operator of oil and gas properties, we are subject to various federal, state, local, and foreign country laws and regulations relating to discharge of materials into, and protection of, the environment. These laws and regulations may, among other things, impose liability on the lessee under an oil and gas lease for the cost of pollution clean-up and other remediation activities resulting from operations, subject the lessee to liability for pollution and other damages, limit or constrain operations in affected areas, and require suspension or cessation of operations in affected areas. Our efforts to limit our exposure to such liability and cost may prove inadequate and result in significant adverse effects to the results of operations. In addition, it is possible that the increasingly strict requirements imposed by environmental laws and enforcement policies could require us to make significant capital expenditures. Such capital expenditures could adversely impact on our cash flows and our financial condition.

Governmental risk

Our US operations have been, and at times in the future may be, affected by political developments and by federal, state, and local laws and regulations such as restrictions on production, changes in taxes, royalties and other amounts payable to governments or governmental agencies, price or gathering rate controls, and environmental protection laws and regulations.

The U.S. federal and state income tax laws affecting oil and gas exploration, development, and extraction may be modified by administrative, legislative, or judicial interpretation at any time. Previous legislative proposals, if enacted into law, could make significant changes to such laws, including the elimination of certain key U.S. federal income tax incentives currently available to oil and gas exploration and production companies. These changes include, but are not limited to, (i) the repeal of the percentage depletion allowance for oil and gas properties, (ii) the elimination of current deductions for intangible drilling and development costs, and (iii) an extension of the amortization period for certain geological and geophysical expenditures. The passage or adoption of these changes, or similar changes, could eliminate or postpone certain tax deductions that are currently available with respect to oil and gas exploration and development. We are unable to predict whether any of these changes or other proposals will be implemented. Any such changes could

adversely affect our business, financial condition, and results of operations.

Market conditions

The financial markets are subject to fluctuation and are vulnerable to unpredictable shocks. We have a significant development project inventory, which will require substantial future investment. We and/or our partners may need to seek financing in order to fund these or other future activities. Our future access to capital, as well as that of our partners and contractors, could be limited if the debt or equity markets are constrained. This could significantly delay development of our property interests.

Liquidity and future financing risk

The Company is in the early stages of business and has not generated revenue in excess of its expenses. The Company will likely operate at a loss until its business becomes established and the Company may require additional financing in order to fund future operations and expansion plans. The Company's ability to secure any required financing to sustain operations will depend in part upon prevailing capital market conditions and business success. There can be no assurance that the Company will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to management. If additional financing is raised by issuance of additional shares, control may change, and shareholders may suffer dilution. If adequate funds are not available, or are not available on acceptable terms, the Company may be required to scale back its current business plan or cease operating.

Global Economy risk

Economic slowdowns and volatility of global capital markets may from time to time make the raising of capital by equity or debt financing more difficult. The Company may be dependent upon capital markets to raise additional financing in the future while concurrently establishing a wider customer base. Access to financing may be negatively impacted by global economic downturns. As such, the Company is subject to liquidity risks in meeting its operating expenditure requirements and future development cost requirements in instances where adequate cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to the Company and its management. If levels of volatility and slow market conditions persist, the Company's operations, the Company's ability to raise capital and the trading price of the Company's shares could be adversely impacted.

Limited prior operating history

The Company has a limited operating history, business operations and assets. There is no assurance that it will be profitable or that its investment strategy will be successful. The Company's operations are subject to all the risks inherent in the creation of new investment activity, including a limited prior operating history.