# G2 ENERGY CORP.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

**AS AT AND FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2023**

(Expressed in Canadian dollars)

## INTRODUCTION

This discussion and analysis of the financial position and results of operations is prepared as of February 27 2024, and should be read in conjunction with the audited consolidated financial statements for the years ended June 30, 2023 and 2022, and unaudited condensed interim consolidated financial statements for the period ended December 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.sedarplus.ca.

## 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 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 includes 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 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 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.

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

<u>Share issuance – Masten Acquisition</u>

On August 30, 2022, the Company issued 240,000 common shares as part of the Masten acquisition.

<u>Private placements</u>

- On January 5, 2024, the Company completed a non-brokered private placement financing for gross proceeds of $418,900 ($60,000 in cash and settled $358,900 in debt to certain creditors) through the issuance of 8,378,000 units at a price of $0.05 per unit. Each unit comprises one common share and one share purchase warrant (exercise price of $0.08 with a 2-year life).

- On October 30, 2023, the Company completed a non-brokered private placement financing for gross proceeds of $155,605 ($79,000 in cash and settled $76,605 in debt to certain creditors) through the issuance of 3,112,100 units at a price of $0.05 per unit. Each unit comprises one common share and one share purchase warrant (exercise price of $0.08 with a 2-year life).

- On August 1, 2023, the Company completed a non-brokered private placement financing for gross proceeds of $102,500 ($65,000 in cash and settled $37,500 in debt to certain creditors) through the issuance of750,000 shares at a deemed value of $0.05 per common share and 1,300,000 units at a price of $0.05 per unit. Each unit comprises one common share and one share purchase warrant (exercise price of $0.08 with a 2-year life).

- On July 11, 2023, the Company completed a non-brokered private placement financing for a total of $198,800 through the issuance of 3,976,000 units at a price of $0.05 per unit. Each unit comprises one common share and one share purchase warrant (exercise price of $0.08 with a 2-year life).

- On June 30, 2023, the Company settled $374,802 in debt to certain creditors through the issuance of 7,496,045 units at a price of $0.05 per unit. Each unit comprises one common share and one share purchase warrant (exercise price of $0.08 with a 2-year life).

- On May 11, 2023, the Company issued 1,022,000 common shares in the capital of the Issuer at a deemed price of $0.10 per Common Share to settle $102,200 in debt with Debenture holder Cloudbreak Discovery PLC ("Cloudbreak").

- On March 21, 2023, the Company closed a non-brokered private placement issuing 5,167,360 units at a price of $0.10 per Unit to investors for gross proceeds of $516,736 ($206,080 in cash and settled $310,656 in debt to certain creditors). Each unit comprises one common share and one share purchase warrant (exercise price of $0.25 with a thirty-six-month life). The company also issued 468,000 shares in the capital of the Company at a deemed price of $0.25 to settle $117,000 in debt.

- On October 14, 2022, the Company closed a non-brokered financing, of a total of $70,000 through the issuance of 140,000 units. Each unit comprises one common share and one-half share purchase warrant (exercise price of $1.00 with a 2-year life).
- On October 20, 2022, the Company closed a non-brokered financing, of a total of $572,500 through the issuance of 1,145,000 units. Each unit comprises one common share and one-half share purchase warrant (exercise price of $1.00 with a 2-year life).

Warrants repricing and extension

On January 3, 2023, the Company repriced 1,300,000 outstanding common share purchase warrants, originally issued by the Company on May 31, 2022. The warrants were issued as part of a secured debenture financing provided by Cloudbreak. Each warrant entitles the holder thereof to purchase one common share in the capital of the Company at a price of $0.50 until May 31, 2024 subject to an acceleration clause whereby if the closing price of the Company's common shares is greater than $1.50 for a period of 10 consecutive trading days on the stock Canadian Securities Exchange, then the Company may, in its sole discretion, elect to provide written notice (the "Acceleration Notice") to the Holder of the warrants that the warrants will expire at 5:00 p.m.(Vancouver time) on the date that is 60 days from the date of the Acceleration Notice (the "Accelerated Expiry Time"). In such an instance, all warrants that are not exercised prior to the Accelerated Expiry Time will expire at the Accelerated Expiry Time.

In addition, the Company extended the expiry date of 3,360,600 common share purchase warrants of the Company originally issued on February 3, 2021, pursuant to a private placement of units of the Company. Each Warrant was exercisable into one (1) common share of the Company at a price of $0.75 per share until February 2, 2023. The Company extended the expiry date of the Warrants to February 3, 2025, for a total term of four (4) years. All other terms of the Warrants, including their exercise price, remain the same.

5 for 1 share consolidation

June 9, 2023, the Company consolidated all of its common shares on the basis of five (5) pre-consolidated Common Shares into one (1) post-consolidated Common Shares.

The Company commenced trading on the Canadian Securities Exchange on a consolidated basis and the new CUSIP and ISIN number are 40054T206 and 40054T2065 respectively.

Reinstatement, renewal and release agreement with Cloudbreak

On January 20, 2023, the Company announced that it had 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 December 31, 2022, 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 TX1, 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 cash representing the past due Fourth Quarter End 2022 payment on the Debenture of USD$60,000 plus non-default interest in the amount of USD$1,332 cash through February 22, 2023; (b) part of Cloudbreak's attorneys' fees in the amount of USD$20,000 cash; (c) the remaining part of Cloudbreak's attorney's fees in the amount of USD$13,312 by way of transferring or issuing to Cloudbreak 181,400 common shares in the capital of the Company ("Common Shares"); (d) the First Quarter End 2023 payment on the Debenture of USD$60,000 plus a USD$15,000 bonus interest by way of transferring or issuing to Cloudbreak 1,022,000 Common Shares; (e) 953,800 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 plus a USD$15,000 bonus interest by way of transferring or issuing 1,022,000 Common Shares.

Management and directors changes

- On January 10, 2023, the Company also appointed Mr. Gabriel Monteiro Queiroz as director of the Company. On March 31, 2023, the Company appointed Mr. Gabriel Monteiro Queiroz as CFO, following the resignation of Mr. Oleg Scherbina.
- On January 10, 2023, Mr. Matthew Roma and Mr. Sam Wong resigned as a directors of the Company.
- On March 31, 2023, Mr. Jim Tague resigned as a director of the Company.
- On April 3, 2023, Mr. Markus Mair was appointed as a director of the Company.
- On October 10, 2023, Mr. Malcolm Burke was appointed as director of the Company.
- On December 11, 2023, Mr. David Whitby resigned as director of the Company.

Operator change and direct control over all revenues

On July 26, 2023, G2 Energy TX1, INC ("TX1"), appointed Oilwell Operators Inc., of Pampas Texas ("OOI") to be the Operator on Record of its cornerstone producing asset, the Masten Unit in Cochran County. OOI has been registered as such, with the Railway Commission, until the license can be officially transferred to the Company's subsidiary.

On September 7, 2023, the Rule 11 Agreement between TX1, the former operator RMB Operating LLC ("RMB") and the Masten Unit Sellers (the "Lenders"). The agreement gives TX1 ultimate control over all revenue and liabilities generated from the Masten Unit. The agreement also addresses among others the potential damages incurred by the previous operating arrangement.

As of September 6, 2023, TX1 has instructed the oil purchaser, Phillips 66 and gas purchaser, Targa Resources Corp., to remit all future payments to TX1's current operating team, OOI.

## MASTEN OIL AND GAS ASSET

Overview

MKM Engineering (an independent third-party Petroleum Engineering and Geology firm, qualified reserves evaluator) prepared a Reserve Report on Masten, dated effective July 1, 2023 (the "Report") in accordance with the 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.sedarplus.ca. 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, 2023, G2's net total proved, and probable reserves have been estimated to be as follows:

| | Net Reserves as of 07/01/2023 | | | | |
|---|---|---|---|---|---|
| Reserve Category | Light and Medium Oil (Bbl) | Natural Gas (Mcf) | Future Net Income, $ | Present Worth of FNI Discounted @ 10%/Annum, $ | Present Worth of FNI Discounted @ 15%/Annum, $ |
| Forecast Price | | | | | |
| Proved Producing | 256,030 | 563,270 | 8,835,940 | 3,496,180 | 2,519,900 |
| Total Proved | 256,030 | 563,270 | 8,835,940 | 3,496,180 | 2,519,900 |
| Probable Undeveloped | 303,350 | 373,680 | 15,202,010 | 4,782,590 | 2,931,450 |
| Total Probable | 303,350 | 373,680 | 15,202,010 | 4,782,590 | 2,931,450 |
| Total Proved + Probable | 559,380 | 936,950 | 24,037,950 | 8,278,770 | 5,451,350 |

There is at least 90% probability that the quantities actually recovered will equal or exceed the estimated proved reserves and at least 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 three and six months ended December 31, 2023 and 2022. This financial information has been prepared using IFRS:

| | Three months ended December 31, | | Six months ended December 31, | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | | | **$** | $ |
| **Revenues** | **518,394** | 464,716 | **867,234** | 913,074 |
| **Cost of Sales** | **371,804** | 268,718 | **693,391** | 480,143 |
| **Gross Profit** | **146,590** | 195,998 | **173,843** | 432,931 |
| **Operating Expenses** | | | | |
| Consulting and management fees | **150,926** | 266,259 | **314,781** | 432,416 |
| Corporate development fees (recovery) | **-** | (15,593) | **-** | - |
| Depreciation – right of use asset | **9,464** | 9,463 | **18,928** | 18,926 |
| General and administrative | **141,172** | 150,644 | **205,597** | 261,461 |
| Professional fees | **224,309** | 232,957 | **304,736** | 234,460 |
| Travel | **108** | 2,687 | **24,334** | 13,244 |
| Share-based payments | **12,187** | 81,014 | **29,984** | 178,827 |
| **Total Operating Expenses** | **538,166** | 727,431 | **898,360** | 1,139,334 |
| **Operating Loss** | **(391,576)** | (531,433) | **(724,517)** | (706,403) |

**Revenues** from the oil and natural gas production at Masten decreased to was down 5% for the six months ended December 31, 2023, as compared to the same period in 2022, but up 12% for the three months ended December 31, 2023, from the same period of 2022.

**Cost of Sales** of the oil and natural gas of Masten were 38% and 44% for the three and six months ended December 31, 2023 respectively as compared to the same periods of 2022, mostly due to higher depletion costs and increased prices for services.

**Consulting and management fees** decreased 43% and 27% in the three and six months ended December 31, 2023 respectively, as compared to the same periods of 2022 mostly due to management continued work to reduce costs.

**General and administrative expenses** decreased 6% and 21% in the three and six months ended December 31, 2023 respectively, as compared to the same periods of 2022 mostly due to the cost cutting measures implemented by the Company.

**Professional fees** decreased 4% in Q2 2024 but were up 30% in the six months ended December 31, 2023 as compared to the same periods of 2022 mostly due to the higher legal costs.

**Quarterly Information**

| Quarter | Revenues | Net Loss | Loss Per Share |
|---|---|---|---|
| **31-Dec-23** | **518,394.00** | **(586,886.00)** | **(0.02)** |
| 30-Sep-23 | 348,840.00 | (507,122.00) | (0.02) |
| 30-Jun-23 | (174,492.00) | (1,099,311.00) | (0.04) |
| 31-Mar-23 | 692,832.00 | (92,415.00) | - |
| 31-Dec-22 | 464,716.00 | (1,153,754.00) | (0.03) |
| 30-Sep-22 | 448,358.00 | (222,201.00) | (0.02) |
| 30-Jun-22 | 228,943.00 | (2,160,295.00) | (0.04) |
| 31-Mar-22 | - | (376,893.00) | (0.02) |

The negative revenues and increased net loss reported in Q4 2023 was due to the accounting adjustments made at the year end of fiscal 2023.

**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 December 31, 2023.

**Related Party Transactions**

*Key Management Personnel Compensation*

The Company has determined that the key management personnel of the Company consist 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 operating expenses relating to key management personnel for the period ended December 31, 2023 was $203,860 (2022 – $444,975). The compensation included in the share-based payments relating to key management personnel for the three months ended December 31, 2023, was $29,984 (2022 – $178,827).

**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 the condensed interim consolidated financial statements for the three months ended December 31, 2023.

**Contingencies**

*Civil Claim against the Company*

*Michael Tietz, Duane Loewen 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. Honorable 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 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 expense. During the year ended June 30, 2023, the Company settled with Trivista, and the Deposit was partially refunded for $276,812. This has been recorded as a recovery of the corporate development costs.

*B.C. Securities Commission ("BCSC")*

On December 20, 2022, the Company received a Notice of Hearing issued by the Executive Director under section 161 of the Securities Act. in respect of the allegation of misconduct contrary to section 50(1)(d), 168.1(1)(b) and 168.2 of the Act.

On February 23, 2023, BCSC set the dates for a hearing management meeting on Tuesday, October 17, 2023.
The hearing of this matter is scheduled for December 4, 5, 6, 8, and 11, 2023. On December 5, 2023, the hearing was adjourned until May 27, 2024

*RMB OPERATING, LLC, JALA CAPITOL INVESTMENTS, LLC, REAGAN OIL & GAS, LLC, Jimmy Esqueda, John Martinez, and Guadalupe Castillo ("Defendants")*

On June 29, 2023, G2 Energy TX1, INC ("Plaintiff"), filed in a Judicial District Court of Harris County, Texas ("JDC Harris County"), Verified Petition and Application for a Temporary Restraining Order ("TRO ") against Defendants, Cause No 2023-40352. This lawsuit involves the Defendants' breaches of two contracts: (i) a Joint Operating Agreement and (ii) a Purchase and Sale Agreement. It also seeks a declaratory judgment with respect to Defendants' assertions of non-monetary defaults under a Deed of Trust.

On June 30, 2023, TRO was granted by the presiding Judge. On July 11, Plaintiff's Application for Temporary Injunction was held in JDC Harris County.

On July 14, 2023, Rule 11 Agreement for Cause No 2023-40352 setting forth the agreement of the parties has been signed. In addition, on September 1, 2023, the Second Rule 11 Agreement has been executed by all parties.

*Performance Analytics Group, LLC vs. G2 Energy Corp.,*

On May 5, 2023, Performance Analytics Group, LLC ("Plaintiff") and G2 Energy Corp.("Defendant") signed the Settlement Agreement to settle the terms of cash payment and Stock Certificates delivery. G2 Energy agreed to provide Plaintiff with an agreed judgment.

On August 17, 2023, the Agreed Judgment issued in case No. 23-02-02616 was signed by the Judge of the 284th Judicial District Court of Montgomery County, Texas.

On December 19, 2023, G2 Energy Corp. received a Montgomery County, Texas, Order appointing a post-judgment receiver, in order to satisfy the amount owed to the former COO Jim Tague (USD $70,000). This amount has been paid in full in January 2024, and the Court order to terminate the receiver was signed on January 23, 2024.

**Off Balance Sheet Arrangements**

As of December 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 December 31, 2023, and the date of the report, other than as disclosed elsewhere in this document.

### Outstanding Share Data

As of the date of this report, February 27, 2024, the Company had 43,350,788 common shares issued and outstanding.

### Significant Accounting Policies

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

## FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Corporation's activities expose it to a variety of market risks, including foreign currency risk, interest rate risk, credit risk, and liquidity risk.

Management has overall responsibility for the establishment of risk management strategies and objectives. The Company's risk management policies are established to identify the risks faced, to set appropriate risk limits, and to monitor adherence to risk limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Company's activities.

### 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.

### 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. The impact of a 10% increase/decrease in the US dollar exchange rate on the Company's loss before income tax would be $14,600.

### 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 are subject to movement in interest rates, however, all loans, promissory notes, and debentures bear interest at fixed rates and are not subject to change.

### Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. As of December 31, 2023, the Company had a cash balance of $6,722 (June 30, 2023 - $109,507) to settle current liabilities of $4,603,189 (June 30, 2023 - $4,054,732). The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. Accounts payable and accrued liabilities, loan payable, Cloudbreak debenture, and amounts due 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.

The table below summarizes the Corporation's contractual obligations as at December 31, 2023:

| Payment Due by Year | Recognized in Financial Statements | Total | Less than 1 year | 2-3 years | 4-5 years | More than 5 years |
|---|---|---|---|---|---|---|
| Accounts payable and accrued liabilities | yes | 811,610 | 811,610 | - | - | - |
| Due to related parties | yes | 308,767 | 308,767 | - | - | - |
| Promissory note - Masten | yes | 1,332,616 | 718,405 | 614,211 | - | - |
| Debenture – Cloudbreak | yes | 2,707,717 | 2,707,717 | - | - | - |
| Loan payable - CEBA | yes | 40,000 | 40,000 | - | - | - |
| Minimum lease payments | no | 17,321 | 17,321 | - | - | - |
| | | 5,218,031 | 4,603,820 | 614,211 | - | - |

**Concentration risk related to Sales and Accounts Receivable**

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

**Other 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 a 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 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*

Demands 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 on 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 the 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 favorable 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.