

URIEL GAS HOLDINGS CORP.

CONDENSED INTERIM FINANCIAL STATEMENTS

**FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2022
AND THE PERIOD
FROM INCORPORATION ON SEPTEMBER 28, 2021 TO DECEMBER 31, 2021**

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

The Company's auditors have not reviewed these unaudited condensed interim financial statements for the three and six months ended December 31, 2022 and the period from incorporation on September 28, 2021 to December 31, 2021.

Uriel Gas Holdings Corp.
Statements of Condensed Interim Financial Position
Unaudited
(Stated in Canadian Dollars)

	Note	December 31 2022	June 30 2022
ASSETS			
Current assets			
Cash and cash equivalents		876,779	2,332,521
Accounts receivable		143,345	2,377
Prepaid expenses and deposits		50,357	13,664
Total current assets		1,070,481	2,348,562
Non-current assets			
Exploration and evaluation	4	104,843	-
Property and equipment	5	3,310,909	-
Total non-current assets		3,415,752	-
TOTAL ASSETS		4,486,233	2,348,562
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		355,229	127,460
Total current liabilities		355,229	127,460
Non-current liabilities			
Decommissioning obligation	6	1,504,897	-
Total liabilities		1,860,126	127,460
Shareholders' equity			
Common shares	7	2,953,885	1,521,545
Share-based payments reserve	9	427,900	204,900
Special warrants	8	72,331	696,925
Deficit		(828,009)	(202,268)
Total equity		2,626,107	2,221,102
TOTAL LIABILITIES AND EQUITY		4,486,233	2,348,562
Nature and continuance of operations	1		
Subsequent event	13		

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

Uriel Gas Holdings Corp.
Statements of Condensed Interim Loss and Comprehensive Loss
Unaudited
(Stated in Canadian Dollars)

	Note	Three months ended December 31 2022	Period from incorporation on September 28, 2021 to December 31, 2021	Six months ended December 31 2022
Revenue and other income				
Petroleum and natural gas sales		402,962	-	691,660
Royalties		(95,096)	-	(156,423)
		307,866	-	535,237
Expenses				
Operating		300,274	-	375,174
Transportation		11,460	-	18,802
Workover		52,139	-	129,422
Depletion, depreciation and accretion		49,323	-	67,037
General and administrative		175,182	2,267	360,875
Share-based payments	11	-	-	214,700
		588,378	2,267	1,166,010
Interest income		5,032	-	5,032
Net loss and comprehensive loss		(275,480)	(2,267)	(625,741)
Weighted average number of common shares outstanding				
	9			
Basic		66,633,400	15,068,883	66,619,643
Diluted		66,633,400	15,068,883	66,619,643
Basic and diluted loss per share		\$ 0.00	\$ 0.00	\$ (0.01)

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

Uriel Gas Holdings Corp.
Statements of Condensed Interim Changes in Shareholders' Equity
Unaudited
(Stated in Canadian Dollars)

	Common Shares		Special Warrants		Share-based Payments Reserve	Deficit	Total
	Number	Amount	Number	Amount			
Balance at September 28, 2021							
Common shares issued for cash:							
Private placement	10,000,000	100,000	-	-	-	-	100,000
Share issue costs	-	-	-	-	-	-	-
Special warrants issued:							
Private placement	-	-	15,025,000	300,500	-	-	300,500
Subscriptions receivable	-	(100,000)	-	(300,500)	-	-	(400,500)
Loss for the period	-	-	-	-	-	(2,267)	(2,267)
Balance at December 31, 2021	10,000,000	-	15,025,000	-	-	(2,267)	(2,267)
Balance at June 30, 2022	51,066,500	1,521,545	-	696,925	204,900	(202,268)	2,221,102
Common shares issued:							
Common shares issued for fees	90,400	9,040	-	-	-	-	9,040
Special warrants issued:							
Subscriptions received	-	-	-	391,000	-	-	391,000
Private placement	-	-	17,393,000	454,300	-	-	454,300
Share issue costs	-	-	-	(66,594)	8,300	-	(58,294)
Special warrants issued for fees	-	-	710,000	20,000	-	-	20,000
Share-based payments	-	-	-	-	214,700	-	214,700
Loss for the period	-	-	-	-	-	(350,261)	(350,261)
Special warrants converted to common shares	14,943,000	1,423,300	(14,943,000)	(1,423,300)	-	-	-
Loss for the period	-	-	-	-	-	(275,480)	(275,480)
Balance at December 31, 2022	66,099,900	2,953,885	3,160,000	72,331	427,900	(828,009)	2,626,107

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

Uriel Gas Holdings Corp.
Statement of Condensed Interim Cash Flows
Unaudited
(Stated in Canadian Dollars)

	Three months ended December 31 2022	Period from incorporation on Sep 28, 2021 to December 31 2021	Six months ended December 31 2022
Operating activities			
Net loss	(275,480)	(2,267)	(625,741)
Items not involving cash:			
Depletion, depreciation and accretion	49,323	-	67,037
Share-based payments	-	-	214,700
Decommissioning obligations settled	(25,000)		(25,000)
Changes in non-cash working capital items:			
Amounts receivable	68,202	(234)	(140,968)
Prepaid expenses and deposits	(9,910)	-	(36,693)
Trade and other payables	(15,491)	2,501	315,289
Net cash used in operating activities	(208,356)	-	(231,376)
Investing activities			
Exploration and evaluation expenditures	-	-	(104,843)
Property and equipment expenditures	(4,963)	-	(1,848,049)
Net cash used in investing activities	(4,963)	-	(1,952,892)
Financing activities			
Proceeds from issuance of common shares, net of issue costs	-	-	-
Proceeds from issuance of special warrants, net of issue costs	-	-	816,046
Subscriptions received, net of issue costs	-	-	-
Change in working capital	-	-	(87,520)
Net cash provided by financing activities	-	-	728,526
Change in cash during the period	(213,319)	-	(1,455,742)
Cash, beginning of period	1,090,098	-	2,332,521
Cash, end of period	876,779	-	876,779
Supplemental Cash Flow Information			
Income taxes paid	-	-	-
Interest paid (received)	-	-	-
Non-cash Financing Activities			
Fair value of broker warrants for Special Warrant issue costs	-	-	90,400
Special Warrants issued for Special Warrant issue costs	-	-	51,000
Common shares issued for Special Warrant issue costs	-	-	60,575

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URIEL GAS HOLDINGS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)

As at and for the three and six months ended December 31, 2022
and for period from incorporation on September 28, 2021 to December 31, 2021
(Stated in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Uriel Gas Holdings Corp. (the “Company”) was incorporated as a private company on September 28, 2021 under the Business Corporations Act of British Columbia. The Company became a reporting issuer on December 22, 2022 and began trading its shares on the Canadian Securities Exchange (CSE) on January 11, 2023 under the trading symbol UGH.

The registered and records office is located at Suite 2900 - 733 Seymour Street, Vancouver, BC, V6B 0S6. Head office is located at Suite 2900, 500 – 4th Avenue SW, Calgary, AB, T2P 2V6.

On June 1, 2022, the Company and Pine Cliff Energy Ltd. (the “Vendor”), (collectively the “Parties”) entered into a Purchase and Sales Agreement (the “Agreement”) whereby the Company acquired the petroleum and natural gas rights of the Vendor in the Richdale area of Alberta for the consideration of \$1,947,565 on July 14, 2022, the acquisition date.

As at December 31, 2022, the Company had not yet achieved profitable operations, has accumulated losses of \$828,009 since inception, and expects to incur further losses in the development of its business. These factors indicate a material uncertainty that may cast substantial doubt on the Company’s ability to continue as a going concern. The Company’s continuation as a going concern is primarily dependent upon its ability to raise financing from equity markets or borrowings and upon successful results from its oil and gas interests and exploitation activities. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. As a result, a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Accordingly, these interim financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used, then the adjustments required to report the Company’s assets and liabilities on a liquidation basis could be material to these interim financial statements.

These interim financial statements have been prepared on the assumption that the Company will continue as a going concern and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

2. BASIS OF PRESENTATION

a) Statement of compliance

The Company has prepared its interim financial statements in accordance with IFRS issued by the IASB and interpretations of the IFRS Interpretation Committee (“IFRIC”). These interim financial statements are condensed as they do not include all of the information required by IFRS for annual financial statements and therefore should be read in conjunction with the Company’s audited financial statements for the periods ended June 30, 2022 and September 30, 2022. These unaudited condensed interim financial statements have been prepared following the same accounting policies as the Company’s audited financial statements for the period ended September 30, 2022.

b) Basis of presentation

These unaudited condensed interim financial statements are presented in Canadian dollars and all values are rounded to the nearest dollar except where otherwise indicated. The unaudited condensed interim financial statements have been prepared on an accrual basis, except for the statements of cash flows, and are based on historical costs except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3 of the Company’s audited financial statements for the period ended September 30, 2022.

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The preparation of the unaudited condensed interim financial statements requires management to make estimates and assumptions that affect the application of accounting policies impacting fair value and the reported amount of assets, liabilities, income and expenses. Actual results may differ materially from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Significant judgments, estimates and assumptions made by management in these unaudited condensed interim financial statements are outlined in Note 3 of the Company's audited financial statements for the period ended September 30, 2022.

There have been no changes in the Company's judgments, estimates, accounting policies or determination of fair values applied during the interim period ended December 31, 2022, relative to those described in the audited financial statements for the period ended September 30, 2022.

c) Approval of the financial statements

The unaudited condensed interim financial statements of the Company for the three and six months ended December 31, 2022 and for the period from incorporation on September 28, 2021 to December 31, 2021 were reviewed, approved and authorized for issue by the Board of Directors on February 27, 2023.

3. ASSET ACQUISITION

On July 14, 2022, the Company closed the acquisition of certain petroleum and natural gas property interests in the Richdale area of Alberta for cash consideration of \$1,947,565. The acquisition was accounted for as an asset acquisition using the acquisition method of accounting. The recognized amount of the assets acquired and liabilities assumed was as follows:

<u>Net assets acquired</u>	<u>Total</u>
Property and equipment	3,378,858
Exploration and evaluation assets	104,843
Decommissioning obligations	(1,536,136)
	<u>1,947,565</u>

The value attributed to P&E was determined in reference to proved plus probable reserves discounted at between 8 percent and 15 percent. The value attributed to E&E assets was determined in reference to recent transactions in the same area.

The total undiscounted inflation-adjusted amount of the estimated cash flows required to settle the decommissioning obligations associated with the acquisition is \$2,449,623 which are estimated to be incurred over the next 15 years. A risk-free rate of 3.27 percent and an inflation rate of 2.00 percent were used to calculate the net present value of the decommissioning obligations.

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4. EXPLORATION AND EVALUATION ASSETS

Cost	Total
Balance, June 30, 2022	-
Acquisition (Note 3)	104,843
Additions	-
Balance, December 31, 2022	104,843

5. PROPERTY AND EQUIPMENT

Cost	Total
Balance, June 30, 2022	-
Acquisition (Note 3)	3,378,858
Additions	5,327
Change in decommissioning obligation	(30,449)
Balance, December 31, 2022	3,353,736

Accumulated depletion and depreciation	
Balance, June 30, 2022	-
Depletion and depreciation	42,827
Balance, December 31, 2022	42,827

Carrying amount	
As at June 30, 2022	-
As at December 31, 2022	3,310,909

6. DECOMMISSIONING OBLIGATION

	Total
Balance, June 30, 2022	-
Obligations acquired (Note 3)	1,536,136
Revision to cost estimates	(30,449)
Liabilities settled	(25,000)
Accretion expense	24,210
Balance, December 31, 2022	1,504,897

Decommissioning obligations were estimated based on the Company's net ownership interest in all wells and production equipment, the estimated costs to abandon and reclaim the wells and production equipment and the estimated timing of the costs to be incurred in future periods. The total undiscounted inflation-adjusted amount of the estimated cash flows required to settle all of the Company's decommissioning obligations is \$2,449,623 which are estimated to be incurred over the next 15 years. A risk-free rate of 3.16 percent and an inflation rate of 2.00 percent were used to calculate the net present value of the decommissioning obligations at December 31, 2022.

7. SHARE CAPITAL

Authorized capital stock: unlimited number of common shares without par value.

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For the six months ended December 31, 2022, the Company issued the following common shares:

- 90,400 common shares valued at \$0.10 per share as consideration for the issuance of special warrants.
- An aggregate of 14,943,000 common shares on the conversion of 14,943,000 Special Warrants.

8. SPECIAL WARRANTS

For the six months ended December 31, 2022, the Company issued the following Special Warrants:

- 12,850,000 Special Warrants at \$0.10 per Special Warrant for gross proceeds of \$1,285,000. In conjunction with the issuance of these Special Warrants, the Company incurred commissions totaling \$102,000, issued 510,000 Special Warrants and issued 510,000 Broker Warrants. The fair value of the 510,000 Broker Warrants was estimated using the Black-Scholes option pricing model assuming a weighted average risk-free interest rate of 1.55%, a dividend yield of nil, a weighted average expected annual volatility of the Company's share price of 150% and an expected life of 2 years. The fair value of the Broker Warrants was \$0.092 per warrant.
- 3,160,000 Special Warrants at \$0.10 per Special Warrant for gross proceeds of \$316,000. In conjunction with the issuance of these Special Warrants, the Company incurred commissions totaling \$18,080, issued 90,400 Broker Warrants and 90,400 common shares. The fair value of the 90,400 Broker Warrants was estimated using the Black-Scholes option pricing model assuming a weighted average risk-free interest rate of 1.55%, a dividend yield of nil, a weighted average expected annual volatility of the Company's share price of 150% and an expected life of 2 years. The fair value of the Broker Warrants was \$0.092 per warrant.
- 1,383,000 Special Warrants at \$0.10 per Special Warrant for gross proceeds of \$138,300. In conjunction with the issuance of these Special Warrants, the Company issued 200,000 Compensation Special Warrants. Each Compensation Special Warrant was converted into 1 common share at no additional cost.

The expected volatility assumption is based on the estimated volatility of early-stage oil and gas exploration companies. The risk-free interest rate is based on yield curves on the Canadian government zero-coupon bonds or Canadian government treasury bills with a remaining term equal to the options' expected life.

During the six months ended December 31, 2022, 14,943,000 Special Warrants had been converted to common shares of the Company. The remaining 3,160,000 Special Warrants remain were converted to common shares of the Company on January 27, 2023.

9. SHARE-BASED PAYMENT RESERVE

a) Stock options

On March 10, 2022, the Company adopted an option plan in accordance with the rules and policies of the Canadian Securities Exchange (the "CSE"). The terms of any award are determined by the Board, provided that no options may be granted with an exercise price lower than the greater of the closing market price of the Common Shares on (a) the trading day prior to the date of the grant of the stock options, and (b) the date of grant of the stock options, and the term may not exceed 10 years. The aggregate number of securities available for issuance under the plan may not exceed 10% of the number of common shares of the Company issued and outstanding from time to time.

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On August 2, 2022, the Company granted 3,000,000 stock options to acquire 3,000,000 common shares to directors and consultants, at an exercise price of \$0.10. The stock options expire on August 2, 2024 and vested immediately upon grant. The Company recognized \$214,700 for share-based payments during the six months ended December 31, 2022.

The fair value of the 3,000,000 (June 30, 2022 - 3,200,000) stock options to acquire 3,000,000 common shares was estimated using the Black-Scholes option pricing model assuming a weighted average risk-free interest rate of 1.55% (June 30, 2022 - 1.55%), a dividend yield of nil, a weighted average expected annual volatility of the Company's share price of 150% (June 30, 2022 - 150%) and an expected life of 2 years (June 30, 2022 - 2 years). The fair value of the stock options was \$0.071 (June 30, 2022 - \$0.92) per option. The expected volatility assumption is based on the estimated volatility of early-stage gas exploration companies. The risk-free interest rate is based on yield curves on the Canadian government zero-coupon bonds or Canadian government treasury bills with a remaining term equal to the options' expected life.

	Six months ended December 31, 2022		Incorporation on September 28, 2021 to December 31, 2021	
	Number of options	Weighted- average exercise price	Number of options	Weighted- average exercise price
Balance, beginning of period	3,200,000	\$0.05	-	-
Granted	3,000,000	\$0.10	3,200,000	\$0.05
Balance, end of period	6,200,000	\$0.07	3,200,000	\$0.05

Stock options exercisable and outstanding as at December 31, 2022 and June 30, 2022 are as follows:

Expiry Date	Six months ended December 31, 2022		Incorporation on September 28, 2021 to December 31, 2021	
	Number of options	Exercise Price	Number of options	Exercise Price
March 10, 2024	3,200,000	\$0.05	3,200,000	\$0.05
August 2, 2024	3,000,000	\$0.10	-	-
	6,200,000	\$0.07	3,200,000	\$0.05

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a) Warrants

The change in warrants are as follows:

	Six months ended December 31, 2022		Incorporation on September 28, 2021 to December 31, 2021	
	Number of warrants	Weighted- average exercise price	Number of warrants	Weighted- average exercise price
Balance, beginning of period	1,211,500	\$0.05	-	-
Issued	600,400	\$0.10	1,211,500	\$0.05
Balance, end of period	1,811,900	\$0.07	1,211,500	\$0.05

Warrants exercisable and outstanding as at December 31, 2022 and June 30, 2022 are as follows:

Expiry Date	Six months ended December 31, 2022		Incorporation on September 28, 2021 to December 31, 2021	
	Number of warrants	Exercise Price	Number of warrants	Exercise Price
February 4, 2024	1,211,500	\$0.05	1,211,500	\$0.05
July 5, 2024	510,000	\$0.10	-	-
September 26, 2024	90,400	\$0.10	-	-
	1,811,900	\$0.07	1,211,500	\$0.05

10. FINANCIAL INSTRUMENTS AND RISK FACTORS

The Company may hold various forms of financial instruments from time to time. The nature of these instruments and the Company's operations expose the Company to, credit, liquidity and market risks. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk. Amounts receivable consists of input tax credits receivable from the Government of Canada and are not subject to significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2022, the Company had a cash balance of \$876,779 (June 30, 2022 - \$2,332,521) to settle current liabilities of \$355,229 (June 30, 2022 - \$127,460). The Company expects to fund future liabilities with cash flow and through the issuance of capital stock. See Note 1 for discussion of going concern risk.

Commodity risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in commodity prices. Lower commodity prices can also impact the Company's ability to raise capital. Commodity prices for crude oil are impacted by world economic events that dictate the

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levels of supply and demand. From time to time the Company may attempt to mitigate commodity price risk through the use of financial derivatives. Currently, the Company does not have any commodity price contract in place.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and commodity and equity prices.

Interest rate risk

The Company has cash balances which are not at a significant risk to fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions.

As at December 31, 2022, the Company had \$700,00 invested in investment-grade short-term deposit certificates (June 30, 2022 – Nil).

11. CAPITAL MANAGEMENT

The Company considers its capital structure to include working capital and shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, and development of its business interests. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is largely dependent upon external financings to fund activities. In order to fund new business opportunities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new business opportunities and seek to acquire new business assets if it determines there are sufficient business opportunities or economic potential and if it has adequate financial resources to do so (see Note 1).

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not subject to externally imposed capital requirements.

12. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

For the six months ended December 31, 2022, the Company paid two officers \$60,000 (December 31, 2021 – nil) for services of a Chief Executive Officer and a Chief Financial Officer.

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	Six months ended December 31, 2022	Incorporation on September 28, 2021 to December 31, 2021
Short-term benefits	\$ 60,000	\$ -
Long-term benefits	\$ 89,458	\$ -
	\$ 149,458	\$ -

On August 2, 2022, the Company granted three directors of the Company 750,000 (June 30, 2022 – 1,000,000) stock options to purchase 750,000 common shares with an exercise price of \$0.10 (June 30, 2022 - \$0.05) per option. The options vested immediately and expire August 2, 2024 (June 30, 2022 – March 10, 2024).

13. SUBSEQUENT EVENT

On July 14, 2022, Uriel closed the acquisition of certain petroleum and natural gas property interests in the Greater Grande Prairie area of Alberta for cash consideration of \$125,000.