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URIEL GAS HOLDINGS CORP.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023
AND THE PERIOD
FROM THE DATE OF INCORPORATION ON SEPTEMBER 28, 2021 TO JUNE 30, 2022

(Expressed in Canadian Dollars)

Tel: 403 266 5608
Fax: 403 233 7833
www.bdo.ca

BDO Canada LLP
903 – 8th Avenue SW, Suite 620
Calgary AB T2P 0P7
Canada

Independent Auditor's Report

To the Shareholders of Uriel Gas Holdings Corp.

Opinion

We have audited the financial statements of Uriel Gas Holdings Corp. (the "Corporation"), which comprise the statements of financial position as at June 30, 2023 and 2022, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year ended June 30, 2023, and the period from the date of incorporation on September 28, 2021 to June 30, 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at June 30, 2023 and 2022, and its financial performance and its cash flows for the year ended June 30, 2023, and for the period from the date of incorporation on September 28, 2021, to June 30, 2022 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company has accumulated losses of $1,222,217 for the year ended June 30, 2023. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Valuation of Property and Equipment ("P&E")

Description of the key audit matter

We draw attention to notes 3d), 3e), 4, 5, and 7 to the financial statements. The Company has $4,156,876 of P&E as at June 30, 2023. The Company uses estimated proved and probable oil and gas reserves to deplete its Development and Production ("D&P") assets included in P&E, taking into consideration future development costs. D&P assets are placed into cash-generating units ("CGUs") that generate cash inflows from continuing use that are largely independent of cash inflows from other groups of assets. The recoverable amount of a CGU is the greater of its Value in Use ("VIU") and its Fair Value less Cost of Disposal ("FVLCD"). The FVLCD of D&P assets is generally determined as the net present value of the estimated future cash flows expected to arise from continued use of the CGU. VIU is determined by applying assumptions specific to the Company's continued use and can only take into account approved future development costs.

Estimates of future cash flows used in the evaluation of impairment of assets are made using management's forecast of commodity prices and expected production volumes. Production volumes take into account assessments of the field reservoir performance and include expectations about proved and probable reserve volumes, which are risk-weighted utilizing geological, production, recovery, and economic projections. An impairment loss is recognized if the carrying amount of the CGU exceeds its estimated recoverable amount.

Why the matter is a key audit matter

Significant auditor judgment was required to perform and evaluate the results of our audit procedures regarding the significant assumptions and inputs into the recoverable amount of the D&P assets included within the P&E.

How the matter was addressed in the audit

Our approach to addressing the matter included the following procedures, among others:

- We evaluated the competence, capabilities and objectivity of the independent third-party reserves engineer engaged by the Company
- We compared forecasted oil and gas commodity prices to those published by other independent third-party reserves engineers
- We compared the fiscal 2023 actual production, operating costs, royalty costs and development costs of the Company to those estimates used in the prior year's estimate of proved oil and gas reserves and the related future cash flows to assess the Company's ability to accurately forecast
- We evaluated the appropriateness of forecasted production and forecasted operating costs, royalty costs and future development costs assumptions.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis for the year ended June 30, 2023.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Justin Friesen.

BDO Canada LLP

Chartered Professional Accountants

Calgary, Alberta
October 18, 2023

Uriel Gas Holdings Corp.
Statements of Financial Position

(Stated in Canadian Dollars)

	Note	June 30 2023	June 30 2022
ASSETS			
Current assets			
Cash and cash equivalents		29,184	2,332,521
Accounts receivable		156,140	2,377
Prepaid expenses and deposits		71,607	13,664
Total current assets		256,931	2,348,562
Non-current assets			
Exploration and evaluation	**6**	253,342	-
Property and equipment	**5, 7**	4,156,876	-
Total non-current assets		4,410,218	-
TOTAL ASSETS		4,667,149	2,348,562
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		384,172	127,460
Non-current liabilities			
Decommissioning obligation	**8**	1,982,328	-
Total liabilities		2,366,500	127,460
Shareholders' equity			
Common shares	**9**	3,122,886	1,521,545
Share-based payments reserve	**11**	399,980	204,900
Special warrants	**10**	-	696,925
Deficit		(1,222,217)	(202,268)
Total equity		2,300,649	2,221,102
TOTAL LIABILITIES AND EQUITY		4,667,149	2,348,562
Nature and continuance of operations	**1**		

Approved on behalf of the Board of Directors

"Greg Kaiser"
Greg Kaiser, Director

"Roger Tang"
Roger Tang, Director

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

Uriel Gas Holdings Corp.

Statements of Loss and Comprehensive Loss

(Stated in Canadian Dollars)

	Note		Year ended June 30 2023		Period from incorporation on Sep 28, 2021 to June 30 2022
Revenue and other income					
Petroleum and natural gas sales			1,395,916		-
Royalties			(308,880)		-
			1,087,036		-
Expenses					
Operating			736,374		-
Transportation			40,931		-
Workover			228,251		-
Depletion, depreciation and accretion			182,252		-
General and administrative			679,015		87,768
Share-based payments	**11**		253,300		114,500
			2,120,123		202,268
Interest income			13,138		-
Net loss and comprehensive loss			(1,019,949)		(202,268)
Weighted average number of common shares outstanding	**9**				
Basic and Diluted			68,286,808		14,678,034
Basic and diluted loss per share		$	(0.01)	$	(0.01)

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

Uriel Gas Holdings Corp.
Statements of Changes in Shareholders' Equity

(Stated in Canadian Dollars)

	Common Shares		Special Warrants		Share-based Payments		
	Number	Amount	Number	Amount	Reserve	Deficit	Total
Balance at September 28, 2021	-	-	-	-	-	-	-
Common shares issued for cash:							
Private placement	10,000,000	100,000	-	-	-	-	100,000
Common shares issued for fees	1,211,500	60,575	-	-	-	-	60,575
Special warrants issued:							
Private placement	-	-	15,025,000		-	-	-
Subscriptions received for special warrants			24,830,000	1,241,500			1,241,500
Share issue costs	-	(3,835)	-	(225,170)	43,300	-	(185,705)
Special warrants converted to common shares	39,855,000	1,364,805	(39,855,000)	(1,364,805)	-	-	-
Subscriptions received for Special Warrants	-	-	-	1,285,000	-	-	1,285,000
Share issue costs	-	-	-	(200,100)	47,100	-	(153,000)
Special warrants to be issued for fees	-	-	-	51,000	-	-	51,000
Subscriptions receivable	-	-	-	(391,000)	-	-	(391,000)
Subscriptions receivable				300,500			300,500
Special warrants issued:							
Share-based payments	-	-	-	-	114,500	-	114,500
Loss for the period	-	-	-	-	-	(202,268)	(202,268)
Balance at June 30, 2022	**51,066,500**	**1,521,545**	**-**	**696,925**	**204,900**	**(202,268)**	**2,221,102**
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 converted to common shares	18,103,000	1,495,631	(18,103,000)	(1,495,631)	-	-	-
Special warrants issued for fees			710,000	20,000	-	-	20,000
Common shares issued:							
Common shares issued for fees	90,400	9,040	-	-	-	-	9,040
Common shares issued for cash:							
Options exercised	500,000	80,000	-	-	(55,000)	-	25,000
Warrants exercised	103,000	16,670	-	-	(11,520)	-	5,150
Share-based payments	-	-	-	-	253,300	-	253,300
Loss for the period	-	-	-	-	-	(1,019,949)	(1,019,949)
Balance at June 30, 2023	**69,862,900**	**3,122,886**	**-**	**-**	**399,980**	**(1,222,217)**	**2,300,649**

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

Uriel Gas Holdings Corp.
Statements of Cash Flows

(Stated in Canadian Dollars)

	Year ended June 30 2023	Period from incorporation on Sep 28, 2021 to June 30 2022
Operating activities		
Net loss	(1,019,949)	(202,268)
Items not involving cash:		
Depletion, depreciation and accretion	182,252	-
Share-based payments	253,300	114,500
Decommissioning obligations settled	(24,121)	-
Changes in non-cash working capital items:		
Amounts receivable	(153,763)	(2,377)
Prepaid expenses and deposits	(57,943)	(13,664)
Trade and other payables	358,711	25,459
Net cash used in operating activities	(461,513)	(78,350)
Investing activities		
Exploration and evaluation acquisitions & expenditures	(253,342)	-
Property and equipment acquisitions & expenditures	(2,332,678)	-
Net cash used in investing activities	(2,586,020)	-
Financing activities		
Proceeds from issuance of common shares, net of issue costs	30,150	96,166
Proceeds from issuance of special warrants, net of issue costs	816,046	1,420,705
Subscriptions received, net of issue costs	-	792,000
Change in working capital	(102,000)	102,000
Net cash provided by financing activities	744,196	2,410,871
Change in cash during the period	(2,303,337)	2,332,521
Cash, beginning of period	2,332,521	-
Cash, end of period	29,184	2,332,521
Supplemental Cash Flow Information		
Income taxes paid	-	-
Interest paid (received)	(13,138)	-
Non-cash Financing Activities		
Fair value of broker warrants for special warrant issue costs	8,300	90,400
Special warrants issued for special warrant issue costs	20,000	51,000
Common shares issued for special warrant issue costs	9,040	60,575

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Uriel Gas Holdings Corp. (the "Company") was incorporated 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 (the "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.

As at June 30, 2023, the Company had not yet achieved profitable operations, has accumulated losses of $1,222,217 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 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 financial statements.

These 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 financial statements in accordance with IFRS issued by the IASB and interpretations of the IFRS Interpretation Committee ("IFRIC").

b) Basis of presentation
These financial statements are presented in Canadian dollars and all values are rounded to the nearest dollar except where otherwise indicated. The 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.

The preparation of the 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 financial statements are outlined in Note 4

There have been no changes in the Company's judgments, estimates, accounting policies or determination of fair values applied during year ended June 30, 2023 relative to those described in Note 4.

2. BASIS OF PRESENTATION (continued)

c) Approval of the financial statements
These financial statements of the Company were reviewed, approved and authorized for issue by the Board of Directors on October 17, 2023.

d) New Accounting Policies
Beginning on July 1, 2022, the Company adopted the IASB issued Property, Plant and Equipment Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment. The amendments prohibit a company from deducting the cost of the PP&E amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

Beginning on July 1, 2022, the Company adopted the IASB issued Onerous Contracts Cost of Fulfilling a Contract, which made amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

Future Accounting Pronouncements
The IASB has issued a number of amendments to accounting standards, and interpretations that are effective for annual period beginning on or after July 1, 2023. The Company plans to adopt the following pronouncements, however each is not expected to have a material impact. The Company will continue to evaluate the impact of the pronouncements which will be adopted on their respective effective dates.

Amendments to IAS 1 Presentation of Financial Statements

In February 2021, the IASB has issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. An entity will be required to disclose its material accounting policy information instead of its significant accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted.

In January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify its requirement for the presentation of liabilities as current or non-current in the statement of financial position. This will be effective January 1, 2024.

In October 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1). The amendments improved the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments are effective January 1, 2024, with early adoption permitted.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash

Cash includes cash on hand, deposits held with financial institutions and funds held in trust on behalf of the Company.

b) Financial instruments

i) Recognition

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectation of recovering the contractual cash flows of a financial asset.

ii) Classification and measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

a) those to be measured subsequently at fair value, either through profit or loss (“FVTPL”) or through other comprehensive income (“FVTOCI”); and
b) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Financial instruments (continued)

After initial recognition at fair value, financial liabilities are classified and measured at amortized cost or FVTPL if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives).

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost or FVTOCI are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at FVTPL are expensed in profit or loss.

The Company's financial assets consists of cash, cash equivalents and accounts receivable which are classified and subsequently measured at amortized cost. The Company's financial liabilities consist of trade and other payables which are classified and measured at amortized cost using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets. Interest expense is reported in profit or loss.

iii) Impairment
The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportable forward-looking information.

c) Exploration and evaluation assets ("E&E")

Pre-license costs incurred before the Company has obtained the legal rights to explore for petroleum and natural gas are expensed.

E&E assets are initially measured at cost and include, but are not limited to, the acquisition of mineral rights, geological and geophysical activities, technical studies and exploratory drilling. These expenditures are classified as E&E assets until the technical feasibility and commercial viability of extracting petroleum and natural gas from the assets has been determined. The technical feasibility and commercial viability of extracting petroleum and natural gas is considered to be determinable when proved or probable reserves have been assigned. If reserves have been assigned to the E&E asset, the respective costs are transferred to petroleum and natural gas development and production ("D&P") assets, subject to an impairment test. Upon determination of the technical feasibility and commercial viability of reserves, the associated E&E assets are assessed for impairment and the estimated recoverable amount is transferred to D&P assets. E&E assets where no further activity is planned or expected to occur prior to expiry are expensed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Property and equipment ("P&E")

Items of P&E, which include D&P assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. The cost of D&P assets includes: (i) transfers from E&E assets as described above, ii) geological and geophysical expenditures, iii) the cost to drill, complete and tie-in wells, iv) installation of facilities and other production equipment, v) acquisitions and dispositions of P&E, and (vi) the cost of recognizing provisions for decommissioning obligations. Any costs incurred subsequent to the determination of technical feasibility and economic viability and the costs of replacing parts of P&E are recognized as petroleum and natural gas D&P assets only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures and the day to day servicing of P&E are recognized in earnings as they are incurred.

When significant parts of an item of P&E have different useful lives, they are accounted for as separate items (major components), The Company capitalizes major component costs and depreciates these costs over their estimated useful lives.

Except for major components, the net carrying amount of D&P assets is depleted using the unit of production method based on production volumes for the period in relation to total proved plus probable reserves. The Company includes estimated future costs to develop and abandon proved and probable reserves and excludes estimated salvage values and the cost of undeveloped properties that are part of D&P assets, changes in reserve estimates are included in the depletion calculation on a prospective basis.

Gains and losses on the disposition of P&E, including petroleum and natural gas interests, are determined by comparing the proceeds from disposition with the carrying amount of the P&E and any difference is recognized in earnings.

The Company's corporate assets include computer hardware. These assets are depreciated either on a straight line or declining balance basis over their estimated useful lives.

e) Impairment

Financial assets
A financial asset is assessed as at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Impairment of financial assets is determined by calculating the expected credit loss ("ECL"). The Company measures an ECL allowance for trade and other receivables. The Company determines the ECL which is the probability of default events related to the financial asset by using historical realized bad debts and forward looking information. The carrying amounts of financial assets are reduced by the amount of the ECL through an allowance account and losses are recognized within general and administrative expense in the statement of income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment (continued)

Non-financial assets
At the end of each reporting period, D&P assets are placed into groups of assets that generate cash inflows from continuing use that are largely independent of cash inflows from other groups of assets for impairment testing. These groups are referred to as cash generating units (CGUs). The recoverable amount of a CGU is the greater of its value in use (VIU) and its fair value less cost of disposal (FVLCD). FVLCD is determined as the amount that would be obtained from the sale of a CGU in an arm's length transaction between knowledgeable willing parties. The FVLCD of D&P assets is generally determined as the net present value of the estimated future cash flows expected to arise from continued use of the CGU, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted by an appropriate discount rate which would be applied by such a market participant to arrive at a net present value of the CGU. Consideration is given to acquisition metrics of recent transactions completed on similar assets to those contained within the relevant CGU.

VIU is determined as the net present value of the estimated future cash flows expected to arise from continued use of the asset in its present form and its eventual disposal, VIU is determined by applying assumptions specific to the Company's continued use and can only take into account approved future development costs. Estimates of future cash flows used in the evaluation of impairment of assets are made using management's forecast of commodity prices and expected production volumes. Production volumes take into account assessments of the field reservoir performance and include expectations about proved and probable reserve volumes, which are risk weighted utilizing geological, production, recovery and economic projections.

An impairment loss is recognized if the carrying amount of the CGU exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Goodwill acquired in a business combination, for the purposes of impairment testing, is allocated to the CGUs that expect to benefit from the synergies of the combination.

An impairment loss in respect of goodwill is not reversed. For other non-financial assets, impairment losses recognized in prior years are assessed as at each reporting date if facts and circumstances indicate that the losses have decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized.

E&E assets are assessed for impairment both at the time of identification of indicators of impairment or impairment reversal as well as upon their eventual reclassification from E&E assets to D&P assets (i.e. P&E). If a test is required as a result of indicators of impairment or reversal, the Company considers whether the combined recoverable amount of P&E and E&E assets at the CGU level is sufficient to cover their combined carrying amount.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Provisions

Decommissioning obligations
The Company's activities give rise to abandonment and site restoration of petroleum and natural gas properties. A provision is made for the estimated cost of abandonment and site restoration and is capitalized in the relevant asset category. The capitalized amount is depleted on a unit of production basis over the life of the associated proved plus probable reserves.

Decommissioning obligations are measured at the present value using management's best estimate of the expenditure required to settle the present obligation as at the reporting date. Subsequent to the initial measurement, the obligation is adjusted as at the end of each reporting period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized in net income as accretion expense, whereas increases and decreases due to changes in the estimated future cash flows or changes in the discount rate are capitalized. Actual costs incurred upon settlement of the decommissioning obligation are charged against the provision to the extent that the obligation was previously established.

g) Petroleum and natural gas revenue

Revenue from the sale of petroleum and natural gas is recognized based on the consideration specified in sales arrangements with customers. The Company recognizes revenue by unit of production and when control of the product transfers to the customer. This is generally at the time the customer obtains legal title to the product and when it is physically transferred to the delivery mechanism agreed with the customer, often pipelines or other transportation methods.

The Company sells substantially all of its production pursuant to variable-price physical delivery contracts. The transaction price for variable price contracts is based on a representative commodity price index and may include adjustments for quality, location, delivery method, and/or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the agreed upon terms of the contract. Market conditions, which impact the Company's ability to negotiate certain components of the transaction price, can also cause the amount of revenue recorded to fluctuate from period to period.

The Company does not have any factors considered to be constraining in the recognition of revenue with variable pricing factors. The Company's contracts with customers generally have a term of one year or less, whereby delivery takes place throughout the contract period. Production revenues are normally collected on the business day nearest the 25th day of the month following production.

The nature of the Company's performance obligations, including roles of third parties and partners, are evaluated to determine if the Company acts as a principal. The Company recognizes revenue on a gross basis when it acts as principal and has primary responsibility for the transaction. Revenue is recognized on a net basis when the Company acts in the capacity of an agent rather than as a principal.

h) Transportation

Transportation expenses include third-party pipeline and trucking costs incurred to transport petroleum and natural gas from processing and treating facilities to the point of sale.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income (loss).

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect both accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

j) Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, warrants, and stock options are classified as equity instruments. Incremental costs directly attributable to the issue of new common shares, warrants or stock options are shown in equity as a deduction, net of tax, from the proceeds.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in the private placements was determined to be the more easily measurable component, as determined by the closing quoted bid price on the issuance date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Loss per common share

Basic loss per share has been calculated using the weighted average number of common shares outstanding during the period.

Diluted loss per share is calculated using the weighted average number of common shares that would have been outstanding during the respective period had all of the stock options and warrants outstanding at year-end having a dilutive effect been converted into shares at the beginning of the year and the proceeds used to repurchase the Company's common shares at the average market price for the year. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

l) Share-based payments

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Share-based payments to non-employees are measured at the fair value of the goods or services received or if such fair value is not reliably measurable, at the fair value of the equity instruments issued.

Where a grant of options is cancelled and settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense. The amounts recorded in reserves for unexercised share options remain in share-based payments reserve upon their expiry or cancellation.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and judgments about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the financial statements are discussed below.

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the agreement. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and share price on the date of grant and making assumptions about them. The assumption and models used for estimating fair value for share based payment transactions are disclosed in Note 11.

The Company's reserves of oil are estimated by management in accordance with Canadian Securities Administrators' National Instrument 51-101. The process of estimating reserves requires significant judgment in evaluating and assessing available geological, geophysical, engineering and economic data, projected rates of production, estimated commodity price forecasts and the timing of future expenditures, all of which are, by their very nature, subject to interpretation and uncertainty. The evaluation of recoverable reserves is an ongoing process impacted by current production, continuing development activities and changing economic conditions. The aggregate of capitalized costs, net of certain costs related to unproved properties, and estimated future development costs are depleted using the unit of production method based on estimated proved reserves. Changes in estimates of reserves may materially impact the carrying value of the Company's oil properties, the recorded amount of depletion, the determination of the Company's obligations pursuant to decommissioning obligations and the assessment of impairment provisions.

Decommissioning, abandonment and site reclamation expenditures relating to wells and production facilities are expected to be incurred by the Company over many years in the future. Amounts recorded for decommissioning obligations and related accretion are based on management's best estimate of the present value of the future decommissioning, abandonment and site reclamation costs and granted government incentives, and consider the current economic environment, the expected extent and timing of decommissioning, abandonment and site reclamation activities, related government regulations including lease liability ratings, inflation and obligation specific discount rates. Actual decommissioning, abandonment and site reclamation costs will ultimately depend on future events and may be higher or lower than the amounts currently recorded.

(Stated in Canadian Dollars)

5. ASSET ACQUISITIONS

On May 1, 2023, the Company closed the acquisition of certain petroleum and natural gas property interests in the Greater Grande Prairie area of Alberta for total cash consideration of $200,630. 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:

Net assets acquired	Total
Property and equipment	313,307
Exploration and evaluation assets	-
Decommissioning obligations	(112,677)
	200,630

The total undiscounted inflation-adjusted amount of the estimated cash flows required to settle the decommissioning obligations associated with the acquisition is $117,188 which are estimated to be incurred over the next 15 years. A risk-free rate of 3.06 percent and an inflation rate of 2.00 percent were used to calculate the net present value of the decommissioning obligations.

On March 17, 2023, the Company closed the acquisition of certain petroleum and natural gas property interests in the Greater Grande Prairie area of Alberta for total cash consideration of $157,500. 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:

Net assets acquired	Total
Property and equipment	320,177
Exploration and evaluation assets	-
Decommissioning obligations	(162,677)
	157,500

The total undiscounted inflation-adjusted amount of the estimated cash flows required to settle the decommissioning obligations associated with the acquisition is $249,779 which are estimated to be incurred over the next 15 years. A risk-free rate of 2.90 percent and an inflation rate of 2.00 percent were used to calculate the net present value of the decommissioning obligations.

On February 7, 2023, the Company closed the acquisition of certain petroleum and natural gas property interests in the Greater Grande Prairie area of Alberta for total cash consideration of $126,500. 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:

Net assets acquired	Total
Property and equipment	169,389
Exploration and evaluation assets	-
Decommissioning obligations	(42,889)
	126,500

(Stated in Canadian Dollars)

5. ASSET ACQUISITIONS (continued)

The total undiscounted inflation-adjusted amount of the estimated cash flows required to settle the decommissioning obligations associated with the acquisition is $68,195 which are estimated to be incurred over the next 15 years. A risk-free rate of 3.14 percent and an inflation rate of 2.00 percent were used to calculate the net present value of the decommissioning obligations.

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:

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

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.

6. EXPLORATION AND EVALUATION ASSETS

Cost	Total
Balance, June 30, 2022	-
Acquisition (Note 5)	104,843
Additions	148,499
Balance, June 30, 2023	253,342

(Stated in Canadian Dollars)

7. PROPERTY AND EQUIPMENT

Cost	Total
Balance, June 30, 2022	-
Acquisitions (Note 5)	4,181,731
Additions	5,326
Change in decommissioning obligation	93,795
Balance, June 30, 2023	4,280,852
Accumulated depletion and depreciation	
Balance, June 30, 2022	-
Depletion and depreciation	123,976
Balance, June 30, 2023	123,976
Carrying amount	
As at June 30, 2022	-
As at June 30, 2023	4,156,876

At June 30, 2023, due to external market factors such as commodity price decreases and interest rate increases, there were indicators of impairment. The recoverable amount of the Company's CGU was estimated at fair value less costs to sell, based on the net present value of before-tax cash flows from oil and natural gas reserves, using reserve values estimated by independent reserves evaluators. The impairment test resulted in no impairment loss as at June 30, 2023.

In calculating the net present values of cash flows from oil and natural gas reserves, the Company used a before-tax discount rate of 20.0% and the following future commodity price estimates:

	WTI Oil *(CDN$/Bbl)*	AECO Gas *(CDN$/Mcf)*
2023	83.49	-
2024	86.14	3.45
2025	86.37	4.21
2026	86.66	4.24
2027	88.42	4.31
2028	90.20	4.40
2029	92.01	4.49
2030	93.85	4.58
2031	95.74	4.67
2032	97.67	4.76
Remainder	+2%/yr	+2%/yr

At June 30, 2022, the Company had no P&E.

(Stated in Canadian Dollars)

8. DECOMMISSIONING OBLIGATION

	Total
Balance, June 30, 2022	-
Obligations acquired (Note 5)	1,854,379
Revision to cost estimates	93,795
Liabilities settled	(24,121)
Accretion expense	58,275
Balance, June 30, 2023	1,982,328

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 $3,020,663 which are estimated to be incurred over the next 15 years. A risk-free rate of 3.14 percent and an inflation rate of 2.00 percent were used to calculate the net present value of the decommissioning obligations at June 30, 2023.

9. SHARE CAPITAL

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

For the year ended June 30, 2023, 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 18,103,000 common shares on the conversion of 18,103,000 special warrants.
- 500,000 common shares on the exercise of 500,000 options at an exercise price of $0.05 each.
- 103,000 common shares on the exercise of 103,000 warrants at an exercise price of $0.05 each.

10. SPECIAL WARRANTS

For the period from the date of incorporation on September 28, 2021 to June 30, 2022, the Company issued the following special warrants:

- 15,025,000 special warrants at $0.02 per special warrant for gross proceeds of $300,500.
- 24,830,000 special warrants at $0.05 per special warrant for $1,241,500. In conjunction with the issuance of these special warrants, the Company incurred commissions totaling $121,295, issued 1,211,500 broker warrants and 1,211,500 common shares. The fair value of the 1,211,500 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 $0.036 per warrant.

  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.

10. SPECIAL WARRANTS (continued)

For the year ended June 30, 2023, 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 year ended June 30, 2023, 18,103,000 special warrants were converted to common shares of the Company.

11. 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 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 issued and outstanding from time to time.

(Stated in Canadian Dollars)

11. SHARE-BASED PAYMENT RESERVE (continued)

a) Stock options (continued)

On March 29, 2023, the Company granted 450,000 stock options to acquire 450,000 common shares to an officer and two consultants, at an exercise price of $0.12. The stock options expire March 29, 2025 and vested immediately upon grant. The Company recognized $38,600 for share-based payments during the nine months ended June 30, 2023. The fair value of the 450,000 stock options to acquire 450,000 common shares 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 stock options was $0.086 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.

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 nine months ended June 30, 2023. The fair value of the 3,000,000 stock options to acquire 3,000,000 common shares (June 30, 2022 - 3,200,000) 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.

The change in stock options is as follows:

	June 30, 2023		June 30, 2022	
	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
Granted	450,000	$0.12	-	-
Exercised	(500,000)	$0.05	-	-
Balance, end of period	6,150,000	$0.08	3,200,000	$0.05

The Company's options and warrants were not included in the calculation of diluted loss per share for the year ended June 30, 2023 as their effect was anti-dilutive.

(Stated in Canadian Dollars)

11. SHARE-BASED PAYMENT RESERVE (continued)

b) Stock options (continued)

Stock options exercisable and outstanding as at June 30, 2023 and June 30, 2022 are as follows:

	June 30, 2023		June 30, 2022	
Expiry Date	Number of options	Exercise price	Number of options	Exercise price
March 10, 2024	2,700,000	$0.05	3,200,000	$0.05
August 2, 2024	3,000,000	$0.10	-	-
March 29, 2025	450,000	$0.12		
	6,150,000	$0.08	3,200,000	$0.05

c) Warrants

The change in warrants are as follows:

	June 30, 2023		June 30, 2022	
	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
Exercised	(103,000)	$0.05		
Balance, end of period	1,708,900	$0.07	1,211,500	$0.05

Warrants exercisable and outstanding as at June 30, 2023 and June 30, 2022 are as follows:

	June 30, 2023		June 30, 2022	
Expiry Date	Number of warrants	Exercise price	Number of warrants	Exercise price
February 4, 2024	1,108,500	$0.05	1,211,500	$0.05
July 5, 2024	510,000	$0.10	-	-
September 26, 2024	90,400	$0.10	-	-
	1,708,900	$0.07	1,211,500	$0.05

12. FINANCIAL INSTRUMENTS AND RISK FACTORS

The Company determines the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

The Company's cash is measured at fair value, under the fair value hierarchy based on level 1 quoted prices in active markets for identical assets or liabilities.

The three levels of the fair value hierarchy are:

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

The fair value of the Company's trade and other payables approximate their carrying value, which is the amount recorded on the statement of financial position, due to their short-term nature.

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 June 30, 2023, the Company had a cash balance of $29,184 (June 30, 2022 - $2,332,521) to settle current liabilities of $384,172 (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 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.

(Stated in Canadian Dollars)

13. CAPITAL MANAGEMENT

The Company considers its capital structure at June 30, 2023 to include working capital deficiency of \$127,241 (June 30, 2022 working capital - \$2,221,102) and shareholders' equity of \$2,300,649 (June 30, 2022 - \$2,221,102). 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 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.

14. 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 year ended June 30, 2023, the Company paid four officers \$137,100 (June 30, 2022 – nil) for services of a Chief Executive Officer, Chief Financial Officer, VP Operations and Corporate Secretary.

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).

	Year ended June 30 2023	Period from Incorporation on Sep 28, 2021 to June 30 2022
Short-term benefits	137,100	17,500
Long-term benefits	89,458	35,781
	226,558	53,281

(Stated in Canadian Dollars)

15. INCOME TAX

The provision for income taxes varies from the amount that would be computed by applying the expected tax rate to income (loss) before taxes. The principal reasons for differences between expected income tax expense and the amount recorded are as follows:

	Year ended June 30 2023	Period from incorporation on September 28, 2021 to June 30 2022
Loss before income taxes	$(1,019,949)	$ (202,268)
Statutory income tax rate	27.0%	23.0%
Tax expense (recovery)	(275,386)	(46,522)
Increase (decrease) in income taxes attributable to:		
Non-deductible expenses	68,391	26,421
Share issurance cost	(7,899)	(4,276)
Change in unrecognized deferred tax assets	214,894	24,377
Income tax provision (recovery)	$ -	$ -

Deferred tax assets have not been recognized as a result of the following temporary differences:

	Year ended June 30 2023	Period from incorporation on September 28, 2021 to June 30 2022
Property and equipment	$ (526,007)	$ -
Other	5,650	$ -
Share issuance costs	75,834	48,400
ARO	535,229	-
Non-capital loss carry forwards	263,643	24,377
Total temporary differences	$ 354,349	$ 72,777

As at June 30, 2023, the Company had estimated non-capital losses for Canadian income tax purposes of $976,000 (June 30, 2022 – $152,288) that may be carried forward to reduce taxable income derived in future years. The non-capital losses expire in 2042 and 2043.