



JERICO ENERGY VENTURES INC.

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

December 31, 2021 and 2020

INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors of
Jericho Energy Ventures Inc. (formerly Jericho Oil Corporation)

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Jericho Energy Ventures Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended December 31, 2021 and 2020, and the related notes, including a summary of significant accounting policies and other explanatory information (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated 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.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

The engagement partner on the audit resulting in this independent auditors' report is Herbert Wong.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, British Columbia

April 28, 2022

Jericho Energy Ventures Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note	December 31, 2021	December 31, 2020
Assets			
Current assets			
Cash		\$ 6,188,638	\$ 3,543,176
Accounts receivable		30,938	3,025
Prepaid expenses and deposits		52,602	12,495
		6,272,178	3,558,696
Non-current assets			
Petroleum properties	5	222,222	192,452
Equity investments	6	16,193,081	15,898,613
Intangible assets	7	3,638,572	—
Investments and other non-current assets	7	1,970,172	6,375
		22,024,047	16,097,440
Total assets		\$ 28,296,225	\$ 19,656,136
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 1,096,758	\$ 403,568
Non-current liabilities			
Decommissioning liabilities	8	9,817	76,538
Loans and subscriptions received for convertible debentures	10	4,991,938	64,276
Total liabilities		\$ 6,098,513	\$ 544,382
Equity			
Share capital	11	64,441,142	55,283,682
Treasury shares	11	(74,808)	(74,808)
Contributed surplus		3,977,795	3,612,825
Accumulated other comprehensive income		1,170,639	1,308,774
Deficit		(47,317,056)	(41,018,719)
		22,197,712	19,111,754
Total liabilities and equity		\$ 28,296,225	\$ 19,656,136

See Subsequent events - Note 18 for further information.

Approved on behalf of the Board on April 28, 2022

"Brian Williamson"

"Ben Holman"

(The accompanying notes are an integral part of the consolidated financial statements)

Jericho Energy Ventures Inc.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	Note	Year Ended	
		December 31, 2021	December 31, 2020
Net product revenue	15	\$ 60,127	\$ 55,550
Operating expenses			
Production costs		39,562	87,694
Depletion, depreciation and amortization		509,553	23,737
Accretion of decommissioning liabilities	8	276	4,397
General and administrative expenses	9	5,995,004	2,715,935
Foreign exchange loss		102,170	219,261
Total operating expenses		6,646,565	3,051,024
Share of income (loss) from equity investments	6	560,130	(16,742,413)
Operating loss		(6,026,308)	(19,737,887)
Other income (loss)			
Other income		24,386	12,393
Impairment of petroleum properties		—	(402,506)
Gain on disposal of petroleum properties		95,574	—
Write-off of prepayment on investment	7	(391,989)	—
		(272,029)	(390,113)
Loss for the year		(6,298,337)	(20,128,000)
Other comprehensive loss			
Items that may be reclassified subsequently to income/loss			
Foreign currency exchange gain (loss) on translation of foreign subsidiaries		(138,135)	57,988
Comprehensive loss		\$ (6,436,472)	\$ (20,070,012)
Loss per common share			
Basic		\$ (0.03)	\$ (0.13)
Weighted average number of common shares			
Basic and diluted		209,201,449	156,476,994

(The accompanying notes are an integral part of the consolidated financial statements)

Jericho Energy Ventures Inc.
Consolidated Statement of Changes in Equity
(Expressed in Canadian dollars)

	Number of shares (Note 11)	Share Capital (Note 11)	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
December 31, 2019	128,608,142	\$ 50,440,274	\$ 2,630,908	\$ 1,250,786	\$ (20,890,719)	\$ 33,431,249
Issue of common shares for cash	50,000,000	4,828,900	—	—	—	4,828,900
Share issuance cost	—	(60,300)	—	—	—	(60,300)
Share-based payments	—	—	981,917	—	—	981,917
Other comprehensive income	—	—	—	57,988	—	57,988
Net loss for the year	—	—	—	—	(20,128,000)	(20,128,000)
December 31, 2020	178,608,142	\$ 55,208,874	\$ 3,612,825	\$ 1,308,774	\$ (41,018,719)	\$ 19,111,754
December 31, 2020	178,608,142	\$ 55,208,874	\$ 3,612,825	\$ 1,308,774	\$ (41,018,719)	\$ 19,111,754
Issue of common shares from acquisition (Note 7)	6,700,000	3,015,000	—	—	—	3,015,000
Issue of common shares under warrant exercise	34,498,727	4,443,619	—	—	—	4,443,619
Issue of common shares under options exercise	2,600,000	1,706,815	(916,815)	—	—	790,000
Share issuance cost	—	(7,974)	—	—	—	(7,974)
Share-based payments	—	—	1,281,785	—	—	1,281,785
Other comprehensive loss	—	—	—	(138,135)	—	(138,135)
Net loss for the year	—	—	—	—	(6,298,337)	(6,298,337)
December 31, 2021	222,406,869	\$ 64,366,334	\$ 3,977,795	\$ 1,170,639	\$ (47,317,056)	\$ 22,197,712

(The accompanying notes are an integral part of the consolidated financial statements)

Jericho Energy Ventures Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year Ended	
	December 31, 2021	December 31, 2020
Cash flows from (used in) operating activities		
Loss for the year	\$ (6,298,337)	\$ (20,128,000)
Adjustments for non-cash items:		
Accretion of decommissioning liabilities	276	4,397
Depletion, depreciation and amortization	509,553	23,737
Share-based payments	1,281,785	981,917
Impairment of petroleum properties	—	402,506
Share of (income) loss from equity investments	(560,130)	16,742,413
Distributions received from equity investments	150,152	—
Gain on disposal of petroleum properties	(95,574)	—
Write-off of prepayment on investment	391,989	—
Loan forgiveness	(23,899)	—
Unrealized foreign exchange gain (loss)	29,995	64,451
Finance expense - non-cash portion	—	77
Cash provided by (used in) operating assets and liabilities:		
Accounts receivable	(27,913)	20,157
Prepaid expenses and deposits	(40,107)	(953)
Accounts payable and accrued liabilities	512,841	(106,977)
Net cash used in operating activities	(4,169,369)	(1,996,275)
Cash flows from (used in) investing activities		
Prepayment on investment	(391,989)	—
Development costs for the period	(75,851)	(168,925)
Contributions to equity investments	—	(683,859)
Proceeds from sale of petroleum properties	54,302	24,038
Investment in intangible assets	(954,336)	—
Investment in equity securities	(1,917,972)	—
Purchase of vehicles and equipment	(52,237)	—
Net cash used in investing activities	(3,338,083)	(828,746)
Cash flows from (used in) financing activities		
Proceeds from issuance of common shares	5,233,619	4,828,900
Share issuance costs	(7,974)	(60,300)
Subscriptions received for convertible debentures	4,951,938	—
Proceeds from government loans	—	64,276
Payments on lease obligations	—	(9,903)
Net cash from financing activities	10,177,583	4,822,973
Change in cash	2,670,131	1,997,952
Effect of exchange rate changes on cash	(24,669)	(34,227)
Cash at beginning of year	3,543,176	1,579,451
Cash at end of year	\$ 6,188,638	\$ 3,543,176

(The accompanying notes are an integral part of the consolidated financial statements)

JERICO ENERGY VENTURES INC.

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2021 and 2020

1. NATURE OF OPERATIONS

Jericho Energy Ventures Inc., formerly Jericho Oil Corporation, (“Jericho” or the “Company”) was incorporated on October 21, 2010 under the Laws of British Columbia. The Company trades on the TSX Venture Exchange under the symbol “JEV”, and on the OTC Market exchange under the symbol “JROOF”.

The Company participates in the acquisition, exploration, development and production of oil and natural gas in the United States of America (USA). As of December 31, 2021, the Company primarily conducts its operations through its subsidiaries and various joint arrangements in the state of Oklahoma. See Notes 5 and 6 for a detailed discussion of the Company’s petroleum properties and joint arrangements.

In first quarter 2021, the Company acquired the assets of California-based Hydrogen Technologies Inc. (“HTI”). In third quarter 2021, the Company participated in a Series-A financing for H2U Technologies, Inc. (“H2U”). See Note 7 for a discussion of the Company’s acquisition of HTI’s assets and investment in H2U.

The head office, principal address and records office of the Company are located at Suite 2100 - 1055 W. Georgia Street, Vancouver, British Columbia, Canada, V6E 3P3.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 28, 2022.

(b) Basis of presentation

These consolidated financial statements are expressed in Canadian dollars and have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting on a going concern basis. The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements as if the policies have always been in effect.

(c) Basis of consolidation

The consolidated financial statements include the accounts of Jericho Energy Ventures and its 100% owned subsidiaries, JEV USA Inc., JEV KS, LLC (formerly Jericho Oil (Kansas) Corp.) and JEV OK, LLC (formerly Jericho Oil (Oklahoma) Corp.)

Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

JERICHO ENERGY VENTURES INC.

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

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(d) Foreign currency translation

Functional currencies

The functional and presentation currency of the Company is the Canadian dollar. The functional currency of the Company's US subsidiaries and joint arrangements is the U.S. dollar which is determined to be the currency of the primary economic environment in which the subsidiaries and joint arrangements operate.

Foreign currency transactions

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Foreign operations

Subsidiaries that have functional currencies other than the Canadian dollar translate their statement of comprehensive loss items to Canadian dollars at the average rate during the year. Assets and liabilities are translated at exchange rates prevailing at the end of the reporting period. Exchange rate variations resulting from the retranslation at the closing rate of the net investment in these subsidiaries, together with differences between their statement of operations items translated at actual and average rates, are recognized in accumulated other comprehensive income (loss). On disposition or partial disposition of a foreign operation, the related cumulative amount of related exchange difference is recognized in the consolidated statement of comprehensive loss.

(e) Significant accounting judgments and estimates

The timely preparation of consolidated financial statements, in compliance with IFRS, requires management to make certain critical accounting estimates regarding the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the period. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (or COVID-19), a pandemic. Beginning in February 2022, the United States, and numerous other nations, notably including the European Union and United Kingdom, imposed substantial additional sanctions on Russia regarding its invasion of Ukraine. Given the dynamic nature of these circumstances, the full extent to which the COVID-19 global pandemic and the economic sanctions on Russia may have direct or indirect impact on the Company's business and the related financial reporting implications cannot be reasonably estimated at this time, although it could materially affect the Company's business, results of operations and financial position in the future, including having a significant impact on future oil prices.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Cash

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents. At December 31, 2021, the Company had no cash equivalents.

(b) Exploration and evaluation assets

Pre-license costs are recognized as an expense when incurred. Exploration and evaluation (“E&E”) costs, including the costs of acquiring licenses, exploratory drilling and completion costs, and directly attributable general and administrative costs are initially capitalized as either tangible or intangible E&E assets according to the nature of the asset acquired. These costs are accumulated in cost centers by field or exploration area pending determination of technical feasibility and commercial viability. Ongoing carrying costs including the costs of non-producing lease rentals are capitalized to E&E assets. Proceeds received from the sale of E&E assets are recorded as a reduction to the carrying value of the asset. The technical feasibility and commercial viability of extracting a resource is determinable when proved and probable reserves are determined to exist. A review of each exploration license or area is carried out, at least annually, to ascertain whether proved and probable reserves have been discovered. Upon determination of proved and probable reserves, E&E assets attributable to those reserves are first tested for impairment and then reclassified from E&E assets to petroleum properties. E&E assets are regularly reviewed for impairment or whenever events or changes in circumstances indicate that the carrying amount of reserve properties exceeds their recoverable amount. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of value in use (being the present value of expected future cash flows of the relevant cash-generating unit) and fair value less costs to sell. If the carrying amount of an asset exceeds the recoverable amount an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(c) Petroleum properties

Petroleum properties

Petroleum properties include crude oil development and production assets, including costs incurred in developing oil reserves and maintaining or enhancing production from such reserves and directly attributable general and administrative costs. Properties are measured at cost, less accumulated depletion and depreciation and accumulated impairment losses.

Gains and losses on disposal of petroleum properties, including crude oil interests, are determined by comparing the proceeds from disposal with the net carrying amount of petroleum properties and are recognized within “gain or loss on sale of assets” in the current period on the consolidated statement of comprehensive income (loss).

Subsequent measurement

Costs incurred subsequent to the determination of technical feasibility and commercial viability of petroleum properties are recognized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in earnings as incurred. Capitalized

JERICHO ENERGY VENTURES INC.

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petroleum properties generally represent costs incurred in developing proved and/or probable reserves and bringing on or enhancing production from such reserves and are accumulated on a field or geotechnical area basis.

The carrying amount of any replaced or sold component is derecognized at the time of replacement or sale. The costs of the day-to-day servicing of properties are recognized in earnings as incurred.

Depletion and depreciation

The net carrying value of development or production assets is depleted on a field by field basis using the unit of production method by reference to the ratio of production in the year to the related proved and probable reserves. These estimated reserves are reviewed by independent reserve engineers at least annually. Proved and probable reserves are estimated by independent reserve engineers in accordance with Canadian Securities Regulation National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities. Changes in reserve estimates used in prior periods, such as proved and probable reserves, that affect the unit-of-production calculations do not give rise to prior year adjustments and are dealt with on a prospective basis.

Inventory

Inventory consists of crude oil products. The carrying value of inventory includes all direct expenditures required to bring the inventory to its present location and condition. The Company values its inventory using the weighted average cost method and inventory is held at the lower of cost and net realizable value at each reporting period. If the carrying value exceeds the net realizable value, a write-down is recognized. A change in circumstance could result in a reversal of the write-down for inventory that remains on hand in a subsequent period.

Impairment

The carrying amounts of the Company's petroleum properties are reviewed at each reporting date for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment, if any. The recoverable amount of an asset is evaluated at the cash-generating unit level ("CGU"), which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use. Fair value less cost to sell is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal or using a net present value technique. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGU's are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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

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the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized. Refer to Notes 5 – Petroleum Properties, and Note 6 – Equity Investments for discussion of impairments.

(d) Revenues

Revenues associated with the production and sale of crude oil and gas are recognized when the Company satisfies performance obligations under sales contracts, and the customer obtains control of the goods, which occur at a point in time of delivery of oil, natural gas and natural gas liquids.

Revenue from sale of oil, natural gas and natural gas liquids is measured per consideration specified in contracts with customers. Revenue is measured net of discounts, customs duties, royalties, and taxes. The Company does not have any contracts where the period between the transfer of goods or services to the customer and the receipt of payment from the customer exceed one year. As a result, the Company does not adjust transaction prices for time value of money or have financing components in connection with contracts with customers. Based on the criteria outlined in IFRS 15, *Revenue from Contracts with Customers*, management concluded that the Company does not have any variable consideration.

(e) Joint arrangements

As of December 31, 2021, the Company has working interests in joint arrangements to conduct oil and gas development and production activities on petroleum properties in Oklahoma (Notes 5 and 6).

The Company classifies its interests in joint arrangements as either joint operations (if the Company has rights to the assets and obligations for the liabilities, relating to an arrangement) or joint ventures (if the Company has rights only to the net assets of an arrangement). When making this assessment, the Company considers the structure of the arrangement, the legal form of any separate vehicles, the contractual terms of the arrangement and other facts and circumstances.

In the case of a joint operation, the Company includes its share of the assets, liabilities, revenues and expenses of the joint operation. The Company combines its share of such joint operations' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Company's consolidated financial statements. Income taxes are recorded based on the Company's share of the operation's activities.

A joint venture is a type of joint arrangement whereby the parties have joint control of the arrangement and have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Company's investments in joint ventures are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the joint venture since the acquisition date less distributions received and any impairment in the fair value of investment. The consolidated

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statement of comprehensive income (loss) reflects the Company's share of the results of operations of the joint venture.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its joint venture. At each reporting date, the Company determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognizes the loss as "share of income (loss) from a joint venture" in the consolidated statement of comprehensive income (loss).

Upon loss of joint control over the joint venture, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in income (loss).

The financial statements of the joint venture are prepared for the same reporting period as the Company. Accounting policies of the joint venture and the Company are consistent.

(f) Identifiable intangible assets

The Company's intangible assets consist of patents and capitalized development engineering costs related to its hydrogen business acquired in 2021 (Note 7). These assets are capitalized and amortized on a straight-line basis in the consolidated statement of comprehensive loss over the period of their expected useful lives.

(g) Provisions

I. Legal matters

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

II. Decommissioning provisions

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provisions are made for the estimated cost of site restoration and are capitalized in the relevant asset category.

Decommissioning provisions are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the consolidated statement of financial position date. Subsequent to initial measurement, the obligation is adjusted at the end of each 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 as finance costs whereas increases/decreases due to changes in the

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estimated future cash flows are recorded against the related asset. Actual costs incurred upon settlement of the decommissioning provisions are charged against the provision to the extent the provision was established.

(h) Share-based payments

The Company grants options to purchase common shares to directors, officers, employees, consultants and certain service providers under its stock option plan. Share-based payments are measured at the fair value of the instruments issued and amortized over the vesting periods. The amount recognized as share-based payment expense during a reporting period is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is contributed surplus. The fair value of employee stock options is measured using the Black-Scholes Option Pricing Model.

Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on short-term government bonds). A forfeiture rate is estimated on the grant date and is subsequently adjusted to reflect the actual number of options that vest.

Share-based payment arrangements with non-employees in which the Company receives goods or services are measured based on the estimated fair value of the goods or services received, unless the fair value cannot be estimated reliably, in which case the Company will measure their value by reference to the fair value of the equity instruments granted.

When stock options are exercised, the proceeds received, together with any related amount in contributed surplus, are credited to share capital.

(i) Earnings/loss per share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. This follows the treasury method in which the dilutive effect on loss per share is recognized on the use of proceeds that could be obtained from the exercise of options, warrants, and similar instruments. It assumes the proceeds would be used to purchase common shares at the average market price during the year. Diluted loss per shares excludes all dilutive potential common shares if their effect is anti-dilutive.

(j) Other comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in profit or loss.

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(k) Income taxes

The Company utilizes the liability method of accounting for income taxes. Under the liability method, deferred income tax assets and liabilities are recognized to reflect the expected deferred tax consequences arising from temporary differences between the carrying value and the tax bases of the assets and liabilities. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the assets may be realized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(l) Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate resource properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are accounted for using the residual method, following an allocation of the unit price to the fair value of the common shares that were concurrently issued. Warrants that are issued as payment for an agency fee or other transactions costs are accounted for as share issuance costs.

(m) Leases

A right-of-use asset and liability is recognized on the balance sheet for contracts that are, or contain, a lease. The right-of-use assets recognized are initially measured at amounts equal to the present value of the lease obligations. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Right-of-use assets are included in other assets on the consolidated statements of financial position. Lease liabilities are initially measured at the discounted present value of the remaining minimum lease payments, excluding short-term (12 months or less) and low-value leases. The lease liability is subsequently measured at amortised cost using the effective interest method. Leases with an initial term of 12 months or less are not recorded on the consolidated statements of financial position but rather recorded as an expense over the lease term as the payments are made. The discount rate used to determine the lease payment liability is based on our estimated incremental borrowing rate.

Leases in which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recognized at the lower of the fair value and present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The corresponding liability is recognized as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation to achieve a constant rate of interest on the remaining liability. Finance charges are recorded as a finance expense within profit and loss, unless they are attributable to qualifying assets, in which case they are capitalized. Operating lease payments are recognized on a straight-line basis over the lease term, except where another systematic basis is more representative of the time

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pattern in which economic benefits from the leased asset are consumed, in which case that systematic basis is used. Operating lease payments are recorded within profit and loss unless they are attributable to qualifying assets, in which case they are capitalized.

(n) Financial instruments

I. Measurement – initial recognition

All financial assets and financial liabilities are initially recorded on the Company's consolidated statement of financial position when the Company becomes a party to the contractual provisions of the instrument. All financial asset and liabilities are initially recorded at fair value, net of attributable transaction costs. Subsequent measurement of financial assets and financial liabilities depends on the classifications of such assets and liabilities.

II. Classification – financial assets

Amortized cost

Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of these financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortized cost using the effective interest method.

The Company's financial assets at amortized costs include its accounts receivable.

Fair value through other comprehensive income ("FVTOCI")

Financial assets that are held within a business model whose objective is to hold financial assets in order to both collect contractual cash flows and selling financial assets, and that the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Upon initial recognition of equity securities, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate its equity securities that would otherwise be measured at FVTPL to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the instrument; instead, it is transferred to retained earnings upon derecognition.

Fair value through profit or loss ("FVTPL")

By default, all other financial assets are measured subsequently at FVTPL, which includes cash and equity investments.

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III. Classification – financial liabilities

Financial liabilities are subsequently measured at amortized cost using effective interest rate method, except for financial liabilities at FVTPL, financial guarantee contracts, loan commitments as below-market interest rate, and liabilities related to contingent consideration of an acquirer in a business combination.

Financial liabilities at amortized cost include accounts payable and accounts payable to related parties, loans and subscription received for convertible debentures. Financial liabilities classified FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in the consolidated statements of comprehensive income (loss).

The Company has no hedging arrangements and does not apply hedge accounting.

IV. Impairment

The Company recognizes a loss allowance for expected credit losses on its financial assets when necessary. The amount of expected credit losses is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments.

(o) Business Combinations

The Company uses the acquisition method to account for business acquisitions. The acquired identifiable net assets are measured at their fair value at the date of acquisition. Deferred taxes are recognized for any differences between the fair value and the tax basis of net assets acquired. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Any deficiency of the purchase price below the fair value of the net assets acquired is recorded as a gain in profit and loss. Associated transaction costs are expensed when incurred.

(p) Borrowing costs

Borrowing costs incurred that are attributable to qualifying assets are capitalized and included in the carrying amounts of qualifying assets until those qualifying assets are ready for their intended use, which would generally occur upon the advancement of the project past the exploration and evaluation and development stages to production at levels intended by management. Borrowing costs are capitalized as incurred while activities and expenditures necessary to prepare the qualifying assets for intended use are in progress. All other borrowing costs are expensed in the period in which they are incurred. In the case of funds borrowed that are directly attributable to qualifying assets, the amount capitalized represents the actual borrowing costs incurred on the specific borrowings.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts within the consolidated financial statements. Judgments, estimates and underlying assumptions are

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reviewed on a continuous basis and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing the consolidated financial statements, management makes judgments regarding the application of IFRS for the Company's accounting policies. Significant judgments relate to the following areas:

Joint arrangements

The Company may be a party to an arrangement in which it does not have control. Judgment is required in determining whether joint control over such arrangements exists and if so, which parties have joint control and whether each arrangement is a joint venture or joint operation.

In assessing whether the Company has joint control, management analyzes the activities of each arrangement and determines which activities most significantly affect the returns of the arrangement. These activities are determined to be the relevant activities of the arrangement. If unanimous consent is required over the decisions about the relevant activities, the parties whose consent is required would have joint control over the arrangement. The judgments around which activities are considered the relevant activities of the arrangement are subject to analysis by each of the parties to the arrangement and may be interpreted differently. When performing this assessment, the Company considers decisions about activities such as managing the asset during its life, acquisition, expansion and dispositions of assets, financing, operating and capital decisions.

Management may also consider activities including the approval of budgets, appointment of key management personnel, representation on the board of directors and other factors. If management concludes that the Company has joint control over the arrangement, an assessment of whether the arrangement is a joint venture or joint operation is required. This assessment is based on whether the Company has rights to the assets and obligations for the liabilities relating to the arrangement, or whether it has rights to the net assets of the arrangement. In making this determination, management reviews the legal form of the arrangement, the terms of the contractual arrangement, and other facts and circumstances.

In a situation where the legal form and the terms of the contractual arrangement do not give the Company rights to the assets and obligations for the liabilities, an assessment of other facts and circumstances is required, including whether the activities of the arrangement are primarily designed for the provision of output to the parties and whether the parties are substantially the only source of cash flows contributing to the arrangement. In such circumstances management may consider the application of other facts and circumstances to conclude that a joint arrangement is a joint operation is appropriate. This conclusion requires judgment and is specific to each arrangement.

Management applied the use of other facts and circumstances to conclude that the extraction of petroleum in Eastern Kansas was a joint operation for the purposes of the consolidated financial statements. The other facts and circumstances considered are the provisions for output to the parties of the joint arrangement. The Company will take its share of the output from the assets directly over the life of the arrangement. Management has concluded that this, combined with other factors, gives the Company direct rights to the assets and obligations for the liabilities of these arrangements, proportionate to the Company's ownership interest. The Company sold its remaining interests in Kansas in early 2021, see Note 5 for further discussion.

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Cash generating unit (CGU)

The Company's assets are aggregated into cash-generating units ("CGUs"), based on the unit's ability to generate independent cash inflows. The determination of the Company's CGUs is based on management's judgments regarding shared infrastructure, geographical proximity, resource type and materiality. Based on management's assessment, the Company's properties in Eastern Kansas that were divested in 2021 (Note 5) formed one CGU, and the Company's properties in Oklahoma each form separate CGUs.

Income taxes

Judgments are made by management at the end of the reporting period to determine the likelihood that deferred income tax assets will be realized from future taxable earnings. Assessing the recoverability of deferred income tax assets requires the Company to make judgments related to the expectations of future cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in profit or loss in the period in which the change occurs.

The consolidated financial statement areas that require significant estimates are set out in the following paragraphs:

Oil and gas — reserves

The process of estimating reserves is complex. It requires significant estimates based on available geological, geophysical, engineering and economic data. To estimate the economically recoverable crude oil reserves and related future net cash flows, management incorporates many factors and assumptions including the expected reservoir characteristics, future commodity prices and costs and assumed effects of regulation by governmental agencies. Reserves are used to calculate the depletion of the capitalized petroleum properties and for impairment purposes as described in Note 3(c).

Petroleum properties

The Company evaluates exploration and evaluation assets and petroleum properties for impairment if indicators exist. Cash flow estimates for impairment assessments require assumptions and estimates about the following primary elements—future prices, future operating and development costs, remaining recoverable reserves and discount rates. In assessing the carrying values of unproved properties, management makes assumptions about future plans for those properties, the remaining terms of the leases and any other factors that may be indicators of potential impairment.

Impairment testing

Impairment testing is based on discounted cash flow models prepared by experts with assistance from third-party advisors when required. The inputs used are based on management's best estimates of what an independent market participant would consider appropriate and are reviewed by senior management. Changes in these inputs may alter the results of impairment testing, the amount of the impairment charges recorded in the consolidated statement of comprehensive income (loss) and the resulting carrying values of assets.

Decommissioning provisions

In estimating the Company's future asset retirement obligations, the Company makes assumptions about activities that occur many years into the future including the cost and timing of such activities. The ultimate

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financial impact is not clearly known as asset removal and remediation techniques and costs are constantly changing, as are legal, regulatory, environmental, political, safety and other such considerations. In arriving at amounts recorded, numerous assumptions and estimates are made on ultimate settlement amounts, inflation factors, discount rates, timing and expected changes in legal, regulatory, environmental, political and safety environments.

Share-based payments

Management uses judgment when applying the Black-Scholes Option Pricing Model to determine the fair value of the options granted during the period and forfeiture rates. Volatility is calculated using historical trading data of the Company. The zero-coupon bond yield per the bank of Canada is used as the risk-free rate.

5. PETROLEUM PROPERTIES

At December 31, 2021, the Company's joint operations recorded as petroleum properties included one well in Oklahoma. During second quarter 2021, the Company sold the remaining leases in Kansas. At December 31, 2020, the Company's joint operations recorded as petroleum properties were comprised of three groups of leases in the state of Kansas, and one well in Oklahoma. The following is a summary of cost and related accumulated depletion for these properties for the years presented:

	December 31, 2021	December 31, 2020
Cost:		
Balance, beginning of year	\$ 1,220,744	\$ 1,563,346
Development cost additions	75,851	178,604
Sale of interest in petroleum properties	(1,003,461)	(111,657)
Change in estimate of decommissioning liability	—	2,681
Impairment write-down	—	(402,506)
Movement in foreign exchange rates	(56,755)	(9,724)
Balance, end of year	236,379	1,220,744
Accumulated depletion:		
Balance, beginning of year	1,028,292	1,035,243
Depletion	14,108	14,161
Sale of interest in petroleum properties	(974,355)	—
Movement in foreign exchange rates	(53,888)	(21,112)
Balance, end of year	14,157	1,028,292
Carrying value	\$ 222,222	\$ 192,452

During 2020, the Company recorded an impairment of its properties in Kansas because of the material decline in oil prices and the global impact on demand from the COVID-19 pandemic. The recoverable amount of the CGU was determined using a value in use approach based on the year-end reserves report and a discount rate of 10%.

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6. EQUITY INVESTMENTS

As of December 31, 2021, the Company's oil and gas operations were held in Oklahoma, with operations conducted through participation in various joint ventures and an associate. As discussed in Note 3, the Company's investments in its joint ventures and associates are accounted for using the equity method. Under the equity method, the investment in a joint venture or an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the joint venture since the acquisition date less distributions received and any impairment in the fair value of investment. At December 31, 2021 and 2020, the Company holds the following joint ventures and associates:

	December 31, 2021	December 31, 2020
Eagle Road Oil, LLC ("Eagle Road")	50 %	50 %
Lurgan Oil, LLC ("Lurgan")	50 %	50 %
Jericho Buckmanville Oil, LLC ("Buckmanville")	50 %	50 %
RSTACK Walnut, LLC ("Walnut")	26.5 %	26.5 %
Cherry Rancher, LLC ("Cherry Rancher")	31 %	31 %

Walnut holds an interest in approximately 8,446 net acres in the oil window of the Anadarko Basin "STACK" play in highly contiguous blocks located in Blaine County, Oklahoma.

Carrying amounts of the Company's interests in equity investments for the periods presented are as follows:

	Eagle Road	Lurgan	Buckmanville	Walnut	Cherry Rancher	Total
Balance, December 31, 2020	\$ 4,154,786	\$ 191,073	\$ 6,932,578	\$ 4,471,381	\$ 148,795	\$ 15,898,613
Share of income/(loss)	184,267	35,163	357,926	(56,548)	39,322	560,130
Distribution received	—	—	—	—	(150,152)	(150,152)
Movement in foreign exchange	(29,481)	(1,137)	(48,775)	(33,819)	(2,298)	(115,510)
Balance, December 31, 2021	\$ 4,309,572	\$ 225,099	\$ 7,241,729	\$ 4,381,014	\$ 35,667	\$ 16,193,081

	Eagle Road	Lurgan	Buckmanville	Walnut	Cherry Rancher	Total
Balance, December 31, 2019	\$ 7,550,420	\$ 1,898,543	\$ 13,658,293	\$ 8,816,942	\$ 19,771	\$ 31,943,969
Share of income/(loss)	(4,114,197)	(1,747,457)	(6,721,482)	(4,294,709)	135,432	(16,742,413)
Advances	683,859	—	—	—	—	683,859
Movement in foreign exchange	34,704	39,987	(4,233)	(50,852)	(6,408)	13,198
Balance, December 31, 2020	\$ 4,154,786	\$ 191,073	\$ 6,932,578	\$ 4,471,381	\$ 148,795	\$ 15,898,613

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Summary of results of operations of the joint ventures and the Company's share of the income or (loss) for 2021 is as follows:

100%**Year Ended**

December 31, 2021	Eagle Road	Lurgan	Buckmanville	Walnut	Cherry Rancher	Total
Revenue	\$ 2,443,093	\$ 566,450	\$ 5,623,509	\$ 1,545,828	\$ 154,682	\$ 10,333,562
Production cost	(581,959)	(339,548)	(3,525,978)	(703,938)	(25,643)	(5,177,066)
Depletion and depreciation	(889,453)	(121,358)	(1,136,103)	(360,092)	—	(2,507,006)
Accretion of decommissioning provision	(28,253)	(6,875)	(43,654)	(16,674)	—	(95,456)
Gain on disposal of asset	40,160	—	13,791	—	—	53,951
G&A and other operating	(1,439,774)	(12,703)	(32,168)	(679,182)	(2,194)	(2,166,021)
Interest and loan costs	(82,352)	(15,640)	(183,545)	670	—	(280,867)
Loan forgiveness	803,016	—	—	—	—	803,016
Deferred income tax recovery	104,057	—	—	—	—	104,057
100% Net income (loss)	\$ 368,535	\$ 70,326	\$ 715,852	\$ (213,388)	\$ 126,845	\$ 1,068,170
100% Net income (loss) in USD\$	\$ 293,958	\$ 56,094	\$ 570,991	\$ (170,207)	\$ 101,176	\$ 852,012
Jericho's ownership	50 %	50 %	50 %	26.5 %	31 %	
Jericho's share of net income (loss)	\$ 184,267	\$ 35,163	\$ 357,926	\$ (56,548)	\$ 39,322	\$ 560,130
Jericho's share of net income (loss) in USD\$	\$ 146,979	\$ 28,047	\$ 285,496	\$ (45,105)	\$ 31,365	\$ 446,782

Summary of financial position information of the joint ventures for 2021 is as follows:

100%

As at December 31, 2021	Eagle Road	Lurgan	Buckmanville	Walnut	Cherry Rancher	Total
Assets						
Cash and cash equivalents	\$ 1,055,128	\$ 5,668	\$ 85,074	\$ 673,522	\$ —	\$ 1,819,392
Current assets (excluding cash)	1,656,484	40,449	219,833	136,071	7,575	2,060,412
Non-current assets	17,177,561	1,746,115	25,845,469	16,660,639	—	61,429,784
Total assets	19,889,173	1,792,232	26,150,376	17,470,232	7,575	65,309,588
Liabilities						
Current liabilities	1,857,876	135,769	55,297	136,017	(5)	2,184,954
Intercompany	1,546,102	152,085	(1,603,104)	9,953	(105,036)	—
Non-current liabilities	7,866,102	1,054,181	8,426,538	1,223,945	—	18,570,766
Total liabilities	11,270,080	1,342,035	6,878,731	1,369,915	(105,041)	20,755,720
Equity	8,619,093	450,197	19,271,645	16,100,317	112,616	44,553,868
Total liabilities and equity	\$ 19,889,173	\$ 1,792,232	\$ 26,150,376	\$ 17,470,232	\$ 7,575	\$ 65,309,588

In the year ended December 31, 2021, the Company and its joint ventures evaluated whether there were indicators of impairment or impairment reversal. This evaluation involved consideration of realized commodity prices and future commodity prices. The Company also considered global external factors, including the potential for further COVID-19 outbreaks, the impact of economic sanctions against Russia due to its invasion of Ukraine, resulting in continued uncertainty of future price assumptions for market transactions and valuations. Based on a consideration of all these factors, the Company used significant judgment and estimates and concluded that there were no indicators of impairment or impairment reversal in the year.

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At December 31, 2021, non-current liabilities include \$7.1 million (USD \$5.6 million) related to the loan discussed below. In addition, non-current liabilities include \$10.3 million (USD \$8.1 million) for decommissioning liabilities and \$0.9 million (USD \$0.7 million) for deferred tax liability.

During 2016, the Company's three joint ventures in Oklahoma entered a USD\$30 million Senior Secured Revolving Credit Facility (the "Facility") with East West Bank. The balance of the Facility, or approximately USD \$5.3 million, matured during the third quarter of 2020. In August 2020, the joint ventures qualified for a loan under the Main Street Lending Program ("MSLP") of the United States Federal Reserve. The MSLP was established by the Federal Reserve to promote lending to small and medium-sized businesses for maintaining operations and payroll since the onset of the COVID-19 pandemic.

Under the MSLP program, the joint ventures received a term loan in September 2020 for USD \$5.6 million from Vast Bank, National Association ("Vast Bank"). Proceeds of the loan were used to pay off the Facility with East West Bank, payment of loan origination fees and expenses, and to fund general oil and gas business activities. The loan is subject to customary covenants, and is secured by a first lien on the oil and gas interests and mortgaged properties of the Eagle Road, Lurgan, and Buckmanville joint ventures. As of December 31, 2021, the carrying value of the loan, net of issuance costs, was \$7.1 million (USD \$5.6 million). The interest rate for the loan is the LIBOR rate plus 3 percent. The loan matures on August 21, 2025. Under the program, interest payments are deferred during the first year and capitalized to the outstanding principal balance at the end of the first year. Principal payments are also deferred, with 15 percent of the balance due on the third and fourth-year anniversaries of the loan, and the remaining amount due at the end of the fifth year.

In April of 2020, Eagle Road, the operator of the Company's joint ventures, obtained a loan under the Paycheck Protection Program ("PPP") administered by the Small Business Administration ("SBA") of the US government. The loan amount is approximately USD \$330,000, with a two-year term and an interest rate of one percent. The loan was forgiven in the third quarter of 2021.

In February 2021, Eagle Road obtained an additional loan under the PPP administered by the SBA of the US government. The additional loan amount is approximately USD \$310,000, with a five-year term and an interest rate of one percent. The loan was forgiven in the fourth quarter of 2021.

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Summary results of operations of the joint ventures and the Company's share of the income or (loss) for 2020 is presented below.

100%**Year Ended**

December 31, 2020	Eagle Road	Lurgan	Buckmanville	Walnut	Cherry Rancher	Total
Revenue	\$ 1,413,425	\$ 377,667	\$ 3,406,463	\$ 843,035	\$ 526,128	\$ 6,566,718
Production cost	(714,871)	(377,559)	(3,317,698)	(541,907)	(86,569)	(5,038,604)
Depletion and depreciation	(1,086,007)	(211,728)	(1,512,669)	(1,678,891)	—	(4,489,295)
Impairment	(9,680,004)	(3,255,012)	(15,620,942)	(13,451,975)	—	(42,007,933)
Accretion of decommissioning provision	(69,995)	(12,390)	(89,465)	(24,941)	—	(196,791)
Realized gain on derivatives	15,139	5,046	30,276	—	—	50,461
Unrealized loss on derivatives	(2,888)	—	—	—	—	(2,888)
G&A and other operating	(974,573)	(29,504)	(99,541)	(1,351,769)	(2,682)	(2,458,069)
Interest expense	(160,565)	(28,483)	(207,772)	—	—	(396,820)
Loan forgiveness	111,653	37,050	223,061	—	—	371,764
Deferred income tax recovery	2,920,290	—	3,745,324	—	—	6,665,614
100% Net income (loss)	\$ (8,228,396)	\$ (3,494,913)	\$ (13,442,963)	\$ (16,206,448)	\$ 436,877	\$ (40,935,843)
100% Net income (loss) in USD\$	\$ (6,119,985)	\$ (2,623,011)	\$ (10,141,493)	\$ (12,363,727)	\$ 325,810	\$ (30,922,406)
Jericho's ownership	50 %	50 %	50 %	26.5 %	31 %	
Jericho's share of net income (loss)	\$ (4,114,197)	\$ (1,747,457)	\$ (6,721,482)	\$ (4,294,709)	\$ 135,432	\$ (16,742,413)
Jericho's share of net income (loss) in USD\$	\$ (3,059,992)	\$ (1,311,506)	\$ (5,070,747)	\$ (3,276,388)	\$ 101,001	\$ (12,617,632)

The Company reviews the petroleum properties of its joint ventures at each reporting date for indicators of impairment. At December 31, 2020, industry and market indicators of impairment persisted and the Company reviewed the petroleum properties and evaluation assets of its joint ventures. The sustained impact on global oil demand and uncertainties caused by the COVID-19 pandemic resulted in even lower forecasted oil prices compared with forecasted prices from the first quarter impairment review. The recoverable amount of each CGU was estimated and compared to its fair value less costs to sell using the 2020 year-end reserve report prepared by the Company's independent third-party reserves evaluators. The Company also considered the reduced drilling and investment activity in the STACK play of Oklahoma to be indicators of impairment of its interests in the area. As a result of these factors, an impairment loss of a combined \$42.0 million (USD \$31.8 million) was recorded in the results of operations of the Company's joint ventures and associates in the year December 31, 2020.

RStack LLC is one of the associate members of Walnut. Walnut is governed by a board of six managers of which the CEO and two board members of Jericho have three of the six board seats. Walnut engages RStack LLC to provide technical, geological, engineering, operating and administrative services. During 2021 and 2020, RStack LLC received fees of approximately \$ 425,088 (USD \$336,304) and \$466,504 (USD \$347,904), net of reimbursements to Eagle Road for its contribution of shared services.

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Summary of financial position information of the joint ventures for 2020 is presented in the table below.

100%

As at December 31, 2020	Eagle Road	Lurgan	Buckmanville	Walnut	Cherry Rancher	Total
Assets						
Cash and cash equivalents	\$ 345,839	\$ 800	\$ 9,544	\$ 1,341,447	\$ —	\$ 1,697,630
Current assets (excluding cash)	1,536,800	47,917	196,314	181,330	405,581	2,367,942
Non-current assets	17,829,867	1,839,523	26,667,436	16,943,511	—	63,280,337
Total assets	19,712,506	1,888,240	26,873,294	18,466,288	405,581	67,345,909
Liabilities						
Current liabilities	2,941,989	130,236	50,845	273,998	(6)	3,397,062
Intercompany	(205,646)	283,898	(484,709)	440,197	(33,740)	—
Non-current liabilities	8,666,646	1,091,961	8,617,828	1,314,012	—	19,690,447
Total liabilities	11,402,989	1,506,095	8,183,964	2,028,207	(33,746)	23,087,509
Equity	8,309,517	382,145	18,689,330	16,438,081	439,327	44,258,400
Total liabilities and equity	\$ 19,712,506	\$ 1,888,240	\$ 26,873,294	\$ 18,466,288	\$ 405,581	\$ 67,345,909

At December 31, 2020, non-current liabilities include \$6.9 million (USD \$5.5 million) related to the loan with Vast Bank. In addition, non-current liabilities include \$10.9 million (USD \$8.5 million) for decommissioning liabilities and \$1.0 million (USD \$0.8 million) for deferred tax liability.

7. ACQUISITIONS, INTANGIBLE ASSETS AND INVESTMENTS

On January 22, 2021, the Company acquired the assets of California-based Hydrogen Technologies Inc. (“HTI”) for aggregate consideration of \$3,110,000 consisting of 6,700,000 shares issued at a fair value of \$0.45 per share, the closing price of the Company’s shares on January 22, 2021, and the assumption of liabilities of approximately \$95,000. Per the terms of the asset purchase agreement, the consideration shares are restricted based on the earlier of certain commercial milestones or 12 months from the closing date. The consideration shares were issued with these restrictions on April 7, 2021. The Company also hired the former management team of HTI.

The Company considered the acquisition of HTI to be an asset acquisition because substantially all of the fair value of the gross assets acquired are concentrated in a group of similar identifiable assets. HTI held intellectual property primarily through two patents for an industrial and commercial steam generation technology that enables zero-emissions hydrogen to generate heat, hot-water, and high-temperature steam. Those patents were assigned to the Company on January 22, 2021. Accordingly, the Company recorded the acquisition as Intangible assets – Patents. Additional acquisition transaction costs of approximately \$210,000 were capitalized to intangible assets. Since acquiring the assets of HTI, the Company has incurred approximately \$836,000 in development expenditures for professional engineering services necessary for completing manufacturing designs in preparation of commercial development. The patents are being amortized over five years. The designs are not available yet for use. Accordingly, the development costs for these designs have not begun amortization.

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The Company's Intangible assets are presented in the following table:

	Patents	Development Costs	Total Intangible Assets
Net book value			
As at December 31, 2020	\$ —	\$ —	\$ —
Additions	3,320,967	835,679	4,156,646
Amortization	(489,033)	—	(489,033)
Effect of movements in exchange rates	(29,041)	—	(29,041)
Balance at December 31, 2021	\$ 2,802,893	\$ 835,679	\$ 3,638,572

In the third quarter of 2021, the Company participated in a Series-A financing for H2U Technologies, Inc. ("H2U"), and invested \$1.9 million (USD \$1.5 million) in preferred shares of H2U. The preferred shares are convertible into common shares at the election of the investor. H2U is a company focused on developing electrolyser technology and catalyst that serve the growing hydrogen market. H2U will use the proceeds of its funding to develop its proprietary technology. The Company accounts for its investment in H2U at fair value through other comprehensive income ("FVTOCI"), and is included in Investments and other non-current assets on the consolidated statement of financial position.

During 2021, the Company expensed approximately \$392,000 of acquisition related costs incurred for a potential acquisition that the Company determined it would not consummate.

8. DECOMMISSIONING LIABILITIES

The following table presents the reconciliation of the opening and closing aggregate carrying amount of the decommissioning provisions associated with the petroleum properties (Note 5):

	December 31, 2021	December 31, 2020
Balance, beginning of year	\$ 76,538	\$ 150,578
Accretion expense	276	4,397
Additions	—	9,679
Change in estimation	—	2,681
Sale of properties	(63,417)	(87,619)
Movement in foreign exchange rates	(3,580)	(3,178)
Balance, end of year	\$ 9,817	\$ 76,538

At December 31, 2021, the Company's joint operations recorded as petroleum properties included one well in Oklahoma. During second quarter 2021, the Company sold all remaining leases in Kansas. The present value of the obligation relating to the properties in Oklahoma and Kansas (Note 5) of \$9,817 (2020 - \$76,538) was calculated using an average risk-free interest rate of 1.90% (2020 - 0.37%) and an inflation rate of 2.70% (2020 - 1.81%). The weighted-average life of the wells has been estimated at 39.6 years (2020 - 5.5 years). The undiscounted value of the obligation is \$7,129 (2020 - \$87,164).

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9. GENERAL AND ADMINISTRATIVE EXPENSES

The following table presents the general and administrative expenses incurred during the years ended December 31, 2021 and 2020.

	Year Ended	
	December 31, 2021	December 31, 2020
General and administrative expense		
Management fees	\$ 595,484	\$ 391,298
Employee salaries and benefits	563,768	237,386
Business development costs	667,235	150,233
Share-based payments	1,281,785	981,917
Consulting fees	579,747	389,480
Accounting and auditing fees	256,138	166,875
Investor relations	1,338,878	147,278
Transfer agency and filing fees	34,497	33,412
Legal fees	287,353	45,926
Travel	69,751	31,338
Short-term lease obligation	49,605	31,952
Insurance	34,657	20,538
Office, computer and miscellaneous	236,106	88,302
General and administrative expense	\$ 5,995,004	\$ 2,715,935

10. SUBSCRIPTIONS RECEIVED FOR CONVERTIBLE DEBENTURES

In December 2021, the Company initiated a non-brokered convertible debenture private placement financing. Subscribers to the private placement agreed to purchase convertible debentures with principal amount of CDN \$0.70 that mature 36 months after the closing date of the financing. In addition, for each debenture purchased the Company will issue one share purchase warrant entitling the holder to purchase one additional common share (a "warrant share") at an exercise price of CAD \$1.00 per warrant share for a period of three years after issuance of the debenture. The unsecured debentures bear interest of four percent per annum commencing on the first anniversary of the closing date. The principal amount of the debentures are convertible at CAD \$0.70 per common share and any accrued and unpaid interest is convertible at the market price per common share on the date of any conversion of interest.

The financing closed and the debentures were issued on January 7, 2022, for total gross proceeds of approximately \$5.7 million. Per the private placement subscription agreement, the subscription amounts received prior to the closing date are considered an interest free loan. The Company received approximately \$5.0 million of the subscription amounts in December 2021.

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11. SHARE CAPITAL AND EQUITY RESERVES

(a) Authorized share capital

Unlimited common shares without par value.

(b) Issued share capital

For the year ended December 31, 2021

On January 22, 2021, the Company acquired the assets of California-based Hydrogen Technologies Inc. Consideration included the Company's obligation to issue 6,700,000 shares at a fair value of \$0.45 per share, the closing price of the Company's shares on January 22, 2021. The consideration shares were issued on April 7, 2021.

During 2021, 2,600,000 stock options were exercised at a weighted average price of \$0.30 per share for gross proceeds of \$790,000. In addition, 34,498,727 warrants were exercised at \$0.13 per share for gross proceeds of \$4,484,834. Proceeds received totaled approximately \$4,443,619 due to foreign exchange rate changes on funds received.

For the year ended December 31, 2020

In June 2020, the Company closed a fully subscribed non-brokered private placement of 50,000,000 units at a price of \$0.10 per unit for gross proceeds of \$5,000,000. Proceeds received totaled approximately \$4,829,000 due to foreign exchange rate changes on funds received. Each unit is comprised of one common share and one warrant with each warrant exercisable for one additional common share at a price of \$0.13 per share for a period of 36 months from the date of issuance.

(c) Stock options

The Company has a stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The options vest on a date set by the directors and expire at a time set by the directors, being not more than 10 years from the date of grant, provided that any outstanding options will expire on a date to be determined by the directors following the date that the holder ceases to be a senior officer, director, employee or consultant of the Company, such period not being more than twelve months from the date of such cessation. At December 31, 2021, 6,565,687 options are available for issuance under the plan.

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The following is a continuity table of stock options outstanding as at December 31, 2021:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2019	5,119,000	\$ 0.52
Granted	8,691,000	0.17
Expired	(100,000)	0.40
Forfeited	(100,000)	0.45
Outstanding, December 31, 2020	13,610,000	\$ 0.24
Granted	4,665,000	0.50
Exercised	(2,600,000)	0.30
Outstanding, December 31, 2021	15,675,000	\$ 0.31

As at December 31, 2021, the following incentive stock options were outstanding:

Expiration date	Options outstanding and exercisable	Unvested options	Exercise price
January 16, 2022	250,000	—	\$ 0.45
July 4, 2022	950,000	—	0.50
July 4, 2022	450,000	—	0.25
September 1, 2022	434,000	—	0.25
October 5, 2022	100,000	—	0.75
April 4, 2023	200,000	—	0.25
April 4, 2023	175,000	—	0.80
August 10, 2023	160,000	—	0.25
August 1, 2024	100,000	—	0.30
February 1, 2025	1,375,000	—	0.25
June 15, 2023	2,091,000	—	0.15
June 15, 2025	4,725,000	—	0.15
January 21, 2024	1,250,000	1,600,000	0.45
January 21, 2026	700,000	—	0.45
February 3, 2024	500,000	—	0.60
February 7, 2024	215,000	—	0.65
April 14, 2024	50,000	—	0.90
May 19, 2024	100,000	—	0.75
January 23, 2023	50,000	—	0.90
September 30, 2024	200,000	—	0.55
	14,075,000	1,600,000	\$ 0.31

As at December 31, 2021, the weighted-average remaining contractual life of stock options outstanding was 2.39 years (2020 - 2.85 years).

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The fair value of the options granted during the years ended December 31, 2021 and 2020 were calculated using the Black-Scholes option model with the following weighted average assumptions:

	2021	2020
Weighted average assumptions:		
Risk-free interest rate	0.34 %	0.49 %
Expected dividend yield	— %	— %
Expected option life (years)	3.28	5.00
Expected stock price volatility	97 %	72 %
Weighted average fair value at grant date	\$ 0.49	\$ 0.18

The Company uses expected stock price volatility based on the volatility observed in historical periods.

(d) Share purchase warrants

The number and weighted average exercise prices of warrants outstanding as at December 31, 2021 and 2020, were as follows:

	Number of Warrants	Weighted-Average Exercise Price
Outstanding, December 31, 2020	50,000,000	\$ 0.13
Exercised	(34,498,727)	0.13
Outstanding, December 31, 2021	15,501,273	\$ 0.13

The following table summarizes the warrants outstanding and exercisable at December 31, 2021:

Expiration Date	Warrants	
	Outstanding and Exercisable	Weighted-Average Exercise Price
June 10, 2023	15,501,273	\$ 0.13
Outstanding, December 31, 2021	15,501,273	\$ 0.13

As at December 31, 2021, the weighted-average remaining contractual life of warrants outstanding was 1.44 years (2020 – 2.44 years).

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12. RELATED PARTY TRANSACTIONS AND BALANCES

Key management are the officers and directors of the Company. The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

	Year Ended	
	December 31, 2021	December 31, 2020
Management fees	\$ 595,484	\$ 391,298
Share-based payments	207,640	533,519
	\$ 803,124	\$ 924,817

At December 31, 2021, included in accounts payable and accrued liabilities is an amount of \$3,065 payable to a company controlled by the Chief Executive Officer (“CEO”) of the Company (2020 - \$3,452).

At December 31, 2021, the Company had \$Nil in advances and \$410,363 in accounts payable to equity investments as described in Note 6 (2020 - \$Nil and \$70,939).

Accounts payable and accrued liabilities to related parties are non-interest bearing, due on demand and with no specific terms of repayment.

13. FINANCIAL INSTRUMENTS AND RISK

As of December 31, 2021, and 2020, the Company’s financial instruments consist of cash, accounts receivable, investments, accounts payable, loans and subscriptions received on convertible debentures.

	December 31, 2021	December 31, 2020
Financial Assets:		
Fair value through profit or loss	\$ 6,188,638	\$ 3,543,176
Fair value through other comprehensive income	1,917,972	—
Amortized cost	—	117
Financial Liabilities:		
Amortized cost	\$ 5,714,016	\$ 375,640

See Note 3(n) for classifications.

IFRS 7 *Financial instruments – disclosures*, establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS 7 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities. The Company considers its cash and cash equivalents to be at fair value using Level 1 inputs.

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Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e. quoted prices for similar assets or liabilities).

Level 3 – Prices or valuation techniques that are not based on observable market data and require inputs that are both significant to the fair value measurement and unobservable.

Financial assets and liabilities measured at fair value on a recurring basis are presented on the Company's consolidated statement of financial position as of December 31, 2021 as follows:

	Balance as at December 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>Financial Assets:</i>				
Cash	\$ 6,188,638	\$ 6,188,638	\$ —	—
Investment in equity securities	1,917,972	—	—	1,917,972
	\$ 8,106,610	\$ 6,188,638	\$ —	1,917,972

	Balance as at December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>Financial Assets:</i>				
Cash	\$ 3,543,176	\$ 3,543,176	\$ —	—

The Company believes that the recorded value of accounts receivable and accounts payable approximate their current fair values because of their nature and relatively short maturity dates or durations and current market rates for similar instruments.

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by management. There have not been any significant changes from the previous year as to how these risks are reviewed and monitored by management. The types of financial instrument risk exposures and the objectives and policies for managing these risk exposures are described below:

(a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash is held at a large Canadian financial institution in interest bearing accounts. The Company's accounts receivable consist mainly of oil sales and purchase taxes remitted from the Government of Canada. The Company does not consider itself to be economically dependent on its hydrocarbon customers as transactions with these parties can be easily replaced by transactions with other parties on similar terms

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and conditions. The Company has not recorded any allowance against its trade receivables because historically all balances owed have been settled in full when due (typically within sixty days of submission).

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through its management of capital as outlined in Note 14 to the consolidated financial statements. The Company held cash at December 31, 2021 in the amount of \$6,188,638 (2020 - \$3,543,176) in order to meet short-term business requirements.

At December 31, 2021, the Company had current liabilities of \$1,096,758 (2020 - \$403,568). Accounts payable and accrued liabilities are due within the current operating period. Contractual undiscounted cash flow requirements for financial liabilities as at December 31, 2021 are as follows:

	<1 year	2-3 Years	4-5 Years	Thereafter	Total
Accounts payable and accrued liabilities	\$ 1,096,758	\$ —	\$ —	—	\$ 1,096,758
Subscriptions received for convertible debentures	—	4,951,938	—	—	4,951,938
Loans	—	40,000	—	—	40,000
Decommissioning liabilities	—	—	—	7,129	7,129
	\$ 1,096,758	\$ 4,991,938	\$ —	7,129	\$ 6,095,825

(c) Market risk

Market risk consists of interest rate risk, foreign currency risk and price risk. These are discussed further below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no interest-bearing obligations at December 31, 2021. The risk that the Company will realize a loss as a result of lower interest rates is insignificant.

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Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company is exposed to foreign currency risk to the extent that the following monetary assets and liabilities are denominated in US dollars at December 31, 2021:

Cash	USD\$	3,893,331
Accounts payable and accrued liabilities		(621,291)
Net exposure	USD\$	3,272,040
Canadian dollar equivalents	CDN\$	4,135,859

The result of sensitivity analysis shows an increase or decrease of 10% in USD\$ exchange rate, with all other variables held constant, could have increased or decreased the net loss and comprehensive loss by approximately \$413,585 (2020 - \$302,792).

Price risk

The Company's profitability and ability to raise capital to fund development of oil properties is subject to risks associated with fluctuations in oil prices. Management closely monitors oil prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

14. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company is not subject to any externally imposed capital requirements. As of December 31, 2021, the Company considers capital to consist of all components of shareholders' equity. The Company manages the capital structure and adjusts it based on changes in economic conditions and the risk characteristic of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares or dispose of assets to increase the amount of cash on hand.

To facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company does not pay out dividends at this stage in order to maximize ongoing development efforts.

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing instruments with maturities of 90 days or less from the original date of acquisition.

The Company expects its capital resources to be sufficient to carry its current exploration and development plans, and its commercial deployment of its hydrogen boiler through the next twelve months. Business development efforts could require additional capital resources. See Notes 10 and 18 for discussion of a private placement capital raise for convertible debentures initiated in December 2021 and completed in January 2022 for gross proceeds of approximately \$5.7 million.

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15. SEGMENTED INFORMATION, MAJOR CUSTOMERS AND ECONOMIC DEPENDENCE

At December 31, 2021, all of the Company's non-current assets (other than financial instruments) are located in Oklahoma, USA. Geographical information relating to the Company's non-current assets (other than financial instruments) is presented in Notes 5, 6, and 7.

The Company's revenues of \$60,127 (2020 - \$55,550) are primarily attributable to the Company's property in Oklahoma and the Kansas properties (divested in 2020) where sales are recorded from shipments of crude oil and gas. All the Company's revenues are derived from three major customers in Oklahoma and Kansas. As of December 31, 2021, the Company does not consider itself to be economically dependent on these customers as transactions with these parties can be easily replaced by transactions with other parties on similar terms and conditions.

The income from equity investments of \$560,130 (2020 – loss from equity investments of \$16,742,413) is attributable to the Company's share of income from its equity investments in Oklahoma (Note 6).

16. GUARANTEES

The Company's subsidiaries, JEV KS and JEV OK, are guarantors on the loan with Vast Bank disclosed in Note 6.

17. INCOME TAXES

(a) Income tax expense

Income tax expense included in the consolidated statements of operations and comprehensive income is as follows:

	2021	2020
Current income tax expense	\$ —	\$ —
Deferred income tax recovery	—	—
Total income tax expense	\$ —	\$ —

The reconciliation of income taxes calculated at the Canadian statutory tax rate to the income tax expense is as follows:

	2021	2020
Net loss before income taxes	\$ 6,298,337	\$ 20,128,000
Canadian statutory income tax rate	27 %	27 %
Expected income tax recovery at statutory rate	(1,701,000)	(5,435,000)
Tax effect of:		
Permanent differences and other	342,000	289,000
Tax rate changes	—	—
Change in unrecognized deferred income tax assets	1,359,000	5,146,000
Income tax expense	\$ —	\$ —

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(b) Deferred income tax assets and liabilities

The approximate tax effects of each type of temporary difference that gives rise to potential deferred income tax assets and liabilities are as follows:

	2021	2020
Non-capital losses carried forward	\$ 6,250,000	\$ 5,495,000
Petroleum properties of joint ventures	1,300,000	1,300,000
Decommissioning provisions	3,000	21,000
Petroleum properties	177,000	174,000
Unrecognized deferred income tax assets	(7,730,000)	(6,990,000)
Net deferred income tax assets (liabilities)	\$ —	\$ —

(c) Unrecognized deductible temporary differences:

Temporary differences and tax losses arising in Canada have not been recognized as deferred income tax assets because management has determined it is not probable that sufficient future taxable profits will be earned in Canada to recover such assets. Unrecognized deductible temporary differences are summarized as follows:

	2021	2020
Non-capital losses carried forward	\$ 3,766,000	\$ 2,729,000
Share issuance costs	17,000	15,000
Cumulative eligible capital	34,000	34,000
Exploration and evaluation assets	34,000	34,000
Unrecognized deductible temporary differences	\$ 3,851,000	\$ 2,812,000

The Company has Canadian noncapital losses for income tax purposes of \$13,949,000 (2020 - \$10,109,000) which may be carried forward and offset against taxable income.

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The Canadian non-capital losses expire as follows:

Year	Amount
2032	\$ 110,000
2033	291,000
2034	671,000
2035	1,156,000
2036	1,158,000
2037	1,653,000
2038	1,941,000
2039	1,219,000
2040	1,910,000
2041	3,840,000
	<u>\$ 13,949,000</u>

The Company has United States net operating losses of \$22,736,000 (2020 - \$19,970,000) which can be applied against future operating income in the United States, which will begin to expire starting 2035.

18. SUBSEQUENT EVENTS

On January 7, 2022, the Company closed the non-brokered convertible debenture private placement financing initiated in December 2021. The debentures were issued on January 7, 2022, and the total gross proceeds of the private placement were approximately \$5.7 million. See Note 10 for a further discussion of the subscriptions received in 2021 and the features of the convertible debentures. For accounting purposes, the Company will separate the liability and equity components of the debentures upon closing in January of 2022.

In February of 2022, Jericho led a Seed Series fundraising round for Supercritical Solutions, Ltd. ("Supercritical"), a company focused on developing its new class of water electrolyzer for the production of low-cost clean hydrogen. Jericho invested USD \$1.8 million of a total \$3.6 USD million raised to develop Supercritical's technology. Jericho owns an approximate 11% interest in the preferred shares of the company.

In February 2022, Jericho made an additional USD \$225,000 investment in the preferred shares of H2U.

Through April 2022, 3,500,000 options were issued with an exercise price of \$0.50 per share, with the options exercisable for a period of five years; 250,000 options were issued with an exercise price of \$0.60 per share and exercisable for a period of three years; and 150,000 options were issued with an exercise price of \$0.65 per share and exercisable for a period of three years.

Through April 2022, 2,471,300 warrants were exercised at a price of \$0.13 per share for gross proceeds of \$321,269. Additionally, 400,000 options were exercised for gross proceeds of \$90,000.