JERICHO ENERGY VENTURES INC.

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States Dollars)

December 31, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Jericho Energy Ventures Inc.

Opinion

We have audited the 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, 2022, 2021 and 2020, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and the related notes comprising a summary of significant accounting policies and other explanatory information (together, the "Financial Statements").

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, 2021 and 2020, and its financial performance and its cash flows for the years ended December 31, 2022 and 2021 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 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 Financial Statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(d) of the accompanying Financial Statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, the key audit matter to be communicated in our auditors' report is as follows:

Impairment and Impairment reversal

We draw attention to Notes 3(c), 4, and 6 of the accompanying Financial Statements. The Company concluded that indicators of both impairment and impairment reversal existed at December 31, 2022 and impairment tests were performed. In the impairment tests, the carrying amount of each cash generating unit was compared to their estimated recoverable amount. The estimates of the recoverable amounts are based on estimated future net cash flows and require significant estimates and judgment about future prices, future operating and development costs, remaining recoverable reserves and discount rates.

Impairment and impairment reversal is a key audit matter because significant auditor judgment is required to evaluate the reasonableness of the Company's estimates, assumptions and judgements used in estimating the recoverable amounts of the joint arrangements' petroleum properties as of December 31, 2022.

Our audit response to the key audit matter was as follows:

- We assessed the effectiveness and implementation of the Company's controls over the estimates and assumptions used to estimate the recoverable amounts
- With the assistance of our valuation specialist, we compared the discount rate used by management in the discounted cash flow model to an independent estimate of a discount rate
- We compared the forecasted oil and gas price assumptions used by management to independent pricing sources
- We compared the forecasted recoverable reserves to the information contained in the Company's reserve reports
- We compared forecasted recoverable reserves in the prior year to the amount of actual production in the current year
- We compared forecasted operating and development costs to the historical operating and development costs

Other Matter

As described in Note 2(b) to the Financial Statements, the Company elected to change its reporting currency from the Canadian dollar to the United States dollar. Accordingly, the Company has revised and presented all comparative financial statements and financial information in United States dollars.

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 Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing the 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 Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 Financial Statements.

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 Financial Statements, including the disclosures, and whether the 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.

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

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

/s/ Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, British Columbia

May 1, 2023

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

	Note	December 31, 2022	2021 *(Revised- See Note 2)*	2020 *(Revised-See Note 2)*
Assets				
Current assets				
Cash		$ 349,638	$ 4,896,074	$ 2,782,234
Accounts receivable		54,511	24,476	2,376
Prepaid expenses and deposits		43,515	41,616	9,812
		447,664	4,962,166	2,794,422
Non-current assets				
Petroleum properties	5	—	175,808	151,120
Equity investments	6	15,118,561	12,810,981	12,484,188
Intangible assets	7	2,747,403	2,878,617	—
Investments and other non-current assets	7	3,521,994	1,558,680	7,878
		21,387,958	17,424,086	12,643,186
Total assets		$ 21,835,622	$ 22,386,252	$ 15,437,608
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		$ 1,130,803	$ 867,688	$ 316,897
Loans		29,512	—	—
		1,160,315	867,688	316,897
Non-current liabilities				
Decommissioning liabilities	8	—	7,766	60,100
Loans and subscriptions received for convertible debentures	10,13	—	3,949,318	50,472
Convertible debentures	10	3,035,441	—	—
Total liabilities		$ 4,195,756	$ 4,824,772	$ 427,469
Equity				
Share capital	11	51,742,094	50,985,070	43,692,085
Contributed surplus	10,11	6,801,797	3,149,862	2,839,798
Accumulated other comprehensive loss		(1,335,305)	(1,520,037)	(1,409,051)
Deficit		(39,568,720)	(35,053,415)	(30,112,693)
		17,639,866	17,561,480	15,010,139
Total liabilities and equity		$ 21,835,622	$ 22,386,252	$ 15,437,608

See Basis of Presentation “Going concern” - Note 2(d) for further information.
See Subsequent events - Note 18 for further information.

Approved on behalf of the Board

"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 United States dollars)

	Note	Year Ended December 31, 2022	December 31, 2021
Net product revenue	15	$ 23,326	$ 47,985
Operating expenses			
Production costs		17,729	31,776
Depletion, depreciation and amortization	5,7	563,134	407,632
Accretion of decommissioning liabilities	8	50	220
General and administrative expenses	9	6,152,208	4,781,849
Total operating expenses		6,733,121	5,221,477
Share of income from equity investments	6	2,932,406	446,781
Operating loss		(3,777,389)	(4,726,711)
Other income (loss)			
Interest expense	10	(634,141)	—
Other income (loss)		(733)	19,451
Gain/(loss) on disposal of petroleum properties		(103,042)	79,203
Write-off of prepayment on investment		—	(312,665)
		(737,916)	(214,011)
Loss for the year		(4,515,305)	(4,940,722)
Other comprehensive income (loss)			
Items that may be reclassified subsequently to income/loss			
Foreign currency exchange income (loss) on translation of foreign subsidiaries		184,732	(110,986)
Comprehensive loss for the year		$ (4,330,573)	$ (5,051,708)
Loss per share			
Basic		$ (0.02)	$ (0.02)
Weighted average number of shares			
Basic and diluted		225,464,094	209,201,449

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

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

	Number of Shares (Note 10)	Share Capital (Note 10)	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
December 31, 2020	178,608,142	$ 43,692,085	$ 2,839,798	$ (1,409,051)	$ (30,112,693)	$ 15,010,139
Issue of shares from acquisition (Note 6)	6,700,000	2,390,012	—	—	—	2,390,012
Issue of shares under warrant exercise	34,498,727	3,559,811	—	—	—	3,559,811
Issue of shares under options exercise	2,600,000	1,349,522	(712,338)	—	—	637,184
Share issuance costs	—	(6,360)	—	—	—	(6,360)
Share-based payments	—	—	1,022,402	—	—	1,022,402
Other comprehensive loss for the year	—	—	—	(110,986)	—	(110,986)
Net loss for the year	—	—	—	—	(4,940,722)	(4,940,722)
December 31, 2021	222,406,869	$ 50,985,070	$ 3,149,862	$ (1,520,037)	$ (35,053,415)	$ 17,561,480

	Number of Shares (Note 10)	Share Capital (Note 10)	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
December 31, 2021	222,406,869	$ 50,985,070	$ 3,149,862	$ (1,520,037)	$ (35,053,415)	$ 17,561,480
Issue of shares under warrant exercise	2,471,300	251,831	—	—	—	251,831
Issue of shares under options exercise	1,374,000	505,887	(266,047)	—	—	239,840
Share issuance costs	—	(694)	—	—	—	(694)
Share-based payments	—	—	2,061,691	—	—	2,061,691
Conversion rights of debentures and warrants (Note 9)	—	—	1,856,291	—	—	1,856,291
Other comprehensive income for the year	—	—	—	184,732	—	184,732
Net loss for the year	—	—	—	—	(4,515,305)	(4,515,305)
December 31, 2022	226,252,169	$ 51,742,094	$ 6,801,797	$ (1,335,305)	$ (39,568,720)	$ 17,639,866

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

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

	Note	Year Ended December 31, 2022	Year Ended December 31, 2021
Cash flows from (used in) operating activities			
Loss for the year		$ (4,515,305)	$ (4,940,722)
Adjustments for non-cash items:			
Accretion of decommissioning liabilities	8	50	220
Depletion, depreciation and amortization	5, 7	533,123	407,632
Share-based payments		2,061,691	1,022,402
Share of income from equity investments	6	(2,932,406)	(446,781)
Distributions received from equity investments		624,826	119,988
Gain (loss) on disposal of petroleum properties		103,042	(79,203)
Write-off of prepayment on investment		—	312,665
Loan forgiveness		—	(19,063)
Amortization of debt issuance costs		30,011	—
Cash provided by (used in) operating assets and liabilities:			
Accounts receivable		(30,035)	(22,100)
Prepaid expenses and deposits		(1,899)	(31,804)
Accounts payable and accrued liabilities		263,115	550,791
Interest payable on convertible debentures		165,093	—
Non-current assets and non-current liabilities		9,545	—
Net cash used in operating activities		(3,689,149)	(3,125,975)
Cash flows from (used in) investing activities			
Prepayment on investment		—	(312,665)
Development costs for the year		—	(60,008)
Proceeds from sale of petroleum properties		62,650	45,000
Investment in intangible assets		(395,677)	(755,013)
Investment in equity securities	7	(1,974,491)	(1,517,383)
Purchase of vehicles and equipment		—	(41,667)
Net cash used in investing activities		(2,307,518)	(2,641,736)
Cash flows from (used in) financing activities			
Proceeds from issuance of shares	11	757,718	4,187,011
Share issuance costs		(694)	(6,360)
Subscriptions received for convertible debentures	10	533,552	3,880,439
Net cash from financing activities		1,290,576	8,061,090
Change in cash		(4,706,091)	2,293,379
Effect of exchange rate changes on cash		159,655	(179,539)
Cash at beginning of year		4,896,074	2,782,234
Cash at end of year		$ 349,638	$ 4,896,074

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

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, 2022, 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"). In first quarter 2022, the Company participated in a second Series-A financing for H2U and a seed-series financing for Supercritical Solutions, Ltd. ("Supercritical"). See Note 7 for a discussion of the Company's acquisition of HTI's assets and its investments in H2U and Supercritical.

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 May 1, 2023.

(b) Basis of presentation

In the fourth quarter of 2022, the Company elected to change its reporting currency from Canadian dollars to U.S. dollars since its entire portfolio of petroleum properties are located in the U.S., and the majority of the activities related to the its other subsidiaries take place in the U.S., and to facilitate a more direct comparison to other similar companies in the U.S. The change in reporting currency is a voluntary change which is accounted for retrospectively. All comparative financial statements and financial information have been revised to U.S. dollars using the procedures outlined below:

- Consolidated Statements of Comprehensive Loss and Consolidated Statements of Cash Flows have been translated into U.S. dollars using actual amounts when available, and average foreign exchange rates for the relevant period when actual amounts are not available.

- Assets and liabilities in the Consolidated Statements of Financial Position have been translated into U.S. dollars at actual amounts when available, and the closing foreign exchange rates on the respective year-end dates when actual amounts are not available.

- The equity section of the Consolidated Statements of Financial Position and the Consolidated Statements of Changes in Equity have been translated into U.S. dollars using historical foreign exchange rates.

- Earnings per share disclosures have also been restated to U.S. dollars to reflect the change in reporting currency.

The functional currency of the parent entity has been and continues to be Canadian dollars and the functional currency of the U.S. subsidiaries and joint arrangements continues to be U.S. dollars. All references to $ or USD$ are to U.S. dollars and references to CAD$ are to Canadian dollars.

These consolidated financial statements are expressed in U.S. 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 Ventures, LLC; JEV KS, LLC (formerly Jericho Oil (Kansas) Corp.); and JEV OK, LLC (formerly Jericho Oil (Oklahoma) Corp.), and Hydrogen Technologies LLC.

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

(d) Going concern

These consolidated financial statements have been prepared on the assumption that the Company is a going concern that will continue in operation for the foreseeable future and will be able to realize its assets and settle its obligations in the normal course of operations.

At December 31, 2022, the Company had a working capital deficiency of $712,651, has incurred a net loss of $4,515,305 and had negative cash flows from operations of $3,689,149 in the year ended December 31, 2022.

These factors indicate the existence of a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent on achieving profitable operations and/or management's ability to raise the necessary funding through future equity issuances or debt issuances. There is no assurance that any necessary future financing will be sufficient to sustain operations until such time that the Company can generate sufficiently profitable operations to support its requirements.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern assumption were not appropriate, adjustments would be necessary to the recoverability and classification of recorded asset amounts and classification of liabilities. Such adjustments could be material.

(e) Foreign currency

Functional currencies
The functional 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. The reporting currency of the Company is the U.S. dollar.

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 currency translation
The parent entity translates its statement of comprehensive loss items to U.S. 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 differences between the 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.

(f) 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.

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 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.

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, 2022, 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 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 and impairment reversal
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 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 or its joint arrangements 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, 2022, the Company has interests in joint arrangements to conduct oil and gas development and production activities on petroleum properties in Oklahoma (Note 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 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 and joint arrangements' 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 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 recognized 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 and variable voting shares (see note 11) of the Company by the weighted average number of shares outstanding for the relevant period.

Diluted earnings/loss per share is computed by dividing the net income or loss applicable to shares by the sum of the weighted average number of shares issued and outstanding and all additional 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 shares at the average market price during the year. Diluted loss per share excludes all dilutive potential 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.

(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 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 cost 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.

The Company’s investments in Supercritical Solutions, Ltd. and H2U Technologies, Inc. are accounted for at FVTOCI. See Note 7 for information regarding these investments.

Fair value through profit or loss (“FVTPL”)

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

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, convertible debentures, 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 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.

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 joint ventures' 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 or impairment reversal if indicators exist. Cash flow estimates for impairment or impairment reversal 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. See Note 6 for a discussion of impairment testing performed as of December 31, 2022.

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 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.

Fair value of investments measured at FVTOCI
Management uses judgment when determining the fair value of investments which are measured at FVTOCI. The investees do not generate positive cash flows. Accordingly, the Company is not able to estimate fair value using an income approach. The Company's estimate of the fair values of its investments is based on the price paid to acquire the investments plus qualitative and quantitative information about the investees to assess whether the fair value of the investees has changed since the Company made its initial investments.

Intangible assets – impairment testing
Judgment is required when considering whether impairment indicators are present for intangible assets such as intellectual property. Management considers quantitative data as well as qualitative data such as industry trends, scientific advances, governmental initiatives, grant availability, and corporate social responsibility initiatives to evaluate whether indicators of impairment exist. Based on such information and the progress made on the development of the intangible assets, the Company has concluded that there are no impairment indicators on its intangible assets as of December 31, 2022.

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

During the year ended December 31, 2022, the Company divested its remaining joint operations recorded as petroleum properties in Oklahoma. During second quarter 2021, the Company sold the remaining leases in Kansas. The following is a summary of cost and related accumulated depletion for these properties for the years presented:

		December 31, 2022		December 31, 2021
Cost:				
Balance, beginning of year	$	187,008	$	958,574
Development cost additions		—		60,008
Sale of interest in petroleum properties		(179,408)		(831,574)
Change in estimate of decommissioning liability		(7,600)		—
Balance, end of year		—		187,008
Accumulated depletion:				
Balance, beginning of year		11,200		(807,454)
Depletion		2,300		11,200
Sale of interest in petroleum properties		(13,500)		807,454
Balance, end of year		—		11,200
Carrying value	$	—	$	175,808

6. EQUITY INVESTMENTS

As of December 31, 2022, 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, 2022 and 2021, the Company holds the following joint ventures and associates:

	December 31, 2022	December 31, 2021
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 7,250 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, 2021	$ 3,409,471	$ 178,084	$ 5,729,216	$ 3,465,992	$ 28,218	$ 12,810,981
Share of income/(loss)	2,110,768	431,964	(239,301)	581,471	47,504	2,932,406
Distribution received	(150,000)	—	—	(423,156)	(51,670)	(624,826)
Balance, December 31, 2022	$ 5,370,239	$ 610,048	$ 5,489,915	$ 3,624,307	$ 24,052	$ 15,118,561

	Eagle Road	Lurgan	Buckmanville	Walnut	Cherry Rancher	Total
Balance, December 31, 2020	$ 3,262,492	$ 150,037	$ 5,443,721	$ 3,511,097	$ 116,841	$ 12,484,188
Share of income/(loss)	146,979	28,047	285,495	(45,105)	31,365	446,781
Distribution received	—	—	—	—	(119,988)	(119,988)
Balance, December 31, 2021	$ 3,409,471	$ 178,084	$ 5,729,216	$ 3,465,992	$ 28,218	$ 12,810,981

If required, advances are generally made to Eagle Road as the Operator of the Company's joint ventures in Oklahoma. As the Operator, Eagle Road bears payroll costs, pays invoices and collects and distributes revenues on behalf of the other joint ventures and any other working interest owners. Details of the joint ventures results of operations and financial positions are reflected in the following tables.

Summary of results of operations of the joint ventures and the Company's share of the income or (loss) for 2022 is as follows:

100% Year Ended December 31, 2022	**Eagle Road**	**Lurgan**	**Buckmanville (*)**	**Walnut**	**Cherry Rancher**	**Total**
Revenue	$ 2,834,158	$ 649,072	$ 6,108,784	$ 1,556,485	$ 182,627	$ 11,331,126
Production cost	(857,590)	(246,185)	(3,718,651)	(589,028)	(26,888)	(5,438,342)
Depletion and depreciation	(638,633)	(103,800)	(849,700)	(246,175)	—	(1,838,307)
Impairment reversal (expense)	4,490,700	601,300	(1,848,900)	1,980,000	—	5,223,100
Accretion of decommissioning provision	(47,025)	(8,400)	(57,600)	(17,080)	—	(130,105)
Gain on disposal of asset	(8,952)	—	—	—	—	(8,952)
G&A and other operating	(1,454,506)	(8,904)	(28,585)	(490,207)	(2,500)	(1,984,703)
Interest and loan costs	(96,616)	(19,155)	(200,386)	237	—	(315,921)
Loss on extinguishment of debt	—	—	(233,564)	—	—	(233,564)
100% Net income (loss)	**$ 4,221,536**	**$ 863,928**	**$ (828,602)**	**$ 2,194,232**	**$ 153,239**	**$ 6,604,333**
Jericho's ownership	50 %	50 %	50 %	26.5 %	31 %	
	$ 2,110,768	**$ 431,964**	**$ (414,301)**	**$ 581,471**	**$ 47,504**	**$ 2,757,406**
Basis difference adjustment	—	—	175,000	—	—	175,000
Jericho's share of net income (loss)	**$ 2,110,768**	**$ 431,964**	**$ (239,301)**	**$ 581,471**	**$ 47,504**	**$ 2,932,406**

(*) Jericho's share of Buckmanville's net income includes an adjustment for a basis difference in Jericho's carrying value of its investment and Buckmanville's equity.

Impairment and impairment reversal 2022

The Company performed a review to identify whether indicators of impairment or impairment reversal exist at December 31, 2022, related to the petroleum properties of its joint ventures and associates. Impairment losses recognized in prior years are assessed for any indications that the loss has decreased or no longer exists. This review involved consideration of a sustained improvement in realized commodity prices, expected higher future commodity prices, global external factors, and internal factors including an estimation of the oil and gas reserves associated with the petroleum properties. Upon this review, the Company concluded that indicators of both impairment and impairment reversal existed at December 31, 2022, and an impairment test was performed.

The impairment test compared the carrying amount of each CGU to the estimated recoverable amount. The recoverable amount is determined based on fair value less cost of disposal, representing 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. The Company's estimate of the fair values of the CGUs were determined using Level 3 inputs and were based on estimated future net cash flows from proved oil and gas reserves discounted to their present values using forecasted oil prices ranging from $75 to $96 per barrel, a range of discount rates ranging from 13% to 28% depending on the various categories of oil and gas reserves; these assumptions reflect management's best estimates of current market participant's assessments of expected commodity prices, the time value of money and the risks specific to each reserve category and CGU. The proved oil and gas reserves were evaluated by independent third-party reserve evaluators as of December 31, 2022.

As a result of the Company's evaluation, impairment reversals were recorded in the Eagle Road, Lurgan and Walnut joint ventures and associates, and an impairment loss was recorded in the Buckmanville joint venture, as reflected in the summary results of operations for the year ended December 31, 2022. The impairment reversals were primarily driven by higher forecasted prices for Lurgan and Walnut, and higher prices combined with increased reserves from drilling in Eagle Road. The impairment loss in Buckmanville was driven by lower proved reserves.

Summary of financial position information of the joint ventures for 2022 is as follows:

100%

As at December 31, 2022	Eagle Road	Lurgan	Buckmanville	Walnut	Cherry Rancher	Total
Assets						
Cash and cash equivalents	$ 1,177,129	$ 4,456	$ 67,364	$ 657,548	$ —	$ 1,906,497
Current assets (excluding cash)	1,386,848	85,728	227,579	62,873	20,566	1,783,594
Non-current assets	18,633,031	1,887,483	16,222,564	13,280,092	—	50,023,170
Total assets	21,197,008	1,977,667	16,517,507	14,000,513	20,566	53,713,261
Liabilities						
Current liabilities	2,068,984	107,064	43,630	95,360	—	2,315,038
Intercompany	2,997,886	(90,080)	(2,695,145)	(157,571)	(55,090)	—
Non-current liabilities	5,314,699	740,586	6,601,069	730,900	—	13,387,254
Total liabilities	10,381,569	757,570	3,949,554	668,689	(55,090)	15,702,292
Equity	10,815,439	1,220,097	12,567,953	13,331,824	75,656	38,010,969
Total liabilities and equity	$ 21,197,008	$ 1,977,667	$ 16,517,507	$ 14,000,513	$ 20,566	$ 53,713,261

At December 31, 2022, non-current liabilities include $6.3 million related to the loan discussed below. In addition, non-current liabilities include $7.0 million for decommissioning liabilities.

In 2020, the the Company's three joint ventures in Oklahoma 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").

In December 2022, the joint ventures refinanced the loan with Vast Bank and expanded the borrowing base to $7.0 million under a Senior Secured Revolving Credit Facility (the "Facility"). Proceeds of the loan were used to pay off the loan previously held under the MSLP, 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, 2022, the carrying value of the loan was $6.3 million. The interest rate for the loan is Chase Prime, and the loan matures on December 23, 2024. Management considered the refinancing an extinguishment of debt. Under IFRS, any unamortized debt issuance costs from the original loan plus all transaction costs for the refinancing must be included in the gain or loss calculation on extinguishment, which resulted in a loss on extinguishment of debt of $233,564.

Summary results of operations of the joint ventures and the Company's share of the income or (loss) for 2021 is presented below.

100% Year Ended December 31, 2021	**Eagle Road**	**Lurgan**	**Buckmanville**	**Walnut**	**Cherry Rancher**	**Total**
Revenue	$ 1,948,706	$ 451,822	$ 4,485,530	$ 1,233,013	$ 123,380	$ 8,242,451
Production cost	(464,193)	(270,837)	(2,812,458)	(561,489)	(20,454)	(4,129,431)
Depletion and depreciation	(709,462)	(96,800)	(906,200)	(287,224)	—	(1,999,686)
Accretion of decommissioning provision	(22,536)	(5,484)	(34,820)	(13,300)	—	(76,140)
Gain/loss on disposal of asset	32,033	—	11,000	—	—	43,033
G&A and other operating	(1,148,420)	(10,132)	(25,659)	(541,742)	(1,750)	(1,727,703)
Interest and loan costs	(65,687)	(12,475)	(146,402)	535	—	(224,029)
Loan forgiveness	640,517	—	—	—	—	640,517
Deferred income tax recovery	83,000	—	—	—	—	83,000
100% Net income (loss)	**$ 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)	**$ 146,979**	**$ 28,047**	**$ 285,496**	**$ (45,105)**	**$ 31,364**	**$ 446,781**

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 $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 $310,000, with a five-year term and an interest rate of one percent. The loan was forgiven in the fourth quarter of 2021.

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 2022 and 2021, RStack LLC received fees of approximately $317,904 and $336,304, net of reimbursements to Eagle Road for its contribution of shared services.

Summary of financial position information of the joint ventures for 2021 is presented in the table below.

100% **As at December 31, 2021**	**Eagle Road**	**Lurgan**	**Buckmanville**	**Walnut**	**Cherry Rancher**	**Total**
Assets						
Cash and cash equivalents	$ 834,753	$ 4,484	$ 67,305	$ 532,850	$ —	$ 1,439,392
Current assets (excluding cash)	1,310,510	32,000	173,918	107,651	5,993	1,630,072
Non-current assets	13,589,842	1,381,419	20,447,365	13,180,885	—	48,599,511
Total assets	15,735,105	1,417,903	20,688,588	13,821,386	5,993	51,668,975
Liabilities						
Current liabilities	1,469,838	107,412	43,747	107,608	(4)	1,728,601
Intercompany	1,223,183	120,319	(1,268,278)	7,874	(83,098)	—
Non-current liabilities	6,223,182	834,004	6,666,565	968,311	—	14,692,062
Total liabilities	8,916,203	1,061,735	5,442,034	1,083,793	(83,102)	16,420,663
Equity	6,818,902	356,168	15,246,554	12,737,593	89,095	35,248,312
Total liabilities and equity	$ 15,735,105	$ 1,417,903	$ 20,688,588	$ 13,821,386	$ 5,993	$ 51,668,975

At December 31, 2021, non-current liabilities include $5.6 million related to the loan with Vast Bank. In addition, non-current liabilities include $8.1 million for decommissioning liabilities and $0.7 million for deferred tax liability.

The Company and its joint ventures evaluated whether there were indicators of impairment or impairment reversal as of December 31, 2021. This evaluation involved consideration of realized commodity prices and future commodity prices. The Company also considered global external factors, including 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.

7. ACQUISITIONS, INTANGIBLE ASSETS AND INVESTMENTS

In February 2022, the Company led a Seed-Series fundraising round for Supercritical Solutions, Ltd. (“Supercritical”), a company in the United Kingdom focused on developing its new class of water electrolyzer for the production of low-cost clean hydrogen. Jericho invested $1.8 million of a total $3.6 million raised to develop Supercritical’s technology. Jericho owns an approximate 11% interest in the ordinary and seed preferred shares of the company, and currently holds one of five board positions. The seed preferred shares are convertible into ordinary shares upon notice of a majority of preferred investors or prior to an initial public offering. The Company accounts for its investment in Supercritical at FVTOCI, and is included in Investments and other non-current assets on the consolidated statement of financial position.

In the third quarter of 2021, the Company participated in a Series-A financing for H2U Technologies, Inc. (“H2U”), and invested $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 catalysts that serve the growing hydrogen market. H2U is using the proceeds of its funding to

develop its proprietary technology. In February 2022, Jericho participated in a second round of Series-A financing and made an additional $225,000 investment in the preferred shares of H2U. The Company currently holds one of six board positions. The Company accounts for its investment in H2U at FVTOCI, and is included in Investments and other non-current assets on the consolidated statement of financial position.

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 and formed a new company named Hydrogen Technologies, LLC.

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 $166,000 were capitalized to intangible assets. Since acquiring the assets of HTI, the Company has incurred approximately $1,052,000 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 yet available for use. Accordingly, the development costs for these designs have not begun amortization. Management has considered whether impairment indicators are present and has concluded, using both quantitative and qualitative analysis, that there are no indicators of impairment for the intangible assets as of December 31, 2022.

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

	Patents	Development Costs	Total Intangible Assets
Net book value			
Balance at December 31, 2020	$ —	$ —	$ —
Additions	2,608,798	661,139	3,269,937
Amortization	(391,320)	—	(391,320)
Balance at December 31, 2021	$ 2,217,478	$ 661,139	$ 2,878,617
Additions	—	390,546	390,546
Amortization	(521,760)	—	(521,760)
Balance at December 31, 2022	$ 1,695,718	$ 1,051,685	$ 2,747,403

During 2021, the Company expensed approximately $313,000 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, 2022	December 31, 2021
Balance, beginning of year	$ 7,766	$ 60,100
Accretion expense	50	220
Sale of properties	(7,816)	(52,554)
Balance, end of year	$ —	$ 7,766

At December 31, 2022, the Company divested all of its remaining joint operations. 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. At December 31, 2021, the present value of the obligation relating to the properties in Oklahoma and Kansas (Note 5) $7,766 was calculated using an average risk-free interest rate of 1.90% and an inflation rate of 2.70%. The weighted-average life of the wells was estimated at 39.6 years. The undiscounted value of the obligation was $7,129.

9. GENERAL AND ADMINISTRATIVE EXPENSES

The following table presents the general and administrative expenses incurred during the years ended December 31, 2022 and 2021.

	Year Ended December 31,	
	2022	2021
General and administrative expense (1)		
Management fees (Note 12)	$ 362,064	$ 474,981
Employee salaries and benefits	1,287,878	449,684
Business development costs	348,532	532,213
Directors' fees (Note 12)	75,000	—
Share-based payments (Note 12)	2,061,691	1,022,402
Consulting fees	420,753	462,429
Accounting and auditing fees	251,691	204,306
Investor relations	584,994	1,067,940
Transfer agency and filing fees	89,885	27,516
Legal fees	374,407	229,205
Travel	91,491	55,636
Short-term lease obligation	19,356	39,567
Insurance	49,019	27,643
Office, computer and miscellaneous	135,447	188,327
General and administrative expense	$ 6,152,208	$ 4,781,849

(1) Certain amounts included in the year ended December 31, 2021 have been reclassifed to conform to current presentation.

10. 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 CAD $0.70 that mature 36 months after the closing date of the financing. In addition, for each debenture purchased, subscribers receive one share purchase warrant entitling the holder to purchase one additional 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 share and any accrued and unpaid interest is convertible at the market price per common share on the date of any conversion of interest.

Per the private placement subscription agreements, the subscription amounts received prior to the closing date are considered an interest free loan. The Company received approximately $3.8 million of the subscription amounts in December 2021, which were included in Loans and subscriptions received for convertible debentures on the consolidated statements of financial position. The financing closed and the debentures were issued on January 7, 2022, for total gross proceeds of approximately $4.4 million. Upon closing the financing and issuring the debentures, the Company separated the liability and equity components of the debentures for accounting purposes as described below.

The funds received under the subscription agreements for the convertible debentures were allocated between the estimated fair value of the liability and the equity conversion feature. The value ascribed to the liability as of the debenture issuance date was approximately $2.6 million, and the value ascribed to the equity conversion feature and warrants was approximately $1.8 million. The value ascribed to the liability component of the debenture has been estimated based on an effective interest rate of 25% per annum. The following table presents a reconciliation of the convertible debentures:

		Convertible Debentures $
Proceeds from issuance of convertible debentures	$	4,208,033
Less transaction costs		(57,652)
	$	4,150,381
Amount classified as equity (conversion rights and warrants), net of transaction costs		(1,724,031)
Interest accrued		609,091
Balance as of December 31, 2022	$	3,035,441

11. SHARE CAPITAL AND EQUITY RESERVES

On June 23, 2022, the Company's shareholders approved a reorganization of the Company's share capital structure (the "Share Amendments"). The Share Amendments were approved on June 23, 2022, and resulted in, among other things, (i) creation of a new class of variable voting shares of the Company for shareholders that are U.S. Residents, and (ii) limiting share ownership of the common shares of the Company to shareholders that are Non-U.S. Residents (the common shares and variable voting shares, together, the

"shares"). Aside from the differences in (a) the residency status of shareholders of the common shares and variable voting shares and (b) the voting rights attributable to each class of shares, the shares are otherwise treated the same by the Company in all material respects, including payment of dividends and participation in earnings of the Company.

In connection with the Share Amendments, the Company received certain exemptive relief from the Canadian securities administrators to enable its common shares and variable voting shares to be treated collectively as if they were a single class for certain purposes, including for take-over bid and early warning reporting purposes and to permit the Company to refer to the variable voting shares as "variable voting shares". Effective June 29, 2022, the common shares and variable voting shares began trading on the TSX Venture Exchange under the single and current ticker "JEV".

(a) Authorized share capital

Unlimited common shares without par value.

(b) Issued share capital

At December 31, 2022, 226,252,169 shares were outstanding, including 49,233,595 common shares and 177,018,574 variable voting shares.

As the common shares and variable voting shares participate in the Company's earnings on the same basis, the weighted average number of shares outstanding used to compute loss per share includes both the common shares and variable voting shares.

For the year ended December 31, 2022

During 2022, 1,374,000 stock options were exercised at a weighted average price of CAD $0.22 per share for gross proceeds of CAD $308,500. In addition, 2,471,300 warrants were exercised at CAD $0.13 per share for gross proceeds of CAD $320,174.

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 CAD $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 CAD $0.30 per share for gross proceeds of CAD $790,000. In addition, 34,498,727 warrants were exercised at CAD $0.13 per share for gross proceeds of CAD $4,484,834. Proceeds received totaled approximately CAD $4,443,619 due to foreign exchange rate changes on funds received.

(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, 2022, 2,084,217 options are available for issuance under the plan.

The following is a continuity table of stock options outstanding (presented in $CAD) as at December 31, 2022:

	Number of Options	Weighted Average Exercise Price
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
Granted	7,800,000	0.45
Exercised	(1,374,000)	0.22
Expired	(1,560,000)	0.45
Outstanding, December 31, 2022	20,541,000	$ 0.35

As at December 31, 2022, the following incentive stock options (presented in $CAD) were outstanding:

Expiration date	Options outstanding and exercisable	Unvested options	Exercise price
April 4, 2023	100,000	—	$ 0.25
April 4, 2023	175,000	—	0.80
June 15, 2023	1,541,000	—	0.15
July 3, 2023	50,000	—	0.90
August 23, 2023	160,000	—	0.25
January 21, 2024	2,650,000	—	0.45
January 21, 2024	200,000	—	0.50
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
August 1, 2024	100,000	—	0.30
September 30, 2024	200,000	—	0.55
January 31, 2025	250,000	—	0.60
February 1, 2025	1,275,000	—	0.25
February 7, 2025	150,000	—	0.65
June 15, 2025	4,725,000	—	0.15
August 4, 2025	225,000	—	0.40
November 14, 2025	1,000,000	—	0.30
November 17, 2025	250,000	—	0.33
December 29, 2025	2,125,000	—	0.35
January 21, 2026	700,000	—	0.45
January 9, 2027	3,500,000	—	0.50
November 29, 2027	300,000	—	0.35
	20,541,000	—	$ 0.35

As at December 31, 2022, the weighted-average remaining contractual life of stock options outstanding was 2.30 years (2021 - 2.39 years).

The fair value of the options granted during the years ended December 31, 2022 and 2021 were calculated using the Black-Scholes option model with the following weighted average assumptions:

	2022	2021
Weighted average assumptions:		
Risk-free interest rate	2.52 %	0.34 %
Expected dividend yield	— %	— %
Expected option life (years)	3.97	3.28
Expected stock price volatility	95 %	97 %
Weighted average fair value at grant date	$ 0.47	$ 0.49

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 (presented in $CAD) as at December 31, 2022 and 2021, 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
Granted	8,227,257		1.00
Exercised	(2,471,300)		0.13
Outstanding, December 31, 2022	21,257,230	$	0.47

The following table summarizes the warrants outstanding and exercisable (presented in $CAD) at December 31, 2022:

Expiration Date	Warrants Outstanding and Exercisable		Weighted Average Exercise Price
June 10, 2023	13,029,973	$	0.13
January 7, 2025	8,227,257		1.00
Outstanding, December 31, 2022	21,257,230	$	0.47

As at December 31, 2022, the weighted-average remaining contractual life of warrants outstanding was 1.05 years (2021 – 1.44 years).

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, 2022		December 31, 2021
Management fees	$	362,064	$	474,981
Directors' fees		75,000		—
Share-based payments		1,212,791		162,861
	$	1,649,855	$	637,842

At December 31, 2022, included in accounts payable and accrued liabilities is an amount of $6,600 receivable from a joint venture partner of the Company (2021 – payable of $2,424).

At December 31, 2022, the Company had $Nil in advances and $759,181 in accounts payable to equity investments as described in Note 6 (2021 - $Nil and $324,655).

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, 2022, and 2021, the Company's financial instruments consist of cash, accounts receivable, investments, accounts payable, loans and convertible debentures.

	December 31, 2022	December 31, 2021
Financial Assets:		
Fair value through profit or loss	$ 349,638	$ 4,896,074
Fair value through other comprehensive income	3,491,874	1,517,383
Amortized cost	30,000	—
Financial Liabilities:		
Amortized cost	$ 4,027,548	$ 4,520,582

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.

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, 2022 and 2021 as follows:

	Balance as at December 31,	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:				
Cash	$ 4,896,074	$ 4,896,074	$ —	$ —
Investment in equity securities	1,517,383	—	—	1,517,383
December 31, 2021	$ 6,413,457	$ 4,896,074	$ —	$ 1,517,383
Cash	$ 349,638	$ 349,638	$ —	$ —
Investment in equity securities	3,491,874	—	—	3,491,874
December 31, 2022	$ 3,841,512	$ 349,638	$ —	$ 3,491,874

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 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, 2022 in the amount of $349,638

(2021 - $4,896,074) in order to meet short-term business requirements and strategic investments. See note 2(d) that discusses the material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern.

At December 31, 2022, the Company had current liabilities of $1,160,315 (2021 - $867,688). Accounts payable and accrued liabilities are due within the current operating period. Contractual undiscounted cash flow requirements for financial liabilities as at December 31, 2022 are as follows:

	<1 year	**2-3 Years**	**4-5 Years**	**Thereafter**	**Total**
Accounts payable and accrued liabilities	$ 1,130,803	$ —	$ —	$ —	$ 1,130,803
Loans	29,512	—	—	—	29,512
Convertible debentures and interest	—	4,712,997	—	—	4,712,997
	$ 1,160,315	$ 4,712,997	$ —	$ —	$ 5,873,312

(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 risk that the Company will realize a loss as a result of lower interest rates is insignificant.

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, 2022:

Cash	CAD$	54,687
Receivables		33,223
Accounts payable and accrued liabilities		(132,934)
Net exposure	CAD$	(45,024)
U.S. dollar equivalents	USD$	(61,026)

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 $6,103 (2021 - $43,503).

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, 2022, the Company considers capital to consist of all components of shareholders' equity and convertible debentures. 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. The Company does not pay out dividends at this stage in order to maximize ongoing development efforts.

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'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 Note 2(d) Going concern for a discussion of the Company's working capital deficiency and other factors that may indicate a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern. See Notes 10 and 18, respectively, for discussion of a private placement capital raise for convertible debentures completed in January 2022 for gross proceeds of approximately $4.4 million, and $1.5 million from a private placement capital raise in March 2023.

15. SEGMENTED INFORMATION, MAJOR CUSTOMERS AND ECONOMIC DEPENDENCE

At December 31, 2022, 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 $23,326 (2021 - $47,985) are primarily attributable to the Company's property in Oklahoma and the Kansas properties (divested in 2021) where sales are recorded from shipments of crude oil and gas. The Company divested its remaining asset in Oklahoma during 2022.

The income from equity investments of $2,932,406 (2021 - $446,781) 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 comprehensive loss is as follows:

	2022	2021
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:

	2022	2021
Net loss before income taxes	$ 4,515,305	$ 4,940,722
Canadian statutory income tax rate	27 %	27 %
Expected income tax recovery at statutory rate	(1,219,000)	(1,334,000)
Tax effect of:		
Permanent differences and other	548,000	271,000
Tax rate changes	1,000	—
Change in unrecognized deferred income tax assets	670,000	1,063,000
Income tax expense	$ —	$ —

(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:

	2022	2021
Non-capital losses carried forward	$ 4,325,000	$ 4,945,000
Petroleum properties of joint ventures	1,909,000	1,028,000
Decommissioning provisions	—	2,000
Petroleum properties	—	140,000
Unrecognized deferred income tax assets	(6,234,000)	(6,115,000)
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:

	2022	2021
Non-capital losses carried forward	$ 3,538,000	$ 2,979,000
Share issuance costs	9,000	13,000
Cumulative eligible capital	25,000	27,000
Unrecognized deductible temporary differences	$ 3,572,000	$ 3,019,000

The Company has Canadian noncapital losses for income tax purposes of CAD $17,613,000 (2021 - $13,949,000) which may be carried forward and offset against taxable income.

The Canadian non-capital losses expire as follows:

Year	Amount (CAD)
2032	$ 110,000
2033	292,000
2034	671,000
2035	1,156,000
2036	1,158,000
2037	1,653,000
2038	1,941,000
2039	1,218,000
2040	1,910,000
2041	3,898,000
2042	3,606,000
	$ 17,613,000

The Company has United States net operating losses of $23,445,000 (2021 - $20,934,000) which can be applied against future operating income in the United States, which will begin to expire starting 2035.

18. SUBSEQUENT EVENTS

In March 2023, the Company closed an oversubscribed non-brokered private placement of 8,662,745 units at a price of CAD $0.26 per unit for gross proceeds of approximately CAD $2,252,000. Each unit is comprised of one common share and one warrant with each warrant exercisable for one additional common share at a price of CAD $0.50 per share for a period of 24 months from the date of issuance.