JERICHO ENERGY VENTURES INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

March 31, 2022 and 2021

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

	Note	March 31, 2022	December 31, 2021
Assets			
Current assets			
Cash		$ 3,033,926	$ 6,188,638
Accounts receivable		32,607	30,938
Prepaid expenses and deposits		114,669	52,602
		3,181,202	6,272,178
Non-current assets			
Petroleum properties	4	218,633	222,222
Equity investments	5	16,342,313	16,193,081
Intangible assets	6	3,542,088	3,638,572
Investments and other non-current assets	6	4,414,064	1,970,172
		24,517,098	22,024,047
Total assets		$ 27,698,300	$ 28,296,225
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ 1,052,819	$ 1,096,758
Loans		40,000	—
Non-current liabilities			
Decommissioning liabilities	7	9,745	9,817
Loans and subscriptions received for convertible debentures	9	—	4,991,938
Convertible debentures	9	3,441,005	—
Total liabilities		$ 4,543,569	$ 6,098,513
Equity			
Share capital	10	64,834,460	64,366,334
Contributed surplus	9	7,951,863	3,977,795
Accumulated other comprehensive income		923,287	1,170,639
Deficit		(50,554,879)	(47,317,056)
		23,154,731	22,197,712
Total liabilities and equity		$ 27,698,300	$ 28,296,225

Approved on behalf of the Board on May 25, 2022

"Brian Williamson" ***"Ben Holman"***

(The accompanying notes are an integral part of these condensed consolidated interim financial statements)

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

	Note	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Net product revenue	14	$ **11,278**	$ 21,830
Operating expenses			
Production costs		**4,864**	6,897
Depletion, depreciation and amortization	4,6	**169,219**	633
Accretion of decommissioning liabilities	7	**32**	70
General and administrative expenses	8	**3,174,621**	1,951,797
Foreign exchange loss		**31,666**	40,731
Total operating expenses		**3,380,402**	2,000,128
Share of income (loss) from equity investments	5	**323,656**	(97,879)
Operating loss		**(3,045,468)**	(2,076,177)
Other income (loss)			
Interest expense	9	**(191,401)**	—
Other loss		**(954)**	—
		(192,355)	—
Loss for the period		**(3,237,823)**	(2,076,177)
Other comprehensive loss			
Items that may be reclassified subsequently to income/loss			
Foreign currency exchange loss on translation of foreign subsidiaries		**(247,352)**	(208,307)
Comprehensive loss for the period		$ **(3,485,175)**	$ (2,284,484)
Loss per common share			
Basic		$ **(0.01)**	$ (0.01)
Weighted average number of common shares			
Basic and diluted		**224,538,199**	179,565,261

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

Jericho Energy Ventures Inc.
Condensed Consolidated Interim Statements of Changes in Equity
(unaudited)
(Expressed in Canadian dollars)

	Number of Shares (Note 10)	Share Capital (Note 10)	Subscriptions Received (Note 10)	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
December 31, 2020	178,608,142	$ 55,208,874	$ —	$ 3,612,825	$ 1,308,774	$ (41,018,719)	$ 19,111,754
Issue of common shares under warrant exercise	1,509,735	196,265	—	—	—	—	196,265
Issue of common shares under options exercise	400,000	226,873	—	(106,873)	—	—	120,000
Shares to be issued from acquisition	—	—	—	3,015,000	—	—	3,015,000
Subscriptions received	—	—	45,000	—	—	—	45,000
Share issuance costs	—	(3,378)	—	—	—	—	(3,378)
Share-based payments	—	—	—	817,605	—	—	817,605
Other comprehensive loss for the period	—	—	—	—	(208,307)	—	(208,307)
Net loss for the period	—	—	—	—	—	(2,076,177)	(2,076,177)
March 31, 2021	180,517,877	$ 55,628,634	$ 45,000	$ 7,338,557	$ 1,100,467	$ (43,094,896)	$ 21,017,762

December 31, 2021	222,406,869	$ 64,366,334	$ —	$ 3,977,795	$ 1,170,639	$ (47,317,056)	$ 22,197,712
Issue of common shares under warrant exercise	2,471,300	320,174	—	—	—	—	320,174
Issue of common shares under options exercise	400,000	148,829	—	(58,829)	—	—	90,000
Share issuance costs	—	(877)	—	—	—	—	(877)
Share-based payments	—	—	—	1,685,836	—	—	1,685,836
Conversion rights of debentures and warrants (Note 9)	—	—	—	2,347,061	—	—	2,347,061
Other comprehensive loss for the period	—	—	—	—	(247,352)	—	(247,352)
Net loss for the period	—	—	—	—	—	(3,237,823)	(3,237,823)
March 31, 2022	225,278,169	$ 64,834,460	$ —	$ 7,951,863	$ 923,287	$ (50,554,879)	$ 23,154,731

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

Jericho Energy Ventures Inc.
Condensed Consolidated Interim Statements of Cash Flows
(unaudited)

	Note	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Cash flows from (used in) operating activities			
Loss for the period		$ (3,237,823)	$ (2,076,177)
Adjustments for non-cash items:			
Accretion of decommissioning liabilities	7	32	70
Depletion, depreciation and amortization	4, 6	169,219	633
Share-based payments		1,685,836	817,605
Share of (income) loss from equity investments	5	(323,656)	97,879
Unrealized foreign exchange gain		37,465	62,105
Cash provided by (used in) operating assets and liabilities:			
Accounts receivable		(1,669)	(23,052)
Prepaid expenses and deposits		(62,067)	(7,915)
Accounts payable and accrued liabilities		56,296	(94,947)
Non-current assets and non-current liabilities		54,552	—
Net cash used in operating activities		(1,621,815)	(1,223,799)
Cash flows from (used in) investing activities			
Development costs for the period		—	(54,903)
Investment in intangible assets		(205,179)	(24,317)
Investment in equity securities	6	(2,469,497)	—
Net cash used in investing activities		(2,674,676)	(79,220)
Cash flows from (used in) financing activities			
Proceeds from issuance of common shares	10	410,174	316,265
Share issuance costs		(877)	(3,378)
Subscriptions received		—	45,000
Subscriptions received for convertible debentures	9	784,249	—
Net cash from financing activities		1,193,546	357,887
Change in cash		(3,102,945)	(945,132)
Effect of exchange rate changes on cash		(51,767)	(56,458)
Cash at beginning of period		6,188,638	3,543,176
Cash at end of period		$ 3,033,926	$ 2,541,586

(The accompanying notes are an integral part of the condensed consolidated interim 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's principal activity is the acquisition, exploration, development and production of oil and natural gas fields in the United States of America (USA). As of March 31, 2022, the Company primarily conducts its operations through its subsidiaries and various joint arrangements in the state of Oklahoma. See Notes 4 and 5 for a detailed discussion of the Company's petroleum property and joint arrangements.

In 2021, the Company began expanding its energy portfolio to advance the global low-carbon energy transition with investments in hydrogen technologies and new energy systems. See Note 6 for a discussion of the Company's acquisitions and investments related to these activities.

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 condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and follow the same accounting policies and methods of application as the Company's most recent annual financial statements but do not contain all of the information required for full annual financial statements. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the Company's most recent annual financial statements, which were also prepared in accordance with IFRS as issued by the IASB. These financial statements were approved and authorized for issue by the Board of Directors on May 25, 2022.

(b) Basis of presentation

These condensed consolidated interim financial statements are expressed in Canadian dollars and have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. The foreign exchange rate at March 31, 2022 was $US 1.00 equal to $CAD 1.25 (December 31, 2021 - $US 1.00 equal to $CAD 1.26), and the average foreign exchange rate for the three months ended March 31, 2022 was $US 1.00 equal to $CAD 1.27 (for the three months ended March 31, 2021 - $US 1.00 equal to $CAD 1.27).

In addition, these condensed consolidated interim 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 periods presented in these consolidated financial statements as if the policies have always been in effect.

(c) Foreign currency translation

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

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

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

(d) Significant accounting estimates and judgments

The preparation of condensed consolidated interim financial statements, in compliance with IFRS, requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the condensed consolidated interim financial statements are disclosed in the annual financial statements in Note 4 – Critical Accounting Estimates and Judgments.

(e) Basis of consolidation

The condensed consolidated interim financial statements include the accounts of Jericho Energy Ventures Inc. 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.) Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the condensed consolidated interim financial statements.

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company followed the same accounting policies in these condensed consolidated interim financial statements as those disclosed in Note 3 – Summary of Significant Accounting Policies for the consolidated financial statements for the previous year ended December 31, 2021.

4. PETROLEUM PROPERTIES

At March 31, 2022, the Company's joint operations recorded as petroleum properties include one well 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 the periods presented:

	March 31, 2022	December 31, 2021
Cost:		
Balance, beginning of year	$ 236,379	$ 1,220,744
Development cost additions	—	75,851
Sale of interest in petroleum properties	—	(1,003,461)
Movement in foreign exchange rates	(2,488)	(56,755)
Balance, end of year	233,891	236,379
Accumulated depletion:		
Balance, beginning of year	14,157	1,028,292
Depletion	1,267	14,108
Sale of interest in petroleum properties	—	(974,355)
Movement in foreign exchange rates	(166)	(53,888)
Balance, end of year	15,258	14,157
Carrying value	$ 218,633	$ 222,222

(Expressed in Canadian dollars)

5. EQUITY INVESTMENTS

As of March 31, 2022, the Company's oil and gas operations were held in Oklahoma, with operations conducted through participation in various joint ventures and associates. The Company's interests in these 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 March 31, 2022 and December 31, 2021, the Company held the following joint ventures and associates:

	March 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 %

Carrying amounts of the Company's interests in equity method investments as of March 31, 2022 and December 31, 2021, are as follows:

	Eagle Road	**Lurgan**	**Buckmanville**	**Walnut**	**Cherry Rancher**	**Total**
Balance, December 31, 2021	$ 4,309,572	$ 225,099	$ 7,241,729	$ 4,381,014	$ 35,667	$ 16,193,081
Share of income/(loss)	(23,901)	57,310	251,033	24,482	14,732	323,656
Movement in foreign exchange	(45,049)	(3,083)	(79,330)	(46,403)	(559)	(174,424)
Balance, March 31, 2022	$ 4,240,622	$ 279,326	$ 7,413,432	$ 4,359,093	$ 49,840	$ 16,342,313

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. Details of the joint ventures' net assets and net income (loss) are shown below along with the Company's share of the investment and income/loss.

(Expressed in Canadian dollars)

Results of operations of the equity investments for the three months ended March 31, 2022 are as follows:

100% Three Months Ended March 31, 2022	**Eagle Road**	**Lurgan**	**Buckmanville**	**Walnut**	**Cherry Rancher**	**Total**
Revenue	$ 762,000	$ 214,653	$ 1,849,077	$ 474,428	$ 55,115	$ 3,355,273
Production cost	(198,149)	(64,662)	(1,022,146)	(165,607)	(7,592)	(1,458,156)
Depletion and depreciation	(185,099)	(27,863)	(252,034)	(80,019)	—	(545,015)
Accretion of decommissioning provision	(14,818)	(2,660)	(18,238)	(5,408)	—	(41,124)
G&A and other operating	(390,790)	(760)	(7,219)	(131,075)	—	(529,844)
Interest and loan costs	(20,947)	(4,088)	(47,376)	66	—	(72,345)
100% Net income (loss)	**$ (47,803)**	**$ 114,620**	**$ 502,064**	**$ 92,385**	**$ 47,523**	**$ 708,789**
100% Net income (loss) in USD$	$ (37,744)	$ 90,502	$ 396,419	$ 72,946	$ 37,523	$ 559,646
Jericho's ownership	50 %	50 %	50 %	26.5 %	31 %	
Jericho's share of net income (loss)	**$ (23,901)**	**$ 57,310**	**$ 251,033**	**$ 24,482**	**$ 14,732**	**$ 323,656**
Jericho's share of net income (loss) in USD$	$ (18,872)	$ 45,251	$ 198,210	$ 19,331	$ 11,632	$ 255,552

Results of operations of the equity investment for the three months ended March 31, 2021, are as follows:

100% Three Months Ended March 31, 2021	**Eagle Road**	**Lurgan**	**Buckmanville**	**Walnut**	**Cherry Rancher**	**Total**
Revenue	$ 514,371	$ 116,470	$ 1,201,491	$ 320,119	$ 24,753	$ 2,177,204
Production cost	(87,609)	(76,715)	(881,885)	(152,716)	(5,062)	(1,203,987)
Depletion and depreciation	(232,325)	(26,715)	(288,164)	(92,528)	—	(639,732)
Accretion of decommissioning provision	(7,133)	(1,736)	(11,041)	(4,210)	—	(24,120)
G&A and other operating	(263,265)	(1,875)	(3,415)	(238,498)	—	(507,053)
Interest and loan costs	(20,111)	(3,829)	(45,529)	—	—	(69,469)
100% Net income (loss)	**$ (96,072)**	**$ 5,600**	**$ (28,543)**	**$ (167,833)**	**$ 19,691**	**$ (267,157)**
100% Net income (loss) in USD$	$ (75,881)	$ 4,424	$ (22,544)	$ (132,559)	$ 15,552	$ (211,008)
Jericho's ownership	50 %	50 %	50 %	26.5 %	31 %	
Jericho's share of net income (loss)	**$ (48,035)**	**$ 2,800**	**$ (14,272)**	**$ (44,476)**	**$ 6,104**	**$ (97,879)**
Jericho's share of net income (loss) in USD$	$ (37,940)	$ 2,212	$ (11,272)	$ (35,128)	$ 4,821	$ (77,307)

(Expressed in Canadian dollars)

Summary financial position information of the joint ventures as of March 31, 2022, is presented in the table below.

100%

As at March 31, 2022	Eagle Road	Lurgan	Buckmanville	Walnut	Cherry Rancher	Total
Assets						
Cash and cash equivalents	$ 1,677,021	$ 5,609	$ 124,665	$ 655,872	$ —	$ 2,463,167
Current assets (excluding cash)	2,089,806	55,282	266,443	127,183	11,548	2,550,262
Non-current assets	16,945,649	1,841,854	25,519,878	16,406,313	—	60,713,694
Total assets	20,712,476	1,902,745	25,910,986	17,189,368	11,548	65,727,123
Liabilities						
Current liabilities	2,285,970	133,907	54,464	81,858	(5)	2,556,194
Intercompany	2,191,584	164,472	(2,078,210)	(131,037)	(146,809)	—
Non-current liabilities	7,753,727	1,045,715	8,370,065	1,216,407	—	18,385,914
Total liabilities	12,231,281	1,344,094	6,346,319	1,167,228	(146,814)	20,942,108
Equity	8,481,195	558,651	19,564,667	16,022,140	158,362	44,785,015
Total liabilities and equity	$ 20,712,476	$ 1,902,745	$ 25,910,986	$ 17,189,368	$ 11,548	$ 65,727,123

The Company reviews the petroleum properties of its joint ventures at each reporting date for indicators of impairment or impairment reversal. This evaluation involved consideration of realized commodity prices and future commodity prices. The Company also considered global external factors, including the potential for further COVID-19 outbreaks, and 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 as of March 31, 2022.

At March 31, 2022, non-current liabilities include $10.2 million (USD $8.2 million) for decommissioning liabilities, $7.0 million (USD $5.6 million, net of issuance costs) related to the loan discussed below and $0.9 million (USD $0.7 million) for deferred tax liability.

(Expressed in Canadian dollars)

Summary financial position information of the joint ventures as of March 31, 2021 is presented in the table below.

100%

As at March 31, 2021	**Eagle Road**	**Lurgan**	**Buckmanville**	**Walnut**	**Cherry Rancher**	**Total**
Assets						
Cash and cash equivalents	$ 756,914	$ 971	$ 11,119	$ 651,193	$ —	$ 1,420,197
Current assets (excluding cash)	1,911,504	31,623	171,112	660,030	—	2,774,269
Non-current assets	17,561,898	1,802,332	26,272,359	16,843,815	—	62,480,404
Total assets	20,230,316	1,834,926	26,454,590	18,155,038	—	66,674,870
Liabilities						
Current liabilities	2,988,660	128,487	51,504	239,563	216	3,408,430
Intercompany	213,232	241,046	(565,214)	564,119	(453,183)	—
Non-current liabilities	8,925,820	1,082,821	8,558,247	1,300,544	—	19,867,432
Total liabilities	12,127,712	1,452,354	8,044,537	2,104,226	(452,967)	23,275,862
Equity	8,102,604	382,572	18,410,053	16,050,812	452,967	43,399,008
Total liabilities and equity	$ 20,230,316	$ 1,834,926	$ 26,454,590	$ 18,155,038	$ —	$ 66,674,870

At March 31, 2021, non-current liabilities include $10.7 million (USD $8.5 million) for asset retirement obligations, $6.9 million (USD $5.5 million, net of issuance costs) related to the loan discussed below and $1.0 million (USD $0.8 million) for deferred tax liability.

In August 2020, three of the Company’s joint ventures (Eagle Road, Lurgan and Buckmanville) 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 for USD $5.6 million from Vast Bank, National Association (“Vast Bank”). 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 three joint ventures. As of March 31, 2022 the carrying value of the loan, net of issuance costs, was $7.0 million (USD $5.6 million). The interest rate for the loan is the LIBOR rate plus 3 percent. The loan matures on August 21, 2025. Under the program, interest payments are deferred during the first year and capitalized to the outstanding principal balance at the end of the first year. Principal payments are also deferred, with 15 percent of the balance due on the third and fourth-year anniversaries of the loan, or on August 21, 2023 and 2024. The remaining amount is due at the end of the fifth year.

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

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

6. 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 USD $1.8 million of a total USD $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 fair value through other comprehensive income, and is included in Investments and other non-current assets on the condensed consolidated interim statements of financial position.

In the third quarter of 2021, the Company participated in a Series-A financing for H2U Technologies, Inc. ("H2U"), and invested $1.9 million (USD $1.5 million) in preferred shares of H2U. The preferred shares are convertible into common shares at the election of the investor. H2U is a company focused on developing electrolyser technology and catalyst that serve the growing hydrogen market. H2U will use the proceeds of its funding to develop its proprietary technology. In February of 2022, Jericho participated in a second round of Series-A financing and made an additional USD $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 fair value through other comprehensive income, and is included in Investments and other non-current assets on the condensed consolidated interim statements of financial position.

In January 2021, the Company acquired the assets of California-based Hydrogen Technologies Inc. ("HTI"). The assets acquired include 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. The Company also hired the former management team of HTI. Since acquiring the assets of HTI, the Company has incurred approximately $932,000 in development expenditures for professional engineering services necessary for completing manufacturing designs in preparation of commercial development.

(Expressed in Canadian dollars)

The following tables present the reconciliation of the opening and closing aggregate carrying amount of the Company's intangible assets:

	Patents	Development Costs	Total Intangible Assets
Net book value			
Balance at December 31, 2021	$ 2,802,893	$ 835,679	$ 3,638,572
Additions	—	104,944	104,944
Amortization	(165,202)	—	(165,202)
Effect of movements in exchange rates	(27,433)	(8,793)	(36,226)
Balance at March 31, 2022	$ 2,610,258	$ 931,830	$ 3,542,088

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

7. 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 4):

	March 31, 2022	December 31, 2021
Balance, beginning of year	$ 9,817	$ 76,538
Accretion expense	32	276
Sale of properties	—	(63,417)
Movement in foreign exchange rates	(104)	(3,580)
Balance, end of year	$ 9,745	$ 9,817

The present value of the obligation relating to petroleum properties (Note 4) of $9,745 (2021 - $9,817) was calculated using an average risk-free interest rate of 1.90% (2021 – 0.37%) and an inflation rate of 2.70% (2021 – 1.81%). The weighted-average life of the wells has been estimated at 39.6 years (2021 – 5.5 years). During second quarter 2021, the Company sold all remaining leases in Kansas.

(Expressed in Canadian dollars)

8. GENERAL AND ADMINISTRATIVE EXPENSES

The following table presents the general and administrative expenses incurred during the three months ended March 31, 2022 and 2021.

	Three Months Ended	
	2022	**2021**
General and administrative expense		
Management fees (Note 11)	$ 114,556	$ 93,675
Employee salaries and benefits	259,623	121,748
Business development costs	170,630	123,508
Directors' fees	18,771	—
Share-based payments (Note 11)	1,685,836	817,605
Consulting fees	177,869	183,132
Accounting and auditing fees	59,889	49,510
Investor relations	382,824	424,714
Transfer agency and filing fees	30,783	14,017
Legal fees	191,875	21,139
Travel	23,737	4,539
Short-term lease obligation	6,300	7,200
Insurance	16,285	6,180
Office, computer and miscellaneous	35,643	84,830
General and administrative expense	$ 3,174,621	$ 1,951,797

9. CONVERTIBLE DEBENTURES

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

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 $5.0 million of the subscription amounts in December 2021, which were included in Loans and subscriptions received for convertible debentures on the condensed consolidated interim statements of financial position. The financing closed for total gross proceeds of approximately $5.7 million and the debentures and warrants were issued on January 7, 2022. Upon closing the financing and issuing the debentures, the Company separated the liability and equity components of the debentures for accounting purposes as described below.

(Expressed in Canadian dollars)

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 $3.4 million, and the value ascribed to the equity conversion feature and warrants was approximately $2.3 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	$	5,703,568
Less transaction costs		(106,903)
	$	5,596,665
Amount classified as equity (conversion rights and warrants), net of transaction costs		(2,347,061)
Interest accrued		191,401
Balance as of March 31, 2022	$	3,441,005

10. SHARE CAPITAL AND EQUITY RESERVES

(a) Authorized share capital

Unlimited common shares without par value.

(b) Issued share capital

For the three months ended March 31, 2022

During the three months ended March 31, 2022, 400,000 stock options were exercised at a weighted average price of $0.23 per share for gross proceeds of $90,000. In addition, 2,471,300 warrants were exercised at $0.13 per share for gross proceeds of $321,272. Proceeds received totaled approximately $320,174 due to foreign exchange rate changes on funds received.

For the year ended December 31, 2021

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

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

(Expressed in Canadian dollars)

(c) Stock options

The Company has a stock options 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.

During first quarter 2022, the Company granted stock options for 3,900,000 common shares to certain directors, officers, employees, and consultants of the Company. The options are exercisable at an average price of $0.51 for a period of up to five years. The Company recorded approximately $1.7 million of share-based payments included as General and administrative expense in the condensed consolidated interim statements of comprehensive loss (see Note 8).

At March 31, 2022, 3,502,817 options are available for issuance under the plan. The following is a continuity table of stock options outstanding as at March 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	3,900,000		0.51
Exercised	(400,000)		0.23
Expired	(150,000)		0.45
Outstanding, March 31, 2022	19,025,000	$	0.35

(Expressed in Canadian dollars)

As at March 31, 2022, the following incentive stock options were outstanding:

Expiration date	Options outstanding and exercisable	Unvested options	Exercise price
July 4, 2022	950,000	—	$ 0.50
July 4, 2022	450,000	—	0.25
September 1, 2022	434,000	—	0.25
October 5, 2022	100,000	—	0.75
April 4, 2023	200,000	—	0.25
April 4, 2023	175,000	—	0.80
August 10, 2023	160,000	—	0.25
August 1, 2024	100,000	—	0.30
February 1, 2025	1,375,000	—	0.25
June 15, 2023	1,791,000	—	0.15
June 15, 2025	4,725,000	—	0.15
January 21, 2024	1,450,000	1,200,000	0.45
January 21, 2024	200,000	—	0.50
January 21, 2026	700,000	—	0.45
February 3, 2024	500,000	—	0.60
February 7, 2024	215,000	—	0.65
April 14, 2024	50,000	—	0.90
May 19, 2024	100,000	—	0.75
January 23, 2023	50,000	—	0.90
September 30, 2024	200,000	—	0.55
January 31, 2025	250,000	—	0.60
February 7, 2025	150,000	—	0.65
January 9, 2027	3,500,000	—	0.50
	17,825,000	1,200,000	$ 0.35

As of March 31, 2022, the weighted-average remaining contractual life of stock options outstanding was 2.69 years (2021 - 2.39 years).

(Expressed in Canadian dollars)

(d) Share purchase warrants

The number and weighted average exercise prices of warrants outstanding as at March 31, 2022 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	8,147,954		1.00
Exercised	(2,471,300)		0.13
Outstanding, March 31, 2022	21,177,927	$	0.46

The following table summarizes the warrants outstanding and exercisable at March 31, 2022:

Expiration Date	Warrants Outstanding and Exercisable		Weighted Average Exercise Price
June 10, 2023	13,029,973	$	0.13
January 7, 2025	8,147,954		1.00
Outstanding, March 31, 2022	21,177,927	$	0.46

As of March 31, 2022, the weighted-average remaining contractual life of warrants outstanding was 1.80 years (2021 – 1.44 years).

11. 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:

	Three Months Ended			
		March 31, 2022		March 31, 2021
Management fees	$	114,556	$	93,675
Directors' fees		18,771		—
Share-based payments		1,448,315		260,095
	$	1,581,642	$	353,770

At March 31, 2022, included in accounts payable and accrued liabilities is $15,601 payable to a company controlled by the Chief Executive Officer (“CEO”) of the Company ($3,065 at December 31, 2021).

At March 31, 2022, the Company had $Nil in advances and $546,687 in accounts payable to equity investments as described in Note 5 ($Nil and $410,363 at December 31, 2021).

(Expressed in Canadian dollars)

On December 28, 2021 an entity in which the CEO owns a minority interest purchased the property at which one of the Company's joint ventures, Eagle Road Oil, LLC, leases office space.

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

12. FINANCIAL INSTRUMENTS AND RISK

As of March 31, 2022, and December 31, 2021, the Company's financial instruments consist of cash, accounts receivable, investments in equity securities, convertible debentures, and accounts payable.

	March 31, 2022	December 31, 2021
Financial Assets:		
Fair value through profit or loss	$ 3,033,926	$ 6,188,638
Fair value through other comprehensive income	4,367,287	1,917,972
Financial Liabilities:		
Amortized cost	$ 4,275,189	$ 5,714,016

See Note 3(n) of the Company's 2021 annual report 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 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.

(Expressed in Canadian dollars)

Financial assets and liabilities measured at fair value on a recurring basis are presented on the Company's condensed consolidated interim statement of financial position as of March 31, 2022 and December 31, 2021 as follows:

	Balance as at March 31, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:				
Cash	$ 3,033,926	$ 3,033,926	$ —	$ —
Investment in equity securities	4,367,287	—	—	4,367,287
	$ 7,401,213	$ 3,033,926	$ —	$ 4,367,287

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

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 estimates that the recorded value of the convertible debenture approximate its fair value based on the effective interest rate used to measure the convertible debentures.

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 has no investments in asset-backed commercial paper. The Company's accounts receivables consist mainly of oil sales and purchase taxes remitted from the Government of Canada. The Company is exposed to a significant concentration of credit risk with respect to its trade accounts receivable balance because all its oil sales are with one counterparty. However, 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 13. The Company held cash at March 31, 2022 in the amount of $3,033,926 (2021 - $6,188,429) in order to meet short-term business requirements and strategic investments.

At March 31, 2022, the Company had current liabilities (due within the 12 months) of $1,092,819 (December 31, 2021 - $1,096,758). Contractual undiscounted cash flow requirements for financial liabilities as of March 31, 2022 are as follows:

	<1 year	**2-3 Years**	**4-5 Years**	**Thereafter**	**Total**
Accounts payable and accrued liabilities	$ 1,052,819	$ —	$ —	$ —	$ 1,052,819
Loans	40,000	—	—	—	40,000
Convertible debentures and interest	—	6,387,996	—	—	6,387,996
Decommissioning liabilities	—	—	—	9,745	9,745
	$ 1,092,819	$ 6,387,996	$ —	$ 9,745	$ 7,490,560

(c) Market risk

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

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no interest-bearing obligations at March 31, 2022. The $40,000 government loan from the COVID-19 relief program does not bear interest.

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 March 31, 2022:

Cash	USD$	1,892,777
Accounts payable and accrued liabilities		(738,215)
Net exposure	USD$	1,154,562
Canadian dollar equivalents	CDN$	1,444,011

The result of sensitivity analysis shows that a 10 percent change in the US$ exchange rate, with all other variables held constant, could impact the net loss by approximately CDN$144,401.

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.

13. 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 March 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, issue debt, or dispose of assets to increase the amount of cash on hand. The Company does not pay out dividends at this stage of the Company's development to maximize ongoing development efforts.

The Company expects its current capital resources to be sufficient to carry its exploration and development plans and operations through the next twelve months. See Note 9 for discussion of a private placement capital raise for convertible debentures completed in January 2022 for gross proceeds of approximately $5.7 million.

14. SEGMENTED INFORMATION, MAJOR CUSTOMERS AND ECONOMIC DEPENDENCE

At March 31, 2022, all of the Company's non-current assets (other than financial instruments and intangible assets) are located in Oklahoma, USA. Geographical information relating to the Company's non-current assets is presented in Notes 4, 5 and 7.

The Company's revenues of $11,278 (2021 - $21,830) are primarily attributable to the Company's property in Oklahoma where sales are recorded from deliveries of crude oil and gas. For the three months ended March 31, 2022 and 2021, the Company's revenues are derived from one major customer in Oklahoma. As of March 31, 2022, the Company does not consider itself to be economically dependent on this customer as transactions with this party can be easily replaced by transactions with other parties on similar terms and conditions.

The income from equity investments of $323,656 (2021 – loss from equity investments of $97,879) is attributable to the Company's share of income from its equity investments in Oklahoma (Note 5).