



JERICO ENERGY VENTURES INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

September 30, 2022 and 2021

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

	Note	September 30, 2022	December 31, 2021
Assets			
Current assets			
Cash		\$ 651,735	\$ 6,188,638
Accounts receivable		67,950	30,938
Prepaid expenses and deposits		84,253	52,602
		<u>803,938</u>	<u>6,272,178</u>
Non-current assets			
Petroleum properties	4	240,014	222,222
Equity investments	5	18,732,979	16,193,081
Intangible assets	6	3,912,011	3,638,572
Investments and other non-current assets	6	4,875,061	1,970,172
		<u>27,760,065</u>	<u>22,024,047</u>
Total assets		<u>\$ 28,564,003</u>	<u>\$ 28,296,225</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 1,414,534	\$ 1,096,758
Non-current liabilities			
Decommissioning liabilities	7	10,812	9,817
Loans and subscriptions received for convertible debentures	9, 12	40,000	4,991,938
Convertible debentures	9	3,892,313	—
Total liabilities		<u>\$ 5,357,659</u>	<u>\$ 6,098,513</u>
Equity			
Share capital	10	65,287,724	64,366,334
Contributed surplus	9	7,807,275	3,977,795
Accumulated other comprehensive income		3,527,617	1,170,639
Deficit		(53,416,272)	(47,317,056)
		<u>23,206,344</u>	<u>22,197,712</u>
Total liabilities and equity		<u>\$ 28,564,003</u>	<u>\$ 28,296,225</u>

Going concern (Note 2(c))

Approved on behalf of the Board on November 22, 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 Income (Loss)
(unaudited)
(Expressed in Canadian dollars)

	Note	Three Months Ended September 30,		Nine Months Ended September 30,	
		2022	2021	2022	2021
Net product revenue	14	\$ 5,069	\$ 10,550	\$ 26,665	\$ 49,551
Operating expenses					
Production costs		3,186	6,750	12,608	33,496
Depletion, depreciation and amortization	4,6	183,983	1,453	543,039	2,577
Accretion of decommissioning liabilities	7	—	69	64	207
General and administrative expenses	8	1,250,563	1,184,635	5,979,952	4,638,419
Foreign exchange (gain) loss		(8,772)	(101,352)	(19,360)	4,925
Total operating expenses		1,428,960	1,091,555	6,516,303	4,679,624
Share of income from equity investments	5	336,701	312,183	1,004,809	206,566
Operating loss		(1,087,190)	(768,822)	(5,484,829)	(4,423,507)
Other income (loss)					
Interest expense	9	(212,156)	—	(613,433)	—
Other income (loss)		—	(137,449)	(954)	24,363
Gain on disposal of petroleum properties		—	—	—	95,574
Write-off of prepayment on investment		—	(391,989)	—	(391,989)
		(212,156)	(529,438)	(614,387)	(272,052)
Loss for the period		(1,299,346)	(1,298,260)	(6,099,216)	(4,695,559)
Other comprehensive income (loss)					
Items that may be reclassified subsequently to income/loss					
Foreign currency exchange income (loss) on translation of foreign subsidiaries		1,890,065	364,073	2,356,978	(51,717)
Comprehensive income (loss) for the period		\$ 590,719	\$ (934,187)	\$ (3,742,238)	\$ (4,747,276)
Loss per share					
Basic		\$ (0.01)	(0.01)	\$ (0.03)	\$ (0.02)
Weighted average number of shares					
Basic and diluted		225,243,205	204,923,890	225,243,205	204,923,890

(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)	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 shares from acquisition (Note 6)	6,700,000	3,015,000	—	—	—	3,015,000
Issue of shares under warrant exercise	34,498,727	4,443,619	—	—	—	4,443,619
Issue of shares under options exercise	1,875,000	1,397,162	(758,412)	—	—	638,750
Share issuance costs	—	(5,838)	—	—	—	(5,838)
Share-based payments	—	—	1,119,507	—	—	1,119,507
Other comprehensive loss for the period	—	—	—	(51,717)	—	(51,717)
Net loss for the period	—	—	—	—	(4,695,559)	(4,695,559)
September 30, 2021	221,681,869	\$ 64,058,817	\$ 3,973,920	\$ 1,257,057	\$ (45,714,278)	\$ 23,575,516
December 31, 2021	222,406,869	\$ 64,366,334	\$ 3,977,795	\$ 1,170,639	\$ (47,317,056)	\$ 22,197,712
Issue of shares under warrant exercise	2,471,300	320,174	—	—	—	320,174
Issue of shares under options exercise	1,174,000	602,093	(323,593)	—	—	278,500
Share issuance costs	—	(877)	—	—	—	(877)
Share-based payments	—	—	1,806,012	—	—	1,806,012
Conversion rights of debentures and warrants (Note 9)	—	—	2,347,061	—	—	2,347,061
Other comprehensive income for the period	—	—	—	2,356,978	—	2,356,978
Net loss for the period	—	—	—	—	(6,099,216)	(6,099,216)
September 30, 2022	226,052,169	\$ 65,287,724	\$ 7,807,275	\$ 3,527,617	\$ (53,416,272)	\$ 23,206,344

(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	Nine Months Ended	
		September 30, 2022	September 30, 2021
Cash flows from (used in) operating activities			
Loss for the period		\$ (6,099,216)	\$ (4,695,559)
Adjustments for non-cash items:			
Accretion of decommissioning liabilities	7	64	207
Depletion, depreciation and amortization	4, 6	543,039	2,577
Share-based payments		1,806,012	1,119,507
Share of income from equity investments	5	(1,004,809)	(206,566)
Distributions received from equity investments		71,475	150,152
Gain (loss) on disposal of petroleum properties		—	(95,574)
Write-off of prepayment on investment		—	391,989
Loan forgiveness		—	(23,855)
Unrealized foreign exchange gain (loss)		(140,391)	24,265
Cash provided by (used in) operating assets and liabilities:			
Accounts receivable		(37,012)	(8,885)
Prepaid expenses and deposits		(31,651)	(63,999)
Accounts payable and accrued liabilities		254,346	142,605
Non-current assets and non-current liabilities		165,062	—
Net cash used in operating activities		(4,473,081)	(3,263,136)
Cash flows from (used in) investing activities			
Prepayment on investment		—	(391,989)
Development costs for the period		—	(76,109)
Proceeds from sale of petroleum properties		—	54,302
Investment in intangible assets		(486,532)	(771,859)
Investment in equity securities	6	(2,731,314)	(1,902,450)
Purchase of vehicles and equipment		—	(44,234)
Net cash used in investing activities		(3,217,846)	(3,132,339)
Cash flows from (used in) financing activities			
Proceeds from issuance of shares	10	598,674	5,082,369
Share issuance costs		(877)	(5,838)
Subscriptions received for convertible debentures	9	1,091,870	—
Net cash from financing activities		1,689,667	5,076,531
Change in cash		(6,001,260)	(1,318,944)
Effect of exchange rate changes on cash		464,357	(13,504)
Cash at beginning of period		6,188,638	3,543,176
Cash at end of period		\$ 651,735	\$ 2,210,728

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

JERICO ENERGY VENTURES INC.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Nine months ended September 30, 2022 and 2021

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 September 30, 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 November 22, 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 September 30, 2022 was \$US 1.00 equal to \$CAD 1.38 (December 31, 2021 - \$US 1.00 equal to \$CAD 1.26), and the average foreign exchange rate for the nine months ended September 30, 2022 was \$US 1.00 equal to \$CAD 1.28 (for the nine months ended September 30, 2021 - \$US 1.00 equal to \$CAD 1.25).

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.

JERICO ENERGY VENTURES INC.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Nine months ended September 30, 2022 and 2021

(c) 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 September 30, 2022, the Company had a working capital deficiency of \$610,596, has incurred a net loss of \$6,099,216 and had negative cash flows from operations of \$4,473,081 in the nine months ended September 30, 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.

(d) Foreign currency translation

Functional currencies

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

Foreign currency transactions

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the 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.

JERICO ENERGY VENTURES INC.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Nine months ended September 30, 2022 and 2021

(e) 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.

(f) 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.

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 September 30, 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:

	September 30, 2022	December 31, 2021
Cost:		
Balance, beginning of period	\$ 236,379	\$ 1,220,744
Development cost additions	—	75,851
Sale of interest in petroleum properties	—	(1,003,461)
Movement in foreign exchange rates	22,310	(56,755)
Balance, end of period	258,689	236,379
Accumulated depletion:		
Balance, beginning of period	14,157	1,028,292
Depletion	2,945	14,108
Sale of interest in petroleum properties	—	(974,355)
Movement in foreign exchange rates	1,573	(53,888)
Balance, end of period	18,675	14,157
Carrying value	\$ 240,014	\$ 222,222

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5. EQUITY INVESTMENTS

As of September 30, 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 September 30, 2022 and December 31, 2021, the Company held the following joint ventures and associates:

	September 30, 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 September 30, 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)	(24,672)	154,905	749,093	84,602	40,881	1,004,809
Distribution received	—	—	—	—	(71,475)	(71,475)
Movement in foreign exchange	404,829	33,303	741,806	420,078	6,548	1,606,564
Balance, September 30, 2022	\$ 4,689,729	\$ 413,307	\$ 8,732,628	\$ 4,885,694	\$ 11,621	\$ 18,732,979

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.

JERICO ENERGY VENTURES INC.

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(Expressed in Canadian dollars)

Nine months ended September 30, 2022 and 2021

Results of operations of the equity investments for the nine months ended September 30, 2022 are as follows:

100%**Nine Months Ended**

September 30, 2022	Eagle Road	Lurgan	Buckmanville	Walnut	Cherry Rancher	Total
Revenue	\$ 2,847,721	\$ 677,490	\$ 6,089,609	\$ 1,598,501	\$ 156,669	\$ 11,369,990
Production cost	(853,417)	(243,380)	(3,537,556)	(567,542)	(22,229)	(5,224,124)
Depletion and depreciation	(623,815)	(90,351)	(798,788)	(246,145)	—	(1,759,099)
Accretion of decommissioning provision	(45,047)	(8,085)	(55,443)	(16,440)	—	(125,015)
G&A and other operating	(1,294,592)	(10,057)	(28,197)	(449,323)	(2,567)	(1,784,736)
Interest and loan costs	(80,194)	(15,806)	(171,439)	203	—	(267,236)
100% Net income (loss)	\$ (49,344)	\$ 309,811	\$ 1,498,186	\$ 319,254	\$ 131,873	\$ 2,209,780
100% Net income (loss) in USD\$	\$ (38,448)	\$ 241,398	\$ 1,167,357	\$ 248,756	\$ 102,753	\$ 1,721,816
Jericho's ownership	50 %	50 %	50 %	26.5 %	31 %	
Jericho's share of net income (loss)	\$ (24,672)	\$ 154,905	\$ 749,093	\$ 84,602	\$ 40,881	\$ 1,004,809
Jericho's share of net income (loss) in USD\$	\$ (19,224)	\$ 120,699	\$ 583,679	\$ 65,920	\$ 31,854	\$ 782,928

Results of operations of the equity investments for the nine months ended September 30, 2021, are as follows:

100%**Nine Months Ended**

September 30, 2021	Eagle Road	Lurgan	Buckmanville	Walnut	Cherry Rancher	Total
Revenue	\$ 1,736,470	\$ 413,595	\$ 4,010,311	\$ 1,087,790	\$ 110,147	\$ 7,358,313
Production cost	(413,397)	(268,354)	(2,550,708)	(459,262)	(19,318)	(3,711,039)
Depletion and depreciation	(677,669)	(89,725)	(859,962)	(278,114)	—	(1,905,470)
Accretion of decommissioning provision	(21,151)	(5,147)	(32,687)	(12,483)	—	(71,468)
G&A and other operating	(924,663)	(4,045)	(32,870)	(529,026)	—	(1,490,604)
Interest and loan costs	(89,710)	(11,229)	(133,998)	—	—	(234,937)
Loan forgiveness	413,037	—	—	—	—	413,037
100% Net income (loss)	\$ 22,917	\$ 35,095	\$ 400,086	\$ (191,095)	\$ 90,829	\$ 357,832
100% Net income (loss) in USD\$	\$ 18,313	\$ 28,044	\$ 319,711	\$ (152,705)	\$ 72,582	\$ 285,945
Jericho's ownership	50 %	50 %	50 %	26.5 %	31 %	
Jericho's share of net income (loss)	\$ 11,458	\$ 17,548	\$ 200,043	\$ (50,640)	\$ 28,157	\$ 206,566
Jericho's share of net income (loss) in USD\$	\$ 9,158	\$ 14,022	\$ 159,856	\$ (40,467)	\$ 22,500	\$ 165,069

JERICO ENERGY VENTURES INC.

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Nine months ended September 30, 2022 and 2021

Summary financial position information of the joint ventures as of September 30, 2022, is presented in the table below.

100%

As at September 30, 2022	Eagle Road	Lurgan	Buckmanville	Walnut	Cherry Rancher	Total
Assets						
Cash and cash equivalents	\$ 2,147,145	\$ 6,203	\$ 249,092	\$ 1,170,796	\$ —	\$ 3,573,236
Current assets (excluding cash)	2,946,330	62,941	299,678	143,749	20,899	3,473,597
Non-current assets	19,627,728	2,015,859	28,375,936	17,967,814	—	67,987,337
Total assets	24,721,203	2,085,003	28,924,706	19,282,359	20,899	75,034,170
Liabilities						
Current liabilities	3,819,693	241,062	749,872	88,597	2,761	4,901,985
Intercompany	3,381,388	(61,173)	(3,176,095)	(127,439)	(16,681)	—
Non-current liabilities	8,140,720	1,078,501	8,645,565	1,357,185	—	19,221,971
Total liabilities	15,341,801	1,258,390	6,219,342	1,318,343	(13,920)	24,123,956
Equity	9,379,402	826,613	22,705,364	17,964,016	34,819	50,910,214
Total liabilities and equity	\$ 24,721,203	\$ 2,085,003	\$ 28,924,706	\$ 19,282,359	\$ 20,899	\$ 75,034,170

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 as experienced in China throughout 2022, and the impact of economic sanctions against Russia due to its invasion of Ukraine, resulting in continued uncertainty of future global oil demand and price assumptions for market transactions and valuations. Based on a consideration of all these factors, which creates continued uncertainty over forecasted oil and gas prices, and an increase in the cost of capital, the Company used significant judgment and estimates and concluded that there were no indicators of impairment or impairment reversal as of September 30, 2022.

At September 30, 2022, non-current liabilities include \$11.5 million (USD \$8.3 million) for decommissioning liabilities, \$6.6 million (USD \$4.8 million, net of issuance costs) related to the loan discussed below and \$1.0 million (USD \$0.7 million) for deferred tax liability.

JERICO ENERGY VENTURES INC.

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(Expressed in Canadian dollars)

Nine months ended September 30, 2022 and 2021

Summary financial position information of the joint ventures as of September 30, 2021 is presented in the table below.

100%

As at September 30, 2021	Eagle Road	Lurgan	Buckmanville	Walnut	Cherry Rancher	Total
Assets						
Cash and cash equivalents	\$ 1,013,132	\$ 980	\$ 46,913	\$ 600,333	\$ —	\$ 1,661,358
Current assets (excluding cash)	2,160,900	31,922	164,767	267,970	8,235	2,633,794
Non-current assets	17,545,882	1,830,049	26,159,615	16,897,138	—	62,432,684
Total assets	20,719,914	1,862,951	26,371,295	17,765,441	8,235	66,727,836
Liabilities						
Current liabilities	2,664,162	130,068	42,784	208,811	196	3,046,021
Intercompany	1,204,133	213,998	(1,407,483)	58,047	(68,695)	—
Non-current liabilities	8,552,805	1,102,732	8,717,488	1,321,297	—	19,694,322
Total liabilities	12,421,100	1,446,798	7,352,789	1,588,155	(68,499)	22,740,343
Equity	8,298,814	416,153	19,018,506	16,177,286	76,734	43,987,493
Total liabilities and equity	\$ 20,719,914	\$ 1,862,951	\$ 26,371,295	\$ 17,765,441	\$ 8,235	\$ 66,727,836

At September 30, 2021, non-current liabilities include \$10.9 million (USD \$8.6 million) for asset retirement obligations, \$7.1 million (USD \$5.6 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 September 30, 2022 the carrying value of the loan, net of issuance costs, was \$7.8 million (USD \$5.6 million). The interest rate for the loan is the LIBOR rate plus 3 percent. 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 70 percent is due at the end of the fifth year on August 21, 2025. As of September 30, 2022, approximately USD \$866 thousand is included in current liabilities.

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

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

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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 \$2.3 million (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 \$285,000 (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 \$1,386,000 in development expenditures for professional engineering services necessary for completing manufacturing designs in preparation of commercial development.

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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	—	471,334	471,334
Amortization	(511,181)	—	(511,181)
Effect of movements in exchange rates	234,412	78,874	313,286
Balance at September 30, 2022	\$ 2,526,124	\$ 1,385,887	\$ 3,912,011

	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):

	September 30, 2022	December 31, 2021
Balance, beginning of period	\$ 9,817	\$ 76,538
Accretion expense	64	276
Sale of properties	—	(63,417)
Movement in foreign exchange rates	931	(3,580)
Balance, end of period	\$ 10,812	\$ 9,817

The present value of the obligation relating to petroleum properties (Note 4) of \$10,812 (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.

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8. GENERAL AND ADMINISTRATIVE EXPENSES

The following table presents the general and administrative expenses incurred during the three and nine months ended September 30, 2022 and 2021.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
General and administrative expense (1)				
Management fees (Note 11)	\$ 118,738	\$ 123,718	\$ 348,932	\$ 345,460
Employee salaries and benefits	478,124	139,178	1,174,325	405,207
Business development costs	117,345	179,430	436,181	435,434
Directors' fees (Note 11)	26,326	—	70,444	—
Share-based payments (Note 11)	74,033	135,742	1,806,012	1,119,507
Consulting fees	76,548	134,239	447,466	445,828
Accounting and auditing fees	67,299	43,921	213,025	159,654
Investor relations	72,411	239,736	609,167	1,128,858
Transfer agency and filing fees	5,394	2,374	113,159	29,823
Legal fees	108,169	94,731	469,014	261,855
Travel	22,125	29,562	99,110	53,483
Short-term lease obligation	6,300	6,357	18,900	36,250
Insurance	17,499	7,317	48,515	19,321
Office, computer and miscellaneous	60,252	48,330	125,702	197,739
General and administrative expense	\$ 1,250,563	\$ 1,184,635	\$ 5,979,952	\$ 4,638,419

(1) Certain amounts included in the three and nine months ended September 30, 2021 have been reclassified to conform to current presentation.

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 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 share and any accrued and unpaid interest is convertible at the market price per 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

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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.

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	(87,909)
	<u>\$ 5,615,659</u>
Amount classified as equity (conversion rights and warrants), net of transaction costs	(2,336,752)
Interest accrued	613,406
Balance as of September 30, 2022	<u>\$ 3,892,313</u>

10. 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

The authorized share capital consists of unlimited number of the shares without a par value.

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(b) Issued share capital

At September 30, 2022, 48,984,788 common shares and 177,067,381 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 nine months ended September 30, 2022

During the nine months ended September 30, 2022, 1,174,000 stock options were exercised at a weighted average price of \$0.24 per share for gross proceeds of \$278,500. 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.

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(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 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 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 September 30, 2022, 5,439,217 options are available for issuance under the plan. The following is a continuity table of stock options outstanding as at September 30, 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	4,125,000		0.48
Exercised	(1,174,000)		0.24
Expired	(1,460,000)		0.45
Outstanding, September 30, 2022	17,166,000	\$	0.35

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As at September 30, 2022, the following incentive stock options were outstanding:

Expiration date	Options outstanding and exercisable	Unvested options	Exercise price
October 5, 2022	100,000	—	\$ 0.75
January 23, 2023	50,000	—	0.90
April 4, 2023	100,000	—	0.25
April 4, 2023	175,000	—	0.80
June 15, 2023	1,741,000	—	0.15
August 10, 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
January 21, 2026	700,000	—	0.45
January 9, 2027	3,500,000	—	0.50
August 4, 2025	225,000	—	0.40
	17,166,000	—	\$ 0.35

As of September 30, 2022, the weighted-average remaining contractual life of stock options outstanding was 2.43 years (2021 - 2.39 years).

(d) Share purchase warrants

The number and weighted average exercise prices of warrants outstanding as at September 30, 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, September 30, 2022	21,177,927	\$ 0.46

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The following table summarizes the warrants outstanding and exercisable at September 30, 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, September 30, 2022	21,177,927	\$ 0.46

As of September 30, 2022, the weighted-average remaining contractual life of warrants outstanding was 1.30 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:

	Nine Months Ended	
	September 30, 2022	September 30, 2021
Management fees	\$ 348,932	\$ 345,460
Directors' fees	70,444	—
Share-based payments	1,448,315	260,095
	\$ 1,867,691	\$ 605,555

At September 30, 2022, included in accounts payable and accrued liabilities is \$5,543 payable to a company controlled by the Chief Executive Officer (“CEO”) of the Company (\$3,065 at December 31, 2021).

At September 30, 2022, the Company had \$Nil in advances and \$838,111 in accounts payable to equity investments as described in Note 5 (\$Nil and \$410,363 at December 31, 2021).

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.

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12. FINANCIAL INSTRUMENTS AND RISK

As of September 30, 2022, and December 31, 2021, the Company's financial instruments consist of cash, accounts receivable, investments in equity securities, convertible debentures, accounts payable and loans.

	September 30, 2022	December 31, 2021
Financial Assets:		
Fair value through profit or loss	\$ 651,735	\$ 6,188,638
Fair value through other comprehensive income	4,830,310	1,917,972
Amortized cost	37,157	—
Financial Liabilities:		
Amortized cost	\$ 5,198,661	\$ 5,714,016

See Note 3(n) of the Company's 2021 year-end consolidated financial statements 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.

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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 September 30, 2022 and December 31, 2021 as follows:

	Balance as at September 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>Financial Assets:</i>				
Cash	\$ 651,735	\$ 651,735	\$ —	\$ —
Investment in equity securities	4,830,310	—	—	4,830,310
	\$ 5,482,045	\$ 651,735	\$ —	\$ 4,830,310

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

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).

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(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 September 30, 2022 in the amount of \$651,735 (2021 - \$6,188,428) in order to meet short-term business requirements and strategic investments. See note 2(c) that discusses the material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern.

At September 30, 2022, the Company had current liabilities (due within the 12 months) of \$1,414,534 (December 31, 2021 - \$1,096,758). Contractual undiscounted cash flow requirements for financial liabilities as of September 30, 2022 are as follows:

	<1 year	2-3 Years	4-5 Years	Thereafter	Total
Accounts payable and accrued liabilities	\$ 1,414,534	\$ —	\$ —	\$ —	\$ 1,414,534
Loans	—	40,000	—	—	40,000
Convertible debentures and interest	—	6,387,996	—	—	6,387,996
Decommissioning liabilities	—	—	—	10,812	10,812
	\$ 1,414,534	\$ 6,467,996	\$ —	\$ 10,812	\$ 7,893,342

(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 September 30, 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 September 30, 2022:

Cash	USD\$	349,731
Receivables		26,861
Accounts payable and accrued liabilities		(887,092)
Net exposure	USD\$	(510,500)
Canadian dollar equivalents	CDN\$	(706,175)

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\$ (70,617).

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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 September 30, 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 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 related to its oil and gas business through the next twelve months, but the Company expects to require additional capital to support its corporate operations. See Note 2 c) 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 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 September 30, 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 \$26,665 (2021 - \$49,551) are primarily attributable to the Company's property in Oklahoma where sales are recorded from deliveries of crude oil and gas. For the nine months ended September 30, 2022 and 2021, the Company's revenues are derived from one major customer in Oklahoma. As of September 30, 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 \$1,004,809 (2021 – \$206,566) is attributable to the Company's share of income from its equity investments in Oklahoma (Note 5).

15. SUBSEQUENT EVENTS

In November 2022, the Company's joint venture associate, RSTACK Walnut, LLC, ("Walnut") sold approximately 1,370 undeveloped acres in the STACK oil region of Oklahoma for net proceeds of USD \$1.37 million. Jericho holds a 26.5% interest in Walnut. After closing the transaction, Walnut made a distribution to its owners, including USD \$423,000 net to Jericho.