# JERICHO ENERGY VENTURES INC.

## CONSOLIDATED FINANCIAL STATEMENTS

**(Expressed in United States Dollars)**

**December 31, 2023 and 2022**

manning elliott

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**INDEPENDENT AUDITORS' REPORT**

To the Shareholders and Directors of
Jericho Energy Ventures Inc.

### Opinion

We have audited the consolidated financial statements of Jericho Energy Ventures Inc. and its subsidiaries (together, the "Company") which comprise:

- the consolidated statements of financial position as at December 31, 2023 and December 31, 2022;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023 and 2022, and its consolidated financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

### Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

### Material Uncertainty Related to Going Concern

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audits of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in *Material Uncertainty Related to Going Concern* section, the key audit matters to be communicated in our auditors' report are as follows:

Impairment of petroleum property

We draw attention to Notes 3(c), 4, and 5 of the accompanying consolidated financial statements. At the end of each reporting period, the Company reviews for the existence of impairment indicators. At December 31, 2023, the Company concluded that indicators of impairment existed due to reservoir degradation on a recently drilled extension well at one of its joint ventures and an impairment test was performed.

As a result of the impairment test, the joint venture recorded an impairment loss to reduce the carrying amount of the cash generating unit to its recoverable amount. The estimate of the recoverable amount was made based on estimated future net cash flows and required significant estimates and judgment about future commodity prices, remaining recoverable reserves and discount rates.

Impairment of petroleum property is a key audit matter because significant auditor judgment is required to evaluate the reasonableness of the Company's estimates, assumptions and judgements used in concluding whether impairment indicators are present and estimating the recoverable amount of the joint arrangement's petroleum property as of December 31, 2023.

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

- We assessed the design and implementation of the Company's controls over the estimates and assumptions used to estimate the recoverable amounts
- We examined historical and forecasted performance of the entities' petroleum properties to assess the reasonableness of management's conclusions around the existence of impairment indicators
- With the assistance of our valuation specialist, we assessed the reasonableness of the discount rate used in measuring the recoverable amount
- We compared the forecasted oil and gas price assumptions used by management to independent pricing sources
- We compared the forecasted recoverable reserves to the information contained in the Company's reserve reports
- We compared forecasted recoverable reserves in the prior year to the amount of actual production in the current year

**Other Information**

Management is responsible for the other information. The other information comprises the Company's Management Discussion and Analysis to be filed with the relevant Canadian securities commissions.

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

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

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

*/s/ Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, British Columbia

April 29, 2024

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

| | Note | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| **Assets** | | | |
| Current assets | | | |
| Cash | | $ 36,529 | $ 349,638 |
| Accounts receivable | | 89,388 | 54,511 |
| Prepaid expenses and deposits | | 113,608 | 43,515 |
| | | 239,525 | 447,664 |
| Non-current assets | | | |
| Equity investments | 5 | 13,188,970 | 15,118,561 |
| Intangible assets | 6 | 2,092,563 | 2,747,403 |
| Investments and other non-current assets | 6 | 3,500,393 | 3,521,994 |
| | | 18,781,926 | 21,387,958 |
| **Total assets** | | $ 19,021,451 | $ 21,835,622 |
| **Liabilities** | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | $ 1,721,222 | $ 1,130,803 |
| Loans | | 30,243 | 29,512 |
| | | 1,751,465 | 1,160,315 |
| Non-current liabilities | | | |
| Convertible debentures | 8 | 3,890,413 | 3,035,441 |
| **Total liabilities** | | $ 5,641,878 | $ 4,195,756 |
| **Equity** | | | |
| Share capital | 9 | 54,738,590 | 51,742,094 |
| Contributed surplus | 8,9 | 6,961,654 | 6,801,797 |
| Accumulated other comprehensive loss | | (1,430,318) | (1,335,305) |
| Deficit | | (46,890,353) | (39,568,720) |
| | | 13,379,573 | 17,639,866 |
| **Total liabilities and equity** | | $ 19,021,451 | $ 21,835,622 |

See Basis of Presentation “Going concern” - Note 2(d) for further information.
See Subsequent events - Note 16 for further information.

Approved on behalf of the Board

| ***"Brian Williamson"*** | ***"Carolyn Hauger"*** |
|---|---|

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

**Jericho Energy Ventures Inc.**
**Consolidated Statements of Comprehensive Loss**
(Expressed in United States dollars)

| | Note | Years Ended December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Net service revenue | 13 | $ 73,000 | $ — |
| Net product revenue | | — | 23,326 |
| | | | |
| Operating expenses | | | |
| Production costs | | — | 17,729 |
| Depletion, depreciation and amortization | 6 | 628,938 | 533,123 |
| General and administrative expenses | 7 | 4,257,517 | 6,152,258 |
| Total operating expenses | | 4,886,455 | 6,703,110 |
| | | | |
| Share of income (loss) from equity investments | 5 | (1,738,591) | 2,932,406 |
| Operating loss | | (6,552,046) | (3,747,378) |
| | | | |
| Other income (expense) | | | |
| Finance costs | 8 | (764,039) | (664,152) |
| Other loss | | (5,548) | (733) |
| Loss on disposal of petroleum properties | | — | (103,042) |
| | | (769,587) | (767,927) |
| **Loss for the year** | | (7,321,633) | (4,515,305) |
| | | | |
| **Other comprehensive income (loss)** | | | |
| Items that may be reclassified subsequently to income/loss | | | |
| Foreign currency exchange income (loss) on translation of foreign subsidiaries | | (95,013) | 184,732 |
| **Comprehensive loss for the year** | | $ (7,416,646) | $ (4,330,573) |
| | | | |
| Loss per share | | | |
| Basic | | $ (0.03) | $ (0.02) |
| Weighted average number of shares | | | |
| Basic and diluted | | 240,241,443 | 225,464,094 |

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

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

| | Number of Shares (Note 9) | Share Capital (Note 9) | Contributed Surplus | Accumulated Other Comprehensive Income (Loss) | Deficit | Total Equity |
|---|---|---|---|---|---|---|
| **December 31, 2021** | 222,406,869 | $ 50,985,070 | $ 3,149,862 | $ (1,520,037) | $ (35,053,415) | $ 17,561,480 |
| Issue of shares under warrant exercise | 2,471,300 | 251,831 | — | — | — | 251,831 |
| Issue of shares under options exercise | 1,374,000 | 505,887 | (266,047) | — | — | 239,840 |
| Share issuance costs | — | (694) | — | — | — | (694) |
| Share-based payments | — | — | 2,061,691 | — | — | 2,061,691 |
| Conversion rights of debentures and warrants (Note 8) | — | — | 1,856,291 | — | — | 1,856,291 |
| Other comprehensive income for the year | — | — | — | 184,732 | — | 184,732 |
| Net loss for the year | — | — | — | — | (4,515,305) | (4,515,305) |
| **December 31, 2022** | 226,252,169 | $ 51,742,094 | $ 6,801,797 | $ (1,335,305) | $ (39,568,720) | $ 17,639,866 |

| | Number of Shares (Note 9) | Share Capital (Note 9) | Contributed Surplus | Accumulated Other Comprehensive Income (Loss) | Deficit | Total Equity |
|---|---|---|---|---|---|---|
| **December 31, 2022** | 226,252,169 | $ 51,742,094 | $ 6,801,797 | $ (1,335,305) | $ (39,568,720) | $ 17,639,866 |
| Issue of units for cash | 8,662,745 | 1,672,651 | — | — | — | 1,672,651 |
| Issue of shares under warrant exercise | 12,323,823 | 1,198,430 | — | — | — | 1,198,430 |
| Issue of shares under options exercise | 901,000 | 168,554 | (67,499) | — | — | 101,055 |
| Share issuance costs | — | (43,139) | — | — | — | (43,139) |
| Share-based payments | — | — | 227,356 | — | — | 227,356 |
| Other comprehensive loss for the year | — | — | — | (95,013) | — | (95,013) |
| Net loss for the year | — | — | — | — | (7,321,633) | (7,321,633) |
| **December 31, 2023** | 248,139,737 | $ 54,738,590 | $ 6,961,654 | $ (1,430,318) | $ (46,890,353) | $ 13,379,573 |

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

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

| | Note | Years Ended December 31, 2023 | Years Ended December 31, 2022 |
|---|---|---|---|
| **Cash flows from (used in) operating activities** | | | |
| Loss for the year | | $ (7,321,633) | $ (4,515,305) |
| Adjustments for non-cash items: | | | |
| Depletion, depreciation and amortization | 6 | 628,938 | 533,123 |
| Share-based payments | 7 | 227,356 | 2,061,691 |
| Share of loss (income) from equity investments | 5 | 1,738,591 | (2,932,406) |
| Distributions received from equity investments | 5 | 191,000 | 624,826 |
| Loss on disposal of petroleum properties | | — | 103,042 |
| Amortization of debt issuance costs | 8 | 28,948 | 30,011 |
| Finance costs | 8 | 735,091 | 634,141 |
| Loss on disposal of fixed assets | | 5,452 | — |
| Cash provided by (used in) operating assets and liabilities: | | | |
| Accounts receivable | | (34,877) | (30,035) |
| Prepaid expenses and deposits | | (70,093) | (1,899) |
| Accounts payable and accrued liabilities | | 677,853 | 263,115 |
| Non-current assets and non-current liabilities | | (4,079) | (34,086) |
| **Net cash used in operating activities** | | (3,197,453) | (3,263,782) |
| **Cash flows from (used in) investing activities** | | | |
| Proceeds from sale of petroleum properties | | — | 62,650 |
| Investment in intangible assets | 6 | (56,416) | (395,677) |
| Investment in equity securities | | — | (1,974,491) |
| Sale of other assets | | 12,892 | — |
| Purchase of equipment | | (1,745) | — |
| **Net cash used in investing activities** | | (45,269) | (2,307,518) |
| **Cash flows from (used in) financing activities** | | | |
| Proceeds from issuance of shares | 9 | 2,939,806 | 491,671 |
| Share issuance costs | | (10,810) | (694) |
| Subscriptions received for convertible debentures | 8 | — | 533,552 |
| **Net cash from financing activities** | | 2,928,996 | 1,024,529 |
| Change in cash | | (313,726) | (4,546,771) |
| Effect of exchange rate changes on cash | | 617 | 335 |
| **Cash at beginning of year** | | 349,638 | 4,896,074 |
| **Cash at end of year** | | $ 36,529 | $ 349,638 |

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

## 1. NATURE OF OPERATIONS

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

The Company participates in the acquisition, exploration, development and production of oil and natural gas in the United States of America (USA). As of December 31, 2023, the Company primarily conducts its operations through its subsidiaries and various joint arrangements in the state of Oklahoma. See Note 5 for a detailed discussion of the Company’s 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 consolidated financial statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 29, 2024.

### (b) Basis of presentation

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

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

### (c) Basis of consolidation

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

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

(d) Going concern

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

At December 31, 2023, the Company had a working capital deficiency of $1,511,940, has incurred a net loss of $7,321,633 and had negative cash flows from operations of $3,197,453 in the year ended December 31, 2023. These factors indicate the existence of a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern.

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

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

(e) Foreign currency

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

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

*Foreign currency translation*
The parent entity translates its statement of comprehensive loss items to U.S. dollars at the average rate during the year. Assets and liabilities are translated at exchange rates prevailing at the end of the reporting period. Exchange rate variations resulting from differences between the statement of operations items translated at actual and average rates are recognized in accumulated other comprehensive income (loss). On

disposition or partial disposition of a foreign operation, the related cumulative amount of related exchange difference is recognized in the consolidated statement of comprehensive loss.

(f) Significant accounting judgments and estimates

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

## 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

(a) Cash

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents. At December 31, 2023 and 2022, the Company had no cash equivalents.

(b) Exploration and evaluation assets

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

(c) Petroleum properties

*Petroleum properties*
Petroleum properties include crude oil development and production assets, including costs incurred in developing oil reserves and maintaining or enhancing production from such reserves and directly attributable

general and administrative costs. Properties are measured at cost, less accumulated depletion and depreciation and accumulated impairment losses.

Gains and losses on disposal of petroleum properties, including crude oil interests, are determined by comparing the proceeds from disposal with the net carrying amount of petroleum properties and are recognized within "gain or loss on sale of assets" in the current period on the consolidated statement of comprehensive income (loss). The Company divested its remaining joint operations recorded as petroleum properties in 2022.

*Subsequent measurement*
Costs incurred subsequent to the determination of technical feasibility and commercial viability of petroleum properties are recognized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in earnings as incurred. Capitalized petroleum properties generally represent costs incurred in developing proved and/or probable reserves and bringing on or enhancing production from such reserves and are accumulated on a field or geotechnical area basis.

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

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

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

*Impairment and impairment reversal*
The carrying amounts of the Company's or its joint arrangements' petroleum properties are reviewed at each reporting date for indicators of impairment or impairment reversal. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment or impairment reversal, if any. The recoverable amount of an asset is evaluated at the cash-generating unit level ("CGU"), which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use. Fair value less cost to sell is determined as the

amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal or using a net present value technique. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized. Refer to Note 5 – Equity Investments for discussion of impairments.

(d) Revenues

The Company generates service revenues attributable to the performance of prefeasibility studies for potential purchasers of the boiler technology being developed by its wholly-owned subsidiary, Hydrogen Technologies, LLC. The Company generates product revenues attributable to the production and delivery of crude oil and natural gas. During 2022, the Company divested its remaining joint operations recorded as petroleum properties that generated product revenues.

Service revenues are recognized when an engineering report has been delivered to potential customers to asses the technical feasibility of purchasing and installing the Company's boiler technology. The scope of these reports includes establishing and defining project technical requirements and scoping of general project logistics and scheduling.

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

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

(e) Joint arrangements

As of December 31, 2023, the Company has interests in joint arrangements to conduct oil and gas development and production activities on petroleum properties in Oklahoma (Note 5).

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

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

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

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

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

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

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

(f) Identifiable intangible assets

The Company's intangible assets consist of patents and capitalized development engineering costs related to its hydrogen business acquired in 2021 (Note 6). These assets are capitalized and amortized on a straight-line basis in the consolidated statement of comprehensive loss over the period of their expected useful lives.

(g) Provisions

I. Legal matters

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

II. Decommissioning provisions

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

Decommissioning provisions are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the consolidated statement of financial position date. Subsequent to initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are recorded against the related asset. Actual costs incurred upon settlement of the decommissioning provisions are charged against the provision to the extent the provision was established.

(h) Share-based payments

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

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

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

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

(i) Earnings/loss per share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common and variable voting shares (see Note 9) of the Company by the weighted average number of shares outstanding for the relevant period.

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

(j) Other comprehensive income (loss)

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

(k) Income taxes

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

(l) Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate resource properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share

purchase warrants. Depending on the terms and conditions of each financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are accounted for using the residual method, following an allocation of the unit price to the fair value of the common shares that were concurrently issued. Warrants that are issued as payment for an agency fee or other transactions costs are accounted for as share issuance costs.

(m) Leases

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

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

(n) Financial instruments

I. Measurement – initial recognition

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

II. Classification – financial assets

*Amortized cost*

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

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

*Fair value through other comprehensive income ("FVTOCI")*

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

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

The Company's investments in Supercritical Solutions, Ltd. and H2U Technologies, Inc. are accounted for at FVTOCI. See Note 6 for information regarding these investments.

*Fair value through profit or loss ("FVTPL")*

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

III. Classification – financial liabilities

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

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

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

IV. Impairment

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

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts within the consolidated financial statements. Judgments, estimates and underlying assumptions are reviewed on a continuous basis and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

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

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

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

In a situation where the legal form and the terms of the contractual arrangement do not give the Company rights to the assets and obligations for the liabilities, an assessment of other facts and circumstances is required, including whether the activities of the arrangement are primarily designed for the provision of

output to the parties and whether the parties are substantially the only source of cash flows contributing to the arrangement. In such circumstances management may consider the application of other facts and circumstances to conclude that a joint arrangement is a joint operation is appropriate. This conclusion requires judgment and is specific to each arrangement.

*Cash generating unit (CGU)*
The Company's assets are aggregated into cash-generating units ("CGUs"), based on the unit's ability to generate independent cash inflows. The determination of the Company's CGUs is based on management's judgments regarding shared infrastructure, geographical proximity, resource type and materiality. Based on management's assessment, each of the joint ventures' properties in Oklahoma are their CGUs.

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

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

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

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

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

assets. See Note 5 for a discussion of impairment testing performed as of December 31, 2023, and December 31, 2022.

*Decommissioning provisions*
In estimating the Company's or its joint arrangements' future asset retirement obligations, the Company makes assumptions about activities that occur many years into the future including the cost and timing of such activities. The ultimate financial impact is not clearly known as asset removal and remediation techniques and costs are constantly changing, as are legal, regulatory, environmental, political, safety and other such considerations. In arriving at amounts recorded, numerous assumptions and estimates are made on ultimate settlement amounts, inflation factors, discount rates, timing and expected changes in legal, regulatory, environmental, political and safety environments.

*Fair value of investments measured at FVTOCI*
Management uses judgment when determining the fair value of investments which are measured at FVTOCI. The investees do not generate positive cash flows. Accordingly, the Company is not able to estimate fair value using an income approach. The Company's estimate of the fair values of its investments is based on the price paid to acquire the investments plus qualitative and quantitative information about the investees to assess whether the fair value of the investees has changed since the Company made its initial investments. The qualitative and quantitative information includes, but is not limited to, changes in expectations that the investee's technical product milestones will be achieved, a significant change in the performance of comparable entities, or in the valuations implied by the overall market, and evidence from external transactions in the investee's equity such as a subsequent issue of equity.

*Intangible assets – impairment testing*
Judgment is required when considering whether impairment indicators are present for intangible assets such as intellectual property. Management considers quantitative data as well as qualitative data such as industry trends, scientific advances, governmental initiatives, grant availability, and corporate social responsibility initiatives to evaluate whether indicators of impairment exist. Based on such information and the progress made on the development of the intangible assets, the Company has concluded that there are no impairment indicators on its intangible assets as of December 31, 2023 and 2022.

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

## 5. EQUITY INVESTMENTS

As of December 31, 2023, the Company's oil and gas operations were held in Oklahoma, with operations conducted through participation in various joint ventures and an associate. As discussed in Note 3, the Company's investments in its joint ventures and associates are accounted for using the equity method. Under the equity method, the investment in a joint venture or an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the joint venture since the acquisition date less distributions received and any impairment in the fair value of investment. At December 31, 2023 and 2022, the Company holds the following joint ventures and associates:

| | **December 31, 2023** | **December 31, 2022** |
|---|---|---|
| Eagle Road Oil, LLC ("Eagle Road") | 50 % | 50 % |
| Lurgan Oil, LLC ("Lurgan") | 50 % | 50 % |
| Jericho Buckmanville Oil, LLC ("Buckmanville") | 50 % | 50 % |
| RSTACK Walnut, LLC ("Walnut") | 26.5 % | 26.5 % |
| Cherry Rancher, LLC ("Cherry Rancher") | 31 % | 31 % |

Walnut holds an interest in approximately 7,250 net acres in the oil window of the Anadarko Basin "STACK" play in highly contiguous blocks located in Blaine County, Oklahoma.

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

| | **Eagle Road** | **Lurgan** | **Buckmanville** | **Walnut** | **Cherry Rancher** | **Total** |
|---|---|---|---|---|---|---|
| Balance, December 31, 2022 | $ 5,370,239 | $ 610,048 | $ 5,489,915 | $ 3,624,307 | $ 24,052 | $ 15,118,561 |
| Share of income/(loss) | (1,603,171) | 13,822 | (24,652) | (146,111) | 21,521 | (1,738,591) |
| Distribution received | (191,000) | — | — | — | — | (191,000) |
| **Balance, December 31, 2023** | $ 3,576,068 | $ 623,870 | $ 5,465,263 | $ 3,478,196 | $ 45,573 | $ 13,188,970 |

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

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

Summary of results of operations of the joint ventures and the Company's share of the income or (loss) for 2023 is as follows:

| **100%<br>Year Ended<br>December 31, 2023** | **Eagle Road** | **Lurgan** | **Buckmanville (*)** | **Walnut** | **Cherry Rancher** | **Total** |
|---|---|---|---|---|---|---|
| Revenue | $ 2,535,197 | $ 526,157 | $ 4,202,614 | $ 777,647 | $ 94,012 | $ 8,135,626 |
| Production cost | (833,859) | (292,864) | (3,283,502) | (486,743) | (21,835) | (4,918,803) |
| Depletion and depreciation | (942,395) | (147,200) | (666,100) | (308,168) | — | (2,063,863) |
| Impairment expense | (2,307,000) | — | — | — | — | (2,307,000) |
| Accretion of decommissioning provision | (115,200) | (12,000) | (118,800) | (28,800) | — | (274,800) |
| Loss on disposal of asset | (7,576) | — | — | — | — | (7,576) |
| G&A and other operating | (1,351,873) | (10,118) | (33,294) | (505,539) | (2,750) | (1,903,574) |
| Interest and loan costs | (183,636) | (36,330) | (290,222) | 242 | — | (509,947) |
| **100% Net income (loss)** | **$ (3,206,342)** | **$ 27,645** | **$ (189,304)** | **$ (551,361)** | **$ 69,427** | **$ (3,849,935)** |
| **Jericho's ownership** | 50 % | 50 % | 50 % | 26.5 % | 31 % | |
| | **$ (1,603,171)** | **$ 13,822** | **$ (94,652)** | **$ (146,111)** | **$ 21,521** | **$ (1,808,591)** |
| **Basis difference adjustment** | — | — | 70,000 | — | — | 70,000 |
| **Jericho's share of net income (loss)** | **$ (1,603,171)** | **$ 13,822** | **$ (24,652)** | **$ (146,111)** | **$ 21,521** | **$ (1,738,591)** |

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

### Impairment 2023

The Company performed a review to identify whether indicators of impairment or impairment reversal exist at December 31, 2023, related to the petroleum properties of its joint ventures and associates. Impairment losses recognized in prior years are assessed for any indications that the loss has decreased or no longer exists. This review involved consideration of realized commodity prices, expected future commodity prices, global external factors, and internal factors including well and reservoir performance and an estimation of the oil and gas reserves associated with the petroleum properties. Upon this review, the Company concluded that indicators of impairment existed due to reservoir degradation on a recently drilled extension well at one of its joint ventures at December 31, 2023, and an impairment test was performed.

As a result of the impairment test, the joint venture recorded an impairment loss to reduce the carrying value of the CGU to its recoverable amount. The recoverable amount is determined based on fair value less cost of disposal, representing the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal. The Company's estimate of the fair values of the CGU were determined using Level 3 inputs and were based on estimated future net cash flows from proved oil and gas reserves discounted to their present values using forecasted oil prices ranging from $74 to $97 per barrel and a discount rate of 12%. These assumptions reflect management's best estimates of current market participants' assessments of expected commodity prices, the time value of money and the risks specific to the reserve category and CGU. The proved oil and gas reserves were evaluated by independent third-party reserve evaluators as of December 31, 2023.

As a result of the Company's evaluation, an impairment loss of $2,307,000 was recorded in the Eagle Road joint venture, as reflected in the summary results of operations for the year ended December 31, 2023. The Company's 50 percent share of the impairment loss is included in its share of loss from equity investments for the year ended December 31, 2023.

Summary of financial position information of the joint ventures for 2023 is as follows:

**100%**

| As at December 31, 2023 | Eagle Road | Lurgan | Buckmanville | Walnut | Cherry Rancher | Total |
|---|---|---|---|---|---|---|
| Assets | | | | | | |
| Cash and cash equivalents | $ 308,871 | $ 4,456 | $ (299) | $ 420,348 | $ — | $ 733,376 |
| Current assets (excluding cash) | 949,938 | 34,500 | 148,365 | 47,860 | 4 | 1,180,667 |
| Non-current assets | 16,643,624 | 1,754,283 | 15,905,238 | 12,991,208 | — | 47,294,353 |
| Total assets | 17,902,433 | 1,793,239 | 16,053,304 | 13,459,416 | 4 | 49,208,396 |
| | | | | | | |
| Liabilities | | | | | | |
| Current liabilities | 3,841,607 | 548,456 | 3,639,738 | 84,673 | — | 8,114,474 |
| Intercompany | 3,649,730 | (329,358) | (3,028,083) | (147,210) | (145,079) | — |
| Non-current liabilities | 3,207,000 | 326,400 | 3,063,000 | 741,491 | — | 7,337,891 |
| Total liabilities | 10,698,337 | 545,498 | 3,674,655 | 678,954 | (145,079) | 15,452,365 |
| | | | | | | |
| Equity | 7,204,096 | 1,247,741 | 12,378,649 | 12,780,462 | 145,083 | 33,756,031 |
| Total liabilities and equity | $ 17,902,433 | $ 1,793,239 | $ 16,053,304 | $ 13,459,416 | $ 4 | $ 49,208,396 |

At December 31, 2023, current liabilities include $6.3 million related to the loan discussed below. In addition, non-current liabilities include $7.3 million for decommissioning liabilities.

Three of the Company's joint ventures (Eagle Road, Lurgan, and Buckmanville) together have a $7.0 million Senior Secured Revolving Credit Facility (the "Facility") with Vast Bank, National Association ("Vast Bank"). As of December 31, 2023, the carrying value of the Facility was $6.3 million. The interest rate for the Facility is Chase Prime, and the Facility matures on December 23, 2024.

Summary results of operations of the joint ventures and the Company's share of the income or (loss) for 2022 is presented below.

| **100% Year Ended December 31, 2022** | **Eagle Road** | **Lurgan** | **Buckmanville (*)** | **Walnut** | **Cherry Rancher** | **Total** |
|---|---|---|---|---|---|---|
| Revenue | $ 2,834,158 | $ 649,072 | $ 6,108,784 | $ 1,556,485 | $ 182,627 | $ 11,331,126 |
| Production cost | (857,590) | (246,185) | (3,718,651) | (589,028) | (26,888) | (5,438,342) |
| Depletion and depreciation | (638,633) | (103,800) | (849,700) | (246,175) | - | (1,838,308) |
| Impairment reversal (expense) | 4,490,700 | 601,300 | (1,848,900) | 1,980,000 | - | 5,223,100 |
| Accretion of decommissioning provision | (47,025) | (8,400) | (57,600) | (17,080) | - | (130,105) |
| Gain/loss on disposal of asset | (8,952) | - | - | - | - | (8,952) |
| G&A and other operating | (1,454,506) | (8,904) | (28,585) | (490,207) | (2,500) | (1,984,702) |
| Interest and loan costs | (96,616) | (19,155) | (200,386) | 237 | - | (315,920) |
| Loss on extinguishment of debt | — | — | (233,564) | — | - | (233,564) |
| **100% Net income (loss)** | **$ 4,221,536** | **$ 863,928** | **$ (828,602)** | **$ 2,194,232** | **$ 153,239** | **$ 6,604,333** |
| **Jericho's ownership** | 50 % | 50 % | 50 % | 26.5 % | 31 % | |
| | **$ 2,110,768** | **$ 431,964** | **$ (414,301)** | **$ 581,471** | **$ 47,504** | **$ 2,757,406** |
| **Basis difference adjustment** | — | — | 175,000 | — | — | 175,000 |
| **Jericho's share of net income (loss)** | **$ 2,110,768** | **$ 431,964** | **$ (239,301)** | **$ 581,471** | **$ 47,504** | **$ 2,932,406** |

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

### Impairment and impairment reversal 2022

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

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

As a result of the Company's evaluation, impairment reversals were recorded in the Eagle Road, Lurgan and Walnut joint ventures and associates, and an impairment loss was recorded in the Buckmanville joint venture,

as reflected in the summary results of operations for the year ended December 31, 2022. The impairment reversals were primarily driven by higher forecasted prices for Lurgan and Walnut, and higher prices combined with increased reserves from drilling in Eagle Road. The impairment loss in Buckmanville was driven by lower proved reserves. The Company's share of the impairment reversals and impairment loss is included in its share of income (loss) from equity investments for the year ended December 31, 2022.

RStack LLC is one of the associate members of Walnut. Walnut is governed by a board of six managers of which the CEO and two board members of Jericho have three of the six board seats. Walnut engages RStack LLC to provide technical, geological, engineering, operating and administrative services. During 2023 and 2022, RStack LLC received fees of approximately $317,868 and $317,904, net of reimbursements to Eagle Road for its contribution of shared services.

Summary of financial position information of the joint ventures for 2022 is presented in the table below.

**100%**

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

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

In December 2022, the joint ventures refinanced the loan with Vast Bank and expanded the borrowing base to $7.0 million under the Facility. Management considered the refinancing an extinguishment of debt. Under IFRS, any unamortized debt issuance costs from the original loan plus all transaction costs for the refinancing must be included in the gain or loss calculation on extinguishment, which resulted in a loss on extinguishment of debt of $233,564.

## 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 $1.8 million of a total $3.6 million raised to develop Supercritical’s technology. Jericho owns an approximate 11% interest in the ordinary and seed preferred shares of the company, and currently holds one of five board positions. The seed preferred shares are convertible into ordinary shares upon notice of a majority of preferred investors or prior to an initial public offering.

In the third quarter of 2021, the Company participated in a Series-A financing for H2U Technologies, Inc. (“H2U”), and invested $1.5 million in preferred shares of H2U. The preferred shares are convertible into common shares at the election of the investor. H2U is a company focused on developing proprietary electrolyser technology and catalysts to serve the growing hydrogen market. In February 2022, Jericho participated in a second round of Series-A financing and made an additional $225,000 investment in the preferred shares of H2U. Jericho holds one of six board positions and its total investment in H2U is $1.7 million.

The Company accounts for its investments in Supercritical and H2U at at fair value through other comprehensive income (“FVTOCI”), and they are included in Investments and other non-current assets on the consolidated statements of financial position. Management uses judgment when estimating the fair value of its investments. As of December 31, 2023, the investees do not generate positive cash flows. Accordingly, the Company is not able to estimate fair value using an income approach. The Company’s estimate of the fair values of its investments is based on the price paid to acquire the investments plus qualitative and quantitative information about the investees to assess whether the fair value of the investees has changed since the Company made its initial investments. The qualitative and quantitative information includes, but is not limited to, changes in expectations that the investee’s technical product milestones will be achieved, a significant change in the performance of comparable entities, or in the valuations implied by the overall market, and evidence from external transactions in the investee's equity such as a subsequent issue of equity.

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 costs for development expenditures for professional engineering services necessary for completing manufacturing designs in preparation of commercial development.

The patents are being amortized over five years. The Company determined that the designs are available for use and began amortization in the fourth quarter of 2023. Management has considered whether impairment indicators are present and has concluded, using both quantitative and qualitative analysis, that there are no indicators of impairment for the intangible assets as of December 31, 2023.

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** | $ 2,217,478 | $ 661,139 | $ 2,878,617 |
| Additions | — | 390,546 | 390,546 |
| Amortization | (521,760) | — | (521,760) |
| **Balance at December 31, 2022** | $ 1,695,718 | $ 1,051,685 | $ 2,747,403 |
| Additions | 35,720 | 42,636 | 78,356 |
| Amortization | (525,332) | (98,490) | (623,822) |
| Reclassifications | — | (109,374) | (109,374) |
| **Balance at December 31, 2023** | $ 1,206,106 | $ 886,457 | $ 2,092,563 |

## 7. GENERAL AND ADMINISTRATIVE EXPENSES

The following table presents the general and administrative expenses incurred during the years ended December 31, 2023 and 2022.

| | Year Ended | |
|---|---|---|
| | **December 31, 2023** | **December 31, 2022** |
| **General and administrative expense** | | |
| Management fees (Note 10) | $ 395,575 | $ 362,064 |
| Employee salaries and benefits | 1,307,026 | 1,287,878 |
| Business development costs | 582,900 | 348,532 |
| Directors' fees (Note 10) | 80,000 | 75,000 |
| Share-based payments (Note 9, 10) | 227,356 | 2,061,691 |
| Consulting fees | 166,036 | 420,753 |
| Accounting and auditing fees | 355,523 | 251,691 |
| Investor relations | 490,873 | 584,994 |
| Transfer agency and filing fees | 53,196 | 89,885 |
| Legal fees | 215,343 | 374,407 |
| Travel | 101,957 | 91,491 |
| Short-term lease obligation | 19,486 | 19,356 |
| Insurance | 44,937 | 49,019 |
| Office, computer and miscellaneous | 217,309 | 135,497 |
| **General and administrative expense** | $ 4,257,517 | $ 6,152,258 |

## 8. CONVERTIBLE DEBENTURES

On January 7, 2022, the Company completed the issuance of a non-brokered convertible debenture private placement financing for total gross proceeds of approximately $4.4 million. Subscribers to the private placement purchased convertible debentures with principal amount of CAD $0.70 that mature on January 7, 2025. In addition, for each debenture purchased, subscribers received one share purchase warrant entitling the holder to purchase one additional share (a “warrant share”) at an exercise price of CAD $1.00 per warrant share for a period of three years after issuance of the debenture. The unsecured debentures bear interest of four percent per annum commencing on the first anniversary of the closing date. The principal amount of the debentures are convertible at CAD $0.70 per share and any accrued and unpaid interest is convertible at the market price per common share on the date of any conversion of interest. See Subsequent events - Note 16 for further information regarding a proposed amendment of the exercise prices of the debentures, warrant shares, and maturity of the debentures.

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

| | Convertible Debentures |
|---|---|
| Proceeds from issuance of convertible debentures | $ 4,413,991 |
| Less transaction costs | (84,548) |
| | $ 4,329,443 |
| Amount classified as equity (conversion rights and warrants), net of transaction costs | (1,856,291) |
| Accumulated accretion | 1,032,666 |
| Interest payable | 341,683 |
| Accumulated amortization of debt issuance costs | 59,082 |
| Foreign exchange adjustment | (16,171) |
| Balance as of December 31, 2023 | $ 3,890,413 |

The following table presents the total finance costs related to the convertible debentures for the years presented:

| | Year Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Accretion expense | $ 566,059 | $ 462,258 |
| Interest expense | 169,032 | 171,883 |
| Amortization of debt issuance costs | 28,948 | 30,011 |
| Finance costs | $ 764,039 | $ 664,152 |

## 9. SHARE CAPITAL AND EQUITY RESERVES

During 2022, the Company's shareholders approved a reorganization of the Company's share capital structure (the "Share Amendments"). The Share Amendments resulted in, among other things, (i) creation of a new class of variable voting shares of the Company for shareholders that are U.S. Residents, and (ii) limiting share ownership of the common shares of the Company to shareholders that are Non-U.S. Residents (the common shares and variable voting shares, together, the "shares"). Aside from the differences in (a) the residency status of shareholders of the common shares and variable voting shares and (b) the voting rights attributable to each class of shares, the shares are otherwise treated the same by the Company in all material respects, including payment of dividends and participation in earnings of the Company.

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

(a) Authorized share capital

Unlimited common shares without par value.

(b) Issued share capital

At December 31, 2023, 248,139,737 shares were outstanding, including 68,992,911 common shares and 179,146,826 variable voting shares.

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

**For the year ended December 31, 2023**

During 2023, 901,000 stock options were exercised at a weighted average price of CAD $0.15 per share for gross proceeds of $101,055 (CAD $135,150). In addition, 12,323,823 warrants were exercised at CAD $0.13 per share for gross proceeds of $1,198,430 (CAD $1,602,097).

In March 2023, the Company closed an oversubscribed non-brokered private placement of 8,662,745 units at a price of CAD $0.26 per unit for gross proceeds of approximately $1,673,000 (CAD $2,252,000). Each unit is comprised of one common share and one warrant with each warrant exercisable for one additional common share at a price of CAD $0.50 per share for a period of 24 months from the date of issuance.

**For the year ended December 31, 2022**

During 2022, 1,374,000 stock options were exercised at a weighted average price of CAD $0.22 per share for gross proceeds of $239,840 (CAD $308,500). In addition, 2,471,300 warrants were exercised at CAD $0.13 per share for gross proceeds of $251,831 (CAD $320,174).

(c) Stock options

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

During 2023, the Company granted stock options for 1,825,000 shares to certain employees and consultants of the Company. The options are exercisable at an average price of CAD$0.28 for a period of up to three years. The Company recorded approximately $227,154 of share-based payments included as General and administrative expense in the consolidated statements of comprehensive loss (see Note 7). At December 31, 2023, 5,273,974 options are available for issuance under the plan.

The following is a continuity table of stock options outstanding (presented in $CAD) as at December 31, 2023:

| | **Number of Options** | | **Weighted Average Exercise Price (CAD$)** |
|---|---|---|---|
| Outstanding, December 31, 2021 | 15,675,000 | $ | 0.31 |
| Granted | 7,800,000 | | 0.45 |
| Exercised | (1,374,000) | | 0.22 |
| Expired | (1,560,000) | | 0.45 |
| Outstanding, December 31, 2022 | 20,541,000 | $ | 0.35 |
| Granted | 1,825,000 | | 0.28 |
| Exercised | (901,000) | | 0.15 |
| Expired | (1,125,000) | | 0.31 |
| Forfeited | (800,000) | | 0.45 |
| Outstanding, December 31, 2023 | 19,540,000 | $ | 0.35 |

As at December 31, 2023, the following incentive stock options (presented in $CAD) were outstanding:

| Expiration date | Options outstanding and exercisable | Unvested options | Exercise price (CAD$) |
|---|---|---|---|
| January 21, 2024 | 1,850,000 | — | $ 0.45 |
| January 21, 2024 | 200,000 | — | $ 0.50 |
| February 3, 2024 | 500,000 | — | $ 0.60 |
| February 7, 2024 | 215,000 | — | $ 0.65 |
| April 14, 2024 | 50,000 | — | $ 0.90 |
| May 19, 2024 | 100,000 | — | $ 0.75 |
| August 1, 2024 | 100,000 | — | $ 0.30 |
| September 30, 2024 | 200,000 | — | $ 0.55 |
| January 31, 2025 | 250,000 | — | $ 0.60 |
| February 1, 2025 | 1,275,000 | — | $ 0.25 |
| February 7, 2025 | 150,000 | — | $ 0.65 |
| June 15, 2025 | 4,725,000 | — | $ 0.15 |
| August 4, 2025 | 225,000 | — | $ 0.40 |
| November 14, 2025 | 1,000,000 | — | $ 0.30 |
| November 17, 2025 | 250,000 | — | $ 0.33 |
| December 29, 2025 | 2,125,000 | — | $ 0.35 |
| January 3, 2026 | 325,000 | — | $ 0.35 |
| January 21, 2026 | 700,000 | — | $ 0.45 |
| May 10, 2026 | 1,200,000 | — | $ 0.35 |
| July 16, 2026 | 300,000 | — | $ 0.26 |
| January 9, 2027 | 3,500,000 | — | $ 0.50 |
| November 29, 2027 | 300,000 | — | $ 0.35 |
| | 19,540,000 | — | $ 0.35 |

As at December 31, 2023, the weighted-average remaining contractual life of stock options outstanding was 1.72 years (2022 - 2.30 years).

The fair value of the options granted during the years ended December 31, 2023 and 2022 were calculated using the Black-Scholes option model with the following weighted average assumptions:

| | 2023 | 2022 |
|---|---|---|
| Weighted average assumptions: | | |
| Risk-free interest rate | 2.52 % | 2.52 % |
| Expected dividend yield | — % | — % |
| Expected option life (years) | 3.97 | 3.97 |
| Expected stock price volatility | 95 % | 95 % |
| Weighted average fair value at grant date | $ 0.47 | $ 0.47 |

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

(d) Share purchase warrants

The number and weighted average exercise prices of warrants outstanding (presented in $CAD) as at December 31, 2023 and 2022, were as follows:

| | Number of Warrants | | Weighted Average Exercise Price (CAD$) |
|---|---|---|---|
| Outstanding, December 31, 2021 | 15,501,273 | $ | 0.13 |
| Granted | 8,227,257 | | 1.00 |
| Exercised | (2,471,300) | | 0.13 |
| Outstanding, December 31, 2022 | 21,257,230 | $ | 0.47 |
| Granted | 8,719,830 | | 0.50 |
| Exercised | (12,323,823) | | 0.13 |
| Expired | (706,150) | | 0.13 |
| Outstanding, December 31, 2023 | 16,947,087 | $ | 0.74 |

The following table summarizes the warrants outstanding and exercisable (presented in $CAD) at December 31, 2023:

| Expiration Date | Warrants Outstanding and Exercisable | | Weighted Average Exercise Price (CAD$) |
|---|---|---|---|
| January 7, 2025 | 8,227,257 | $ | 1.00 |
| March 22, 2025 | 8,719,830 | | 0.50 |
| Outstanding, December 31, 2023 | 16,947,087 | $ | 0.74 |

As at December 31, 2023, the weighted-average remaining contractual life of warrants outstanding was 1.13 years (2022 – 1.05 years).

## 10. RELATED PARTY TRANSACTIONS AND BALANCES

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

| | Year Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Management fees | $ 395,575 | $ 362,064 |
| Directors' fees | 80,000 | 75,000 |
| Share-based payments | — | 1,212,791 |
| | $ 475,575 | $ 1,649,855 |

At December 31, 2023, included in accounts payable and accrued liabilities is an amount of $641 payable to a company controlled by a joint venture partner of the Company (2022 – receivable of $6,600). In addition, included in accounts payable and accrued liabilities is $40,000 for quarterly fees and $16,465 for expense reimbursements to Directors or Officers of the Company (2022 – $Nil).

At December 31, 2023, the Company had $Nil in advances and $1,016,605 in accounts payable to equity investments as described in Note 5 (2022 - $Nil and $759,181).

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

## 11. FINANCIAL INSTRUMENTS AND RISK

As of December 31, 2023, and 2022, the Company's financial instruments consist of cash, accounts receivable, investments, accounts payable, loans and convertible debentures.

| | | **December 31, 2023** | | **December 31, 2022** |
|---|---|---|---|---|
| Financial Assets: | | | | |
| Fair value through profit or loss | $ | 36,529 | $ | 349,638 |
| Fair value through other comprehensive income | | 3,491,874 | | 3,491,874 |
| Amortized cost | | 65,000 | | 30,000 |
| Financial Liabilities: | | | | |
| Amortized cost | $ | 5,442,536 | $ | 4,027,548 |

See Note 3(n) for classifications.

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

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

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

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

Financial assets and liabilities measured at fair value on a recurring basis are presented on the Company's consolidated statement of financial position as of December 31, 2023 and 2022 as follows:

| | **Balance as at** | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** |
|---|---|---|---|---|
| *Financial Assets:* | | | | |
| Cash | $ 36,529 | $ 36,529 | $ — | $ — |
| Investment in equity securities | 3,491,874 | — | — | 3,491,874 |
| December 31, 2023 | $ 3,528,403 | $ 36,529 | $ — | $ 3,491,874 |
| Cash | $ 349,638 | $ 349,638 | $ — | $ — |
| Investment in equity securities | 3,491,874 | — | — | 3,491,874 |
| December 31, 2022 | $ 3,841,512 | $ 349,638 | $ — | $ 3,491,874 |

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

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

(a) Credit risk

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

The Company's cash is held at a large Canadian financial institution in interest bearing accounts. The Company's accounts receivable consist mainly of oil sales and purchase taxes remitted from the Government of Canada. The Company does not consider itself to be economically dependent on its hydrocarbon customers as transactions with these parties can be easily replaced by transactions with other parties on similar terms and conditions. The Company has not recorded any allowance against its trade receivables because historically all balances owed have been settled in full when due (typically within sixty days of submission).

(b) Liquidity risk

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

The Company manages liquidity risk through its management of capital as outlined in Note 12 to the consolidated financial statements. The Company held cash at December 31, 2023 in the amount of $36,529

(2022 - $349,638) in order to meet short-term business requirements and strategic investments. See note 2(d) that discusses the material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern.

At December 31, 2023, the Company had current liabilities of $1,751,465 (2022 - $1,160,315). Accounts payable and accrued liabilities are due within the current operating period. Contractual undiscounted cash flow requirements for financial liabilities as at December 31, 2023 are as follows:

| | **<1 year** | **2-3 Years** | **4-5 Years** | **Thereafter** | **Total** |
|---|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ 1,721,222 | $ — | $ — | $ — | $ 1,721,222 |
| Loans | 30,243 | — | — | — | 30,243 |
| Convertible debentures and interest | — | 4,829,878 | — | — | 4,829,878 |
| | $ 1,751,465 | $ 4,829,878 | $ — | $ — | $ 6,581,343 |

(c) Market risk

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

*Interest rate risk*
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of lower interest rates is insignificant.

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

The Company is exposed to foreign currency risk to the extent that the following monetary assets and liabilities are denominated in US dollars at December 31, 2023:

| | | |
|---|---|---|
| Cash | CAD$ | 22,500 |
| Receivables | | 32,255 |
| Accounts payable and accrued liabilities | | (378,891) |
| Net exposure | CAD$ | (324,136) |
| U.S. dollar equivalents | USD$ | (245,075) |

The result of sensitivity analysis shows an increase or decrease of 10% in USD$ exchange rate, with all other variables held constant, could have increased or decreased the net loss and comprehensive loss by approximately $24,755 (2022 - $6,103).

*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.

## 12. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company is not subject to any externally imposed capital requirements. As of December 31, 2023, 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 in order 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 natural gas business through the next twelve months, but the Company expects to require additional capital to supports its corporate operations and commercial deployment of its hydrogen boiler. See Note 2(d) Going concern for a discussion of the Company's working capital deficiency and other factors that may indicate a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern. See Notes 8, and 9, respectively, for discussion of a private placement capital raise for convertible debentures completed in January 2022 for gross proceeds of approximately $4.4 million, $1.6 million from a private placement capital raise in March 2023, and Note 16 – Subsequent Events, for another private placement capital raise for $1.6 million in March 2024.

## 13. SEGMENTED INFORMATION, MAJOR CUSTOMERS AND ECONOMIC DEPENDENCE

At December 31, 2023, all of the Company's non-current assets (other than financial instruments) are located in Oklahoma, USA. Geographical information relating to the Company's non-current assets (other than financial instruments) is presented in Notes 5.

The Company's revenues of $73,000 are attributable to the Company's performance of prefeasibility studies for potential purchasers of the boiler being developed by the Company's wholly owned subsidiary, Hydrogen Technologies, LLC. For the 12 months ended December 31, 2022, the Company's revenues of $23,326 were primarily attributable to the Company's property in Oklahoma where sales are recorded from deliveries of crude oil and gas. The Company divested its remaining asset in Oklahoma during 2022.

The income (loss) from equity investments of ($1,738,591) (2022 - $2,932,406) is attributable to the Company's share of income (loss) from its equity investments in Oklahoma (Note 5).

## 14. GUARANTEES

The Company's subsidiaries, JEV KS and JEV OK, are guarantors on the loan with Vast Bank disclosed in Note 5.

## 15. INCOME TAXES

(a) Income tax expense

Income tax expense included in the consolidated statements of comprehensive loss is as follows:

| | 2023 | 2022 |
|---|---|---|
| Current income tax expense | $ — | $ — |
| Deferred income tax recovery | — | — |
| Total income tax expense | $ — | $ — |

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

| | 2023 | 2022 |
|---|---|---|
| Net loss before income taxes | $ 7,321,633 | $ 4,515,305 |
| Canadian statutory income tax rate | 27 % | 27 % |
| Expected income tax recovery at statutory rate | (1,977,000) | (1,219,000) |
| Tax effect of: | | |
| Permanent differences and other | 158,000 | 548,000 |
| Tax rate changes | — | 1,000 |
| Change in unrecognized deferred income tax assets | 1,819,000 | 670,000 |
| Income tax expense | $ — | $ — |

(b) Deferred income tax assets and liabilities

The approximate tax effects of each type of temporary difference associated with the Company's United States legal entities that give rise to potential deferred income tax assets and liabilities are as follows:

| | 2023 | 2022 |
|---|---|---|
| Non-capital losses carried forward | $ 6,737,000 | $ 5,843,000 |
| Petroleum properties of joint ventures | 1,586,000 | 1,293,000 |
| Decommissioning provisions | — | — |
| Petroleum properties | — | — |
| Unrecognized deferred income tax assets | (8,323,000) | (7,136,000) |
| Net deferred income tax assets (liabilities) | $ — | $ — |

(c) Unrecognized deductible temporary differences:

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

| | 2023 | 2022 |
|---|---|---|
| Non-capital losses carried forward | $ 4,156,000 | $ 3,538,000 |
| Share issuance costs | 18,000 | 9,000 |
| Cumulative eligible capital | 25,000 | 25,000 |
| Unrecognized deductible temporary differences | $ 4,199,000 | $ 3,572,000 |

The Company has Canadian noncapital losses for income tax purposes of CAD $20,432,000 (2022 - $16,809,000) which may be carried forward and offset against taxable income.

The Canadian non-capital losses expire as follows:

| Year | Amount (CAD) |
|---|---|
| 2032 | $ 110,000 |
| 2033 | 292,000 |
| 2034 | 671,000 |
| 2035 | 1,156,000 |
| 2036 | 1,158,000 |
| 2037 | 1,653,000 |
| 2038 | 1,941,000 |
| 2039 | 1,218,000 |
| 2040 | 1,033,000 |
| 2041 | 3,999,000 |
| 2042 | 3,577,000 |
| 2043 | 3,624,000 |
| | $ 20,432,000 |

The Company has United States net operating losses of $24,951,000 (2022 - $23,445,000) which can be applied against future operating income in the United States, which will begin to expire starting 2035.

## 16. SUBSEQUENT EVENTS

In March 2024, the Company closed an oversubscribed non-brokered private placement of 11,141,900 units at a price of CAD $0.20 per unit for gross proceeds of approximately $1,651,000 (CAD $2,228,000). Each unit is comprised of one common share and one warrant with each warrant exercisable for one additional common share at a price of CAD $0.24 per share for a period of 24 months from the date of issuance.

In April 2024, the Company applied to the TSX Venture Exchange ("TSXV") to amend the convertible debentures described in Note 8 from an original conversion price of $0.70 per share to $0.20 per share and extend the term by one year to January 7, 2026. The Company is also applying to amend the exercise price of 6,839,920 of the 8,147,954 warrants to CDN$0.25 due to the TSXV limitation of no more than 10% of the total number of warrants eligible to be repriced for insiders of the Company. All other terms of the warrants and debentures are expected to remain the same.