

Tuktu Resources Ltd.

Financial Statements

As at and for the years ended

December 31, 2023 and 2022

Management Report

To the Shareholders of Tuktu Resources Ltd.

Management is responsible for the preparation and presentation of the accompanying financial statements including responsibility for significant accounting judgements and estimates in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and ensuring that all information in the Management Discussion and Analysis ("MD&A") is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgement is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors exercises its responsibilities for financial controls through an Audit Committee. The Audit Committee is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the financial statements and MD&A. The Committee has the responsibility of meeting with management and the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Company's external auditors.

KPMG LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

Tuktu Resources Ltd.

Signed: (signed) "Tim de Freitas"
President and Chief Executive Officer

Signed: (signed) "Mark Smith"
Chief Financial Officer

Calgary, Canada
April 25, 2024



KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB T2P 4B9
Tel 403-691-8000
Fax 403-691-8008
www.kpmg.ca

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Tuktu Resources Ltd.

Opinion

We have audited the financial statements of Tuktu Resources Ltd. (the "Company"), which comprise:

- the statements of financial position as at December 31, 2023 and December 31, 2022
- the statements of income (loss) and comprehensive income (loss) for the years then ended
- the statements of changes in shareholders' equity (deficiency) for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and December 31, 2022, and its 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 audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditor's Responsibilities for the Audit of the Financial Statements*" section of our auditor's report.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company has accumulated losses since inception and incurred a net loss and used cash in operating activities for the year ended December 31, 2023. The Company's ability to continue as a going concern is dependent upon its existing working capital being sufficient to sustain operating activities while the Company attempts to generate positive cash flows from operations, secure funding from debt or equity financings, dispose of the mining assets or make other arrangements which may not be available.

As stated in Note 1 in the financial statements, these events or conditions, along with other matters as set forth in Note 1 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the "Material Uncertainty Related to Going Concern" section of the auditor's report, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Evaluation of the fair value of the warrant liability

Description of the matter

We draw attention to note 2, note 3 and note 10 to the financial statements. The Company has recognized a warrant liability of \$487,923 at December 31, 2023 regarding issued and outstanding warrants. The warranty liability has been classified as a derivative liability, initially measured at fair value, with subsequent changes in fair value at each reporting period end recognized through profit and loss. Determining the estimated fair value of the warrant liability at the end of each reporting period requires significant management judgment to determine certain significant assumptions to the valuation model, including expected life and volatility rate.

Why the matter is a key audit matter

We identified the evaluation of the fair value of the warranty liability as a key audit matter. This matter represented an area of higher risk of material misstatement as the fair value was subject to a higher degree of estimation uncertainty. Specialized skills and knowledge were required to apply and evaluate the results of audit procedures regarding the estimated fair value of the warrant liability.



How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We involved valuation professionals with specialized skills and knowledge, who assisted in:

- evaluating the appropriateness of the expected life and volatility rate assumptions by comparing to an expected life and volatility rate independently developed using the Company's historic share trading activity and market and other external data
- assessing the reasonableness of the estimated fair value of the warrant liability by comparing to an estimate independently developed using the Company's historic share trading activity and market and other external data.

Assessment of the impact of estimated proved and probable oil and gas reserves on property, plant and equipment ("PP&E")

Description of the matter

We draw attention to note 2, note 3, and note 9 to the financial statements. The Company uses estimated proved and probable oil and gas reserves to deplete its oil and gas assets included in PP&E, to assess for indicators of impairment on the Company's cash generating unit ("CGU") and if any such indicators exist, to perform an impairment test to estimate the recoverable amount of the CGU.

The Company has \$6,801,167 of oil and gas assets included in PP&E as of December 31, 2023.

The Company depletes its net carrying value of oil and gas assets using the unit-of-production method by reference to the ratio of production in the period to the related proved and probable oil and gas reserves, taking into account estimated forecasted future development costs necessary to bring those reserves into production. Depletion expense on oil and gas assets was \$644,613 for the year ended December 31, 2023.

The estimate of proved and probable oil and gas reserves includes significant assumptions related to:

- Forecasted oil and gas commodity prices
- Forecasted production volumes
- Forecasted operating costs
- Forecasted royalty costs
- Forecasted future development costs.

The Company engages independent third-party reserve evaluators to estimate proved and probable oil and gas reserves.

**Why the matter is a key audit matter**

We identified the assessment of the impact of estimated proved and probable oil and gas reserves on PP&E as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures regarding the estimate of proved and probable oil and gas reserves.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

We assessed the depletion expense calculation for compliance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

With respect to the estimate of proved and probable oil and gas reserves:

- We evaluated the competence, capabilities and objectivity of the independent third-party reserve evaluators engaged by the Company
- We compared forecasted oil and gas commodity prices to those published by other independent third-party reserve evaluators

We evaluated the appropriateness of forecasted production and forecasted operating costs, royalty costs and future development costs assumptions by comparing to 2023 historical results. We took into account changes in conditions and events affecting the Company to assess the adjustments or lack of adjustments made by the Company in arriving at the assumptions.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

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

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions and the information as at the date of this auditor's report. 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 in the auditor's report.

We have nothing to report in this regard.



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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor's report is Timothy Arthur Richards.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
April 25, 2024

Tuktu Resources Ltd.

Statements of Financial Position

(Expressed in CDN dollars)	Notes	December 31, 2023	December 31, 2022
Assets			
Current assets			
Cash and cash equivalents		\$ 247,565	\$ 3,475,212
Accounts receivable		265,467	29,601
Prepaid expenses and deposits	8	1,615,790	84,494
Total current assets		2,128,822	3,589,307
Mineral property security deposits	4	32,385	32,227
Deposits	8	199,072	-
Investments	6	200,586	-
Exploration and evaluation assets	7	18,292	18,292
Property, plant and equipment	9	6,808,108	126,644
Total assets		\$ 9,387,265	\$ 3,766,470
Liabilities and Shareholders' Equity (Deficiency)			
Current liabilities			
Accounts payable and accrued liabilities		\$ 1,241,353	\$ 463,137
Total current liabilities		1,241,353	463,137
Warrant liability	10	487,923	3,391,388
Decommissioning obligations	11	3,914,607	-
Total liabilities		5,643,883	3,854,525
Shareholders' equity (deficiency)			
Share capital	12	13,672,322	12,034,915
Warrants	12	766,758	-
Contributed surplus	12	7,917,694	7,683,953
Deficit		(18,613,392)	(19,806,923)
Total shareholders' equity (deficiency)		3,743,382	(88,055)
Total liabilities and shareholders' equity (deficiency)		\$ 9,387,265	\$ 3,766,470

Nature of operations and going concern (note 1)

Subsequent events (note 23)

See accompanying notes to the financial statements.

Approved on behalf of the Board of Directors:

(signed) "William Guinan" Director

(signed) "Robert Dales" Director

Tuktu Resources Ltd.

Statements of Income (Loss) and Comprehensive Income (Loss)

		For the years ended December 31,	
(Expressed in CDN dollars)	Notes	2023	2022
Revenue			
Petroleum and natural gas sales	15	\$ 1,590,787	\$ -
Royalties		(240,964)	-
		1,349,823	-
Expenses			
Operating		761,388	-
Transportation		126,602	-
General and administrative	17	1,429,671	785,648
Transaction costs		227,400	335,682
Remeasurement (gain) loss on warrant liability	10	(2,903,465)	644,589
Exploration and evaluation expense		39,358	37,977
Share-based compensation	13	198,897	350,727
Depletion and depreciation	9	647,710	477
Gain on dispositions	5,9	(544,714)	-
Unrealized loss on investments	6	107,901	-
		90,748	2,155,100
Finance income	18	45,196	18,197
Finance expense	18	(110,740)	(9,835)
		(65,544)	8,362
Net income (loss) and comprehensive income (loss)		\$ 1,193,531	\$ (2,146,738)
Net income (loss) per share			
Basic and diluted	14	\$ 0.01	\$ (0.05)

See accompanying notes to the financial statements.

Tuktu Resources Ltd.

Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in CDN dollars)	Notes	Share Capital	Warrants	Contributed Surplus	Deficit	Total
Balance at December 31, 2021		\$ 10,049,480	\$ -	\$ 7,333,226	\$(17,660,185)	\$ (277,479)
Issued on recapitalization transaction	12	1,927,961	-	-	-	1,927,961
Issued for debt settlement	20	240,000	-	-	-	240,000
Share issue costs	12	(182,526)	-	-	-	(182,526)
Share based compensation	13	-	-	350,727	-	350,727
Net loss for the year		-	-	-	(2,146,738)	(2,146,738)
Balance at December 31, 2022		\$ 12,034,915	\$ -	\$ 7,683,953	\$(19,806,923)	\$ (88,055)

	Notes	Share Capital	Warrants	Contributed Surplus	Deficit	Total
Balance at December 31, 2022		\$ 12,034,915	\$ -	\$ 7,683,953	\$(19,806,923)	\$ (88,055)
Issued on acquisition	12	882,800	317,200	-	-	1,200,000
Issued pursuant to the Private Placement	12	1,147,357	449,558	-	-	1,596,915
Share issue costs	12	(392,750)	-	34,844	-	(357,906)
Share based compensation	13	-	-	198,897	-	198,897
Net income for the year		-	-	-	1,193,531	1,193,531
Balance at December 31, 2023		\$ 13,672,322	\$ 766,758	\$ 7,917,694	\$(18,613,392)	\$ 3,743,382

See accompanying notes to the financial statements.

Tuktu Resources Ltd.

Statements of Cash Flows

		For the years ended December 31,	
(Expressed in CDN dollars)	Notes	2023	2022
Cash provided by (used in):			
Operating activities			
Net income (loss) for the year		\$ 1,193,531	\$ (2,146,738)
Non-cash items:			
Remeasurement (gain)/loss on warrant liability	10	(2,903,465)	644,589
Depletion and depreciation	9	647,710	477
Share-based compensation	13	198,897	350,727
Accretion	11	94,650	-
Gain on disposition	5,9	(544,714)	-
Unrealized loss on investments	6	107,901	-
Change in non-cash working capital	19	189,945	1,059
		(1,015,545)	(1,149,886)
Investing activities			
Capital expenditures - property, plant and equipment	9	(18,644)	-
Capital expenditures - exploration and evaluation		-	(18,292)
Property acquisition	8	(2,416,271)	-
Proceeds on property disposition	9	361,927	-
Deposits	8	(199,072)	-
Interest earned on mineral property security deposits	4	(158)	(52)
Change in non-cash working capital	19	(1,330,134)	-
		(3,602,352)	(18,344)
Financing activities			
Related party advances	20	-	62,038
Issue of units, net of costs	12	1,239,007	4,732,234
Change in non-cash working capital	19	151,243	(162,038)
		1,390,250	4,632,234
Increase (decrease) in cash and cash equivalents		(3,227,647)	3,464,004
Cash and cash equivalents - beginning of year		3,475,212	11,208
Cash and cash equivalents - end of year		\$ 247,565	\$ 3,475,212
Cash		\$ 247,565	\$ 175,212
Redeemable guaranteed investment certificates		\$ -	\$ 3,300,000

See accompanying notes to the financial statements.

Tuktu Resources Ltd.

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

1. Nature of operations and going concern

Tuktu Resources Ltd. (formerly Jasper Mining Corporation) (the "Company") is incorporated under the laws of the Province of Alberta and is listed on the TSX Venture Exchange under the symbol "TUK". The Company was engaged in the business of mineral exploration in Canada until the July 15, 2022, recapitalization and change of management where the Company adjusted its business strategy to pursue oil and natural gas producing assets. The Company's registered and head office is located at 501, 888 - 4th Avenue SW, Calgary, Alberta, Canada, T2P 0V2.

Going concern:

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business as they become due. At December 31, 2023, the Company had accumulated losses of \$18.6 million since inception (December 31, 2022 - \$19.8 million). For the year ended December 31, 2023, the Company reported net income of \$1.2 million (December 31, 2022 - \$2.1 million net loss) and cash used in operating activities of \$1.0 million (December 31, 2022 - \$1.1 million). The Company's working capital balance has decreased from \$3.1 million as at December 31, 2022 to \$887 thousand as at December 31, 2023.

The Company's ability to continue as a going concern is dependent upon its existing working capital being sufficient to sustain operating activities while the Company attempts to generate positive cash flows from operations, secure funding from debt or equity financings or make other arrangements which may not be available. There can be no assurance one or more of the alternatives will be successful.

These conditions indicate a material uncertainty that may cast significant doubt as to the Company's ability to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These financial statements do not reflect the adjustments to the carrying amounts of assets and liabilities, reported amounts of expenses, and statement of financial position classifications used that would be necessary were the going concern assumption deemed to be inappropriate. Such adjustments could be material.

2. Basis of presentation

a) Statement of compliance:

These financial statements have been prepared by management in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

These financial statements were authorized for issue by the Board of Directors on April 25, 2024.

b) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

c) Basis of measurement:

These financial statements have been prepared on the historical cost basis, except for certain financial and non-financial assets and liabilities which have been measured at fair value.

d) Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on

managements' experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimates, which may have the most significant effect on the amounts recognized in the financial statements.

(i) Business combinations:

Management's determination of whether a transaction constitutes a business combination or asset acquisition is determined based on the criteria in IFRS 3 Business Combinations ("IFRS 3"). Business combinations are accounted for using the acquisition method of accounting. The determination of fair value often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of property, plant and equipment ("PP&E") and exploration and evaluation ("E&E") assets acquired generally require the most judgement and include estimates of proved and probable oil and gas reserves acquired, forecast benchmark commodity prices, discount rates, future costs and the assessment of recent comparable transactions. Changes in any of these assumptions or estimates used in determining the fair values of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill or bargain purchase price.

(ii) Cash generating units:

A cash generating unit ("CGU") is defined as the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups thereof. The Company allocates costs to a CGU based on geographic location, shared infrastructure, and common geological and geophysical characteristics.

(iii) Reserves estimates:

The Company uses estimated proved and probable oil and gas reserves to deplete its oil and gas assets included in property, plant and equipment, to assess for indicators of impairment on the Company's CGU and if any such indicators exist, to perform an impairment test to estimate the recoverable amount of the CGU. Estimates of proved and probable oil and gas reserves are based upon a number of significant assumptions, such as forecasted production volumes, forecasted oil and gas commodity prices, forecasted operating costs, forecasted royalty costs and forecasted future development costs. The Company engaged independent third-party reserve evaluators to evaluate the Company's estimates of proved and probable oil and gas reserves as at December 31, 2023. Reserve estimates are made annually based on actual volumes produced, the results from capital expenditure programs, revisions to previous estimates, new discoveries and acquisitions and dispositions made during the year.

Proved oil and gas reserves are those forecasted quantities of oil and gas determined to be economically recoverable under existing economic and operating conditions with a high degree of certainty, of at least 90 percent, that those quantities will be equalled or exceeded. Probable oil and gas reserves are those forecasted quantities of oil and gas determined to be economically recoverable under existing economic and operating conditions with a moderate degree of certainty, of at least 50 percent, that those quantities will be equalled or exceeded. The Company reports production and reserve quantities in accordance with Canadian practices and specifically in accordance with Standards of Disclosures for Oil and Gas Activities ("NI 51-101").

(iv) Impairment of oil and gas assets:

Judgements are required to assess when indicators of impairment or impairment reversal exist and impairment testing is required. In determining the estimated recoverable amount of assets or CGUs, in the absence of quoted market prices, impairment tests are based on the estimate of proved and probable oil and gas reserves using a number of significant assumptions, such as forecasted oil and gas commodity prices, forecasted production volumes, forecasted operating costs, forecasted royalty costs, forecasted future development costs and discount rates.

(v) Decommissioning obligations:

The Company estimates future retirement and remediation of the Company's assets which in most cases, occurs many years into the future. This requires assumptions regarding abandonment date, future environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating costs, future removal technologies in determining the removal cost and liability-specific discount rates to determine the present value of these cash flows.

(vi) Income taxes:

The Company recognizes deferred income tax assets to the extent that it is probable that taxable profit will be available to allow the benefit of that deferred income tax asset to be utilized. Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the deferred income tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

(vii) Share-based compensation and warrant liabilities:

In determining the estimated fair value of stock options, the Company makes assumptions regarding share price volatility, risk free rate and forfeiture rate.

In determining the estimated fair value of the warrant liability at the end of each reporting period requires management judgement to determine significant assumptions to the valuation model, including expected life and volatility rate.

3. Material accounting policies

a) Business Combinations

Business combinations are accounted for using the acquisition method. The identifiable assets acquired and liabilities assumed in a business combination are measured at their fair values at the acquisition date. The cost of an acquisition is measured as the fair value of the assets transferred, equity instruments issued, and liabilities incurred or assumed at the acquisition date. The excess of the acquisition cost over the fair value of the identifiable net assets acquired is recognized as goodwill. If the cost of the acquisition is less than the fair value of the net identifiable assets acquired, a gain on business combination is recognized immediately in net income or loss. Transaction costs associated with a business combination are expensed as incurred. If an acquisition does not meet the definition of a business, the acquisition is accounted for in accordance with other relevant standards.

There is an option to apply a concentration test that permits a simplified assessment of whether an acquired set of activities and assets is in fact a business. The optional concentration test is met if substantially all of the fair value of the assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. A company may make such an election separately for each transaction or other event. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

b) Investments

Investments consist of equity securities. The Company's investments are measured as fair value through profit and loss and remeasured each period with gains and losses recognized in net income/(loss).

c) Property, plant and equipment

i) Development and production costs:

Items of property, plant and equipment, which include oil and gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses and reversals. The cost of development and production assets includes; transfers from exploration and evaluation assets, which generally include the cost to drill the well and the cost of the associated land upon determination of technical feasibility and commercial viability; the cost to complete and tie-in the wells; facility costs; the cost of recognizing provisions for future restoration and decommissioning; geological and geophysical costs; and directly attributable overheads.

Development and production assets are grouped into CGUs for impairment testing. When significant parts of an item of property, plant and equipment, including oil and natural gas interests, have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of property, plant and equipment, property swaps and farm-outs, are determined by comparing the proceeds from disposal or fair value of the asset received or given up with the carrying amount of property, plant and equipment and are recognized in the statement of income (loss) and comprehensive income (loss).

ii) Subsequent costs:

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as oil and gas interests only when they increase the future economic benefits embodied in the specific assets to which they relate. All other expenditures are recognized in the statement of income (loss) and comprehensive income (loss) as incurred. Such capitalized oil and gas interests generally represent costs incurred in developing proved and/or probable oil and gas reserves and bringing in or enhancing production from such proved and/or probable oil and gas reserves and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized on the statement of income (loss) and comprehensive income (loss) as operating costs when incurred.

iii) Depletion and depreciation

The Company depletes its net carrying value of oil and gas assets using the unit-of-production method by reference to the ratio of production in the period to the related proved and probable oil and gas reserves, taking into account estimated future development costs necessary to bring those reserves into production.

Relative volumes of proved and probable oil and gas reserves and production are converted at the energy equivalent conversion ratio of six thousand cubic feet of natural gas to one barrel of oil. Future development costs are estimated taking into account the level of development required to produce the proved and probable oil and gas reserves.

Proved and probable oil and gas reserves are estimated using independent third-party reserve evaluators reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids that geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and that are considered commercially producible.

The Company has deemed the estimated useful lives for gathering systems and processing facilities to be consistent with the reserve lives of the CGUs for which they serve. As a result, the Company includes the cost of these assets within their associated CGUs for the purpose of depletion using the unit-of-production method.

For other assets, depreciation is recognized in the statement of income (loss) and comprehensive income (loss) on a declining balance basis over the estimated useful lives of each part of an item of property, plant and equipment and leased assets are depreciated over the lease term. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

d) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Upon initial recognition all financial instruments are recognized on the statement of financial position at fair value. Subsequent measurement depends on the classification of the financial instrument described below:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss ("FVTPL") are financial assets held for trading or financial assets designated as such by Management on initial recognition. Such assets are held for trading if they are acquired principally for the purpose of selling in the short-term. These assets are initially recognized, and substantially carried, at fair value, with changes recognized in the statement of loss and comprehensive loss. Transaction costs are expensed as incurred.

(ii) Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Financial assets at amortized cost are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method. Cash and cash equivalents, accounts receivable and mineral property security deposits are financial assets measured at amortized cost.

(iii) Financial liabilities

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL, such as held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVTPL. All financial liabilities are recognized initially at fair value, net of applicable transactions costs, unless they are classified as FVTPL. After initial recognition, financial liabilities measured at amortized cost are measured at the end of each reporting period using the effective interest rate method. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires, with any associated gain or loss recognized in net loss. The Company has classified accounts payable and accrued liabilities as financial liabilities at amortized cost.

The warrant liability has been classified as a derivative liability, initially measured at fair value, with subsequent changes in fair value at each reporting period end recognized through profit and loss.

e) Impairment

(i) Financial assets

Impairment losses are recognized using an expected credit loss ("ECL") model. The Company has adopted the simplified ECL model for its accounts receivable, which permits the use of the lifetime expected loss provision.

To measure the ECL, accounts receivable have been grouped based on similar credit risk characteristics and days past due. The Company uses judgement in making these assumptions and selecting the inputs into the ECL calculation based on past history, existing market conditions and forward-looking estimates at the end of each reporting period.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of

impairment testing, assets are grouped together into the smallest group of assets which generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or groups of assets (the “cash-generating-unit” or “CGU”).

The Company’s corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized directly against the carrying amount of the asset whenever the carrying amount of an asset, or its CGU, exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to the goodwill and then to the carrying amounts of the assets in the unit (group of units) on a pro rata basis.

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 amortization, if no impairment loss had been recognized.

f) Exploration and evaluation assets (“E&E”)

E&E expenditures related to oil and gas activities are comprised of the accumulated expenditures incurred in an area where technical feasibility and commercial viability has not yet been determined. E&E assets include undeveloped land and any drilling costs thereon.

Technical feasibility and commercial viability are determinable when reserves are discovered. Upon determination of reserves, E&E assets attributable to those reserves are first tested for impairment and then reclassified from E&E to PP&E. Costs incurred prior to acquiring the legal rights to explore and area are expensed as incurred.

g) Decommissioning obligations

The Company’s activities may give rise to dismantling, decommissioning and site disturbance remediation activities. A provision is made for the estimated cost of site restoration and capitalized in the relevant asset category. The Company’s decommissioning obligation is measured at the present value of management’s best estimate of expenditures required to settle the present obligation at the statement of financial position date. Subsequent to the 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 expense whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning obligation are charged against the provision to the extent the provision was established.

Mineral property security deposits have been paid to the Government of British Columbia and are refundable upon the expiration of mineral claims and approval by appropriate government bodies. The Company has no legal or constructive obligations for decommissioning related to its mining claims as at December 31, 2023 and 2022.

h) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or

substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

i) Net income (loss) per share

Basic net income (loss) per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by dividing the loss attributable to common shareholders and the weighted average number of common shares outstanding, after adjusting for the effects of dilutive instruments such as warrants and options.

j) Revenue

Revenue from the sale of crude oil, natural gas and natural gas liquids is recorded when control of the product is transferred to the buyer based on the consideration specified in the contracts with customers. This usually occurs when the product is physically transferred at the delivery point agreed upon in the contract and legal title to the product passes to the customer.

The Company evaluates its arrangements with third parties and partners to determine if the Company acts as the principal or as the agent. In making this determination, the Company considers if it obtains control of the product delivered or services provided, which is indicated by the Company having the primary responsibility for the delivery of the product or rendering of the service, having the ability to establish prices or having inventory risk. If the Company acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net-basis, only reflecting the fee, if any, realized by the Company from the transaction.

Tariffs, tolls and other fees charged to other entities for use of pipelines and facilities owned by the Company are evaluated by management to determine if these originate from contracts with customers or from incidental or collaborative arrangements. Fees charged to other entities that are from contracts with customers are recognized in revenue when the related services are provided.

4. Mineral property security deposits

The Company is required to maintain safekeeping deposits with the Government of British Columbia as a condition of certain mineral claims. These deposits represent collateral for possible reclamation activities necessary on mineral properties in connection with the permits required for exploration activities by the Company. The deposits are held in guaranteed investment certificates with annual maturity dates and interest rates of 2.5% (December 31, 2022 – 1.2%) or in trust with the government ministry. As at December 31, 2023, the Company had \$32,385 (December 31, 2022 - \$32,227) on deposit.

5. Sale of Isintok Property

On October 13, 2023, the Company closed the sale of 90% interest of its mining claims in the Isintok property to Cascade Copper Corp, a publicly listed company on the Canadian Securities Exchange. The consideration was satisfied through the issuance of 2,150,538 units of Cascade at a deemed price of \$0.093 per unit. Each unit is comprised of one common share and one-half common share purchase warrant. Each warrant shall be exercisable for one common share at an exercise price of \$0.15 for a period of three years and vest on September 28, 2024. The fair value of the units was \$308,487 made up of \$215,054 for the common shares and \$93,433 for the warrants. The fair value of the warrants was estimated using the Black-Scholes pricing model with the following assumptions: share price \$0.10; risk free interest rate 4.3%; expected life of three years; and expected volatility of 182%. There was no book value associated to the mining claims and a \$308,487 gain was recorded to net income.

6. Investments

	December 31, 2023	December 31, 2022
Balance, beginning of year	\$ -	\$ -
Investment in Cascade Copper Corp.	308,487	-
Remeasurement loss	(107,901)	-
Balance, end of year	\$ 200,586	\$ -

On October 13, 2023, as consideration for the sale of the Isintok mining claims (note 5), the Company received 2,150,538 units of Cascade Copper Corp that had a fair value of \$308,487. On December 31, 2023, the investment was revalued to its fair value of \$200,586, resulting in a \$107,901 unrealized loss being recognized in the statement of income (loss).

7. Exploration and evaluation assets

	December 31, 2023	December 31, 2022
Balance, beginning of year	\$ 18,292	\$ -
Additions	-	18,292
Balance, end of year	\$ 18,292	\$ 18,292

Exploration and evaluation assets consist of the Company's undeveloped land. The Company concluded that there were no indicators of impairment on its exploration and evaluation assets at December 31, 2023.

8. Acquisitions

On March 17, 2023, the Company closed an acquisition of southern Alberta light oil assets. As consideration for the assets, the Company issued 10,000,000 units (see note 12) and paid \$100,000 cash, before customary adjustments. The Company incurred transaction costs of \$28,566 on the acquisition which were capitalized to property, plant and equipment.

The transaction was accounted for as an asset acquisition. The purchase price was allocated as follows:

Fair value of net assets acquired	Total
Property, plant and equipment	\$ 1,559,326
Decommissioning obligations	(259,326)
Net assets acquired	\$ 1,300,000
Consideration	
Cash	\$ 100,000
Units (note 12)	1,200,000
Total consideration paid	\$ 1,300,000

On April 14, 2023, the Company closed an acquisition of southern Alberta natural gas assets. As consideration for the assets, the Company paid \$2,267,062 cash. The Company incurred transaction costs of \$20,643 on the acquisition which were capitalized to property, plant and equipment.

The Company assessed the transaction using the concentration test and accounted for the acquisition as an asset acquisition. The purchase price was allocated as follows:

Fair value of net assets acquired	Total
Property, plant and equipment	\$ 6,005,879
Decommissioning obligations	(3,738,817)
Net assets acquired	\$ 2,267,062
Consideration	
Cash	\$ 2,267,062
Total consideration paid	\$ 2,267,062

On December 29, 2023, the Company closed in escrow on the purchase of a southern Alberta oil asset. The escrow is subject to approval of licence transfers by the Alberta Energy Regulator. In connection with the escrow closing, the Company paid the escrow agent \$1.38 million which is fully refundable in the event the final closing does not occur. The \$1.38 million was recorded in prepaids and deposits. The \$150 thousand deposit paid to the escrow agent on October 17, 2023 and \$49 thousand of transaction costs are recorded in long term deposits on the statements of financial position as they are non-refundable.

9. Property, plant and equipment

	Oil and gas assets		Office and other assets		Total
Cost					
Balance at December 31, 2021 and December 31, 2022	\$	-	\$	163,592	\$ 163,592
Acquired - property acquisition		7,614,414		-	7,614,414
Additions		9,552		9,092	18,644
Dispositions		-		(136,079)	(136,079)
Changes in decommissioning liabilities		(178,186)		-	(178,186)
Balance at December 31, 2023	\$	7,445,780	\$	36,605	\$ 7,482,385
Accumulated depletion and depreciation					
Balance at December 31, 2021	\$	-	\$	(36,471)	\$ (36,471)
Depreciation		-		(477)	(477)
Balance at December 31, 2022		-		(36,948)	(36,948)
Depletion and depreciation		(644,613)		(3,097)	(647,710)
Dispositions		-		10,381	10,381
Balance at December 31, 2023	\$	(644,613)	\$	(29,664)	\$ (674,277)
Net book value					
As at December 31, 2022	\$	-	\$	126,644	\$ 126,644
As at December 31, 2023	\$	6,801,167	\$	6,941	\$ 6,808,108

On June 28, 2023, the Company disposed of land in Cranbrook, BC for net proceeds of \$361,927. There was a \$236,227 gain recognized on the disposition.

Future development costs of \$3.1 million were included in the calculation of depletion (December 31, 2022 – nil). At December 31, 2023, there were no indicators of impairment for the oil and gas assets.

10. Warrant liability

	December 31, 2023		December 31, 2022	
Balance, beginning of year	\$	3,391,388	\$	-
Issued		-		2,746,799
Remeasurement (gain) loss		(2,903,465)		644,589
Balance, end of year	\$	487,923	\$	3,391,388

On July 15, 2022, as part of the Recapitalization Transaction (note 12), the Company issued 51,941,773 Units comprised of one common share and one common share purchase warrant at \$0.09 per unit. Each warrant entitles holders to acquire one common share at an exercise price of \$0.11 prior to the date that is four years from the date of issuance of the warrants. The warrants will vest and become exercisable as to one-third upon the 20-day volume weighted average trading price of the common shares equaling or exceeding \$0.13, \$0.155 and \$0.18, respectively. The warrants issued were classified as a financial liability as a result of a cashless exercise provision. In no event will the Company be required to settle the warrants through a cash payment.

The fair value of the warrants on December 31, 2023 and on December 31, 2022 was determined using the Black-Scholes pricing model with the following inputs:

	December 31, 2023	December 31, 2022
Share price	\$ 0.05	\$ 0.10
Risk-free interest rate	3.26%	3.50%
Expected life (years)	2.54	3.54
Expected volatility ⁽¹⁾	63%	99%
Fair value	\$ 0.009	\$ 0.065

⁽¹⁾ Expected volatility is based on a historical peer group volatility

The Company recorded a \$2,903,465 remeasurement gain (2022 : \$644,589 loss) on the warrant liability for the year ended December 31, 2023.

11. Decommissioning obligations

The Company's decommissioning obligations result from net ownership interests in oil and gas assets. The Company estimated the total inflated and undiscounted amount of cash flows required to settle its decommissioning obligations is approximately \$5,241,261 (December 31, 2022 - nil). These payments are expected to be made over the next 37 years. A risk-free rate of 3.02% (December 31, 2022 - nil) and an inflation rate of 1.62% (December 31, 2022 - nil) was used to calculate the decommissioning obligations.

A reconciliation of the decommissioning obligations is provided below:

	December 31, 2023	December 31, 2022
Balance, beginning of year	\$ -	\$ -
Acquisition	3,998,143	-
Revisions to estimates	(178,186)	-
Accretion expense	94,650	-
Balance, end of year	\$ 3,914,607	\$ -

12. Share capital

Common shares

a) Authorized - unlimited common shares without nominal or par value.

b) Issued and outstanding:

	December 31, 2023		December 31, 2022	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of year	73,006,559	\$ 12,034,915	18,398,120	\$ 10,049,480
Issued on recapitalization transaction	-	-	51,941,773	1,927,961
Issued for debt settlements	-	-	2,666,666	240,000
Issued on acquisition	10,000,000	882,800	-	-
Issued pursuant to the private placement	31,938,299	1,147,357	-	-
Share issue costs	-	(392,750)	-	(182,526)
Balance, end of year	114,944,858	\$ 13,672,322	73,006,559	\$ 12,034,915

On March 17, 2023, the Company closed an acquisition of assets. The Company issued 10,000,000 units comprised of one common share and one common share purchase warrant. The warrants are exercisable at \$0.30 per common share for a period of three years. The units were recognized at an ascribed value of \$317,200 to the warrants and \$882,800 to the common shares.

On December 28, 2023, the Company completed a brokered private placement of 31,938,299 units of the Company at a price of \$0.05 per unit for aggregate gross proceeds of \$1,596,915. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles holders to acquire one

common share at an exercise price of \$0.075 prior to the date that is 3 years from the date of issuance of the warrants. The units were recognized at an ascribed value of \$449,558 to the warrants and \$1,147,357 to the common shares.

In connection with the brokered private placement, the Company recorded \$392,750 in share issue costs comprised of \$240,991 in cash commissions and fees, \$116,915 related to the issuance of 2,338,300 units to the agent, and the calculated fair value of the \$34,844 associated with 1,398,400 broker warrants issued to the agent and certain selling group members.

Warrants

	December 31, 2023		December 31, 2022	
	Number of Warrants	Amount	Number of Warrants	Amount
Balance, beginning of year	-	\$ -	-	\$ -
Issued on acquisition	10,000,000	317,200	-	-
Issued pursuant to the private placement	31,938,299	449,558	-	-
Balance, end of year	41,938,299	\$ 766,758	-	\$ -

The 10,000,000 warrants issued in connection with the acquisition of assets were ascribed a value of \$317,200. The value was estimated using the Black-Scholes pricing model with the following assumptions; share price \$0.09; risk-free interest rate of 3.15%; expected life of three years; and expected volatility of 95%.

The 31,938,299 warrants issued in connection with the private placement were ascribed a value of \$449,558. The value was estimated using the Black-Scholes pricing model with the following assumptions; share price \$0.05; risk free interest rate 3.26%; expected life of three years; and expected volatility of 73%.

Broker Warrants

In consideration for services rendered in relation to the brokered private placement, the Company issued 1,398,400 broker warrants to the agent and certain other selling group firms. Each broker warrant is exercisable at a price equal to \$0.05 and entitles the holder to one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share of the Company at a price of \$0.075 for a period of 3 years. The \$34,844 fair value of the broker warrants was measured using the Black-Scholes option pricing model with the following assumptions; share price \$0.05; risk free interest rate 3.26%; expected life of three years; and expected volatility of 73%.

2022 Recapitalization transaction

On July 15, 2022, the Company completed a recapitalization transaction which included the following:

The conversion of \$240,000 debt of the Company into 2,666,666 common shares at a deemed price of \$0.09 per common share.

A Non-Brokered Private Placement of 31,941,773 units of the Company at a price of \$0.09 per unit for aggregate gross proceeds of \$2.87 million. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles holders to acquire one common share at an exercise price of \$0.11 prior to the date that is four years from the date of the issuance of the warrants. The warrants will vest and become exercisable as to one-third upon the 20-day volume weighted average trading price of the common shares equaling or exceeding \$0.13, \$0.155 and \$0.18, respectively.

A Brokered Private Placement of 20,000,000 units of the Company at a price of \$0.09 per unit for aggregate gross proceeds of \$1.8 million. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles holders to acquire one common share at an exercise price of \$0.11 prior to the date that is four years from the date of the issuance of the warrants. The warrants will vest and become exercisable as to one-third upon the 20-day volume weighted average trading price of the common shares equaling or exceeding \$0.13, \$0.155 and \$0.18, respectively. The Company paid the agent a commission equal to 6.0% of the gross proceeds received by the Company. The commission was paid

through the issuance of 358,479 units of the Company, included in the total 20,000,000 brokered units, at a deemed price of \$0.09 per unit and \$75,737 in cash.

The warrants were recognized at a fair value \$2,746,799 with the residual \$1,927,961 allocated to the common shares. See note 10.

Concurrently with the closing of the non-brokered and brokered private placement, the appointment of a new management team and reconstitution of the board of directors was completed.

Pursuant to the Recapitalization Transaction, the Company incurred \$335,682 of transaction costs and \$182,526 of share issue costs.

13. Share-based compensation

The following table reflects the Company's stock options for which shares have been reserved:

	December 31, 2023		December 31, 2022	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Balance, beginning of year	7,250,000	\$ 0.14	725,000	\$ 0.09
Granted	-	-	7,000,000	0.14
Forfeited or expired	(450,000)	0.12	(475,000)	0.09
Balance, end of year	6,800,000	\$ 0.14	7,250,000	\$ 0.14

Summary information with respect to options outstanding at December 31, 2023 is provided below:

Exercise price (\$)	Number outstanding	Contractual life remaining (years)	Exercise price (\$)	Number exercisable
0.08	1,000,000	3.23	0.08	1,000,000
0.15	5,800,000	3.51	0.15	3,866,667
0.14	6,800,000	3.47	0.14	4,866,667

During the year ended December 31, 2023, the Company calculated and recorded stock-based compensation expense of \$198,897 (December 31, 2022 - \$350,727).

14. Per share amounts

Basic and diluted net income (loss) per share is calculated as follows:

	Years ended December 31,	
	2023	2022
Net income (loss)	\$ 1,193,531	\$ (2,146,738)
Weighted average common shares outstanding		
Basic and diluted	81,301,773	43,832,187
Net income (loss) per common share:		
Basic and diluted	\$ 0.01	\$ (0.05)

Basic per share amounts are calculated using the weighted average number of common shares outstanding. The Company uses the treasury stock method to determine the impact of dilutive securities. The reconciling items between the basic and diluted average common shares outstanding are stock options, warrants and broker warrants. Stock options, warrants and broker warrants that were out of the money were excluded from the diluted average common shares outstanding calculation. In periods where the Company recognizes a net

loss, the effect of stock options and warrants are removed as they are anti-dilutive. For the year ended December 31, 2023, there were 4,866,667 stock options (2022: 2,750,000), 93,880,072 warrants (2022: 51,941,773) and 1,398,400 broker warrants (2022: nil) excluded from the diluted shares outstanding.

15. Revenue

The Company sells its production pursuant to variable-price contracts. The transaction price is based on the commodity price, adjusted for quality, location or other factors. Under the contracts the Company is required to deliver a variable volume of crude oil, condensate, natural gas or natural gas liquids to the customer.

The amount of revenue recognized is based on the agreed transaction price, whereby any variability in revenue relates specifically to the Company's efforts to transfer production, and therefore the resulting revenue is allocated to the production delivered in the period during which the variability occurs. As a result, none of the variable revenue is considered constrained.

Crude oil and natural gas are sold under contracts of varying terms. Revenues are typically collected on the 25th day of the month following production.

The following table summarizes the Company's petroleum and natural gas sales:

	Years ended December 31,	
	2023	2022
Crude oil	\$ 44,768	\$ -
Natural gas	1,546,019	-
Petroleum and natural gas revenues	\$ 1,590,787	\$ -

Included in accounts receivable as at December 31, 2023, is \$137,508 (December 31, 2022 – nil) of accrued petroleum and natural gas sales related to December 2023 production.

16. Income taxes

The provision for income taxes is as follows:

	Years ended December 31,	
	2023	2022
Net loss before income taxes	\$ 1,193,531	\$ (2,146,738)
Combined statutory tax rate	23.00%	23.00%
Expected income tax recovery	274,512	(493,750)
Increase (decrease) in income tax resulting from		
Non-deductible (taxable) items	(632,950)	231,560
Change in unrecognized deferred tax assets	358,438	262,190
Income tax recovery	\$ -	\$ -

Deferred tax assets have not been recognized in respect to the following temporary differences:

	Years ended December 31,	
	2023	2022
Exploration and evaluation assets	\$ -	\$ 2,008,802
Property and equipment	-	807,662
Non-capital losses	7,036,034	5,204,887
Share issue costs and other	531,617	146,021
Income tax credits	19,592	19,592
Decommissioning liability	2,658,573	-
	\$ 10,245,816	\$ 8,186,964

The components and movements in net deferred income tax assets and liabilities are as follows:

	December 31, 2022	Recognized in net income (loss)	December 31, 2023
Exploration and evaluation assets	\$ -	\$ 457,817	\$ 457,817
Property and equipment	-	(746,705)	(746,705)
Decommissioning liability	-	288,888	288,888
	\$ -	\$ -	\$ -

The estimated tax pools are as follows:

	Years ended December 31,	
	2023	2022
Canadian oil and gas property expense	\$ 2,492,021	\$ -
Canadian development expenses	570,255	878,742
Canadian exploration expenses	2,008,802	2,027,094
Undepreciated capital cost	499,288	55,565
Non-capital losses ¹	7,036,034	5,204,887
Share issue costs	423,716	146,021
Income tax credits ²	19,592	19,592
Estimated tax pools	\$ 13,049,708	\$ 8,331,901

1) The non-capital losses will expire between 2026 and 2043

2) The income tax credits will expire between 2028 and 2029

17. General and administrative expenses

	Years ended December 31,	
	2023	2022
Salaries and benefits	\$ 812,477	\$ 316,974
Professional fees	250,119	275,187
Consulting fees	94,663	56,938
Directors fees	37,093	13,696
Insurance	31,463	19,209
Office and miscellaneous	150,201	48,320
Transfer agent and filing fees	41,702	34,790
News releases	11,953	12,342
Property taxes	-	8,192
	\$ 1,429,671	\$ 785,648

18. Finance income and expense

	Years ended December 31,	
	2023	2022
Finance income		
Interest on short term investments	\$ 45,196	\$ 18,197
Finance expense		
Part XII.6 interest on flow-through expenditures under the look-back rule	(15,819)	(9,835)
Accretion (note 11)	(94,650)	-
Other finance expense	(271)	-
Net finance (expense) income	\$ (65,544)	\$ 8,362

19. Change in working capital

	December 31, 2023	December 31, 2022
Accounts receivable	\$ (235,866)	\$ (28,430)
Prepaid expenses and deposits	(1,531,296)	(59,938)
Accounts payable and accrued liabilities	778,216	89,427
Due to related parties	-	(162,038)
	\$ (988,946)	\$ (160,979)
Operating activities	\$ 189,945	\$ 1,059
Investing activities	(1,330,134)	-
Financing activities	151,243	(162,038)
	\$ (988,946)	\$ (160,979)

20. Related party transactions

Except as disclosed elsewhere in these financial statements, the Company had the following related party transactions in the normal course of operations and measured at the exchange amount:

Amounts due to related parties consist of amounts due to shareholders, officers and directors of the Company and companies controlled or significantly influenced by shareholders and officers of the Company. The amounts are non-interest bearing, unsecured and have been settled.

During the year ended December 31, 2023, there were no related party transactions or balances owing to related parties.

During the year ended December 31, 2022, \$14,174 was charged for office rent and administrative services and \$62,038 was advanced to the Company by entities owned by a director of the Company. Prior to settlement, there was \$162,038 in due to related parties and \$77,962 in accounts payable and accrued liabilities. The Company settled the \$240,000 balance owing to these entities on July 15, 2022, through the issuance of 2,666,667 common shares at a price of \$0.09 per common share.

Management compensation

Key management personnel include executive management and the Board of Directors. The compensation of key management personnel is as follows:

	Years ended December 31, 2023	2022
Salaries	\$ 807,093	\$ 317,362
Stock-based compensation	198,897	350,727
	\$ 1,005,990	\$ 668,089

21. Capital management

The Company's objective when managing capital is to maintain a flexible capital structure and sufficient liquidity to meet its financial obligations and to execute its business plans. The Company considers capital structure to include shareholder's equity and working capital.

The Company monitors its current and forecasted capital structure in response to changes in economic conditions and the risk characteristics of its mining claims and future oil and gas development. Value-creating activities may be financed with a combination of working capital and other sources of capital.

22. Financial instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, mineral property security deposits, investments and accounts payable and accrued liabilities.

Fair value measurement

IFRS establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lower priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those inputs for the asset or liability that are not based on observable market data.

The fair value of cash and cash equivalents, other receivables, mineral property security deposits and accounts payable and accrued liabilities approximate their carrying value due to the short term to maturity. The fair value of the Company's investments have been assessed on the fair value hierarchy described above using level 1 for common shares traded on the Canadian Securities Exchange and level 2 for warrants.

The Company has exposure to credit risk, liquidity risk, interest rate risk and equity price risk as a result of its use of financial instruments. The Company has policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations that arise principally from the Company's accounts receivable from oil and natural gas marketers and joint operators in the oil and natural gas industry. Receivables from oil and natural gas marketers are normally collected on the 25th day of the month following production.

The Company mitigates credit risk by maintaining relationships with large, established, reputable and creditworthy purchasers. The Company attempts to mitigate risk from joint venture receivables by obtaining partner approval of significant capital and operating expenditures prior to expenditure. Joint venture receivables are from partners in the oil and natural gas industry that are subject to the risks and conditions of the industry. Significant changes in industry conditions and risks that negatively impact partners' ability to generate cash flow will increase the risk of not collecting receivables. The Company has the ability to withhold production from joint interest partners in the event of non-payment.

The maximum credit exposure on accounts receivable at the reporting date by customer type was:

	December 31, 2023	December 31, 2022
Oil and natural gas marketing companies	\$ 137,308	\$ -
Joint venture partners	26,971	-
Other	101,188	29,601
	\$ 265,467	\$ 29,601

As at December 31, 2023, the Company's accounts receivable was \$265,467 (December 31, 2022: \$29,601) of which \$231,897 (December 31, 2022: \$29,601) is current and \$33,570 (December 31, 2022: \$nil) is past due.

b) Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation. The Company prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. See Note 1 going concern.

As at December 31, 2023, the Company's financial liabilities were comprised of accounts payable and accrued liabilities which all have a maturity of less than one year.

c) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk primarily through its variable interest rate on its cash and cash equivalents as it has not entered into any interest rate hedging contracts. For the years ended December 31, 2023 and 2022, if interest rates had been 1% higher with all other variables held constant, the change in net loss would have been insignificant.

d) Equity price risk

Equity price risk refers to the risk that the fair value of the investments will fluctuate due to changes in equity markets. Equity price risk arises from the realizable value of the investments that the Company holds which are subject to variable equity market prices which on disposition gives rise to a cash flow equity price risk. The Company will assume full risk in respect of equity price fluctuations.

23. Subsequent events

On April 17, 2024, Tuktu launched the offering of a \$2.0 million brokered private placement of units on a commercially reasonable efforts basis. The units are priced at \$0.05 and are comprised of one common share and one warrant. Each warrant will entitle the holder to purchase one common share at an exercise price of \$0.075 for a period of 36 months from the closing of the private placement.