

A photograph of an oil pumpjack in a desert landscape under a dramatic sky with large, white, fluffy clouds. The pumpjack is yellow and blue, and the ground is dry and brown. The sky is a deep blue with white clouds. The pumpjack is in the foreground, and the horizon is in the distance.

Q1 2022 INTERIM FINANCIAL STATEMENTS

**TENTH AVENUE PETROLEUM CORP.
TSXV:TPC**

www.tenthavenuepetroleum.com

**TENTH AVENUE PETROLEUM CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022**

**TENTH AVENUE PETROLEUM CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
[UNAUDITED]**

	Note	March 31, 2022	December 31, 2021
ASSETS			
Current			
Cash and cash equivalents		\$ 2,901,335	\$ 43,372
Trade and other receivables		464,419	90,488
Prepaid expenses and deposits		50,862	-
		3,416,616	133,860
Long term			
Property and equipment	6	5,829,383	1,734,700
		\$ 9,245,999	\$ 1,868,560
LIABILITIES			
Current			
Accounts payable and accrued liabilities		\$ 105,681	\$ 75,215
Acquisition consideration payable		2,727,548	-
		2,833,229	75,215
Long term loan	7	36,587	35,450
Decommissioning obligations	8	2,634,667	992,636
Total liabilities		5,504,483	1,103,301
SHAREHOLDERS' EQUITY			
Share capital	9	16,527,421	13,437,123
Contributed surplus		10,151,442	10,192,777
Deficit		(22,937,347)	(22,864,641)
		3,741,516	765,259
		\$ 9,245,999	\$ 1,868,560

The accompanying notes are integral part of these Financial Statements.

Approved on behalf of the Board of Directors:

[signed] "Cameron MacDonald"
Cameron MacDonald, Director

[signed] "Ron Hozjan"
Ron Hozjan, Director

TENTH AVENUE PETROLEUM CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022

TENTH AVENUE PETROLEUM CORP.
CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS FOR THE THREE MONTHS ENDED
[UNAUDITED]

	Note	March 31, 2022	March 31, 2021
REVENUE			
Oil & natural gas sales	10	\$ 728,616	\$ -
Royalties		(113,270)	-
Gas gathering and processing income		7,676	-
Other revenue		2,726	-
		625,748	-
EXPENSES			
Production and transportation		411,060	-
General and administrative		176,304	-
Accretion	8	9,224	-
Stock based compensation	9	-	41,335
Depletion and depreciation	6	100,728	-
		697,316	41,335
OPERATING LOSS FROM OPERATIONS		(71,568)	(41,335)
Other income (expense) items			
Interest expense		(1,138)	(1,138)
NET LOSS AND COMPREHENSIVE LOSS		\$ (72,706)	\$ (42,473)
LOSS PER SHARE			
Basic		\$ (0.00)	\$ (0.00)
Diluted		\$ (0.00)	\$ (0.00)

The accompanying notes are integral part of these Financial Statements.

TENTH AVENUE PETROLEUM CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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TENTH AVENUE PETROLEUM CORP.
STATEMENT OF SHAREHOLDERS' EQUITY (DEFICIT) FOR THE THREE MONTHS ENDED
[UNAUDITED]

	Note	March 31, 2022	March 31, 2021
SHAREHOLDERS' EQUITY (DEFICIT)			
<u>Share capital</u>	9		
Balance, beginning of period		\$ 13,437,123	\$ 12,544,623
Warrants exercised		52,500	-
Stock options exercised		120,085	-
Private placement		3,116,250	-
Share issuance costs		(198,537)	-
Balance, end of period		\$ 16,527,421	\$ 12,544,623
<u>Contributed surplus</u>			
Balance, beginning of period		\$ 10,192,777	\$ 10,151,442
Stock options exercised		(41,335)	-
Share based compensation	9	-	41,335
Balance, end of period		\$ 10,151,442	\$ 10,192,777
<u>Deficit</u>			
Balance, beginning of period		\$ (22,864,641)	\$ (23,105,913)
Net loss		(72,706)	(42,473)
Balance, end of period		\$ (22,937,347)	\$ (23,148,386)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)		\$ 3,741,516	\$ (410,986)

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FOR THE THREE MONTHS ENDED MARCH 31, 2022

TENTH AVENUE PETROLEUM CORP.
STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED
[UNAUDITED]

	Note	March 31, 2022	March 31, 2021
OPERATING ACTIVITIES			
Net income (loss)		\$ (72,706)	\$ (42,473)
Items not affecting cash:			
Depletion and depreciation	6	100,728	-
Stock based compensation		-	41,335
Loan interest accrued		1,138	1,138
Accretion	8	9,224	-
Acquisition costs accrued		188,971	-
Changes in non-cash working capital	11	(314,797)	-
CASH PROVIDED BY OPERATING ACTIVITIES		(87,442)	-
FINANCING ACTIVITIES			
Proceeds from exercise of warrants		52,500	-
Proceeds from exercise of stock options		78,750	-
Proceeds from private placement		2,917,713	-
CASH PROVIDED BY FINANCING ACTIVITIES		3,048,963	-
INVESTING ACTIVITIES			
Deposit on acquisition		(100,000)	-
Purchase of property and equipment	5,6	(3,558)	-
CASH USED IN INVESTING ACTIVITIES		(103,558)	-
NET CHANGE IN CASH AND CASH EQUIVALENTS		2,857,963	-
CASH AND CASH EQUIVALENTS, beginning of period		43,372	40,007
CASH AND CASH EQUIVALENTS, end of period		\$ 2,901,335	\$ 40,007
Interest paid		\$ -	\$ -

TENTH AVENUE PETROLEUM CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022

1. GENERAL INFORMATION

Tenth Avenue Petroleum Corp. ("Tenth" or the "Company") was incorporated under the *Business Corporations Act* (Alberta). The Company is engaged in exploration, development and production of crude oil and natural gas properties in western Canada. These financial statements include the consolidated balances of all subsidiaries (note 21), however the Company does not have any material subsidiaries as at March 31, 2022. Tenth Avenue's common shares are listed on the TSX Venture Exchange ("TSXV") and trade under the symbol "TPC". The Company's head office and registered address is located at 2003, 188 15th Avenue S.W., Calgary, Alberta T2R 1S4.

2. BASIS OF PREPARATION

a) Statement of compliance

These condensed consolidated interim financial statements as at March 31, 2022 (the "Financial Statements") are unaudited and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of interim financial statements, including IAS 34 Interim Financial Reporting. Certain disclosures included in the notes to the annual financial statements have been condensed in the following interim note disclosures or have been disclosed on an annual basis only. Accordingly, these Financial Statements should be read in conjunction with the audited consolidated annual financial statements for the year ended December 31, 2021 (the "2021 Annual Financial Statements").

The Company's Board of Directors approved these Financial Statements on May 30, 2022.

b) Basis of measurement

Unless otherwise indicated, all references to dollar amounts in these Financial Statements and related notes are in Canadian dollars, which is the functional and presentation currency of the Company. The Financial Statements have been prepared on a historical cost basis, except for certain financial instruments which are recorded at fair value as detailed in the accounting policies disclosed in note 4 of the Financial Statements.

c) Significant estimates and judgements

The timely preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ materially from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are reviewed and for any future years affected. Significant judgements, estimates and assumptions made by management in these Financial Statements are consistent with those outlined in note 2 of the 2021 Annual Financial Statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Company are described in note 3 of the 2021 Annual Financial Statements. The Financial Statements at March 31, 2022 have been prepared following the same accounting policies and methods of computation as the most recent consolidated annual financial statements as at and for the year ended December 31, 2021.

Effective January 1, 2022 the Company adopted the amendments to IAS 37 that specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct

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labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The adoption of these amendments did not have a significant effect on the financial statements.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at March 31, 2022, financial instruments of the Company include cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities, and long-term debt. The fair values of these financial assets and liabilities, approximate their carrying value due to the short term to maturity of those instruments except for long-term debt which was determined using a Level 3 valuation. Financial liabilities measured at amortized cost.

The Company is exposed to financial risks arising from its financial assets and liabilities that include credit and liquidity risk, in addition to the market risks associated with commodity prices, and interest and foreign exchange rates. Net income and cash flows may fluctuate due to movement in market prices or as a result of the Company's exposure to credit and liquidity risks.

Risk Management Overview

Tenth Avenue's risk management objective is to manage and control market risk exposures within acceptable limits, while maximizing long-term returns.

a) Credit Risk

The carrying amount of cash and cash equivalents and trade and other receivables represent the Company's maximum credit exposure. Cash and cash equivalents are held on deposit with Canadian chartered banks. The Company's credit risk exposure arises primarily from receivables from oil and gas marketers and joint venture partners.

The composition of the Company's accounts receivable is set out in the following table:

	March 31, 2022	December 31, 2021
Joint venture partners	207,007	90,488
Accounts receivable	257,412	-

The oil and gas industry has a pre-arranged monthly clearing day for payment of revenues from all buyers of oil and natural gas; this occurs on the 25th day following the month of sale. As a result, the Company's production revenues are current. All other accounts receivable are generally contractually due within 30 days, however the collection period is typically between 60 to 90 days. Amounts outstanding for more than 90 days are generally considered "past due" and relate primarily to receivables from the Company's joint venture partners. When determining whether amounts that are past due are collectible, management assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount. Management has reviewed past due accounts receivable balances as at March 31, 2022 and expects the accounts to be collectible.

b) Liquidity Risks

Liquidity risk is the risk that a company will not be able to meet its financial obligations as they become due. The Company's financial liabilities as at March 31, 2022 include accounts payable and long-term debt.

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The Company prepares and regularly updates its capital and operating budget to forecast future cash flows to ensure, to the extent possible, that it will have sufficient liquidity to meet its obligations.

The Company has sufficient liquidity to meet its financial obligations for the next 12 months. The following table outlines a contractual maturity analysis for the Company's financial liabilities as at March 31, 2022:

	1 year	2-3 years	4 to 5 years	>5 years	Total
Accounts payable and accrued liabilities	105,681	-	-	-	-
Acquisition consideration payable	2,727,548				
Long-term debt	-	36,587	-	-	-

c) Market Risks

Market risk is the risk that changes in market conditions, such as commodity prices, interest rates and foreign exchange rates, will affect the Company's cash flows, net income, or fair value of financial instruments. Tenth Avenue's risk management objective is to manage and control market risk exposures within acceptable limits, while maximizing long-term returns.

The Company utilizes physical delivery sales contracts to manage market risks. All such transactions are conducted in accordance with the Company's risk management policies.

Commodity price risk

Inherent to the business of producing oil and gas, the Company's revenue and cash provided by operating activities is subject to commodity price risk. Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices are impacted by world economic events that dictate the levels of supply and demand as well as the currency exchange rate relationship between the Canadian and U.S. dollar. A \$1.00/bbl change in the price of oil will result in a \$6,589 change in net income. A \$0.10/Mcf change in the price of natural gas will result in a \$343 change in net income.

5. ACQUISITIONS AND DISPOSITIONS

The Company continuously seeks to optimize its asset base through strategic tuck-in acquisitions. During the three months ended March 31, 2022, the Company completed an acquisition for total consideration of \$2.5 million comprised of cash consideration of \$1.75 million and \$0.75 million of securities. As regulatory approvals delayed the final closing of the acquisition, consideration for the acquisition was not distributed until April 2022 and as such the amounts due have been accrued in accounts payable and accrued liabilities. The Company incurred transaction costs of \$66,258 which are included in general and administrative expenses in the statement of loss and comprehensive loss.

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The following table summarizes the aggregate consideration paid for acquisitions during the period ended March 31, 2022 and the estimated fair value of the net identifiable assets acquired on the respective acquisition dates:

Q1 ACQUISITION SUMMARY	Avalon Energy	Total 2022
Cash consideration, after adjustments	2,047,709	2,047,709
Common share consideration	750,000	750,000
Total consideration	2,797,709	2,797,709
Net Assets Acquired		
Property, plant and equipment	4,316,084	4,316,084
Prepaid expenses	50,862	50,862
Inventory	162,799	162,799
Decommissioning obligation (1)	(1,757,036)	(1,757,036)
GST	25,000	25,000
Fair value of net asset acquired	2,797,709	2,797,709

1. The aggregate fair value of decommissioning obligations acquired of \$1,757,036 million was estimated by discounting the inflated cost estimates using a "risk-free rate" of 1.99% on the respective closing dates of the acquisitions.

The Statements of Net Loss and Comprehensive Loss for the three months ended March 31, 2022 includes the results of operations for acquisitions completed in the first quarter of 2022, starting from the closing date. Specifically, Tenth Avenue's net income for the quarter ended March 31, 2022, includes \$302,666 of revenue (after royalties) and \$257,412 of operating income generated from the closing dates to March 31, 2023. "Operating income" does not have a standardized meaning under IFRS. For purposes of this *pro-forma* disclosure, the Company has calculated operating income as revenue, after royalties, less operating and transportation expenses. If all the above noted acquisitions had occurred on January 1, 2021, revenue and operating income are estimated to be approximately \$1,007,636 and \$110,549, respectively, for the quarter ended March 31, 2022 from this acquisition. This *pro-forma* information is not necessarily indicative of the results of operations that would have resulted had the acquisition been effected on the dates indicated, or the results that may be obtained in the future.

During the previous year ended December 31, 2021, Tenth Avenue executed on its growth strategy and closed an acquisition in the Swan Hills Unit #1, located in Alberta. Total consideration for the acquisitions completed during 2021 was \$825,000, comprised of the issuance 9.7 million common shares valued at \$825,000.

There were no adjustments to the acquisitions as disclosed in note 6 of the 2021 Annual Financial Statements.

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6. PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment includes development and production assets ("D&P") and corporate assets. D&P assets include the Company's interests in developed crude oil and natural gas properties, as well as interests in facilities and pipelines. The following tables reconcile the movements in the cost and accumulated depletion, depreciation and impairment ("DD&I") during the years:

Property, plant and equipment, at cost	D&P assets	Corporate	Total PP&E
Balance at December 31, 2020	3,251,188	76,408	3,327,596
Distribution of assets under Plan of Arrangement	(3,251,188)	(76,408)	(3,327,596)
Additions	26,862	-	26,862
Acquisitions (note 5)	1,734,451	-	1,734,451
Change in decommissioning estimates (note 8)	71,131	-	71,131
Balance at December 31, 2021	1,832,444	-	1,832,444
Additions	3,556	-	3,556
Acquisitions	4,316,084	-	4,316,084
Change in decommissioning estimates (note 8)	(124,229)	-	(124,229)
Balance at March 31, 2022	6,027,855	-	6,027,855

Accumulative DD&I	D&P assets	Corporate	Total PP&E
Balance at December 31, 2020	1,365,886	72,935	1,438,821
Distributions of assets under Plan of Arrangement	(1,365,886)	(72,935)	(1,438,821)
Impairment	70,840	-	70,840
Depletion and depreciation	26,904	-	26,904
Balance at December 31, 2021	97,744	-	97,744
Depletion and depreciation	100,728	-	100,728
Balance at March 31, 2022	198,472	-	198,472

Net carrying value	D&P assets	Corporate	Total PP&E
Balance at December 31, 2021	1,734,700	-	1,734,700
Balance at March 31, 2022	5,829,383	-	5,829,383

Tenth Avenue assessed each of its cash generating units for indicators of potential impairment as at March 31, 2022 and concluded there are no indicators of impairment.

7. LONG TERM LOAN

The Company received a loan from the government for \$60,000 during the year as assistance to deal with the effects of the Covid-19 pandemic. The loan is non-interest bearing and is due December 31, 2023. If \$40,000 of the loan is repaid by this date, the remaining \$20,000 is forgivable.

The Company intends to repay the loan by this date and will meet all conditions of the grant; therefore it has recorded the forgivable portion as a government grant in other income.

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The loan provided is below market rate, and therefore the fair value of the loan has been determined using the present value of the future cash flows of the loan discounted at the Company's estimated effective borrowing rate of 15%. The difference between the face value and the fair value of \$9,666 has been recorded in other income and will be recognized as interest expense over the remaining term of the loan.

8. DECOMMISSIONING OBLIGATIONS

Decommissioning liabilities arise as a result of the Company's net ownership interests in crude oil and natural gas assets including well sites, processing facilities and infrastructure. The following table provides a reconciliation of the carrying amount of the obligation associated with the retirement of oil and gas properties:

	March 31, 2022	December 31, 2021
Balance, beginning of year	992,636	1,404,293
Distribution of liabilities under Plan of Arrangement	-	(1,404,293)
Obligations acquired (note 6)	1,757,036	917,620
Changes in estimates	(124,229)	71,131
Accretion	9,224	3,885
Balance, end of period	2,634,667	992,636
Expected to be settled within one year	-	-
Expected to be settled beyond on year	2,634,667	992,636

The underlying cost estimates are derived from a combination of published industry benchmarks as well as site specific information. As at March 31, 2022, based on an inflation rate of 2.0% (2021 – 1.8%) the total undiscounted amount of the estimated cash flows required to settle the obligation is \$4,007,582 (\$1,505,906 as of December 31, 2021).

As at March 31, 2022, the carrying amount of the decommissioning obligations is based on a risk-free rate of 2.37% (1.68% at December 31, 2021). The increase in discount rate resulted in a decrease in the carrying amount of decommissioning obligations by \$124,229 as at March 31, 2022 compared to December 31, 2021.

9. SHARE CAPITAL

a) Authorized

The Company is authorized to issue an unlimited number of common shares, an unlimited number of preferred shares, each without par value. The preferred shares may be issued in series, with the directors determining the terms of the preferred shares on a series-by-series basis.

TENTH AVENUE PETROLEUM CORP.
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b) Issued and outstanding

The following table summarizes the change in common shares issued and outstanding

	Number of common shares	Amount
Balance at December 31, 2020	10,512,658	12,544,623
Issued pursuant to acquisition	9,716,442	825,000
Issued for cash on exercise of warrants	900,000	67,500
Balance at December 31, 2021	21,129,100	13,437,123
Equity offerings:		
Non-brokered private placement	12,465,000	3,116,250
Issued for cash on exercise of warrants	700,000	52,500
Issued for cash on exercise of stock options	1,050,000	78,750
Transfer of value attributed to stock options exercised	-	41,335
Issue costs	-	(198,537)
Balance at March 31, 2022	35,344,100	16,527,421

On February 18, 2022, the Company closed a non-brokered private placement and issued to certain investors an aggregate of 12,465,000 units (each a "Unit") at a price of \$0.25 per share for aggregate gross proceeds of \$3,116,250 (the "Private Placement").

Pursuant to the Private Placement, each Unit consisted of one common share of the Company ("Common Share") and one-half of one Common Share purchase warrant ("Warrant"). Each whole Warrant issued under the Private Placement entitles the holders to acquire up to an aggregate 6,232,500 Common Share purchase Warrants at a price of \$0.30 per Common Share for a period of 12 months from the date of issuance. The Warrants include an acceleration clause to the effect that if at any time the daily volume weighted average closing price of the Common Shares on the TSXV is \$0.35 or more for a period of twenty (20) consecutive days, the Company will be entitled to notify all holders of Warrants of its intention to force the exercise of the Warrants and to issue a press release to such effect, following which the holders of Warrants shall have thirty (30) days from the date of the press release to exercise the Warrants. All of the Common Shares and Warrants issued in connection with this financing are subject to a statutory four-month hold period in accordance with applicable securities laws.

Net proceeds of the Private Placement were \$2,917,713 after issue costs.

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c) Warrants

The following table summarizes the change in common share purchase warrants issued and outstanding:

	Number of warrants	Average exercised price (\$/share)
Balance at December 31, 2020	1,600,000	0.075
Warrants exercised	(900,000)	0.075
Balance at December 31, 2021	700,000	0.075
Warrants exercised	(700,000)	0.075
Warrants issued as part of Private Placement	6,277,500	0.30
Balance at March 31, 2022	6,277,500	0.30

The warrants outstanding were issued on February 18, 2022 as part of the Private Placement. Each Warrant entitles the holder to purchase one common share at an exercise price of \$0.30 for a period of one year. The Warrants became fully vested in February 2022 and will provide aggregate cash proceeds of \$1,883,250 to the Company, if fully exercised by the holders.

d) Stock options

The Company has a stock option plan under which options to purchase common shares may be granted to officers, directors, employees and consultants. The Board of Directors has approved a policy of reserving up to 10% of the outstanding common shares for issuance to eligible participants of the stock option and share award plans. All stock options have a maximum term of five years and the vesting period for each grant is determined at the discretion of the Board of Directors. The following table summarizes the change in stock options outstanding:

	Number of options	Average exercised price (\$/share)
Balance at December 31, 2020	510,000	0.075
Granted (1)	540,000	0.075
Balance at December 31, 2021	1,050,000	0.075
Exercised	(1,050,000)	0.075
Balance at March 31, 2022	-	-

(1) The options granted vest immediately upon issuance

The fair value of stock options granted is estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions as follows:

Share price – \$0.08
Exercise price - \$0.075
Risk-free rate – 0.67%
Expected volatility – 179%
Expected dividend yield – 0%
Option life – 5 years

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Expected volatility is calculated based on the historical share volatility of the Company. The weighted average fair value of the options at the date of issued was estimated to be \$0.0765 per option which resulted in \$0.041 million of stock based compensation expense being recognized in income during 2021.

During the three months ended March 31, 2022, the volume weighted average trading price of the Company's common shares on the TSXV was \$0.24.

Subsequent to March 31, 2022, The Company granted 2,940,000 stock options to certain directors, officers, employees and consultants to acquire 2,940,000 common shares at an exercise price of \$0.20 per share.

e) Per share amounts

Basic loss per share has been calculated using the weighted average number of common shares outstanding during the period of 27,936,544 (2021 – 11,237,872). The diluted weighted average common shares outstanding in the period are 27,936,544 (2021 – 12,987,872). In 2022, the effect of all stock options and warrants was excluded from the calculation as they are anti-dilutive.

10. OIL AND GAS SALES, NET OF ROYALTIES

The following table summarizes the composition of Tenth Avenue's oil and gas sales revenue by product type:

	Three months ended March 31	
	2022	2021
Oil and gas sales		
Crude oil	676,238	-
Natural gas liquids	29,598	-
Natural gas	22,780	-
Oil and gas sales	728,616	-
Royalties	(113,270)	-
Oil and gas sales, net of royalties	615,346	-

11. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31	
	2022	2021
Accounts receivable	(373,931)	-
Accounts payable and accrued liabilities	59,134	-
Change in non-cash working capital	(314,797)	-
Cash payments in respect of:		
Interest and fees on long-term debt	-	-
Income tax	-	-

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12. CAPITAL MANAGEMENT

Tenth Avenue's capital management objectives are to maintain a flexible capital structure in order to respond to changes in economic conditions, execute on strategic opportunities throughout the business cycle, meet its financial obligations, and fund current and future settlements of decommissioning obligations. The Company seeks to create long-term shareholder value by prioritizing profitability over production growth, as well as investing in projects that are expected to strengthen its overall asset portfolio and suite of internally generated prospects. As at March 31, 2022, the Company's capital structure is comprised of working capital, long-term debt and shareholders' equity. The significant components of the Company's capital structure are summarized below:

	March 31, 2022	December 31, 2021
Adjusted working capital deficiency (surplus) (1)(2)	(583,387)	(58,645)
Long-term debt	36,587	35,450
Net Debt	(546,800)	(23,195)
Total shareholders' equity	3,741,516	765,259

1. "Adjusted working capital" is calculated as current assets less current liabilities. As at March 31, 2022 and December 31, 2021, Adjusted Working Capital includes cash and cash equivalents, accounts receivable, prepaid expenses and deposits, and accounts payable and accrued liabilities.
2. Adjusted working capital and Net Debt are not standardized measures and therefore may not be comparable with the calculation of similar measures by other entities. Tenth Avenue uses adjusted working capital and Net Debt as capital management measures of the Company's financial position and liquidity.

The capital intensive nature of Tenth Avenue's operations may create a working capital deficiency during periods with high levels of capital investment. During the first quarter of 2022, Tenth Avenue's exploration and development capital expenditures were \$3,556 compared to \$26,862 in the fourth quarter of 2021. Tenth Avenue's adjusted working capital increased from \$58,645 at December 31, 2021 to \$583,387 at March 31, 2022 primarily due to the increase in revenue and proceeds from the Private Placement during the first quarter of 2022.

During the three months ended March 31, 2022, the Company's primary sources of funds were cash proceeds of \$131,250 on the exercise of stock options and warrants and \$2,917,713 from the Private Placement.

The Company monitors its capital structure and short-term financing requirements using a "Net Debt to Annualized AFF Ratio", which is calculated by dividing the Company's Net Debt (calculated above) by its "Annualized Adjusted Funds Flow". The reader is cautioned that "Net Debt" and "Adjusted Funds Flow" do not have standardized meanings under IFRS may not be directly comparable to measures of other companies where similar terminology is used. Tenth Avenue calculates "Adjusted Funds Flow" or "AFF" by deducting lease payments and the change in non-cash working capital to cash provided by operating activities and adding back one-time transaction costs on acquisitions. Tenth Avenue utilizes Adjusted Funds Flow as a key performance measure in the Company's annual financial forecasts and public guidance because it reflects the net cash flow generated from routine business operations. Adjusted Funds Flow is reported net of cash lease payments in the period therefore Tenth Avenue believes Adjusted Funds Flow is an appropriate metric to compare relative to its Net Debt which does not include lease liabilities. "Annualized Adjusted Funds Flow", which is calculated by multiplying Adjusted Funds Flow for the most recently completed quarter by a factor of 4, is considered more representative of the Company's current financial position than a 12-month trailing measure. Management believes that the Net Debt to Annualized AFF Ratio provides investors with information to understand the Company's liquidity risk and its ability to repay long-term debt and fund future capital expenditures.

TENTH AVENUE PETROLEUM CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022

Three months ended	March 31, 2022	December 31, 2021
Change provided by operating activities	(87,442)	-
Change in non-cash operating working capital	314,797	-
Add back: transaction costs	66,258	-
Adjusted Funds Flow for the quarter	293,613	-
Factor to Annualize	4	-
Annualized Adjusted Funds Flow	1,174,452	-
Working Capital Surplus, net of debt	546,800	23,195
Annualized Adjusted Funds Flow	1,174,452	-
Net Debt to Annualized AFF Ratio	Nil	-

As at March 31, 2022, Tenth Avenue had Net Debt of \$546,800. The Company increased its working capital surplus by \$523,605 from \$23,195 as at December 31, 2021, as cash provided by operating activities and financing activities exceeded capital expenditures during the first quarter of 2022. The Company's existing capital resources are sufficient to satisfy its financial obligations for the next twelve months and Tenth Avenue is well positioned to execute on its short- and longer-term growth strategy.

The Company's exploration and development capital expenditure budget for 2022 will be funded by cash provided by operating activities and may be supplemented by short term advances of bank debt during periods of high capital investment. To maintain or adjust its capital structure in the future, the Company may issue new common shares or other equity securities, issue debt, adjust capital expenditures and acquire or dispose of assets.

As at March 31, 2022, the Company is not subject to any externally imposed capital requirements.

13. RELATED PARTY DISCLOSURES

During the quarter ending March 31, 2022 the Company has incurred consulting fees of \$35,000 (2021 - \$Nil) to officers and directors of the Company. As at March 31, 2022, there was \$11,671 (2021 - \$14,605) outstanding which was included in accounts payable and accrued liabilities.

14. SUBSEQUENT EVENTS

Subsequent to the end of the quarter, the Company completed the closing of the acquisition of the production assets in the Murray Lake and Hays area of Southern Alberta from Avalon Energy Ltd. Due to the materiality of the Avalon acquisition to the Company, this acquisition has been reflected in the March 31, 2022, financial statements despite the delayed closing due to receipt of regulatory approval. On April 10, 2022, Tenth Avenue issued 3.0 million common shares of the Company at a price of \$0.25 per common share for an equity value of \$750,000 as well as paid the remaining cash consideration of \$1,947,706.