

FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: **G2 ENERGY CORP (Formerly G2 Technologies Corp.)**
(the "Issuer")

Trading Symbol: **GTOO**

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities Act*, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

Unaudited condensed interim consolidated financial statements for the three-month period ended September 30, 2023, as filed with the securities regulatory authorities are attached hereto as Schedule "A".

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

- (a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
- (b) A description of the transaction(s), including those for which no amount has been recorded.
- (c) The recorded amount of the transactions classified by financial statement category.
- (d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
- (e) Contractual obligations with Related Persons, separate from other contractual obligations.
- (f) Contingencies involving Related Persons, separate from other contingencies.

All related party transactions have been disclosed in Note 11 in the Issuer's unaudited condensed interim consolidated financial statements for the three-month period ended September 30, 2023. For information subsequent to the information contained in the notes to the unaudited condensed consolidated interim financial statements with respect to related party transactions, please refer to the Management's Discussion and Analysis ("MD&A") for the three-month period ended September 30, 2023, as filed with the securities regulatory authorities and attached hereto as Schedule "B".

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

All securities issued and options granted, if any, by the Issuer have been disclosed in the Issuer's unaudited condensed interim consolidated financial statements for the three-month period ended September 30, 2023.

(a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
July 11, 2023	Units ⁽¹⁾	Private Placement	3,976,000	\$0.05	\$198,800.00	Cash	Not Related	None
August 1, 2023	Units ⁽¹⁾	Private Placement	1,300,000	\$0.05	\$65,000.00	Cash	Not Related	None
August 1, 2023	Common Shares	Common Shares issued pursuant to shares for debt settlements	750,000	\$0.05 (deemed)	N/A	N/A; Shares for Debt Settlement	Not Related	None

(1) Each Unit consists of one (1) common share in the capital of the Issuer and one (1) common share purchase warrant (the "**Warrant**"). Each Warrant will be exercisable by the warrant holder to acquire one (1) additional common share at a price of CAD\$0.08 for a period of twenty-four (24) months from the closing of the Private Placement ("**Closing Date**").

- (b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant
No Stock Options Were Issued During the three-month period ended September 30, 2023						

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

- (a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

Description	Number Authorized	Par Value
Common	Unlimited	No Par Value

- (b) number and recorded value for shares issued and outstanding,

Description	Number Issued and Outstanding	Value
Common	25,835,588	\$16,940,453

- (c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

Description	Number Outstanding	Exercise Price	Expiry Date
Stock Options	100,000	\$0.75	May 5, 2026
Stock Options	430,000	\$1.00	June 2, 2027
TOTAL	530,000		

Description	Number Outstanding	Exercise Price	Expiry Date
Warrants	3,360,600	\$0.75	Feb 3, 2025
Warrants	1,123,990	\$0.75	October 4, 2023
Warrants	517,000	\$0.75	December 30, 2023
Warrants	350,000	\$0.75	February 3, 2024
Warrants	600,500	\$1.50	November 27, 2023
Warrants	60,880	\$1.50	November 27, 2023
Warrants	1,300,000	\$1.50	May 31, 2024
Warrants	600,000	\$1.50	June 2, 2024
Warrants	70,000	\$1.00	October 14, 2024
Warrants	572,500	\$1.00	October 20, 2024
Warrants	5,167,360	\$0.25	March 21, 2026
Warrants	7,496,045	\$0.08	June 30, 2025
Warrants	3,976,000	\$0.08	July 11, 2025
Warrants	1,300,000	\$0.08	August 1, 2023
Warrants	40,000	\$0.08	August 1, 2023
TOTAL	26,534,875		

- (d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

Escrowed and Restricted Shares	Number	Number Released During the Period
Escrowed and Restricted Shares	Nil	Nil

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

Name	Position Held
Slawomir Smulewicz	Chief Executive Officer, Corporate Secretary and Director
John Costigan	Director
Kai Hensler	Director
David Whitby	President and Director
Gabriel Monteiro Queiroz	Chief Financial Officer and Director
Markus Mair	Director
Malcolm Burke	Director

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

The Management's Discussion and Analysis ("MD&A") for the three-month period ended September 30, 2023, is attached hereto as Schedule "B".

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Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated: November 29, 2023

Slawomir Smulewicz

Name of Director or Senior Officer

Signed: "Slawomir Smulewicz"

Signature

Chief Executive Officer, Director

Official Capacity

Issuer Details Name of Issuer G2 Energy Corp.	For Quarter Ended September 30, 2023	Date of Report YYYY/MM/D 2023 / 11 / 29
Issuer Address Unit 430 – 744 West Hastings Street		
City/Province/Postal Code Vancouver, BC, V6C 1A5	Issuer Fax No. N/A	Issuer Telephone No. 778-775-4985
Contact Name Slawomir Smulewicz	Contact Position Slawomir Smulewicz	Contact Telephone No. 778-775-4985
Contact Email Address slawek@g2.energy	Web Site Address g2.energy	



G2 Energy Corp.

Condensed Interim Consolidated Financial Statements

Three Months Ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

(Prepared by management)

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these consolidated financial statements.

G2 ENERGY CORP.

Condensed Interim Consolidated Statements of Financial Position (Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

		September 30, 2023	June 30 2023
	Notes	- \$ -	- \$ -
ASSETS			
Current assets			
Cash		13,054	109,507
Trade receivables		92,937	24,640
Prepaid and other receivables		17,463	7,081
		123,454	141,228
Right of use asset	11	22,108	31,572
Property, plant and equipment	6	7,408,428	7,524,203
TOTAL ASSETS		7,553,990	7,697,003
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		586,227	604,638
Due to related parties		277,339	163,682
Promissory note - Masten	8	689,197	674,924
Debenture – Cloudbreak	9	2,663,514	2,539,193
Loan payable - CEBA	7	39,478	39,015
Lease liability	11	34,494	33,280
		4,290,249	4,054,732
Non-current liabilities			
Asset retirement obligation	10	2,313,193	2,244,160
Promissory note - Masten	8	772,936	780,783
		3,086,129	3,024,943
TOTAL LIABILITIES		7,376,378	7,079,675
SHAREHOLDERS' EQUITY			
Share capital	13	17,241,753	16,940,453
Shares to be issued		405,848	516,648
Reserves		3,248,731	3,230,934
Accumulated other comprehensive income		(367,321)	(226,430)
Deficit		(20,351,399)	(19,844,277)
TOTAL SHAREHOLDERS' EQUITY		177,612	617,328
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		7,553,990	7,697,003

Going concern (Note 1)

Commitments (Notes 16)

Contingencies (Note 19)

Subsequent events (Note 20)

Approved and authorized for issuance by the Board of Directors on November 29, 2023:

/s/ "Slawomir Smulewicz"

Slawomir Smulewicz, Director

/s/ "John Costigan"

John Costigan, Director

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

G2 ENERGY CORP.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Notes	Three months ended September 30	
		2023	2022
		- \$ -	- \$ -
Revenues		348,840	448,358
Cost of Sales	12	(321,587)	(211,425)
Gross Profit		27,253	236,933
Operating Expenses			
Consulting and management fees	13	(163,855)	(166,157)
Corporate development fees (recovery)	19	-	(15,593)
Depreciation – right of use asset	11	(9,464)	(9,463)
General and administrative	13	(64,425)	(110,817)
Professional fees		(80,427)	(1,503)
Travel		(24,226)	(10,557)
Share-based payments	13,14	(17,797)	(97,813)
Total Operating Expenses		(360,194)	(411,903)
Operating Loss		(332,941)	(174,970)
Other Expense			
Finance expense		(174,626)	(173,397)
Foreign exchange gain (loss)		445	136,757
Total Other Expense		(174,181)	(36,640)
Loss before income tax		(507,122)	(211,610)
Tax expense (recovery)		-	(10,591)
Net loss		(507,122)	(222,201)
Foreign currency translation		(140,891)	(34,537)
Comprehensive loss		(648,013)	(256,738)
Basic and diluted loss per share		(0.02)	(0.02)
Weighted average common shares outstanding - basic and diluted		30,563,088	10,238,087

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

G2 ENERGY CORP.

Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Three months ended September 30	
	2023	2022
	- \$ -	- \$ -
Cash from (used in):		
Operating Activities		
Net loss	(507,122)	(222,201)
Items not involving cash:		
Share-based payments	17,797	97,813
Depletion	96,036	40,206
Depreciation	33,864	19,703
Finance cost - non-cash	174,626	173,331
Foreign exchange gain on non-monetary items	(8,361)	(136,757)
Change in non-cash working capital items:		
Trade receivables	(68,297)	-
Prepaid and other receivables	(10,382)	57,972
Accounts payable and accrued liabilities	(18,411)	(46,326)
Due from related parties	113,657	40,162
Net cash used in operating activities	(176,593)	23,903
Investing Activities		
Cash used in investing activities	-	-
Financing activities		
Proceeds from private placement, net of share issuance cost	263,800	-
Proceeds from warrants exercised	-	-
Proceeds from related party loan	-	-
Proceeds from loans	-	-
Cloudbreak – debt issuance cost	-	-
Proceeds – advance for private placement	(110,800)	-
Promissory note - Masten repayment	(69,800)	(202,094)
Debenture – Cloudbreak repayment	(40,560)	-
Lease payment	-	(6,929)
Cash provided by financing activities	42,640	(209,023)
(Decrease) increase in cash and cash equivalents	(96,453)	(185,120)
Cash and cash equivalents, beginning	109,507	201,898
Cash and cash equivalents, ending	13,054	16,778
Supplementary Information:		
Cash interest paid	(94,201)	(52,192)

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

G2 ENERGY CORP.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Number of shares	Share capital - \$ -	Reserves				Accumulated other comprehensive income	Deficit - \$ -	Total shareholders' equity - \$ -
			Share- based payments reserve - \$ -	Warrants reserve - \$ -	Convertible Debt Reserves - \$ -	Shares to be issued - \$ -			
Balance, June 30, 2023	25,835,588	16,940,453	1,852,374	1,342,885	35,675	516,648	(226,430)	(19,844,277)	617,328
Stock based compensation	-	-	17,797	-	-	-	-	-	17,797
Share issuance – private placement (note 14)	5,276,000	263,800	-	-	-	(263,800)	-	-	-
Share issuance – shares for debt (note 14)	750,000	37,500	-	-	-	-	-	-	37,500
Shares to be issued	-	-	-	-	-	153,000	-	-	153,000
Cumulative translation adjustments	-	-	-	-	-	-	(140,891)	-	(140,891)
Net loss	-	-	-	-	-	-	-	(507,122)	(507,122)
Balance, September 30, 2023	31,861,588	17,241,753	1,870,171	1,342,885	35,675	405,848	(367,321)	(20,351,399)	177,612
Balance, June 30, 2022	10,157,183	15,240,788	1,598,402	1,139,425	35,675	488,857	(10,211)	(17,276,596)	1,216,340
Masten acquisition (note 5a)	240,000	151,020	-	-	-	(151,020)	-	-	-
Stock based compensation	-	-	253,972	-	-	-	-	-	253,972
Share issuance – private placement (note 14)	3,345,800	718,948	-	128,500	-	-	-	-	847,448
Share issuance – shares for debt (note 14)	12,092,605	829,697	-	74,960	-	-	-	-	904,657
Shares to be issued	-	-	-	-	-	178,811	-	-	178,811
Cumulative translation adjustments	-	-	-	-	-	-	(216,219)	-	(216,219)
Net loss	-	-	-	-	-	-	-	(2,567,681)	(2,567,681)
Balance, June 30, 2023	25,835,588	16,940,453	1,852,374	1,342,885	35,675	516,648	(226,430)	(19,844,277)	617,328

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

G2 ENERGY CORP.

Notes to the Condensed Interim Consolidated Financial Statements
Three months ended September 30, 2023 and 2022
(Expressed in Canadian dollars)

1. Corporate Information

G2 Energy Corp. (the “Company” or “GTOO”) was incorporated on October 9, 2014, in British Columbia under the Business Corporations Act.

On January 16, 2017, the Company entered into a Share Exchange Agreement with G2BE Canada Inc. (“G2BEC”), a private British Columbia company incorporated on May 30, 2014, resulting in a reverse-takeover transaction whereby the Company acquired all the issued and outstanding common shares in the capital of GTOO (the “Transaction”).

Up until the disposition of all of its then operating subsidiaries on March 31, 2020, the Company was in the business of manufacturing, marketing, and distributing softwood pellets for consumer and industrial customers and arranging transactions between buyers and sellers of alternative energy products.

On June 1, 2022, the Company acquired the Masten Unit (“Masten”) and changed its business to that of an oil and gas producer (note 5).

On June 9, 2022, the Company changed its name to G2 Energy Corp. and traded under the ticker symbol “GTOO”. The Company’s registered office is located at Suite 430 – 744 West Hastings Street, Vancouver BC, V6C 1A5.

On June 12, 2023, the Company consolidated all its common shares on the basis of five (5) pre-consolidated common shares into one (1) post-consolidated common share.

Going concern

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As of September 30, 2023, the Company had a negative cash flow from operations, had an accumulated deficit of \$20,351,399 (June 30, 2023 - \$19,844,277). The Company has suffered recurring losses and negative cash flows from operations. These conditions raise substantial doubt about the Company’s ability to continue as a going concern, therefore the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company will need to raise funds through either the issuance of share capital, issuance of corporate bonds, joint venture agreements and/or bank financing to accomplish its goals. If additional financing is not available when needed, the Company may need to cease operations. The Company may not be successful in raising the capital needed to drill and/or rework existing oil wells. Any additional wells that the Company may drill may be nonproductive. Management believes that actions taken to secure additional funding for the reworking of its existing infrastructure will provide the resources for the Company to continue as a going concern. Since the Company has an oil producing asset, its goal is to increase the production rate by optimizing its current infrastructure. The accompanying condensed interim consolidated financial statements have been prepared assuming the Company will continue as a going concern; no adjustments to the financial statements have been made to account for this uncertainty, and any adjustments required could be material.

COVID-19 and other

The ongoing effects of the COVID-19 pandemic and political upheavals in various countries have caused significant volatility in commodity prices while these effects are expected to be temporary, the duration of the business disruptions internationally and related financial impact cannot be reasonably estimated at this time.

G2 ENERGY CORP.

Notes to the Condensed Interim Consolidated Financial Statements
Three months ended September 30, 2023 and 2022
(Expressed in Canadian dollars)

2. Basis of Presentation

(a) Statement of Compliance and Principles of Consolidation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

(b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis, modified where applicable for financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The consolidated financial statements are presented in Canadian dollars, except where otherwise indicated. The functional currency of each entity is measured using the currency of the primary economic environment in which the entity operates. The functional currency of the Company and G2USA is Canadian dollars and G2HUS, G2TX1 and G2TX2 's functional currency is United States dollars (“US\$”).

(c) Use of Estimates and Judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the period. These estimates are, by their nature, uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the reporting date could result in a material adjustment to the carrying amounts of assets and liabilities.

Significant areas of estimation and judgment include the collectability of other receivables, useful life and recoverability of long-lived assets, measurement of provisions and asset retirement obligations, fair value of share-based payments, application of the going concern assumption, and deferred income tax asset valuation allowances.

The Company’s policy for property, plant and equipment requires judgment in determining whether the present value of future expected economic benefits exceeds capitalized costs. The policy requires management to make certain estimates and assumptions about future economic benefits related to its operations. Estimates and assumptions may change if new information becomes available. If information becomes available suggesting that the recovery of capitalized cost is unlikely, the capitalized cost is written off in the consolidated statement of comprehensive loss.

The Company’s oil and gas reserves are evaluated by independent qualified reserve evaluators at least annually and are determined pursuant to National Instrument 51-101 Standard of Disclosures for Oil and Gas Activities. Proved and probable developed oil and gas reserves estimates affect net earnings and assets and liabilities through their impact on depreciation, depletion, impairment calculations, the recoverability of deferred income tax assets and the fair values of assets acquired through business combinations. By their nature, oil and gas reserves estimates include significant assumptions related to future royalty production volumes and forecasted oil and gas commodity prices, which are subject to measurement uncertainty. Accordingly, the impact on amounts reported in the consolidated financial statements for future periods could be material.

The assessment of whether the going concern assumption is appropriate requires management to consider all available information about the future, which is at least, but is not limited to, 12 months from the end of the

G2 ENERGY CORP.

Notes to the Condensed Interim Consolidated Financial Statements

Three months ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt about the Company's ability to continue as a going concern.

3. Proposed New Accounting Policies

As of September 30, 2023, there were no new accounting pronouncements that are expected to have a material impact on the consolidated financial statements.

4. Summary of Significant Accounting Policies

The condensed interim consolidated financial statements have been prepared in accordance with the accounting policies adopted in the Company's most recent annual financial statements for the year ended June 30, 2023.

5. Acquisition of Masten

On June 1, 2022, the Company completed the acquisition of the Masten Unit ("Masten"). Masten is a 2,600-acre project located within the prolific billion-barrel Levelland Field in Cochran County, Texas.

The Company applied the optional IFRS 3 concentration test to this acquisition which resulted in the acquired assets being accounted for as an asset acquisition. The fair value of consideration paid is allocated to assets and liabilities acquired.

Details of the fair value of the consideration paid are as follows:

Cash consideration – US\$400,000	\$	514,879
Cash consideration – US\$2,000,000		2,529,565
Promissory note – US\$1,600,000 (note 8)		1,943,884
Transaction cost – cash expenditures for legal fees		157,400
Transaction cost – 240,000 closing shares to be issued (a)		151,020
Transaction cost – US\$400,000 performance shares (b)		337,837
Transaction cost – 1,000,000 finder's shares (note 14)		825,000
Transaction cost – 600,000 finder's warrants (note 14)		243,865
Total purchase price	\$	6,703,450

The fair value of the consideration paid was allocated to the acquired assets as follows:

Oil and gas property	\$	7,302,593
Property, plant, and equipment		404,730
Accounts receivable		250,524
Asset retirement obligation acquired		(1,254,397)
Net assets acquired	\$	6,703,450

G2 ENERGY CORP.

Notes to the Condensed Interim Consolidated Financial Statements

Three months ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

- a) The 240,000 closing shares were issued on August 30, 2022. The fair value of the contingent shares as of the acquisition date was \$151,020 and was determined based on the fair value of the shares less a discount for the lack of marketability using a Black-Scholes valuation model with the following assumptions:

	At acquisition
Fair value of common shares	\$0.825
Exercise price	\$0.825
Expected life (years)	0.25
Volatility	120%
Risk free rate	1.52%
Dividend rate	0%
Discount	46,980

- b) The fair value of the \$505,913 (US\$400,000) performance shares was determined based on the fair value of the shares less a discount for the lack of marketability using a Black-Scholes valuation model with the following assumptions:

	At acquisition
Fair value of common shares	\$0.825
Exercise price	\$0.825
Expected life (years)	0.50
Volatility	120%
Risk free rate	2.15%
Dividend rate	0%
Discount	168,076

6. Property, plant and equipment

	Plant and equipment	Oil and gas property	Total
Balance, June 30, 2022	\$ 411,508	\$ 6,717,998	\$ 7,129,506
Asset retirement obligation revision	-	824,226	824,226
Depreciation, depletion	(42,870)	(403,511)	(446,381)
Foreign exchange impact	973	15,879	16,852
Balance, June 30, 2023	\$ 369,611	\$ 7,154,592	\$ 7,524,203
Depreciation, depletion	(24,400)	(96,036)	(120,436)
Foreign exchange impact	828	16,024	16,852
Balance, September 30, 2023	\$ 346,039	\$ 7,074,580	\$ 7,420,619

The Masten project had a total royalty payable on its oil and gas revenue of 24.16% (inclusive of royalty payable to Cloudbreak). Accordingly, the Company has a net revenue interest in the oil and gas property of 75.84%.

As part of obtaining the debenture from Cloudbreak, the Company assigned a revenue royalty of 3.25% to Cloudbreak. The assignment of the royalty was accounted for as a disposal of the oil and gas asset with a carrying value of \$696,151 in the year ended June 30, 2022 (the carrying value was determined based on the relative fair value) and a net loss on the disposal of \$586,564 was recognized in the consolidated statement of comprehensive loss in the year ended June 30, 2022.

7. Loans Payable - CEBA

On April 29, 2020, the Company was approved and received a \$40,000 line of credit ("CEBA LOC") with CIBC under the Canada Emergency Business Account ("CEBA") program funded by the Government of Canada. The CEBA LOC is non-interest bearing until January 18, 2024, and can be repaid at any time without penalty.

G2 ENERGY CORP.

Notes to the Condensed Interim Consolidated Financial Statements

Three months ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

On January 1, 2021, the outstanding balance of the CEBA LOC was automatically converted to a 2-year interest-free term loan ("CEBA Term Loan"). The CEBA Term Loan may be repaid at any time without notice or the payment of any penalty. If 75% of the CEBA Term Loan, at the CEBA Term Loan Commencement Date, is repaid on or before January 18, 2024, the repayment of the remaining 25% of such CEBA Term Loan shall be forgiven. If on January 18, 2024, the Company exercises the option for a 3-year term extension, 5% interest during the term extension period will apply on any balance remaining.

The Company recorded the fair value of \$28,190 at the initial recognition date of the CEBA LOC using an effective interest rate of 10% per annum. The difference of \$11,810 between the fair value and the total amount of CEBA LOC received has been recorded as a government grant in finance income, during the year ended June 30, 2020.

	Total
Balance, June 30, 2022	\$ 34,680
Accretion expense	4,335
Balance, June 30, 2023	\$ 39,015
Accretion expense	463
Balance, September 30, 2023	\$ 39,478

8. Promissory note – Masten

On May 31, 2022, the sellers of Masten ("Sellers") financed a portion of the purchase price for the acquisition of the Masten with a secured loan by a promissory note (the "Note") in the principal amount of US\$1,600,000 with the following terms:

- Primary security by deed of trust over all of the property and assets of G2 TX1, including the oil and gas leases.
- Three (3) year maturity.
- Bears 10% interest per annum.
- Principal and interest to be paid in 35 equal monthly installments of USD\$51,627 and the balance in the 36th month.

	Total
Balance, June 30, 2022	\$ 2,002,722
Accretion expense	2,550
Interest expense	214,352
Repayment	(820,258)
Foreign exchange impact	56,341
Balance, June 30, 2023	\$ 1,455,707
Accretion expense	(8,569)
Interest expense	53,641
Repayment	(69,800)
Foreign exchange impact	31,154
Balance, September 30, 2023	\$ 1,462,133
Less: current portion	(689,197)
Non-current portion	\$ 772,936

- a) The Note's carrying value was discounted through the effective interest rate method over 3 years at 13.5% (based on the Company's incremental borrowing rate for the secured debt). As a result, the US\$1,600,000 had an opening carrying value of \$1,943,884 (US\$1,536,932). The difference between the face value of the debt and the fair value represents a reduction of the purchase price of the oil and gas property.
- b) Subsequent to the year end the Company entered into a forbearance agreement whereby payments required on the Note would be suspended from August 1, 2023 to October 31, 2023.

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9. Convertible debenture – Cloudbreak

Cloudbreak Discovery PLC (“Cloudbreak”), a third-party lender, financed a portion of the purchase price for the Masten acquisition with a US\$2,000,000 secured debenture (the “Debenture”) having the following terms:

- Secondary security (behind the Note, note 8) over all the property and assets of G2 TX1.
- Pledge of 100% of the issued common shares of G2 TX1, which are held by another subsidiary of the Company.
- Guarantee by the Company of all G2 TX1's obligations under the Debenture.
- Two (2) year maturity.
- 12% interest per annum payable quarterly.
- Accrued interest is convertible to common shares of the Company at Cloudbreak's option. The interest conversion price will be based on the closing price of the Company's shares on the last trading day of the applicable calendar quarter end, subject to regulatory approval if required. As of September 30, 2023, interest of \$392,216 was paid in cash and the remaining accrued interest was \$nil.

The Company issued 1,300,000 share purchase warrants to Cloudbreak with an exercise price of C\$1.50 per share exercisable for two (2) years from the closing date, with G2 having the right to accelerate the expiry date of the warrants if the closing price of the common shares on the CSE trades above \$3.00 for a period of 10 consecutive trading days. The fair value of the discount attributed to the warrants was recorded as part of the loss on disposal of the 3.25% revenue royalty interest (note 6).

	Total
Balance, June 30, 2022	\$ 2,395,345
Interest paid	(326,346)
Interest expense	363,504
Accretion expense	90,927
Foreign exchange impact	15,763
Balance, June 30, 2023	\$ 2,539,193
Interest paid	(40,560)
Interest expense	80,461
Accretion expense	26,017
Foreign exchange impact	58,403
Balance, September 30, 2023	\$ 2,663,514

- 3.25% overriding royalty on production from Masten which was accounted for as a disposal of part of the property (note 6).
- Cloudbreak has the right for two (2) years to provide debt financing for future acquisitions of properties by the Company or G2 TX1 within an area of interest and area of influence set out in the Debenture. If Cloudbreak decides to provide financing to the Company's future acquisitions, Cloudbreak will be entitled to a 1% overriding royalty on all oil and gas and other substances produced and sold from the applicable area of interest property.

The Debenture's carrying value was discounted through the effective interest rate method over 2 years at 15.5% (based on the Company's incremental borrowing rate for the second secured debt). As a result, the US\$2,000,000 had an opening carrying value of \$2,419,633. The difference between the face value of the debt and the fair value of the debenture was recorded as part of the loss on the disposal of the 3.25% revenue royalty.

Reinstatement, renewal, and release agreement with Cloudbreak

On January 20, 2023, the Company received a notice of default from Cloudbreak to the Company and its subsidiary, G2 Energy TX1 Inc. ("G2 TX1"), regarding a default under Cloudbreak's US\$2 million secured Debenture related to default in payment of an interest installment.

On March 29, 2023, the Company, as Guarantor, entered into a reinstatement, renewal, and release agreement (the "Agreement"), dated as of March 29, 2023, with its subsidiary, G2 TX as Mortgagor, and Cloudbreak, as Mortgagee, pursuant to which, among other things, the Loan Documents (defined below) will be reinstated to the extent as if no default had occurred.

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Pursuant to the terms of the Agreement, Cloudbreak has agreed to, among other things: (i) accept payment from the Company and G2 TX1 in the sums set forth below; (ii) reinstate the Loan Documents to the same extent as if no default had occurred; (iii) withdrawal from the foreclosure proceedings; and (iv) renegotiate (with the assistance of a mediator) certain terms of the Loan Documents relating to working capital requirements and governing jurisdiction. Furthermore, pursuant to the terms of the Agreement, the Company and G2 TX1 shall, subject to receipt of any required regulatory approvals, pay to Cloudbreak: (a) the sum of USD\$61,332 cash representing the past due Fourth Quarter 2022 payment on the Debenture of USD\$60,000 plus non-default interest in the amount of USD\$1,332 cash through February 22, 2023; (b) part of Cloudbreak's attorneys' fees in the amount of USD\$20,000 cash; (c) the remaining part of Cloudbreak's attorney's fees in the amount of USD\$13,312 by way of transferring or issuing to Cloudbreak 181,400 common shares in the capital of the Company ("Common Shares"); (d) the First Quarter End 2023 payment on the Debenture of USD\$60,000 plus a USD\$15,000 bonus interest by way of transferring or issuing to Cloudbreak 1,022,000 Common Shares; (e) 953,800 Common Shares transferred or issued to Cloudbreak in escrow by May 31, 2023; and (f) the Second Quarter 2023 payment on the Debenture of \$60,000 plus a USD\$15,000 bonus interest by way of transferring or issuing 1,022,000 Common Shares.

The original Debenture documents establish that the Company is required to maintain a positive working capital, as defined by the said documents. The conditions for working capital have not been met under the definition of the original agreement, however, on March 29, 2023, the Company and Cloudbreak signed the "Reinstatement Renewal and Release Agreement" (Agreement). Under the conditions of this Agreement, the Company's management is currently in negotiations with Cloudbreak's management to review and amend certain terms on the Debenture documentation, relating to working capital, in order to accommodate the spirit of the provisions in the Debenture and other loan documents.

10. Asset retirement obligation

The Company's estimates of future decommissioning and restoration for reclamation and closure costs for its oil and gas assets are based on reclamation standards that meet local regulatory requirements. Elements of uncertainty in estimating these amounts include potential changes in regulatory requirements, reclamation plans, and cost estimates, discount rates, and timing of expected expenditures.

The undiscounted amount of estimated cash flows required to settle the decommissioning and reclamation costs is estimated at US\$2,774,760.

Masten's estimated current expenditure for remediation costs is \$2,102,768 (US\$1,631,157) on June 30, 2023, reflecting anticipated cash flows to be incurred over approximately the next 40 years (with the inflation rate of 2.54%, and risk-free discount rate of 3.91%). The discounted liability for the decommissioning and restoration provision is as follows:

	Total
Balance, June 30, 2022	\$ 1,281,672
Asset retirement obligation revision	824,226
Accretion expense	82,256
Foreign exchange impact	56,006
Balance, June 30, 2023	\$ 2,244,160
Accretion expense	21,399
Foreign exchange impact	47,634
Balance, September 30, 2023	\$ 2,313,193

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11. Lease liability and right of use assets

Right of use asset – office	September 30, 2023	June 30, 2023
Opening balance	\$ 31,572	\$ -
Recognition of right of use asset	-	66,273
Less: depreciation	(9,464)	(34,701)
	\$ 22,108	\$ 31,572
Lease liability		
Opening balance	\$ 33,280	\$ -
Recognition of lease liability	-	66,273
Lease payments	-	(40,224)
Lease interest	1,214	7,231
	\$ 34,494	\$ 33,280
Lease liability – current	(34,494)	(33,280)
Lease liability – non-current	-	-
Undiscounted lease payment		
Not later than a year	\$ 34,494	\$ 33,280
Later than a year	-	-
	\$ 34,494	\$ 33,280

The Company's lease relates to an office lease. Depreciation of right-to-use assets is calculated using the straight-line method over the remaining lease term.

12. Cost of sales

	Three months ended September 30,	
	2023	2022
Operating cost	\$ 161,806	\$ 84,171
Operating overhead	13,008	31,834
Oil and gas severance tax	26,337	44,974
Depreciation	24,400	10,240
Depletion	96,036	40,206
	\$ 321,587	\$ 211,425

13. Related Party Transactions**Key Management Personnel Compensation**

The Company has determined that the key management personnel of the Company consist of its officers and directors. In addition to the fees paid to officers and fees paid to directors, the Company also provides compensation through participation in the Company's stock option plan. The compensation included in operating expenses relating to key management personnel for the three months ended September 30, 2023 was \$131,605 (2022 – \$136,482). The compensation included in the share-based payments relating to key management personnel for the three months ended September 30, 2023, was \$17,797 (2022 – \$91,602).

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14. Share Capital

Preferred Shares

The Company is authorized to issue an unlimited number of preferred shares without par value. The Company has not issued any preferred shares since inception.

Common Shares

The Company is authorized to issue an unlimited number of common shares without par value. As of September 30, 2023, there was a total of 31,861,588 common shares outstanding (June 30, 2023 – 25,835,588).

Issued during the three months ended September 30, 2023

- On July 12, 2023, the Company completed a non-brokered private placement financing for a total of \$198,800 through the issuance of 3,976,000 units at a price of \$0.05 per unit. Each unit comprises one common share and one share purchase warrant (exercise price of \$0.08 with a 2-year life).
- On August 4, 2023, the Company completed a non-brokered private placement financing for gross proceeds of \$102,500 (\$65,000 in cash and settled \$37,500 in debt to certain creditors) through the issuance of 2,050,000 units at a price of \$0.05 per unit. Each unit comprises one common share and one share purchase warrant (exercise price of \$0.08 with a 2-year life).

Issued during the year ended June 30, 2023

- On August 30, 2022, the Company issued 240,000 common shares as part of the Masten acquisition (note 5).
- On October 21, 2022, the Company completed a non-brokered private placement financing of a total of \$642,500 through the issuance of 1,285,000 units at a price of \$0.50 per unit. Each unit comprises one common share and one-half share purchase warrant (exercise price of \$1.00 with a 2-year life).
- On March 22, 2023, the Company completed a non-brokered private placement financing of a total of \$516,736 (\$206,080 in cash and settled \$310,656 in debt to certain creditors) through the issuance of 5,167,360 units at a price of \$0.10 per unit. Each unit comprises one common share and one share purchase warrant (exercise price of \$0.25 with a 3-year life).
- On March 22, 2023, the Company issued 468,000 common shares at a deemed price of \$0.25 to settle \$117,000 in debt.
- On May 11, 2023, the Company issued 1,022,000 common shares as part of the Coudbreak agreement (note 9).
- On June 30, 2023, the Company settled \$374,802 in debt to certain creditors through the issuance of 7,496,045 units at a price of \$0.05 per unit. Each unit comprises one common share and one share purchase warrant (exercise price of \$0.08 with a 2-year life).

Stock Options

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees, and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each stock option may be no less than the greater of \$0.50 per share and the closing market price of the Company's shares on the trading day immediately preceding the date of grant of the option, less any applicable discount allowed by the stock exchange on which the shares are traded, as calculated on the date of grant.

On June 2, 2022, the Company granted incentive stock options to purchase an aggregate amount of 630,000 common shares (vesting terms – 25% on grant date, 25% on December 2, 2022, June 2, 2023, and December 2, 2023) at an exercise price of \$1.00 per share (expires on June 2, 2027) to certain directors, officers and consultants in accordance with the provisions of its rolling incentive stock option plan. The grant of incentive stock options is subject to the policies of and acceptance by the Canadian Securities Exchange.

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The total fair of these options at the grant date was \$424,043, determined using a Black Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 2.89%, expected life of 5 years, expected volatility of 120%, and a dividend yield of 0%.

The following table summarizes the changes during the three months ended September 30, 2023, and 2022:

	September 30, 2023		June 30, 2023	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding – beginning of period	530,000	0.95	750,000	0.95
Cancelled	-	-	(220,000)	0.95
Granted	-	-	-	-
Outstanding – end of period	530,000	0.95	530,000	0.95
Exercisable – end of period	422,500	0.95	422,500	0.95

The following table summarizes information about stock options outstanding and exercisable as of September 30, 2023:

Exercise Price	Expiry Date	Number of Options Outstanding and Exercisable	Number of Options Exercisable	Remaining Contracted Life (Years)
\$ 1.00	June 2, 2027	430,000	322,500	3.7
\$ 0.75	May 5, 2026	100,000	100,000	2.5
\$ 0.95		530,000	422,500	3.4

During the three months ended September 30, 2023, the Company recognized share-based compensation expense of \$17,797 for the options vested (2022 - \$97,813) in share-based payment reserve.

Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2022	9,186,970	\$0.95
Issued – October 21, 2022	642,500	\$1.00
Issued – March 22, 2023	5,167,360	\$0.25
Issued – June 30, 2023	7,496,045	\$0.08
Balance, June 30, 2023	22,492,875	\$0.50
Issued – July 12, 2023	3,976,000	\$0.08
Issued – August 4, 2023	2,050,000	\$0.08
Expired	(1,274,000)	\$0.75
Balance, September 30, 2023	27,244,875	\$0.40

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As of September 30, 2023, the Company had the following share purchase warrants:

Exercise Price	Expiry Date	Number of Warrants	Remaining Contracted Life (Years)
\$0.25	March 22, 2026	5,167,360	2.5
\$0.08	August 4, 2025	2,050,000	1.8
\$0.08	July 12, 2025	3,976,000	1.8
\$0.08	June 30, 2025	7,496,045	1.8
\$0.75**	February 3, 2025	3,360,600	1.3
\$1.00	October 21, 2024	642,500	1.1
\$1.50	June 2, 2024	600,000	0.7
\$0.50*	May 31, 2024	1,300,000	0.7
\$0.75	February 3, 2024	350,000	0.3
\$0.75	December 30, 2023	517,000	0.2
\$1.50	November 27, 2023	661,380	0.2
\$0.75	October 4, 2023	1,123,990	0.0
\$0.35		27,244,875	1.0

*The exercise price was amended from \$1.50 to \$0.50.

**The expiry date was extended from February 3, 2023 to February 3, 2025.

15. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity comprised of issued share capital, and reserves.

The Company manages its capital structure and adjusts it in light of economic conditions. The Company, upon approval from its board of directors, will balance its overall capital structure through new equity issuances or by undertaking other activities as deemed appropriate under specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged as of September 30, 2023.

16. Commitments

Aside from the royalty payments (note 9), asset retirement obligation (note 10), the promissory note (note 8), Cloudbreak debenture (note 9), lease liability (note 11), and CEBA loan (note 7), the Company had no other significant commitments or contractual obligations with any parties related to executive compensation, consulting arrangements, or other matters.

17. Financial Instruments and Risk Management

The Company is exposed in varying degrees to a variety of financial instruments and related risks. Those risks and management's approach to mitigating those risks are as follows:

(a) Fair Values

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

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- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The carrying value of cash, trade receivables, accounts payable and accrued liabilities, promissory note, debenture, and due to related parties, approximate their fair value due to the short-term nature of these instruments or having been measured using market discount rates, and are recorded at amortized cost.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's exposure to credit risk is in its cash and trade receivables. Cash is held with major banks in Canada, which are high-credit quality financial institutions as determined by rating agencies, while other receivables are dues from the government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

(c) Currency Risk

The Company's functional currencies are the Canadian dollar and the US dollar. Currency risk is the risk that the fair value of the Company's financial instruments will fluctuate because of changes in foreign currency exchange rates. The Company's head office and some operating expenses are denominated in Canadian dollars. The Company's revenue and a large portion of operating expenses were denominated in US dollars. The Company managed its exposure to foreign currency fluctuations by maintaining foreign currency bank accounts to offset foreign currency payables where possible. The impact of a 10% increase/decrease in the US dollar exchange rate on the Company's loss before income tax would be \$14,600.

(d) Interest Rate Risk

The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates and its short-term term deposits at prescribed market rates. The fair value of the Company's cash is not significantly affected by changes in short-term interest rates. The interest expenses accrued for loans payable are subject to movement in interest rates, however, all loans, promissory notes, and debentures bear interest at fixed rates and are not subject to change.

(e) Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. As of September 30, 2023, the Company had a cash balance of \$13,054 (June 30, 2023 - \$109,507) to settle current liabilities of \$4,290,249 (June 30, 2023 - \$4,054,732). The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. Accounts payable and accrued liabilities, loan payable, Cloudbreak debenture, and amounts due to related parties are all current. As the Company has limited sources of revenue, it may require additional financing to accomplish its long-term strategic objectives. Liquidity risk is assessed as high.

(f) Concentration risk related to Sales and Accounts Receivable

Two customers account for 100% of the revenue for the three months ended September 30, 2023. Accounts receivables, which the operator of the oil and gas property collects, are due from the two customers.

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18. Segmented information

The Company had one operating segment which is oil and gas production. All long-term assets are located in the United States, which is where all the revenue is generated.

19. Contingencies

Civil Claim against the Company

On July 22, 2019, the Company served with a notice of civil claim, filed on July 11, 2019, with the Supreme Court of British Columbia, by Plaintiffs under the Class Proceedings Act, RSBC 1996, c 50, naming the Company as a defendant along with 86 additional defendants, in connection with allegations of the inappropriate use of the exemption from prospectus requirements contained in Section 2.12 of National Instrument 45-106 Prospectus Exemptions, and the disclosure records of the Company in respect of distributions of securities to consultants using such exemption. Honourable Madam Justice Adair has been assigned as the Judicial Management Judge in the above noted matter under the Class Proceedings Act. As of the date of approval of the financial statements, no legal decision has been made.

Michael Tietz, Duane Loewen against the Company

Related to the civil claim noted above, the Company also has a claim outstanding with Michael Tietz and Duane Loewen. The plaintiff has not specified its claim amount and the proposed class proceeding has not been certified. For greater clarity, the British Columbia supreme court has not yet given permission to the plaintiff to pursue any claim against the Company.

TriVsta Oil Co. LLC ("Trivista")

On September 7, 2021, the Company paid a deposit ("Deposit") of \$506,880 (US\$400,000) to TriVista Oil Co. LLC ("Trivista") as part of a purchase and sale agreement. On October 21, 2021, the Company provided a Default Notice as the Company alleged certain title defects, defaults and misrepresentation by Trivista. The Company has demanded the escrow agent to release the Deposit back to the Company. The Deposit was written off as of June 30, 2022, to corporate development expense. During year ended June 30, 2023, the Company settled with Trivista and the Deposit was partially refunded for \$276,812. This has been recorded as a recovery of the corporate development costs.

20. Subsequent Events

Common Shares Issuance

- On October 30, 2023, the Company completed a non-brokered private placement financing for gross proceeds of \$155,605 (\$79,000 in cash and settled \$76,605 in debt to certain creditors) through the issuance of 3,112,100 units at a price of \$0.05 per unit. Each unit comprises one common share and one share purchase warrant (exercise price of \$0.08 with a 2-year life).
- 1,785,370 share purchase warrants expired.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023

This discussion and analysis of the financial position and results of operations is prepared as of November 29, 2023, and should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2023 and unaudited condensed interim consolidated financial statements for the period ended September 30, 2023 of G2 Energy Corp. ("GTOO" or the "Company"). The audited and unaudited consolidated financial statements are presented in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). All references to dollar amounts are in Canadian dollars unless otherwise noted. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

CAUTIONARY STATEMENT ON FORWARD LOOKING INFORMATION

This MD&A contains statements which are, or may be deemed to be, "forward-looking information" which are prospective in nature. Often, but not always, forward-looking information can be identified by the use of forward-looking words such as "plans", "expects" or "does not expect", "is expected", "scheduled", "estimates", "forecasts", "projects", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Such information in this MD&A includes, without limitation, statements regarding the Company's future plans and expectations relating to the Company's future operations and transactions.

Forward-looking information is not based on historical facts, but rather on then current expectations, beliefs, assumptions, estimates and forecasts about the business and the industry and markets in which the Company operates, including assumptions relating to the Company will be able to continue its progress as currently planned and will not have to make additional changes to any proposed business plan, that the Company will have access to capital if required, that all necessary approvals and arrangements will be obtained, renewed and/or finalized in a satisfactory manner in order to continue developing the Company's projects, and that the Company's equipment will operate at expected levels. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the Company's actual results, revenues, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Important risks that could cause the Company's actual results, revenues, performance or achievements to differ materially from the Company's expectations include, among other things:

- (i) risks related to the ability of the Company to obtain contractors, if required,
- (ii) that the Company will be able to generate sufficient cash flow to continue as a going concern,
- (iii) risks related to production activity
- (iv) risks related to availability of capital on satisfactory terms,
- (v) changes in the market prices of oil and gas which could affect the profitability of the Company's operations and financial condition;
- (vi) risks related to governmental regulations, including taxation statutes;

Risks related to the Company includes political, economic, and regulatory instability and other risks found in the risk section of this report. Other than in accordance with its legal or regulatory obligations, the Company is not under any obligation and the Company expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

DESCRIPTION OF BUSINESS

G2 Energy Corp. (formerly G2 Technologies Corp.) (the "Company" or "GTOO") was incorporated on October 9, 2014, in British Columbia under the Business Corporations Act. The Company was previously engaged in the business of mineral exploration and the acquisition of mineral property assets in Ontario through its subsidiary, Brigadier. The Company has since terminated all its mineral property interests.

On January 16, 2017, the Company entered into a Share Exchange Agreement with G2BE Canada Inc. ("G2BEC"), a private British Columbia company incorporated on May 30, 2014, for a reverse-takeover transaction whereby the Company would acquire all the issued and outstanding common shares in the capital of GTOO (the "Transaction").

Up until the disposition of all the Company's operating subsidiaries on March 31, 2020, the Company was in the business of manufacturing, marketing, and distributing softwood pellets for consumer and industrial customers and arranging transactions between buyers and sellers of alternative energy products.

On June 1, 2022, the Company acquired the Masten Unit ("Masten") and changed its business to that of an oil and gas producer.

On June 9, 2022, the Company changed its name to G2 Energy Corp. and traded under the ticker symbol "GTOO". The Company's registered office is located at Suite 430 – 744 West Hastings Street, Vancouver BC, V6C 1A

KEY BUSINESS EVENTS

- Share issuance – Masten Acquisition

On August 30, 2022, the Company issued 240,000 common shares as part of the Masten acquisition

- Private placements

On October 21, 2022, the Company closed a non-brokered financing, over two tranches, of a total of \$642,500 through the issuance of 1,285,000 units. Each unit comprises one common share and one-half share purchase warrant (exercise price of \$1.00 with a 2-year life).

On March 22, 2023, the Company closed a non-brokered private placement issuing 5,167,360 units at a price of \$0.10 per Unit to investors for gross proceeds of \$516,736 (\$206,080 in cash and settled \$310,656 in debt to certain creditors). Each unit comprises one common share and one share purchase warrant (exercise price of \$0.25 with a thirty-six-month life). The company also issued 468,000 shares in the capital of the Company at a deemed price of \$0.25 to settle \$117,000 in debt.

In addition, the Company issued 1,022,000 common shares in the capital of the Issuer at a deemed price of \$0.10 per Common Share to settle \$102,200 in debt with Debenture holder Cloudbreak Discovery PLC ("Cloudbreak").

On June 30, 2023, the Company issued an aggregate amount of 7,496,045 units at a deemed price of \$0.05 per unit to satisfy an aggregate amount of \$374,802 of bona fide debt to certain creditors of the Company.

Each Debt Settlement Unit is comprised of one common share and one common share purchase warrant, whereby each warrant entitles the holder to purchase one additional common share in the capital of the Company until June 30, 2025, at an exercise price of \$0.08 per share, subject to an acceleration clause whereby if the closing price of the Company's common shares is greater than \$0.12 for a period of 10 consecutive trading days on the stock Canadian Securities Exchange (subject to adjustment for subdivisions, consolidations, and similar events), then the Company may, in its sole discretion, elect to provide written notice to the Holder of the warrants that the warrants will expire at 5:00 p.m. (Vancouver time) on the date that is 60 days from the date of the Acceleration Notice (the "Accelerated Expiry Time"). In such instances, all warrants that are not exercised prior to the Accelerated Expiry Time will expire at the Accelerated Expiry Time.

On October 31, 2023, the Company closed a non-brokered private placement issued 1.58 million units at a price of five cents per unit to investors for gross proceeds of \$79,000 and issued 1,532,100 units at a deemed price of

five cents per unit to satisfy an aggregate of \$76,605 of bona fide debt to certain creditors of the company. Each unit consists of one common share in the capital of the company and one common share purchase warrant.

Each warrant is exercisable by the warrant holder to acquire one additional common share at a price of eight cents for a period of 24 months from the closing of the tranche 2, subject to an acceleration clause, whereby if the closing price of the Company's common shares is greater than \$0.12 for a period of 10 consecutive trading days on the stock Canadian Securities Exchange (subject to adjustment for subdivisions, consolidations, and similar events), then the Company may, in its sole discretion, elect to provide written notice to the Holder of the warrants that the warrants will expire at 5:00 p.m.(Vancouver time) on the date that is 60 days from the date of the Acceleration Notice (the "Accelerated Expiry Time"). In such instances, all warrants that are not exercised prior to the Accelerated Expiry Time will expire at the Accelerated Expiry Time.

The securities issued pursuant to the tranche 2 offering are subject to a statutory hold period of four month plus one day that expires on March 1, 2024, respectively.

In connection with the third and final closing, the company paid finders' fees in the aggregate of \$6,900 in cash and issued 138,000 finders' warrants. Each finder's warrant is exercisable by the warrant holder to acquire one additional common share at a price of eight cents for a period of 24 months from the closing of the third and final closing, and is subject to the same acceleration clause as the warrants issued.

- Warrants repricing and extension

On January 3, 2023, the Company repriced 1,300,000 outstanding common share purchase warrants, originally issued by the Company on May 31, 2022. The warrants were issued as part of a secured debenture financing provided by Cloudbreak. Each warrant entitles the holder thereof to purchase one common share in the capital of the Company at a price of \$0.50 until May 31, 2024 subject to an acceleration clause whereby if the closing price of the Company's common shares is greater than \$1.50 for a period of 10 consecutive trading days on the stock Canadian Securities Exchange, then the Company may, in its sole discretion, elect to provide written notice (the "Acceleration Notice") to the Holder of the warrants that the warrants will expire at 5:00 p.m.(Vancouver time) on the date that is 60 days from the date of the Acceleration Notice (the "Accelerated Expiry Time"). In such an instance, all warrants that are not exercised prior to the Accelerated Expiry Time will expire at the Accelerated Expiry Time.

In addition, the Company extended the expiry date of 3,360,600 common share purchase warrants of the Company originally issued on February 3, 2021, pursuant to a private placement of units of the Company. Each Warrant was exercisable into one (1) common share of the Company at a price of \$0.75 per share until February 2, 2023. The Company extended the expiry date of the Warrants to February 3, 2025, for a total term of four (4) years. All other terms of the Warrants, including their exercise price, remain the same.

- 5 for 1 share consolidation

June 12, 2023, the Company consolidated all of its common shares on the basis of five (5) pre-consolidated Common Shares into one (1) post-consolidated Common Shares.

The Company commenced trading on the Canadian Securities Exchange on a consolidated basis and the new CUSIP and ISIN number are 36260L201 and CA3620L2012 respectively.

- Reinstatement, renewal and release agreement with Cloudbreak

On January 20, 2023, the Company announced that it had received a notice of default from Cloudbreak to the Company and its subsidiary, G2 Energy TX1, Inc. ("G2 TX1"), regarding a default under Cloudbreak's US\$2 million secured Debenture related to default in payment of an interest installment, which was due December 31, 2022, among other alleged defaults.

On March 29, 2023, the Company, as Guarantor, entered into a reinstatement, renewal and release agreement (the "Agreement"), dated as of March 29, 2023, with its subsidiary, G2 TX1, as Mortgagor, and Cloudbreak, as Mortgagee, pursuant to which, among other things, the Loan Documents (defined below) will be reinstated to the extent as if no default had occurred.

Pursuant to the terms of the Agreement, Cloudbreak has agreed to, among other things: (i) accept payment from the Company and G2 TX1 in the sums set forth below; (ii) reinstate the Loan Documents to the same extent as if no default had occurred; (iii) withdrawal the foreclosure proceedings; and (ii) renegotiate (with the assistance

of a mediator) certain terms of the Loan Documents relating to working capital requirements and governing jurisdiction. Furthermore, pursuant to the terms of the Agreement, the Company and G2 TX1 shall, subject to receipt of any required regulatory approvals, pay to Cloudbreak: (a) the sum of USD\$61,332 cash representing the past due Fourth Quarter End 2022 payment on the Debenture of USD\$60,000 plus non-default interest in the amount of USD\$1,332 cash through February 22, 2023; (b) part of Cloudbreak's attorneys' fees in the amount of USD\$20,000 cash; (c) the remaining part of Cloudbreak's attorney's fees in the amount of USD\$13,312 by way of transferring or issuing to Cloudbreak 181,400 common shares in the capital of the Company ("Common Shares"); (d) the First Quarter End 2023 payment on the Debenture of USD\$60,000 plus a USD\$15,000 bonus interest by way of transferring or issuing to Cloudbreak 1,022,000 Common Shares; (e) 953,800 Common Shares transferred or issued to Cloudbreak in escrow by May 31, 2023; and (f) the Second Quarter 2023 payment on the Debenture of \$60,000 plus a USD\$15,000 bonus interest by way of transferring or issuing 1,022,000 Common Shares.

- Management and directors changes

On January 12, 2023, the Company appointed Mr. Oleg Scherbina as Interim Chief Financial Officer ("CFO") of the Company replacing Mr. Sam Wong who resigned as CFO and director of the Company to focus his attention on other professional opportunities.

The Company also appointed Mr. Gabriel Monteiro Queiroz as director of the Company. Mr. Queiroz replaced Mr. Matthew Roma who also resigned as a director of the Company to focus his attention on other professional opportunities. On March 31, 2023, the Company appointed Mr. Gabriel Monteiro Queiroz as CFO, following the resignation of Mr. Oleg Scherbina.

- Operator change and direct control over all revenues

On July 26, 2023, G2 Energy TX1, INC ("TX1"), appointed Oilwell Operators Inc., of Pampas Texas ("OOI") to be the Operator on Record of its cornerstone producing asset, the Masten Unit in Cochran County. OOI has been registered as such, with the Railway Commission, until the license can be officially transferred to the Company's subsidiary.

On September 7, 2023, the Rule 11 Agreement between TX1, the former operator RMB Operating LLC ("RMB") and the Masten Unit Sellers (the "Lenders"). The agreement gives TX1 ultimate control over all revenue and liabilities generated from the Masten Unit. The agreement also addresses among others the potential damages incurred by the previous operating arrangement.

As of September 6, 2023, TX1 has instructed the oil purchaser, Phillips 66 and gas purchaser, Targa Resources Corp., to remit all future payments to TX1's current operating team, OOI.

MASTEN OIL AND GAS ASSET

Overview

MKM Engineering (an independent third-party Petroleum Engineering and Geology firm, qualified reserves evaluator) prepared a Reserve Report on Masten, dated effective July 1, 2023 (the "Report") in accordance with the National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities. The Report is available for review under the Company's profile on SEDAR www.sedar.com. The technical information and data in this news release have been extracted from the Report. This appraisal in the Report evaluates G2's Proved Developed Producing (PDP) and Probable Undeveloped (PrUD) reserves. The table below summarizes G2's net oil and gas reserves and cash flows generated using the requested price deck. The results shown below are presented for your information and should not be construed as our estimate of fair market value. As of July 1, 2023, G2's net total proved, and probable reserves have been estimated to be as follows:

Reserve Category	Net Reserves		Future Net Income, \$	Present Worth of FNI Discounted @ 10%/Annum, \$	Present Worth of FNI Discounted @ 15%/Annum, \$
	as of	07/01/2023			
	Light and	Natural			
	Medium Oil	Gas			
	(Bbl)	(Mcf)			
Forecast Price					
Proved Producing	256,030	563,270	8,835,940	3,496,180	2,519,900
Total Proved	256,030	563,270	8,835,940	3,496,180	2,519,900
Probable Undeveloped	303,350	373,680	15,202,010	4,782,590	2,931,450
Total Probable	303,350	373,680	15,202,010	4,782,590	2,931,450
Total Proved + Probable	559,380	936,950	24,037,950	8,278,770	5,451,350

There is at least 90% probability that the quantities actually recovered will equal or exceed the estimated proved reserves and at least 50% probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves. Future net income (FNI) is after deducting estimated operating and future development costs, severance, and ad valorem taxes, but before Federal income taxes. Total net Proved and Probable Reserves are defined as those natural gas and hydrocarbon liquid Reserves to G2's interests after deducting all shrinkage, royalties, overriding royalties, and reversionary interests owned by outside parties that become effective upon payout of specified monetary balances. All Reserves estimates have been prepared using standard engineering practices generally accepted by the petroleum industry and conform to those classifications defined in the Canadian Oil and Gas Evaluation Handbook ("COGEH"). All hydrocarbon liquid Reserves are expressed in United States barrels ("Bbl") of 42 gallons. Natural gas Reserves are expressed in thousand standard cubic feet ("Mcf") at the contractual pressure and temperature bases. All monies are expressed in United States dollars.

OVERALL PERFORMANCE

The following table sets forth selected financial information about the Company for the three months ended September 30, 2023 and 2022. This financial information has been prepared using IFRS:

	Three months ended September 30	
	2023 - \$ -	2022 - \$ -
Revenues	348,840	448,358
Cost of Sales	(321,587)	(211,425)
Gross Profit	27,253	236,933
Operating Expenses		
Consulting and management fees	(163,855)	(166,157)
Corporate development fees (recovery)	-	(15,593)
Depreciation – right of use asset	(9,464)	(9,463)
General and administrative	(64,425)	(110,817)
Professional fees	(80,427)	(1,503)
Travel	(24,226)	(10,557)
Share-based payments	(17,797)	(97,813)
Total Operating Expenses	(360,194)	(411,903)
Operating Loss	(332,941)	(174,970)

Revenues – revenues from the oil and natural gas production at Masten decreased to \$348K in the three months ended September 30, 2023 (“Q1 2024”), compared to \$448K in the three months ended September 30, 2022 (“Q1 2023”) due to the lower oil price in Q1 2024.

Cost of Sales – cost of sales of the oil and natural gas of Masten were \$322K in Q1 2024, compared to \$211K in Q1 2023 due to increase prices for services in Q1 2024.

Consulting and management fees – \$164K in Q1 2024, compared to \$166K in Q1 2023.

General and administrative expenses – \$64K in Q1 2024, compared to \$1113K in the Q1 2023 due to the cost cutting measures implemented by the Company.

Professional fees – \$80K in Q1 2024, compared to \$2K in the Q1 2023, mostly due to the increase in production activities and related legal costs. Professional fees relate to legal, accounting, and audit expenses. The fees are generally consistent and differ due to timing differences or due to specific significant transactions.

Quarterly Information

	September 30, 2023 (Q1 2024) - \$ -	June 30, 2023 (Q4 2023) - \$ -	March 31, 2023 (Q3 2023) - \$ -	December 31, 2022 (Q2 2023) - \$ -
Revenues	348,840	(174,492)	692,832	464,716
Net Loss	(507,122)	(1,099,311)	(92,415)	(1,153,754)
Loss Per Share	(0.02)	(0.04)	(0.00)	(0.03)
	September 30, 2022 (Q1 2023) - \$ -	June 30, 2022 (Q4 2022) - \$ -	March 31, 2022 (Q3 2022) - \$ -	December 31, 2021 (Q2 2022) - \$ -
Revenues	448,358	228,943	-	-
Net Loss	(222,201)	(2,160,295)	(376,893)	(438,029)
Loss per Share	(0.02)	(0.04)	(0.02)	(0.01)

The negative revenues and increased net loss reported in Q4 2023 were due to the accounting adjustments made at the year end of fiscal 2023.

Capital Resources

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity comprised of issued share capital and reserves.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its board of directors, will balance its overall capital structure through new equity issuances or by undertaking other activities as deemed appropriate under specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company’s overall strategy with respect to capital risk management remains unchanged as of September 30, 2023.

Related Party Transactions

Key Management Personnel Compensation

The Company has determined that the key management personnel of the Company consist of its officers and directors. In addition to the fees paid to officers and fees paid to directors, the Company also provides compensation through participation in the Company’s stock option plan. The compensation included in operating expenses relating to key management personnel for the three months ended September 30, 2023 was \$131,605 (2022 – \$136,482).

Contractual Obligations and Commitments

The Company had no significant commitments or contractual obligations with any parties related to executive compensation, consulting arrangements, or other matters other than disclosed in the condensed interim consolidated financial statements for the three months ended September 30, 2023.

Contingencies

Civil Claim against the Company

Michael Tietz, Duane Loewen against the Company

On July 22, 2019, the Company served with a notice of civil claim, filed on July 11, 2019, with the Supreme Court of British Columbia, by Plaintiffs under the Class Proceedings Act, RSBC 1996, c 50, naming the Company as a defendant along with 86 additional defendants, in connection with allegations of the inappropriate use of the exemption from prospectus requirements contained in Section 2.12 of National Instrument 45-106 Prospectus Exemptions, and the disclosure records of the Company in respect of distributions of securities to consultants using such exemption. Honorable Madam Justice Adair has been assigned as the Judicial Management Judge in the above-noted matter under the Class Proceedings Act. As of the date of approval of the financial statements, no legal decision has been made.

The plaintiff has not specified its claim amount and the proposed class proceeding has not been certified. For greater clarity, the British Columbia Supreme Court has not yet given permission to the plaintiff to pursue any claim against the Company.

TriVista Oil Co. LLC (“Trivista”)

On September 7, 2021, the Company paid a deposit (“Deposit”) of \$506,880 (US\$400,000) to TriVista Oil Co. LLC (“Trivista”) as part of a purchase and sale agreement. On October 21, 2021, the Company provided a Default Notice as the Company alleged certain title defects, defaults, and misrepresentation by Trivista. The Company has demanded the escrow agent to release the Deposit back to the Company. The Deposit was written off as of June 30, 2022, to corporate development expense. During the year ended June 30, 2023, the Company settled with Trivista, and the Deposit was partially refunded for \$276,812. This has been recorded as a recovery of the corporate development costs.

B.C. Securities Commission (“BCSC”)

On December 20, 2022, the Company received a Notice of Hearing issued by the Executive Director under section 161 of the Securities Act. in respect of the allegation of misconduct contrary to section 50(1)(d), 168.1(1)(b) and 168.2 of the Act.

On February 23, 2023, BCSC set the dates for a hearing management meeting on Tuesday, October 17, 2023. The hearing of this matter is scheduled for December 4, 5, 6, 8, and 11, 2023.

RMB OPERATING, LLC, JALA CAPITOL INVESTMENTS, LLC, REAGAN OIL & GAS, LLC, Jimmy Esqueda, John Martinez, and Guadalupe Castillo (“Defendants”)

On June 29, 2023, G2 Energy TX1, INC (“Plaintiff”), filed in a Judicial District Court of Harris County, Texas (“JDC Harris County”), Verified Petition and Application for a Temporary Restraining Order (“TRO”) against Defendants, Cause No 2023-40352. This lawsuit involves the Defendants’ breaches of two contracts: (i) a Joint Operating Agreement and (ii) a Purchase and Sale Agreement. It also seeks a declaratory judgment with respect to Defendants’ assertions of non-monetary defaults under a Deed of Trust.

On June 30, 2023, TRO was granted by the presiding Judge. On July 11, Plaintiff’s Application for Temporary Injunction was held in JDC Harris County.

On July 14, 2023, Rule 11 Agreement for Cause No 2023-40352 setting forth the agreement of the parties has been signed. In addition, on September 1, 2023, the Second Rule 11 Agreement has been executed by all parties.

Performance Analytics Group, LLC vs. G2 Energy Corp.,

On May 5, 2023, Performance Analytics Group, LLC (“Plaintiff”) and G2 Energy Corp.(“Defendant”) signed the Settlement Agreement to settle the terms of cash payment and Stock Certificates delivery. G2 Energy agreed to provide Plaintiff with an agreed judgment.

On August 17, 2023, the Agreed Judgment issued in case No. 23-02-02616 was signed by the Judge of the 284th Judicial District Court of Montgomery County, Texas.

Off Balance Sheet Arrangements

As of September 30, 2023, and the date of this report, the Company does not have any, and during the periods presented, we did not have any off-balance sheet arrangements, other than the contractual obligations and commitments described above.

Proposed Transactions

The Company does not have any proposed transactions as of September 30, 2023, and the date of the report, other than as disclosed elsewhere in this document.

Outstanding Share Data

As of the date of this report, November 29, 2023, the Company had 34,973,688 common shares issued and outstanding.

Significant Accounting Policies

Please refer to the audited consolidated financial statements for the year ended June 30, 2023, and unaudited condensed interim consolidated financial statements for the period ended September 30, 2023, which were filed on SEDAR.

Risk and uncertainties

The Company does not intend to pay dividends for the foreseeable future.

The Company has never declared or paid any cash dividends on the Company's common shares and does not intend to pay any cash dividends in the foreseeable future. The Company anticipates that it will retain all of its future earnings for use in the development of its business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of the Company's board of directors. In addition, from time to time the Company may enter into agreements that restrict its ability to pay dividends.

The price of the Company's common shares may be volatile.

The trading price of the Company's common shares has been and may continue to be subject to material fluctuations and may increase or decrease in response to a number of events and factors, including: - changes in the market price of hospitality management systems and a number of market competitors offering same or similar products; - current events affecting the economic situation and exchange rates in Canada, the United States, and internationally; - changes in financial estimates and recommendations by securities analysts; - acquisitions and financings; - quarterly variations in operating results; - the operating and share price performance of other companies that investors may deem comparable; - the issuance of additional equity securities by the Company or the perception that such issuance may occur; and - purchases or sales of blocks of the Company's common shares. Part of this volatility may also be attributable to the current state of the stock market, in which wide price swings are common. This volatility may adversely affect the price of the Company's common shares regardless of the Company's operating performance and could cause the market price of the Company's common shares to decline.

The Company may issue additional equity securities which may reduce the Company's earnings per share.

The Company has in the past issued and may continue to issue equity securities to finance its activities, including in order to finance working capital requirements, capital expenditures, and acquisitions. If the Company issues additional common shares, your percentage ownership of the Company will decrease, and you may experience dilution in the Company's earnings per share. Moreover, as the Company's intention to issue any additional equity securities becomes publicly known, the common share price may be materially and adversely affected.

Holders of the Company's common shares may experience dilution when outstanding options and warrants are exercised, or as a result of additional securities offerings.

There are a number of outstanding options and warrants pursuant to which additional common shares of the Company may be issued in the future. Exercise of such options and warrants may result in dilution to the Company shareholders. In addition, if the Company raises additional funds through the sale of equity securities, shareholders may have their investment further diluted.

Commodity price risk

The prices we receive for our oil and natural gas production heavily influence our revenue, operating results, profitability, access to capital, future rate of growth, and carrying value of our properties. Oil and natural gas are commodities, and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand.

Historically, the commodities markets have been volatile, and these markets will likely continue to be volatile in the future. If the prices of oil and natural gas experience a substantial decline, our operations, financial condition, and level of expenditures for the development of our oil and natural gas reserves may be materially and adversely affected. The prices we receive for our production, and the levels of our production, depend on numerous factors beyond our control and include the following:

- changes in global supply and demand for oil and natural gas;
- the actions of the Organization of Petroleum Exporting Countries, or OPEC;
- political conditions, including embargoes, in or affecting other oil-producing activity;
- the level of global oil and natural gas exploration and production activity;
- the level of global oil and natural gas inventories;
- weather conditions;
- technological advances affecting energy consumption; and
- the price and availability of alternative fuels.

Volatile oil and natural gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and natural gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

Our revenues, operating results, profitability, and future rate of growth depend primarily upon the prices we receive for oil and, to a lesser extent, natural gas that we sell. Prices also affect the amount of cash flow available for capital expenditures and our ability to borrow money or raise additional capital. In addition, we may need to record asset carrying value write-downs if prices fall. A significant decline in the prices of natural gas or oil could adversely affect our financial position, financial results, cash flows, access to capital, and ability to grow.

Reserve recovery risk

There are numerous uncertainties inherent in estimating crude oil and natural gas reserves and their value. Reservoir engineering is a subjective process of estimating underground accumulations of crude oil and natural gas that cannot be measured in an exact manner. Because of the high degree of judgment involved, the accuracy of any reserve estimate is inherently imprecise, and a function of the quality of available data and the engineering and geological interpretation. Our reserves estimates are based on 12-month average prices, except where contractual arrangements exist; therefore, reserves quantities will change when actual prices increase or decrease. In addition, the results of drilling, testing, and production may substantially change the reserve estimates for a given reservoir over time. The estimates of our proved reserves and estimated future net revenues also depend on a number of factors and assumptions that may vary considerably from actual results, including:

- historical production from the area compared with production from other areas;
- the effects of regulations by governmental agencies, including changes to severance and excise taxes;
- future operating costs and capital expenditures; and
- workover and remediation costs

For these reasons, estimates of the economically recoverable quantities of crude oil and natural gas attributable to any particular group of properties, classifications of those reserves and estimates of the future net cash flows expected from

them prepared by different engineers or by the same engineers but at different times may vary substantially. Accordingly, reserves estimates may be subject to upward or downward adjustment, and actual production, revenue, and expenditures with respect to our reserves likely will vary, possibly materially, from estimates.

Additionally, because some of our reserves estimates are calculated using volumetric analysis, those estimates are less reliable than the estimates based on a lengthy production history. Volumetric analysis involves estimating the volume of a reservoir based on the net feet of pay of the structure and an estimation of the area covered by the structure. In addition, realization, or recognition of proved undeveloped reserves will depend on our development schedule and plans. A change in future development plans for proved undeveloped reserves could cause the discontinuation of the classification of these reserves as proved.

Property acquisition risk

Although we perform a review of properties that we acquire that we believe is consistent with industry practices, such reviews are inherently incomplete. It generally is not feasible to review in-depth every individual property involved in each acquisition. Ordinarily, we will focus our review efforts on the higher-value properties and will sample the remainder. However, even a detailed review of records and properties may not necessarily reveal existing or potential problems, nor will it permit us as a buyer to become sufficiently familiar with the properties to assess fully and accurately their deficiencies and potential. Inspections may not always be performed on every well, and environmental problems, such as groundwater contamination, are not necessarily observable even when an inspection is undertaken. Even when problems are identified, we often assume certain environmental and other risks and liabilities in connection with acquired properties. There are numerous uncertainties inherent in estimating quantities of proved oil and gas reserves and future production rates and costs with respect to acquired properties, and actual results may vary substantially from those assumed in the estimates. In addition, there can be no assurance that acquisitions will not have an adverse effect upon our operating results, particularly during the periods in which the operations of acquired businesses are being integrated into our ongoing operations.

Weather and climate

Demands for oil and gas are, to a degree, dependent on weather and climate, which impact the price we receive for the commodities we produce. In addition, our exploration and development activities and equipment can be adversely affected by severe weather, which may cause a loss of production from temporary cessation of activity or lost or damaged equipment. Our planning for normal climatic variation, insurance programs, and emergency recovery plans may inadequately mitigate the effects of such weather conditions, and not all such effects can be predicted, eliminated, or insured against.

Environmental factors

As an owner or lessee and operator of oil and gas properties, we are subject to various federal, state, local, and foreign country laws and regulations relating to the discharge of materials into, and protection of, the environment. These laws and regulations may, among other things, impose liability on the lessee under an oil and gas lease for the cost of pollution clean-up and other remediation activities resulting from operations, subject the lessee to liability for pollution and other damages, limit or constrain operations in affected areas, and require suspension or cessation of operations in affected areas. Our efforts to limit our exposure to such liability and cost may prove inadequate and result in significant adverse effects on the results of operations. In addition, it is possible that the increasingly strict requirements imposed by environmental laws and enforcement policies could require us to make significant capital expenditures. Such capital expenditures could adversely impact our cash flows and our financial condition.

Governmental risk

Our US operations have been, and at times in the future may be, affected by political developments and by federal, state, and local laws and regulations such as restrictions on production, changes in taxes, royalties, and other amounts payable to governments or governmental agencies, price or gathering rate controls, and environmental protection laws and regulations.

The U.S. federal and state income tax laws affecting oil and gas exploration, development, and extraction may be modified by administrative, legislative, or judicial interpretation at any time. Previous legislative proposals, if enacted into law, could make significant changes to such laws, including the elimination of certain key U.S. federal income tax incentives currently available to oil and gas exploration and production companies. These changes include, but are not

limited to, (i) the repeal of the percentage depletion allowance for oil and gas properties, (ii) the elimination of current deductions for intangible drilling and development costs, and (iii) an extension of the amortization period for certain geological and geophysical expenditures. The passage or adoption of these changes, or similar changes, could eliminate or postpone certain tax deductions that are currently available with respect to oil and gas exploration and development. We are unable to predict whether any of these changes or other proposals will be implemented. Any such changes could adversely affect our business, financial condition, and results of operations.

Market conditions

The financial markets are subject to fluctuation and are vulnerable to unpredictable shocks. We have a significant development project inventory, which will require substantial future investment. We and/or our partners may need to seek financing in order to fund these or other future activities. Our future access to capital, as well as that of our partners and contractors, could be limited if the debt or equity markets are constrained. This could significantly delay the development of our property interests.

Liquidity and future financing risk

The Company is in the early stages of business and has not generated revenue in excess of its expenses. The Company will likely operate at a loss until its business becomes established and the Company may require additional financing in order to fund future operations and expansion plans. The Company's ability to secure any required financing to sustain operations will depend in part upon prevailing capital market conditions and business success. There can be no assurance that the Company will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to management. If additional financing is raised by the issuance of additional shares, control may change, and shareholders may suffer dilution. If adequate funds are not available or are not available on acceptable terms, the Company may be required to scale back its current business plan or cease operating.

Global Economy risk

Economic slowdowns and volatility of global capital markets may from time to time make the raising of capital by equity or debt financing more difficult. The Company may be dependent upon capital markets to raise additional financing in the future while concurrently establishing a wider customer base. Access to financing may be negatively impacted by global economic downturns. As such, the Company is subject to liquidity risks in meeting its operating expenditure requirements and future development cost requirements in instances where adequate cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact on the ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to the Company and its management. If levels of volatility and slow market conditions persist, the Company's operations, the Company's ability to raise capital, and the trading price of the Company's shares could be adversely impacted.

Limited prior operating history

The Company has a limited operating history, business operations, and assets. There is no assurance that it will be profitable or that its investment strategy will be successful. The Company's operations are subject to all of the risks inherent in the creation of new investment activity, including a limited prior operating history.