



**ANNUAL FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021**

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

www.tenthavenuepetroleum.com

MANAGEMENT'S REPORT

Calgary, Alberta
May 1, 2023

Management's Responsibility to file Financial Statements

Management is responsible for the preparation of the accompanying financial statements and for the consistency therewith of all other financial and operating data presented in this annual report. The financial statements have been prepared in accordance with the accounting policies detailed in the notes thereto. In management's opinion, the financial statements are in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, have been prepared within acceptable limits of materiality, and have utilized supportable, reasonable estimates.

The Board of Directors approves the financial statements. Their financial statement-related responsibilities are fulfilled primarily through the Audit Committee. The Audit Committee is composed entirely of independent directors, and includes at least one director with financial expertise. The Audit Committee meets regularly with management and the external auditors to discuss reporting and internal control issues and ensures each party is properly discharging its responsibilities. The Audit Committee also considers the independence of the external auditors and reviews their fees.

The financial statements have been audited by Crowe MacKay LLP, Chartered Professional Accountants, in accordance with Canadian Auditing Standards on behalf of the shareholders.

<i>[signed]</i> "Cameron MacDonald"	<i>[signed]</i> "Charles Chebry"
President and Chief Executive Officer	Chief Financial Officer



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Independent Auditor's Report

To the Shareholders of Tenth Avenue Petroleum Corp.

Opinion

We have audited the financial statements of Tenth Avenue Petroleum Corp. ("the Company"), which comprise the statements of financial position as at December 31, 2022 and December 31, 2021 and the statements of net income (loss) and comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and December 31, 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. We have determined the matters described below to be key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of the recoverable amount of Cash Generating Units

We draw attention to Notes 2, 3 and 7 to the financial statements. The Company assesses at each reporting date whether there is an indication that petroleum and natural gas properties within the cash generating units ("CGUs") may be impaired or that historical impairment may be reversed. If any such indication exists, then the asset's or CGUs recoverable amount is estimated. For the year ended December 31, 2022, the Company determined that the estimated recoverable amounts of the Company's CGUs were less than the carrying values and therefore impairments of \$1,764,964 were recorded.

The estimated recoverable amount of each of the CGUs involves significant estimates, including:

- The estimate of cash flows associated with the proved and probable oil and gas reserves; and
- The discount rates.

Independent Auditor's Report (continued)

The estimate of cash flows associated with the proved and probable oil and gas reserves includes significant assumptions related to:

- Forecasted oil and gas commodity prices;
- Forecasted production;
- Forecasted operating costs;
- Forecasted royalty costs;
- Forecasted future development costs; and
- Discount rate.

The Company engages independent third party reserve evaluators to estimate the cash flows associated with the proved and probable oil and gas reserves as at December 31, 2022.

Why the Matter is a Key Audit Matter

We identified the assessment of the recoverable amount of the CGUs as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures with respect to the estimate of cash flows associated with the proved and probable oil and gas reserves and the discount rates.

How the Key Audit Matter was Addressed in the Audit

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

With respect to the estimate of cash flows associated with the proved and probable oil and gas reserves as at December 31, 2022:

- We evaluated the competence, capabilities and objectivity of the independent third party reserve evaluators engaged by the Company;
- We compared forecasted oil and gas commodity prices to those published by other independent third party reserve evaluators;
- We compared the 2022 actual production, operating costs, royalty costs and development costs of the Company to those estimates used in the prior year's estimate of cash flows associated with the proved and probable oil and gas reserves to assess the Company's ability to accurately forecast; and
- We evaluated the appropriateness of forecasted production and forecasted operating costs, royalty costs and future development cost assumptions by comparing to 2022 historical results. We took into account changes in conditions and events affecting the Company to assess the adjustments or lack of adjustments made by the Company in arriving at the assumptions.

Evaluation of the acquisition date fair value of petroleum and natural gas properties acquired through a business combination

We draw attention to Notes 2, 3 and 6 to the financial statements. The Company acquired petroleum and natural gas properties (included in property, plant and equipment) through business combinations. The estimated fair values on the acquisition dates attributed to the petroleum and natural gas properties was \$4,405,801 and \$1,525,283. The estimated acquisition date fair values of PP&E involves significant estimates, including the cash flows associated with the proved and probable oil and gas reserves and the discount rates.

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

- Forecasted production;
- Forecasted oil and gas commodity prices;
- Forecasted operating costs;
- Forecasted royalty costs;
- Forecasted future development costs; and
- Discount rate

Independent Auditor's Report (continued)

Why the Matter is a Key Audit Matter

We identified the evaluation of the acquisition date fair value of petroleum and natural gas properties through a business combination as a key audit matter. Significant auditor judgment was required in evaluating the results of our audit procedures regarding the estimate of proved and probable oil and gas reserves and the related cash flows and discount rates used to estimate the acquisition date fair value of the acquired property, plant and equipment.

How the Key Audit Matter was Addressed in the Audit

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

With respect to the estimate of proved and probable oil and gas reserves and related cash flows as at the acquisition date:

- We evaluated the competence, capabilities and objectivity of the independent third-party reserve evaluator;
- We compared forecasted oil and gas commodity prices to those published by other independent third-party reserve evaluators; and
- We evaluated the appropriateness of forecasted production and forecasted operating costs, royalty costs and future development costs assumptions by comparing to corresponding amounts in the proved and probable oil and gas reserves and the related cash flows estimated by the independent third party reserves evaluators. We took into account changes in conditions and events affecting the Company to assess the adjustments or lack of adjustments between the acquisition date and December 31, 2022.

With respect to the estimate of proved and probable oil and gas reserves and the related cash flows as at December 31, 2022:

- We evaluated the competence, capabilities and objectivity of the independent third party reserve evaluators;
- We compared the forecasted oil and gas commodity prices to those published by other independent third party reserve evaluators; and
- We evaluated the appropriateness of forecasted production and forecasted operating costs, royalty costs and future development costs assumptions by comparing to 2022 historical results. We took into account changes in conditions and events affecting the Company to assess the adjustments or lack of adjustments made by the Company in arriving at the assumptions.

Provision for Decommissioning Obligations

We draw attention to Notes 2, 3 and 9 to the financial statements. The Company makes a provision for the future cost of decommissioning oil and gas wells and production facilities discounted back to present value. The calculation and recognition of the provision in the financial statements requires a number of significant assumptions, including the selection of an appropriate discount rate and estimation of the costs and timing of decommissioning oil and gas wells and facilities.

Why the Matter is a Key Audit Matter

We identified provisions for the future cost of decommissioning oil and gas wells and facilities as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures with respect to the estimate of the cost and timing associated with the decommissioning of oil and gas wells and facilities and the discount rates used in the calculation.

How the Key Audit Matter was Addressed in the Audit

In responding to the key audit matter, we performed the following audit procedures:

- Identifying the key assumptions and inputs used within management's calculation of decommissioning liabilities and assessing the key assumptions against local market and industry trends in order to determine whether the assumptions used are reasonable and can be sufficiently supported;

Independent Auditor's Report (continued)

- Assessed the appropriateness of the model used to calculate the provision; and
- Benchmarking the discount rate used in the calculation of decommissioning liabilities against comparable market data and assessing the appropriateness of the use of the discount rate.

Other Information

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

- Management's Discussion and Analysis

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Independent Auditor's Report (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Todd Freer.

Calgary, Canada
May 1, 2023

Crowe MacKay LLP
Chartered Professional Accountants

TENTH AVENUE PETROLEUM CORP.
STATEMENTS OF FINANCIAL POSITION
(in Canadian Dollars)

	Note	December 31, 2022	December 31, 2021
ASSETS			
Current			
Cash		\$ 704,218	\$ 43,372
Trade and other receivables	4	440,240	90,488
Prepaid expenses and deposits		224,834	-
		1,369,292	133,860
Long term			
Restricted cash held in trust	5	55,720	-
Property and equipment	7	5,643,023	1,734,700
		\$ 7,068,035	\$ 1,868,560
LIABILITIES			
Current			
Accounts payable and accrued liabilities		\$ 921,343	\$ 75,215
		921,343	75,215
Long term loan	8	-	35,450
Decommissioning obligations	9	3,259,406	992,636
Total liabilities		4,180,749	1,103,301
SHAREHOLDERS' EQUITY			
Share capital	10	17,652,581	13,437,123
Contributed surplus		10,511,621	10,192,777
Deficit		(25,276,916)	(22,864,641)
		2,887,286	765,259
		\$ 7,068,035	\$ 1,868,560

Approved on behalf of the Board of Directors:

[signed] "Cameron MacDonald"
Cameron MacDonald, Director

[signed] "Ron Hozjan"
Ron Hozjan, Director

The accompanying notes are integral part of these Financial Statements.

TENTH AVENUE PETROLEUM CORP.
STATEMENTS OF NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(in Canadian Dollars)

	Note	December 31, 2022	December 31, 2021
REVENUE			
Oil & natural gas sales	11	\$ 3,899,389	\$ 343,813
Royalties		(687,730)	(82,735)
Gas gathering and processing income		24,112	43,512
Other revenue		-	2,863
		3,235,771	307,453
EXPENSES			
Production and transportation		2,119,956	189,803
General and administrative		578,435	113,520
Bad debts	4	81,539	-
Accretion	9	71,918	3,885
Stock based compensation	10	375,339	41,335
Impairment of property and equipment	7	1,764,964	70,840
Depletion and depreciation	7	687,322	26,904
		5,679,473	446,287
LOSS FROM OPERATIONS		(2,443,702)	(138,834)
Other income (expense) items			
Interest income		401	80
Interest accretion	8	(4,559)	(4,550)
Other income	6	198,384	-
Other expenses	6	(162,799)	-
Gain on distribution of assets under plan of arrangement	16	-	527,767
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)		\$ (2,412,275)	\$ 384,463
INCOME (LOSS) PER SHARE			
Basic		\$ (0.07)	\$ 0.03
Diluted		\$ (0.07)	\$ 0.03

The accompanying notes are integral part of these Financial Statements.

TENTH AVENUE PETROLEUM CORP.
STATEMENT OF SHAREHOLDERS' EQUITY
(in Canadian Dollars)

	Note	December 31, 2022	December 31, 2021
SHAREHOLDERS' EQUITY			
<u>Share capital</u>			
	10		
Balance, beginning of year		\$ 13,437,123	\$ 12,544,623
Warrants exercised		52,500	67,500
Stock options exercised		135,245	-
Private placement		3,116,250	-
Issued on property acquisitions		1,110,000	825,000
Share issuance costs		(198,537)	-
Balance, end of year		\$ 17,652,581	\$ 13,437,123
<u>Contributed surplus</u>			
Balance, beginning of year		\$ 10,192,777	\$ 10,151,442
Stock options exercised		(56,495)	-
Stock based compensation	10	375,339	41,335
Balance, end of year		\$ 10,511,621	\$ 10,192,777
<u>Deficit</u>			
Balance, beginning of year		\$ (22,864,641)	\$ (23,249,104)
Net income (loss) and comprehensive income (loss)		(2,412,275)	384,463
Balance, end of year		\$ (25,276,916)	\$ (22,864,641)
TOTAL SHAREHOLDERS' EQUITY		\$ 2,887,286	\$ 765,259

The accompanying notes are integral part of these Financial Statements.

TENTH AVENUE PETROLEUM CORP.
STATEMENT OF CASH FLOWS
(in Canadian Dollars)

	Note	December 31, 2022	December 31, 2021
OPERATING ACTIVITIES			
Net income (loss) and comprehensive income (loss)	\$	(2,412,275)	\$ 384,463
Items not affecting cash:			
Depletion and depreciation	7	687,322	26,904
Stock based compensation	10	375,339	41,335
Interest accretion	8	4,550	4,550
Bad debts	4	81,539	-
Accretion	9	71,918	3,885
Impairment	7	1,764,964	70,840
Gain on distribution of assets under plan of arrangement	16	-	(527,767)
Changes in restricted cash		(55,720)	-
Changes in non-cash working capital	12	28,330	(41,483)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		545,967	(37,273)
FINANCING ACTIVITIES			
Proceeds from exercise of warrants	10	52,500	67,500
Proceeds from exercise of stock options	10	78,750	-
Repayment of long term loan	8	(40,000)	-
Proceeds from private placement	10	2,917,713	-
CASH PROVIDED BY FINANCING ACTIVITIES		3,008,963	67,500
INVESTING ACTIVITIES			
Disposal of cash	16	-	(6,524)
Acquisitions	6	(2,494,807)	-
Purchase of property and equipment	7	(843,802)	(26,863)
Changes in non-cash working capital	7	444,525	-
CASH USED IN INVESTING ACTIVITIES		(2,894,084)	(33,387)
NET CHANGE IN CASH AND CASH EQUIVALENTS		660,846	(3,160)
CASH AND CASH EQUIVALENTS, beginning of year		43,372	46,532
CASH AND CASH EQUIVALENTS, end of year	\$	704,218	\$ 43,372

Supplemental cash flow information (note 12)

The accompanying notes are integral part of these Financial Statements.

TENTH AVENUE PETROLEUM CORP.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022
(in Canadian Dollars)

1. GENERAL INFORMATION

Tenth Avenue Petroleum Corp. (“Tenth” or the “Company”) was incorporated under the *Business Corporations Act* (Alberta). The Company is engaged in exploration, development and production of crude oil and natural gas properties in western Canada. Tenth’s common shares are listed on the TSX Venture Exchange (“TSXV”) and trade under the symbol “TPC”. The Company’s head office and registered address is located at 2003, 188 15th Avenue S.W., Calgary, Alberta T2R 1S4.

2. BASIS OF PREPARATION

a) Statement of compliance

These annual financial statements (the “Financial Statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”).

The Company’s Board of Directors approved these Financial Statements on May 1, 2023.

b) Basis of measurement

Unless otherwise indicated, all references to dollar amounts in these Financial Statements and related notes are in Canadian dollars (“CA\$”), which is the functional and presentation currency of the Company.

The Financial Statements have been prepared on a historical cost basis, except for certain financial instruments which are recorded at fair value through profit and loss, share based compensation, and business acquisitions which are measured at fair value.

c) Significant estimates and judgements

The timely preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ materially from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are reviewed and for any future years affected. These Financial Statements have, in management’s opinion, been properly prepared using careful judgment within reasonable limits of materiality.

i. Crude oil and natural gas reserves

The process of determining reserves is complex. Significant judgements are based on available geological, geophysical, engineering, and economic data. These judgements are based on estimates and assumptions that may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates are based on production forecasts, future prices and the timing and amount of future expenditures. As circumstances change and additional data becomes available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions.

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation can be impacted by subjective decisions, new geological or production information and a changing environment. In

TENTH AVENUE PETROLEUM CORP.
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addition, revisions to reserve estimates can arise from changes in forecast oil and gas prices and reservoir performance. Such revisions can be either positive or negative.

Changes in reserve estimates impact the financial results of the Company as reserves and estimated future development capital (“FDC”) are used to calculate depletion. Reserves are used in measuring the fair value less costs of disposal (“FVLCD”) of property, plant and equipment (PP&E) for impairment calculations. Reserves also impact the Company’s assessment of the commercial viability and technical feasibility of an exploration project and the decision to transfer exploration and evaluation (E&E) assets to PP&E. Tenth’s reserves have been evaluated by independent qualified reserves evaluators as at December 31, 2022 and December 31, 2021 in accordance with the Canadian Oil and Gas Evaluation Handbook.

ii. Depletion of crude oil and natural gas assets

The Company calculates a depletion factor based on total production as a percentage of proved plus probable reserves. The depletion factor is applied to the total depletable base determined as the net book value of the assets and the total estimated FDC expenditures for each depletion unit. Estimates for reserves and FDCs can have a significant impact on net earnings, as they are key components in the depletion calculation.

iii. Exploration and evaluation assets

The accounting for E&E assets requires management to make judgements as to whether E&E activities have discovered a sufficient amount of economically recoverable reserves, which requires the quantity and realizable value of such crude oil and natural gas products to be estimated.

E&E assets remain capitalized as long as sufficient progress is being made in assessing whether the recovery of the crude oil and natural gas products is technically feasible and commercially viable. E&E assets are subject to ongoing management review to confirm the continued intent to establish the technical feasibility and commercial viability of the discovery. In making this assessment, management considers changes to project economics, expected capital expenditures and production costs, results of other operators in the region and access to infrastructure and potential infrastructure expansions.

The carrying value of Tenth’s E&E assets is assessed for overall impairment at the operating segment level and on a specific identification basis prior to transferring E&E assets to PP&E.

iv. Determination of cash generating units (“CGUs”)

The determination of CGUs requires judgement in defining a group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality. The asset composition of a CGI can directly impact the recoverability of the assets included therein.

As at December 31, 2022, Tenth has three CGUs, namely: Murray Lake-Hays, Swan Hills, and Vulcan.

v. Recoverability of asset carrying values

Management applies judgement in assessing indicators of impairment and reversal of impairment based on various internal and external factors. The recoverable amount of a CGU or of an individual asset is determined as the greater of its FVLCD or value in use (“VIU”). The key estimates in management’s determination of recoverable amounts includes future commodity prices, expected production volumes, quantity of reserves and resources,

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future development and operating costs, discount rates, and income taxes. The evolving global demand to transition from carbon-based sources to alternative energy sources may also impact the assumptions used in determination of recoverable amounts, however, the timing of this impact is highly uncertain. As at December 31, 2022 and 2021, Tenth determined that there were indicators of impairment and an assessment was completed as detailed in Note 7.

vi. Decommissioning obligations

Tenth estimates abandonment and reclamation costs based on a combination of publicly available industry information and internal site-specific information. Actual costs and cash outflows can differ from estimates because of changes in laws and regulations, market conditions, discovery and analysis of site conditions and emergence of new restoration techniques. The expected timing of abandonment and reclamation is also subject to change and impacts inflated future cost estimates and the estimated carrying amount (present value) of decommissioning obligations.

In the current business environment of rising interest rates and high inflation, assumptions for the discount rate and inflation rate applied in the calculation had a significant impact on the carrying amount of decommissioning obligations as at December 31, 2022. In particular, the increase in risk-free discount rate from 1.7% at December 31, 2021 to 3.3% at December 31, 2022, resulted in a decrease to the present value. The Company expects above average inflation to persist over the next 3 to 5 years, however thereafter the long-term average inflation rate is expected to return back to the Bank of Canada's target rate of 2.0% over the restoration period. The estimated future costs and carrying amount of decommissioning obligations is based on an expected average long term inflation rate of 2.0% at December 31, 2022 and 2021.

vii. Leases

Management applies judgement in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease. Leases that are recognized are subject to further management judgement and estimation in various areas specific to the arrangement, including lease term and discount rate. In determining the lease term to be recognized, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Where the rate implicit in a lease is not readily determinable, the discount rate of the lease obligations is estimated using a discount rate similar to Tenth's company specific incremental borrowing rate. This rate represents the rate that Tenth would incur to obtain the funds necessary to purchase an asset of a similar value, with similar payment terms and security in a similar economic environment.

viii. Deferred income taxes

Tax interpretations, regulations and legislation in the jurisdictions in which the Company operates are subject to change. Consequently, deferred income taxes are subject to measurement uncertainty. Deferred tax liabilities are recognized when it is considered probable that temporary differences will be payable to tax authorities in future periods. Deferred tax assets may only be recognized to the extent that it is probable that future taxable profits will be available against which unused tax losses and deductible temporary differences can be utilized.

A detailed analysis of the provision for deferred income taxes is provided in Note 15.

ix. Business combinations

Business combinations also require judgment, estimates and assumptions in regard to contingent consideration, the date the acquirer obtains control, and fair value estimates on assets purchased and liabilities assumed. If

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determined to be a business combination, the Company applies the acquisition method to account for the recognition and measurement of identifiable assets acquired, liabilities assumed, any non-controlling interest and, if applicable, goodwill or a gain on the transaction. Significant changes could occur which could materially impact the assumptions and estimates made in these financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Company are set out below.

a) Cash and cash equivalents

Cash and cash equivalents include cash held on deposit and/or short-term investments with original maturities of three months or less at the time of purchase. The Company did not have any cash equivalents at December 31, 2022 and 2021.

b) Financial instruments

Classification and measurement of financial assets and financial liabilities

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized on the Statements of Financial Position at the time the Company becomes a party to the contractual provisions. The Company's financial assets and financial liabilities are classified into two categories: Amortized Cost and Fair Value through Profit and Loss ("FVTPL"). The classification of financial assets is determined by their context in Tenth's business model and by the characteristics of the financial asset's contractual cash flows.

Financial assets and financial liabilities are measured at fair value on initial recognition. Subsequent measurement is dependent on the financial instrument's classification.

Amortized Cost

Cash, trade and other receivables, accounts payable and accrued liabilities, and long-term loan are measured at amortized cost. The contractual cash flows received from financial assets are payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. Financial assets and liabilities classified as amortized cost are subsequently measured at amortized cost using the effective interest rate method.

Fair Value Through Profit and Loss

The Company's risk management contracts are measured initially at FVTPL and are subsequently measured at fair value with changes in fair value immediately recognized in the Statements of Net Income (Loss) and Comprehensive Income (Loss). The Company does not currently have any assets or liabilities in this category. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in its principal or most advantageous market at the measurement date. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company maximizes the use of observable inputs when preparing calculations of fair value, where possible.

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(in Canadian Dollars)

The fair value hierarchy has the following levels:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Values are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair value hierarchy.

Impairment of financial assets

An impairment of financial assets is recognized using an Expected Credit Loss (“ECL”) model. Trade and other receivables are due within one year or less; therefore, these financial assets are not considered to have a significant financing component and a lifetime ECL is measured at the date of initial recognition of the receivable. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and days past due.

The Company uses judgement in making these assumptions and selecting the inputs into the expected loss calculation based on historically realized bad debts, evidence of a debtor’s present financial condition, existing market conditions and forward-looking estimates. The ECL is assessed at initial recognition and this provision is re-assessed at each reporting date. ECLs are a probability-weighted estimate of possible default events related to the financial asset and are measured as the difference between the present value of the cash flows due to the Company and the cash flows expected to be received.

c) Exploration and Evaluation (“E&E”) Assets and Property, Plant and Equipment (“PP&E”)

Exploration and evaluation expenditures

E&E costs are those expenditures for an area where technical feasibility and commercial viability has not yet been determined. E&E costs may include costs of license acquisition, technical services and studies, seismic acquisition, exploration drilling and testing. Costs incurred prior to acquiring the legal rights to explore an area are charged directly to profit or loss as exploration expense in the period incurred. The Company did not incur pre-license costs in the current or prior period.

When a project classified as E&E is determined to be commercially viable and technically feasible and reserves have been assigned, the relevant costs are transferred from E&E to PP&E. E&E costs for which the underlying mineral lease or other asset has expired, or is expected to expire prior to development, are expensed to profit or loss.

E&E assets are assessed for impairment upon transfer to PP&E or when facts and circumstances suggest that the carrying amount may exceed the estimated recoverable amount. If it has been determined there has been an impairment, the impairment will be charged to the Statements of Net Income (Loss) and Comprehensive Income (Loss) in the period incurred. Non-producing assets classified as E&E are not depleted.

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Development and Production ("D&P") Assets

All costs directly associated with the development of crude oil and natural gas reserves are capitalized on a CGU basis. These costs may include certain overhead charges including cash and share based compensation paid to personnel dedicated to capitalized projects. Overhead charges are capitalized to PP&E using a specific identification methodology.

Development costs include expenditures for CGUs where technical feasibility and commercial viability has been determined. These costs include proved property acquisitions, development drilling, completion, gathering and infrastructure, decommissioning liabilities and transfers of E&E assets.

Costs incurred subsequent to the determination of technical feasibility and commercial viability are recognized as oil and natural gas interests only when they increase the future economic benefits of the specific asset to which they relate. All other expenditures are recognized in the Statements of Net Income (Loss) and Comprehensive Income (Loss) as incurred.

Gains and losses on disposal of an item of PP&E, including oil and natural gas assets, are determined by comparing the proceeds from disposal with the carrying amount of the PP&E and are recognized net within the gain on sale of assets in the Statements of Net Income (Loss) and Comprehensive Income (Loss).

Depletion of D&P assets

D&P assets are depleted using a unit-of-production method based on:

- Total estimated proved plus probable reserves calculated in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101");
- Total capitalized costs including estimated FDC of proved plus probable reserves; and
- Production volumes, before royalties, converted at the energy equivalent conversion ratio of six thousand cubic feet of natural gas to one barrel of oil.

Impairment

An impairment test will be performed whenever events and circumstances indicate that the carrying value of the asset or CGU may exceed the estimated recoverable amount. The recoverable amount is the higher of the FVLCD and the VIU. In assessing the FVLCD for oil and natural gas assets, the estimated future net cash flows associated with the CGUs are used based on management's best estimate of reserves. If there is indication of impairment, the costs carried on the Statements of Financial Position in excess of the recoverable amount are charged to the Statements of Net Income (Loss) and Comprehensive Income (Loss).

Impairment losses from prior periods are assessed at each reporting date for indications that the impairment loss no longer exists or has decreased. Impairment losses are reversed if there is a change in the estimates used to determine the recoverable amount which causes the recoverable amount to exceed the carrying amount. Reversal of impairment losses cannot exceed the carrying value of the asset prior to impairment less any depletion and depreciation expense that would have resulted had impairment not been recorded.

d) Joint operations

A portion of the Company's exploration, development and production activities is conducted jointly with others through unincorporated joint ventures. These Financial Statements reflect only the Company's proportionate interest of these jointly controlled assets and the proportionate share of the relevant revenue and related costs.

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e) Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the commencement date, the lease liability is recognized at the present value of the future lease payments, discounted using the interest rate implicit in the lease or the Company's incremental borrowing rate. A corresponding right-of-use ("ROU") asset will be recognized at the amount of the lease liability, adjusted for any lease incentives received and initial direct costs incurred. Over the term of the lease, financing expense is recognized on the lease liability using the effective interest rate method and charged to net income, lease payments are applied against the lease liability and depreciation on the ROU asset is recorded by class of underlying asset.

The lease term is the non-cancellable period of a lease and includes periods covered by an optional lease extension option if reasonably certain the Company will exercise the option to extend. Conversely, periods covered by an option to terminate are included if the Company does not expect to end the lease during that time frame. Leases with a term of less than twelve months or leases for underlying low value assets are recognized as an expense in net income (loss) on a straight-line basis over the lease term.

A lease modification will be accounted for as a separate lease if it materially changes the scope of the lease. For a modification that is not a separate lease, on the effective date of the lease modification, the Company will remeasure the lease liability and corresponding ROU asset using the interest rate implicit in the lease or the Company's incremental borrowing rate. Any variance between the remeasured ROU asset and lease liability will be recognized as a gain or loss in net income to reflect the change in scope.

f) Decommissioning obligations

Provisions for decommissioning obligations are recognized when the Company has an obligation to dismantle and remove a facility or abandon a well and restore the site on which it is located. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements using a risk-free rate. An equivalent amount is capitalized as part of the cost of the related asset. On a periodic basis, management reviews these estimates and changes, if any, are applied prospectively. These changes are recognized as an increase or decrease to the liability, with a corresponding increase or decrease to the carrying amount of the related asset.

The capitalized amount in PP&E is depreciated on a unit-of-production basis over the life of the associated proved plus probable reserves. The long-term liability is increased each reporting period with the passage of time and the associated accretion charged is recognized in the Statements of Net Income (Loss) and Comprehensive Income (Loss).

Actual costs incurred upon settlement of the decommissioning liabilities are charged against the provision.

g) Revenue recognition

Tenth generates revenue primarily from the sale of crude oil, condensate, natural gas, and natural gas liquids ("NGLs"). Revenue is recognized at the point in time when control of the product has been transferred to the customer and performance obligations have been satisfied. This is generally met when the customer obtains legal title to the product and physical delivery at a delivery point has taken place. Revenue is measured based on the consideration specified in the contracts the Company has with its customers. The transaction price under the contracts is based on the commodity price, adjusted for quality, location, or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms.

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

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

h) Transportation

Costs paid by Tenth for the transportation of crude oil, condensate, natural gas and NGLs to the point of control transfer are recognized when the transportation is provided.

i) Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all conditions associated with the grant are met. Claims under government grant programs related to income are deducted in reporting the related expense and are recorded in the period in which eligible expenses were incurred or when the services have been performed.

Loans received from the government are recognized initially at fair value, with the difference between the fair value of the loan based on prevailing market interest rates and the amount received, being recorded as other income, which is subsequently recognized as interest accretion over the term of the loan.

j) Share based compensation

The Company's share based compensation plan allows for the granting of equity-settled awards in connection with the Company's stock option plan to directors, officers, employees and consultants of the Company.

Equity-settled share based compensation is measured at the fair value of the equity instruments at the grant date and is estimated using a Black-Scholes model that takes into account, as of the grant date, the exercise price, expected life, current price, expected volatility and risk-free interest rates. The fair value determined at the grant date is expensed over the vesting period with a corresponding increase in contributed surplus.

A forfeiture rate is estimated on the grant date. The forfeiture rate is reviewed each reporting period and adjusted to reflect the actual number of awards expected to vest. The impact of the revision in estimate, if any, is recognized in the Statements of Net Income (Loss) and Comprehensive Income (Loss) such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus. Any consideration paid to the Company on the exercise is credited to share capital.

k) Warrants

The Company may issue warrants in conjunction with financings. Company uses the residual value method to allocate the proceeds on issuance whereby the fair value of the more readily measurable instrument, being the common share, is determined first and the remainder is allocated to the warrant. To date, the Company has not assigned a fair value to warrants issued as part of private placement unit offerings.

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l) Net income (loss) per share

Basic net income (loss) per share is computed by dividing net income by the weighted average number of common shares outstanding during the year. For the diluted net income per share calculation, the weighted average number of common shares outstanding is adjusted for the potential number of common shares which may have a dilutive effect on net income (loss) per share. The Company uses the treasury stock method to determine the impact of dilutive securities. Under this method, only “in-the-money” dilutive instruments impact the calculation of diluted net income (loss) per share. The treasury stock method assumes that the proceeds received from the exercise of all potentially dilutive instruments are used to repurchase common shares at the average market price.

m) Income taxes

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

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

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

n) Business combinations

On the acquisition of a business, the acquisition method of accounting is used whereby the identifiable assets, liabilities and contingent liabilities (identifiable net assets) are recognized on the basis of fair value at the date of acquisition. The Cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of closing.

Goodwill is initially measured at cost being the excess cost of the business combination over the Company’s share in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities. If the fair value attributable to the Company’s share of the identifiable net assets exceeds the fair value of the consideration, the Company reassesses whether it has correctly identified and measured the assets acquired and liabilities assumed and recognizes any additional assets or liabilities that are identified in that review. If an excess remains after reassessment, the Company recognizes the resulting gain in profit or loss on the acquisition date. After initial recognition, the goodwill is measured at cost less any accumulated impairment losses.

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o) New Accounting Pronouncements

The Company has adopted these accounting standards effective January 1, 2022:

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments to IAS 37 specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

There was no significant impact to the financial statements as a result of the adoption of these amendments.

Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use

The amendments to IAS 16 prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

There was no impact to the financial statements as a result of the adoption of these amendments.

Annual Improvements (2018-2020 cycle): IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities

The amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

There was no impact to the financial statements as a result of the adoption of this amendment.

p) Future Accounting Changes and Pronouncements

The following accounting standards and amendments are effective for future periods.

Amendments to IAS 8 – Definition of Accounting Estimates

These amendments clarify how companies distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The distinction between the two is important because changes in accounting policies are applied retrospectively, whereas changes in accounting estimates are applied prospectively. Further, the amendments clarify that accounting estimates are monetary amounts in the financial statements subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

These amendments are effective for reporting periods beginning on or after January 1, 2023.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

These amendments continue the IASB's clarifications on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include: requiring companies to disclose their material accounting policies instead of their significant accounting policies; clarifying that accounting policies

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related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material. The IASB also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures.

These amendments are effective for reporting periods beginning on or after January 1, 2023.

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

These amendments clarify how companies account for deferred taxes on transactions such as leases and decommissioning obligations, with a focus on reducing diversity in practice. They narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

These amendments are effective for reporting periods beginning on or after January 1, 2023.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date.

These amendments are effective for reporting periods beginning on or after January 1, 2023.

Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback

These amendments require a seller-lessee to account for variable lease payments that arise in a sale-and-leaseback transaction as follows: (i) on initial recognition, include variable lease payments when measuring a lease liability arising from a sale-and-leaseback transaction; (ii) after initial recognition, apply the general requirements for subsequent accounting of the lease liability such that no gain or loss relating to the retained right of use is recognized. Seller-lessees are required to reassess and potentially restate sale-and-leaseback transactions entered into since the implementation of IFRS 16 in 2019.

These amendments are effective for reporting periods beginning on or after January 1, 2024.

Amendment to IAS 1 – Non-current Liabilities with Covenants

The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

This amendment is effective for reporting periods beginning on or after January 1, 2024.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2022, financial instruments of the Company include cash and cash equivalents, trade and other receivables, and accounts payable and accrued liabilities. The fair values of these financial assets and liabilities approximate their carrying value due to the short term to maturity of those instruments. Financial assets and liabilities are measured at amortized cost.

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

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Risk Management Overview

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

a) Credit Risk

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

The composition of the Company's trade and other receivables is set out in the following table:

	December 31, 2022	December 31, 2021
Oil and gas marketers	\$ 239,368	\$ -
Joint venture partners	103,552	90,488
Accounts receivable	67,884	-
GST receivable	29,436	-
	\$ 440,240	\$ 90,488

The oil and gas industry has a pre-arranged monthly clearing day for payment of revenues from all buyers of oil and natural gas; this occurs on the 25th day following the month of sale. As a result, the Company's production revenues are current. All other accounts receivable are generally contractually due within 30 days, however the collection period is typically between 60 to 90 days. Amounts outstanding for more than 90 days are generally considered "past due" and relate primarily to receivables from the Company's joint venture partners. When determining whether amounts that are past due are collectible, management assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount. Management has reviewed past due accounts receivable balances as at December 31, 2022 and has recorded a provision of \$81,539 (2021 - \$nil) for expected credit losses from these accounts.

b) Liquidity Risks

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

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

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

	1 year	2-3 years	4 to 5 years	>5 years	Total
Accounts payable and accrued liabilities	\$ 921,343	\$ -	\$ -	\$ -	\$ 921,343

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c) Market Risks

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

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

Commodity price risk

Inherent to the business of producing oil and gas, the Company's revenue and cash provided by operating activities is subject to commodity price risk. Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices are impacted by world economic events that dictate the levels of supply and demand as well as the currency exchange rate relationship between the Canadian and U.S. dollar. A \$1.00/bbl change in the price of oil will result in a \$37,562 change in net income (loss). A \$0.10/Mcf change in the price of natural gas will result in a \$2,004 change in net income (loss).

5. RESTRICTED CASH HELD IN TRUST

Restricted cash held in trust includes \$55,720 (2021 - \$nil) held by the Alberta Energy Regulator.

6. ACQUISITIONS AND DISPOSITIONS

During the year ended December 31, 2022, the Company completed an acquisition ("Avalon Energy") for total consideration of \$2,500,000 comprised of cash consideration of \$1,750,000 and \$750,000 in common shares. The Company incurred transaction costs of \$68,661, which are included in general and administrative expenses in the statement of income (loss) and comprehensive income (loss). In September 2022, the Company completed a second acquisition (Danzig Resources) for total consideration of \$760,000 comprised of cash consideration of \$400,000 and common share consideration of \$360,000. The Company incurred transaction costs of \$11,018 in relation to this acquisition, which are included in general and administrative expenses.

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

ACQUISITION SUMMARY	Danzig Resources	Avalon Energy	Total 2022
Cash consideration, after adjustments	\$ 417,260	\$ 2,077,547	\$ 2,494,807
Common share consideration (note 10)	360,000	750,000	1,110,000
Total consideration	\$ 777,260	\$ 2,827,547	\$ 3,604,807
Net Assets Acquired			
Property, plant and equipment (note 7)	\$ 1,525,283	\$ 4,405,801	\$ 5,931,084
Prepaid expenses	31,335	53,749	85,084
Inventory	-	162,799	162,799
Decommissioning obligation (1) (note 9)	(785,232)	(1,823,897)	(2,609,129)
GST receivable	5,874	29,095	34,969
Fair value of net assets acquired	\$ 777,260	\$ 2,827,547	\$ 3,604,807

1. The aggregate fair value of decommissioning obligations acquired of \$1,823,897 and \$785,232 were estimated by discounting the inflated cost estimates using a "risk-free rate" of 1.99% and 3.09% on the respective closing dates of the acquisitions.

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The Statements of Net Income (Loss) and Comprehensive Income (Loss) for 2022 includes the results of operations for the Avalon Energy acquisition completed in the first quarter of the year, starting from the acquisition date. Specifically, Tenth's net income for the year ended December 31, 2022, includes \$2,192,265 of revenue and \$683,668 of operating income generated from the acquisition date to the end of the year. "Operating income" does not have a standardized meaning under IFRS. For purposes of this *pro-forma* disclosure, the Company has calculated operating income as revenue, after royalties, less production and transportation expenses. If all the above noted acquisitions had occurred on January 1, 2022, revenue and operating income are estimated to be approximately \$2,587,091 and \$866,922, respectively, for the year ended December 31, 2022 from this acquisition. Revenue received of \$196,119 and costs incurred of \$162,799 in relation to the inventory purchased in this acquisition and subsequently sold are included in other income (expense), respectively.

The Statements of Net Income (Loss) and Comprehensive Income (Loss) for 2022 year includes \$309,895 of revenue and \$67,477 of operating income generated from the Danzig Resources acquisition from the acquisition date to the end of the year. If the Danzig Resources acquisition had occurred on January 1, 2022, revenue and operating income are estimated to be approximately \$1,370,895 and \$384,761, respectively, for the year ended December 31, 2022 from this acquisition. This *pro-forma* information is not necessarily indicative of the results of operations that would have resulted had the acquisition been effected on the dates indicated, or the results that may be obtained in the future.

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

ACQUISITION SUMMARY	Swan Hills Unit #1	
Common share consideration (note 10)	\$	825,000
Total consideration	\$	825,000
Net Assets Acquired		
Property, plant and equipment (note 7)	\$	1,734,451
Decommissioning obligation (1) (note 9)		(917,620)
GST		8,169
Fair value of net asset acquired	\$	825,000

Included in the statements of income and comprehensive income for the year ended December 31, 2021 are revenues of \$343,813 and operating income of 71,275. Reliable information is not available to accurately disclose the *pro-forma* results of the oil and gas sales and net income (loss) and comprehensive income (loss) for the year ended December 31, 2021 had the Swan assets been acquired on January 1, 2021.

7. PROPERTY, PLANT AND EQUIPMENT

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

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Property, plant and equipment, at cost	D&P assets	Corporate	Total PP&E
Balance at December 31, 2020	\$ 3,251,188	\$ 76,408	\$ 3,327,596
Distribution of assets under Plan of Arrangement	(3,251,188)	(76,408)	(3,327,596)
Additions	26,862	-	26,862
Acquisitions (note 6)	1,734,451	-	1,734,451
Change in decommissioning estimates (note 9)	71,131	-	71,131
Balance at December 31, 2021	1,832,444	-	1,832,444
Additions	843,802	-	843,802
Acquisitions (note 6)	5,931,084	-	5,931,084
Change in decommissioning estimates (note 9)	(414,277)	-	(414,277)
Balance at December 31, 2022	\$ 8,193,053	\$ -	\$ 8,193,053

Accumulative DD&I	D&P assets	Corporate	Total PP&E
Balance at December 31, 2020	\$ 1,365,886	\$ 72,935	\$ 1,438,821
Distributions under Plan of Arrangement (note 16)	(1,365,886)	(72,935)	(1,438,821)
Impairment	70,840	-	70,840
Depletion and depreciation	26,904	-	26,904
Balance at December 31, 2021	97,744	-	97,744
Impairment	1,764,964	-	1,764,964
Depletion and depreciation	687,322	-	687,322
Balance at December 30, 2022	\$ 2,550,030	\$ -	\$ 2,550,030

Net carrying value	D&P assets	Corporate	Total PP&E
Balance at December 31, 2021	\$ 1,734,700	\$ -	\$ 1,734,700
Balance at December 31, 2022	\$ 5,643,023	\$ -	\$ 5,643,023

The benchmark prices used by the independent reserve evaluators in preparing the Company's reserve report for wellhead prices varied from \$4.99/Mcf to \$5.92/Mcf for gas and \$77.69/bbl to \$93.52/bbl for oil from 2023 to 2032, respectively, and were used in determining whether impairment of the carrying value existed at December 31, 2022. Expected future development costs used in the calculation of depletion and impairment expense were \$1,241,300 (2021 - \$Nil).

At the end of each reporting period, the Company assesses whether there were indicators of impairment or reversals of prior period impairments. The recoverable amount was calculated as the fair value of the assets which was determined using a discounted cash flow approach based on the December 31, 2022 reserve evaluation of proved plus probable reserves provided by an independent reserve evaluation. At December 31, 2022, the Company assessed whether there were indicators of impairment or reversals of prior period impairments. It was determined that there were indicators for impairment for the Swan Hills CGU. The discount rate used to determine the recoverable amount was 12% resulting in an impairment of \$971,425 (2021 - \$70,840). An increase in the discount rate of 3% would result in additional impairment of \$41,700 and a decrease in the discount rate of 2% would have decreased impairment by \$30,400. It was determined also that there were indicators for impairment for the Murray Lake - Hays CGU. The discount rate used to determine the recoverable amount was 12% resulting in an impairment of \$571,957. An increase in the discount rate of 3% would result in additional impairment of \$233,600 and a decrease in the discount rate of 2% would have decreased impairment by \$176,100. The Vulcan CGU also had indicators for impairment. The discount rate used to determine the recoverable amount was 12% resulting in an impairment of \$221,582. An increase in the discount rate of 3% would result in additional impairment of \$99,400 and a decrease in the discount rate of 2% would have decreased impairment by \$73,700.

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8. LONG TERM LOAN

The Company received a non-interest bearing loan from the government for \$60,000 in 2020 as assistance to deal with the effects of the Covid-19 pandemic. If \$40,000 of the loan is repaid by December 31, 2023, the remaining \$20,000 is forgivable. The company repaid the \$40,000 loan during the year ended December 31, 2022.

As the Company intended to repay the loan by the forgiveness date and will meet all conditions of the grant; the forgivable portion of the loan was recorded as a government grant in other income in the year it was received.

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

9. DECOMMISSIONING OBLIGATIONS

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

	December 31, 2022	December 31, 2021
Balance, beginning of year	\$ 992,636	\$ 1,404,293
Distribution of liabilities under Plan of Arrangement (note 16)	-	(1,404,293)
Obligations acquired (note 6)	2,609,129	917,620
Changes in estimates (note 7)	(414,277)	71,131
Accretion	71,918	3,885
Balance, end of year	\$ 3,259,406	\$ 992,636

The underlying cost estimates are derived from a combination of published industry benchmarks as well as site specific information. As at December 31, 2022, based on an inflation rate of 2.0% (2021 – 1.8%) the total undiscounted amount of the estimated cash flows required to settle the obligation is \$4,710,818 (2021 - \$1,505,906). As at December 31, 2022, the carrying amount of the decommissioning obligations is based on a risk-free rate of 3.28% (1.68% at December 31, 2021). The Company expects the expenditures to be incurred between 2033 and 2040.

10. SHARE CAPITAL

a) Authorized

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

b) Issued and outstanding

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

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	Number of common shares	Amount
Balance at December 31, 2020	10,512,658	\$ 12,544,623
Issued on acquisition of property (note 6)	9,716,442	825,000
Issued for cash on exercise of warrants	900,000	67,500
Balance at December 31, 2021	21,129,100	13,437,123
Equity offerings:		
Non-brokered private placement	12,465,000	3,116,250
Issued on acquisition of properties (note 6)	4,500,000	1,110,000
Issued for cash on exercise of warrants	700,000	52,500
Issued for cash on exercise of stock options	1,050,000	78,750
Transfer of value attributed to stock options exercised	-	56,495
Issue costs	-	(198,537)
Balance at December, 2022	39,844,100	\$ 17,652,581

On February 17, 2022, the Company closed a non-brokered private placement and issued to certain investors an aggregate of 12,465,000 units (each a "Unit") at a price of \$0.25 per share for aggregate gross proceeds of \$3,116,250 (the "Private Placement").

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

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

On April 12, the Avalon Energy acquisition closed for total proceeds of \$2,827,547 which included \$2,077,547 in cash and \$750,000 in common shares, settled through the issuance of 3,000,000 shares at a deemed price of \$0.25 per share.

On September 30, the Danzig Resources acquisition closed for total proceeds of \$777,260 which included \$417,260 in cash and \$360,000 in common shares, settled through the issuance of 1,500,000 shares at a deemed price of \$0.24 per share.

Effective September 30, 2021 the Company acquired the Swan Hills assets for total proceeds of \$825,000 which was settled through the issuance of 9,716,442 common shares at a deemed price of \$0.085 per share.

c) Warrants

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

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	Number of warrants	Average exercised price (\$/share)
Balance at December 31, 2020	1,600,000	0.075
Warrants exercised	(900,000)	0.075
Balance at December 31, 2021	700,000	0.075
Warrants exercised	(700,000)	0.075
Warrants issued as part of Private Placement	6,232,500	0.30
Balance at December 30, 2022	6,232,500	0.30

The warrants outstanding were issued on February 18, 2022 as part of the Private Placement. Each Warrant entitles the holder to purchase one common share at an exercise price of \$0.30 for a period of one year. The Warrants became fully vested in February 2022 and subsequent to year end, 6,132,500 expired and 100,000 were exercised for proceeds of \$30,000.

d) Stock options

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

	Number of options	Average exercised price (\$/share)
Balance at December 31, 2020	510,000	0.075
Granted (1)	540,000	0.075
Balance at December 31, 2021	1,050,000	0.075
Exercised	(1,050,000)	0.075
Granted (1)	2,940,000	0.20
Balance at December 31, 2022	2,940,000	0.20
Exercisable at December 31, 2022	980,000	0.20

(1) One third of the stock options granted vest upon issuance, one third vest on the first anniversary of the grant date and the remaining third vest on the second anniversary of the grant date.

The fair value of stock options granted during the year ended December 31, 2022 is estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions as follows:

Share price – \$0.23
Exercise price - \$0.20
Risk-free rate – 2.58%
Expected volatility – 135% - 159%
Expected dividend yield – 0%
Option life – 3 - 5 years

Expected volatility is calculated based on the historical share volatility of the Company. The weighted average fair value of the options at the date of issued was estimated to be \$0.23 per option which resulted in \$375,339 of stock based compensation expense being recognized during the year ended December 31, 2022. The weighted average remaining contractual life of the Company's stock options is 4.4 years.

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

On February 19, 2021, the Company issued 540,000 stock options with an exercise price of \$0.075 that vested immediately and expire on February 18, 2026. The fair value of each option was determined on the date of grant using the Black-Scholes option valuation model using the following assumptions:

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

Expected volatility was calculated based on the historical share volatility of the Company. The weighted average fair value of the options at the date of issued was estimated to be \$0.0765 per option which resulted in \$41,335 of stock based compensation expense being recognized during the year ended December 31, 2021. These stock options were exercised during 2022.

e) Per share amounts

Basic income per share has been calculated using the weighted average number of common shares outstanding during the period of 36,057,305 (2021 – 11,237,872). The diluted weighted average common shares outstanding in the period are 36,547,305 (2021 – 12,987,872). In 2022, the effect of all warrants was excluded from the calculation as they are anti-dilutive.

11. OIL AND GAS SALES

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

	December 31, 2022	December 31, 2021
Oil and gas sales		
Crude oil	\$ 3,662,247	\$ 334,210
Natural gas liquids	141,018	8,148
Natural gas	96,124	1,455
Total	3,899,389	343,813

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12. SUPPLEMENTAL CASH FLOW INFORMATION

	December 31, 2022	December 31, 2021
Accounts receivable	\$ (396,322)	\$ (122,628)
Prepaid expenses and deposits	(139,750)	-
Inventory	162,799	-
Accounts payable and accrued liabilities	846,128	81,145
Change in non-cash working capital	\$ 472,855	\$ (41,483)
Net change related to operating activities	28,330	(41,483)
Net change related to investing activities	444,525	-
Total	472,855	(41,483)
Non-cash transactions:		
Shares issued for acquisitions	\$ 1,110,000	\$ 825,000
Decommissioning obligations acquired on acquisitions	\$ 2,609,129	\$ 917,620
Common shares issued for finders fees	\$ 14,000	\$ -
Revisions to decommissioning obligations	\$ 414,279	\$ 71,131
Value transferred on exercise of stock options	\$ 56,495	\$ -

13. CAPITAL MANAGEMENT

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

	December 31, 2022	December 31, 2021
Adjusted working capital surplus (1)(2)	447,949	58,645
Long-term debt	-	(35,450)
Net Surplus	447,949	23,195
Total shareholders' equity	2,887,286	765,259

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

The capital intensive nature of Tenth's operations may create a working capital deficiency during periods with high levels of capital investment. As of December 31, 2022, Tenth's exploration and development capital expenditures were \$843,801 compared to \$26,862 in 2021. Tenth's adjusted working capital increased from \$58,645 at December 31, 2021 to \$447,949 at December 31, 2022 primarily due to the increase in revenue and proceeds from the Private Placement during the first quarter of 2022.

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

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As at December 30, 2022, Tenth had Net Working Capital Surplus of \$447,949. The Company increased its working capital surplus, net of debt, by \$424,254 from \$23,195 as at December 31, 2021, as cash provided by operating activities and financing activities exceeded capital expenditures during 2022. The Company's existing capital resources are sufficient to satisfy its financial obligations for the next twelve months and Tenth is well positioned to execute on its short- and longer-term growth strategy.

The Company's exploration and development capital expenditure budget for 2023 will be funded by cash provided by operating activities and may be supplemented by short term advances of bank debt during periods of high capital investment. To maintain or adjust its capital structure in the future, the Company may issue new common shares or other equity securities, issue debt, adjust capital expenditures and acquire or dispose of assets.

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

14. RELATED PARTY DISCLOSURES AND KEY MANAGEMENT COMPENSATION

During the year ended December 31, 2022 the Company has incurred consulting fees of \$132,500 (2021 - \$10,000) to officers of the Company. As at December 31, 2022, there was \$6,565 (2021 - \$14,605) outstanding which was included in accounts payable and accrued liabilities. During the same period, the Company also incurred \$127,468 (2021 - \$Nil) in legal fees and \$28,490 (2021 - \$Nil) in share capital costs to a firm where a Company director is a partner. As at December 31, 2022, there was \$15,548 (2021 - \$Nil) outstanding which was included in accounts payable and accrued liabilities.

In 2021 consulting fees were paid to a company controlled by a director in the amount of \$56,633 of which the balance is \$Nil (2021 - \$2,238) owing pursuant to the Plan of Arrangement (Note 16)

Key management compensation for the year ended December 31, 2022 consists of \$132,500 (2021 - \$10,000) in consulting fees and \$375,339 (2021 - \$41,335) in stock based compensation.

15. INCOME TAXES

The provision for income tax differ from the results that would be obtained by applying the combined Canadian and Provincial tax rates of approximately 23% (2020 - 23%). The reasons for these differences are as followed:

	2022	2021
Income (loss) before income taxes	\$ (2,412,275)	\$ 384,463
Statutory tax rate	23%	23%
Expected income tax expense (recovery)	(555,000)	88,000
Non-deductible items	88,000	12,000
Disposal of US losses	-	2,721,000
Other	(63,000)	7,000
Change in tax benefits not recognized	530,000	(2,828,000)
Income tax provision	\$ -	\$ -

The following deferred tax assets have not been recognized in the consolidated financial statements because it is not probable that future taxable profits will be available against which they can be utilized:

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	2022	2021
Property and equipment tax value in excess of book value	\$ 40,000	\$ (37,000)
Asset retirement obligation	750,000	228,000
Non-capital losses carried forward	3,815,000	3,921,000
Share issue costs	37,000	-
Less: tax benefits not recognized	(4,642,000)	(4,112,000)
	\$ -	\$ -

The Company has non-capital loss carry forwards of approximately \$16,509,000 (2021 - \$17,059,000) that will expire between 2026 and 2041.

16. PLAN OF ARRANGEMENT

Until December 6, 2021, Waskahigan Oil & Gas Corp. (WOGC) was a subsidiary of Tenth Avenue Petroleum Corp. On January 1, 2021, the oil and gas assets of TPC had been assigned to Odaat Oil Corp a wholly owned subsidiary of WOGC. The shares of TPC's wholly owned subsidiary Jadela Oil (US) Operating LLC were also transferred to WOGC.

On December 6, 2021, WOGC and Tenth filed Articles of Arrangement with the Registrar of Corporations for the Province of Alberta implementing the Order of Justice D.R. Mah dated May 25, 2021 in Court of Queen's Bench of Alberta Action #2101 02284 which approved the Plan of Arrangement dated March 24, 2021 (as amended) amongst TPC, WOGC, Odaat Oil Corp and Bloc NRG Corp (formerly 2361990 Alberta Ltd.). The implementation of the Plan of Arrangement was effective September 30, 2021. The effect of the Plan of Arrangement is that WOGC became a standalone reporting issuer in the Provinces of Alberta and British Columbia independent of TPC on December 6, 2021 upon filing of the Articles of Arrangement.

To implement the Plan of Arrangement, Tenth declared a dividend of one (1) common share of WOGC to the holders of each common share of Tenth. The Tenth dividend of 10,512,568 common shares of WOGC was at a deemed consideration of \$0.0001 per WOGC common share. The dividend records date was December 3, 2021. The dividend payment date was December 10, 2021.

The liabilities that were distributed under the plan of arrangement exceeded the assets distributed resulting in a gain on the transaction. The following table presents the assets and liabilities distributed in the plan of arrangement and their resulting gain on distribution.

Assets and liabilities distributed under plan of arrangement	
Assets distributed	
Cash	6,527
Accounts receivable	111,524
Short term investments	14,216
Prepays and deposits	73,382
Restricted cash	210,883
Exploration and evaluation assets	5,067
Property and equipment	1,888,775
Total assets distributed	2,310,374
Liabilities distributed	
Accounts payable	(271,247)
Deferred income	(10,427)
Loan payable	(1,152,174)
Decommissioning obligations	(1,404,293)
Total liabilities distributed	(2,838,141)
Gain on distribution of assets under plan of arrangement	(527,767)

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The Company incurred transaction costs of \$47,430, which were included in general and administrative expense for the year ended December 31, 2021.