

PROAM EXPLORATIONS CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the period Ended September 30, 2023

(Expressed in Canadian Dollars)

NOTICED OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

PROAM EXPLORATIONS CORPORATION
CONSOLIDATED INTERM STATEMENT OF FINANCIAL POSITION
As at September 30, 2023
(Expressed in Canadian Dollars)

	30-Sep 2023	31-Dec 2022
ASSETS		
Current		
Cash	\$ 27,538	\$ 70,025
Prepaid Deposits	16,719	16,646
Marketable Securities	441	441
Accounts Receivable	10,856	12,579
	<u>55,554</u>	<u>99,691</u>
Exploration and Evaluation assets	434,859	430,904
Property and equipment	420,355	404,594
	<u>\$ 910,768</u>	<u>\$ 935,189</u>
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	48,756	39,796
Other		
Due to related party	5,829	3,078
Accrued liabilities		
CEBA Loan	49,044	49,044
Asset Retirement Obligations	111,636	134,290
	<u>\$ 215,265</u>	<u>\$ 226,208</u>
EQUITY		
Share Capital	7,973,786	7,973,786
Reserves	2,813,716	2,777,258
Deficit	-10,091,999	-(10,042,063)
	<u>695,503</u>	<u>708,981</u>
	<u>\$ 910,768</u>	<u>\$ 935,189</u>

Nature and continuance of operations - Note 1

Approved and authorized by the Board on November 24, 2023

"Donald L. MacDonald" Director

"W Rex Davidson" Director

PROAM EXPLORATIONS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS, COMPHRHENSIVE INCOME/LOSS
As at September 30, 2023
(Expressed in Canadian Dollars)

	NOTES	9 months ending 30-Sep 2023	9months ending 30-Sep 2022	3 months ending 30-Sep 2023	3 months ending 30-Sep 2022
REVENUE					
Oil and gas revenue		\$ 3,273	\$ 19,686	\$ 0	\$ 6,309
EXPENSES					
Accretion, amortization and depletion		0			
Operating Expenses		2,900	8,259	0	977
General and administrative					5,578
General Admin			5,750		
Legal and Audit		31,393	0	31,393	11
Listing and Filing fees		8,948	9,828	8,948	-3,716
Office expenses		9,466	7,612	9,466	
Prior period recovery			-1,110	0	-1,101
Exploration Expense			2,938		
		52,707	33,277	49,807	1,749
Net loss for the year		49,434	13,591	49,807	4,560
Other Comprehensive loss FX			-44,457		
COMPREHENSIVE LOSS FOR THE YEAR		\$ 49,434	\$ -58,048	\$ 49,807	\$ 4,560
Basic and diluted loss per share		\$ 0.003	-0.004	0.003	0.000
Weighted average number of common shares outstanding		16,546,334	16,546,334	16,546,334	16,546,334

PROAM EXPLORATIONS CORPORATION**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the period ended September 30, 2023 and September 30, 2022

(Expressed in Canadian Dollars)

	30-Sep-23	30-Sep-22
Cash Flows from operating activities		
Net loss for the period	\$ -49,434	\$ -13,591
Changes in non-cashworking capital items		
Decrease (Increase) in accounts receivable	-1,723	-7,757
Increase (decrease) in accounts payable and accrued lial	8,760	-9,132
Increase in amount due to related parties	-2,751	-52,350
	<u>-45,148</u>	<u>-82,830</u>
Investing Activities		
Expenditures on exploration and evaluation assets	3,955	104,850
AFFECT OF FOREIGN EXCHANGE	<u>1,994</u>	<u>-44,457</u>
Change in cash	43,187	232,137
Cash, beginning	70,725	317,728
Cash, ending	<u>\$ 27,538</u>	<u>\$ 85,591</u>

1. Nature and continuance of operations

ProAm Explorations Corporation (the "Company") was incorporated under the laws of the province of British Columbia. The Company's shares trade on the TSX Venture Exchange (the "Exchange") (symbol ("PMX")). The corporate headquarters and registered office of the Company is located at 867 West 3rd Street, North Vancouver, British Columbia, V7P 1E2.

The Company's principal business activities are oil and gas production and the exploration and development of its exploration and evaluation assets ("E&EA"). The Company is in the process of exploring and developing its E&EA, however, on the basis of information to-date, has not yet determined whether any of these E&EA contain reserves which are economically recoverable. The underlying value of these E&EA is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete their development and upon future profitable production.

The Company has not generated profitable operations and incurred a net loss of \$91,256 for the year ended December 31, 2022. As such, material uncertainties exist which could adversely affect the Company's ability to continue to finance its activities. These material uncertainties cast significant doubt about the Company's ability to continue as a going concern. Management's plan may include continuing to pursue sources of financing and reducing overhead costs. With the use of existing funds, revenue from oil and gas interests and advances from directors, management expects that the Company will have sufficient capital to fund operations and keep its E&EA in good standing for the upcoming fiscal year. Further discussion of liquidity risk has been disclosed in Note 15.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. These adjustments could be material.

2. Summary of significant accounting policies

These consolidated financial statements were approved by the Board of Directors of the Company on November 24, 2023.

Basis of preparation

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements include the accounts of the Company and its controlled entities. Details of controlled entities are as follows:

	<u>Country of incorporation</u>	Percentage owned*	
		2023	2022
OSEC Petroleum Canada Limited	Canada	100%	100%
OSEC Trading Corp.	Canada	100%	100%
OSEC Petroleum Inc.	USA	100%	100%

*Percentage of voting power is in proportion to ownership.

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

2. Summary of significant accounting policies (cont'd)

Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of E&EA and property and equipment, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and provisions for restoration and environmental obligations.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification / allocation of expenditures as E&EA expenditures, property and equipment or operating expenses;
- the classification of financial instruments; and
- the determination of the functional currency of the Company and its subsidiaries.

Foreign currency translation

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currencies of the subsidiaries are as follows:

	<u>Functional currency</u>
OSEC Petroleum Canada Limited	Canadian
OSEC Trading Corp.	Canadian
OSEC Petroleum Inc.	U.S.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the consolidated statements of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the consolidated statements of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit and loss. The financial results and financial position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

2. Summary of significant accounting policies (cont'd)

Foreign currency translation (cont'd)

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date, and
- income and expenses are translated at average exchange rates for the year.

Exchange differences arising on translation of foreign operations are transferred directly to the Company's foreign currency translation reserve in the consolidated statements of comprehensive loss. These differences are recognized in the profit or loss in the period in which the operation is disposed.

Exploration and evaluation expenditures

Acquisition and exploration costs are accumulated on a field-by-field basis. Acquisition and exploration expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Costs incurred before the legal rights to explore an area have been obtained are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are allocated to cash generating units (CGUs).

The technical feasibility and commercial viability of extracting a resource is considered to be determined when proven reserves are determined to exist. A review of each exploration license or data field is carried out, at least annually, to ascertain whether proven reserves have been discovered. Upon determination of proven reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to separate category within tangible assets referred to as property and equipment.

Property and equipment

Property and equipment, which includes oil and gas properties and production assets, are measured at cost, less accumulated depreciation and accumulated impairment losses. Property and equipment assets are grouped into CGUs for impairment testing.

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalized within oil and gas properties, as long as the facts and circumstances indicate that the field has commercially viable reserves.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the asset retirement obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalized value of a finance lease is also included within property and equipment.

Where commercial production in an area of interest has commenced, oil and gas properties are depreciated on a unit-of-production basis over the proven reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proved and probable reserves of the relevant area. The unit-of-production rate for the amortization of field development costs takes into account expenditures incurred to date, together with future development expenditure to develop the proved and probable reserves. Changes in factors such as estimates of proved and probable reserves that affect unit-of production calculations do not give rise to prior year financial period adjustments and are dealt with on a prospective basis.

Depreciation for equipment is recognized in profit or loss on the following basis, and at half the annual rate in the year of acquisition, at the following rates:

2. Summary of significant accounting policies (cont'd)

Property and equipment (cont'd)

Furniture and computers 30% declining basis

Decommissioning liabilities

The Company reviews and recognizes legal obligations associated with the retirement of tangible long-lived assets, including rights to explore or exploit natural resources and equipment. When such obligations are identified and measurable, the estimated fair values of the obligations are recognized on a systematic basis over the remaining period until the obligations are expected to be settled. On recognition of the liability, there is a corresponding increase in the carrying amount of the related assets known as decommissioning liabilities, which is depleted on a unit-of-production basis over the life of the assets. The liability is adjusted each reporting period to reflect the passage of time with the accretion charged to earnings and for revisions to the estimated future cash flows. Actual costs incurred upon settlement of the obligations are charged against the liability.

Share-based payments

The Company has a stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions.

The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Financial instruments

The following is the Company's accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL.

For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the Company's classification of financial assets and liabilities under IFRS 9:

Financial assets/liabilities	Classification
Cash	FVTPL
Trade receivables	Amortized cost
Trade payables	Amortized cost
Marketable securities (short term investments)	FVTOCI
Due to related parties	Amortized cost
Loan payable	Amortized cost

2. Summary of significant accounting policies (cont'd)

Financial instruments (cont'd)

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statement of comprehensive loss in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in Other Comprehensive Income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

2. Summary of significant accounting policies (cont'd)

Loss per share

Loss per share is calculated by dividing the profit or loss attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees. Diluted per share calculations reflect the exercise or conversion of potentially dilutive securities or other contracts to issue shares at the later of the date of grant of such securities or the beginning of the year. The Company computes diluted earnings per share using the treasury stock method to determine the dilutive effect of securities or other contracts. Under this method, the diluted weighted average number of shares is calculated assuming the proceeds that arise from the exercise of outstanding, in-the-money options are used to purchase common shares of the Company at their average market price for the year. No adjustment to diluted earnings per share or diluted shares outstanding is made if the result of the calculations is anti-dilutive.

Cash

Cash include cash on hand and deposits held at call with banks.

Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as an expense reduction in the period in which the costs are incurred. Where the grant relates to an asset, it is recognized as a reduction to the net book value of the related asset and then subsequently in net loss over the expected useful life of the related asset through lower charges to depreciation and impairment.

Revenue

The Company recognizes revenue based on IFRS 15 Revenue from Contracts with Customers ("IFRS 15"). This standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. This standard requires companies to follow a five-step model to determine if revenue should be recognized:

1. Identify the contracts with customers
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when the entity satisfies a performance obligation

Revenue from the sale of oil and natural gas is recorded when the significant risks and rewards of ownership of the product is transferred to the buyer which is usually when legal title passes to the external party, can be reasonably estimated and collectability is reasonably assured. This is generally at the time product enters the pipeline or any other means of transportation. Revenue is measured net of any royalties.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

2. Summary of significant accounting policies (cont'd)

Income taxes (cont'd)

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax:

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

3. Accounting standards issued by not yet effective

There are no IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company's consolidated financial statements.

4. Short-term investments

Short-term investments consist of shares of unrelated listed companies.

5. Accounts receivable

		September 30, 2023		December 31, 2022
Trade receivables	\$	10,856	\$	11,946
Sales tax receivable		1,458		559
	\$	12,314	\$	12,505

6. Accounts payable and accrued liabilities

		September 30, 2023		December 31, 2022
Trade payables	\$	48,756	\$	24,796
Accrued liabilities		15,000		15,000
		63,756	\$	39,796

ProAm Explorations Corporation

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended September 30, 2023

7. Exploration and evaluation assets

Included in exploration and evaluation assets are the following:

Tucker County

A 3.6% revenue, net of royalty, interest in 1 unproven well. At December 31, 2022 and 2021, the Company holds its interest in the Trucker County West Virginia property at a nominal value of \$1.

Samuel Lake

Pursuant to certain agreements, the Company owns an option to acquire an undivided 100% interest, subject to a 2.5% NSR, in certain claims comprising the Samuel Lake Property located in Ontario, Canada. At December 31, 2022 the Company holds its interest in the Samuel Lake Property at a carrying value of \$9,917 (December 31, 2021: \$9,917).

Jet Property

On November 30, 2018, the Company entered into an option agreement to acquire an undivided 100% interest subject to 2.5% NSR, in certain claims comprising the Jet Property, located in Elko County, Nevada, for the following consideration:

- (i) Payment of \$2,000 (paid) issuance of 66,667 common shares with a fair value of \$2,000 (issued) upon execution of the agreement and expenditure of \$50,000 (incurred) on the property in the first 12 months;
- (ii) Payment of \$25,000 (paid) and issuance of 133,333 common shares with a fair value of \$17,333 (issued) on the first anniversary of the agreement and incur \$150,000 in expenditures (incurred) on the property by June 30, 2020. Upon completion of these undertakings, the Company will have earned a 50% interest in the property;
- (iii) Payment of \$50,000 (paid) and issuance of 133,333 common shares with a fair value of \$8,000 (issued) on the second anniversary of the agreement and incur \$500,000 in expenditures on the property in the ensuing 12 months to be completed by October 31, 2022 (extended to June 30, 2023). Upon completion of these undertakings, the Company will have earned a 70% interest in the property;
- (iv) Payment of \$125,000 and issuance of 166,667 common shares on the third anniversary of this agreement and complete a NI 43-101 resource calculation on the property in the ensuing 12 months. Upon completion of these undertakings, the Company will have earned an 80% interest in the property;
- (v) Payment of \$250,000 on the fourth anniversary of this agreement. Upon completion of this undertaking, the Company will have earned a 100% interest in the property.

On October 1, 2019 and February 7, 2020, the date on which the first anniversary of the agreement was defined was extended from November 30, 2019 to February 28, 2020 and June 30, 2020 respectively. The Company paid the optionor a fee of US \$5,000 for the extension, which was expensed during the year ended December 31, 2020.

On August 13, 2021, the date on which the second anniversary of the agreement was defined was extended to October 21, 2021, and the ensuing 12 months in which the incurrence of \$500,000 in expenditures needs to be completed was extended to October 31, 2022 (extended to June 30, 2023).

On November 21, 2022, the due date of the incurrence of \$500,000 in expenditures was extended to June 30, 2023 and the date on which the third anniversary and fourth anniversary of the agreement was defined was extended to December 31, 2023 and June 30, 2024 respectively

A continuity of exploration and evaluation assets is as follows:

	Tucker Count	Samuel Lake	Jet	Total
Balance, December 31, 2020	\$ 1	\$ 7,752	\$ 224,796	\$ 232,549
Exeloration exeenditures		2,165	41,490	43,655
Balance, December 31, 2021	\$ 1	\$ 9,917	\$ 266,286	\$ 276,204
Exeloration exeenditures			154,700	154,700
Balance, December 31, 2022	\$ 1	\$ 9,917	\$ 420,987	\$ 430,904

ProAm Explorations Corporation
Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Year ended September 30, 2023

7. Exploration and evaluation assets (cont'd)

A bond in the amount of \$16,646 (2021 - \$16,186) has been paid to the Bureau of Land Management in Nevada. The bond will be returned when the exploration disturbances have been remediated.

8. Property and equipment

The Company owns working interests in a number of oil and gas properties as follows:

United States

Muskingum County, Eastern Ohio: 2 natural gas wells (1 producing; 1 non-producing) ranging from a 2.8% - 4.2% revenue, net of royalty, interest.

Indiana County, Pennsylvania: A 75% revenue, net of royalty, interest in 41 nonproducing oil wells.

Logan County, Arkansas: 1 gas producing well with 10.1% revenue, net of royalty, interest.

Oklahoma City, Oklahoma: A 10.1% revenue, net of royalty, interest in 2 natural gas producing wells.

Canada

Okotoks Alberta: 50% Working Interest in two producing gas wells

	Furniture and Computers \$	Oil and Natural Gas Properties \$	Total \$
Cost			
As at December 31, 2020	42,478	1,988,523	2,031,001
Additions / disposals	550		550
<u>Change in asset retirement cost</u>		<u>(15,658)</u>	<u>(15,658)</u>
As at December 31, 2021	43,028	1,972,865	2,015,893
<u>Change in asset retirement cost</u>		95,463	95,463
As at December 31, 2022	43,028	2,068,328	2,111,356
Accumulated amortization and depletion			
As at December 31, 2020	41,343	1,671,533	1,712,876
Amortization and depletion	417	4,120	4,537
<u>Foreign exchange adjustment</u>		843	843
As at December 31, 2021	41,760	1,676,498	1,718,256
Amortization and depletion		2,305	2,305
<u>Foreign exchange adjustment</u>		<u>(13,799)</u>	<u>(13,799)</u>
As at December 31, 2022	41,760	1,665,002	1,706,762
Net Book Value			
As at December 31, 2021	1,268	296,369	297,637
As at December 31, 2022	1,268	403,326	404,594

9. Decommissioning Liabilities

The total future asset retirement obligations were estimated based on the Company's net ownership interest in all wells and facilities, the estimated cost to abandon and reclaim the wells and facilities and the estimated timing of the cost to be incurred in future periods. A credit adjusted risk-free rate of 3.88% and an inflation rate of 2.50% was used to calculate the present value of US \$99,151. A Canadian property included in this amount has a retirement obligation of \$5,400.

The asset retirement obligations for the periods ended are as follows:

Balance, December 31, 2020	\$	44,720
Change in estimated cash flow and discount rate		(15,604)
Accretion		2,971
Foreign exchange adjustment		(126)
Balance, December 31, 2021	\$	31,961
Change in estimated cash flow and discount rate		94,949
Accretion		4,827
Foreign exchange adjustment		2,553
Balance, December 31, 2022	\$	134,290

10. Income tax expense and deferred tax assets and liabilities

The components of the Company's income tax recovery are as follows:

	2022	2021
Income (loss) for the year before income taxes	\$ (91,256)	\$ (24,813)
Statutory tax rates	28.6%	22.9%
Expected income tax recovery at the statutory tax rate	(26,131)	(5,670)
Increase (decrease) resulting from		
Permanent differences	13,488	575
Change in valuation allowance	12,643	5,095
	\$	\$

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized.

	December 31, 2022	December 31, 2021
Exploration and evaluation assets and oil and gas	\$ 4,267,220	\$ 4,372,453
Loss carry-forwards	1,591,735	1,526,121
Equipment	(1,667)	(1,667)
<u>Decommissioning Liability</u>	100,619	30,849
	5,957,907	5,927,756

Proam Explorations Corporation
Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Period ended September 30, 2023

10. Income tax expense and deferred tax assets and liabilities (cont'd)

At December 31, 2022, the Company has the following tax pools available for deduction in future years which expire as follows:

	Canadian non-capital losses	US non-capital losses	Canadian resource pools
2028	\$ 52,978	\$	\$
2029	149,475	7,953	
2030	68,293	93,062	
2031	157,496	113,352	
2032	138,444	42,050	
2033	186,893		
2034	88,494	16,709	
2035	28,838	103,908	
2036		2,581	
2037	15,164	17,711	
2038	81,759		
2039	60,282	26,699	
2040	57,854		
2041	43,210		
2042	20,898	17,629	
No expiry	\$ 1,150,079	\$ 447,655	\$ 4,267,220

The taxable entities have historically made tax losses, and the existence of future taxable profits cannot be assessed as probable. Accordingly, the future tax benefit of the above noted tax pools have been offset by recognition of a valuation allowance in these consolidated financial statements.

11. Share capital

Authorized share capital

Unlimited number - Common shares without par value.

100,000,000 - Class A voting common shares with no par value

4,474,000 - Preferred shares with no par value

526,000 - 15% cumulative Series A preferred shares with no par value.

Issued share capital

There were no common shares issued during the year ended December 31, 2022.

On October 29, 2021, the Company issued 133,333 common shares at a fair value of \$8,000 pursuant to the Jet Property Agreement (Note 7).

On December 30, 2021, the Company closed a private placement of 5,140,000 units at \$0.06 per unit for gross proceeds of \$308,400. Each unit entitled the holder to receive one common share of the Company and one common share purchase warrant, exercisable to acquire one common share of the Company at a price of \$0.12 per share for a period of 24 months. The Company paid \$10,322 in share issuance costs to finders in connection to this private placement and issued 171,200 finder's warrants, exercisable to acquire one common share of the Company at a price of \$0.12 per share for a period of 24 months. The fair value of the finders warrants was estimated at \$4,220 using the Black-Scholes Option Pricing Model with the following assumptions: i) exercise price per warrants of \$0.12 ii) expected share price volatility of 91.98%; iii) risk free interest rate of 0.99%; iv) no dividend yield; v) expected life of 2.0 years; vi) share price on issue date of \$0.07; and vii) fully vested on grant.

12. Share capital (cont'd)

As at December 31, 2022 and December 31, 2021, the Company owns 973,402 of its own Class A voting common shares acquired at an average cost of \$889,957. These shares are recorded as a reduction in equity.

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10 of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 5 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to anyone optionee will not exceed five percent (5) of the issued and outstanding common shares. The Company expenses the fair value of all stock-based compensation awards as determined using the Black-Scholes Option Pricing Model.

The Company's stock option transactions are as follows:

	September 30, 2023		December 31, 2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning	775,000	\$ 0.07	775,000	\$ 0.07
Granted during the year	800,000	\$ 0.07		\$
Forfeited during the year	(175,000)	\$ 0.07		\$
Outstanding, ending	1,400,000	\$ 0.07	775,000	\$ 0.07

As at September 30, 2023, the following stock options are outstanding and exercisable:

Total number of options	Exercise price	Expiry dates
600,000	\$0.07	May 4, 2025
500,000	\$0.07	March 9, 2027
300,000	\$0.06	June 2, 2027
1,400,000		

As at September, 2022, the stock options outstanding have a weighted average outstanding life of 2.60 years.

During the year ended December 31, 2022, the Company granted stock options to various directors, officers, and consultants of the Company to purchase 800,000 common shares. 500,000 of these stock options are exercisable at \$0.07 per common share and 300,000 of these stock options are exercisable at \$0.06 per common share for a period of 5 years.

The Company did not grant any stock options during the year ended December 31, 2021.

During the year ended December 31, 2022, the Company recorded stock-based compensation of \$42,812 (2021 - \$Nil) in connection with the stock options granted during the year. The fair value of the stock options granted was estimated as at the date of grant using the Black-Scholes Option Pricing Model and the following weighted average assumptions:

11. Share capital (cont'd)

Warrants

As at September 30, 2023, the following share purchase warrants were outstanding:

Total number of warrants	Exercise price	Expiry dates
3,385,000	\$0.15	December 30, 2023*
5,311,200	\$0.12	December 30, 2023

*The Company extended the expiry date of these warrants originally issued in a private placement from an original expiry date of July 3, 2022 to December 30, 2023.

As at December 31, 2022, the warrants options outstanding have a weighted average outstanding life of 0.15 years.

12. Reserves

Share based payment reserve

The share based payment reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of subsidiaries of the Company that have a functional currency other than the Canadian dollar.

Investment revaluation reserve

The investment revaluation reserve records unrealized gains and losses arising on marketable securities financial assets, except for impairment losses and foreign exchange gains and losses.

13. Related party transactions

Related party balances

The following amounts are due to related parties:

	Sept 30 2023	Dec 31 2022
Due to company controlled by director	\$ 5,230	\$ 3,078

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

13. Loan

The Company received the Canada Emergency Business Account ("CEBA") interest free loan of \$20,000 (December 31, 2020- \$40,000), of which \$10,000 is forgivable if repaid by December 31, 2023 and \$20,000 is payable on demand. The loans were recorded at a fair value using an effective rate of 15%, considering the grant, the interest-free loan and the forgivable portion. The residual value of \$17,333 was recorded as other income for the year ended December 31, 2020. For the year ended December 31, 2022 interest of \$2,957 (2021 - \$3,420) has been recognized in the consolidated statements of comprehensive loss and a balance of \$29,044 (December 31, 2021 - \$26,087) is recorded as a long-term loan. Effective January 1, 2024, any outstanding balance on the term loan shall bear interest at a rate of 5% per annum. The term loan matures on December 31, 2025.

14. Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada and the United States. As most of the Company's cash is held by two banks there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its accounts receivables. This risk is minimal as receivables consist primarily of refundable government goods and services taxes and amounts due from the Company's partners from its oil and gas properties.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been from oil and gas revenues. Management believes that its revenues may not be adequate to pay for its day to day operations. Additional sources of funding may be required. Liquidity risk has been assessed as high.

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at March 31, 2023:

	Within one year	Between one and five years	More than five years
Trade payables	\$ 28,869	\$	\$
Due to related parties	5,230		
Loan payable	40,000		
	\$ 74,099	\$	\$

15. Financial risk and capital management (cont'd)

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and the United States. The Company's functional currency is the Canadian dollar. The Company has not hedged its exposure to currency fluctuations.

The following is an analysis of Canadian dollar equivalent of financial assets and liabilities that are denominated in United States dollars:

	September 30, 2023	December 31, 2022
Cash	\$ 15,396	\$ 13,166
Accounts receivable	10,856	11,946
Accounts payable	(23,887)	(21,025)
	\$ 2,365	\$ 4,087

Assuming that all variables remain constant, a 10% change in the value of the Canadian dollar against the US dollar would not materially affect the loss from operations.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is limited to the portion of the Company's cash held in bank accounts that earn interest. Due to the limited and short-term nature of these financial instruments, fluctuations in the interest rates will not have a significant impact on their fair value. As at December 31, 2022, the Company had not entered into any derivative contracts to manage this risk.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to any externally imposed capital requirements.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	December 31, 2022	December 31, 2022
FVTPL:		
Cash	\$ 27,538	\$ 70,025
Amortized Cost:		
Trade receivables	10,856	
Short-term investments	441	574
	\$ 38,835	\$ 320,346

15. Financial risk and capital management (cont'd)

Classification of financial instruments (cont'd)

Financial liabilities included in the statement of financial position are as follows:

	March 31,	December 31,
Financial liabilities at amortized cost:		
Trade payables		3,078
Amounts due to related parties	5,230	
Loan payable	49,044	49,044
	\$ 83,148	\$ 76,918

Fair value

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

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets measured at fair value as at December 31, 2022 and December 31, 2021:

As at September 30, 2023				
	Level 1	Level 2	Level 3	
Cash	\$ 67,770	\$	\$	
Short-term investments	441			
	\$ 68,211	\$	\$	
As at December 31, 2022				
	Level 1	Level 2	Level 3	
Cash	\$ 70,025	\$	\$	
Short-term investments	441			
	\$ 70,466	\$	\$	

16. **Segmented information**

Operating segments

The Company operates in a single reportable operating segment - the acquisition, exploration and development of resource properties.

Geographic segments

The Company's non-current assets are located in the following countries:

	September 30, 2023		
	Canada	United States	Total
Revenue	\$	\$ 3,273	\$ 3,273
Exploration and evaluation assets	9,917	424,972	434,859
Property and equipment	108,757	311,598	420,355
	December 31, 2022		
	Canada	United States	Total
Revenue	\$ 0	\$ 31,963	\$ 31,963
Exploration and evaluation assets	9,917	420,987	430,904
Property and equipment	108,757	295,837	404,594