



CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022

Dated April 29, 2024



PULSE OIL CORP.
Consolidated Financial Statements
December 31, 2023 and 2022
(Expressed in Canadian Dollars)

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To the Shareholders of Pulse Oil Corp.:

Opinion

We have audited the consolidated financial statements of Pulse Oil Corp. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of loss and other comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2023 and, as of that date, the Company had a working capital deficiency and an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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

The impact of oil, natural gas, and natural gas liquid reserves on oil and gas properties and the assessment of the recoverable amount of oil and gas properties

Key Audit Matter Description

The Company had \$25.6 million of oil and gas properties as at December 31, 2023. Depletion expense was \$1.3 million for the year then ended. The Company depletes its oil and gas properties on a unit-of-production basis over the life of their proved plus probable (2P) reserves. The Company identified indicators of impairment as at December 31, 2023 related to the Company's Queenstown cash generating unit ("CGU"). The Company therefore determined the recoverable amount as of December 31, 2023 and recognized an impairment of \$1.0 million. Key assumptions developed by management to determine 2P reserves include forward price estimates, expected future rates of production, the amount and timing of future development expenditures, and future royalties and operating expenditures. The Company's reserves are evaluated by an independent qualified reserve evaluator (management's expert).

Please refer to Note 3 - Summary of material accounting policy information, and Note 4 - Oil and gas properties in the consolidated financial statements.

We identified the impact of oil, natural gas, and natural gas liquid reserves on oil and gas properties and the assessment of the recoverable amount of oil and gas properties as a key audit matter due to:

- The significant estimates and judgments used by management, including the use of management's expert, to estimate the 2P reserves.
- The significant auditor judgment required.
- The effort in performing procedures related to the key assumptions used.
- The required involvement of valuation professionals with specialized skills and knowledge.

Audit Response

We responded to this matter by performing procedures in relation to the impact of oil, natural gas, and natural gas liquid reserves on oil and gas properties and the assessment of the recoverable amount of oil and gas properties. Our audit work in relation to this included, but was not restricted to, the following:

- Evaluated the competence, capabilities and objectivity of the independent qualified reserve evaluators engaged by the Company, who estimated the 2P reserves. We evaluated the methodology used by the independent qualified reserves evaluators to estimate the 2P reserves for compliance with the applicable regulatory standards. Procedures included gaining an understanding of the work performed by management's expert, testing the data and assumptions used by management's expert, and evaluating their findings.
- Evaluated the key assumptions used by management in determining 2P reserves and the reasonableness thereof. Procedures included:
 - Testing of forward price estimates by comparing to third-party industry forecasts.
 - Using the past and current performance of the Company to evaluate expected future rates of production and the timing and amount of future development expenditures.
 - Assessing whether the estimates used were consistent with audit evidence gathered in other areas of our audit.
- Compared the current year actual CGU production volumes, royalty rates, operating and capital costs to those estimates used in the prior year estimate of proved reserves by CGU to assess the Company's ability to accurately forecast.
- Obtained an understanding of the Company's processes and controls over the 2P reserves, assessment of the recoverable amount and depletion expense.
- Involved valuation professionals with specialized skills and knowledge, who assisted in:
 - Evaluating the Company's determination of discount rates by comparing the inputs of the discount rates against publicly available market data for comparable assets and assessing the resulting discount rates.
 - Evaluating the Company's estimate of the recoverable amount of oil and gas properties by comparing to publicly available market data and valuation metrics for comparable entities.
- Recalculated depletion expense.

Other Matter

The consolidated financial statements for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on May 1, 2023.

Other Information

Management is responsible for the other information. The other information comprises of Management's Discussion and Analysis.

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

In connection with our audit of the consolidated 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 consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis 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. We have nothing to report in this regard.

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

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

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Calgary, Alberta

April 29, 2024

MNP **LLP**
Chartered Professional Accountants

MNP

Pulse Oil Corp.
Consolidated Statements of Financial Position
As at December 31, 2023 and 2022
Expressed in Canadian Dollars

	December 31, 2023	December 31, 2022
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	227,974	4,298,522
Accounts receivable (Note 11)	332,652	653,988
Deposit (Note 16)	799,267	3,543,000
Prepaid expenses and advances	241,460	205,620
	1,601,353	8,701,130
Equipment (Note 5)	1,545,505	1,706,436
Oil and gas properties (Note 4)	25,570,038	21,938,895
	27,115,543	23,645,331
Total assets	28,716,896	32,346,461
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,677,784	2,802,174
CEBA loan (Note 14)	120,000	-
Current portion of property acquisition liability (Note 7)	95,265	379,057
	1,893,049	3,181,231
Long-term liabilities		
Property acquisition liability (Note 7)	-	93,583
CEBA loan (Note 14)	-	120,000
Decommissioning obligations (Note 6)	2,153,396	2,717,511
	2,153,396	2,931,094
Total liabilities	4,046,445	6,112,325
Shareholders' equity		
Share capital (Note 8)	29,977,249	29,843,419
Reserves	2,861,310	2,861,310
Deficit	(8,168,108)	(6,470,593)
Total shareholders' equity	24,670,451	26,234,136
Total liabilities and shareholders' equity	28,716,896	32,346,461

Nature of operations and going concern – Note 1
Subsequent events – Note 17

These consolidated financial statements were approved for issue by the Board of Directors on April 29, 2024 and are signed on its behalf by:

Approved by the Board

"Garth Johnson"
Director

"Drew Cadenhead"
Director

The accompanying notes are an integral part of these consolidated financial statements.

Pulse Oil Corp.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) For the years ended December 31, 2023 and 2022

Expressed in Canadian Dollars

	2023	2022
	\$	\$
Revenue		
Oil and gas sales (Note 15)	3,142,474	5,932,986
Royalties	(157,798)	(204,999)
Total revenue	2,984,676	5,727,987
Expenses		
Operating expenses on oil and gas properties	579,779	1,234,579
Transportation costs on oil and gas properties	350,904	567,337
Depletion (Note 4)	1,295,642	1,064,915
Depreciation (Note 5)	350,771	331,975
Accretion expense (Notes 6, 7)	84,964	79,778
Salaries and related benefits	315,281	364,057
Director and management fees (Note 9)	299,038	184,270
Accounting and legal	109,580	78,526
Consulting fees	100,215	193,910
Office expenses	84,403	79,007
Regulatory and filing fees	37,255	30,155
Insurance	28,234	18,080
Shareholder communications	24,273	19,546
Travel	15,574	24,963
Corporate relations and development	6,654	140,000
Bank charges	1,691	2,692
Total expenses	3,684,258	4,413,790
Income (loss) before taxes and other items	(699,582)	1,314,197
Other income (expense)		
Impairment of oil and gas properties (Note 4)	(1,008,000)	-
Interest expense and other	(14,933)	(565)
Interest income	-	80,448
Gain on disposal of equipment (Note 5)	25,000	-
Foreign exchange loss	-	(204)
Total other income (expense)	(997,933)	79,679
Income (loss) before taxes	(1,697,515)	1,393,876
Deferred tax recovery (Note 13)	-	(186,294)
Net income (loss) and comprehensive income (loss)	(1,697,515)	1,580,170
Basic and diluted earnings (loss) per share (Note 10)	(0.00)	0.00
Basic weighted average number of common shares outstanding	518,623,892	437,523,015
Fully diluted weighted average number of common shares outstanding	518,623,892	689,143,015

The accompanying notes are an integral part of these consolidated financial statements

Pulse Oil Corp.
Consolidated Statements of Changes in Equity
For the years ended December 31, 2023 and 2022
Expressed in Canadian Dollars

	Share capital Number of Shares	Share capital Amount \$	Reserves \$	Deficit \$	Total equity \$
Balance at December 31, 2021	303,184,714	19,204,608	2,861,310	(8,050,763)	14,015,155
Common shares issued from rights exercise (Note 8b)	214,120,000	10,706,000	-	-	10,706,000
Share issue costs (Note 8b)	-	(67,189)	-	-	(67,189)
Net income and comprehensive income for the year	-	-	-	1,580,170	1,580,170
Balance at December 31, 2022	517,304,714	29,843,419	2,861,310	(6,470,593)	26,234,136
Warrant exercise (Note 8b)	2,250,000	146,250	-	-	146,250
Share issue costs (Note 8b)	-	(12,420)	-	-	(12,420)
Net loss and comprehensive loss for the year	-	-	-	(1,697,515)	(1,697,515)
Balance at December 31, 2023	519,554,714	29,977,249	2,861,310	(8,168,108)	24,670,451

The accompanying notes are an integral part of these consolidated financial statements.

Pulse Oil Corp.
Consolidated Statements of Cash Flows
For the years ended December 31, 2023 and 2022
Expressed in Canadian Dollars

	2023 \$	2022 \$
Cash flows provided from (used in) operating activities		
Net income (loss)	(1,697,515)	1,580,170
Adjustments for items not affecting cash:		
Deferred tax recovery	-	(186,294)
Depletion (Note 4)	1,295,642	1,064,915
Depreciation (Note 5)	350,771	332,975
Accretion expense (Notes 6, 7)	84,964	79,778
Impairment (Note 4)	1,008,000	-
Gain on disposal of equipment (Note 5)	(25,000)	-
Changes in non-cash working capital		
Accounts receivable	321,336	(125,416)
Prepaid expenses and advances	(35,840)	(112,386)
Inventory	-	9,755
Accounts payable and accrued liabilities	146,570	(425,735)
Total cash flows provided from operating activities	1,448,928	2,217,762
Cash flows from (used in) financing activities		
Warrant exercise (Note 8b)	146,250	-
Issuance of shares (Note 8b)	-	10,706,000
Share issue costs (Note 8b)	(12,420)	(67,189)
Property acquisition liability (Note 7)	(383,185)	(383,183)
Total cash flows provided from (used in) financing activities	(249,355)	10,255,628
Cash flows used in investing activities		
Oil and gas properties expenditures (Note 4)	(3,834,321)	(5,045,482)
Deposits (Note 16)	-	(3,543,000)
Equipment purchase (Note 5)	(234,840)	(757,060)
Proceeds on disposal of equipment (Note 5)	70,000	-
Changes in non-cash working capital		
Accounts payable and accrued liabilities	(1,270,960)	1,025,069
Total cash flows used in investing activities	(5,270,121)	(8,320,473)
Increase (decrease) in cash and cash equivalents	(4,070,548)	4,152,917
Cash and cash equivalents, beginning of year	4,298,522	145,605
Cash and cash equivalents, end of year	227,974	4,298,522

The accompanying notes are an integral part of these consolidated financial statements.

Pulse Oil Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

Expressed in Canadian Dollars

1. NATURE OF OPERATIONS AND GOING CONCERN

Pulse Oil Corp. (the “Company”, “Pulse”) is a Company incorporated on September 17, 2012 under the *Business Corporations Act* of Alberta, Canada. The Company’s common shares are listed for trading on the TSV Venture Exchange (“TSX-V”) under the symbol “PUL”.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will, in the foreseeable future realize on its assets and discharge its liabilities in the normal course of business as they come due. Accordingly, the consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in these consolidated financial statements. Such adjustments could be material. The Company incurred a net loss of \$1,697,515 (2022 – net income of \$1,580,170) and generated cash flow from operating activities of \$1,448,928 (2022 – \$2,217,762). As at December 31, 2023, the Company had a working capital deficit of \$291,696 (2022 – working capital surplus of \$5,519,899) and an accumulated deficit of \$8,168,108 (2022 - \$6,470,593). The Company’s primary business is oil and gas exploration and production in Canada. The oil and gas sector is a capital intensive industry. The Company plans to further invest in its properties to facilitate extraction of its oil and gas reserves. In order to fund investment in its properties and its continued operations and commitments, the Company is dependent on its ability to generate cash flow from its oil and gas operations and to secure additional financing through debt, equity issuances or other available means.

Management’s plan to meet the Company’s current and future obligations are to raise equity capital through private placements and rely on the financial support of its shareholders and parties related to the current shareholders to meet its financing needs. It also plans to invest in its properties to facilitate later extraction of its oil and gas reserves. The Company anticipates it will have sufficient cash on hand to service its liabilities and fund operating costs as they come due. However, there is uncertainty with respect to the Company’s ability to generate sufficient earnings to fully fund its operating activities without raising additional capital. The application of the going concern assumption is dependent upon the Company’s ability to continue to generate future profitable operations and obtain additional financing. The above events and conditions indicate there is a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

2. BASIS OF PRESENTATION

Basis of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) in effect as of January 1, 2023.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis. Estimates and judgments made by management in the preparation of these consolidated financial statements are subject to a higher degree of measurement uncertainty during volatile periods. These consolidated financial statements have been prepared on a going concern basis.

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries, Pulse Oil Operating Corp, a Company incorporated in British Columbia, Canada and HRC (NZ) Limited, a Company incorporated in New Zealand.

Pulse Oil Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

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The table below lists the Company's wholly-owned subsidiaries:

Name of subsidiary	Jurisdiction incorporated	Functional currency	% Ownership
Pulse Oil Operating Corp.	Canada	Canadian dollars	100%
HRC (NZ) Limited	New Zealand	New Zealand dollars	100%

(HRC) NZ limited was dormant for the years ended December 31, 2023 and 2022.

Functional and presentation currency

The functional currency of the Company and its subsidiaries is the Canadian dollar, which is the currency of the primary economic environment in which the Company and its active subsidiary operates. These consolidated financial statements are presented in Canadian dollars.

Critical judgments and sources of estimation uncertainty

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. It also requires management to exercise judgment in applying the Company's accounting policies.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Critical accounting judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in these consolidated financial statements:

(i) Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operations, meet its liabilities for the ensuing year as they fall due, involves judgment based on historical experience and other factors including the expectation of future events that are believed to be reasonable under the circumstances. Management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

(ii) Identification of impairment and impairment reversal indicators for oil and gas properties and equipment

The Company evaluates exploration and evaluation assets and oil and gas properties for impairment if indicators exist. The Company's oil and gas properties are reviewed at each reporting date to assess whether there is any indication of impairment or impairment reversal. The assessment considers significant changes in reservoir performance including forecasted production volumes, forecasted royalty, operating, capital and abandonment and reclamation costs, forecasted petroleum and natural gas prices and the resulting cash flows from proved plus probable petroleum and natural gas reserves.

(iii) Cash generating unit ("CGU")

The Company's assets are aggregated into CGUs, based on the unit's ability to generate independent cash inflows. The determination of the Company's CGUs is based on management's judgments in regard to shared infrastructure, geographical proximity, resource type and materiality. Based on management's assessment, the Company's Bigoray and Queenstown properties each form separate CGUs.

Pulse Oil Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

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Estimates

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities:

(i) Recoverable amount of assets

Recoverable amount of the Company's assets is determined based on the higher of value-in-use ("VIU") and fair value less costs of disposal ("FVLCD"). Both calculations require various assumptions and estimates including future commodity prices; expected production volumes; discount rates; operating costs; future capital requirements; and decommissioning costs. The assumptions and estimates are highly uncertain and are subject to change as new information becomes available. Changes in assumptions could affect the carrying amounts of assets; thus, impairment charges and reversals will affect the consolidated statements of income (loss) and comprehensive income (loss).

(ii) Taxes

The measurement of a deferred tax is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful operations of the Company. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future tax provisions or recoveries could be affected.

(iii) Depletion and depreciation

Oil and natural gas reserve estimates are used in the unit-of-production depletion and depreciation calculation; determining the timing of abandonment costs; and the impairment analysis of the Company's assets. Annually, the Company's proved plus probable reserves are estimated by independent reserve engineers with reference to available geological, geophysical, and engineering data. Estimates of oil and natural gas reserves are inherently uncertain; require the application of judgment; and are subject to regular revision, either upward or downward, based on new information. The impact of future changes to estimates for the consolidated financial statements of subsequent periods could be material. Changes to estimates of oil and natural gas reserves prospectively affect the amounts of depletion, depreciation, and impairment charged. Consequently, the carrying amounts of oil and gas properties and exploration and evaluation assets could be affected.

Proved and probable reserves are estimated using independent reserve evaluator reports in accordance with Canadian Securities Regulation National Instrument 51-101, and represent the estimated quantities of oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

In determining reserves for use in the depletion and impairment calculations, a barrel of oil equivalent ("boe") conversion ratio of six thousand cubic feet of natural gas ("mcf") to one barrel of oil ("bbl") is used as an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All boe conversions in the reserve reports are derived by converting natural gas to oil in the ratio of six mcf of gas to one bbl.

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For equipment assets, depreciation is recognized in earnings on a 20% declining balance basis over the estimated remaining useful life and is reviewed annually.

For exploration and evaluation assets, all costs directly associated with exploration are initially capitalized. Exploration and evaluation costs are those expenditures for an area where technical feasibility and commercial viability has not yet been determined. These costs include costs to acquire acreage and exploration rights, geological and geophysical costs, asset retirement costs, exploration and evaluation drilling, sampling and appraisals. Costs incurred prior to acquiring the legal rights to explore an area are charged directly to net earnings as exploration expense.

(iv) *Provision for expected credit losses ("ECLs")*

The Company performs impairment testing annually for trade receivables in accordance with IFRS 9. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. IFRS 9 outlines a three-stage approach to recognizing ECLs which is intended to reflect the increase in credit risks of a financial instrument based on 1) 12-month expected credit losses or 2) lifetime expected credit losses. The Company measures provision for ECLs at an amount equal to lifetime ECLs.

(v) *Valuation of the decommissioning obligations*

Provisions are recognized for the future abandonment and reclamation cost of petroleum and natural gas properties at the end of their economic lives. The estimates used to determine the decommissioning provisions are uncertain and based on industry practice, current legislation, constructive requirements, and economic variables. As such, the carrying amounts of the decommissioning provisions are reviewed regularly and adjusted to reflect relevant changes.

(vi) *Fair value of warrants*

The Company accounts for its warrants using the residual value method, whereby the fair value of the common shares is measured first and the residual amount is allocated to the warrants. The Company estimates the fair value of common shares at the date of issue by reference to market prices.

(vii) *Fair value of financial instruments*

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

3. MATERIAL ACCOUNTING POLICY INFORMATION

Cash and cash equivalents

Cash consists of cash and demand deposits. Cash equivalents include short-term, highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Oil and gas properties

The costs to acquire rights to a developed and producing oil and gas property, including completing property assessment surveys, and tangible assets acquired for use in the oil and gas activities are capitalized to assets within the oil and gas properties.

Also capitalized to the oil and gas properties are costs directly associated with the development of oil and gas reserves, such as geological and geophysical surveys, drilling development wells, and costs to construct and install development infrastructure.

Pulse Oil Corp.
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For the Years Ended December 31, 2023 and 2022
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Depletion

The net carrying value of oil and gas properties is depleted using the unit-of-production method by reference to the ratio of production in the year to the related total proved and probable reserves of oil and gas, taking into account estimated future development costs necessary to bring those reserves into production. These estimated reserves are reviewed by independent reserve engineers at least annually. Proved and probable reserves are estimated by independent reserve engineers in accordance with Canadian Securities Regulation National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities. Changes in reserve estimates used in prior periods, such as proved and probable reserves that affect the unit-of-production calculations do not give rise to prior year adjustments and are dealt with on a prospective basis.

Subsequent measurement

Costs incurred subsequent to the determination of technical feasibility and commercial viability of oil and gas properties are recognized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in earnings as incurred. Capitalized oil and gas properties generally represent costs incurred in developing proved and/or probable reserves and bringing on or enhancing production from such reserves and are accumulated on a field or geotechnical area basis.

The carrying amount of any replaced or sold component is derecognized at the time of replacement or sale. The costs of the day-to-day servicing of properties are recognized in earnings as incurred.

Impairment

The carrying amounts of the Company's oil and gas properties are reviewed at each reporting date for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment, if any. The recoverable amount of an asset is evaluated at the CGU level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The recoverable amount of a CGU is the greater of FVLCD and its VIU. FVLCD is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal, or using a net present value technique. In assessing VIU, the estimated future cash flows are discounted to their present values using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statement of income (loss) and comprehensive income (loss). Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. If the amount of the impairment loss decreases in a subsequent period and can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying amount of the asset that would have been determined, net of depletion, depreciation, and amortization, if no impairment loss had been recognized. Such reversal is recognized in the consolidated statements of income (loss) and comprehensive income (loss) and reported as an impairment reversal.

Equipment

Equipment is recorded at historical cost less accumulated depreciation and impairment charges. Equipment is depreciated on a 20% declining balance basis over its remaining useful life, which is reviewed annually.

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Decommissioning obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the oil and gas development and production activities by or on behalf of the Company. Decommissioning obligations are measured at the present value of management's best estimate of future cash flows required to settle the present obligation, using the risk-free rate. The risk-free rate reflects the current market and risks specific to the liability.

On initial recognition, the estimated net present value of future reclamation cost is recorded as a liability and a corresponding amount is added to the capitalized cost of the related asset. The liability increases over time through periodic charges to the consolidated statements of income (loss) and comprehensive income (loss). The provision is evaluated at the end of each reporting period for changes in the estimated amount or timing of settlement of the obligation.

The Company is subject to laws and regulations relating to environmental matters, including land reclamations and discharge of hazardous materials, in the jurisdiction in which it operates. The Company may be found to be responsible for damages caused by prior owners and operators of its oil and gas properties. The Company believes it has conducted its development and production activities in compliance with applicable environmental laws and regulations.

Taxes

Tax expense comprises current and deferred tax. Tax is recognized in net loss except to the extent that it relates to items recognized directly in equity or other comprehensive loss, in which case the tax is also recognized directly in equity or other comprehensive loss. Current tax is the expected tax payable (recovery) on the taxable income (loss) for the year using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

The calculations for current and deferred taxes require management's interpretation of tax regulations and legislation in the various tax jurisdictions in which the Company operates, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management's assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income.

The Company is subject to assessments by taxation authorities in the tax jurisdictions in which it operates, and these taxation authorities may interpret the tax legislation and regulations differently. In addition, the calculation of income taxes involves many complex factors. As such, income taxes are subject to measurement uncertainty and actual amounts of taxes may vary from the estimates made by management.

Share capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares and share purchase warrants are recognized as a deduction from equity, net of any related income tax effects.

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When a financing consists of units, the fair value of the warrant is determined by the residual value method, whereby the share is valued according to the trading price on announcement date with the residual value assigned to the warrant component.

Earnings per share

The calculation of earnings per share is based on the weighted average number of common shares outstanding in the period. Diluted earnings per share is calculated whereby all “in the money” warrants are assumed to have been exercised at the beginning of the period and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the period. If the Company incurs net losses during the period, diluted loss per share from the potential exercise of warrants is not presented if it is considered to be anti-dilutive.

Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss (“FVTPL”), or at amortized cost. The classification depends on the Company’s business model for managing the financial assets and terms of the related cash flow. Management determines the classification of its financial assets at initial recognition.

(i) Amortized cost

Financial assets that are held within a business model with the objective of holding financial assets in order to collect contractual cash flows, and the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding, are subsequently measured at amortized cost using the effective interest rate method. The Company’s financial asset carried at amortized cost is its accounts receivable.

(ii) FVTPL

By default, all other financial assets are measured subsequently at FVTPL, which includes cash and cash equivalents.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company’s accounting policy for each category is as follows:

(i) FVTPL

This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statements of consolidated income (loss) and comprehensive income (loss). The Company currently has no financial liabilities designated as FVTPL.

(ii) Amortized cost

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The Company’s accounts payable and accrued liabilities, CEBA loan and property acquisition liability are classified at amortized cost.

Impairment of financial instruments

The Company recognizes allowances for losses on its financial assets measured at amortized cost based on the lifetime expected credit losses anticipated to occur from all expected defaults over the life of the financial asset.

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To calculate the expected credit loss, the Company applies the simplified approach applying a provision matrix whereby financial assets are grouped into categories based on counterparty characteristics and aging categories. The Company considers past experience and forward-looking information if such information is reasonable and supportable, available without undue costs and effort, and can have a significant impact on the loss estimate.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets and impairment losses are recognized in the statements of consolidated income (loss) and comprehensive income (loss).

Provisions

A provision is recognized if, as a result of a past event, the Company has a present or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the Company expects some or all of a provision to be reimbursed the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statements of income (loss) and comprehensive income (loss) net of any reimbursement. Non-current provisions are determined by discounting the expected future cash flows using a pre-tax rate that reflects a market risk-free interest rate and the risks specific to the liability. Provisions are not recognized for future operating losses. The Company is involved in various claims and litigation arising in the normal course of business. Since the outcomes of these matters are uncertain, there can be no assurance that such matters will be resolved in the Company's favour.

The outcome of adverse decisions in any pending or threatened proceedings related to these and other matters could have a material impact on the Company's consolidated statement of financial position, results of its consolidated operations or cash flows. Provisions and liabilities for legal and other contingent matters are recognized in the period when it becomes probable a future cash outflow resulting from past operations or events will occur and the amount of the cash outflow can be reasonably estimated. The timing of recognition and measurement of the provision requires the application of judgment to existing facts and circumstances, which can be subject to change, and the carrying amounts of provisions and liabilities are reviewed regularly and adjusted accordingly. The Company is required to both determine whether a loss is probable based on judgment and interpretation of laws and regulations and determine that the loss can be reasonably estimated. When a loss is recognized, it is charged to the consolidated statements of income (loss) and comprehensive income (loss). The Company continually monitors known and potential contingent matters and makes appropriate provisions when warranted by the circumstances present.

Revenue recognition

Revenue from the sale of crude oil, natural gas and natural gas liquid is measured based on the consideration specified in contracts with customers. Revenue is recognized when the customer obtains control of the goods. The Company satisfies its performance obligations and the customer obtains control of the products upon delivery of the crude oil, natural gas and natural gas liquid. Interest income is recognized as earned, provided that collection is assessed as being reasonably assured.

Payment is received on the 30th day of the month following product delivery. The Company is not subject to arrangements whereby the period between the transfer of control and payment by the customer exceeds one year.

Foreign currency

Transactions in foreign currencies are translated to Canadian dollars at exchange rates on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the period end exchange rate. Non-monetary assets held at historical cost are not retranslated subsequent to initial recognition. Foreign currency differences arising on translation are recognized in the consolidated statement of income (loss) and comprehensive income (loss).

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Related parties

Related parties are parties that have the ability to control or to exercise significant influence over the Company.

New accounting pronouncements

The Company adopted the following amendments to IFRS issued by the IASB that are mandatorily effective for accounting periods beginning on or after January 1, 2023. Their adoption has not had a material impact on disclosures or amounts reported in these consolidated financial statements.

IAS 12 Income Taxes

Amendments to IAS 12 require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Amendments to IAS 8 replace the definition of a change in accounting estimate with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in the consolidated financial statements that are subject to measurement uncertainty”. The amendments clarify that a change in an accounting estimate that results from new information or new developments is not the correction of an error.

IAS 1 Presentation of Financial Statements

Amendments to IAS 1 require that a company disclose its material accounting policies rather than its significant accounting policies and explain how a company can identify material accounting policies.

Future accounting pronouncements

Effective January 1, 2024, amendments to IAS 1 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability with covenants as current or non-current and related disclosure. The adoption of the future accounting pronouncement is not expected to have a material impact on the Company’s consolidated financial statements.

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4. OIL AND GAS PROPERTIES

A continuity of the Company's oil and gas properties is as follows:

Cost	Queenstown	Bigoray	Total
	\$	\$	\$
Balance, December 31, 2021	6,673,981	17,386,974	24,060,955
Additions	230,994	4,814,488	5,045,482
Balance, December 31, 2022	6,904,975	22,201,462	29,106,437
Additions	125,462	6,452,592	6,578,054
Change in estimate (Note 6)	(115,881)	(527,388)	(643,269)
Balance, December 31, 2023	6,914,556	28,126,666	35,041,222

Accumulated depletion and impairment	Queenstown	Bigoray	Total
	\$	\$	\$
Balance, December 31, 2021	4,314,376	1,788,251	6,102,627
Depletion	302,933	761,982	1,064,915
Balance, December 31, 2022	4,617,309	2,550,233	7,167,542
Depletion	308,647	986,995	1,295,642
Impairment	1,008,000	-	1,008,000
Balance, December 31, 2023	5,933,956	3,537,228	9,471,184

Balance	Queenstown	Bigoray	Total
	\$	\$	\$
December 31, 2022	2,287,666	19,651,229	21,938,895
December 31, 2023	980,600	24,589,438	25,570,038

During the year ended December 31, 2023, the Company capitalized \$2,743,733 (2022 - \$nil) relating to prepaid solvent used in the Company's Enhanced Oil Recovery ("EOR") project in the Bigoray area of Alberta, Canada (Note 16).

The calculation for depletion for the year ended December 31, 2023, included future development costs for the Bigoray property of \$80,375,000 (2022 - \$96,061,000) and Queenstown \$1,655,000 (2022 - \$1,654,000).

Impairment loss and reversal of impairment loss

At each financial reporting date, the Company considers potential indicators of impairment or reversal or previous impairments. At December 31, 2023, the Company determined that there were no indicators of impairment or impairment reversal for the Bigoray CGU.

At December 31, 2023, the Company identified indicators of impairment for its Queenstown CGU. The recoverable amount of the CGU was not sufficient to support its carrying value, which resulted in an impairment loss of \$1,008,000.

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To determine the recoverable amount of the Queenstown CGU, the Company utilized the reserve volumes and values in the 2023 year-end reserve report, as evaluated by the Company's independent reserve evaluators. The recoverable amount was calculated as FVLCD, which was determined using a discounted cash flow approach based on the year-end 2023 proved plus probable reserves and a risk adjusted after tax discount rate of 20.5%. The risk adjusted discount rate contemplated multiple market participant assessments specific to the Company and assets. The FVLCD are classified as a Level 3 fair value measurement as certain key assumptions are not based on observable market data.

The following table reflects the additional impairment (or reversal) of a one percent change in the after-tax discount rate and a five percent change in the natural gas price realized by the Company:

	One percent increase in discount rate	One percent decrease in discount rate	Five percent increase in natural gas price	Five percent decrease in natural gas price
Impairment (reversal)	\$34,000	(\$35,000)	(\$34,000)	\$34,000

The following benchmark reference prices were used by the Company's independent reserve evaluators as a basis for the impairment test at December 31, 2023:

	2023	2024	2025	2026	2027	2028	2029	2030	2031
WTI crude oil (US\$/bbl)	72.50	73.95	75.43	76.94	78.48	80.05	81.65	83.28	84.95
Edmonton light Crude Oil (C\$/bbl)	92.00	93.84	95.72	97.63	99.58	101.58	103.61	105.68	105.68
AECO Spot Price (C\$/MMBtu)	2.25	3.06	3.90	3.98	4.06	4.14	4.22	4.31	4.39
Exchange rate (C\$/US\$)	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750

At December 31, 2022, the Company determined that there were no indicators of impairment or impairment reversal for the Bigoray and Queenstown CGUs.

5. EQUIPMENT

A continuity of the Company's equipment for Bigoray is as follows:

Cost	Equipment \$	Field Equipment \$	Total \$
Balance, December 31, 2021	593,757	1,366,500	1,960,257
Additions	228,173	528,887	757,060
Balance, December 31, 2022	821,930	1,895,387	2,717,317
Additions	-	234,840	234,840
Disposals	-	(50,000)	(50,000)
Balance, December 31, 2023	821,930	2,080,227	2,902,157

Accumulated depreciation	Equipment \$	Field Equipment \$	Total \$
Balance, December 31, 2021	182,896	496,010	678,906
Depreciation	105,073	226,902	331,975
Balance, December 31, 2022	287,969	722,912	1,010,881
Depreciation	164,386	186,385	350,771
Disposal	-	(5,000)	(5,000)
Balance, December 31, 2023	452,355	904,297	1,356,652

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Balance	Equipment \$	Field Equipment \$	Total \$
Balance, December 31, 2022	533,961	1,172,475	1,706,436
Balance, December 31, 2023	369,575	1,175,930	1,545,505

During the year ended December 31, 2023, the Company disposed of field equipment with a carrying amount of \$45,000 for proceeds of \$70,000 resulting in a gain on disposal of \$25,000 (2022 - \$nil).

6. DECOMMISSIONING OBLIGATIONS

The decommissioning obligations is the estimated cost of restoring and retiring the Bigoray and Queenstown oil and gas properties. The following table reconciles the estimated beginning and ending carrying amounts of the decommissioning obligations.

	Queenstown \$	Bigoray \$	Total \$
Balance, December 31, 2021	722,359	1,928,871	2,651,230
Accretion	17,957	48,324	66,281
Balance, December 31, 2022	740,316	1,977,195	2,717,511
Accretion	23,479	55,675	79,154
Change in estimate (Note 4)	(115,881)	(527,388)	(643,269)
Balance, December 31, 2023	647,914	1,505,482	2,153,396

The assumptions used for the calculation of the decommissioning obligations for December 31, 2023 is as follows:

December 31, 2023	Bigoray	Queenstown
Estimated cash flows to settle the obligation (undiscounted)	\$9,418,194	\$1,029,767
Time range for settling the obligation	13 – 50+ years	5 - 20 years
Risk-free rate	3.05% – 3.88%	3.05% – 3.88%
Long-term inflation rate	2.00%	2.00%

The assumptions used for the calculation of the decommissioning obligations for December 31, 2022 is as follows:

December 31, 2022	Bigoray	Queenstown
Estimated cash flows to settle the obligation (undiscounted)	\$8,225,517	\$1,113,040
Time range for settling the obligation	7 – 43 years	5 – 18 years
Risk-free rate	3.23% – 4.53%	3.29% – 3.53%
Long-term inflation rate	1.82% - 2.78%	2.04% – 2.78%

7. PROPERTY ACQUISITION LIABILITY

During the year ended December 31, 2017, the Company completed its acquisition of the Bigoray property. As part of this property acquisition, the Company assumed an acquisition liability. As security for the property acquisition liability, the creditor maintains a first and fixed charge on all of the assets transferred to Pulse. The loan is secured by the Company's assets, is non-interest bearing and matures on March 1, 2024. The present value of the property acquisition liability was calculated using a discount rate of 2.00%.

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On February 19, 2020, the remaining \$1,000,000 outstanding was increased to \$1,109,930, payable by 36 monthly payments of \$30,831 due on the first day of each month commencing on April 1, 2020. Three payments of \$15,000 were paid on July 1, 2021, August 1, 2021 and September 1, 2021. On October 1, 2021, 30 monthly payments of \$31,932 commenced with the final principal payment to be made on March 1, 2024.

The following table summarizes the continuity for the property acquisition liability:

Balance, December 31, 2021	\$	842,326
Repayments		(383,183)
Accretion		13,497
Balance, December 31, 2022	\$	472,640
Repayments		(383,185)
Accretion		5,810
Balance, December 31, 2023	\$	95,265

The contractual maturities in respect of the Company's property acquisition liability are as follows:

	December 31, 2023	December 31, 2022
	\$	\$
Not later than one year	95,796	383,184
Later than one year and not later than five years	-	95,796
Less: Future interest charges	(531)	(6,340)
Present value	95,265	472,640
Less: current portion	(95,265)	(379,057)
Long-term portion of property acquisition liability	-	93,583

8. SHARE CAPITAL AND WARRANTS

(a) **Authorized**

At December 31, 2023 and 2022, the Company's authorized share capital consisted of an unlimited number of common shares without par value.

(b) **Issued**

	Number of Shares	Amount \$
Balance at December 31, 2021	303,184,714	19,204,608
Common shares issued from rights exercise ⁽¹⁾	214,120,000	10,706,000
Share issue costs	-	(67,189)
Balance at December 31, 2022	517,304,714	29,843,419
Warrant exercise ⁽²⁾	2,250,000	146,250
Share issue costs	-	(12,420)
Balance at December 31, 2023	519,554,714	29,977,249

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- (1) On May 16, 2022, the Company completed a non-brokered financing consisting of 214,120,000 units (each, a "Unit") for gross proceeds of \$10,706,000 at a price of \$0.05 per unit (each, a "Unit"). Each Unit consists of one common share of the Company ("Common Shares") and one Common Share purchase warrant (each, a "Warrant") exercisable for a period of one year from the close of the financing to purchase one additional Common Share at an exercise price of \$0.065 per share.
- (2) During the year ended December 31, 2023, 2,250,000 warrants were exercised for gross proceeds of \$146,250.
- (3) On May 16, 2023, the Company was granted an extension on the expiry date of the 211,870,000 outstanding share purchase warrants to November 16, 2023. On November 16, 2023, the 211,870,000 outstanding share purchase warrants expired.

(c) **Warrants**

Warrants		
	Number Outstanding	Weighted Average Exercise Price (\$)
Outstanding December 31, 2021	37,500,000	0.05
Issued ⁽¹⁾	214,120,000	0.065
Outstanding December 31, 2022	251,620,000	0.063
Exercised ⁽¹⁾	(2,250,000)	0.065
Expired ⁽³⁾	(211,870,000)	0.065
Outstanding December 31, 2023	37,500,000	0.05

The weighted average remaining life of the warrants at December 31, 2023 was 2.32 years.

- (1) On May 16, 2022, the Company completed a non-brokered financing consisting of 214,120,000 units (each, a "Unit") for gross proceeds of \$10,706,000 at a price of \$0.05 per unit (each, a "Unit"). Each Unit consists of one common share of the Company ("Common Shares") and one Common Share purchase warrant (each, a "Warrant") exercisable for a period of one year from the close of the financing to purchase one additional Common Share at an exercise price of \$0.065 per share.
- (2) During the year ended December 31, 2023, 2,250,000 warrants were exercised for gross proceeds of \$146,250.
- (3) On May 16, 2023, the Company was granted an extension on the expiry date of the 211,870,000 outstanding share purchase warrants to November 16, 2023. On November 16, 2023, the 211,870,000 outstanding share purchase warrants expired.

(d) **Stock options and share-based compensation**

As at December 31, 2023 and 2022, there were no stock options outstanding.

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9. RELATED PARTY TRANSACTIONS AND BALANCES

The Company has identified all of the directors and senior officers as its key management personnel. All amounts due to related parties are unsecured, bear no interest and are due on demand.

Below is a summary of key management compensation:

	2023	2022
	\$	\$
Salaries paid to the CEO	210,000	232,500
Management fees paid to the CFO and COO	278,780	175,000
Management fees paid to directors	20,258	9,270
	509,038	416,770

10. EARNINGS PER SHARE

The calculations for basic and diluted earnings per share are as follows:

	2023	2022
	\$	\$
Net income (loss) for the year	(1,697,515)	1,580,170
Basic weighted average number of shares outstanding	518,623,892	437,523,015
Effect of outstanding warrants	-	251,620,000
Diluted weighted average number of shares outstanding	518,623,892	689,143,015
Basic and diluted earnings per share	(0.00)	0.00

11. ACCOUNTS RECEIVABLE

As at December 31, 2023 and 2022, accounts receivable consists of:

	2023	2022
	\$	\$
Trade receivables	235,692	354,357
Goods and services taxes and other	96,960	299,631
	332,652	653,988

As at December 31, 2023 and 2022, the Company has not recorded any ECL.

12. FINANCIAL INSTRUMENTS

Categories of financial assets and financial liabilities

As at December 31, 2023, the Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, CEBA loan and property acquisition liability.

The carrying values of the Company's financial instruments are classified into the following categories:

Financial instrument	Category	December 31, 2023	December 31, 2022
Cash and cash equivalents	FVTPL	227,974	4,298,522
Accounts receivable	Amortized cost	332,652	653,988
Accounts payable and accrued liabilities	Amortized cost	1,677,783	2,802,174
Property acquisition liability	Amortized cost	95,265	472,640
CEBA loan	Amortized cost	120,000	120,000

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Fair value of financial instruments

IFRS 7 establishes a fair value hierarchy for financial instruments measured at fair value that reflects the significance of inputs in making fair value measurements on a recurring basis as follows:

- Level 1 - applied to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2 - applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
- Level 3 - applies to assets or liabilities for which there are unobservable market data.

As at December 31, 2023 and 2022, cash and cash equivalents of \$227,974 and \$4,298,522, respectively, were measured at fair value on a recurring basis and classified as Level 1.

The fair value of the Company's other financial instruments approximates their carrying value as at December 31, 2023 and 2022 because of the demand nature or the short-term maturity of these instruments.

Financial instruments and risk management

The Company is exposed to various risks that arise from its business environment and the financial instruments it holds. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk exposures and explains how these risks and its capital structure are managed.

Capital management

The Company's objective is to maintain its capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Company manages its capital structure and makes adjustments to it, as it is able to, in light of changing economic conditions and the risks associated with working within the oil and natural gas industry. The Company considers its capital structure to include shareholders' equity. In order to maintain or adjust the capital structure, the Company may all components of issue shares, issue debentures or obtain new credit facilities.

In order to facilitate the management of its capital structure, the Company prepares annual capital expenditure budgets, which are updated throughout the year depending on a variety of factors such as current and forecast prices, actual capital deployment and general industry conditions. There has been no change to this approach for the year.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure, as far as reasonable, that it will have sufficient liquidity to meet its liabilities when they come due. Typically, the Company will ensure that it has sufficient cash on hand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations. To achieve this objective, the Company's use of capital expenditure budgets, cash flow forecasts and authorizations for expenditures on both operated and non-operated projects assist the Company in management of liquidity risk.

The Company may need to seek a combination of debt, equity and asset divestitures to meet its operational requirements. As at December 31, 2023, the Company has cash of \$227,974 (2022 - \$4,298,522) to meet its current obligations of \$1,893,049 (2022 - \$3,181,231).

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Contractual undiscounted cash flow requirements for financial liabilities as at December 31, 2023 are as follows:

	<1 year	2-3 Years	4-5 Years	Thereafter	Total
Accounts payable and accrued liabilities	\$ 1,677,784	\$ —	\$ —	\$ —	\$ 1,677,784
Property acquisition liability	95,796	—	—	—	95,796
CEBA loan	120,000	—	—	—	120,000
	\$ 1,893,048	\$ —	\$ —	\$ —	\$ 1,893,048

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial assets subject to credit risk include cash and cash equivalents and accounts receivable. Cash and cash equivalents are held with Canadian banks, and the Company does not believe cash and cash equivalents would be subject to material credit risk. Accounts receivable credit risk arises principally from sales of oil and gas products to various customers. On entering into any business contract, the extent to which the arrangement exposes the Company to credit risk is considered. The Company's policy to mitigate credit risk associated with these balances is to establish relationships with reputable counterparties.

The creditworthiness of new counterparties is assessed and in some instances the Company may require new counterparties to obtain a letter of credit or provide an advance of funds. Receivables from petroleum and natural gas sales are normally collected on the 25th day of the month following production. In addition, future risk exists with potential partners; as disagreements occasionally arise that increase the potential for non-collection. The Company does not typically obtain collateral from oil and gas product customers. The Company's maximum exposure to credit risk at December 31, 2023 is in respect of cash and cash equivalents and trade receivables of \$463,666 (2022 - \$4,952,510). As at December 31, 2023 and 2022, no provision for expected credit losses has been recorded.

Commodity price risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Prices for oil and natural gas are impacted by not only the relationship between the Canadian and United States dollar, but also world economic events that can affect supply and demand levels. Changes in commodity prices can expose the Company to fluctuations in its net earnings. Commodity prices changes will impact revenues and impairment amounts calculated. The Company does not have any commodity price or foreign currency hedge contracts in place.

A 5% change in commodity prices for oil and gas would result in an increase or decrease in oil and gas sales of approximately \$155,000 based on historical production volumes.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at December 31, 2023 and 2022, the Company is not exposed to significant interest rate risk.

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13. TAXES

The reconciliation of income taxes calculated at the combined Canadian federal and provincial statutory tax rate to the tax expense is as follows:

	2023	2022
Net income (loss) before current income taxes	\$ (1,697,515)	\$ 1,508,167
Canadian and Alberta statutory income tax rate	23%	23%
Expected income tax expense (recovery) at statutory rate	(390,428)	363,438
Tax effect of:		
Non-deductible expenses and other	708	(357,409)
Change in unrecognized deferred income tax assets	389,720	192,323
Deferred income tax expense	\$ -	\$ (186,294)

Deferred tax asset (liability)

As at December 31, 2023 and 2022, no deferred tax asset (liability) has been recognized:

	2023	2022
Oil and gas properties	(1,269,732)	(564,648)
Unrecognized deferred tax assets	1,269,732	564,648
Deferred tax asset (liability)	\$ -	\$ -

Unrecognized deductible temporary differences

Temporary differences and tax losses arising in Canada have not been recognized as deferred income tax assets because management has determined it is not probable that sufficient future taxable profits will be earned in Canada to recover such assets. Unrecognized deductible temporary differences are summarized as follows:

	2023	2022
Share issuance costs	\$ 53,752	\$ 40,718
Equipment	232,503	141,423
Non-capital losses	8,880,602	7,278,862
Total	\$ 9,166,857	\$ 7,461,003

The Company has Canadian non-capital losses for income tax purposes, which may be carried forward and offset against future taxable income. The non-capital loss carry-forwards will expire in future periods if not utilized, subject to provisions of the Income Tax Act of Canada that may limit the Company's ability to utilize these losses.

14. CEBA LOAN

As at December 31, 2023 and 2022, CEBA loan consists of:

	2023	2022
CEBA loan	\$ 120,000	\$ 120,000
Total	\$ 120,000	\$ 120,000

CEBA loan

In the year ended December 31, 2020, the Company received the \$120,000 interest free Canada Emergency Business Account (CEBA) loan. The program is operated by the Government of Canada. Subsequent to the year, the loans were paid in full.

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15. OIL AND GAS SALES

During the year ended December 31, 2023, the Company had gross revenues from oil and gas sales of \$3,142,474 (2022 - \$5,932,987). These revenues were derived wholly from the Company's Alberta oil and gas interests.

Year ended	December 31, 2023 \$	December 31, 2022 \$
Crude oil	2,433,104	4,844,250
Natural gas	401,799	659,341
Natural gas liquid	307,571	429,395
Oil and gas sales	3,142,474	5,932,986

16. DEPOSITS

During the year ended December 31, 2022, the Company paid a refundable deposit of \$3,543,000 to a vendor to secure an ongoing supply of solvent for use in the Company's Enhanced Oil Recovery ("EOR") project in the Bigoray area of Alberta, Canada. As at December 31, 2023, the Company had \$799,267 remaining on the deposit. The total amount capitalized during the year ended December 31, 2023, was \$2,743,733 (2022 - \$nil).

17. SUBSEQUENT EVENTS

Subsequent to December 31, 2023, the Company issued a total of 103,910,942 Common Shares, the full amount of the Rights Offering, at a price of \$0.04 per Common Share for aggregate gross proceeds of \$4,156,437. In connection with the Rights Offering, the Company issued 17,050,000 non-transferable Common Share purchase warrants to two standby purchasers for the Standby Commitment Agreement dated December 7, 2023.

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in accordance with the current year's presentation.

Consolidated statement of cash flows

	As previously presented at December 31, 2022 \$	Presentation change ⁽¹⁾ \$	As presented at December 31, 2022 \$
Cash provided from operating activities	3,242,831	(1,025,069)	2,217,762
Cash used in investing activities	(9,345,542)	1,025,069	(8,320,473)

(1) The Company changed the presentation of the change in non-cash working capital attributed to operating and investing activities to reflect changes in capital expenditures included in accounts payable and accrued liabilities from December 31, 2021 to December 31, 2022.