

Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

Arkose Energy Corp.

1773 Westborough Dr., Suite 600, Katy, TX 77449

832-487-7800

<https://arkoseenergy.com>

info@arkoseenergy.com

SIC Code: 7374

Annual Report

For the period ending December 31, 2022 (the "Reporting Period")

Outstanding Shares

The number of shares outstanding of our Common Stock was:

54,206,020 as of December 31, 2022,

54,178,020 as of December 31, 2021

Shell Status

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes: No:

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: No:

Change in Control

Indicate by check mark whether a Change in Control¹ of the company has occurred over this reporting period:

Yes: No:

¹ "Change in Control" shall mean any events resulting in:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;

(iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or

(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

1) Name and address(es) of the issuer and its predecessors (if any)

In answering this item, provide the current name of the issuer any names used by predecessor entities, along with the dates of the name changes.

Cantex Energy Corp. (Name change to Arkose Energy Corp.) (06/18/2014)
5050 Quorum Drive, Suite 700, Dallas, TX 75254

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g., active, default, inactive):

Arkose Energy Corp. – Incorporation: Nevada (06/18/2014) - ACTIVE
1773 Westborough Dr., Suite 600, Katy, TX 77449

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

N/A

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

N/A

The address(es) of the issuer's principal executive office:

1773 Westborough Dr., Suite 600, Katy, TX 77449

The address(es) of the issuer's principal place of business:

Check if principal executive office and principal place of business are the same address:

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: Yes: If Yes, provide additional details below:

N/A

2) Security Information

Transfer Agent

Name: Pacific Stock Transfer Company
Phone: (800) 785-7782
Email: ipstc@pacificstocktransfer.com
Address: 6725 Via Austi Pkwy, Suite 300, Las Vegas, NV 89119

Is the Transfer Agent registered under the Exchange Act?² Yes: No:

² To be included in the Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

Publicly Quoted or Traded Securities:

The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.

Trading symbol:	<u>RKOS</u>
Exact title and class of securities outstanding:	<u>Arkose Energy Corp. (Common)</u>
CUSIP:	<u>138116108</u>
Par or stated value:	<u>\$0.001</u>
Total shares authorized:	<u>480,000,000</u> as of date: <u>12/31/2022</u>
Total shares outstanding:	<u>54,206,020</u> as of date: <u>12/31/2022</u>
Total number of shareholders of record:	<u>279</u> as of date: <u>12/31/2022</u>

All additional class(es) of publicly quoted or traded securities (if any): N/A

Trading symbol:	<u>N/A</u>
Exact title and class of securities outstanding:	<u>Arkose Energy Corp. (Preferred – Series B & E Shares)</u>
CUSIP:	<u>N/A</u>
Par or stated value:	<u>\$0.001 per share; except for Series B (see below)</u>
Total shares authorized:	<u>20,000,000 shares as of date: December 31, 2022</u>
Total shares outstanding:	<u>1,065,000 shares as of date: December 31, 2022</u>
Total number of shareholders of record:	<u>6</u> as of date: <u>December 31, 2022</u>

See Below Preferred Shares.

Other classes of authorized or outstanding equity securities:

The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g., preferred shares). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.

Exact title and class of the security:	<u>Series B Redeemable Convertible Preferred Stock</u>
CUSIP (if applicable):	<u>N/A</u>
Par or stated value:	<u>\$100 per share.</u>
Total shares authorized:	<u>200,000 shares as of date: December 31, 2022</u>
Total shares outstanding (if applicable):	<u>65,000 shares as of date: December 31, 2022</u>
Total number of shareholders of record (if applicable):	<u>5</u> as of date: <u>December 31, 2022</u>

Exact title and class of the security:	<u>Series E Preferred Stock</u>
CUSIP (if applicable):	<u>N/A</u>
Par or stated value:	<u>\$0.001 per share</u>
Total shares authorized:	<u>1,000,000 shares as of date: December 31, 2022</u>
Total shares outstanding (if applicable):	<u>1,000,000 shares as of date: December 31, 2022</u>
Total number of shareholders of record (if applicable):	<u>1</u> as of date: <u>December 31, 2022</u>

Security Description:

The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:

1. For common equity, describe any dividend, voting and preemption rights.

Holder of stockholders are entitled to vote or to give consent, the holders of the outstanding shares of Common Stock shall be entitled to cast one (1) vote in person or by proxy for each share of Common Stock held in his/her name.

Holder of Common Stock shall be entitled to receive such cash dividends as may be declared by the Company's board of directors from time to time out of assets of funds of the Company legally available.

2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.

Series B Preferred Stock:

By resolution of the board of directors of the Company and pursuant to its articles of incorporation, 200,000 shares of the authorized and available preferred capital stock are designated as Series B Redeemable Convertible Preferred Stock with par value of \$100.00 per share. The Company retains the right to redeem the shares of Series B Redeemable Convertible Preferred Stock for cash for a period concluding 24 months after the date of the subscription of the stock at a rate of \$100.00 per share. At the Company's discretion, the shares may also be purchased or redeemed at the same rate within the next five business days after the stockholder provides conversion notice.

Holder of Series B Redeemable Convertible Preferred Stock are entitled to a \$6.00 per share dividend beginning at the conclusion of the redemption period, described above. The dividend will be paid quarterly at \$1.50 per share beginning in the first full calendar quarter after the conclusion of the redemption period and then at the end of each calendar quarter thereafter. Payment in either cash or Common Stock is at the discretion of the Company. If the dividend is paid in Common Stock, it will be paid at a rate of the amount of the dividend payment owed and/or otherwise due divided by the average trailing 30 days sales and/or trading price prior to the accrual period.

Should the Company fail to exercise the redemption right prior to the expiration of the redemption period, the holders of the Series B Redeemable Convertible Preferred Stock, at their election, and upon the expiration of the redemption period, may exercise a right of conversion to fully paid and non-assessable shares of Common Stock.

The shares will be converted on a face value basis by taking the number of shares times \$100.00 divided by the average trailing 30 days sales and/or trading price prior to conversion notice. The right of conversion will carry a minimum of \$1.00 per share of Common Stock floor price for the benefit of the holder that becomes void if the conversion formula yields a greater value at the time of conversion.

There are no voting rights throughout the 24-month redemption period unless and/or until the shares of Series B Redeemable Convertible Preferred Stock are convertible into shares of Common Stock. In the event of conversion to Common Stock, there are no cumulative voting rights associated with the shares of Common Stock received upon conversion.

There are no preemptive rights associated with the Series B Redeemable Convertible Preferred Stock.

In the event of voluntary or involuntary liquidation, dissolution or winding up of the Company, the holder of Series B Redeemable Convertible Preferred Stock will have seniority ahead of the holders of Series A Preferred Stock, holders of the Series E Preferred Stock and holders of Common Stock on distributions, payments and claims of the Company's assets.

Shares of Series B Redeemable Convertible Preferred Stock are transferable only at the consent of the Company.

At December 31, 2022, December 31, 2021, and December 31, 2020, there were 65,000 shares issued and outstanding of Series B Redeemable Convertible Preferred Stock with redemption period that concludes 24 months subsequent to the issuance date of September 1, 2020.

Series E Preferred Stock:

By resolution of the board of directors of the Company pursuant to its articles of incorporation, 1,000,000 shares of the authorized and available preferred capital stock are designated as Series E Preferred Stock with a par value of \$0.001 per share. All shares of Series E Preferred Stock shall rank subordinate and junior to all of the Company's Common Stock and preferred stock, now or hereafter issued, as to distributions of assets upon liquidation, dissolution or winding up of the Company, whether voluntary or involuntary. In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company, the holders of shares of Series E Preferred Stock shall not be entitled to participate in the distribution of the assets of the Company.

No dividend shall be declared or paid on the Series E Preferred Stock.

Except as otherwise required by law, the shares of outstanding Series E Preferred Stock shall have the right to take action by written consent or vote based on the number of votes equal to twice the number of votes of all outstanding shares of capital stock such that the holders of outstanding shares of Series E Preferred Stock shall always constitute sixty-six and two thirds (66 2/3) of the voting rights of the Company and such rights may be exercised by vote or written consent based on the will of a majority of the holders of the Series E Preferred Stock. Except as otherwise required by law or by the articles of incorporation, the holders of shares of Series E Preferred Stock shall vote together and not as a separate class.

The shares of Series E Preferred Stock are not redeemable and are not entitled to any preemptive or subscription rights in respect of any securities of the Company.

3. Describe any other material rights of common or preferred stockholders.

Noted Above

4. Describe any material modifications to the rights of holders of the company's securities that have occurred over the reporting period covered by this report.

N/A

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period.**

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No : Yes: (If yes, you must complete the table below)

Shares Outstanding as of Second Most Recent Fiscal Year End:			*Right-click the rows below and select "Insert" to add rows as needed.						
Date 12/31/2021		Opening Balance Common: <u>54,178,020</u> Preferred: <u>1,065,000</u>							
Date of Transaction	Transaction type (e.g., new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to. *You must disclose the control person(s) for any entities listed.	Reason for share issuance (e.g. for cash or debt conversion) - OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
COMMON STOCK:	_____	_____	_____	_____	_____	_____	_____	_____	_____
04/18/2022	New Issuance	28,000	Common	\$0.38	No	PIP I, LLC Seth Patterson	Warrant to Purchase Common Stock	Restricted	Exemption
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Shares Outstanding on Date of This Report:									
Date <u>12/31/2022</u>		Ending Balance Common: <u>54,206,020</u> Preferred: <u>1,065,000</u>							

Example: A company with a fiscal year end of December 31st, in addressing this item for its Annual Report, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2021 through December 31, 2022 pursuant to the tabular format above.

Use the space below to provide any additional details, including footnotes to the table above:

N/A

B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities:

No : Yes: (If yes, you must complete the table below)

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g., pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder. <small>*You must disclose the control person(s) for any entities listed.</small>	Reason for Issuance (e.g. Loan, Services, etc.)
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____

Use the space below to provide any additional details, including footnotes to the table above:

N/A

4) Issuer’s Business, Products and Services

The purpose of this section is to provide a clear description of the issuer’s current operations. (Please ensure that these descriptions are updated on the Company’s Profile on www.otcmarkets.com).

A. Summarize the issuer’s business operations (If the issuer does not have current operations, state “no operations”)

Arkose Energy Corp is a data mining company converting its oil and gas production to electricity generation to power self-managed digital asset mining and data centers.

B. List any subsidiaries, parent company, or affiliated companies.

N/A

C. Describe the issuers’ principal products or services.

Arkose mines digital assets through the generation of electricity from its natural gas production.

5) Issuer’s Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

N/A

6) Officers, Directors, and Control Persons

Using the table below, please provide information, as of the period end date of this report, regarding any officers, or directors of the company, individuals or entities controlling more than 5% of any class of the issuers securities, or any person that performs a similar function, regardless of the number of shares they own. **If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity in the note section.**

Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial shareholders.

Names of All Officers, Directors and Control Persons	Affiliation with Company (e.g. Officer Title /Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Names of control person(s) if a corporate entity
Daniel L. Ritz, Jr. & Zane Russell Managing Directors of Reveille Capital, LLC	Reveille Capital, LLC	1773 Westborough Dr. Katy, Texas 77449	Total Shares: <u>21,913,803</u>	Common	40.4%	Daniel L. Ritz, Jr. & Zane Russell Managing Partners – 50% Partner Share Each
Daniel L. Ritz, Jr.	Managing Director & President of Arkose Energy Corp. & Managing Director of Reveille Capital	20615 Denford Ct. Katy, TX 77450	Daniel Ritz owns 50% share of Reveille Capital, LLC; thus, his share is: 10,956,901.5	Common	20.2%	
Zane Russell	Managing Director of Reveille Capital, LLC	21206 Lochmere Ln. Katy, TX 77450	Zane Russell owns 50% share of Reveille Capital, LLC; thus, his share is: 10,956,901.5	Common	20.2%	
Leo William Kerrigan	Director of Arkose Energy Corp.	3130 Caldwell Rd Ashland City, TN 37015-3930	1,053,414	Common	1.95%	

Trace Edward Maurin	Director of Arkose Energy Corp.	2805 Split Rock Cir Bulverde, TX 78163-2223	66,793	Common	.13%	
Zane Russell	Director & President of Gordon Industries, LLC	21206 Lochmere Ln. Katy, TX 77450	Gordon Industries, LLC owns 2,499,477	Common	4.6%	
Thomas C Takacs	Secretary of Arkose Energy Corp.	18719 Evergreen Falls Dr. Houston, TX 77084-4457	50,000	Common	.10%	
Amzy E Hibler	CFO of Arkose Energy Corp.	28502 Ravens Prairie DR. Katy, Texas 77494	0	N/A	N/A	

7) Legal/Disciplinary History

A. Identify whether any of the persons or entities listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

No

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

Yes, Daniel L. Ritz, Jr. – DISCLOSED IN FINRA RECORDS

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

Yes, Daniel L. Ritz, Jr. – DISCLOSED IN FINRA RECORDS

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

Yes, Daniel L. Ritz, Jr. – DISCLOSED IN FINRA RECORDS

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

N/A

8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

Securities Counsel (must include Counsel preparing Attorney Letters).

Name: Robert Sonfield
Firm: Sonfield & Sonfield
Address 1: 2500 Wilcrest Dr., Suite 300, Houston, TX 77042
Address 2: _____
Phone: (713) 877-8333
Email: robert@sonfield.com

Accountant or Auditor

Name: Tony Capello
Firm: M&K CPAS, LLC
Address 1: 363 N. Sam Houston Pkwy E., Suite 650, Houston, TX 77060
Address 2: _____
Phone: 832-242-9950
Email: tcapello@mkacpas.com

Investor Relations

Name: _____
Firm: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

All other means of Investor Communication:

Twitter: _____
Discord: _____
LinkedIn: _____
Facebook: _____
[Other] _____

Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared, or provided information with respect to this disclosure statement.** This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

Name: _____
Firm: _____
Nature of Services: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

9) Financial Statements

A. The following financial statements were prepared in accordance with:

- IFRS
- U.S. GAAP

B. The following financial statements were prepared by (name of individual)³:

Name: Amzy E. Hibler

Title: CFO

Relationship to Issuer: CFO

Describe the qualifications of the person or persons who prepared the financial statements: **BBA in Finance & Accounting, MBA, MS in Finance plus over 35 years of Finance and Accounting Experience.**

Provide the following financial statements for the most recent fiscal year or quarter. For the initial disclosure statement (qualifying for Pink Current Information for the first time) please provide reports for the two previous fiscal years and any subsequent interim periods.

- a. Audit letter, if audited;
- b. Balance Sheet;
- c. Statement of Income;
- d. Statement of Cash Flows;
- e. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- f. Financial Notes

Important Notes:

- Financial statements must be “machine readable”. Do not publish images/scans of financial statements.
- All financial statements for a fiscal period must be published together with the disclosure statement in one Annual or Quarterly Report.

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Daniel L. Ritz, Jr. certify that:

1. I have reviewed this Disclosure Statement for Arkose Energy Corp. Annual Disclosure and related Financial Statements for December 31, 2022;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under

³ The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

May 1, 2023 [Date]

/s/ Daniel L. Ritz, Jr. [CEO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

Principal Financial Officer:

I, Amzy E. Hibler certify that:

1. I have reviewed this Disclosure Statement for Arkose Energy Corp. Annual Disclosure and related Financial Statements for December 31, 2022;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

May 1, 2023 [Date]

/s/ Amzy E. Hibler [CFO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

Arkose Energy Corp.
Consolidated Statements of Operations

	<u>Year Ending 2022</u>	<u>Year Ending 2021</u>	<u>Year Ending 2020</u>
Revenue			
Oil and gas sales	\$ 640,493	\$ 545,272	\$ 130,222
Cryptocurrency mining revenue	-	76,503	-
Total revenue	<u>\$ 640,493</u>	<u>\$ 621,775</u>	<u>130,222</u>
Operating expenses			
Production costs	\$ 655,680	\$ 1,108,271	553,668
Depreciation, depletion and amortization	30,668	205,337	198,448
General and administrative expense	412,593	397,399	388,943
Accretion expense (benefit) of asset retirement obligation	52,284	52,284	1,237,283
Impairment of oil and gas properties	115,500	231,000	5,416,868
Total operating expenses	<u>\$ 1,266,725</u>	<u>\$ 1,994,291</u>	<u>7,795,210</u>
Loss from operations	<u>\$ (626,232)</u>	<u>\$ (1,372,515)</u>	<u>(7,664,988)</u>
Other (income) expense			
Interest expense	\$ 74,652	\$ 74,650	67,990
(Gain) loss on exchange of warrants for common stock	-	-	-
Total other (income) expense	<u>\$ 74,652</u>	<u>\$ 74,650</u>	<u>67,990</u>
Loss before Income taxes	\$ (700,884)	\$ (1,447,166)	(7,732,978)
Provision for income taxes	<u>2,060</u>	<u>-</u>	<u>-</u>
Net Loss	<u><u>\$ (702,944)</u></u>	<u><u>\$ (1,447,166)</u></u>	<u><u>\$ (7,732,978)</u></u>
Net loss per share:			
Net loss per share of common stock, basic and diluted	\$ (0.0130)	\$ (0.027)	\$ (0.23)
Weighted average share of common stock outstanding, basic and diluted	54,206,020	54,178,020	33,589,543

Arkose Energy Corp.
Consolidated Balance Sheets

	Year Ending 2022	Year Ending 2021	Year Ending 2020
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 17,539	\$ 47,955	\$ 9,235
Cryptocurrencies	-	-	-
Production revenue receivable	-	-	-
Total current assets	\$ 17,539	\$ 47,955	\$ 9,235
Oil and gas properties - proved, net	\$ 4,628,240	4,796,999	4,987,000
Property and equipment, net	320,181	305,337	65,694
TOTAL ASSETS	\$ 4,965,960	\$ 5,150,291	\$ 5,061,929
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 255,656	\$ 78,568	\$ 11,719
Payable to related party	577,431	492,979	340,558
Stock subscriptions	-	-	80,000
Note payable	1,075,246	772,915	717,290
Total current liabilities	\$ 1,908,333	\$ 1,344,462	\$ 1,149,567
Long term liabilities:			
Asset retirement obligation	\$ 1,739,261	1,791,545	1,739,260
Warrant liability	174,573	174,573	-
Total Liabilities	\$ 3,822,167	\$ 3,310,580	\$ 2,888,827
Series B - Redeemable convertible preferred stock issued 65,000 in 2020 at redemption value, par value \$100.	\$ 6,500,000	\$ 6,500,000	\$ 6,500,000
Stockholders' equity (deficit)			
Preferred stock, par value \$0.001, 20,000,000 shares authorized			
Series A, par value \$0.001, none issued and outstanding	-	-	-
Series E, par value \$0.001, 1,000,000 issued and outstanding	1,000	1,000	1,000
Common stock, par value \$0.001 per share; 480,000,000 authorized;			
54,206,020 issued and outstanding June 30, 2021	-	-	
54,178,020 issued and outstanding December 31, 2021	54,206	54,178	-
47,178,020 issued and outstanding September 30, 2021			33,590
46,198,020 issued and outstanding June 30, 2021			
46,198,020 issued and outstanding March 31, 2021			
33,589,543 issued and outstanding at December 31, 2020			
12,108,543 issued and outstanding at December 31, 2019			
441,543 issued and outstanding at December 31, 2018			
Additional paid-in capital	9,693,560	9,686,563	8,635,802
Accumulated deficit	(15,104,973)	(14,402,030)	(12,997,289)
Total stockholders' equity (deficit):	1,143,793	1,839,712	2,173,102
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 4,965,960	\$ 5,150,291	\$ 5,061,929

Arkose Energy Corp.
Consolidated Statements of Cash Flows

	<u>Year Ending 2022</u>	<u>Year Ending 2021</u>	<u>Year Ending 2020</u>
Cash Flows From Operating Activities			
Net loss	\$ (702,944)	\$ (1,447,166)	\$ (7,732,978)
Adjustments to reconcile net loss to net cash from operations:			
Accretion expense	52,284	52,284	1,237,283
Depreciation, depletion and amortization	30,668	205,337	198,448
Impairment of oil and gas properties	115,500	231,000	5,416,868
Paid-in-kind interest	74,652	74,650	67,990
Stock based compensation	-	80,350	298,480
(Gain) or loss on warrant exercise	-	-	
Change in:			
Production revenue receivable	-	-	-
Intercompany Loans	-	-	-
Accounts payable and accrued liabilities	177,088	66,849	8,719
Payable to related party	84,452	152,421	477,726
Cryptocurrencies - mining , net of mining pool operating fees	137,884	(607,648)	-
Net cash from (used in) operating activities	<u>\$ 672,528</u>	<u>\$ 255,243</u>	<u>7,705,514</u>
Cash Flows From Investing Activities			
Investment in property and equipment	\$ -	\$ 239,643	(43,301)
Net cash from (used in) investing activities	<u>\$ -</u>	<u>\$ 239,643</u>	<u>(43,301)</u>
Cashflows Flows From Financing Activites			
Proceeds from common stock subscriptions	\$ -	\$ -	80,000
Proceeds from common stock issuance	-	745,999	-
Proceeds from Warrant Exercise	-	245,000	-
Net cash from financing activities	<u>\$ -</u>	<u>\$ 990,999</u>	<u>80,000</u>
Net Change in cash and cash equivalents	\$ (30,416)	\$ 38,720	\$ 9,235
Beginning of period cash	47,955	9,235	-
Cash and cash equivalents end of period	<u>\$ 17,539</u>	<u>\$ 47,955</u>	<u>\$ 9,235</u>
Non-Cash Investing and financing activities			
Oil and gas properties acquired with debt	-	-	-
Oil and gas Properties acquired common stock	-	-	2,950,000
Oil and gas properties acquired with preferred stock	-	-	6,500,000

Arkose Energy Corp
Statement of Stockholders Equity (Deficit)

	<u>Common stock shares</u>	<u>Common stock amount</u>	<u>Preferred stock amount</u>	<u>Additional paid- in capital</u>	<u>Accumulated deficit</u>	<u>Total</u>
Balance , December 31, 2018	441,543	\$ 442	\$ 1,000	\$ 3,023,040	\$ (2,649,277)	\$ 375,205
Issuance of common stock for acquisition of oil and gas properties	11,667,000	\$ 11,667	\$ -	\$ 2,385,762	-	\$ 2,397,429
Net loss	-	\$ -	\$ -	\$ -	\$ (2,615,035)	\$ (2,615,035)
Balance, December 31, 2019	<u>12,108,543</u>	<u>\$ 12,109</u>	<u>\$ 1,000</u>	<u>\$ 5,408,802</u>	<u>\$ (5,264,312)</u>	<u>\$ 157,599</u>
Issuance of common stock for acquisition of oil and gas properties	20,333,000	\$ 20,333	\$ -	\$ 2,929,667	-	\$ 2,950,000
Issuance of redeemable convertible preferred stock for acquisition of oil and gas properties	-	\$ -	\$ 6,500,000	\$ -	-	\$ 6,500,000
Share-based compensation	1,148,000	\$ 1,148	\$ -	\$ 297,332	-	\$ 298,480
Net loss	-	\$ -	\$ -	\$ -	\$ (7,732,978)	\$ (7,732,978)
Balance, December 31, 2020	<u>33,589,543</u>	<u>\$ 33,590</u>	<u>\$ 6,501,000</u>	<u>\$ 8,635,802</u>	<u>\$ (12,997,289)</u>	<u>\$ 2,173,102</u>
Issuance of common stock for mining operations	9,600,000	\$ 9,600	\$ -	\$ 733,400	\$ -	\$ 743,000
Issuance of common stock for contingent liabilities for contingent liabilities	2,999,477	\$ 2,999	\$ -	\$ -	\$ -	2,999
Share-based compensation	9,000	\$ 9	\$ -	\$ 8,991	\$ -	9,000
Net loss	-	\$ -	\$ -	\$ -	\$ (485,380)	(485,380)
Balance, March 31, 2021	<u>46,198,020</u>	<u>\$ 46,198</u>	<u>\$ 6,501,000</u>	<u>\$ 9,378,193</u>	<u>\$ (13,482,669)</u>	<u>\$ 2,442,721</u>
Net loss	-	\$ -	\$ -	\$ -	\$ (316,199)	(316,199)
Balance, June 30, 2021	<u>46,198,020</u>	<u>\$ 46,198</u>	<u>\$ 6,501,000</u>	<u>\$ 9,378,193</u>	<u>\$ (13,798,868)</u>	<u>\$ 2,126,522</u>
Issuance of common stock for warrant exercise	980,000	\$ 980	\$ -	\$ 244,020	\$ -	\$ 245,000
Net loss	-	\$ -	\$ -	\$ -	\$ (123,750)	(123,750)
Balance, September 30, 2021	<u>47,178,020</u>	<u>\$ 47,178</u>	<u>\$ 6,501,000</u>	<u>\$ 9,622,213</u>	<u>\$ (13,922,618)</u>	<u>\$ 2,247,772</u>
Share-based compensation	7,000,000	\$ 7,000	\$ -	\$ 64,350	\$ -	\$ 71,350
Net loss	-	\$ -	\$ -	\$ -	\$ (479,411)	(479,411)
Balance, December 31, 2021	<u>54,178,020</u>	<u>\$ 54,178</u>	<u>\$ 6,501,000</u>	<u>\$ 9,686,563</u>	<u>\$ (14,402,029)</u>	<u>\$ 1,839,711</u>
Net loss	-	\$ -	\$ -	\$ -	\$ (176,556)	\$ (176,556)
Balance, March 31, 2022	<u>54,178,020</u>	<u>\$ 54,178</u>	<u>\$ 6,501,000</u>	<u>\$ 9,686,563</u>	<u>\$ (14,578,585)</u>	<u>\$ 1,663,155</u>
Issuance of common stock	28,000	\$ 28	\$ -	\$ 6,997	\$ -	\$ 7,025
Net loss	-	\$ -	\$ -	\$ -	\$ (232,443)	\$ (232,443)
Balance, June 30, 2022	<u>54,206,020</u>	<u>\$ 54,206</u>	<u>\$ 6,501,000</u>	<u>\$ 9,693,560</u>	<u>\$ (14,811,028)</u>	<u>\$ 1,437,737</u>
Net loss	\$ -	\$ -	\$ -	\$ -	\$ (242,509)	\$ (242,509)
Balance, September 30, 2022	<u>54,206,020</u>	<u>\$ 54,206</u>	<u>\$ 6,501,000</u>	<u>\$ 9,693,560</u>	<u>\$ (15,053,537)</u>	<u>\$ 1,195,228</u>
Net loss	\$ -	\$ -	\$ -	\$ -	\$ (51,436)	\$ (51,436)
Balance, December 31, 2022	<u>54,206,020</u>	<u>\$ 54,206</u>	<u>\$ 6,501,000</u>	<u>\$ 9,693,560</u>	<u>\$ (15,104,973)</u>	<u>\$ 1,143,792</u>

ARKOSE ENERGY CORP.
NOTES TO FINANCIAL STATEMENTS

1. Description of Business

Arkose Energy Corp. (“Arkose” or the “Company”), incorporated in the state of Nevada, operates as an independent oil and natural gas exploration and production company, and focuses on the acquisition and development of undervalued producing properties in the United States, located in Brown, Coleman, Gonzales, Harris, Hutchinson, Jim Wells, Madison, Matagorda, Palo Pinto, Parker, Runnels, Sabine, Wilson and Wise Counties, Texas. The Company also participates in cryptocurrency mining operations in North America to mine for bitcoin by deploying special cryptocurrency mining computers (“miners”) to solve complex cryptographic algorithms to the support the bitcoin blockchain in exchange for cryptocurrency rewards.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of the Company are stated in U.S. dollars and have been prepared by management in accordance with accounting principles generally accepted in the U.S. (“U.S. GAAP”). The preparation of these financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, related disclosure of contingent assets and liabilities, proved oil and natural gas reserves and the related disclosures in the accompanying financial statements. Actual results could differ from those estimates. Significant estimates with regard to these financial statements include the estimate of proved oil and natural gas reserve quantities and the related present value of estimated future net cash flows.

Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued and has disclosed certain subsequent events in these consolidated financial statements, as appropriate.

Principles of Consolidation

The consolidated financial statements of the Company include the consolidated accounts of all its subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

Use of estimates in Preparation of Financial Statements

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Certain accounting policies involve judgments and uncertainties to such an extent that there is reasonable likelihood that materially different amounts could have been reported under different conditions, or if different assumptions had been used. The Company evaluates its estimates and assumptions on a regular basis. The Company bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and assumptions used in preparation of the Company’s financial statements. The most significant estimates with regard to these financial statements relate to the future development and abandonment costs, estimates related to certain oil and natural gas revenues and operating expenses, and the estimates of proved oil and natural gas reserve quantities that are used to calculate depletion and impairment of proved oil and natural gas properties.

The Company's cash and cash equivalents amounted to \$17,539 as of December 31, 2022. The Company maintains its cash in bank deposit accounts, which, at times, can exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk of loss.

Cryptocurrencies

Cryptocurrencies, (including bitcoin and bitcoin cash) are included in current assets in the accompanying consolidated balance sheets. Cryptocurrencies purchased are recorded at cost and cryptocurrencies awarded to the Company through its mining activities are accounted for in connection with the Company's revenue recognition policy disclosed below.

Cryptocurrencies are accounted for as intangible assets with indefinite useful lives. An intangible asset with an indefinite useful life is not amortized but assessed for impairment annually, or more frequently, when events or changes in circumstances occur indicating that it is more likely than not that the indefinite-lived asset is impaired. Impairment exists when the carrying amount exceeds its fair value, which is measured using the quoted price of the cryptocurrency at the time its fair value is being measured. In testing for impairment, the Company has the option to first perform a qualitative assessment to determine whether it is more likely than not that an impairment exists. If it is determined that it is not more likely than not that an impairment exists, a quantitative impairment test is not necessary. If the Company concludes otherwise, it is required to perform a quantitative impairment test. To the extent an impairment loss is recognized, the loss establishes the new cost basis of the asset. Subsequent reversal of impairment losses is not permitted.

Purchases of cryptocurrencies by the Company are included within investing activities in the accompanying consolidated statements of cash flows, while cryptocurrencies awarded to the Company through its mining activities are included within operating activities on the accompanying consolidated statements of cash flows. The sales of cryptocurrencies are included within investing activities in the accompanying consolidated statements of cash flows and any realized gains or losses from such sales are included in other income (expense) in the consolidated statements of operations. The Company accounts for its gains or losses in accordance with the first in first out (FIFO) method of accounting.

Oil and Natural Gas Properties

The Company follows the full cost method of accounting for oil and natural gas operations, whereby all costs incurred in the acquisition, exploration and development of oil and natural gas reserves are initially capitalized into cost centers on a country-by-country basis and are amortized as reserves are produced, subject to a limitation that the capitalized costs do not exceed the value of those reserves. Capitalized costs include land acquisition costs, geological and geophysical expenditures, carrying charges on non-producing properties, costs of drilling and overhead charges directly related to acquisition, exploration, and development activities. The U.S. is the Company's only cost center.

Costs capitalized, together with the costs of production equipment, are depleted and amortized on the unit-of-production method based on the estimated net proved reserves, as determined by independent petroleum engineers.

Costs of acquiring and evaluating unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically to ascertain whether an impairment has occurred. When proved reserves are assigned or the property is considered to be impaired, the cost of the property is added to costs subject to depletion calculations.

In applying the full cost method of accounting, the Company performs an annual ceiling test on the cost center properties whereby the net cost of oil and natural gas properties, net of related deferred income taxes ("net cost"), is limited to the sum of the estimated future net revenues from the Company's proved reserves using prices that are the 12-month unweighted arithmetic average of the first-day-of-the-month price for oil and natural gas prices held constant, discounted at 10%, and the lower of cost or fair value of unproved properties, adjusted for related income tax effects ("ceiling"). If the net cost exceeds the ceiling, an impairment loss is recognized for the amount by which the net cost exceeds the ceiling and is shown as a reduction in oil and natural gas properties and as additional depletion expense. Proceeds from a sale of oil and natural gas properties will be applied against capitalized costs, with no gain or loss recognized, unless such a sale would significantly alter the rate of depletion or amortization.

The Company's estimate of proved reserves is based on the quantities of oil, condensate, natural gas and NGLs that engineering and geological analysis demonstrate, with reasonable certainty, to be recoverable from established reservoirs in the future under current operating and economic parameters. As discussed below, the estimate of the Company's proved reserves as of December 31, 2021, 2020 and 2019 have been prepared and presented in accordance with current rules and accounting standards promulgated by the Securities and Exchange Commission (the "SEC"). These rules require SEC reporting companies to prepare their reserve estimates using reserve definitions and pricing based on a 12-month unweighted arithmetic average of the first-day-of-the-month price.

Reserves and their relation to estimated future net cash flows impact the Company's depletion and impairment calculations. As a result, adjustments to depletion and impairment are made concurrently with changes to reserve estimates. The Company prepares its reserve estimates and the projected cash flows derived from these reserve estimates in accordance with SEC guidelines. The accuracy of the Company's reserve estimates is a function of many factors, including the quality and quantity of available data, the interpretation of that data, the accuracy of various mandated economic assumptions and the judgments of the individuals preparing the estimates, all of which could deviate significantly from actual results. As such, reserve estimates may materially vary from the ultimate quantities of oil, condensate, natural gas and NGLs eventually recovered.

Asset Retirement Obligation

Asset retirement costs and liabilities associated with future site restoration and abandonment of tangible long-lived assets are initially measured at fair value which approximates the cost a third party would incur in performing the tasks necessary to retire such assets. The fair value is recognized in the financial statements as the present value of expected future cash expenditures for site restoration and abandonment. Subsequent to the initial measurement, the effect of the passage of time on the liability for the asset retirement obligation (accretion expense) and the amortization of the asset retirement cost, through depreciation, depletion, and amortization, are recognized in the results of operations.

Furniture and Equipment

Furniture and equipment are recorded at historical cost and are depreciated on a straight-line basis over their estimated useful lives, which range from three to seven years.

Cryptocurrency mining equipment is recorded within furniture and equipment on the consolidated balance sheet. Cryptocurrency mining equipment is stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets, generally two years.

Revenue Recognition

Oil and natural gas revenues

The Company uses the sales method of accounting for the sale of its oil, condensate, natural gas and NGLs and records revenues from the sale of such products when delivery to the customer has occurred and title has transferred. This recording of revenues occurs when oil, condensate, natural gas or NGLs have been delivered to a pipeline or a tank lifting has occurred. The Company's NGLs are sold as part of the wet gas subject to an incremental NGLs pricing formula based upon a percentage of NGLs extracted from the Company's wet gas production. Under the sales method, revenues are recorded based on the Company's net revenue interest, as delivered. When actual natural gas sales volumes exceed our delivered share of sales volumes, an over-produced imbalance occurs. To the extent an over-produced imbalance exceeds our share of the remaining estimated proved natural gas reserves for a given property, the Company records a liability. The Company had no material gas imbalances at December 31, 2022, September 30, 2022, June 30, 2022, March 31, 2022, December 31, 2021, and December 31, 2020.

The Company records its share of revenues based on production volumes and contracted sales prices. The sales price for oil, condensate, natural gas and NGLs are adjusted for transportation cost and other related deductions. The transportation costs and other deductions are based on contractual or historical data and do not require significant judgment. Subsequently, these deductions and transportation costs are adjusted to reflect actual charges based on third party documents once received by the Company.

The Company calculates and pays royalties on oil, condensate, natural gas and NGLs in accordance with the particular contractual provisions of the lease. Royalty liabilities are recorded in conjunction with the cash receipts for oil, condensate, natural gas and NGLs revenues and are included in revenue payable on the Company's consolidated balance sheet.

Cryptocurrency mining revenues

The Company has entered into digital asset mining pools by executing contracts, as amended from time to time, with the mining pool operators to provide computing power to the mining pool. The contracts are terminable at any time by either party and the Company's enforceable right to compensation only begins when the Company provides computing power to the mining pool operator. In exchange for providing computing power, the Company is entitled to a fractional share of the fixed cryptocurrency award the mining pool operator receives (less digital asset transaction fees to the mining pool operator which are recorded as a component of cost of revenues), for successfully adding a block to the blockchain. The term of the agreement provides that neither party can dispute settlement terms after thirty-five days following settlement. The Company's fractional share is based on the proportion of computing power the Company contributed to the mining pool operator to the total computing power contributed by all mining pool participants in solving the current algorithm.

Providing computing power in digital asset transaction verification services is an output of the Company's ordinary activities. The provision of providing such computing power is the only performance obligation in the Company's contracts with mining pool operators. The transaction consideration the Company receives, if any, is noncash consideration, which the Company measures at fair value on the date received, which is not materially different than the fair value at contract inception or the time the Company has earned the award from the pools. The consideration is all variable. Because it is not probable that a significant reversal of cumulative revenue will not occur, the consideration is constrained until the mining pool operator successfully places a block (by being the first to solve an algorithm) and the Company receives confirmation of the consideration it will receive, at which time revenue is recognized. There is no significant financing component in these transactions.

The Fair Value of the cryptocurrency award received is determined using the quoted price of the related cryptocurrency at the time of receipt. There is currently no specific definitive guidance under GAAP or alternative accounting framework for the accounting for cryptocurrencies recognized as revenue or held, and management has exercised significant judgment in determining the appropriate accounting treatment. In the event authoritative guidance is enacted by the FASB, the Company may be required to change its policies, which could have an effect on the Company's consolidated financial position and results from operations.

Cryptocurrency mining direct costs consist primarily of direct costs of earning bitcoin related to mining operations, including mining pool fees, electric power costs, other utilities, labor, insurance whether incurred directly from self-mining operations or reimbursed, including any revenue sharing arrangements under co-location agreements, but excluding depreciation and amortization, which are separately stated in the Company's consolidated statements of operations.

Deferred Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, operating loss, and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. At December 31, 2022, 2021, 2020 and 2019, no such deferred tax assets or liabilities existed. Numerous assumptions are inherent in the estimation of future taxable income, including assumptions about matters that are dependent on future events such

as future operating conditions, particularly related to prevailing oil, condensate, natural gas and NGLs prices, and future financial conditions. The estimates or assumptions used in determining future taxable income are consistent with those used in internal budgets and forecasts. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income in the period that includes the enactment date.

Earnings or Loss per Share

Basic earnings or loss per share is computed by dividing net income (loss) available to common stockholders, net of accumulated paid and unpaid dividends, by the weighted average number of shares of common stock outstanding. Diluted earnings or loss per share is computed by dividing net income (loss) available to common stockholders, net of accumulated and unpaid dividends, by the weighted average number of shares of common stock outstanding plus the incremental effect of the assumed issuance of common stock for all potentially dilutive securities. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common stock are exercised or converted to common stock. The treasury stock method is used to determine the dilutive effect.

Co-participation Operations

The majority of the Company's oil and natural gas exploration activities are conducted jointly with others. These consolidated financial statements reflect only the Company's proportionate interest in such activities.

Industry Segment and Geographic Information

The Company operates in one industry segment, which is the exploration, development and production of oil and natural gas. The Company's current operational activities and the Company's consolidated revenues are generated from markets exclusively in the U.S., and the Company has no long-lived assets located outside the U.S.

Related Parties

Parties are considered to be related to the Company if the parties, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. All transactions with related parties are recorded at fair value of the goods or services exchanged.

Stock Based Compensation

The Financial Accounting Standards Board (the "FASB") Accounting Standards Codification ("ASC") 718 ("ASC 718"), "Compensation – Stock Compensation," prescribes accounting and reporting standards for all share-based payment transactions in which employee services are acquired. Transactions include incurring liabilities, or issuing or offering to issue shares, options, and other equity instruments such as employee stock ownership plans and stock appreciation rights. Share-based payments to employees, including grants of employee stock options, are recognized as compensation expense in the consolidated financial statements based on their fair values. That expense is recognized over the period during which an employee is required to provide services in exchange for the award, known as the requisite service period (usually the vesting period).

The Company accounts for stock-based compensation issued to non-employees and consultants in accordance with the provisions of ASC 505-50, "Equity – Based Payments to Non-Employees." Measurement of share-based payment transactions with non-employees is based on the fair value of whichever is more reliably measurable: (a) the goods or services received; or (b) the equity instruments issued. The fair value of the share-based payment transaction is determined at the earlier of performance commitment date or performance completion date.

Financial Instruments

The Company generally uses a Black-Scholes model, as applicable, to value financial instruments at inception and subsequent valuation dates when needed. The classification of financial instruments, including whether such instruments should be recorded as liabilities or as equity, is determined in accordance with accounting guidance and the fair value of such instruments is re-measured at the end of each reporting period. The Black-Scholes model is used to estimate the fair value of the financial liabilities.

3. Cryptocurrencies

The following table presents additional information about cryptocurrencies:

	<u>December 31, 2022</u>
Beginning balance	\$ -
Revenue recognized from cryptocurrencies mined	-
Mining pool operating fees	-
Proceeds from sale of cryptocurrencies	-
Purchase of miner equipment with cryptocurrencies	-
Realized gain on sale/exchange of cryptocurrencies	-
Impairment of cryptocurrencies	-
Cryptocurrencies received from sale of equipment	-
Ending balance	\$ <u>-</u>

4. Property, Plant and Equipment

Oil and Natural Gas Properties

The Company operates as an independent oil and natural gas exploration and production company and focuses on the acquisition and development of undervalued producing properties in the United States, located in Brown, Coleman, Gonzales, Harris, Hutchinson, Jim Wells, Madison, Matagorda, Palo Pinto, Parker, Runnels, Sabine, Wilson and Wise Counties, Texas.

At December 31, 2022, the Company's mineral lease interests were comprised of approximately 24,000 gross acres of leased acreage within the Panhandle of Texas. Within this acreage, the Company held interests in 167 gross (153.5 net) wells. Additionally, the Company leased approximately 6,100 gross acres in Parker and Wise Counties, Texas and held working interests in 60 gross (48 net) wells on such acres that carry a 58.5% net revenue interest at December 31, 2021. The company also owns and operates mineral interest in Runnels and Matagorda County Texas.

The amount capitalized as oil and natural gas properties was incurred for the purchase and development of various properties in the U.S., specifically the state of Texas. The Company's total property, plant and equipment as of December 31, 2022, and December 31, 2021, consists of the following:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	(in thousands)	
Oil and natural gas properties, full cost method of accounting:		
Unproved properties	\$ -	\$ -
Proved properties	<u>12,450</u>	<u>12,450</u>
Total oil and natural gas properties		
Furniture and equipment	<u>380</u>	<u>341</u>
Total property and equipment		
Impairment of proved natural gas and oil properties	(7,822)	(7,653)
Accumulated depreciation, depletion and amortization	<u>(60)</u>	<u>(36)</u>
Total accumulated depreciation, depletion, and amortization		
Total property and equipment, net	<u>\$ 4,948</u>	<u>\$ 5,102</u>

Year ended December 31, 2019, activity:

On April 1, 2019, the Company entered into an Agreement and Assignment of Oil, Gas and Mineral Lease with a privately held limited liability company that is considered a related party (the “Assignor”) (the “2019 Lease Assignment”). Under the 2019 Lease Assignment, the Assignor assigned a 100% working interest (~82% net revenue interest) in certain oil and gas leases covering 2,300 acres and 33 wells located in Runnels County, Texas. As consideration for the assignment, the Company issued 11,667,000 shares of common stock to the Assignor and assumed a promissory note with a principal balance of \$602,571. See “Note 7, Note Payable”.

Year ended December 31, 2021, activity:

On August 1, 2020, the Company entered into an Agreement and Assignment of Oil, Gas and Mineral Lease with the Assignor (the “2020 Lease Assignment”). Under the 2020 Lease Assignment, the Assignor assigned a 100% working interest (~75% net revenue interest) in certain oil and gas leases covering 160 acres and 25 wells located in Matagorda County Texas. As consideration for the lease interests, the Company issued 5,833,000 shares of common stock to the Assignor.

On September 1, 2020, the Company acquired certain energy assets from Petroglobe Energy Holdings, LLC. The transaction includes the transfer of wells, active mineral leases, and production materials and equipment. As consideration for the transaction, the Company issued 15,000,000 shares of common stock and 65,000 of Series B redeemable preferred stock.

During the quarter ended March 31, 2021, the Company commenced development of a cryptocurrency mining enterprise and began the developmental phase of the cryptocurrency mining operation. Utilizing the Company’s existing oil and gas reserves, the Company began to increase natural gas production and acquired the necessary infrastructure, hardware, and software to establish cryptocurrency mining operations across a number of the Company’s owned gas wells. The Company expects to deploy its mining facilities and grow revenue from cryptocurrency mining operations. During the twelve months ended December 31, 2022, the Company spent \$0 on cryptocurrency mining infrastructure.

Full Cost Ceiling Limitation

The full cost method of accounting for oil and natural gas properties requires a calculation of a limitation on capitalized costs, often referred to as a full cost ceiling calculation. The ceiling is the present value of estimated future cash flow from proved oil, condensate, natural gas and NGLs reserves reduced by future operating expenses, development expenditures, abandonment costs (net of salvage) to the extent not included in oil and natural gas properties pursuant to authoritative guidance and estimated future income taxes thereon. To the extent that the Company’s capitalized costs (net of accumulated depletion and deferred taxes) exceed the ceiling, the excess must be written off to expense for such period. Once incurred, this impairment of oil and natural gas properties is not reversible at a later date even if oil and natural gas prices increase. The ceiling calculation is determined using a mandatory trailing 12-month unweighted arithmetic average of the first-day-of-the-month commodities pricing and costs in effect at the end of the period, each of which are held constant indefinitely (absent specific contracts with respect to future prices and costs) with respect to valuing future net cash flows from proved reserves for this purpose. The 12-month unweighted arithmetic average of the first-day-of-the-month commodities prices are adjusted for basis and quality differentials in determining the present value of the proved reserves. The table below sets forth relevant pricing assumptions utilized in the ceiling test computations for the respective periods noted before adjustment for basis and quality differentials:

	<u>Total Impairment</u>	<u>December 31, 2022</u>
Henry Hub natural gas price (per MMBtu) ⁽¹⁾		\$ 5.53
West Texas Intermediate oil price (per Bbl.) ⁽¹⁾		\$ 80.26
Impairment recorded (pre-tax) (in thousands)		\$ 7,822

- (1) For the respective periods, oil and natural gas prices are calculated using the trailing 12-month unweighted arithmetic average of the first-day-of-the-month prices based on Henry Hub spot natural gas prices and West Texas Intermediate spot oil prices.

The Company could potentially incur additional ceiling test impairments in the future should commodities prices decline. However, it is difficult to project future impairment charges in light of numerous variables involved.

The Company's proved reserves estimates, and their estimated discounted value and standardized measure will also be impacted by changes in lease operating costs, future development costs, production, exploration and development activities. The ceiling limitation calculation is not intended to be indicative of the fair market value of the Company's proved reserves or future results.

5. Accounts Payable and Accrued Liabilities

The Company's accounts payable and accrued liabilities balance is comprised of costs associated with oil and gas operations and general and administrative costs and expenses.

6. Payable to Related Party

The Company's payable to related party balance consisted of the following as of December 31, 2022, and December 31, 2021, and December 31, 2020:

	<u>December 31,</u> 2022	<u>December 31,</u> 2021 2020	
	(in thousands)		
Entities controlled by an Arkose Energy Corp. Officer ^(A)	\$ 577	\$ 493	\$ 341

(A) A board member and officer of the Company advanced proceeds to the Company through September 30, 2022, for operation related costs, which is non-interest bearing and due on demand.

7. Note Payable

On May 1, 2017, the Company entered into a promissory note agreement payable to Mark Kelley (the "Payee") for the original principal amount of \$500,000 (the "Note Payable"). Per the original agreement, the Note Payable bore interest at 10% per annum and interest payments and the full principal amount were to be repaid 365 days from consummation of the Note Payable agreement, or on April 30, 2018.

On May 1, 2018, the Company and the Payee entered into a Loan Extension Agreement whereby the original maturity date of the Note Payable was amended to extend the date from April 30, 2018, to December 31, 2023. Per the Loan Extension Agreement, the accrual of interest shall continue and is amended to accrue on a month-to-month basis. Additionally, to the extent that both parties to the Loan Extension Agreement can agree on terms, both parties to the Note Payable will negotiate in good-faith to consider an equity conversion for the Note Payable balance into common stock of the Company.

At December 31, 2022, December 31, 2021, and December 31, 2020 and 2019, the Note Payable had balances of \$1,075,246, \$772,915, \$717,290 and \$649,300, respectively, for unpaid principal and interest.

8. Asset Retirement Obligation

A summary of the activity related to the asset retirement obligation is as follows:

	<u>For the Years Ended</u> <u>December 31,</u> 2022	<u>For the Years Ended</u> <u>December 31,</u> 2021 2020	
	(in thousands)		
Asset retirement obligation, beginning of year	\$ 1,792	\$ 1,739	\$ 502
Liabilities incurred during period	—	—	—
Liabilities settled during period	—	—	—
Accretion expense	53	53	1,237
Revision in previous estimates and other	—	—	—
Deletions related to property disposals	—	—	—
Asset retirement obligation, end of quarter / year	\$ 1,739	\$ 1,792	\$ 1,739

9. Warrant Liabilities

The Company issued common stock and warrants in a private placement effective March 15, 2021. The warrants (collectively the “Warrant Instruments”) are classified as liabilities. The Warrant Instruments have been accounted for utilizing ASC 480 “Distinguishing Liabilities from Equity” and ASC 815 “Derivatives and Hedging.” The Company has incurred a liability for the estimated fair value of Warrant Instruments. The estimated fair value of the Warrant Instruments and the corresponding liability has been calculated using the Black Scholes fair value option-pricing model with key input variables provided by management, as of the date of issuance, with changes in fair value to be recorded as gains or losses on revaluation in other income (expense). On August 23, 2021, certain warrant holders exercised 980,000 of the \$0.25 strike warrants for net proceeds of \$245,000. A gain on warrant exercised was recorded of \$42,427 as of September 30, 2021. At December 31, 2021, the Company reported a warrant liability of \$174,573 for the fair value of the Warrant Instruments issued on March 15, 2021.

Warrants Issuance Date	Exercise Price	Termination Date	Outstanding Warrants December 31, 2020	Issued	Exercised	Terminated	Outstanding Warrants December 31, 2022
March 15, 2021	\$ 0.25	March 15, 2024	-	3,280,000	1,008,000	-	2,272,000
March 15, 2021	\$ 1.00	March 15, 2026	-	2,000,000	-	-	2,000,000
			-	5,280,000	1,008,000	-	4,272,000

10. Capital Stock

Under the Company’s Amended and Restated Articles of Incorporation, total shares of capital stock authorized and available for issuance totals 500,000,000 shares, with 480,000,000 of those being common shares (“Common Stock”) with par value of \$0.001 and 20,000,000 being preferred stock with par value of \$0.001.

Preferred Stock

Series A Preferred Stock

By resolution of the board of directors of the Company pursuant to its articles of incorporation, 1,815,347 shares of the authorized and available preferred capital stock are designated as Series A Preferred Stock with par value of \$0.001 per share. Per the certificate of designation, the Series A Preferred Stock shall rank (a) *pari passu* with the Common Stock and with any other class or series of stock of the Company, specifically in respect of the right to participate in distributions or payments in the event of any liquidation, dissolution or winding up of the Company; and (b) junior to any other class or series of stock of the Company specifically in respect of the right to participate in distributions or payments in the event of any liquidation, dissolution or winding up of the Company.

In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company, after distribution in full of the preferential amounts, if any, to be distributed to the holders of shares of any series of preferred stock, having a priority on liquidation superior to that of the Series A Preferred Stock, the holders of shares of Series A Preferred Stock shall be entitled to participate with the Common Stock in all of the remaining assets of the Company available for distribution to its stockholders, ratably with the holders of the Common Stock in proportion to the number of shares of Common Stock held by them.

Except as otherwise required by law, each share of outstanding Series A Preferred Stock shall entitle the holder thereof to vote on each matter submitted to a vote of the stockholders of the Company and to have the number of votes equal to the number of shares of Common Stock into which such shares of Series A Preferred Stock is then convertible pursuant to the provisions at the record date for the determination of shareholders entitled to vote on such matters. Except as otherwise required by law or by designation, the holders of shares of Common Stock and Series A Preferred Stock shall vote together and not as separate classes.

If any dividend or distribution payable in cash, securities, or other property, including a dividend payable in shares of Common Stock, is declared on the Common Stock, each holder of Series A Preferred Stock on the record date for such dividend or distribution shall be entitled to receive on the date of payment or distribution the same cash, securities or other property which such holder would have received on such record date if such holder was the

holder of record of the number of shares of Common Stock into which the Series A Preferred Stock then held by such holder are then convertible. No dividend or other distribution shall be declared or paid on the Common Stock unless an equivalent dividend or distribution is declared or paid on the Series A Preferred Stock. No dividend or other distribution shall be declared or paid on the Series A Preferred Stock unless an equivalent dividend or distribution is declared or paid on the Common Stock.

Upon the occurrence of an increase in authorized Common Stock, each outstanding share of Series A Preferred Stock shall automatically be converted, without cost or any action by the holders of the Series A Preferred Stock, into the number of fully paid and non-assessable shares of Common Stock as specified by the conversion ratio in effect at the time of conversion; provided that, and only to the extent that, the Company has a sufficient number of shares authorized but unissued and unreserved Common Stock available to issue upon conversion.

At December 31, 2022, and December 31, 2021, and 2020, there were no shares issued or outstanding of Series A Preferred Stock.

Series E Preferred Stock

By resolution of the board of directors of the Company pursuant to its articles of incorporation, 1,000,000 shares of the authorized and available preferred capital stock are designated as Series E Preferred Stock with a par value of \$0.001 per share. All shares of Series E Preferred Stock shall rank subordinate and junior to all of the Company's Common Stock and preferred stock, now or hereafter issued, as to distributions of assets upon liquidation, dissolution or winding up of the Company, whether voluntary or involuntary. In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company, the holders of shares of Series E Preferred Stock shall not be entitled to participate in the distribution of the assets of the Company.

No dividend shall be declared or paid on the Series E Preferred Stock.

Except as otherwise required by law, the shares of outstanding Series E Preferred Stock shall have the right to take action by written consent or vote based on the number of votes equal to twice the number of votes of all outstanding shares of capital stock such that the holders of outstanding shares of Series E Preferred Stock shall always constitute sixty-six and two thirds ($66 \frac{2}{3}$) of the voting rights of the Company and such rights may be exercised by vote or written consent based on the will of a majority of the holders of the Series E Preferred Stock. Except as otherwise required by law or by the articles of incorporation, the holders of shares of Series E Preferred Stock shall vote together and not as a separate class.

The shares of Series E Preferred Stock are not redeemable and are not entitled to any preemptive or subscription rights in respect of any securities of the Company.

At December 31, 2022, and December 31, 2021 and 2020, there were 1,000,000 shares issued and outstanding of Series E Preferred Stock.

Series B Redeemable Convertible Preferred Stock

By resolution of the board of directors of the Company and pursuant to its articles of incorporation, 200,000 shares of the authorized and available preferred capital stock are designated as Series B Redeemable Convertible Preferred Stock with par value of \$100.00 per share. The Company retains the right to redeem the shares of Series B Redeemable Convertible Preferred Stock for cash for a period concluding 24 months after the date of the subscription of the stock at a rate of \$100.00 per share. At the Company's discretion, the shares may also be purchased or redeemed at the same rate within the next five business days after the stockholder provides conversion notice.

Holders of Series B Redeemable Convertible Preferred Stock are entitled to a \$6.00 per share dividend beginning at the conclusion of the redemption period, described above. The dividend will be paid quarterly at \$1.50 per share beginning in the first full calendar quarter after the conclusion of the redemption period and then at the end of each calendar quarter thereafter. Payment in either cash or Common Stock is at the discretion of the Company. If the dividend is paid in Common Stock, it will be paid at a rate of the amount of the dividend payment owed and/or otherwise due divided by the average trailing 30 days sales and/or trading price prior to the accrual period.

Should the Company fail to exercise the redemption right prior to the expiration of the redemption period, the holders of the Series B Redeemable Convertible Preferred Stock, at their election, and upon the expiration of the redemption period, may exercise a right of conversion to fully paid and non-assessable shares of Common Stock.

The shares will be converted on a face value basis by taking the number of shares times \$100.00 divided by the average trailing 30 days sales and/or trading price prior to conversion notice. The right of conversion will carry a minimum of \$1.00 per share of Common Stock floor price for the benefit of the holder that becomes void if the conversion formula yields a greater value at the time of conversion.

There are no voting rights throughout the 24-month redemption period unless and/or until the shares of Series B Redeemable Convertible Preferred Stock are convertible into shares of Common Stock. In the event of conversion to Common Stock, there are no cumulative voting rights associated with the shares of Common Stock received upon conversion.

There are no preemptive rights associated with the Series B Redeemable Convertible Preferred Stock.

In the event of voluntary or involuntary liquidation, dissolution or winding up of the Company, the holder of Series B Redeemable Convertible Preferred Stock will have seniority ahead of the holders of Series A Preferred Stock, holders of the Series E Preferred Stock and holders of Common Stock on distributions, payments and claims of the Company's assets.

Shares of Series B Redeemable Convertible Preferred Stock are transferable only at the consent of the Company.

At December 31, 2022, December 31, 2021, and December 31, 2020, there were 65,000 shares issued and outstanding of Series B Redeemable Convertible Preferred Stock with redemption period that concludes 24 months subsequent to the issuance date of September 1, 2020.

Common Stock

The Company's board of directors is authorized to issue, from time to time by resolution, up to 480,000,000 shares of its common stock. No holders of Common Stock shall have any preemptive or other right to subscribe for any additional un-issued or treasury shares of stock or for other securities of any class, or for voting rights, warrants or options to purchase stock or for scrip, or for securities of any kind convertible into stock or carrying stock purchase warrants or privileges unless so authorized by the Company.

With respect to all matters upon which holders of stockholders are entitled to vote or to give consent, the holders of the outstanding shares of Common Stock shall be entitled to cast one (1) vote in person or by proxy for each share of Common Stock held in his/her name.

Holders of Common Stock shall be entitled to receive such cash dividends as may be declared by the Company's board of directors from time to time out of assets of funds of the Company legally available.

At December 31, 2022, and December 31, 2021, there were 54,206,020 and 54,178,020 shares of Common Stock issued and outstanding, respectively.

During the year ended December 31, 2020, the Company received additional cash funds of \$80,000 from various related party investors in exchange for a promissory note that shares of Common Stock be issued subsequent to year end at some time in 2021. The resulting liability was recorded as a stock subscription on the balance sheet.

On April 30, 2021, by resolution of the board, with an effective date of March 15, 2021, the Company issued a total of 9,600,000 shares of its Common Stock for \$0.10 per share for a total of \$960,000 to related party investors. Of the total shares issued on this date, 800,000 shares at an assumed issuance price of \$0.10 per share were issued to settle the stock subscription liability of \$80,000 recorded at December 31, 2020. Additionally, the Company also issued to the related party investors warrants to purchase within three years an additional 2,272,000 shares of the Company's Common Stock at an exercise price of \$0.25 per share per unit subscribed and warrants to purchase within five years an additional 2,000,000 shares of the Company's Common Stock at an exercise price of \$1.00 per share per unit subscribed.

Share-based Compensation Expense

Share-based compensation for employees is included in general and administrative related costs in the consolidated statement of operations. For year ending December 31, 2021, share-based compensation expense was \$11,500, 7,000,000 shares of common stock were issued for employee and director compensation at \$1.00 a share. During the year ended December 31, 2020, 1,148,000 shares of Common Stock were issued as employee and director compensation at \$0.26 per share. For the years ended December 31, 2020, and 2019 share-based compensation was \$298,480 and \$0, respectively.

11. Earnings per Share

In accordance with the provisions of current authoritative guidance, basic earnings or loss per share is computed on the basis of the weighted average number of common shares outstanding during the periods. Diluted earnings or loss per share is computed based upon the weighted average number of common shares outstanding plus the assumed issuance of common shares for all potentially dilutive securities.

	For the Year Ending		For the Years Ended December 31,			
	December 31,		2021	2020		
	2022					
	(in thousands, except per share and share data)					
Net loss attributable to common stockholders	\$	(703)	\$	(1,447)	\$	(7,733)
Weighted average shares of common stock outstanding - basic		54,206,020		54,178,020		33,589,543
Weighted average shares of common stock outstanding - diluted		54,206,020		54,178,020		33,589,543
Net (loss) income per share of common stock attributable to common stockholders:						
Basic	\$	(0.0130)	\$	(0.0267)	\$	(0.2302)
Diluted	\$	(0.0130)	\$	(0.0267)	\$	(0.2302)

12. Commitments and Contingencies

Contractual Obligations

The Note Payable has a scheduled maturity of December 31, 2023. At December 31, 2022, the Note Payable balance totaled \$1,075,246 and continues to accrue interest at 10% per annum, accrued and recorded monthly. At December 31, 2021, the Note Payable balance totaled \$772,915 and continues to accrue interest at 10% per annum, accrued and recorded monthly.

At December 31, 2021, the Stock Subscription obligation totaled \$80,000. The Stock Subscription obligation was settled effective March 15, 2021, with the issuance of 800,000 shares at an assumed issuance price of \$0.10 per share as described above.

Restoration, Removal and Environmental Liabilities

The Company is subject to various regulatory and statutory requirements relating to the protection of the environment. These requirements, in addition to contractual agreements and management decisions, result in the accrual of estimated future removal and site restoration costs. These costs are initially measured at a fair value and are recognized in the consolidated financial statements as the present value of expected future cash flows. Subsequent to the initial measurement, the effect of the passage of time on the liability for the asset retirement obligation (accretion expense) and the amortization of the asset retirement obligation cost are recognized in the results of operations. Costs attributable to these commitments and contingencies are expected to be incurred over an extended period of time and are to be funded mainly from the Company's cash provided by operating activities. Although the ultimate impact of these matters on net earnings cannot be determined at this time, it could be material for any quarter or year. At December 31, 2022, the Company had total liabilities of \$1.7 million related to asset retirement obligations all of which is recorded as long-term liabilities. At December 31, 2021, the Company had total liabilities of \$1.8 million related to asset retirement obligations all of which is recorded as long-term liabilities. Due to the nature of these obligations, the Company cannot determine precisely when the payments will be made to settle these obligations. See Note 8, "Asset Retirement Obligation."

Indemnifications

Indemnifications in the ordinary course of business have been provided pursuant to provisions of purchase and sale contracts, service agreements, joint venture agreements, operating agreements, and leasing agreements. In these agreements, the Company may indemnify counterparties if certain events occur. These indemnification provisions vary on an agreement-by-agreement basis. In some cases, there are no pre-determined amounts or limits included in the indemnification provisions and the occurrence of contingent events that will trigger payment, if any, is difficult to predict.