



CLEARVIEW RESOURCES LTD

Clearview Resources Ltd.

**Condensed Interim Financial Statements
(unaudited)**

**For the three and nine months ended
September 30, 2019**

Notice to Reader

The September 30, 2019 Condensed Interim Financial Statements have been prepared by and are the responsibility of management. These financial statements have not been reviewed by the Company's independent external auditors.

CLEARVIEW RESOURCES LTD.**Condensed Interim Statements of Financial Position**
(thousands of Canadian dollars) (unaudited)

	Notes	September 30, 2019	December 31, 2018
Assets			
Current assets			
Trade and other receivables		2,867	2,358
Prepaid expenses and deposits		718	648
Fair value of financial instruments	13	68	64
Total current assets		3,653	3,070
Exploration and evaluation assets	5	405	248
Property, plant and equipment	6	89,961	77,434
Total assets		94,019	80,752
Liabilities			
Current liabilities			
Bank debt	7	14,957	16,553
Accounts payable and accrued liabilities		4,421	4,639
		19,378	21,192
Decommissioning obligations	8	31,769	22,645
Total liabilities		51,147	43,837
Shareholders' equity			
Common shares	9	75,003	66,494
Contributed surplus	9	3,057	2,368
Deficit		(35,188)	(31,947)
		42,872	36,915
Total liabilities and shareholders' equity		94,019	80,752

Commitments – Note 14

Subsequent event – Note 7

See accompanying notes to the condensed interim financial statements

Approved by the Board of Directors:

"Lindsay Stollery"
Director

"Richard Carl"
Director

CLEARVIEW RESOURCES LTD.**Condensed Interim Statements of Operations and Comprehensive Loss***(thousands of Canadian dollars except per share amounts) (unaudited)*

		Three Months Ended September 30		Nine Months Ended September 30	
	Notes	2019	2018	2019	2018
Revenues					
Oil and natural gas sales	11	5,357	6,297	19,175	17,482
Royalties		(570)	(987)	(2,170)	(2,423)
		4,787	5,310	17,005	15,059
Realized gain (loss) - commodity contracts	13	196	(647)	127	(1,506)
Unrealized gain (loss) - commodity contracts	13	(297)	603	4	(109)
Processing income		176	201	499	604
		4,862	5,467	17,635	14,048
Expenses					
Transportation		318	211	1,086	788
Operating		3,195	3,179	9,591	8,886
General and administrative		522	509	1,759	1,922
Stock based compensation	9	147	249	689	557
Depletion and depreciation	6	2,479	2,010	7,625	6,032
Impairment of property and equipment	4	-	-	-	1,404
Gain on disposal of natural gas assets		(25)	-	(25)	-
Transaction costs	4	1	-	111	112
		6,637	6,158	20,836	19,701
Finance costs	10	354	380	1,148	1,046
Net loss before taxes		(2,129)	(1,071)	(4,349)	(6,699)
Income taxes					
Deferred income taxes recovery		-	(71)	(1,108)	(71)
Net loss and comprehensive loss		(2,129)	(1,000)	(3,241)	(6,628)
Net loss per common share – basic and diluted					
	9	(0.18)	(0.10)	(0.28)	(0.70)

See accompanying notes to the condensed interim financial statements

CLEARVIEW RESOURCES LTD.**Condensed Interim Statements of Changes in Shareholders' Equity***(thousands of Canadian dollars) (unaudited)*

	Notes	Common Shares	Contributed Surplus	Deficit	Shareholders' Equity
Balance as at December 31, 2017		56,327	1,449	(23,236)	34,540
Issuance of common shares		8,237	-	-	8,237
Issuance of common shares – net of share issue costs		623	-	-	623
Issuance of flow-through common shares – net of tax		590	-	-	590
Stock based compensation expense		-	557	-	557
Net loss and comprehensive loss		-	-	(6,628)	(6,628)
Balance as at September 30, 2018		65,777	2,006	(29,864)	37,919
Balance as at December 31, 2018		66,494	2,368	(31,947)	36,915
Issuance of common shares	4	8,509	-	-	8,509
Stock based compensation expense		-	689	-	689
Net loss and comprehensive loss		-	-	(3,241)	(3,241)
Balance as at September 30, 2019		75,003	3,057	(35,188)	42,872

See accompanying notes to the condensed interim financial statements

CLEARVIEW RESOURCES LTD.
Condensed Interim Statements of Cash Flows
(thousands of Canadian dollars) (unaudited)

		Three Months Ended September 30		Nine Months Ended September 30	
	Notes	2019	2018	2019	2018
Cash provided by (used in):					
Operating activities					
Net loss and comprehensive loss		(2,129)	(1,000)	(3,241)	(6,628)
Adjustments for:					
Unrealized (gain) loss - commodity contracts		297	(603)	(4)	109
Stock based compensation		147	249	689	557
Accretion of decommissioning obligations	8	110	164	287	367
Deferred income taxes recovery		-	(71)	(1,108)	(71)
Depletion and depreciation	6	2,479	2,010	7,625	6,032
Gain on disposal of natural gas assets		(25)	-	(25)	-
Impairment of property and equipment		-	-	-	1,404
Decommissioning expenditures	8	(229)	-	(229)	(122)
Changes in non-cash working capital	12	772	(1,250)	(134)	60
		1,422	(501)	3,860	1,708
Investing activities					
Acquisition of exploration and evaluation assets	5	-	-	(182)	(283)
Additions to exploration and evaluation assets		-	(2)	-	(4)
Acquisition of property, plant and equipment	6	1	-	(328)	(3,154)
Additions to property, plant and equipment	6	(142)	(5,798)	(1,120)	(6,654)
Disposal of oil and natural gas assets	4	25	-	29	3,367
Changes in non-cash working capital	12	212	3,603	(663)	3,623
		96	(2,197)	(2,264)	(3,105)
Financing activities					
Common shares issued		-	1,284	-	1,284
Issue (repayment) of bank debt	7	(1,518)	1,078	(1,596)	398
Changes in non-cash working capital	12	-	326	-	11
		(1,518)	2,688	(1,596)	1,693
Change in cash		-	(10)	-	296
Cash and cash equivalents, beginning of period		-	306	-	-
Cash and cash equivalents, end of period		-	296	-	296
Supplemental information					
Interest paid on bank debt	10	237	213	782	668

See accompanying notes to the condensed interim financial statements

CLEARVIEW RESOURCES LTD.

Notes to the Condensed Interim Financial Statements

(tabular amounts in thousands of Canadian dollars) (unaudited)

For the three and nine months ended September 30, 2019

1. Nature of operations

Clearview Resources Ltd. ("Clearview" or "the Company") is a privately owned, crude oil and natural gas company, engaged in the acquisition, exploration, development and production of crude oil and natural gas from properties located in the province of Alberta, Canada. The Company's head office is located at 2400, 635 – 8th Ave. SW, Calgary, AB T2P 3M3.

2. Basis of preparation

Statement of compliance and authorization

These condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" using the same accounting policies as those set out in Note 3 of the audited financial statements for the period ended December 31, 2018, except as indicated in Note 3 below. The condensed interim financial statements contain disclosures that are supplemental to the Company's December 31, 2018 audited financial statements. Certain disclosures, which are normally required to be included in the notes to the audited annual financial statements, have been condensed or omitted. The condensed interim financial statements should be read in conjunction with the Company's audited financial statements and notes thereto for the period ended December 31, 2018. In the opinion of management, these condensed interim financial statements contain all adjustments necessary to present fairly the Company's financial position as at September 30, 2019 and the results of its operations and cash flows for the three and nine months then ended.

The condensed interim financial statements were approved and authorized for issuance by the Board of Directors on November 27, 2019.

3. Changes in accounting policies

Leases

Effective January 1, 2019, the Company adopted IFRS 16 which replaced IAS 17 "Leases" and IFRIC 4 "Determining Whether an Arrangement Contains a Lease". IFRS 16 introduces a single, on-balance sheet accounting model for lessees which requires the recognition of a right of use asset and a lease liability on the balance sheet for most leases. Certain short-term leases (less than 12 months) and leases of low-value assets can be exempt from the balance sheet recognition requirements and will continue to be expensed through earnings on a straight-line basis over the term of the contract.

The Company adopted IFRS 16 using the modified retrospective approach. Under this method of adoption, the right of use assets recognized were measured at amounts equal to the present value of the lease obligations. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effective of IFRS 16 as an adjustment to opening retained earnings and applies the standard prospectively. Clearview elected to not apply lease accounting to certain leases for which the lease term ends within 12 months or is of low value as of the date of adoption.

CLEARVIEW RESOURCES LTD.

Notes to the Condensed Interim Financial Statements

(tabular amounts in thousands of Canadian dollars) (unaudited)

For the three and nine months ended September 30, 2019

The Company did an evaluation of all its contracts and it was determined there is no material affect as a result of adopting IFRS 16 and as such no adjustment or additional disclosures have been made. The Company has adopted an accounting policy for leases as follows:

Leases

Leases or contractual obligations are capitalized as right of use assets with a corresponding right of use lease obligation on the balance sheet calculated as the present value of future lease payments. The discount rate used to determine the present value of future lease payments is the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate. Certain lease payments will continue to be expensed through earnings. These types of leases would be short-term leases equal to or less than twelve months, leases for the purpose of oil and gas extraction or leases whereby the underlying asset is of low value.

4. Acquisitions and dispositions

(a) Acquisition of assets

On February 22, 2019, Clearview acquired producing oil and gas assets and undeveloped land from a private oil and gas producer ("Private Co") for cash consideration of \$0.6 million and the issuance to Private Co of 1,361,542 voting common shares of Clearview issued from treasury. The operations of the acquired assets have been included in Clearview's results commencing on February 22, 2019.

The total consideration paid by Clearview was approximately \$9.1 million based on a share price for Clearview of \$6.25 per share. Transaction costs of \$0.1 million were recorded in earnings.

The acquisition of assets from Private Co has been accounted for as a business combination. The allocation of the purchase price is preliminary and may be subject to change. The net assets have been allocated as follows:

Acquisition Date	February 22, 2019
Consideration	
Cash consideration	581
Share consideration (1,361,542 common shares)	8,509
Total consideration	9,090
Net assets at estimated fair value	
Working capital	87
Exploration and evaluation assets	182
Property, plant and equipment	10,764
Deferred income tax liabilities	(1,108)
Decommissioning obligations (see Note 8)	(835)
Net assets	9,090

CLEARVIEW RESOURCES LTD.

Notes to the Condensed Interim Financial Statements

(tabular amounts in thousands of Canadian dollars) (unaudited)

For the three and nine months ended September 30, 2019

The fair value of property, plant and equipment has initially been estimated based upon an independently prepared reserves evaluation. The fair value of decommissioning obligations at the time of the acquisition was estimated using a discount rate of 13%.

Oil and natural gas sales of \$1.8 million and a net operating loss of \$46 thousand are included in the statement of operations since the closing date of February 22, 2019. If the acquisition had occurred on January 1, 2019, incremental oil and natural gas sales for the nine months ended September 30, 2019 would have been \$0.5 million and the incremental net operating income for the nine months ended September 30, 2019 would have been \$0.1 million (unaudited).

(b) Acquisition of Bashaw Oil Corp.

On April 16, 2018, Clearview acquired all of the issued and outstanding common shares of Bashaw Oil Corp. ("Bashaw") through a share for share exchange with the issuance of 1,560,046 voting common shares of the Company. The operations of Bashaw have been included in Clearview's results commencing on April 16, 2018. Bashaw was subsequently amalgamated into Clearview Resources Ltd.

The total consideration paid by Clearview was approximately \$8.2 million based on a share price, agreed upon by the two parties, for Clearview of \$5.28 per share. Transaction costs of \$0.1 million were recorded in earnings.

The acquisition of Bashaw has been accounted for as a business combination. The net assets have been allocated as follows:

Acquisition Date	April 16, 2018
Consideration	
Share consideration (1,560,046 common shares)	8,237
Net assets at estimated fair value	
Working capital (including cash of \$1,671)	1,710
Property, plant and equipment	7,725
Decommissioning obligations (see Note 8)	(1,198)
Net assets	8,237

The fair value of property, plant and equipment had initially been estimated based upon an independently prepared reserves evaluation. The fair value of decommissioning obligations at the time of the acquisition was estimated using a discount rate of 10%.

(c) Acquisition of assets

On January 4, 2018, the Company acquired working interests in producing oil and natural gas assets located in Central Alberta. The purchase price paid by the Company was \$3.4 million after closing adjustments. The acquisition was accounted for as a business combination using the purchase method of accounting.

CLEARVIEW RESOURCES LTD.**Notes to the Condensed Interim Financial Statements***(tabular amounts in thousands of Canadian dollars) (unaudited)***For the three and nine months ended September 30, 2019**

The allocation of the purchase price, based on the estimated fair value of the assets and liabilities acquired, was as follows:

Acquisition Date	January 4, 2018
Net assets and liabilities at estimated fair values:	
Property, plant and equipment	3,464
Exploration and evaluation	283
Decommissioning obligations	(377)
	<u>3,370</u>
Cash consideration – net of closing adjustments	<u>3,370</u>

The decommissioning obligations of the acquisition were fair valued by estimating the future costs to abandon and reclaim the wells and facilities, discounted at 10%.

During the nine months ended December 31, 2018, the Company acquired working interests of several joint venture partners in its Central Alberta Gas CGU for cash consideration of \$67 thousand.

(d) Disposition of assets

Effective March 8, 2018, the Company reclassified, to assets held for sale, the net recoverable amount of assets and liabilities associated with an oil property located in its Southern Oil CGU, after an impairment charge of \$1.4 million, recorded to impairment of property and equipment in earnings.

On April 10, 2018, the Company closed the disposition of the oil property, to a related entity controlled by a director of the Company, for proceeds of \$3.4 million, after closing adjustments. The proceeds from the disposition were immediately applied to reduce the Company's bank debt.

Disposition Date	April 10, 2018
Property, plant and equipment	4,636
Less decommissioning obligations	(1,267)
Net carrying value	<u>3,369</u>

CLEARVIEW RESOURCES LTD.

Notes to the Condensed Interim Financial Statements

(tabular amounts in thousands of Canadian dollars) (unaudited)

For the three and nine months ended September 30, 2019

5. Exploration and evaluation assets

Exploration and evaluation assets ("E&E") consist of the Company's exploration projects which are pending the determination of proved plus probable reserves.

	Nine Months Ended September 30, 2019	Nine Months Ended December 31, 2018
Balance, beginning of the period	248	284
Additions	-	23
Acquisition of E&E assets (see Note 4 (a))	182	-
Expense	(25)	(59)
Balance, end of the period	405	248

Due to the expiry of certain lands in E&E, the Company incurred an expense of \$25 thousand, included in depletion and depreciation, during the nine months ended September 30, 2019 (\$59 thousand in the nine months ended December 31, 2018). The Company incurred \$23 thousand in land acquisitions during the nine months ended December 31, 2018 related to E&E assets.

6. Property, plant and equipment

(a) Oil and natural gas assets

	Nine Months Ended September 30, 2019	Nine Months Ended December 31, 2018
Cost		
Balance, beginning of the period	111,955	93,385
Acquisitions (see Note 4)	10,780	7,792
Asset retirement costs	8,231	2,544
Additions	1,120	9,577
Disposals	(4)	(1,343)
Balance, end of the period	132,082	111,955
Accumulated depletion and depreciation		
Balance, beginning of the period	(34,521)	(28,626)
Depletion and depreciation	(7,600)	(6,165)
Disposals	-	270
Balance, end of the period	(42,121)	(34,521)
Net carrying value, end of the period	89,961	77,434

The Company does not capitalize any of its general and administrative costs associated with exploration and development activities.

CLEARVIEW RESOURCES LTD.

Notes to the Condensed Interim Financial Statements

(tabular amounts in thousands of Canadian dollars) (unaudited)

For the three and nine months ended September 30, 2019

(b) Depletion and depreciation

The depletion cost base includes future development costs as appropriate. At September 30, 2019, the Company estimated its future development costs to be \$169.3 million (December 31, 2018 - \$126.5 million).

7. Bank debt

At September 30, 2019, the Company had a demand, revolving operating facility with an Alberta based financial institution with a credit facility limit of \$21.0 million (December 31, 2018 - \$21.0 million). The credit facility is secured by a general security agreement providing a security interest over all present and acquired property and a floating charge on all oil and natural gas assets. Borrowings under the credit facility are subject to an interest rate of lender prime plus 3.0% per annum (6.95% at September 30, 2019) and require monthly payments of interest only. The Company has the option of borrowing using the lender's guaranteed notes which are subject to a stamping fee of 4.0% per annum plus the guaranteed note rate for 30, 60, 90 or 180 day terms (6.0% at September 30, 2019 for a 90 day guaranteed note).

At September 30, 2019, the Company had drawn \$15.0 million on the revolving facility (December 31, 2018 - \$16.6 million).

Subsequent to the end of the quarter, the Company's lender completed its annual credit facility review and established a limit of \$18.5 million. As the available lending limits are based on the lender's interpretation of the Company's reserves and future commodity prices, there can be no assurance as to the amount of available credit that will be determined at each scheduled review.

The credit facility agreement requires compliance with a working capital covenant whereby the Company must maintain a minimum working capital ratio of 1 to 1. For calculating compliance with this covenant, the amount drawn on the credit facility, classified as a current liability, and the fair value of financial instruments are excluded from working capital. Conversely, the amount of the undrawn portion of the revolving facility is added to current assets. At September 30, 2019, the Company's working capital ratio for purposes of the lender's working capital covenant was 2.2:1 (December 31, 2018 1.6:1).

CLEARVIEW RESOURCES LTD.

Notes to the Condensed Interim Financial Statements

(tabular amounts in thousands of Canadian dollars) (unaudited)

For the three and nine months ended September 30, 2019

8. Decommissioning obligations

The following table presents the continuity of the Company's decommissioning obligations.

	Nine Months Ended September 30, 2019	Nine Months Ended December 31, 2018
Balance, beginning of the period	22,645	18,873
Disposition of obligations	-	(239)
Obligations settled	(229)	(59)
Obligations incurred from operations	-	123
Acquisition (see Note 4)	835	1,198
Changes in rates	8,231	2,421
Accretion (see Note 10)	287	328
Balance, end of the period	31,769	22,645

Decommissioning obligations assumed as part of the acquisition of assets in the first quarter of 2019 were initially measured at fair value using a discount rate of 13% for a total of \$0.8 million. The reduction to a risk-free rate of 1.9% at the end of the first quarter resulted in an increase in the obligation of \$4.8 million which is a component of the changes in rates in the above table. Further reductions in the risk-free rate to 1.5% have resulted in an additional increase in the decommissioning obligation of \$3.4 million, also included in the change in rates.

The Company has abandoned 10 gross (3.75 net) wells during the year for a total of \$0.2 million.

The future estimated cash outflows required to settle the obligation have been discounted using a risk-free rate of 1.5% at September 30, 2019 (December 31, 2018 – 2.0%). An inflation rate of 2.0% (December 31, 2018 – 2.0%) was used as an estimate to determine the future cash outflows required to settle the obligations. The total undiscounted amount of future cash outflows as estimated at September 30, 2019 was \$41.5 million (December 31, 2018 - \$32.4 million).

CLEARVIEW RESOURCES LTD.

Notes to the Condensed Interim Financial Statements

(tabular amounts in thousands of Canadian dollars) (unaudited)

For the three and nine months ended September 30, 2019

9. Share capital

(a) Authorized shares

Unlimited voting common shares – without nominal or par value

Unlimited non-voting common shares – without nominal or par value

Unlimited preferred shares with multiple classes – par value of \$1.00

(b) Issued voting common shares

	#	\$
Balance as at March 31, 2018	8,437,866	56,327
Issued on acquisition – Bashaw Oil Corp (Note 4 (b))	1,560,046	8,237
Issue of common shares for cash	210,390	1,315
Issue of flow-through common shares – net	101,543	635
Share issue costs		(20)
Balance as at December 31, 2018	10,309,845	66,494
Issued on acquisition of assets (Note 4 (a))	1,361,542	8,509
Balance as at September 30, 2019	11,671,387	75,003

During the nine months ended December 31, 2018, the Company issued 210,390 common shares at \$6.25 per share for total proceeds of \$1.3 million and 101,543 flow-through common shares at \$7.00 per share for proceeds of \$0.7 million. A flow-through share premium of \$76 thousand to reflect the tax benefits renounced to the subscribers of the shares was recorded as a reduction to share capital. The proceeds of the issuance were used to fund the Company's 2018 drilling program. The required qualifying Canadian development expenses were incurred by December 31, 2018 and renounced to the subscribers of the flow-through common shares.

(c) Contributed surplus

The following table presents the continuity of contributed surplus.

	Nine Months Ended September 30, 2019	Nine Months Ended December 31, 2018
Balance, beginning of the period	2,368	1,673
Stock based compensation	689	695
Balance, end of the period	3,057	2,368

CLEARVIEW RESOURCES LTD.**Notes to the Condensed Interim Financial Statements***(tabular amounts in thousands of Canadian dollars) (unaudited)***For the three and nine months ended September 30, 2019**

(d) Per share amounts

The loss per voting common share was determined as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Net loss and comprehensive loss	(2,129)	(1,000)	(3,241)	(6,628)
Weighted average shares outstanding- basic and diluted (thousands)	11,670	10,047	11,404	9,409
Total	(0.18)	(0.10)	(0.28)	(0.70)

For the three and nine months ended September 30, 2019 and 2018, options for voting common shares were excluded from the computation of diluted per share amounts as the Company was in a loss position for each of those periods.

(e) Options for voting common shares

The Company has provided for equity-settled, share based payments in the form of options to acquire voting common shares which the Board of Directors has granted to directors, officers, employees and consultants. The numbers of options, the exercise price and all other terms thereof were set by the Board of Directors at the time of the grants. The following presents the continuity of the voting common shares under option.

	Number of shares under option	Weighted average exercise price
Balance as at March 31, 2018	722,333	\$4.74
Cancelled	(63,832)	\$4.86
Granted	463,500	\$5.00
Balance as at December 31, 2018	1,122,001	\$4.83
Cancelled	(60,834)	\$4.75
Balance as at September 30, 2019	1,061,167	\$4.83

The following table summarizes the options outstanding at September 30, 2019.

Outstanding			Exercisable		
Number of shares under option	Remaining contractual life (Years)	Weighted average exercise price	Number of shares under option	Remaining contractual life (Years)	Weighted average exercise price
344,500	3.83	\$4.50	324,001	3.83	\$4.50
253,167	4.64	\$5.00	167,167	4.64	\$5.00
463,500	5.55	\$5.00	154,501	5.55	\$5.00
1,061,167	4.77	\$4.83	645,669	4.44	\$4.75

CLEARVIEW RESOURCES LTD.**Notes to the Condensed Interim Financial Statements***(tabular amounts in thousands of Canadian dollars) (unaudited)***For the three and nine months ended September 30, 2019****10. Finance expense**

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Accretion (see Note 8)	110	164	287	367
Interest on bank debt	243	213	810	668
Credit facility fees and other	1	3	51	11
Total	354	380	1,148	1,046

11. Revenue

The Company derives its revenue from contracts with customers for oil and natural gas sales through the transfer of commodities at particular sales points and for processing income through the provision of services at particular facilities. All revenue of the Company is generated through sales in Alberta. Oil and natural gas sales are comprised of the following major product types.

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Crude oil	3,715	3,922	12,491	9,829
Natural gas liquids	942	1,628	3,418	4,751
Natural gas	700	747	3,266	2,902
Total	5,357	6,297	19,175	17,482

12. Supplemental cash flow information

Changes in non-cash working capital are comprised of:

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Cash provided by (used in):				
Trade and other receivables	(120)	(703)	(509)	(91)
Prepaid expenses and deposits	237	245	(70)	231
Accounts payable and accrued liabilities	867	3,137	(218)	3,554
	984	2,679	(797)	3,694
Related to:				
Operating activities	772	(1,250)	(134)	60
Investing activities	212	3,603	(663)	3,623
Financing activities	-	326	-	11
Changes in non-cash working capital	984	2,679	(797)	3,694

CLEARVIEW RESOURCES LTD.

Notes to the Condensed Interim Financial Statements

(tabular amounts in thousands of Canadian dollars) (unaudited)

For the three and nine months ended September 30, 2019

13. Risk management and financial instruments

(a) Overview of risk management

The Company's activities expose it to a variety of financial risks that arise from its exploration, development, production and financing activities. The risks include credit risk, liquidity risk and market risk. The Company employs risk management strategies and policies to ensure that any exposure to risk complies with the Company's business objectives and risk tolerance levels. While the Board of Directors of the Company has the overall responsibility for the establishment and oversight of the Company's risk management framework, management has the responsibility to administer and monitor these risks.

(b) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, interest rates and foreign exchange rates will affect the Company's net earnings or the value of financial instruments. The objective is to manage/mitigate market risk exposures within acceptable limits, while maximizing returns.

Commodity price risk

The nature of the Company's operations results in exposure to fluctuations in commodity prices. Commodity prices for oil and natural gas are impacted by global economic and political events that dictate the levels of supply and demand. Management continuously monitors commodity prices and contracts to manage exposure to these risks when it deems appropriate. The Company does not utilize derivative financial instruments for speculative purposes.

The Company hedges a portion of oil and natural gas sales using derivative financial instruments or may use forward sales contracts or physical sales contracts when deemed appropriate. The Company does not apply hedge accounting for these contracts. The Company's production is usually sold using "spot" or near-term contracts, with prices fixed at the time of transfer of custody or based on a monthly average market price.

The Company's financial commodity price contracts are contracted with its lender, an Alberta based financial institution, and other large institutions with strong credit ratings to reduce counterparty risk. The Company had the following commodity price contracts outstanding at September 30, 2019.

Commencement Date	Expiry Date	Units	Volume	Underlying Commodity	Fixed Price
February 1, 2019	October 31, 2019	GJ/day	1,000	AECO 5A - Financial	\$1.18
February 1, 2019	December 31, 2019	GJ/day	1,000	AECO 5A - Financial	\$1.52
March 1, 2019	December 31, 2019	GJ/day	1,000	AECO 5A - Physical	\$1.51
October 1, 2019	December 31, 2019	GJ/day	2,000	AECO 5A – Financial	\$1.96
January 1, 2020	December 31, 2020	GJ/day	1,000	AECO 5A – Financial	\$1.57
January 1, 2020	December 31, 2020	GJ/day	1,000	AECO 5A - Physical	\$1.61
May 1, 2019	December 31, 2019	Bbl/day	150	WTI/Cdn – Financial	\$87.00
May 1, 2019	December 31, 2019	Bbl/day	150	Differential – Financial	\$10.80
October 1, 2019	December 31, 2019	Bbl/day	250	WTI/US – Physical	US\$60.45
October 1, 2019	December 31, 2019	Bbl/day	250	Differential – Physical	US\$5.78

CLEARVIEW RESOURCES LTD.

Notes to the Condensed Interim Financial Statements

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For the three and nine months ended September 30, 2019

The mark to market value of the financial instruments contracted and outstanding at September 30, 2019 was an unrealized gain of \$68 thousand, classified as a current asset (December 31, 2018 – \$64 thousand). The change in the mark to market value during the nine months ended September 30, 2019 resulted in an unrealized gain of \$4 thousand (September 30, 2018 – unrealized loss of \$0.1 million) which was recorded in earnings. The realized gain for the three months ended September 30, 2019 was \$0.2 million (September 30, 2018 – realized loss of \$0.6 million). For the nine months ended September 30, 2019 a realized gain of \$0.1 million was recorded in earnings (September 30, 2018 – realized loss of \$1.5 million).

(c) Capital management

The Company's objective is to maintain access to sources of capital, defined to be working capital, shareholders' equity, its credit facility and cash flow from operations, with which to finance its operations. The Company maintains a capital structure of equity and debt as appropriate. The Company manages its capital structure and revises the structure for changes in economic conditions, opportunities for accretive acquisitions and the risk characteristics of the underlying investments. The Company balances its overall capital structure through share issues and the use of debt as deemed appropriate in the circumstances. The Company is not subject to any externally imposed capital requirements other than the working capital covenant associated with its credit facility.

The Company's credit facility requires compliance with a covenant whereby the working capital ratio can be no less than 1:1 as outlined in Note 7. At September 30, 2019, the Company's working capital ratio for purposes of the lender's working capital covenant was 2.2:1 (December 31, 2018 1.6:1).

The Company monitors net debt in managing its capital. Net debt is defined as current assets less current liabilities, excluding the fair value of its commodity contracts. The components of the Company's net debt calculation are as follows:

As at	September 30, 2019	December 31, 2018
Trade and other receivables	2,867	2,358
Prepaid expenses and deposits	718	648
Bank debt	(14,957)	(16,553)
Accounts payable and accrued liabilities	(4,421)	(4,639)
Net debt	(15,793)	(18,186)

CLEARVIEW RESOURCES LTD.

Notes to the Condensed Interim Financial Statements

(tabular amounts in thousands of Canadian dollars) (unaudited)

For the three and nine months ended September 30, 2019

(d) Fair value

As at September 30, 2019 and December 31, 2018, the carrying value of trade and other receivables and accounts payable and accrued liabilities included in the statement of financial position approximate fair value due to the short-term nature of those instruments. The fair value of the bank debt approximates its carrying value as it bears a floating rate of interest and the margin charged by the lenders is indicative of current credit spreads. Fair value is measured on the following basis:

Level 1 fair value measurements are based on unadjusted quoted market prices.

Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices.

Level 3 fair value measurements are based on unobservable information.

The fair value of financial instruments are measured using level 2 inputs.

14. Commitments

The Company is committed to future minimum payments for natural gas transmission and office space. The Company has a lease for office space which expires June 29, 2020 and acquired an additional office lease as part of the acquisition of Bashaw which expires April 30, 2020. The Company recovers a portion of these office costs from subleases to other corporations. These amounts are not reflected as recoveries in the table below. Payments required under these commitments for each of the next five years are as follows:

	2019	2020	2021	2022	2023	Total
Gas transportation	94	242	94	4	-	434
Office leases	78	134	-	-	-	212
Total	172	376	94	4	-	646