CLEARVIEW RESOURCES LTD

Clearview Resources Ltd.

Condensed Interim Financial Statements
(unaudited)

For the three and nine months ended September 30, 2020

Notice to Reader

The September 30, 2020 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, 2020	December 31, 2019
Assets			
Current assets			
Trade and other receivables		**2,349**	2,940
Prepaid expenses and deposits		**668**	606
Total current assets		**3,017**	3,546
Exploration and evaluation assets	5	**408**	405
Property, plant and equipment	6	**49,882**	76,087
Total assets		**53,307**	80,038
Liabilities			
Current liabilities			
Bank debt	7	**13,411**	14,807
Accounts payable and accrued liabilities		**3,387**	3,675
Fair value of financial instruments	13	**725**	224
Decommissioning obligations	8	**422**	422
		17,945	19,128
Decommissioning obligations	8	**25,350**	23,420
Total liabilities		**43,295**	42,548
Shareholders' equity			
Common shares	9	**75,003**	75,003
Contributed surplus	9	**3,457**	3,202
Deficit		**(68,448)**	(40,715)
		10,012	37,490
Total liabilities and shareholders' equity		**53,307**	80,038

COVID-19 and future operations, subsequent events – Note 1

Commitments – Note 14

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)

	Notes	Three Months Ended September 30 2020	Three Months Ended September 30 2019	Nine Months Ended September 30 2020	Nine Months Ended September 30 2019
Revenues					
Oil and natural gas sales	11	**4,371**	5,357	**11,263**	19,175
Royalties		**(208)**	(570)	**(786)**	(2,170)
		4,163	4,787	**10,477**	17,005
Realized (loss) – risk management contracts	13	**(44)**	196	**1,276**	127
Unrealized gain (loss) – risk management contracts	13	**(464)**	(297)	**(501)**	4
Processing income		**142**	176	**399**	499
		3,797	4,862	**11,651**	17,635
Expenses					
Transportation		**319**	318	**881**	1,086
Operating		**2,491**	3,195	**7,785**	9,591
General and administrative		**296**	522	**1,170**	1,759
Stock based compensation	9	**46**	147	**255**	689
Depletion and depreciation		**2,102**	2,454	**6,009**	7,600
Exploration and evaluation expense	5	**-**	25	**-**	25
Impairment of property and equipment	6	**-**	-	**22,300**	-
Gain on disposal of natural gas assets	4	**-**	(25)	**-**	(25)
Transaction costs		**-**	1	**-**	111
		5,254	6,637	**38,400**	20,836
Finance costs	10	**304**	354	**984**	1,148
Net loss before taxes		**(1,761)**	(2,129)	**(27,733)**	(4,349)
Income taxes					
Deferred income taxes recovery		**-**	-	**-**	(1,108)
Net loss and comprehensive loss		**(1,761)**	(2,129)	**(27,733)**	(3,241)

Net loss per common share – basic and diluted	9	**(0.15)**	(0.18)	**(2.38)**	(0.28)

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, 2018		66,494	2,368	(31,947)	36,915
Issuance of common shares		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
Balance as at December 31, 2019		75,003	3,202	(40,715)	37,490
Stock based compensation expense		-	255	-	255
Net loss and comprehensive loss		-	-	(27,733)	(27,733)
Balance as at September 30, 2020		**75,003**	**3,457**	**(68,448)**	**10,012**

See accompanying notes to the condensed interim financial statements

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

	Notes	**Three Months Ended September 30 2020**	**2019**	**Nine Months Ended September 30 2020**	**2019**
Cash provided by (used in):					
Operating activities					
Net loss and comprehensive loss		**(1,761)**	(2,129)	**(27,733)**	(3,241)
Adjustments for:					
Unrealized (gain) loss – risk management contracts		**464**	297	**501**	(4)
Stock based compensation		**46**	147	**255**	689
Accretion of decommissioning obligations	8	**80**	110	**198**	287
Deferred income taxes recovery		**-**	-	**-**	(1,108)
Depletion and depreciation		**2,102**	2,454	**6,009**	7,600
Exploration and evaluation expense		**-**	25	**-**	25
Gain on disposal of natural gas assets		**-**	(25)	**-**	(25)
Impairment of property and equipment	6	**-**	-	**22,300**	-
Decommissioning expenditures	8	**-**	(229)	**(53)**	(229)
Changes in non-cash working capital	12	**(57)**	772	**251**	(134)
		874	1,422	**1,728**	3,860
Investing activities					
Acquisition of exploration and evaluation assets	5	**-**	-	**-**	(182)
Additions to exploration and evaluation assets		**-**	-	**(3)**	-
Acquisition of property, plant and equipment	4	**114**	1	**261**	(328)
Additions to property, plant and equipment	6	**(233)**	(142)	**(580)**	(1,120)
Disposal of oil and natural gas assets	4	**-**	25	**-**	29
Changes in non-cash working capital	12	**199**	212	**(10)**	(663)
		80	96	**(332)**	(2,264)
Financing activities					
Issue (repayment) of bank debt	7	**(954)**	(1,518)	**(1,396)**	(1,596)
		(954)	(1,518)	**(1,396)**	(1,596)
Change in cash		**-**	-	**-**	-
Cash and cash equivalents, beginning of period		**-**	-	**-**	-
Cash and cash equivalents, end of period		**-**	-	**-**	-
Supplemental information					
Interest paid on bank debt	10	**162**	237	**643**	782

See accompanying notes to the condensed interim financial statements

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.

COVID-19 and Economic Uncertainty

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. In addition, global commodity prices have declined significantly due to a collapse in demand attributed to COVID-19 in combination with an oversupply of oil. Governments worldwide, including those in Canada, have enacted emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to businesses globally, resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions, however, the success of these interventions is not currently determinable. The current economic environment may have significant adverse impacts on the Company including, but not limited to:

- Material declines in revenue and cash flows as a result of the decline in commodity prices;
- Declines in revenue and cash flows due to a reduced capital program and shut-in production;
- Increased impairment charges (see Note 6);
- Inability to comply with restrictions in lending agreements;
- Increased risk of non-performance by the Company's customers which could materially increase the risk of nonpayment of accounts receivable and customer defaults; and
- If the situation continues for a further prolonged period of time it could jeopardize the Company's ability to continue as a going concern.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company is not known at this time. Estimates and judgments made by management in the preparation of these financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period.

At current forward pricing scenarios, crude oil and natural gas production companies in Canada may not conform to the standard reserve-based lending ("RBL") structures with their lenders. The Federal Government has acknowledged the challenges facing the oil and gas industry and has announced support programs intended to provide a liquidity backstop to RBL credit facilities which will be administered through Export Development Canada ("EDC") and the Business Development Bank of Canada ("BDC"). EDC and BDC will work directly with the primary banking institutions to provide additional lending and credit capacity to qualifying oil and gas producers that (based on certain criteria) were deemed financially viable prior to the onset of the COVID-19 pandemic. The Company believes it meets the criteria for support under these announced programs and has been working with its lender to access these programs.

At September 30, 2020, Clearview has a demand, reserve-based, revolving credit facility, with an Alberta based financial institution, which has a credit facility limit of $18.5 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. The available lending limit is 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 the time of each review. The Company had $13.4 million outstanding on the credit facility at September 30, 2020.

While the Company has an amount outstanding under its credit facility which is less than the credit facility limit of $18.5 million, the Company remains dependent on the support of its lender. In addition, the recent significant decline in crude oil prices due to macro-economic uncertainty, an over-supply of oil globally and a significant reduction in demand due to the impact of COVID-19 has the Company projecting a significant reduction in cash flow from operating activities in 2020. Recent improvements in realized sales prices and the forward price curves have improved the Company's ability to generate cash flow from operations. If the credit facility is not renewed by the lender, at or above its existing lending limits, is at any time placed on demand, or a covenant violation is not remedied or waived by the lender, the outstanding amount could become payable immediately, and there is no certainty that the Company would have available capital resources to repay the bank debt.

Due to the facts and circumstances detailed above, coupled with considerable economic instability and uncertainty in the oil and gas industry which negatively impact operating cash flows and lender and investor sentiment, there is a material uncertainty surrounding the Company's ability to continue as a going concern that creates significant doubt as to the ability of the Company to meet its obligations as they become due and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business. These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used. These adjustments could be material.

Subsequent events

Over the past several months, the Company has been focused on the completion of three financing initiatives to improve the Company's financial position during these unprecedented times and for the future. These strategic initiatives include:

- Securing a workable credit agreement with its lender that provides the credit capacity and flexibility required for the current economic environment;

- Securing long-term funding through the Federal Government sponsored Export Development Canada Guarantee program; and

- Raising $1.25 million in convertible debentures from the Company's very supportive shareholders to reduce the Company's outstanding bank debt.

Subsequent to the end of the third quarter, Clearview's lender completed its annual review of the Company's revolving, reserve-based credit facility. The credit facility limit was reduced to $15.0 million with the next annual review date being set for October 31, 2021. The Company had $13.5 million outstanding as of November 26, 2020. Borrowings under the credit facility continue to be subject to an interest rate of lender prime, currently at 2.45%, plus a credit spread or at the option of Clearview, using the lender's guaranteed notes, which are subject to the Canadian Dollar Offered Rate ("CDOR"), currently at 0.49% for a 30 day note, plus a stamping fee. The credit spread and stamping fees applicable to the borrowings are based on a pricing margin grid and will change as a result of the ratio of outstanding indebtedness to annualized quarterly funds flows as calculated in accordance with the agreement governing the credit facility. Under this credit agreement, the prime lending credit spread and guaranteed notes stamping fees have increased by 2.75% across the entire pricing grid.

The reserve-based credit agreement continues to require compliance with a working capital covenant whereby the Company must maintain a minimum working capital ratio of 1 to 1 and a liability management rating ("LMR") covenant of no less than 2.0. In addition, the Company will now be required to maintain commodity swap contracts for 50% (approximately 3,400 GJ per day) of its natural gas production volumes and 300 barrels per day of its oil production volumes through to the next annual review date.

Simultaneously, the Company obtained an additional credit facility under its existing credit facility agreement with its lender for $6.25 million under the Business Credit Availability Program ("BCAP"), supported by the Export Development Canada ("EDC") Guarantee. The facility has a term of five years with the EDC providing a guarantee to the Company's lender for 80% of the principal amount outstanding. Monthly payments required under the facility are for interest costs only, which are subject to an interest rate of lender prime plus a credit spread, similar to the reserve-based credit facility. The principal amount outstanding must be repaid no later than 50% at the end of the fourth year with the balance of the principal outstanding due for repayment at the end of the fifth year. The Company will be required to pay an upfront fee of 1.8% annually to the EDC.

Additionally, on December 1, 2020, the Company completed a convertible debenture offering to its existing shareholders for $1.25 million. The debentures are unsecured and subordinate to all senior debt of the Company. The interest payable on the debentures is 10%, payable on a quarterly basis, with a term of five years. During the term, the debenture is convertible into common shares of the Company at the option of the holder based on a conversion price of $1.50 per common share. The convertible debentures may be redeemed by the Company, upon consent from its lender, pursuant to the following provisions:

Year 1 – No redemption
Year 2 – 110% of the principal amount
Year 3 – 105% of the principal amount
Years 4 and 5 – 100% of the principal amount

Now, the Company has a reserve-based credit facility agreement of $15.0 million and a second credit facility of $6.25 million, 80% guaranteed by the EDC. Further improving the Company's financial position is the five-year term nature of the EDC backed credit facility, having an annual review date on the reserve-based credit facility which is 11 months into the future and the injection of $1.25 million from the convertible debenture offering. These credit arrangements, the injection of capital by the Company's shareholders and an overall improving oil and gas environment will allow the Company to reassess the requirement for the going concern disclosure in its December 31, 2020 audited financial statements.

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, 2019, except as indicated in Note 3 below. The condensed interim financial statements contain disclosures that are supplemental to the Company's December 31, 2019 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, 2019. 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, 2020 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, 2020.

3. Changes in accounting policies

Business Combinations

On January 1, 2020, the Company adopted the amendments to IFRS 3, "Business Combinations", to clarify whether a transaction results in an asset acquisition or a business acquisition. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets are concentrated in a single identifiable asset or a group of similar identifiable assets. If the concentration test is not applied, or the concentration test fails, then the assessment focuses on the existence of a substantive process. The standard will be applied prospectively. No business combinations were completed during the nine months ended September 30, 2020.

4. Acquisitions and dispositions

(a) Acquisition of assets

During the nine months ended September 30, 2020, the Company acquired working interests of joint venture partners in 9 gross (3.5 net) wells in its Central Alberta Oil CGU. The joint venture partners paid Clearview $261 thousand to acquire their working interests, representing the value of the assets less the cost of decommissioning obligations of $296 thousand.

(b) Acquisition of Private Co. assets

In the prior year, 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.

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

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 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	(835)
Net assets	9,090

The fair value of property, plant and equipment has 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%.

(c) Disposition of assets

In the third quarter of 2020, the Company closed the disposition of a non-operated minor working interest in a natural gas property in its Central Alberta Gas CGU for nil proceeds. No gain or loss was recorded in earnings related to the disposition. The disposition resulted in a reduction of $88 thousand in decommissioning obligations.

During the twelve months ended December 31, 2019, the Company closed the disposition of a non-operated minor working interest in a natural gas property in its Central Alberta Gas CGU and the disposition of a royalty interest in 1,257 natural gas wells. Proceeds from the dispositions were $29 thousand, after closing adjustments, resulting in a gain on dispositions of $25 thousand, recorded in earnings. The dispositions included the reduction of $4 thousand in decommissioning obligations.

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

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, 2020	Twelve Months Ended December 31, 2019
Balance, beginning of the period	**405**	248
Acquisition of E&E assets	**-**	182
Additions	**3**	-
Expense	**-**	(25)
Balance, end of the period	**408**	405

6. Property, plant and equipment

(a) Oil and natural gas assets

	Nine Months Ended September 30, 2020	Twelve Months Ended December 31, 2019
Cost		
Balance, beginning of the period	**123,969**	111,955
Acquisitions (see Note 4 (a))	**35**	10,780
Asset retirement costs	**1,577**	194
Additions	**580**	1,474
Dispositions	**(670)**	(434)
Balance, end of the period	**125,491**	123,969
Accumulated depletion, depreciation and impairment		
Balance, beginning of the period	**(47,882)**	(34,521)
Depletion and depreciation	**(6,009)**	(10,041)
Impairment expense	**(22,300)**	(3,750)
Dispositions	**582**	430
Balance, end of the period	**(75,609)**	(47,882)
Net book value, end of the period	**49,882**	76,087

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

(b) Depletion and depreciation

The depletion cost base includes future development costs ("FDC") as appropriate. At September 30, 2020, the Company estimated its FDC to be $160.8 million (December 31, 2019 - $160.8 million).

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

(c) Impairment

At March 31, 2020, due to the decline in current and forward oil, natural gas and natural gas liquids prices, Clearview determined there were indicators of impairment present affecting all of its CGU's. As a result, the Company completed an impairment test on its three CGU's, Central Alberta Gas, Central Alberta Oil and Southern Alberta Oil at March 31, 2020 based on fair value less cost to sell to calculate the estimated recoverable amount of each CGU. The estimated recoverable amount was based on before-tax discount rates specific to the underlying reserve category and risk profile of each CGU, net of decommissioning obligations. The discount rates used in the valuation ranged from 10 to 20 percent. The tests indicated an impairment in all three CGU's. For the Central Alberta Gas CGU, the carrying value exceeded the recoverable amount by $13.8 million, the Central Alberta Oil CGU carrying value exceeded the recoverable amount by $7.0 million and the Southern Alberta Oil CGU carrying value exceeded the recoverable amount by $1.5 million. This resulted in a total impairment of $22.3 million.

The following table details the forward pricing used in estimating the recoverable amount of each CGU at March 31, 2020.

Year	WTI US/bbl	Edmonton Light Cdn/bbl	Bow River Medium Cdn/bbl	Propane Cdn/bbl	Butane Cdn/bbl	Pentane Cdn/bbl	AECO Spot Cdn/gj
2020	29.17	29.22	19.55	10.04	18.27	34.35	1.74
2021	40.45	46.85	35.07	17.08	29.70	50.72	2.20
2022	49.17	59.27	46.87	23.55	37.87	62.80	2.38
2023	53.28	65.02	51.81	26.03	41.80	68.49	2.45
2024	55.66	68.43	54.85	27.57	44.14	71.73	2.53
2025	56.87	69.81	56.29	28.19	45.02	73.16	2.60
2026	58.01	71.24	57.54	28.83	45.95	74.66	2.66
2027	59.17	72.70	58.82	29.49	46.89	76.19	2.72
2028	60.35	74.19	60.12	30.17	47.86	77.75	2.79
2029	61.56	75.71	61.44	30.85	48.84	79.34	2.85
2030	62.79	77.22	62.67	31.47	49.81	80.93	2.91
2031	64.05	78.77	63.92	32.10	50.81	82.55	2.97
2032	65.33	80.34	65.20	32.74	51.83	84.20	3.03
2033	66.63	81.95	66.50	33.40	52.86	85.88	3.09
2034	67.97	83.59	67.83	34.07	53.92	87.60	3.15
2035+	+2.0%/yr	+2.0%/yr.	+2.0%/yr.	+2.0%/yr.	+2.0%/yr.	+2.0%/yr.	+2.0%/yr.

The results of Clearview's impairment tests are sensitive to changes in: quantities of reserves and future production, forward commodity pricing as forecast by three independent reservoir engineering companies, development costs, operating costs, royalty obligations, abandonment costs and discount rates. As such, any changes to these key estimates could decrease or increase the recoverable amounts of assets and result in additional impairment charges or in the reversal of previously recorded impairments charges.

As at March 31, 2020, all else being equal, a 1% change in the discount rate or a 5% change in the forecast operating cash flows would result in the following charge to impairment expense being recognized.

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

($ thousands)	1% change in discount rate	5% change in cash flows
Central Alberta Gas CGU	652	812
Central Alberta Oil CGU	1,095	957
Southern Alberta Oil CGU	8	38
Total	1,755	1,807

The Company completed an impairment test on its Central Alberta Gas CGU and Southern Alberta Oil CGU at December 31, 2019 resulting in an impairment of $3.75 million in its Central Alberta Gas CGU.

7. Bank debt

At September 30, 2020, the Company had a demand, revolving operating facility with an Alberta based financial institution with a credit facility limit of $18.5 million (December 31, 2019 - $18.5 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 4.0% per annum (2.45% at September 30, 2020) 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 5.0% per annum plus the guaranteed note rate for 30, 60, 90 or 180 day terms (0.60% at September 30, 2020 for a 90 day guaranteed note).

The interest rates applicable to the borrowings are based on a pricing margin grid and will change as a result of the ratio of outstanding indebtedness to annualized quarterly funds flows as calculated in accordance with the agreement governing the credit facility. Annualized quarterly funds flow is defined as earnings before depletion and depreciation, stock based compensation, accretion of decommissioning obligations, unrealized gains or losses on commodity contracts and gains or losses on dispositions.

At September 30, 2020, the Company had drawn $13.4 million on the revolving facility (December 31, 2019 - $14.8 million) and had $10 thousand in outstanding letters of credit.

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, 2020, the Company's working capital ratio for purposes of the lender's working capital covenant was 2.1:1 (December 31, 2019 – 1.8:1). In addition, the Company and its lender have agreed to a covenant whereby the Company shall maintain a liability management rating ("LMR") of no less than 2.0. Clearview's LMR as at September 30, 2020 was 2.24.

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

8. Decommissioning obligations

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

	Nine Months Ended September 30, 2020	Twelve Months Ended December 31, 2019
Balance, beginning of the period	**23,842**	22,645
Disposition of obligations	**-**	(4)
Obligations settled	**(53)**	(289)
Obligations disposed (see Note 4 (c))	**(88)**	-
Acquisition (see Note 4 (a))	**296**	835
Changes in estimates	**1,577**	198
Accretion (see Note 10)	**198**	457
Total	**25,772**	23,842
Current portion of decommissioning obligations	**(422)**	(422)
Balance, end of the period	**25,350**	23,420

Decommissioning obligations assumed as part of the acquisitions of joint venture partner working interests in note 4(a) resulted in an increase in the obligation of $0.3 million. During the nine months ended September 30, 2020, the Company incurred $53 thousand in abandoning 1 gross (0.5 net) wells.

Decommissioning obligations assumed as part of the 2019 acquisition in Note 4(b) were initially measured at fair value using a credit adjusted risk free 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 of 2019 resulted in an increase in the obligation of $4.8 million which is a component of the change in estimates in the above table.

For 2019, the lower discount rate and inflation rate at December 31, 2019 than the prior year end of December 31, 2018 resulted in a reduction in decommissioning obligations of $4.6 million, almost completely offsetting the change in estimate of $4.8 million related to the 2019 acquisition in Note 4(b) for a total change in estimate of $0.2 million in the year.

In 2019, the Company incurred $0.3 million in abandoning 10 gross (3.75 net) wells.

The future estimated cash outflows required to settle the obligations have been discounted using a risk-free rate of 1.11% at September 30, 2020 (December 31, 2019 at 1.74%). An inflation rate of 1.11% at September 30, 2020 (December 31, 2019 at 1.33%) 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, 2020 was $30.9 million (December 31, 2019 - $31.9 million). Payments to settle decommissioning obligations occur over the operating lives of the underlying assets, estimated to be over the next 43 years, with most of the expected expenditures to be incurred between 2028 and 2050.

Pursuant to the Company's enrollment in the Asset Based Closure program for the abandonment of inactive wells, sites and facilities, the Company was required to spend approximately $0.4 million in decommissioning obligations in 2020. On June 17, 2020 the Alberta Energy Regulator suspended the inactive liability reduction target for the remainder of 2020. The Company has reflected the $0.4 million as a current liability on the balance sheet to be incurred in 2021.

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

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 December 31, 2018	10,309,845	66,494
Issued on acquisition of assets (Note 4 (b))	1,361,542	8,509
Balance as at December 31, 2019 and September 30, 2020	**11,671,387**	**75,003**

(c) Contributed surplus

The following table presents the continuity of contributed surplus.

	Nine Months Ended September 30, 2020	Twelve Months Ended December 31, 2019
Balance, beginning of the period	**3,202**	2,368
Stock based compensation	**255**	834
Balance, end of the period	**3,457**	3,202

(d) Per share amounts

The loss per voting common share was determined as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Net loss and comprehensive loss	(1,761)	(2,129)	(27,733)	(3,241)
Weighted average shares outstanding- basic and diluted (thousands)	11,671	11,670	11,671	11,404
Total	(0.15)	(0.18)	(2.38)	(0.28)

For the nine months ended September 30, 2020 and 2019, 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.

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

(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 December 31, 2018	1,122,001	$4.83
Expired	(60,834)	$4.75
Balance as at December 31, 2019	1,061,167	$4.81
Expired	(10,667)	$4.86
Balance as at September 30, 2020	**1,050,500**	**$4.83**

The following table summarizes the options outstanding at September 30, 2020.

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
341,500	2.82	$4.50	341,500	2.82	$4.50
245,500	3.64	$5.00	243,000	3.64	$5.00
463,500	4.55	$5.00	308,999	4.55	$5.00
1,050,500	**3.77**	**$4.83**	**893,499**	**3.63**	**$4.81**

10. Finance expense

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Accretion (see Note 8)	80	110	198	287
Interest on bank debt	211	243	720	810
Interest rate risk management contracts	13	-	24	-
Credit facility fees and other	-	1	42	51
Total	304	354	984	1,148

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

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	
	2020	2019	2020	2019
Crude oil	2,133	3,715	5,257	12,491
Natural gas liquids	850	942	2,089	3,418
Natural gas	1,388	700	3,917	3,266
Total	4,371	5,357	11,263	19,175

12. Supplemental cash flow information

Changes in non-cash working capital are comprised of:

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Cash provided by (used in):				
Trade and other receivables	(66)	(120)	591	(509)
Prepaid expenses and deposits	35	237	(62)	(70)
Accounts payable and accrued liabilities	173	867	(288)	(218)
	142	984	241	(797)
Related to:				
Operating activities	(57)	772	251	(134)
Investing activities	199	212	(10)	(663)
Changes in non-cash working capital	142	984	241	(797)

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.

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

(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 earnings or the value of financial instruments. The objective of the Company is to manage and 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 trading or 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 to 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 following financial commodity price contracts were contracted with the same Alberta based financial institution with which the Company has its credit facility (see Note 7). The Company had the following financial and physical commodity price contracts outstanding at September 30, 2020.

Commencement Date	Expiry Date	Units	Volume	Underlying Commodity	Fixed Price
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
January 1, 2020	December 31, 2020	GJ/day	1,000	AECO 5A - Financial	$1.89
April 1, 2020	October 31, 2020	GJ/day	1,000	AECO 5A – Physical	$1.61
April 1, 2020	October 31, 2020	GJ/day	1,000	AECO 5A - Financial	$1.75
November 1, 2020	March 31, 2021	GJ/day	1,000	AECO 5A – Financial	$2.91
January 1, 2021	March 31, 2021	GJ/day	1,000	AECO 5A – Financial	$2.79
January 1, 2021	December 31, 2021	GJ/day	1,000	AECO 5A – Financial	$2.10
April 1, 2021	October 31, 2021	GJ/day	2,000	AECO 5A - Financial	$1.86
January 1, 2021	December 31, 2021	Bbls/day	Sold 150	US WTI – Call Option	$65.00

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

The Company's crude oil revenue is exposed to fluctuations in the US/Cdn exchange rate as the benchmark price of oil is based in US dollars. The price received by the Company for its oil production is calculated in Cdn dollars based on the average US/Cdn exchange rate for the month. The realized gains or losses on the foreign exchange rate swap are recorded in oil and natural gas sales on the statement of operations.

Clearview had the following financial foreign exchange rate swap outstanding at September 30, 2020 to mitigate the volatility on a portion of its oil revenues.

Commencement Date	Expiry Date	Notional Amount	Underlying Commodity	Fixed Rate
July 1, 2020	December 31, 2020	US $200,000	US/Cdn - Financial	1.435

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate due to changes in market interest rates. The Company has a variable rate credit facility outstanding and consequently the Company is exposed to interest rate risk. The Company had the following financial interest rate swaps outstanding as of September 30, 2020. The realized gains or losses on the interest rate swaps are recorded in finance costs on the statement of operations.

Commencement Date	Expiry Date	Notional Amount	Underlying Commodity	Fixed Rate
April 1, 2020	March 31, 2021	$3,000,000	CDOR - Financial	1.41%
April 1, 2020	March 31, 2021	$3,000,000	CDOR - Financial	1.20%

The mark to market value of the instruments contracted and outstanding at September 30, 2020 was an unrealized loss of $0.7 million, classified as a current liability (at December 31, 2019 – unrealized loss of $0.2 million, classified as a current liability). The change in the mark to market value during the nine months ended September 30, 2020 resulted in an unrealized loss of $0.5 million (nine months ended September 30, 2019 – unrealized gain of $4 thousand) which was recorded in the statement of operations. The realized gain for the nine months ended September 30, 2020 was $1.3 million (nine months ended September 30, 2019 – realized gain of $0.1 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.

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

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, 2020, the Company's working capital ratio for purposes of the lender's working capital covenant was 2.1:1, (as at December 31, 2019 - 1.8:1).

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, 2020**	December 31, 2019
Trade and other receivables	**2,349**	2,940
Prepaid expenses and deposits	**668**	606
Bank debt	**(13,411)**	(14,807)
Accounts payable and accrued liabilities	**(3,387)**	(3,675)
Decommissioning obligations	**(422)**	(422)
Net debt	**(14,203)**	(15,358)

(d) Fair value

As at September 30, 2020 and December 31, 2019, 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 30, 2021 and may be cancelled by either the Company or the landlord on one month's notice to the other party. Payments required under these commitments for each of the next five years are as follows:

	2020	2021	2022	2023	2024	Total
Gas transportation	54	93	4	-	-	151
Office leases	27	54	-	-	-	81
Total	81	147	4	-	-	232