CLEARVIEW RESOURCES LTD

Clearview Resources Ltd.

Condensed Interim Financial Statements
(unaudited)

For the three months ended March 31, 2023

Notice to Reader
The March 31, 2023 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	**March 31, 2023**	**December 31, 2022**
Assets			
Current assets			
Cash and cash equivalents		**3,825**	242
Trade and other receivables		**3,637**	3,860
Prepaid expenses and deposits		**592**	770
Assets held for sale	4	**-**	2,891
Total current assets		**8,054**	7,763
Exploration and evaluation assets	5	**280**	280
Property, plant and equipment	6	**44,282**	47,935
Total assets		**52,616**	55,978
Liabilities			
Current liabilities			
Bank debt	7	**-**	-
Accounts payable and accrued liabilities		**5,144**	4,939
Liabilities related to assets held for sale	4	**-**	1,430
Decommissioning obligations	9	**711**	711
Total current liabilities		**5,855**	7,080
Convertible debentures	8	**1,225**	1,222
Decommissioning obligations	9	**16,028**	17,514
Total liabilities		**23,108**	25,816
Shareholders' equity			
Common shares	10	**75,099**	75,020
Equity component of convertible debentures	10	**53**	53
Contributed surplus	10	**4,003**	3,983
Deficit		**(49,647)**	(48,894)
		29,508	30,162
Total liabilities and shareholders' equity		**52,616**	55,978

Commitments – Note 15

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 March 31 2023	2022
Revenues			
Oil and natural gas sales	12	**7,134**	10,159
Royalties		**(1,122)**	(1,886)
		6,012	8,273
Realized gain (loss) - financial instruments		**-**	(1,368)
Unrealized gain (loss) - financial instruments		**-**	(2,115)
Processing income		**48**	135
		6,060	4,925
Expenses			
Transportation		**356**	279
Operating		**3,451**	3,624
General and administrative		**656**	483
Stock based compensation	10	**57**	54
Depletion and depreciation	6	**1,797**	1,794
Loss on disposal of property, plant and equipment	6	**288**	-
Transaction costs		**16**	-
		6,621	6,234
Finance costs	11	**192**	348
Net loss before taxes		**(753)**	(1,657)
Income taxes		**-**	-
Net loss and comprehensive loss		**(753)**	(1,657)
Net loss per common share Basic and diluted	10	**(0.06)**	(0.14)

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)

	Common Shares	Equity Component of Convertible Debentures	Contributed Surplus	Deficit	Shareholders' Equity
Balance as at December 31, 2021	75,003	53	3,783	(46,345)	32,494
Stock based compensation expense	-	-	54	-	54
Net loss and comprehensive loss	-	-	-	(1,657)	(1,657)
Balance as at March 31, 2022	75,003	53	3,837	(48,002)	30,891
Balance as at December 31, 2022	75,020	53	3,983	(48,894)	30,162
Stock based compensation expense	-	-	57	-	57
Proceeds on exercise of options	42	-	-	-	42
Transfer from contributed surplus	37	-	(37)	-	(37)
Net loss and comprehensive loss	-	-	-	(753)	(753)
Balance as at March 31, 2023	**75,099**	**53**	**4,003**	**(49,647)**	**29,508**

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 March 31 2023	2022
Cash provided by (used in):			
Operating activities			
Net loss and comprehensive loss		**(753)**	(1,657)
Adjustments for:			
Unrealized (gain) loss - financial instruments		**-**	2,115
Stock based compensation		**57**	54
Accretion of decommissioning obligations and convertible debentures	8,9	**141**	151
Loss on disposal of property, plant and equipment	6	**288**	-
Depletion and depreciation	6	**1,797**	1,794
Decommissioning expenditures	9	**(347)**	-
Changes in non-cash working capital	13	**727**	(124)
		1,910	2,333
Investing activities			
Additions to property, plant and equipment		**(359)**	(1,133)
Proceeds on disposition of property, plant and equipment	4,5	**2,111**	-
Changes in non-cash working capital	13	**(121)**	122
		(1,631)	(1,011)
Financing activities			
Repayment of bank debt	7	**-**	(1,698)
Proceeds on exercise of options	10	**42**	-
		42	(1,698)
Change in cash		**3,583**	(376)
Cash and cash equivalents, beginning of period		**242**	1,183
Cash and cash equivalents, end of period		**3,825**	807
Supplemental information			
Interest paid on debt	11	**48**	156

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 – 8^{th} 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 year ended December 31, 2022. The condensed interim financial statements contain disclosures that are supplemental to the Company's December 31, 2022 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, 2022. In the opinion of management, these condensed interim financial statements contain all adjustments necessary to present fairly the Company's financial position as at March 31, 2023 and the results of its operations and cash flows for the three months then ended.

The condensed interim financial statements were approved and authorized for issuance by the Board of Directors on May 25, 2023.

3. Estimation Uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and use judgment regarding the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the financial statements. Accordingly, actual results may differ from the estimated amounts as future confirming events occur. Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period of revision and in any future years affected.

Early in 2022, energy prices strengthened to multi-year highs due to heightened uncertainty of global oil and natural gas supply after Russia's invasion of Ukraine in addition to limited production growth reflecting oil and gas producers' capital discipline. Declines in global oil prices during the second half of 2022 were caused by concern over future demand due to central bank actions to moderate inflation. The impact of these factors has been considered in management's estimates as at and for the period ended March 31, 2023.

Significant estimates and judgments made by management in the preparation of financial statements are outlined in note 2 to the annual financial statements for the year ended December 31, 2022.

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

4. Asset held for sale

As at	**March 31, 2023**	December 31, 2022
Assets held for sale		
Property, plant and equipment assets (see Note 6)	**-**	2,891
Liabilities related to assets held for sale		
Decommissioning obligations (see Note 9)	**-**	1,430

Effective December 21, 2022, the Company reclassified, to assets held for sale, the net recoverable amount of assets and liabilities associated with an oil property located in its Central Alberta Oil CGU, after an impairment charge of $6.5 million, included in impairment related to assets held for sale.

On January 31, 2023, the Company closed the disposition of the oil property to an unrelated entity for cash proceeds of $1.46 million, after closing adjustments. The proceeds from the disposition were immediately deposited with the Company's bank. No further gain or loss on disposal was recorded as a result of this transaction.

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.

As at	**March 31, 2023**	December 31, 2022
Balance, beginning of the period	**280**	436
Dispositions	**-**	(132)
Expense	**-**	(24)
Balance, end of the period	**280**	280

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

6. Property, plant and equipment

(a) Oil and natural gas assets

As at	**March 31, 2023**	December 31, 2022
Cost		
Balance, beginning of the period	**103,540**	127,306
Asset retirement costs (see Note 9)	**(282)**	(4,869)
Additions	**359**	3,494
Reclassified to assets held for sale (see Note 4)	**-**	(14,725)
Disposals (see Note 6(b))	**(9,230)**	(7,666)
Balance, end of the period	**94,387**	103,540
Accumulated depletion, depreciation and impairment		
Balance, beginning of the period	**(55,605)**	(59,284)
Depletion and depreciation	**(1,797)**	(7,154)
Reclassified to assets held for sale (see Note 4)	**-**	5,350
Disposals (see Note 6(b))	**7,297**	5,483
Balance, end of the period	**(50,105)**	(55,605)
Net book value, end of the period	**44,282**	47,935

The Company does not capitalize any of its general and administrative costs.

(b) Disposition of assets

In addition to the closing of the Lindale property on January 31, 2023 as disclosed in note 4 – Assets held for sale, during the three months ended March 31, 2023, the Company closed the disposition of another non-operated, minor working interest property in its Central Alberta Oil CGU for net proceeds of $0.65 million. The acquirer assumed the decommissioning obligations associated with the properties resulting in a reduction of $1.0 million in decommissioning obligations. A loss of $0.3 million was recorded in earnings related to the disposition as calculated below. The Company recorded transaction costs of $16 thousand related to the disposition.

	Bantry
Cost	9,230
Accumulated depletion	(7,297)
Net book value	1,933
Decommissioning obligations (see Note 9)	(995)
Net carrying amount	938
Proceeds on the disposition	650
Loss on disposition	288

During the year ended December 31, 2022, the Company closed the disposition of two non-operated, minor working interest properties in its Central Alberta Gas CGU for net proceeds of $1.63 million. The acquirers assumed the decommissioning obligations associated with the properties resulting in a reduction of $0.57 million in decommissioning obligations. A gain of $14 thousand was recorded in earnings related to the dispositions as calculated below. The Company recorded transaction costs of $82 thousand related to the dispositions.

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

	Carstairs Elkton	**East Crossfield**	**Total**
Cost	5,818	1,848	7,666
Accumulated depletion	(4,374)	(1,109)	(5,483)
Net book value	1,444	739	2,183
Decommissioning obligations (see Note 9)	(343)	(225)	(568)
Net carrying amount	1,101	514	1,615
Proceeds on the dispositions	1,494	135	1,629
(Gain) loss on disposition	(393)	379	(14)

(c) Depletion and depreciation

The depletion cost base includes future development costs ("FDC") as appropriate. At March 31, 2023, the Company estimated its FDC to be $175.9 million (December 31, 2022 - $175.9 million).

(d) Impairment

At March 31, 2023, there were no indicators of impairment or reversal of impairment identified on any of the Company's CGU's within property, plant and equipment resulting in no impairment tests being performed.

At December 31, 2022, Clearview identified indicators of impairment expense, primarily due to the losses incurred on the disposition of certain property, plant and equipment and the increase in both operating costs and capital costs due to inflationary pressure for oilfield services and consumables and the proceeds on disposition of property, plant and equipment. As a result, the Company completed an impairment test on two of its three CGU's and determined that no impairment was required for the Company's Central Alberta Oil CGU and the Southern Alberta Oil CGU.

The estimated net recoverable amount was based on before-tax discount rates specific to the underlying reserve category as determined by the Company's independent third-party reserve evaluator at December 31, 2022 and risk profile of each CGU, net of decommissioning obligations. The discount rates used in the valuation were an average of 15% to 20%. The impairment tests, using the fair value less costs to sell method, indicated no impairment was required for the Company's CGU's

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.

The table below details the pricing used in estimating the recoverable amounts at December 31, 2022.

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

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/bbl
2023	80.33	103.76	77.46	39.80	53.88	106.22	4.23
2024	78.50	97.74	78.65	39.14	52.67	101.35	4.40
2025	76.95	95.27	78.42	39.74	51.42	98.94	4.21
2026	77.61	95.58	80.94	39.86	51.61	100.19	4.27
2027	79.16	97.07	82.78	40.47	52.39	101.74	4.34
2028	80.74	99.01	84.92	41.28	53.44	103.78	4.43
2029	82.36	100.99	86.65	42.11	54.51	105.85	4.51
2030	84.00	103.01	88.38	42.95	55.60	107.97	4.60
2031	85.69	105.07	90.15	43.81	56.71	110.13	4.69
2032	87.40	106.69	92.08	44.47	57.56	112.33	4.79
2033	89.15	108.83	93.92	45.35	58.71	114.58	4.88
2034	90.93	111.00	95.80	46.26	59.88	116.87	4.98
2035	92.75	113.22	97.71	47.19	61.08	119.21	5.08
2036	94.61	115.49	99.67	48.13	62.30	121.59	5.18
2037	96.50	117.80	101.66	49.09	63.55	124.02	5.29
2038+	+2.0%/yr	+2.0%/yr.	+2.0%/yr.	+2.0%/yr.	+2.0%/yr.	+2.0%/yr.	+2.0%/yr.

7. Bank debt

At March 31, 2023, the Company has a revolving, operating demand loan ("Operating Facility") with an Alberta based financial institution ("Lender") with a facility limit of $10.0 million (December 31, 2022 - $10.0 million). As of March 31, 2023, Clearview had no borrowings outstanding on the Operating Facility.

The Operating Facility is reserve-based, revolving and payable on demand. 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. Drawings under the facility can be undertaken in the form of prime-based loans or guaranteed notes offered by the Lender.

The Operating 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 interest rates applicable to drawings under the facilities are based on a pricing margin grid and can change quarterly as a result of the ratio of all outstanding indebtedness to annualized quarterly funds flows as calculated in accordance with the agreement governing the facility ("Debt to Funds Flow"). Annualized quarterly funds flow is defined as earnings before depletion and depreciation, stock based compensation, accretion of decommissioning obligations and debenture discounts, unrealized gains or losses on commodity contracts, gains or losses on dispositions, non-cash other costs (income) and deferred income taxes.

Under the Operating Facility, prime-based loans are subject to an interest rate of lender prime plus a credit spread of 3.0% to 6.0%, depending on the Debt to Funds Flow ratio of less than 1.0 to greater than 4.0.

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

Guaranteed notes are subject to the Canadian Dollar Offered Rate ("CDOR") plus a stamping fee of 4.0% to 7.0%, depending on the Debt to Funds Flow ratio of less than 1.0 to greater than 4.0. Guaranteed notes may be undertaken for terms of 30, 60, 90 or 180 days.

The Company is subject to certain reporting and financial covenants, pursuant to its lending agreement. The 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 Operating 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 Operating Facility is added to current assets. At March 31, 2023, the Company's working capital ratio for purposes of the lender's working capital covenant was 3.1:1 (2.5:1 at December 31, 2022). 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 March 31, 2022 was 2.3. The Company is also required to maintain commodity swap contracts on a six month rolling basis, based on the percent drawn on its Operating Facility versus the credit capacity of $10 million. At less than or equal to 25%, the Company is required to have 15% of its production volumes hedged for the next six months. The Company has satisfied the requirement to contract a portion of its production volumes as per the lending agreement.

At March 31, 2023, the Company had only $10 thousand in letters of credit outstanding on the Operating Facility.

The next credit review is scheduled to be completed by no later than June 30, 2023. In the event that the Operating Facility limit is reduced and the amount outstanding exceeds this facility limit, the Company shall have thirty days to repay any shortfall.

8. Convertible debentures

	Number of Convertible Debentures	Liability Component	Equity Component
Balance at December 31, 2021	12,621	1,208	53
Accretion of discount	-	14	-
Balance at December 31, 2022	12,621	1,222	53
Accretion of discount	-	3	-
Balance at March 31, 2023	**12,621**	**1,225**	**53**

The Company has $1.26 million of unsecured convertible debentures outstanding. The interest rate on the debentures is 10%, payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year. During the term of the debenture, 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. Due to the conversion feature of the debenture, the debentures were bifurcated between debt and equity using a discount rate of 11.5% for a debt value of $1.19 million with the remainder recognized in shareholders' equity as the equity component of the convertible debentures.

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

The debentures have a term of five years and mature on November 30, 2025. The debentures were not redeemable by the Company in the first year ended December 1, 2021. During the remainder of the term, the Company may redeem the debentures on the following basis:

Year 3 – 105% of the principal amount plus accrued interest
Years 4 and 5 – 100% of the principal amount plus accrued interest

9. Decommissioning obligations

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

As at	**March 31, 2023**	December 31, 2022
Balance, beginning of the period	**18,225**	25,065
Disposition of obligations (see Note 6(b))	**(995)**	(568)
Obligations settled	**(347)**	(783)
Changes in estimates	**(282)**	(4,869)
Reclass to liabilities related to assets held for sale (see Note 4)	**-**	(1,430)
Accretion (see Note 11)	**138**	810
Total	**16,739**	18,225
Current portion of decommissioning obligations	**(711)**	(711)
Balance, end of the period	**16,028**	17,514

The future estimated cash outflows required to settle the obligations have been discounted using a risk-free rate of 3.02% at March 31, 2023 (December 31, 2022 at 3.28%). An inflation rate of 1.68% at March 31, 2023 (December 31, 2022 at 2.09%) was used as an estimate to determine the future cash outflows required to settle the obligations. The total undiscounted and inflated amount of future cash outflows as estimated at March 31, 2023 was $26.9 million (December 31, 2022 - $30.4 million). Payments to settle decommissioning obligations occur over the operating lives of the underlying assets, estimated to be over the next 42 years, with most of the expected expenditures to be incurred between 2028 and 2050.

10. 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

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

(b) Issued voting common shares

	#	$
As at December 31, 2021	**11,671,387**	**75,003**
Proceeds from exercise of options	**7,200**	**9**
Transfer from contributed surplus on exercise of options	**-**	**8**
As at December 31, 2022	**11,678,587**	**75,020**
Proceeds from exercise of options	**33,334**	**42**
Transfer from contributed surplus on exercise of options	**-**	**37**
As at March 31, 2023	**11,711,921**	**75,099**

(c) Contributed surplus

The following table presents the continuity of contributed surplus.

	Three Months Ended March 31, 2023	Year Ended December 31, 2022
Balance, beginning of the period	**3,983**	3,783
Transfer to share capital on exercise of options	**(37)**	(8)
Stock based compensation	**57**	208
Balance, end of the period	**4,003**	3,983

(d) Per share amounts

For the three months ended March 31, 2023 and 2022, options for voting common shares, the conversion of convertible debentures into common shares and deferred share units were excluded from the computation of diluted per share amounts as the Company was in a net loss position for each of those periods.

The net loss per voting common share was determined as follows:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Net loss and comprehensive loss	**(753)**	(1,657)
Weighted average shares outstanding		
Basic and diluted (thousands of shares)	**11,700**	11,671
Per share – basic and diluted	**(0.06)**	(0.14)

(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 and employees. 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 options vest 1/3 on the first anniversary of the grant date, 1/3 on the second anniversary and 1/3 on the third anniversary. The options expire seven years from the date of grant.

In the three months ended March 31, 2023, 33,334 options were exercised by a former employee of the Company and 6,000 options were forfeited by a former employee. In the year ended December 31, 2022, the Company granted 112,000 to a director, an officer and employees of the Company with an exercise price of $2.06 per share under option.

The fair value of the options at the date of measurement was determined based on a Black-Scholes calculation with the following inputs and outcomes:

	Year ended December 31, 2022
	Inputs
Exercise price	$2.06
Volatility	100%
Expected option life	6.5 years
Dividend	$ nil
Risk-free interest rate	3.20%
Estimated cost per voting common share under option	$2.04
Total estimated cost to be amortized over the vesting period	$228

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, 2021	562,100	$3.00
Exercised	(7,200)	$1.25
Forfeited	(22,666)	$1.25
Granted	112,000	$2.06
Balance as at December 31, 2022	644,234	$2.92
Exercised	(33,334)	$1.25
Forfeited	(6,000)	$1.25
Balance as at March 31, 2023	**604,900**	**$3.02**

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

The following table summarizes the options outstanding at March 31, 2023.

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
246,500	0.61	$4.69	246,500	0.61	$4.69
50,000	5.68	$3.96	16,666	5.68	$3.96
196,400	4.65	$1.25	130,933	4.65	$1.25
112,000	6.69	$2.06	-	-	-
604,900	**3.47**	**$3.02**	**394,099**	**2.17**	**$3.51**

(f) Deferred share units

In the three months ended March 31, 2023, the Company did not grant any deferred share units ("DSU's"). In 2022, the Company granted 7,544 deferred share units ("DSU's") to directors with a fair value of $1.50 per DSU and forfeited 23,585 DSU's of an employee who is no longer with the Company. The DSU's are granted as a long-term incentive program and entitle the holder to receive the underlying number of shares of the Company's common shares when settled. The DSU's are to be settled at the retirement, resignation or death of the holder of the DSU's.

The following table presents the continuity of deferred share units.

As at	**Three Months Ended March 31, 2023**	Year Ended December 31, 2022
Balance, beginning of the period	**115,897**	131,938
Granted	**-**	7,544
Forfeited	**-**	(23,585)
Balance, end of the period	**115,897**	115,897

(g) Restricted share units

In 2022, the Company established a restricted share unit plan ("RSU"). Employees are eligible to receive RSU awards as approved by the Board of Directors. The RSU awards vest on each of the first, second and third anniversary of the award date at which time the employee will receive a cash payment equivalent to the number of RSUs vested multiplied by the Company's estimated share price on the business day immediately preceding the vesting date.

On December 20, 2022, the Company granted 26,737 RSUs to employees of the Company. The fair value of the RSUs at the date of grant was $2.06. As of March 31, 2023, an expense and liability related to the issue of the RSUs in the amount of $5 thousand has been recorded in the financial statements.

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

The following table presents the continuity of restricted share units.

As at	**March 31, 2023**	December 31, 2022
Balance, beginning of the period	**26,737**	-
Granted	**-**	26,737
Balance, end of the period	**26,737**	26,737

11. Finance costs

	Three Months Ended March 31, 2023	Three Months Ended March 31,2022
Accretion of decommissioning obligations	**138**	148
Accretion of convertible debenture discount	**3**	3
Interest on bank debt	**16**	155
Interest on convertible debentures	**32**	32
Credit facility fees and other	**3**	10
Total	**192**	348

12. 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 March 31, 2023	Three Months Ended March 31, 2022
Crude oil	**3,671**	4,289
Natural gas liquids	**1,740**	2,747
Natural gas	**1,723**	3,123
Total	**7,134**	10,159

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

13. Supplemental cash flow information

Changes in non-cash working capital are comprised of:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Cash provided by (used in):		
Trade and other receivables	**223**	(1,475)
Prepaid expenses and deposits	**178**	129
Accounts payable and accrued liabilities	**205**	1,344
	606	(2)
Related to:		
Operating activities	**727**	(124)
Investing activities	**(121)**	122
Changes in non-cash working capital	**606**	(2)

14. 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 polices 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 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.

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

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 had the following physical commodity price contracts outstanding at March 31, 2023.

Commencement Date	Expiry Date	Units	Volume	Underlying Commodity	Fixed Price
April 1, 2023	July 31, 2023	Bbls/d	150	Edmonton Par – Physical	$104.76
April 1, 2023	October 31, 2023	GJ/d	2,000	AECO 5a – Physical	$2.13

Management monitors the forward price market for oil and natural gas, on an ongoing basis, and may contract additional production volumes as attractive pricing opportunities become available or if production increases from development or acquisitions.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by monitoring cash flows from operating activities, reviewing actual capital expenditures against budget, managing maturity profiles of financial assets and liabilities and managing its commodity price risk management program. These activities ensure sufficient funds are available to meet the Company's financial obligations when due.

The Company's financial liabilities at March 31, 2023 which mature within one year are as follows:

Accounts payable and accrued liabilities	**5,144**
Current portion of decommissioning obligations	**711**
Total	**5,855**

Management prepares an operating and capital budget for presentation to the Board of Directors of the Company and its lender. Management presents quarterly updates of the operating (including hedge contracts) and capital budgets (including potential acquisitions and dispositions) to the Board of Directors of the Company and adjustments to planned activities are made depending on projected cash flows and capital resources.

The Company's credit facilities are demand loans and as such the lender could demand repayment at any time. 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. Management is not aware of any indications the lender would demand repayment in the next 12 months. At March 31, 2023, the Company had made all its interest and fee payments and was compliant with all the financial covenants. The lender's next review is scheduled to be completed by no later than June 30, 2023. Depending on the final credit facility limit approved by the lender, the Company may seek alternate financing arrangements, if necessary, to execute its planned capital program. Given that the credit facility is a demand loan and the uncertainty regarding the renewal amount and terms, there is liquidity risk for the Company.

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

(d) Capital management

The Company's objective is to maintain access to sources of capital, defined to be working capital, shareholders' equity, its credit facilities, convertible debentures 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.

Net debt

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, less convertible debentures.

The components of the Company's net debt calculation are as follows:

As at	**March 31, 2023**	December 31, 2022
Cash	**3,825**	242
Trade and other receivables	**3,637**	3,860
Prepaid expenses and deposits	**592**	770
Asset held for sale	**-**	2,891
Accounts payable and accrued liabilities	**(5,144)**	(4,939)
Liabilities related to assets held for sale	**-**	(1,430)
Decommissioning obligations	**(711)**	(711)
Convertible debentures	**(1,225)**	(1,222)
Net debt	**(974)**	(539)

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 March 31, 2023, the Company's working capital ratio for purposes of the lender's working capital covenant was 3.1:1, (as at December 31, 2022 - 2.5:1).

Adjusted funds flow

Adjusted funds flow represents cash provided by operating activities before changes in operating non-cash working capital and decommissioning expenditures. The Company uses this measure to evaluate the ability of the Company's continuing operations to generate the cash flow necessary to maintain production at current levels and fund future growth through capital investment, to repay debt and return capital to shareholders. Management believes that this measure provides an insightful assessment of the Company's operations on a continuing basis by eliminating changes in non-cash working capital and the settlement of decommissioning obligations, the timing of which is discretionary.

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

The following is a reconciliation of cash provided by operating activities to adjusted funds flow:

	Three months ended March 31, 2023	Three months ended March 31, 2022
Cash provided by operating activities	**1,910**	2,333
Decommissioning expenditures	**347**	-
Change in non-cash working capital	**(727)**	124
Adjusted funds flow	**1,530**	2,457

(e) Fair value

As at March 31, 2023 and December 31, 2022, the carrying value of cash and cash equivalents, 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. The fair value of the convertible debentures approximates its carrying value based on similar instruments derived from quoted indices. 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 and the convertible debentures are measured using level 2 inputs.

15. Commitments

Payments required under commitments for each of the next five years are as follows:

	2023	2024	2025	2026	2027	Thereafter
Accounts payable and accrued liabilities	5,144	-	-	-	-	-
Decommissioning obligations	711	711	711	711	711	13,184
Convertible debentures	-	-	1,262	-	-	-
Total	5,855	711	1,973	711	711	13,184