



# CLEARVIEW RESOURCES LTD

**Clearview Resources Ltd.**

**Financial Statements**

**December 31, 2023**

# Independent Auditor's Report

To the Shareholders and the Board of Directors of  
Clearview Resources Ltd.

## Opinion

We have audited the financial statements of Clearview Resources Ltd. (the "Company"), which comprise the statement of financial position as at December 31, 2023, and the statement of operations and comprehensive earnings (loss), changes in Shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information (collectively referred to as the "financial statements").

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

## Basis for Opinion

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

## Other matter

The financial statements of the Company as of and for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on April 26, 2023.

## Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material

misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

/s/ Deloitte LLP

Chartered Professional Accountants  
Calgary, Alberta  
April 25, 2024

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

	Notes	December 31, 2023	December 31, 2022
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		-	242
Trade and other receivables	15	3,773	3,860
Prepaid expenses and deposits		903	770
Financial instruments	15	340	-
Assets held for sale	4	-	2,891
<b>Total current assets</b>		<b>5,016</b>	<b>7,763</b>
Exploration and evaluation assets	5	268	280
Property, plant and equipment	6	43,686	47,935
<b>Total assets</b>		<b>48,970</b>	<b>55,978</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank debt	7	1,700	-
Accounts payable and accrued liabilities	15	4,753	4,939
Liabilities related to assets held for sale	4	-	1,430
Decommissioning obligations	9	711	711
<b>Total current liabilities</b>		<b>7,164</b>	<b>7,080</b>
Convertible debentures	8	1,236	1,222
Decommissioning obligations	9	15,550	17,514
<b>Total liabilities</b>		<b>23,950</b>	<b>25,816</b>
<b>Shareholders' equity</b>			
Common shares	10	73,695	75,020
Equity component of convertible debentures	8	53	53
Contributed surplus	10	4,177	3,983
Deficit		(52,905)	(48,894)
		<b>25,020</b>	<b>30,162</b>
<b>Total liabilities and shareholders' equity</b>		<b>48,970</b>	<b>55,978</b>

Commitments – Note 17

See accompanying notes to the financial statements

Approved by the Board of Directors:

"Lindsay Stollery Jephcott"  
Director

"David Vankka"  
Director

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

	Notes	Year ended December 31, 2023	Year ended December 31, 2022
<b>Revenues</b>			
Oil and natural gas sales	12	24,824	41,176
Royalties		(3,194)	(7,083)
		<b>21,630</b>	34,093
Realized gain (loss) – financial instruments		135	(5,030)
Unrealized gain – financial instruments		340	1,116
Processing income		268	516
		<b>22,373</b>	30,695
<b>Expenses</b>			
Transportation		1,296	1,255
Operating		12,278	15,319
General and administrative		2,795	2,688
Stock based compensation	10	259	208
Depletion and depreciation	6	6,961	7,154
Exploration and evaluation expense	5	12	24
Gain on disposal of exploration & evaluation assets	5	-	(1,218)
Loss (gain) on disposal of property, plant and equipment	6	316	(14)
Impairment related to assets held for sale	4	-	6,484
Other costs (income)	13	1,582	(116)
Transaction costs	6	23	82
		<b>25,522</b>	31,866
Finance costs	11	862	1,378
		<b>26,384</b>	33,244
<b>Earnings (loss) before income taxes</b>		<b>(4,011)</b>	(2,549)
Income taxes	16	-	-
<b>Net earnings (loss) and comprehensive earnings (loss)</b>		<b>(4,011)</b>	(2,549)
<b>Net earnings (loss) per common share</b>			
<b>Basic</b>	10	<b>(0.34)</b>	(0.22)
<b>Diluted</b>		<b>(0.34)</b>	(0.22)

See accompanying notes to the financial statements

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

	Common Shares	Equity Component of Convertible Debenture	Contributed Surplus	Deficit	Shareholders' Equity
Balance, December 31, 2021	75,003	53	3,783	(46,345)	32,494
Stock based compensation expense (Note 10(c))	-	-	208	-	208
Proceeds on exercise of options	9	-	-	-	9
Transfer on exercise of options	8	-	(8)	-	-
Net earnings and comprehensive loss	-	-	-	(2,549)	(2,549)
Balance, December 31, 2022	75,020	53	3,983	(48,894)	30,162
Stock based compensation expense (Note 10(c))	-	-	259	-	259
Return of capital	(1,500)	-	-	-	(1,500)
Proceeds on exercise of options	59	-	-	-	59
Redemption of DSU's for common shares	51	-	-	-	51
Transfer on redemption of DSU's for common shares	13	-	(13)	-	-
Transfer on exercise of options	52	-	(52)	-	-
Net loss and comprehensive loss	-	-	-	(4,011)	(4,011)
<b>Balance, December 31, 2023</b>	<b>73,695</b>	<b>53</b>	<b>4,177</b>	<b>(52,905)</b>	<b>25,020</b>

See accompanying notes to the financial statements

**CLEARVIEW RESOURCES LTD.****Statements of Cash Flows***(thousands of Canadian dollars)*

	Notes	Year ended December 31, 2023	Year ended December 31, 2022
<b>Cash provided by (used in):</b>			
<b>Operating activities</b>			
Net earnings (loss)		(4,011)	(2,549)
Adjustments for:			
Unrealized gain – financial instruments		(340)	(1,116)
Stock based compensation		259	208
Accretion of decommissioning obligations and convertible debentures	11	539	824
Depletion and depreciation	6	6,961	7,154
Exploration and evaluation expense	5	12	24
Gain on disposal of exploration & evaluation assets	5	-	(1,218)
Loss (gain) on disposal of property, plant and equipment	6	316	(14)
Impairment related to assets held for sale	4	-	6,484
Other costs (income)	13	-	(116)
Decommissioning expenditures	9	(823)	(667)
Changes in non-cash working capital	14	(586)	(484)
<b>Cash provided by operating activities</b>		<b>2,327</b>	<b>8,530</b>
<b>Investing activities</b>			
Additions to property, plant and equipment	6	(5,316)	(3,494)
Proceeds on disposal of exploration & evaluation assets	5	-	1,350
Proceeds on disposal of property, plant and equipment	6	2,083	1,629
Changes in non-cash working capital	14	354	(193)
<b>Cash used in investing activities</b>		<b>(2,879)</b>	<b>(708)</b>
<b>Financing activities</b>			
Issue (repayment) of bank debt	7	1,700	(8,772)
Return of capital	10	(1,500)	-
Issue of common shares	10	51	-
Proceeds on exercise of options	10	59	9
<b>Cash provided (used) in financing activities</b>		<b>310</b>	<b>(8,763)</b>
Change in cash and cash equivalents		(242)	(941)
Cash and cash equivalents, beginning of year		242	1,183
<b>Cash and cash equivalents, end of year</b>		<b>-</b>	<b>242</b>
<b>Supplemental information</b>			
Interest paid on debt	11	215	430

See accompanying notes to the financial statements



**CLEARVIEW RESOURCES LTD.**  
**Notes to the Financial Statements**  
*(thousands of Canadian dollars)*  
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**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 corporate head office address is located at 2400, 635 – 8<sup>th</sup> Ave. SW, Calgary, AB T2P 3M3.

**2. Basis of preparation**

*Statement of compliance and authorization*

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) as set forth in Note 3.

The financial statements were approved and authorized for issuance by the Board of Directors on April 23, 2024.

*Reporting entity*

The financial statements of the Company comprise the Company only as it has no subsidiaries or other interests to be consolidated.

*Basis of measurement*

The financial statements have been prepared on an historical cost basis, except for certain financial and non-financial assets and liabilities, which have been measured at fair value.

*Functional and presentation currency*

The financial statements are presented in Canadian dollars, the Company’s functional currency and rounded to the nearest thousand dollars (unless stated otherwise).

*Environmental Reporting Regulations*

Environmental reporting for private enterprises continues to evolve and the Company may be subject to additional future disclosure requirements. The International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the objective to develop a global framework for environmental sustainability disclosure. The Canadian Securities Administrators have also issued a proposed National Instrument 51-107 Disclosure of Climate-related Matters which sets forth additional reporting requirements for Canadian Public Companies. Clearview continues to monitor developments on these reporting requirements and has not yet quantified the cost to comply with these regulations.

*Use of estimates and judgment*

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

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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.

*Business combinations*

The initial recognition of business combinations requires management judgment in making key assumptions and estimating fair values in determining the purchase price allocation to the identifiable assets, liabilities and contingent liabilities for each acquisition or combination.

*Cash-generating units ("CGU")*

The Company's assets are aggregated into CGUs for calculating impairment. Cash-generating units are determined based on the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. Determination of CGUs is subject to management's judgment and is based on geology, geographical proximity, shared infrastructure, similar exposure to market risk and how management monitors its operations. The asset composition of the Company's CGUs could change due to new information and circumstances.

*Impairment*

Judgment is required to assess when indicators of impairment or impairment reversal exist and testing for the recoverability of assets is necessary. Determining the recoverable amount of assets, in the absence of quoted market prices, is based on the estimates of reserves, production rates, future oil and natural gas prices, future costs, discount rates and other relevant factors. The key estimates used in the determination of cash flows from crude oil and natural gas assets are outlined below:

Reserves – Assumptions that are valid at the time of the reserve estimation may change significantly when new information becomes available. Changes in forward price estimates, production levels or results of future drilling may change the economic status of reserves and may result in reserves being revised.

Oil and natural gas prices – Forward price estimates are used in the cash flow model. Commodity prices can fluctuate for a variety of reasons including supply and demand fundamentals, access to facilities and pipelines, inventory levels, exchange rates, weather and economic and geopolitical factors.

Operating, royalty and capital costs – Future operating, royalty and capital costs are used in the cash flow model, based on an analysis of actual costs incurred in recent years and then escalated for assumed future inflation. Actual results in the future may vary considerably from these estimates.

Discount rate – The discount rate used to calculate the net present value of cash flows is based on estimates of a discount rate specific to the risk of the CGU being assessed for impairment. Changes in the general economic environment could result in significant changes to this estimate.

Reserve estimates also have a financial effect on depletion expense and decommissioning obligations. The reserve estimates are evaluated by third-party reserve evaluators at least annually, who work with

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information provided by the Company to establish reserve amounts in accordance with National Instrument (“NI” 51-101, Standards of Disclosure for Oil and Gas Activities). Changes in circumstances may impact these estimates which could have a material effect in future periods.

*Deferred tax assets*

At the end of each reporting period, judgment is required by the Company in determining the likelihood of whether the deferred tax assets will be realized from future taxable earnings. Deferred taxes are based on estimates as to the timing over which temporary differences will reverse, substantially enacted income tax rates applicable to future years and the likelihood of assets being realized. The estimate of future capital activities can impact the timing of the reversal of any temporary differences.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty.

*Decommissioning obligations*

Amounts recorded for decommissioning obligations require the use of estimates with respect to the amount and timing of decommissioning expenditures and discount rates. Actual costs incurred can differ from estimates due to public expectations, changes in laws and regulations, market conditions, discovery and analysis of site conditions and changes in technology.

*Financial instruments*

The estimated fair values of derivative financial instruments resulting in financial assets and liabilities, by their very nature, are subject to measurement uncertainty. Estimates of the mark-to-market value of the financial instruments at the end of each reporting period are subject to change based on changes in the forward price curves of commodities and interest rates.

*Stock based compensation*

The estimated fair value of stock options uses pricing models such as the Black-Scholes model which is based on assumptions such as the life of the option, dividend yields, interest rates, volatility and forfeiture rates. Judgement is required by management in determining these assumptions.

*Liquidity*

As part of its capital management process, the Company prepares budgets and forecasts, which are used by management and the Board of Directors to direct and monitor the strategy, ongoing operations and liquidity of the Company. Budgets and forecasts are subject to significant judgement and estimates relating to activity levels, future cash flows and the timing thereof and other factors which may or may not be within the control of the Company. See further discussion related to liquidity in Note 15.

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**3. Material accounting policies**

The accounting policies set out below have been applied consistently by the Company to all periods presented in these financial statements other than as disclosed herein.

*Jointly controlled assets*

The Company's oil and natural gas activities consist of jointly owned and operated assets, which are not conducted through separate vehicles. The financial statements include the Company's share of these jointly owned assets, liabilities, revenue and expenses.

*Exploration and evaluation assets*

Costs incurred before acquiring the legal right to explore in a specific area do not meet the definition of an asset and therefore are expensed as incurred.

Exploration and evaluation assets consist of expenditures incurred in an area pending the determination of technical feasibility and commercial viability. Exploration and evaluation expenditures, including the costs of acquiring mineral rights, drilling exploratory wells and other directly attributable costs are capitalized and accumulated in cost centres.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proved and probable reserves are determined to exist and are capable of production. A review of each cost centre is carried out, at each reporting period, to ascertain whether economic proved and probable reserves have been discovered. Upon determination of proved and probable reserves, exploration and evaluation assets attributable to those reserves are tested for impairment and then reclassified to property, plant and equipment. If an exploration and evaluation asset is determined to be unsuccessful, all associated costs are charged to the statement of operations. Assets classified as exploration and evaluation are not subject to depletion and depreciation until they are reclassified to property, plant and equipment.

*Property, plant and equipment*

Property, plant and equipment is carried at cost less accumulated depletion and depreciation and accumulated impairment losses. The cost of oil and natural gas assets includes: the cost of acquisitions, the costs to drill a well and the costs of the associated land upon determination of technical feasibility and commercial viability; the cost to complete and tie-in the wells; facility costs; the estimated cost of asset retirement; geological and geophysical costs; and directly attributable internal costs.

Gains and losses on disposal of an item of property, plant and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized in earnings.

*Subsequent costs*

Expenditures related to renewals or betterments that improve the productive capacity or extend the life of an asset are capitalized. Maintenance and repairs are expensed as incurred.

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Depletion and depreciation

The net carrying value of the oil and natural gas assets is depleted using the unit of production method based on estimated proved plus probable reserves, including estimated future development costs necessary to bring those reserves into production.

*Impairment*

Financial assets

The Company recognizes loss allowances for expected credit losses (“ECL”) on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the life of a financial asset. ECLs are a probability-weighted estimate of credit losses and are discounted at the effective interest rate of the related financial asset.

Non-financial assets

Exploration and evaluation assets are assessed for impairment when they are transferred to property, plant and equipment or if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, E&E assets are allocated to their related cash-generating unit (“CGU”). The carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment or impairment reversal. If any such indication exists, then the recoverable amount of each CGU is estimated at the greater of its value in use (VIU) and its fair value less costs to sell (FVLCTS).

FVLCTS is estimated based on the discounted present value of the future cash flows generated by the CGU, including development prospects. The future cash flows are those estimated for proved plus probable reserves using forecast prices and costs as prepared by the Company’s independent qualified reserves evaluator. The discount rate is the rate likely to be applied by an independent market participant. The Company may also consider an evaluation of comparable asset transactions. VIU is estimated based on the discounted present value of the future cash flows from proved and probable reserves using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized in the statements of operations and comprehensive earnings (loss) if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

An impairment reversal is recognized in the statements of operations and comprehensive earnings (loss) if there has been a subsequent increase in the estimate of the recoverable amount following the recognition of an impairment loss in prior periods. The reversal of prior impairment is recognized only to the extent of the increase in the estimated recoverable amount or the asset’s carrying amount, net of depletion, that would have resulted had no impairment loss been recognized on the asset in prior periods.

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*Assets held for sale*

Non-current assets are classified as held for sale if their carrying values will be recovered through a sale transaction rather than through continuing use. This condition is met when the sale is highly probable and the asset is available for immediate sale in its present condition. For the sale to be highly probable, management must be committed to a plan to sell the asset and an active program to locate a buyer and complete the plan must have been initiated. The assets must be actively marketed for sale at a price that is reasonable in relation to its current fair value and the sale should be expected to be completed within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the carrying value and fair value less costs to sell, with impairments recognized in earnings in the period measured. Non-current assets held for sale are presented in current assets and current liabilities within the statement of financial position. Assets held for sale are not depleted, depreciated or amortized.

*Decommissioning obligations*

Decommissioning obligations are recognized in the period in which a well or related asset is drilled, constructed or acquired, based on the discounted present value of estimated future costs to abandon and reclaim oil and natural gas properties. The future cash flows are discounted using a pre-tax risk-free rate and this amount is initially capitalized as part of the carrying amount of the related property, plant and equipment with a corresponding liability being recognized at the same time. The capitalized amount is depleted on the unit of production method on the same basis as the related asset while the liability is accreted to earnings until it is settled or sold. Changes in the estimated liability resulting from revisions to discount rates, expected timing or future asset retirement costs, are recognized as a change in the related asset and the asset retirement liability. Actual costs incurred upon settlement of the asset retirement obligations are charged against the provision.

*Revenue*

The Company primarily generates revenue from the sale of commodities, which include crude oil, natural gas and natural gas liquids. Revenue from the sale of commodities is recognized when control is transferred from the Company to its customer. This transfer is generally at the point in time the customer takes legal possession of the product through the physical transfer of the product at the delivery point agreed with the customer, generally pipelines or product receipt terminals. The revenue is measured based on the consideration specified in the contracts with customers. Payment terms for the sales contracts are on the 25<sup>th</sup> day of the month following delivery.

Clearview evaluates its arrangements with third parties and partners to determine if the Company acts as the principal or as an agent. Clearview is considered the principal in a transaction when it has primary responsibility for the delivery of the product. If Clearview acts as an agent rather than as the principal in a transaction, then the revenue is recognized on a net-basis, only reflecting the fee, if any, realized by the Company for the transaction.

Fees charged to other entities for use of facilities owned by the Company are evaluated to determine if the fees originate from contracts with customers or from incidental or collaborative arrangements. Fees charged to other entities that are from contracts with customers are recognized in revenue when the related services are provided. The Company does not take ownership of the third-party production volumes while being processed through its facilities.

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Royalty income is recognized as it accrues in accordance with the terms of the overriding royalty agreements.

*Stock based compensation*

The fair value of stock based compensation is determined at the grant date using the Black-Scholes option-pricing model and is recognized over the vesting period of the options as stock based compensation expense and contributed surplus. Upon the exercise of the stock option, consideration together with the amount previously recognized in contributed surplus, is credited to share capital. A forfeiture rate is estimated on the grant date and is subsequently adjusted to reflect the actual number of options that vest.

*Financial instruments*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. All financial instruments, including derivatives, are recognized on the statement of financial position at fair value at the time the Company becomes a party to the contract. Subsequently, all financial assets and liabilities, except financial assets and liabilities carried at fair value through the statements of operations and comprehensive earnings (loss), are measured at amortized cost determined using the effective interest method. Financial assets and liabilities carried at fair value through earnings or loss are measured at fair value with changes in fair value recognized in earnings.

Transaction costs attributable to financial instruments carried at fair value through earnings or loss are expensed as incurred. All other transaction costs related to the Company's financial instruments are recorded as part of the instrument and are amortized using the effective interest method.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has the legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or if it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

The Company has a risk management program whereby the commodity price associated with a portion of its future production volumes is fixed in order to mitigate cash flow volatility resulting from fluctuating commodity prices. The Company sells forward a portion of its future production volumes by entering into a combination of physical sale contracts with customers and derivative financial contracts such as fixed price contracts, costless collars or the purchase of floor price options with financial counterparties. These instruments are not used for trading or speculative purposes.

The Company also enters into interest rate forward contracts to reduce the volatility of variable interest rates on a portion of its debt to fixed interest rates for a period of time.

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The Company has not designated its financial derivative contracts as effective accounting hedges and thus has not applied hedge accounting. As a result, financial derivatives are classified as fair value through earnings or loss and are recorded on the statement of financial position at fair value.

The Company accounts for its physical commodity sales and purchase contracts, which were entered into and continue to be held for the purpose of receipt or delivery of non-financial items in accordance with its expected purchase, sale or usage requirements as executory contracts. As such, these contracts are not considered to be derivative financial instruments and have not been recorded at fair value on the statement of financial position. Settlements on these physical sales contracts are recognized in crude oil and natural gas sales.

*Convertible debentures*

Convertible debentures are a non-derivative financial instrument that create a financial liability of the Company and grant an option to the holders of the instrument to convert it into common shares of the Company. The liability component of the debentures is initially recorded at fair value of a similar liability that does not have a conversion option. The equity component is recognized initially, net of deferred income taxes, as the difference between gross proceeds and the fair value of the liability component. Transaction costs are allocated to the liability and equity components in proportion to the allocation of proceeds. Subsequent to the initial recognition, the liability component of the debentures is measured at amortized cost using the effective interest rate method and is accreted each reporting period such that the carrying value will equal the principal amount outstanding at maturity. The equity component is not re-measured. If any of the liability component are converted into common shares, a portion of the conversion feature included in equity and the liability component converted will be reclassified to common shares.

*Share capital*

Common and preferred shares are classified as equity. Incremental costs directly attributable to the issue of shares are recognized as a deduction from equity, net of any tax effects.

*Per share amounts*

Basic per share information is calculated based on the weighted average number of common shares outstanding during the year. The diluted weighted average number of shares is adjusted for the dilutive effect of stock options, deferred share units and convertible debentures. Diluted per share amounts are calculated using the treasury method. The treasury method assumes that the proceeds from the exercise of stock options are used to repurchase common shares at the average market price during the year. For convertible debentures, interest associated with the convertible debentures would be added back to earnings and the common shares issued upon conversion would be added to the common shares outstanding. Anti-dilutive stock options, deferred share units and convertible debentures are not included in the calculation.

*Income taxes*

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in the statements of operations and comprehensive earnings (loss) except to the extent that it relates to items



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recognized directly in equity, in which case it is recognized in the statements of changes in shareholders' equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### *Government grants*

Government grants are recognized when there is reasonable assurance that the grant will be received and all conditions associated with the grant are met. When the conditions of a grant relate to income or expense, it is recognized in earnings in the period in which the expenditures are incurred or income is earned. When the conditions of a grant relate to an underlying asset, it is recognized as a reduction to the carrying amount of the related assets and amortized into income through depletion and depreciation.

#### *New and amended IFRS Accounting Standards that are effective for the current year*

In the current year, the Company has applied a number of amendments to IFRS that are mandatorily effective as of January 1, 2023. These adopted amendments are as follows, with their adoption having no significant impact on the Company's consolidated financial statements.

#### *Amendments to IAS 1 – Presentation of Financial Statements*

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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Amendments to IAS 12 — *Income Taxes*

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Future accounting pronouncements

The Company plans to adopt the following amendments that are effective for annual periods beginning on or after January 1, 2024. The pronouncements will be adopted on their respective effective dates; however, each is not expected to have a material impact on the financial statements.

Amendments to IAS 1 - *Presentation of Financial Statements* - Classification of Liabilities as Current or Non-current

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

**4. Assets held for sale**

As at	December 31, 2022
Assets held for sale	
Property, plant and equipment assets (see Note 6)	<b>2,891</b>
Liabilities related to assets held for sale	
Decommissioning obligations (see Note 9)	<b>1,430</b>

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

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immediately deposited with the Company's bank. The Company recorded a gain of \$8 thousand in 2023 as a result of final closing adjustments.

**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	December 31, 2023	December 31, 2022
Balance, beginning of the year	280	436
Dispositions	-	(132)
Expense	(12)	(24)
Balance, end of the year	268	280

During the second quarter of 2022, Clearview disposed of lands to an unrelated entity, which it had acquired in 2021, in the Jarvie area of Alberta, for cash proceeds of \$1.35 million. The Company recorded a gain on the disposition of the lands of \$1.22 million. The proceeds were immediately applied to reduce the Company's outstanding bank debt.

Due to the expiry of certain lands in E&E, the Company incurred an expense of \$12 thousand during the year ended December 31, 2023 (\$24 thousand in the year ended December 31, 2022).

**6. Property, plant and equipment**

**(a) Oil and natural gas assets**

As at	December 31, 2023	December 31, 2022
<b>Cost</b>		
Balance, beginning of the year	103,540	127,306
Asset retirement costs (see Note 9)	(671)	(4,869)
Additions	5,316	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 year	98,955	103,540
<b>Accumulated depletion, depreciation and impairment</b>		
Balance, beginning of the year	(55,605)	(59,284)
Depletion and depreciation	(6,961)	(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 year	(55,269)	(55,605)
Net carrying value, end of the year	43,686	47,935

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

**(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, on March 31, 2023, the Company closed the disposition of another non-operated, minor working interest property in its Southern 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 the statements of operations and comprehensive earnings (loss) related to the disposition as calculated below. The Company recorded transaction costs of \$23 thousand related to the disposition.

	<b>Bantry</b>
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.

	<b>Carstairs Elkton</b>	<b>East Crossfield</b>	<b>Total</b>
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)

The Company recorded a loss of \$36 thousand in 2023 due to final closing adjustments related to the disposition of the Carstairs Elkton assets.

**(c) Depletion and depreciation**

The depletion cost base includes future development costs (“FDC”) as appropriate. At December 31, 2023, the Company estimated its FDC to be \$162.4 million (December 31, 2022 - \$175.9 million).

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**(d) Impairment**

At December 31, 2023, Clearview identified indicators of impairment in two of its three CGUs. In the Company's Central Alberta Gas CGU there was an indicator of impairment due to the drop in natural gas prices. In the Central Alberta Oil CGU, there was an indicator of impairment due to negative technical revisions to the reserve report and valuations due to production performance. As a result, the Company completed an impairment test for these two CGU's and determined that no impairment was required.

The impairment tests were performed following the fair value less costs to sell method. 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, 2023, and risk profile of each CGU, net of decommissioning obligations. The discount rates used in the valuation ranged from 15% to 20% on average.

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, 2023.

	WTI	Edmonton Light	Bow River Medium	Propane	Butane	Pentane	AECO Spot
Year	US/bbl	Cdn/bbl	Cdn/bbl	Cdn/bbl	Cdn/bbl	Cdn/bbl	Cdn/bbl
2024	73.67	92.91	77.44	29.65	47.69	96.79	2.20
2025	74.98	95.04	80.48	35.13	48.83	98.75	3.37
2026	76.14	96.07	81.84	35.43	49.36	100.71	4.05
2027	77.66	97.99	83.61	36.14	50.35	102.72	4.13
2028	79.22	99.95	85.78	36.86	51.35	104.78	4.21
2029	80.80	101.94	87.49	37.60	52.38	106.87	4.30
2030	82.42	103.98	89.24	38.35	53.43	109.01	4.38
2031	84.06	106.06	91.01	39.12	54.50	111.19	4.47
2032	85.74	108.18	92.83	39.90	55.58	113.41	4.56
2033	87.46	110.35	94.69	40.70	56.70	115.67	4.65
2034	89.21	112.56	96.58	41.51	57.83	117.98	4.74
2035	90.99	114.81	98.52	42.34	58.99	120.34	4.84
2036	92.81	117.10	100.49	43.19	60.17	122.75	4.94
2037	94.67	119.45	102.50	44.06	61.37	125.20	5.03
2038	96.56	121.83	104.55	44.94	62.60	127.71	5.14
2039+	+2.0%/yr	+2.0%/yr.	+2.0%/yr.	+2.0%/yr.	+2.0%/yr.	+2.0%/yr.	+2.0%/yr.

At December 31, 2022, Clearview identified indicators of impairment, 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 expected proceeds on disposition of property, plant and equipment which closed on March 31, 2023. 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.

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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.

	WTI	Edmonton Light	Bow River Medium	Propane	Butane	Pentane	AECO Spot
Year	US/bbl	Cdn/bbl	Cdn/bbl	Cdn/bbl	Cdn/bbl	Cdn/bbl	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 December 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).

	December 31, 2023	December 31, 2022
As at		
Operating Facility - prime-based loans	1,700	-
Operating Facility - guaranteed notes	-	-
Total	1,700	-

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,

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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.

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 December 31, 2023, the Company's working capital ratio for purposes of the lender's working capital covenant was 2.4:1 (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 December 31, 2023 was 2.2. 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 December 31, 2023, the Company had only \$10 thousand in letters of credit outstanding on the Operating Facility.

The next credit review is now scheduled to be completed by June 30, 2024. 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.

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**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	-	14	-
<b>Balance at December 31, 2023</b>	<b>12,621</b>	<b>1,236</b>	<b>53</b>

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.

The debentures have a term of five years and mature on November 30, 2025. During the remainder of the term, the Company may redeem the debentures at 100% of the principal amount plus accrued interest. The subscribers to the debenture offering consisted of shareholders of the Company.

**9. Decommissioning obligations**

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

As at	December 31, 2023	December 31, 2022
Balance, beginning of the year	18,225	25,065
Disposition of obligations (see Note 6 (b))	(995)	(568)
Obligation incurred	39	-
Obligations settled	(823)	(783)
Changes in estimates	(710)	(4,869)
Reclass to liabilities related to assets held for sale (see Note 4)	-	(1,430)
Accretion (see Note 11)	525	810
Total	16,261	18,225
Current portion of decommissioning obligations	(711)	(711)
Balance, end of the year	15,550	17,514

The future estimated cash outflows required to settle the obligations have been discounted using a risk-free rate of 3.02% at December 31, 2023 (December 31, 2022 at 3.28%). An inflation rate of 1.62% at December 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 December 31, 2023 was \$25.7 million (December 31, 2022 - \$30.4 million). Payments to settle decommissioning obligations occur over the operating lives of the underlying



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assets, estimated to be over the next 36 years, with most of the expected expenditures to be incurred between 2030 and 2054.

The risk-free rate increased from 1.68% at December 31, 2021 to 3.28% at December 31, 2022. This increase in the risk-free rate, partially offset by an increase in the inflation rate, over the same time period, resulted in a decrease of \$4.87 million in the future estimated cash outflows to settle the Company's decommissioning obligations, outlined as a change in estimates in the table above.

Pursuant to the Company's enrollment in the Area Based Closure ("ABC") program for the abandonment of inactive wells, sites and facilities, the Company is expected to spend approximately \$0.7 million in decommissioning obligations in 2023. This amount has been reflected as a current liability on the balance sheet.

During the year ended December 31, 2023, the Company incurred \$0.8 million in abandoning and reclaiming wells, funded from cash flow from operations, with no funding from eligible government grants through the Site Rehabilitation Program of the Government of Alberta (for the year ended December 31, 2022 - \$0.7 million and \$0.1 million, respectively) (see Note 13).

**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

**(b) Issued voting common shares**

	#	\$
<b>As at December 31, 2021</b>	<b>11,671,387</b>	<b>75,003</b>
Proceeds from exercise of options	7,200	9
Transfer from contributed surplus on exercise of options	-	8
<b>As at December 31, 2022</b>	<b>11,678,587</b>	<b>75,020</b>
Return of capital	-	(1,500)
Issue of shares on redemption of DSU's	36,767	51
Issue of shares on exercise of options	47,268	59
Transfer from contributed surplus on redemption of DSU's	-	13
Transfer from contributed surplus on exercise of options	-	52
<b>As at December 31, 2023</b>	<b>11,762,622</b>	<b>73,695</b>

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**(c) Contributed surplus**

For the year ended December 31, 2023, the Company granted 268,000 options to officers, directors and employees and had 47,268 options exercised by a former employee and a former director. The Company also had 12,966 options forfeited related to a director and employee who are no longer with the Company. Stock based compensation associated with unvested options in the amount of \$8 thousand has been reversed and recorded in the statements of operations and comprehensive earnings (loss).

The following table presents the continuity of contributed surplus.

As at	<b>December 31, 2023</b>	December 31, 2022
Balance, beginning of the year	<b>3,983</b>	3,783
Transfer to share capital on redemption of DSU's	<b>(13)</b>	-
Transfer to share capital on exercise of options	<b>(52)</b>	(8)
Stock based compensation expense	<b>259</b>	208
Balance, end of the year	<b>4,177</b>	3,983

**(d) Per share amounts**

For the year ended December 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 loss position for the year.

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

	<b>Year ended December 31, 2023</b>	Year ended December 31, 2022
Net earnings (loss)	<b>(4,011)</b>	(2,549)
Weighted average shares outstanding		
Basic	<b>11,720,283</b>	11,674,405
Diluted	<b>11,720,283</b>	11,674,405
Net earnings (loss) per share - basic	<b>(0.34)</b>	(0.22)
Net earnings (loss) per share - diluted	<b>(0.34)</b>	(0.22)

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**(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 number of options, the exercise price and all other terms thereof were set by the Board of Directors at the time of grants. The options generally vest 1/3 on the first anniversary of the grant date, 1/3 on the second anniversary and 1/3 on the third anniversary. 59,000 options granted in 2023 vest 1/3 at the time of grant, 1/3 on the first anniversary of the grant date and 1/3 on the second anniversary. The options expire seven years from the date of grant.

In the year ended December 31, 2023, the Company granted 268,000 options (year ended December 31, 2022 – 112,000 options) to officers, directors and employees of the Company with a weighted average exercise price of \$1.23 per share under option. During 2023, 154,000 options with an exercise price of \$4.50 per option expired after seven years.

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:

	<b>Year ended December 31, 2023</b>	Year ended December 31, 2022
	<b>Inputs</b>	Inputs
Exercise price	<b>\$1.23</b>	\$2.06
Volatility	<b>73.6%</b>	100.0%
Expected option life	<b>6.5 years</b>	6.5 years
Dividend	<b>\$ nil</b>	\$ nil
Risk-free interest rate	<b>3.32%</b>	3.20%
Estimated cost per voting common share under option	<b>\$1.23</b>	\$2.04
Total estimated cost to be amortized over the vesting period	<b>\$229</b>	\$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
Granted	112,000	\$2.06
Exercised	(7,200)	\$1.25
Forfeited	(22,666)	\$1.25
Balance as at December 31, 2022	644,234	\$2.92
Granted	268,000	\$1.23
Exercised	(47,268)	\$1.25
Forfeited	(12,966)	\$1.25
Expired	(154,000)	\$4.50
Balance as at December 31, 2023	698,000	\$2.06

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The following table summarizes the options outstanding and exercisable at December 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
92,500	0.38	\$5.00	92,500	0.38	\$5.00
50,000	4.92	\$3.96	33,334	4.92	\$3.96
175,500	3.90	\$1.25	175,500	3.90	\$1.25
127,000	5.98	\$2.07	30,667	5.96	\$2.06
59,000	6.80	\$1.48	19,667	6.80	1.48
194,000	6.98	\$1.09	-	-	-
<b>698,000</b>	<b>4.98</b>	<b>\$2.06</b>	<b>351,668</b>	<b>3.41</b>	<b>\$2.58</b>

**(f) Deferred share units**

For the year ended December 31, 2023, the Company granted no deferred share units (“DSU’s) and redeemed 36,767 DSU’s by exchanging them for common shares of the Company to a former employee and former director. The Company recorded an expense of \$51 thousand on the redemption of the DSU’s with an equivalent amount being recorded in share capital.

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 were 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	December 31, 2023	December 31, 2022
Balance, beginning of the year	<b>115,897</b>	131,938
Grants	-	7,544
Redeemed	<b>(36,767)</b>	-
Forfeited	-	(23,585)
Balance, end of the year	<b>79,130</b>	115,897

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**(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, 2023, the Company awarded 63,378 RSUs to employees of the Company. In addition, at that time one-third of the RSUs awarded in 2022 vested and were paid with an expense of \$11 thousand recorded in the financial statements. On December 20, 2022, the Company awarded 26,737 RSUs to employees of the Company.

The fair value of the RSUs at December 31, 2023 was \$1.09 per RSU. At December 31, 2023, an expense and liability related to the outstanding RSUs of \$1 thousand was recorded in the financial statements.

The following table presents the continuity of restricted share units.

As at	December 31, 2023	December 31, 2022
Balance, beginning of the year	26,737	-
Grants	63,378	26,737
Vested	(9,750)	-
Balance, end of the year	80,365	26,737

**11. Finance costs**

Finance costs consists of the following:

	Year ended December 31, 2023	Year ended December 31, 2022
Accretion of decommissioning obligations (see Note 9)	525	810
Accretion of convertible debenture discount (see Note 8)	14	14
Interest on bank debt	89	362
Interest income	(64)	-
Interest on convertible debentures	126	126
Credit facility fees and costs	172	66
Total	862	1,378

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**12. Revenues**

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.

	<b>Year ended December 31, 2023</b>	Year ended December 31, 2022
Crude oil	<b>13,525</b>	17,705
Natural gas liquids	<b>6,105</b>	10,291
Natural gas	<b>5,194</b>	13,180
<b>Total</b>	<b>24,824</b>	41,176

**13. Other costs (income)**

Other income consists of the following:

	<b>Year ended December 31, 2023</b>	Year ended December 31, 2022
Bad debt provision	<b>21</b>	-
Cybersecurity incident	<b>1,561</b>	-
Site rehabilitation program grants – (see Note 9)	-	(116)
<b>Total</b>	<b>1,582</b>	(116)

At December 31, 2023, the Company has a provision of \$41 thousand as an allowance for doubtful accounts.

In 2023, the Company experienced a cybersecurity incident resulting in a loss of \$1.6 million, inclusive of expenses of investigating the incident.

In 2023, the Company received no grants (for the year ended December 31, 2022 - \$0.1 million) through the Alberta Site Rehabilitation Program (“SRP”) for the abandonment and reclamation of facilities and wells.

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**14. Supplemental cash flow information**

Changes in non-cash working capital are comprised of:

	Year ended December 31, 2023	Year ended December 31, 2022
Cash provided by (used in):		
Trade and other receivables	87	(927)
Prepaid expenses and deposits	(133)	(67)
Accounts payable and accrued liabilities	(186)	317
	(232)	(677)
Related to:		
Operating activities	(586)	(484)
Investing activities	354	(193)
Changes in non-cash working capital for the year	(232)	(677)

**15. 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) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's accounts receivable is substantially with oil and natural gas marketers and industry partners.

The Company's operations are conducted in Canada. The Company's exposure to credit risk is based on the credit-worthiness of each customer, however, changes in industry conditions that negatively impact its customers' ability to generate cash flow will increase the risk of not collecting receivables. Management believes the risk is mitigated by the size and reputation of the companies to which credit is extended.

The Company currently markets its production to two oil and natural gas marketers and monitors the credit rating of those marketers. Revenues from the sale of oil and natural gas are normally collected on the 25th day of the month following production.

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The Company has an allowance for doubtful accounts as at December 31, 2023 of \$41 thousand (December 31, 2022 - \$20 thousand). When determining whether past due accounts are collectible, the Company factors in the credit history of the counterparties. The Company considers amounts outstanding more than 90 days as past due. The maximum exposure to credit risk is the amount of trade and other receivables comprised of the following carrying amounts, of which \$0.4 million (December 31, 2022 - \$0.3 million) was greater than 90 days.

As at	December 31, 2023	December 31, 2022
Oil and natural gas revenue	1,917	2,707
Industry partners	1,856	1,153
Total trade and other receivables	3,773	3,860

**(c) 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 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 and financial commodity price contracts outstanding at December 31, 2023.

Commencement Date	Expiry Date	Units	Volume	Underlying Commodity	Fixed Price
November 1, 2023	March 31, 2024	Bbls/d	150	Edmonton Par - Financial	\$109.20
January 1, 2024	March 31, 2024	GJ/d	1,000	AECO 5A - Physical	\$2.90

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.



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**(d) 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 December 31, 2023 which mature within one year are as follows:

	<b>Amount</b>
Bank debt	<b>1,700</b>
Accounts payable and accrued liabilities	<b>4,753</b>
Decommissioning obligations	<b>711</b>
<b>Total</b>	<b>7,164</b>

The components of accounts payable and accrued liabilities are as follows:

<b>As at</b>	<b>December 31, 2023</b>	December 31, 2022
Trade payables	<b>2,632</b>	2,649
Industry partners	<b>1,143</b>	1,566
Royalties payable	<b>349</b>	251
Accrued liabilities	<b>629</b>	473
<b>Total accounts payable and accrued liabilities</b>	<b>4,753</b>	4,939

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 December 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, 2024. 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.

**(e) 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

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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	December 31, 2023	December 31, 2022
Cash	-	242
Trade and other receivables	3,773	3,860
Prepaid expenses and deposits	903	770
Assets held for sale	-	2,891
Bank debt	(1,700)	-
Accounts payable and accrued liabilities	(4,753)	(4,939)
Liabilities related to assets held for sale	-	(1,430)
Current portion of decommissioning obligations	(711)	(711)
Convertible debentures	(1,236)	(1,222)
Net debt	(3,724)	(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 December 31, 2023, the Company's working capital ratio for purposes of the lender's working capital covenant was 2.4:1, (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.

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

	Year ended December 31, 2023	Year ended December 31, 2022
Cash provided by operating activities	2,327	8,530
Decommissioning expenditures	823	667
Change in non-cash working capital	586	484
Adjusted funds flow	3,736	9,681

**(f) Fair value**

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.

**16. Income taxes**

**(a) Income tax rate reconciliation**

The provision for income taxes varies from the amounts that would be computed by applying the effective Canadian federal and provincial income tax rates to the earnings (loss) before income taxes as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Earnings (loss) before income taxes	(4,011)	(2,549)
Expected future income tax rate	23.0%	23.0%
Expected income tax expense (recovery)	(923)	(586)
Differences resulting from:		
Permanent differences	62	49
Change in unrecognized deferred tax assets	861	537
Deferred income tax expense (recovery)	-	-

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**(b) Temporary differences**

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

Temporary differences	December 31, 2023	December 31, 2022
Property, plant and equipment	16,399	18,016
Decommissioning obligations	16,262	18,227
Share issue costs	-	1
Non-capital loss carried forward	76,835	69,186
Capital losses carried forward	7,964	7,964
Other	(26)	(40)
<b>Total</b>	<b>117,434</b>	<b>113,354</b>

**(c) Non-capital losses carried forward**

The Company has non-capital losses of \$76.8 million expiring over the years 2029 to 2043.

**17. Commitments**

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

	2024	2025	2026	2027	2028	Thereafter
Bank debt	1,700	-	-	-	-	-
Accounts payable and accrued liabilities	4,753	-	-	-	-	-
Decommissioning obligations	711	711	711	711	711	12,744
Convertible debentures	-	1,262	-	-	-	-
<b>Total</b>	<b>7,164</b>	<b>1,973</b>	<b>711</b>	<b>711</b>	<b>711</b>	<b>12,744</b>

**18. Supplemental information**

**(a) Key management personnel compensation**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The key management personnel compensation is comprised of the following:

	Year ended December 31, 2023	Year ended December 31, 2022
Salaries and benefits	797	918
Stock based compensation	192	192
<b>Total</b>	<b>989</b>	<b>1,110</b>

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Stock based compensation, included in the table above, represents the amortization of stock based compensation costs associated with options for voting common shares and DSUs granted to directors and key management personnel.

**(b) Presentation - Statement of operations and comprehensive earnings (loss)**

In the Company's statement of operations and comprehensive loss, items are primarily disclosed by nature except for cash compensation to Company personnel, which were classified as follows:

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	<b>Year ended December 31, 2023</b>	Year ended December 31, 2022
General and administrative	<b>1,370</b>	1,185
Operating	<b>176</b>	165
Total	<b>1,546</b>	1,350

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