HIGHWOOD ASSET MANAGEMENT LTD.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022

(unaudited)

Highwood Asset Management Ltd.
Condensed Interim Consolidated Statement of Financial Position

(all tabular amounts expressed in $1,000's of Canadian dollars) (unaudited)	Note	**As at September 30 2022**	As at December 31 2021
Assets			
Current assets			
Accounts receivable	3, 14(a)	**$ 2,450**	$ 2,139
Deposits and prepaid expenses		**322**	308
Reclamation deposits		**123**	123
Total current assets		**2,895**	2,570
Reclamation deposits		**18**	18
Exploration and evaluation assets	4	**702**	738
Property, plant and equipment	5	**13,080**	12,471
Right-of-use assets		**23**	86
Total assets		**$ 16,718**	$ 15,883
Liabilities			
Current liabilities			
Bank overdraft		**$ 200**	$ 124
Accounts payable and accrued liabilities		**2,141**	2,860
Bank debt	6	**125**	1,075
Current portion of lease liabilities		**23**	72
Total current liabilities		**2,489**	4,131
Accounts payable and accrued liabilities	14(c)	**773**	683
Lease liabilities		**-**	17
Decommissioning liabilities	7	**2,288**	3,059
Deferred tax liability		**660**	-
Total liabilities		**6,210**	7,890
Shareholders' Equity			
Share capital	8	**16,310**	16,310
Contributed surplus	11	**3,023**	2,692
Deficit		**(8,825)**	(11,009)
Total equity		**10,508**	7,993
Total liabilities and shareholders' equity		**$ 16,718**	$ 15,883

Commitments (note 13)

See the accompanying Notes to the Condensed Interim Consolidated Financial Statements

Approved by the Board:

"signed", Stephen J Holyoake, Director

"signed", Ryan Mooney, Director

Highwood Asset Management Ltd.

Condensed Interim Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)

(all tabular amounts expressed in $1,000's of Canadian dollars, except for earnings per share information)

(unaudited)

	Note	Three Months Ended, **September 30, 2022**	Three Months Ended, September 30, 2021	Nine months Ended, **September 30, 2022**	Nine months Ended, September 30, 2021
Revenue					
Oil sales	9	**$ 1,135**	$ 721	**$ 3,411**	$ 6,423
Royalties		**(362)**	(222)	**(1,092)**	(745)
Transportation pipeline revenues	9	**842**	905	**2,486**	2,805
Processing and other income	9	**50**	-	**50**	191
		1,665	1,404	**4,855**	8,674
Realized gain/(loss) on commodity contracts	14(b)	**11**	(413)	**(64)**	(2,066)
Unrealized gain/(loss) on commodity contracts	14(b)	**44**	334	**-**	(366)
Total revenue, net of royalties and commodity contracts		**1,720**	1,325	**4,791**	6,242
Expenses					
Operating and transportation		**519**	509	**1,599**	4,276
General and administrative		**577**	510	**1,967**	2,326
Exploration and evaluation expenditures		**101**	-	**210**	127
Depletion and depreciation		**62**	128	**223**	535
Impairment loss, net of reversal		**-**	-	**-**	46
Stock-based compensation (recovery)	11	**139**	(72)	**331**	443
Total expenses		**1,398**	1,075	**4,330**	7,753
Operating income (loss)		**322**	250	**461**	(1,511)
Other income (expenses)					
Gain/(loss) on disposal of assets	5	**67**	-	**2,414**	(2)
Gain on debt modification	14(c)	**-**	-	**122**	-
Finance expenses	10	**(42)**	(51)	**(153)**	(170)
Total other income (expenses)		**25**	(51)	**2,383**	(172)
Income (loss) before taxes		**347**	199	**2,844**	(1,683)
Deferred tax (expense) recovery		**(106)**	(49)	**(660)**	313
Income (loss) and comprehensive income (loss) for the period		**$ 241**	$ 150	**$ 2,184**	$ (1,370)
Income (loss) per share:	8(c)				
Basic		**$ 0.04**	$ 0.02	**$ 0.36**	$ (0.23)
Diluted		**$ 0.04**	$ 0.02	**$ 0.35**	$ (0.23)

See the accompanying Notes to the Condensed Interim Consolidated Financial Statements

Highwood Asset Management Ltd.
Condensed Interim Consolidated Statement of Changes in Shareholders' Equity

(all tabular amounts expressed in $1,000's of Canadian dollars)
(unaudited)

	Note	Share capital	Contributed surplus	Deficit	Total equity
Balance, January 1, 2022		**$ 16,310**	**$ 2,692**	**$ (11,009)**	**$ 7,993**
Stock-based compensation	**11**	**-**	**331**	**-**	**331**
Income and comprehensive income for the period		**-**	**-**	**2,184**	**2,184**
Balance, September 30, 2022		**$ 16,310**	**$ 3,023**	**$ (8,825)**	**$ 10,508**
Balance, January 1, 2021		$ 16,310	$ 2,141	$ (8,688)	$ 9,763
Stock-based compensation	11	-	443	-	443
Loss and comprehensive loss for the period		-	-	(1,370)	(1,370)
Balance, September 30, 2021		$ 16,310	$ 2,584	$ (10,058)	$ 8,836

See the accompanying notes to the Condensed Interim Consolidated Financial Statements

Highwood Asset Management Ltd.
Condensed Interim Consolidated Statement of Cash Flows

(all tabular amounts expressed in $1,000's of Canadian dollars) (unaudited)	Note	Three Months Ended, September 30, 2022	September 30, 2021	Nine months Ended, September 30, 2022	September 30, 2021
Cash provided by (and used in)					
Operating activities					
Income (loss) for the period		**$ 241**	$ 150	**$ 2,184**	$ (1,370)
Items not involving cash:					
Unrealized (gain)/loss on commodity contracts	14(b)	**(44)**	(334)	**-**	366
Exploration and evaluation expenditures	4	**101**	-	**210**	127
Depletion and depreciation expense	5, 7	**62**	128	**223**	535
Impairment loss, net of reversal		**-**	-	**-**	46
Finance expense	10	**32**	8	**99**	33
Deferred tax expense (recovery)		**106**	49	**660**	(313)
Stock-based compensation	11	**139**	(72)	**331**	443
(Gain)/loss on disposal of assets	5	**(67)**	-	**(2,414)**	2
Gain on debt modification	14(c)	**-**	-	**(122)**	-
Cash abandonment expenditures	7	**(85)**	(2)	**(85)**	(3)
Change in long-term accounts payable and accrued liabilities		**(127)**	-	**149**	-
Change in non-cash working capital	12	**(100)**	268	**(1,091)**	(1,064)
Net cash from (used in) operating activities		**258**	195	**144**	(1,198)
Financing activities					
Payments of lease obligations		**(6)**	(26)	**(47)**	(78)
Bank debt, net of repayments	6	**125**	-	**(950)**	(7,000)
Net cash from (used in) financing activities		**119**	(26)	**(997)**	(7,078)
Investing activities					
Additions to property, plant and equipment	5	**(1,366)**	(33)	**(1,509)**	(55)
Additions to exploration and evaluation assets	4	**(160)**	(46)	**(174)**	(212)
Proceeds on dispositions of property, plant and equipment	5	**67**	-	**2,413**	-
Proceeds on disposition of assets held for sale		**-**	-	**-**	1,978
Change in non-cash working capital	12	**38**	1	**47**	685
Net cash from (used in) investing activities		**(1,421)**	(78)	**777**	2,396
Change in cash		**$ (1,044)**	$ 91	**$ (76)**	$ (5,880)
Cash (bank overdraft), beginning of period		**844**	(296)	**(124)**	5,675
Cash (bank overdraft), end of period		**$ (200)**	$ (205)	**$ (200)**	$ (205)

Supplemental cash flow information 12

See the accompanying Notes to the Condensed Interim Consolidated Financial Statements

1. REPORTING ENTITY

Highwood Asset Management Ltd. (the "Company") is a public company engaged in the ownership & oversight of various operations including industrial metals and minerals, oil production & midstream energy operations. The Company incorporated in Alberta, Canada on August 29, 2012. The Company conducts its operations in Western Canada, primarily in the province of Alberta. The Company's principal place of business is located at Suite 202, 221 10th Avenue SE, Calgary, Alberta, T2G 0V9.

The Company's common shares trade on the TSX Venture Exchange under the symbol "HAM".

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries at September 30, 2022, Cataract Creek Environmental Ltd., Renewable EV Battery Cleantech Corp. and 2339364 Alberta Ltd.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 28, 2022.

2. BASIS OF PREPARATION

(a) Statement of compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards (IAS) 34, "Interim Financial Reporting", using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Certain information and disclosures normally included in the annual financial statements prepared in accordance with IFRS have been condensed or omitted.

The condensed interim consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements as at and for the year ended December 31, 2021 and the notes thereto.

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except as detailed in the accounting policies disclosed in note 3 of the Company's audited consolidated financial statements for the year ended December 31, 2021. All accounting policies and methods of computation followed in the preparation of these condensed interim consolidated financial statements are consistent with those of the previous financial year.

(b) Use of estimates and judgments

The timely preparation of the Condensed Interim Consolidated Financial Statements requires management to make judgments, estimates and assumptions based on currently available information that affect the application of accounting policies and reported amounts of assets and liabilities at the date of the statement of financial position and the reported amounts of income and expenses during the reporting period. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions and judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In March 2020, the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus ("COVID-19"). Through most of 2021 and 2022, commodity prices have significantly recovered due to a combination of increasing worldwide demand for commodities and decreasing oil inventories and prices are currently exceeding pre-pandemic levels. In addition to the COVID-19 pandemic, the Russia-Ukraine conflict in early 2022 has further added to the unpredictability of global markets and commodity prices.

The Company's financial performance, operations and business are particularly sensitive to a reduction or increase in the demand for prices of crude oil and natural gas. Although commodity prices have a more positive outlook at this time, emerging global concerns over oil and gas supply have resulted in higher benchmark commodity prices and inflationary pressures on governments, business and communities. The potential direct and indirect impact of these factors cannot be reasonably estimated or to the extent to which it may materially impact the Company's financial statements in fiscal 2022 and beyond.

A full list of significant estimates and judgments can be found in note 2(d) of the Company's annual consolidated financial statements for the year ended December 31, 2021.

3. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	September 30, 2022	December 31, 2021
Oil marketers	**$ 648**	$ 500
Joint interest partners	**1,089**	1,025
Road use receivable	**465**	476
Other	**248**	138
Balance, end of period	**$ 2,450**	$ 2,139

4. EXPLORATION AND EVALUATION ASSETS

Evaluation and evaluation assets is comprised of the following:

	September 30, 2022			December 31, 2021		
	Upstream	**Mining & Minerals**	**Total**	Upstream	Mining & Minerals	Total
Balance, beginning of period	**$ 540**	**$ 198**	**$ 738**	$ 1,236	$ -	$ 1,236
Additions	**174**	**-**	**174**	18	198	216
Land lease expiries	**(210)**	**-**	**(210)**	(714)	-	(714)
Balance, end of period	**$ 504**	**$ 198**	**$ 702**	$ 540	$ 198	$ 738

Exploration and evaluation assets include undeveloped lands and mineral permits where management has not fully evaluated for technical feasibility and commercial viability.

At September 30, 2022, there were no indicators of impairment.

5. PROPERTY, PLANT AND EQUIPMENT

				September 30, 2022				
COSTS		**Oil and natural gas properties (Upstream)**		**Midstream**		**Corporate**		**Total**
Balance, January 1, 2022	**$**	**11,104**	**$**	**8,535**	**$**	**-**	**$**	**19,639**
Change in decommissioning liabilities (note 7)		**(281)**		**(33)**		**-**		**(314)**
Additions		**-**		**327**		**1,182**		**1,509**
Balance, September 30, 2022	**$**	**10,823**	**$**	**8,829**	**$**	**1,182**	**$**	**20,834**
ACCUMULATED DEPLETION, DEPRECIATION AND IMPAIRMENT								
Balance, January 1, 2022	**$**	**(6,016)**	**$**	**(1,152)**	**$**	**-**	**$**	**(7,168)**
Depletion and depreciation		**(347)**		**(224)**		**(15)**		**(586)**
Balance, September 30, 2022	**$**	**(6,363)**	**$**	**(1,376)**	**$**	**(15)**	**$**	**(7,754)**
Net book value, September 30, 2022	**$**	**4,460**	**$**	**7,453**	**$**	**1,167**	**$**	**13,080**

			December 31, 2021			
COSTS		Oil and natural gas properties (Upstream)		Midstream		Total
Balance, January 1, 2021	$	11,172	$	8,503	$	19,675
Change in decommissioning liabilities (note 7)		(90)		(3)		(93)
Additions		22		35		57
Balance, December 31, 2021	$	11,104	$	8,535	$	19,639
ACCUMULATED DEPLETION, DEPRECIATION AND IMPAIRMENT						
Balance, January 1, 2021	$	(5,440)	$	(849)	$	(6,289)
Depletion and depreciation		(530)		(303)		(833)
Impairment loss, net of reversals		(46)		-		(46)
Balance, December 31, 2021	$	(6,016)	$	(1,152)	$	(7,168)
Net book value, December 31, 2021	$	5,088	$	7,383	$	12,471

Future development costs of $2.77 million (December 31, 2021 - $2.77 million) associated with the development of the Company's proved plus probable reserves were included in the calculation of depletion for the period ended September 30, 2022. Future development costs are only included for CGUs with production.

The Company assesses many factors when determining if an impairment test should be performed. At September 30, 2022, the Company conducted an assessment of impairment indicators for the Company's CGUs. In performing the review, management determined that the continued strength in commodity pricing from December 31, 2021 to September 30, 2022, and the impact this has on the economic performance of the Company's CGUs resulted in no indicators of impairment at September 30, 2022.

During the nine months ended September 30, 2022, the Company closed a purchase and sale agreement with a private Company (the "Purchaser") to dispose of 50% of the Company's 100% working interest in the 14-05 Terminal, for total cash consideration of $2.25 million. The terminal had a carrying value of $nil at the time of the disposition. As a result of the disposition, the Company recognized a gain on disposal of asset of $2.24 million during the three and nine months ended September 30, 2022. Transaction costs totalling $12 thousand have reduced the gain recorded. The 14-05 Terminal is part of the Company's midstream operating segment.

During the three and nine months ended September 30, 2022, the Company acquired new office space for proceeds of $1.15 million and furniture for total proceeds of $31 thousand, resulting in total additions of $1.18 million to Corporate plant, property and equipment. The office space and furniture will be depreciated over the useful life of the assets, being 20 years for the office building and 10 years for the furniture.

6. BANK DEBT

The Company has a $2.92 million operating facility. This operating facility bears interest at the Bank's prime rate of bankers acceptance discount rates plus an applicable margin of 300bps to 550bps on prime rate loans and 400bps to 650bps on stamping fees related to bankers acceptances, determined by reference to the Company's net debt to cash flow ratio (as defined in the credit facility agreement). Interest on the credit facility is due monthly. This credit facility is secured by a $100.0 million debenture with a fixed and floating charge over all the assets of the Company. The operating facility matures December 31, 2022, at which time it is subject to customary reviews by the lenders.

The Company is required to maintain an adjusted working capital ratio of not less than 1.0:1.0, and such ratio is to be tested at the end of each fiscal quarter. Current ratio is defined as the ratio of (i) current assets, excluding financial derivatives to (ii) current liabilities, excluding financial derivatives, any amounts drawn under the bank facility and any current liabilities related to lease contracts. At September 30, 2022, the Company's current ratio was 2.43:1.0 (December 31, 2021 – 1.17:1:00). The Company is required to maintain a net debt to cash flow ratio no greater than 2.0:1.0 for each quarter. At September 30, 2022 the Company's net debt to cash flow ratio is 0.30:1.0 (December 31, 2021 – 1.57:1.0). For the purposes of the covenant, net debt is defined by the agreement as working capital deficit (excluding financial derivatives) plus bank debt and cash flow is defined as cash flow from operating activities before changes in non-cash working capital normalized for extraordinary and nonrecurring earnings, gains, and losses. For the fiscal quarter ending December 31, 2021, the impact of realized gains or losses on commodity contracts is excluded from the calculation of net income for the purposes of the net debt to cash flow covenant. Cashflows are determined as the trailing four quarters. The Company is allowed to enter into notional commodity contracts whose terms do not extend more than one month past the operating facility maturity date of December 31, 2022 and cannot exceed 60% of gross production volumes (by commodity) for the three month trailing period, at the time the contracts are entered into.

7. DECOMMISSIONING LIABILITIES

The Company's decommissioning liabilities result from its ownership interest in oil and natural gas properties including well sites and facilities. The total decommissioning liability is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The Company has estimated the net present value of the decommissioning liabilities to be $2.29 million as at September 30, 2022 (December 31, 2021 - $3.06 million) based on an undiscounted total future liability of $3.54 million (December 31, 2021 - $3.94 million) and discounted using a long-term risk-free rate of 3.09% (December 31, 2021 – 1.68%) and an inflation rate of 1.65% (December 31, 2021 – 1.82%). The expected timing of decommissioning expenditures extends to 2072.

The following table summarizes changes in the decommissioning liabilities:

	September 30, 2022	December 31, 2021
Balance, beginning of period	**$ 3,059**	$ 3,261
Change in discount rate	**(525)**	(179)
Change in cash flow estimates	**(196)**	32
Abandonment expenditures	**(85)**	(89)
Accretion expense (note 10)	**35**	34
Balance, end of period	**$ 2,288**	$ 3,059

The carrying value of certain oil and natural gas properties of the Company is $nil. Accordingly, the change in discount rate and cash flow estimates related to these properties was recorded as a reduction to depletion and depreciation expense for the three and nine month periods ending September 30, 2022 of $155 thousand and $407 thousand, respectively (three and nine month periods ending September 30, 2021 – $106 thousand and $161 thousand, respectively).

8. SHARE CAPITAL

a) Authorized

Unlimited number of voting common shares and unlimited number of preferred shares issuable in series.

b) Issued and outstanding common shares

	Number of Shares (000's)	Stated Value
Balance, December 31, 2021 and September 30, 2022	6,014	$16,310

c) Income (loss) per share

	Three months ended September 30			
	2022		2021	
	Net income	**Common shares**	Net income	Common shares
Income - basic	**$ 241**	**6,014**	$ 150	6,014
Dilutive effect	**-**	**170**	-	28
Income - diluted	**$ 241**	**6,184**	$ 150	6,042

	Nine months ended September 30			
	2022		2021	
	Net income	**Common shares**	Net Loss	Common shares
Loss - basic	**$ 2,184**	**6,014**	$ (1,370)	6,014
Dilutive effect	**-**	**178**	-	-
Loss - diluted	**$ 2,184**	**6,192**	$ (1,370)	6,014

For the three and nine month periods ended September 30, 2022, 85,033 options were excluded as they were anti dilutive. For the three and nine month periods ended September 30, 2021 all options and RSU's were excluded as they were anti dilutive.

9. REVENUE

Oil sales:

The Company sells its production pursuant to variable-price contracts. The transaction price for variable price contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending the contract terms. Commodity prices are based on market indices that are determined on a monthly or daily basis. Revenue is recognized when a unit of production is delivered to the customer and control of the product transferred.

Revenues are typically collected on the 25th day of the month following production.

The following table summarizes the Company's product sales.

	Three months ended September 30,		**Nine months ended September 30,**	
	2022	2021	**2022**	2021
Total Oil Sales	**$ 1,135**	$ 721	**$ 3,411**	$ 6,423

Transportation pipeline revenues:

The Company charges a tariff on oil that is sold through the Company's crude transmission pipeline. The transaction price is fixed and based on a publicly posted tariff. Revenue is recognized when a unit of production is delivered to the customer and control of the product transferred.

Revenues are typically collected on the 25th day of the month following production.

The following table summarizes the Company's transportation pipeline revenues.

	Three Months Ended September 30,		**Nine months Ended September 30,**	
	2022	2021	**2022**	2021
Transportation pipeline revenues	**$ 842**	$ 905	**$ 2,486**	$ 2,805

10. FINANCE EXPENSES

Finance expenses is comprised of:

	Three months ended September 30,		**Nine months ended September 30,**	
	2022	2021	**2022**	2021
Interest on bank debt	**$ 10**	$ 21	**$ 54**	$ 75
Stamping fees on bank debt	**-**	22	**-**	59
Financing fees	**-**	-	**-**	3
Accretion of decommissioning liabilities (note 7)	**11**	7	**35**	29
Accretion of lease liabilities	**-**	1	**1**	4
Accretion of long-term accounts payable and accrued liabilities	**21**	-	**63**	-
Total	**$ 42**	$ 51	**$ 153**	$ 170

11. SHARE-BASED PAYMENTS

Options

The Company has adopted a stock option plan for officers, directors, employees and consultants "the Option Plan". Under the Option Plan, the Board of Directors sets the exercise price, expiry date and vesting terms for each option grant provided that no options will be granted at a discount to market prices and no option will have a term exceeding ten years. The Option Plan limits the total number of Common Shares that may be issued on exercise of options outstanding at any time under the Option Plan to 10% of the number of Common Shares issued and outstanding (less the number of Common Shares reserved for issuance under any other share based compensation arrangement of the Company, including the Restricted Share Unit Plan).

A summary of the stock options issued and outstanding as at September 30, 2022 are as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2021	149	$ 11.69
Granted	27	11.00
Outstanding, September 30, 2022	176	$ 11.58
Exercisable, September 30, 2022	130	$ 10.88

The weighted average contractual term of all outstanding options at September 30, 2022 is 2.16 years.

During the three and nine months ended September 30, 2022, the Company recorded stock-based compensation expense (recovery) relating to options of $61 thousand and $130 thousand, respectively (three and nine months ended September 30, 2021 - $(21) thousand and $157 thousand, respectively) with a corresponding increase for expense (and decrease for recovery) to contributed surplus.

On May 30, 2022, the Company granted 26,500 options at an exercise price of $11.00 per option. The options granted vest 1/3 on each of December 31, 2022, December 31, 2023 and December 31, 2024 and have a five year term.

The fair value of the stock options granted were estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	May 30, 2022
Number of options (#000's)	27
Exercise price ($/share)	$ 11.00
Stock price on grant date	$ 10.00
Expected life (years)	5.0
Risk-free interest rate	2.66%
Expected volatility	80%
Option fair value (per option)	$ 6.36
Estimated forfeiture rate	0%
Expected dividend yield	0%

A forfeiture rate of 0% was used when recording stock-based compensation as it is expected that all officers, directors, employees and consultants will continue with the Company over the vesting period, and or, all options will be exercised. Stock price on date of grant was determined by the price of Common Shares issued on the date of grant and based on publicly available information. Expected volatility was determined based on an average of volatilities of similar publicly traded entities in Company's peer group.

Restricted Share Units ("RSUs")

The Company has an RSU plan, for officers, directors, employees and consultants " the RSU Plan". The RSU Plan is administered by the Board of Directors (or a committee thereof) which has the power, subject to the limits imposed by the RSU Plan, to: (i) award RSUs; (ii) determine the terms under which RSUs are granted; (iii) interpret the RSU Plan and adopt, amend and rescind such administrative guidelines and other rules and regulations relating to the RSU Plan; and (iv) make all other determinations and take all other actions in connection with the implementation and administration of the RSU Plan. The RSU Plan is a fixed plan which reserves for issuance a maximum of 240,000 Common Shares (being approximately 4% of the currently issued and outstanding Common Shares).

A summary of the RSUs issued and outstanding as at September 30, 2022 are as follows:

	Number of RSUs
Outstanding, December 31, 2021	133
Granted	27
Outstanding, September 30, 2022	160
Exercisable, September 30, 2022	121

The weighted average contractual term of all outstanding RSUs at September 30, 2022 is 0.82 years.

During the three and nine months ended September 30, 2022, the Company recorded stock-based compensation expense (recovery) relating to RSU's of $78 thousand and $201 thousand, respectively (three and nine months ended September 30, 2021 - $(51) thousand and $286 thousand, respectively) with a corresponding increase for expense (and decrease for recovery) to contributed surplus.

On May 30, 2022, the Company granted 26,500 RSU's exercisable for nominal consideration. The RSU's granted vest 1/3 on each of December 31, 2022, December 31, 2023 and December 31, 2024 and expire on December 31, 2025.

The fair value of the RSU's issued and granted were estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	May 30, 2022
Number of RSU's (#000's)	27
Exercise price ($/share)	$ -
Stock price on grant date	$ 10.00
Expected life (years)	3.5
Risk-free interest rate	2.66%
Expected volatility	80%
Option fair value (per option)	$ 10.00
Estimated forfeiture rate	0%
Expected dividend yield	0%

A forfeiture rate of 0% was used when recording stock-based compensation as it is expected that all officers, directors, employees and consultants will continue with the Company over the vesting period, and or, all options will be exercised. Stock price on date of grant was determined by the price of Common Shares issued on the date of grant and based on publicly available information. Expected volatility was determined based on an average of volatilities of similar publicly traded entities in Company's peer group.

12. SUPPLEMENTAL CASH FLOWS INFORMATION

Changes in non-cash working capital is comprised of:

	Three months ended September 30,		**Nine months ended September 30,**	
Source/(use) of cash	**2022**	2021	**2022**	2021
Accounts receivable	**$ (238)**	$ 1,654	**$ (311)**	$ 3,415
Deposits and prepaid expenses	**146**	25	**(14)**	873
Accounts payable and accrued liabilities	**30**	(1,410)	**(719)**	(4,667)
Changes in non-cash working capital	**$ (62)**	$ 269	**$ (1,044)**	$ (379)

	Three months ended September 30,		**Nine months ended September 30,**	
	2022	2021	**2022**	2021
The above figure relates to:				
Operating activities	**$ (100)**	$ 268	**$ (1,091)**	$ (1,064)
Investing activities	**38**	1	**47**	685
Changes in non-cash working capital	**$ (62)**	$ 269	**$ (1,044)**	$ (379)
Interest paid	**$ 10**	$ 43	**$ 54**	$ 134
Taxes paid (recovered)	**$ -**	$ -	**$ -**	$ -

13. COMMITMENTS

At September 30, 2022, the Company had the following commitments with respect to accounts payable and accrued liabilities with long-term payment plans:

Minimum future payments for accounts payable and accrued liabilities with long-term payment plans:

	Within 1 year	After 1 year but not more than 5 years	Total
Accounts payable and accrued liabilities	$ 438	$ 829	$ 1,267

14. FINANCIAL RISK MANAGEMENT

The Board of Directors has the overall responsibility for the establishment and oversight and execution of the Company's risk management framework. The Board of Directors has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company employs risk management strategies and policies to ensure that any exposures to risk are in compliance with the Company's business objectives. While the Board of Directors has the overall responsibility for the Company's risk management framework, the Company's management has the responsibility to administer and monitor those risks.

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as:

- credit risk;
- market risk; and
- liquidity risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk. There were no changes to the Company's risk management policies or processes since the year ended December 31, 2021.

(a) 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 maximum exposure to credit risk at period end is as follows:

	September 30, 2022	December 31, 2021
Accounts receivable	**$ 2,450**	$ 2,139
Deposits	**193**	135
Reclamation deposits	**141**	141
Total	**$ 2,784**	$ 2,415

Accounts receivable:

Substantially all of the Company's oil production and pipeline transportation revenues are marketed under standard industry terms. Receivables from oil marketers are normally collected on the 25th day of the month following production. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with credit worthy purchasers. Joint interest receivables are typically collected within one to three months of the joint interest bill being issued to the partner.

The Company's accounts receivable are aged as follows:

	September 30, 2022	December 31, 2021
Current (less than 90 days)	**$ 960**	$ 861
Past due (more than 90 days)	**1,490**	1,278
Total	**$ 2,450**	$ 2,139

As at September 30, 2022, management believes all receivables net of provision for expected credit losses will be collected.

(b) Market risk

Market risk is the risk that changes in market conditions, such as commodity prices, foreign exchange rates and interest rates, will affect the Company's cash flow, income or the value of its financial instruments. The objective of the Company's market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the Company's return. There have been no changes to the Company's policies for managing foreign currency risk, interest rate risk and commodity price risk.

Commodity price risk

The Company currently has no commodity contracts outstanding at September 30, 2022.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with the financial liabilities as they become due. The Company's financial liabilities consist of bank overdraft, accounts payable and accrued liabilities and bank debt, all of which are due within a year and lease liabilities. A portion of accounts payable and accrued liabilities is being paid on a long term payment plan as disclosed in note 13. The Company also maintains and monitors a certain level of cash flow which is used to partially finance all operating and capital expenditures. The Company also attempts to match its payment cycle with collection of oil and natural gas sales on the 25th of each month.

At September 30, 2022, the Company had a working capital surplus of $406 thousand. The Company expects to repay its financial liabilities in the normal course of operations and to fund future operational and capital requirements through operating cash flows and through deleveraging transactions. The Company also has a credit facility (note 6) to facilitate the management of liquidity risk. At September 30, 2022, $2.6 million was available under the credit facility. The operating facility of $2.92 million matures December 31, 2022 and is due on demand, therefore the credit facility has been classified as current. At September 30, 2022, the Company has classified $773 thousand of accounts payable and accrued liabilities as long term as the vendor has agreed to a payment plan that extends beyond 12 months. During the nine month period ended September 30, 2022, the Company agreed to a modified payment plan. This transaction was treated as a modification of the debt and resulted in the Company recognizing a gain on debt modification of $122 thousand in the statement of income (loss) and comprehensive income (loss) during the nine month period ended September 30, 2022.

The Company may need to conduct asset sales, equity issues or issue debt if liquidity risk increases in a given period. Liquidity risk may increase as a result of potential revisions to the Company's lending facility (note 6). The Company believes it has sufficient funds to meet foreseeable obligations by actively monitoring its credit facilities through use of the revolving debt, asset sales, coordinating payment and revenue cycles each month.

15. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

- To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities; and
- To maximize shareholder return through enhancing share value.

The Company considers its capital employed to be bank debt and shareholders' equity:

	September 30, 2022	December 31, 2021
Bank debt	**$ 125**	$ 1,075
Shareholder's equity	**10,508**	7,993
Capital employed	**$ 10,633**	$ 9,068

The Company monitors capital based on adjusted working capital, defined as current assets less current liabilities (excluding bank debt and commodity contracts).

Adjusted working capital

	September 30, 2022	December 31, 2021
Adjusted current assets	**$ 2,895**	$ 2,570
Adjusted current liabilities	**(2,364)**	(3,056)
Adjusted working capital surplus (deficit)	**$ 531**	$ (486)

The Company makes adjustments to capital employed by monitoring economic conditions and investment opportunities. The Company generally relies on credit facilities and cash flows from operations to fund capital requirements. To maintain or modify its capital structure, the Company may issue new common or preferred shares, issue new subordinated debt, renegotiate existing debt terms, or repay existing debt. The Company is not currently subject to any externally imposed capital requirements, other than covenants on its bank debt (note 6).

The Company also monitors capital structure based on its net debt to cash flow ratio. The definition of net debt to cash flow for capital management purposes is the same measure used in the calculation of the Company's financial covenants on its credit facility (note 6). The Company's strategy is to monitor the ratio and the ratio can, and will, fluctuate based on the timing of commodity prices and the mix of exploratory and development drilling.

16. RELATED PARTY TRANSACTIONS

(a) Transactions

Except as discussed elsewhere, the Company had the following transactions with related parties:

During the three and nine month periods ended September 30, 2022, the Company incurred charges of $nil and $89 thousand, respectively (three and nine month periods ended September 30, 2021 – $69 thousand and $178 thousand, respectively) from a company with common officers and directors for management fees, office space, subscriptions and supplies of which $nil and $39 thousand, respectively (three and nine month periods ended September 30, 2021 – $29 thousand and $88 thousand, respectively) was recorded as an increase in general and administrative expense and $nil and $50 thousand, respectively (three and nine month periods ended September 30, 2021 – $30 thousand and $90 thousand, respectively) was recorded as a reduction to lease liabilities. As at September 30, 2022, $nil (December 31, 2021 - $1 thousand) is included within accounts receivable and $nil (December 31, 2021 - $58 thousand) is included within accounts payable with respect to these charges.

17. SEGMENT INFORMATION

The Company has the following four reportable operating segments based on the nature of its business activities: Upstream, Midstream, Mining and Minerals and Corporate and Other.

Major Customers

The Company derives a majority of its midstream segment revenues from two major customers. These customers are reputable multi-national entities. For the three and nine month periods ended September 30, 2022, the two major customers accounted for $499 thousand and $1.59 million, respectively, of transportation pipeline revenues (three and nine month periods ended September 30, 2021 - $604 thousand and $2.09 million, respectively). All revenues from these major customers are collected on or about the 25th of the following month after services are provided.

The following tables shows the income (loss) and comprehensive income (loss) for each of the segments.

Three months ended September 30, 2022	Upstream	Midstream	Mining and Minerals	Corporate and Other	Total
Revenue					
Oil Sales	$ 1,135	$ -	$ -	$ -	$ 1,135
Royalties	(362)	-	-	-	(362)
Transportation pipeline revenues	-	842	-	-	842
Processing and other income	50	-	-	-	50
	823	842	-	-	1,665
Realized gain on commodity contracts	11	-	-	-	11
Unrealized gain on commodity contracts	44	-	-	-	44
Total revenue, net of royalties and commodity contracts	878	842	-	-	1,720
Expenses/(Income)					
Expenses/(income) excluding items listed separately below	384	234	1	759	1,378
Gain on disposal of assets	-	(67)	-	-	(67)
Depletion and depreciation	(28)	75	-	15	62
Total expenses/(income)	356	242	1	774	1,373
Income (loss) before taxes	522	600	(1)	(774)	347

Nine months ended September 30, 2022	Upstream	Midstream	Mining and Minerals	Corporate and Other	Total
Revenue					
Oil Sales	$ 3,411	$ -	$ -	$ -	$ 3,411
Royalties	(1,092)	-	-	-	(1,092)
Transportation pipeline revenues	-	2,486	-	-	2,486
Processing and other income	50	-	-	-	50
	2,369	2,486	-	-	4,855
Realized loss on commodity contracts	(64)	-	-	-	(64)
Total revenue, net of royalties and commodity contracts	2,305	2,486	-	-	4,791
Expenses/(Income)					
Expenses/(income) excluding items listed separately below	1,063	703	43	2,329	4,138
Gain of disposal of assets	(107)	(2,305)	-	(2)	(2,414)
Depletion and depreciation	(18)	226	-	15	223
Total expenses/(income)	938	(1,376)	43	2,342	1,947
Income (loss) before taxes	1,367	3,862	(43)	(2,342)	2,844

Three months ended September 30, 2021	**Upstream**	**Midstream**	**Mining and Minerals**	**Corporate and Other**	**Total**
Revenue					
Oil Sales	$ 721	$ -	$ -	$ -	$ 721
Royalties	(222)	-	-	-	(222)
Transportation pipeline revenues	-	905	-	-	905
Processing and other income	-	-	-	-	-
	499	905	-	-	1,404
Realized loss on commodity contracts	(413)	-	-	-	(413)
Unrealized gain on commodity contracts	334	-	-	-	334
Total revenue, net of royalties and commodity contracts	420	905	-	-	1,325
Expenses					
Expenses excluding items listed separately below	236	206	67	489	998
Depletion and depreciation	52	76	-	-	128
Total expenses	288	282	67	489	1,126
Income (loss) before taxes	132	623	(67)	(489)	199

Nine months ended September 30, 2021	**Upstream**	**Midstream**	**Mining and Minerals**	**Corporate and Other**	**Total**
Revenue					
Oil Sales	$ 6,423	$ -	$ -	$ -	$ 6,423
Royalties	(745)	-	-	-	(745)
Transportation pipeline revenues	-	2,805	-	-	2,805
Processing and other income	191	-	-	-	191
	5,869	2,805	-	-	8,674
Realized loss on commodity contracts	(2,066)	-	-	-	(2,066)
Unrealized loss on commodity contracts	(366)	-	-	-	(366)
Total revenue, net of royalties and commodity contracts	3,437	2,805	-	-	6,242
Expenses					
Expenses excluding items listed separately below	3,714	576	116	2,938	7,344
Depletion and depreciation	307	228	-	-	535
Impairment loss (net)	46	-	-	-	46
Total expenses	4,067	804	116	2,938	7,925
Income (loss) before taxes	(630)	2,001	(116)	(2,938)	(1,683)

The following tables shows assets and liabilities for each of the segments.

As at September 30, 2022	**Upstream**	**Midstream**	**Mining and Minerals**	**Corporate and Other**	**Total**
Current assets	$ 2,323	$ 365	$ -	$ 157	$ 2,845
Non-current assets	4,982	7,453	198	1,190	13,823
Current liabilities	1,997	182	-	310	2,489

As at December 31, 2021	**Upstream**	**Midstream**	**Mining and Minerals**	**Corporate and Other**	**Total**
Current assets	$ 2,205	$ 299	$ -	$ 66	$ 2,570
Non-current assets	5,646	7,383	198	86	13,313
Current liabilities	2,998	300	10	823	4,131