HIGHWOOD ASSET MANAGEMENT LTD.
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Highwood Asset Management Ltd.

Opinion

We have audited the consolidated financial statements of Highwood Asset Management Ltd. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2022 and 2021 and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated 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 consolidated 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>The impact of proved and probable reserves on upstream oil and natural gas properties within property, plant and equipment ("PP&E").</u>

We draw attention to Notes 2(d), 3(g)(ii), and 9 of the financial statements. The Company had upstream oil and natural gas properties of $4,390,000 within PP&E as at December 31, 2022 and depletion expense of $454,000 on these properties for the year then ended. The Company depletes its oil and natural gas properties using the unit of production method based on estimates of proved and probable oil and natural gas reserves. The estimates of the Company's oil and natural gas reserves used to determine depletion requires management to make significant assumptions to derive estimates of future cashflows related to production volumes, commodity prices, amount of future development costs, and production, royalty and transportation costs. The Company engaged an independent reserve evaluator ("management's expert") to estimate oil and natural gas reserves.

We identified the impact of proved and probable reserves on upstream oil and natural gas properties within PP&E as a key audit matter due to the significant assumptions management makes, including the use of management's experts, when developing the estimates of oil and natural gas reserves used to determine depletion expense. An increased auditor effort was required in evaluating these assumptions.

How our audit addressed the Key Audit Matter:

Our approach to addressing the matter involved the following procedures, among others:

We evaluated the competence, capabilities and objectivity of the independent reserve evaluator engaged by the Company. The procedures performed also included evaluation of the methods and assumptions used by management's expert, and tests of the data used by management's expert.

We evaluated the reasonableness of the significant assumptions used by management in developing the estimates, including:

- Comparing current and past performance of the Company to management's assumptions regarding expected future production volumes, and the timing and amount of future development costs. We evaluated whether these assumptions were consistent with evidence obtained in other areas of the audit.
- Testing the source information underlying the determination of future operating and transportation and royalty costs, comparing future operating and transportation costs and royalty costs to historical results, and evaluating whether they were consistent with evidence obtained in other areas of the audit.
- Comparing future commodity prices used by the Company's reserve evaluator in the preparation of the reserve estimates to forecasts published by other independent reserve evaluators.

We assessed management's ability to accurately forecast by comparing current year actual production volumes, and operating and transportation costs and royalty costs to those estimates used in the prior year's estimate of proved oil and natural gas reserves.

We recalculated the unit of production rates used to determine depletion expense.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis (MD&A), but does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

RSM Canada LLP

Chartered Professional Accountants
April 28, 2023
Calgary, Alberta

Highwood Asset Management Ltd.
Consolidated Statement of Financial Position

(all tabular amounts expressed in thousands of Canadian dollars)

	Note	**As at December 31 2022**	As at December 31 2021
Assets			
Current assets			
Cash		**$ 6**	$ -
Accounts receivable	4, 19(a)	**2,493**	2,139
Deposits and prepaid expenses	5	**198**	308
Reclamation deposits	6	**123**	123
Total current assets		**2,820**	2,570
Reclamation deposits	7	**18**	18
Exploration and evaluation assets	8	**951**	738
Property, plant and equipment	7, 9	**13,033**	12,471
Right-of-use assets		**19**	86
Total assets		**$ 16,841**	$ 15,883
Liabilities			
Current liabilities			
Bank overdraft		**$ -**	$ 124
Accounts payable and accrued liabilities		**2,390**	2,860
Bank debt	10	**-**	1,075
Current portion of lease liabilities		**19**	72
Total current liabilities		**2,409**	4,131
Accounts payable and accrued liabilities	19(c)	**666**	683
Lease liabilities		**-**	17
Decommissioning liabilities	11	**2,358**	3,059
Deferred tax liability	12(a)	**711**	-
Total liabilities		**6,144**	7,890
Shareholders' Equity			
Share capital	13	**16,564**	16,310
Contributed surplus	16	**2,929**	2,692
Deficit		**(8,796)**	(11,009)
Total equity		**10,697**	7,993
Total liabilities and shareholders' equity		**$ 16,841**	$ 15,883

Commitments and contingencies (note 18)

Subsequent events (note 6, 10, 16)

See the accompanying Notes to the Consolidated Financial Statements

Approved by the Board:

"signed", Stephen J Holyoake, Director

"signed", Ryan Mooney, Director

Highwood Asset Management Ltd.
Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)

(all tabular amounts expressed in thousands of Canadian dollars, except for earnings per share information)

	Note	Year ended December 31, 2022	Year ended December 31, 2021
Revenue			
Oil sales	14	**$ 4,438**	$ 7,389
Royalties		**(1,446)**	(1,048)
Transportation pipeline revenues	14	**3,255**	3,523
Royalty and other income	14	**435**	194
		6,682	10,058
Realized loss on commodity contracts	19(b)	**(64)**	(2,574)
Unrealized gain on commodity contracts	19(b)	**-**	109
Total revenue, net of royalties and commodity contracts		**6,618**	7,593
Expenses			
Operating and transportation		**2,140**	4,970
General and administrative		**2,775**	3,028
Exploration and evaluation	8	**185**	714
Depletion and depreciation	9, 11	**502**	877
Impairment loss	9	**-**	46
Stock-based compensation	16	**458**	551
Total expenses		**6,060**	10,186
Operating income (loss)		**558**	(2,593)
Other income (expenses)			
Gain (loss) on disposal of assets	7(b)(c)	**2,470**	(2)
Gain on debt modification	19(c)	**122**	-
Finance expense	15	**(193)**	(194)
Total other income (expenses)		**2,399**	(196)
Income (loss) before taxes		**2,957**	(2,789)
Deferred tax recovery (expense)	12(b)	**(711)**	468
Income (loss) and comprehensive income (loss) for the year		**$ 2,246**	$ (2,321)
Income (loss) per share			
Basic	13(c)	**$ 0.37**	$ (0.39)
Diluted	13(c)	**$ 0.37**	$ (0.39)

See the accompanying Notes to the Consolidated Financial Statements

Highwood Asset Management Ltd.

Consolidated Statement of Changes in Shareholders' Equity

(all tabular amounts expressed in thousands of Canadian dollars)

	Note	Share capital	Contributed surplus	Deficit	Total equity
Balance, January 1, 2021		$ 16,310	$ 2,141	$ (8,688)	$ 9,763
Stock-based compensation	16	-	551	-	551
Loss and comprehensive loss for the year		-	-	(2,321)	(2,321)
Balance, December 31, 2021		$ 16,310	$ 2,692	$ (11,009)	$ 7,993
Balance, January 1, 2022		**$ 16,310**	**$ 2,692**	**$ (11,009)**	**$ 7,993**
Stock-based compensation	**16**	**-**	**458**	**-**	**458**
Exercise of restricted share units	**16**	**254**	**(221)**	**(33)**	**-**
Income and comprehensive income for the year		**-**	**-**	**2,246**	**2,246**
Balance, December 31, 2022		**$ 16,564**	**$ 2,929**	**$ (8,796)**	**$ 10,697**

See the accompanying notes to the Consolidated Financial Statements

Highwood Asset Management Ltd.
Consolidated Statement of Cash Flows

(all tabular amounts expressed in thousands of Canadian dollars)

	Note	**Year ended December 31, 2022**	Year ended December 31, 2021
Cash provided by (used in):			
Operating activities			
Income (loss) for the year		**$ 2,246**	$ (2,321)
Items not involving cash:			
Unrealized gain on commodity contracts	19(b)	**-**	(109)
Exploration and evaluation expenditures	8	**185**	714
Depletion and depreciation expense	9, 11	**502**	877
Impairment loss	9	**-**	46
Finance expense	15	**125**	39
Deferred tax expense (recovery)	12(b)	**711**	(468)
Stock-based compensation	16	**458**	551
(Gain) loss on disposal of assets	7(b)(c)	**(2,470)**	2
Gain on debt modification	19(c)	**(122)**	-
Cash abandonment expenditures	11	**(116)**	(89)
Change in long-term accounts payable and accrued liabilities		**24**	683
Change in non-cash working capital	17	**(821)**	(2,082)
Net cash from (used in) operating activities		**722**	(2,157)
Financing activities			
Payments of lease obligations		**(52)**	(107)
Bank debt, net of repayments	10	**(1,075)**	(5,925)
Net cash used in financing activities		**(1,127)**	(6,032)
Investing activities			
Additions to property, plant and equipment	7(a), 9	**(1,642)**	(57)
Additions to exploration and evaluation assets	8	**(403)**	(216)
Proceeds on dispositions of property, plant and equipment	7(b)	**2,468**	-
Proceeds on dispositions of exploration and evaluation assets		**5**	-
Proceeds on disposition of assets held for sale	7(c)	**-**	1,978
Change in non-cash working capital	17	**107**	685
Net cash from investing activities		**535**	2,390
Change in cash		**$ 130**	$ (5,799)
Cash (bank overdraft), beginning of year		**(124)**	5,675
Cash (bank overdraft), end of year		**$ 6**	$ (124)

See the accompanying Notes to the 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 metallic minerals, oil production & midstream energy operations. The Company incorporated in Alberta, Canada on August 24, 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 consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries at December 31, 2022, Cataract Creek Environmental Ltd., Renewable EV Battery Cleantech Corp. and 2339364 Alberta Ltd.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on April 28, 2023.

Name Change:

Effective July 20, 2021, the Company obtained shareholder and regulatory approval to change its name from Highwood Oil Company Ltd. to Highwood Asset Management Ltd.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except as otherwise stated and allowed for in accordance with IFRS.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's and its subsidiary's functional currency.

(d) Management's significant accounting judgments, estimates and assumptions

The timely preparation of the 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.

Estimates are more difficult to determine, and the range of potential outcomes can be wider, in periods of higher volatility and uncertainty. The impacts of the COVID-19 pandemic and the recovery therefrom coupled with several factors including geopolitical events and its impact on energy markets, rising interest rates and inflation rates, and constrained supply chains have created a higher level of volatility and uncertainty. Management has, to the extent reasonable, incorporated known facts and circumstances into the estimates made, however, actual results could differ from those estimates.

Significant estimates, judgments and assumptions made by management in the preparation of these consolidated financial statements are outlined below.

Significant judgments in applying accounting policies:

The following are the significant judgments, estimates and assumptions that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in these consolidated financial statements:

(i) Identification of cash-generating units (CGU's)

The Company's oil and natural gas interests are aggregated into cash-generating units for both property and equipment and exploration and evaluation assets, for the purpose of calculating impairment, based on their ability to generate largely independent cash flows. The classification of assets into CGU's requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, external users, shared infrastructures and the way in which management monitors the Company's operations. The Company has identified Wabasca River Pipeline System as its core CGU at December 31, 2022.

(ii) Valuation of oil and natural gas assets

Judgments are required to assess when impairment indicators, or reversal indicators, exist and impairment testing is required including change in reserve base and forecast commodity prices. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of reserves, production rates, future oil and natural gas prices, future capital and operating costs, discount rates, market value of undeveloped lands and other relevant assumptions.

(iii) Componentization

For the purposes of calculating depletion expense, the Company allocates its oil and natural gas assets to components with similar lives and depletion methods. The grouping of assets is subject to management's judgment and is performed on the basis of geographical proximity and similar reserve life. The Company's oil and natural gas assets are depleted on a unit of production basis.

(iv) Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets requires management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves have been found in assessing economic viability and technical feasibility.

(v) Deferred taxes

The Company follows the liability method for calculating deferred taxes. Judgment is required in the calculation of current and deferred taxes in applying tax laws and regulations, estimating the timing of the reversals of temporary differences and estimating the realizability of deferred tax assets.

(vi) Joint operations

The Company is party to various joint interest, operating and other agreements in conjunction with its oil and natural gas activities. The revenues and expenses allocated between partners are governed by the terms of these agreements that are subject to interpretation and judgement by the Company and audit by the appropriate parties. Joint operation matters that result in potential contingencies are recognized based on management's estimate of the most probable outcome.

Key sources of estimation uncertainty:

The following are the key estimates and related assumptions concerning the sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing adjustments to the measurement of transactions and balances in the financial statements.

(i) Reserves

The assessment of reported recoverable quantities of proved and probable reserves include estimates regarding production volumes, commodity prices, exchange rates, remediation costs, timing and amount of future development costs, and operating and transportation costs and royalty costs for future cash flows. It also requires interpretation of geological and geophysical models in anticipated recoveries. The economical, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact the carrying values of the Company's oil and natural gas properties and equipment, the calculation of depletion and depreciation, the provision for decommissioning liabilities, and recognition of deferred tax assets.

The reserve assessment was completed by an external third party engineering firm for the years ended December 31, 2022 and 2021. The Company's oil and natural gas reserves are determined pursuant to National Instrument 51-101, Standards of Disclosures for Oil and Gas Activities.

(ii) Decommissioning liabilities

The calculation of decommissioning liabilities and related accretion expense requires estimates of future remediation costs of production facilities, wells and pipelines at different stages of development and construction of assets or facilities. In most instances, removal of assets occurs many years into the future. In addition, the calculation requires assumptions regarding abandonment date, future environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating cost, future removal technologies in determining the removal cost and liability-specific discount rates to determine the present value of these cash flows.

(iv) Current taxes/Deferred taxes

The amounts recorded for current and deferred tax expense and deferred tax liability are based on estimates as to the timing of the reversal of temporary differences, substantially enacted tax rates and the likelihood of tax assets being realized. The availability of tax pools and other deductions are subject to audit and interpretation by tax authorities.

(v) Valuation of accounts receivable

Certain amounts included in accounts receivable are based on management's best estimate of the lifetime expected credit loss related to these accounts.

(vi) Share-based payments

The amounts recorded for stock-based compensation expense relating to the fair value of stock options issued are estimated using the Black-Scholes option pricing model including management's estimates of the future volatility of the Company's share value (based on comparison to similar companies in the oil and natural gas exploration and production industry), estimated market value of the Company's shares at grant date, expected forfeiture rates, expected lives of the options (based on general holder behaviour) and the risk-free interest rate (based on government bonds).

(vii) Depreciation

Transportation pipelines and related equipment are depreciated, net of estimated residual values, on a straight-line basis over their estimated useful lives. Where facilities and equipment, including major components, are significant in relation to the total cost of the assets and have differing useful lives, they are depreciated separately.

The Company depletes its oil and natural gas properties using the unit of production method based on estimates of proved and probable oil and natural gas reserves. The estimates of the Company's oil and natural gas reserves used to determine depletion requires management to make significant assumptions to derive estimates of future cashflows related to production volumes, commodity prices, amount of future development costs, and operating and transportation and royalty costs. The Company engaged an independent reserve evaluator ("management's expert") to estimate oil and natural gas reserves.

(viii) Changing regulation

Emissions, carbon and other regulations impacting climate and climate-related matter are constantly evolving. With respect to the environmental, social and governance ("ESG") and climate reporting, the International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. In addition, the Canadian Securities Administrators have issued a proposed National Instrument 51-107 Disclosure of Climate-related Matters. The cost to comply with these standards, and others that may be developed or evolve over time, has not yet been quantified.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

a) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries at December 31, 2022, Cataract Creek Environmental Ltd (Incorporated in 2020), Renewable EV Battery Tech Corp. (Incorporated in 2021), and 2339364 Alberta Ltd.(Incorporated in 2021) but are all currently inactive.

The Company has control of an investee entity when it is exposed, or has rights, to variable returns from its involvement in the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated on a line-by-line basis, recognizing all their assets, liabilities, income and expenses and recording any non-controlling interest for the portion not owned by the Company from the date on which control in obtained. Intercompany transactions and balances between the Company and its subsidiary are eliminated. Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. The difference between fair value of any consideration paid and the acquired share of the carrying value of nets assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(ii) Joint arrangements

A portion of the Company's oil and natural gas business activities involve jointly controlled assets and are conducted under joint operating agreements. The Company has assessed the nature of its joint arrangements and determined them to be joint operations. These consolidated financial statements reflect only the Company's proportionate share of the joint operation's controlled assets and liabilities it has incurred, its share of any liabilities jointly incurred with other joint interest partners, income from the sale or use of its share of the joint operation's output, together with its share of expenses incurred by the joint operation and any expenses it incurs in relation to its interest in the joint operation and a share of production in such activities.

b) Business Combinations

Business combinations are accounted for using the acquisition method when the acquisitions of companies and/or assets meet the definition of a business under IFRS. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of acquisition. The acquired identifiable assets and liabilities and any contingent consideration are measured at their fair value at the date of acquisition. There is an option to apply a concentration test that permits a simplified assessment of whether an acquired set of activities and assets is in fact a business. The optional concentration test is met if substantially all of the fair value of the assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. An entity may make such an election separately for each transaction or other event. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.
Any excess of the purchase price over the fair value of the identifiable assets and liabilities acquired is recognized as goodwill. If the cost of acquisition is less than fair value of the identifiable assets and liabilities, the difference is recorded as a gain in profit or loss. Associated transaction costs are expensed when incurred.

c) Fair value determination

A number of the Company's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining the fair values is disclosed in the notes specific to that asset or liability.

The Company classifies fair values according to the following hierarchy based on the amount of observable inputs used to value the instruments:

- Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.
- Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.
- Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

There were no transfers between levels of the hierarchy during the year.

Cash
The fair value of cash (bank overdraft) approximates its carrying value due to the short-term to maturity.

Accounts receivable, deposits, accounts payable and accrued liabilities and bank debt

The fair value of accounts receivable, deposits, accounts payable and accrued liabilities and bank debt are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. As at December 31, 2022 and 2021, the fair value of accounts receivable, deposits and accounts payable and accrued liabilities approximated their carrying value due to their short term to maturity. The fair value of bank debt approximates its carrying value as it bears a floating market rate of interest.

Property, plant and equipment, exploration and evaluation assets
The fair value less costs of disposal values used to determine the recoverable amounts of property, plant and equipment and exploration and evaluation assets, when required are classified as Level 3 fair value measurements as they are not based on observable market data.

d) Foreign currency

Transactions in foreign currencies are translated to Canadian dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the period end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in profit or loss.

e) Cash

Cash includes amounts on deposit with banks. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash.

f) Financial instruments

Classification and Measurement

On initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods depends on their context within the Company's business model and the characteristics of the contractual cash flows as described below:

Financial Assets	**Subsequent Measurement**
Cash (bank overdraft)	Amortized cost
Accounts receivable	Amortized cost
Deposits	Amortized cost
Financial Liabilities	**Subsequent Measurement**
Accounts payable and accrued liabilities	Amortized cost
Bank debt	Amortized cost

Impairment

Impairment of financial assets is based on expected credit losses. The majority of the Company's accounts receivable are considered collectible within one year or less; therefore, these financial assets are not considered to have significant financing component and a lifetime expected credit loss ("ECL") is measured as the date of initial recognition of accounts receivable.

Within the Company's accounts receivable, the Company assesses the lifetime ECL applicable to its commodity product sales receivables and joint venture receivables at initial recognition and re-assesses the provision at each reporting date. Lifetime ECLs are a probability-weighted estimate of all possible default events over the expected life of a financial asset and are measured as the difference between the present value of the cash flows due to the Company and the cash flows the Company expects to receive. In making an assessment as to whether the Company's financial assets are credit-impaired, the Company considers bad debts that the Company has incurred historically, evidence of a debtor's present financial condition and whether a debtor has breached certain contracts, the probability that a debtor enter bankruptcy or other financial reorganization, changes in economic conditions that correlate to increased levels of default, and the term to maturity of the specified receivable. The carrying amounts of receivables are reduced by the amount of the ECL through an allowance account and losses are recognized as bad debt expense in the statements of income (loss) and comprehensive income (loss).

Based on industry experience, the Company considered financial assets to be in default when the receivable is more than 90 days past due. Once the Company has pursued collection activities and it has been determined that the incremental cost of collection pursuits outweigh the benefits of collection, the Company derecognizes the gross carrying amount of the asset and the associated allowance from the statement of financial position.

g) Oil and natural gas interests and mineral interests

(i) Recognition and measurement

Exploration and evaluation assets:

Pre-license costs incurred before the Company has attained legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation costs, including the costs of acquiring leases and licenses, technical services and studies, geophysical and geological activities, seismic acquisition, exploration drilling and testing are initially capitalized as exploration and evaluation assets. The costs are accumulated in cost centres by exploration area pending determination of technical feasibility and commercial viability. Assets classified as exploration and evaluation are not depleted or depreciated until after these assets are reclassified to property, plant and equipment.

Exploration and evaluation assets are tested separately from property and equipment for impairment and are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. When an exploration and evaluation asset is determined not to be technically feasible or commercially viable, or the Company decides not to continue with its activity, the unrecoverable exploration and evaluation costs are charged to profit or loss as exploration and evaluation expense.

The technical feasibility and commercial viability of extracting resources is considered to be determinable when proved and/or probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proved and/or probable reserves have been discovered. Upon determination of proved and/or probable reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to a separate category within property, plant and equipment referred to as oil and natural gas interests.

Exchanges, swaps and farm-outs that involve only exploration and evaluation assets are accounted for at cost. Any gains or losses from the disposal of exploration and evaluation assets are recognized in profit or loss.

Property, plant and equipment:

All costs directly associated with the development and production of oil and natural gas interests are capitalized on an area-by-area basis as oil and natural gas interests if they extend or enhance the recoverable reserves of the underlying assets. Items of property, plant and equipment, which include oil and natural gas development assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development costs include expenditures for areas where technical feasibility and commercial viability has been determined. These costs include property acquisitions with proved and/or probable reserves, development drilling, completion, gathering and infrastructure, decommissioning costs ,transfers of exploration and evaluation assets, and includes costs incurred in developing proved and/or probable reserves and bringing on or enhancing production from such reserves. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Gains and losses on disposal of property, plant and equipment, property swaps and farm-outs, are determined by comparing the proceeds or fair value of the asset received or given up with the carrying amount of property, plant and equipment and are recognized in profit or loss. Exchanges of properties are measured at fair value, unless the transaction lacks commercial substance or fair value cannot be reliably measured. Where the exchange is measured at fair value, a gain or loss is recognized in profit or loss.

(ii) Depletion and depreciation

The net carrying value of oil and natural gas interests included in property, plant and equipment is depleted using the unit of production method by reference to the ratio of production in the period to the related proved and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Oil and natural gas interests including processing facilities and well equipment are componentized into groups of assets with similar useful lives for the purposes of performing depletion calculations. Relative volumes of reserves and production are converted at the energy equivalent conversion ratio of six thousand cubic feet of natural gas to one barrel of oil. Future development costs are estimated taking into account the level of development required to produce the reserves. The estimates of reserves are reviewed by independent reserve evaluators at least annually.

Transportation pipelines are depreciated over the estimated useful life using the straight-line depreciation method. The estimated useful life of the transportation pipelines is 25 years.

Office buildings, included as Corporate assets within property, plant and equipment, are depreciated over the estimated useful life using the straight-line depreciation method. The estimated useful life of the office buildings is 20 years. Office furniture has an estimated useful life of 10 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(iii) Impairment

The carrying amounts of the Company's property, plant and equipment and exploration and evaluation assets are reviewed at each reporting date to determine whether there is any indication of impairment. These indicators include, but are not limited to, extended decreases in prices or margins for oil and natural gas commodities or products, a significant downward revision in estimated reserves, an upward revision in future development costs, significant decrease in fair values of undeveloped lands in close proximity to lands held by the Company or management's decision to no longer pursue certain evaluation projects. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, exploration and evaluation assets and property, plant and equipment are tested separately and are grouped into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets or cash generating units ("CGU"). Geological formation, product type, geography and internal management operations and processes are key factors considered when grouping the Company's oil and natural gas interests into CGU's.

The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal. Fair value is determined to be the amount for which the asset could be sold in an arm's-length transaction between knowledgeable and willing parties. Unless indicated otherwise, the recoverable amount used in assessing impairment losses is value in use. The Company estimates fair value less cost of disposal using discounted future net cash flows of proved and probable reserves based on forecast prices and costs and including future development costs. The cash flows are discounted at an appropriate discount rate which would be applied by a market participant. Value in use is determined by estimating the present value of the future net cash flows to be derived from the continued use of the CGU in its present form. These cash flows are discounted at a rate based on the time value of money and risks specific to the CGU.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. An impairment loss in respect of property, plant and equipment recognized in prior years, is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized.

h) Provisions and Contingencies

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The obligation is not recorded and is disclosed as a contingent liability if it is not probable that an outflow will be required, if the amount cannot be estimated reliably or if the occurrence of the outflow can only be confirmed by the occurrence of a future event. Provisions are not recognized for future operating losses. Contingent assets are disclosed if a future economic benefit is probable but are only recorded when recovery of the contingent asset is virtually certain.

(i) Decommissioning liabilities:

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provisions are made for the estimated cost of site restoration and capitalized to exploration and evaluation assets or property, plant and equipment and are depleted over the useful life of the assets.

Decommissioning liabilities are measured at the present value of management's best estimate of the risk adjusted cash flows required to settle the present obligation at the statement of financial position date. The future cash flow estimates are adjusted to reflect the risks specific to the liability. Subsequent to the initial measurement, the liability is adjusted at the end of each period to reflect the passage of time using a risk-free interest rate and changes in the estimated future cash flows underlying the liability. The increase in the provision due to the passage of time is recognized as a finance cost whereas increases/decreases due to changes in the estimated future cash flows or timing are recognized as changes in the decommissioning liability and related asset. Actual costs incurred upon settlement of the decommissioning liabilities are charged against the liability to the extent the liability was established. Any differences between the recorded liability and the actual costs incurred are recorded as a gain or loss in profit or loss.

i) Revenue recognition

Revenue from the sale of crude oil, natural gas and natural gas liquids is recorded when control of the product is transferred to the buyer based on the consideration specified in the contracts with customers. This usually occurs when the product is physically transferred at the delivery point agreed upon in the contract and legal title to the product passes to the customer (often at terminals, pipelines, or other transportation methods).

The Company evaluates its arrangements with third parties and partners to determine if the Company acts as the principal or as an agent. In making this evaluation, the Company considers if it obtains control of the product delivered or services provided, which is indicated by the Company having the primary responsibility for the delivery of the product or rendering of the service, having the ability to establish prices or having inventory risk.

If the Company acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net-basis, only reflecting the fee, if any, realized by the Company from the transaction.

Fees charged to other entities for royalties, use of pipelines, and processing facilities are evaluated by management to determine if these 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. Generally, as the Company performs the distinct services stipulated under the contract, it does not have any remaining performance obligations to its customer for those services.

j) Expenses

The costs associated with delivery, including the operating and maintenance costs, royalties and transportation are recognized in the same period in which the related revenue is earned and recorded.

k) Finance expenses

Finance expense is comprised of interest expense on borrowings, financing fees, accretion of the discount on decommissioning liabilities and accretion of lease liabilities, and impairment losses on financial instruments, and is recognized in the period in which they are incurred.

l) Taxes

Tax expense comprises current and deferred tax. Tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

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 using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. 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 is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit (loss) nor taxable profit (loss). In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. 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.

m) Share-based payments

Stock options and restricted share units (“RSU’s”) granted to directors, officers, employees and consultants of the Company are accounted for using the fair value method under which compensation or other equity costs are recorded based on the estimated fair value of stock options, RSU’s, or other equity instruments granted using the Black-Scholes option pricing model. The Company measures share based payments to non-employees at the fair value of the goods or services received at the date of receipt of the goods or services. If the fair value of the goods or services cannot be measured reliably, the value of the options granted will be used, measured using the Black-Scholes option pricing model.

Under the fair value method, costs attributable to stock options and RSU's granted are measured at fair value at the date of grant and expensed on a tranche-by-tranche basis over the vesting period, with a corresponding increase to contributed surplus. Upon exercise of the stock options and RSU's, consideration paid by the holder together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The Company incorporates an estimated forfeiture rate at the date of grant and recognizes the effect of differences in non-vested stock option and RSU forfeitures in the period forfeiture occurs.

n) Earning (loss) per share

Basic earnings per common share is computed by dividing the Income (loss) for the period by the weighted average number of common shares outstanding during the period. Diluted earnings per common share amounts are calculated by giving effect to the potential dilution that would occur if contracts to issue common shares were exercised, fully vested, or converted to common shares. The treasury stock method is used to determine the dilutive effect of dilutive instruments, where it is assumed that the proceeds received from the exercise price of in-the-money dilutive instruments are used to repurchase common shares.

o) Leases

At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: the contract involves the use of an identified asset; the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and, the Company has the right to direct the use of the asset.

The company has elected not to recognize right of use assets and lease liabilities for short term leases that have a term of 12 months or less and leases of low value assets. Leases to explore for or use crude oil, natural gas, minerals and similar non regenerative resources are also exempt from the standard. The Company treats lease payments for the these types of leases as an expense when incurred, over the lease term.

The Company recognizes a right of use asset and a lease liability at the commencement date of the lease contract, which is the date that the lease asset is available to the Company. The lease asset is initially measured at cost. The cost of a lease asset includes the amount of the initial measurement of the lease liability, lease payments made at or before to the commencement date less any incentives received, initial direct costs and estimates of the decommissioning liability, if any. Subsequent to initial recognition, the lease asset is depreciated using the straight-line method over the earlier of the end of the useful life of the lease asset or the lease term. A lease obligation is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date discounted using the rate implicit in the lease or the Company's incremental borrowing rate if the implicit rate is not readily available. Lease payments that are present valued include fixed payments, less any lease incentives receivable, variable lease payments that are based on index or rate, amounts expected to be payable under residual value guarantees, the exercise price of a purchase option that is reasonably certain of exercise and payment of penalties for terminating a lease if the lease term reflects exercising that option. Interest expense is recognized on the lease obligations using the effective interest rate method and payments are applied against the lease obligation. Optional renewal periods, or periods which are cancellable by the Company, are included in the lease payments if the Company is reasonably certain to exercise the renewal option or not cancel the lease. The lease liability is measured at amortized cost using the effective interest method. The lease liability is remeasured when there is a change in the Company's assessment of the expected lease term or is there is a lease modification.

p) Government Grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be met. If a grant is received but compliance with any attached condition is not achieved, the grant is recognized as a deferred liability until such conditions are fulfilled. When the grant relates to an income or expense item, it is recognized as income or a reduction of the related expense item in the period in which the income is earned or costs are incurred. Where the grant relates to an asset, it is recognized as a reduction to the net book value of the related asset and then subsequently in the statements of profit or loss over the expected useful life of the related asset through lower charges to impairment and/or depletion and depreciation.

q) Share Capital

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

r) Future accounting pronouncements

The Company has reviewed amended accounting pronouncements that have been issued but are not yet effective and determined that the following pronouncements may impact the Company but are not expected to have a material impact on its consolidated financials statements.

Amendments to IAS 12 Income Taxes

Effective January 1, 2023, amendments to IAS 12 require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Effective January 1, 2023, amendments to IAS 8 replace the definition of a change in accounting estimate with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

Amendments to IAS 1 Presentation of Financial Statements

Effective January 1, 2023, amendments to IAS 1 require that a company disclose its material accounting policies rather than its significant accounting policies and explain how a company can identify material accounting policies.

Effective January 1, 2024, amendments to IAS 1 clarify how condition with which an entity must comply within twelve months after the reporting period affect the classification of a liability with covenants as current or non-current and related disclosure.

(all tabular amounts expressed in thousands of Canadian dollars, except for earnings per share information)

4. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	2022	2021
Oil marketers	**$ 754**	$ 500
Joint interest partners	**977**	1,025
Road use receivable	**409**	476
Royalty and other income	**143**	-
Other	**210**	138
Balance, December 31	**$ 2,493**	$ 2,139

5. DEPOSITS AND PREPAID EXPENSES

Deposits and prepaid expenses are comprised of the following:

	2022	2021
Deposits	**$ 93**	$ 135
Prepaid expenses	**105**	173
Balance, December 31	**$ 198**	$ 308

Prepaid expenses include prepaid annual fees, which are based on the invoiced amount and amortized over the term of the related payment.

6. RECLAMATION DEPOSITS

At December 31, 2022 and December 31, 2021, the reclamation deposits consist of the amount required to be paid to the province of Saskatchewan and British Columbia in connection with the future reclamation of minor oil and natural gas properties of $141 thousand. The deposits are based on formulas and are held in bank accounts which earn interest on a monthly basis. The Company requested the return of the reclamation deposit in the province of Saskatchewan which was approved and received subsequent to December 31, 2022, therefore $123 thousand has been classified as current.

7. ACQUISITIONS AND DISPOSITIONS

a) Purchase of Office Space and Furniture

During the year ended December 31, 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.

b) EVI Terminal Disposition

During the year ended December 31, 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 year ended December 31, 2022. Transaction costs totalling $12 thousand have reduced the gain recorded. The 14-05 Terminal is part of the Company's midstream operating segment.

(all tabular amounts expressed in thousands of Canadian dollars, except for earnings per share information)

c) Disposition of Red Earth Assets

On March 25, 2021, the Company closed the disposition of the Company's Red Earth CGUs to an arm's-length company for gross proceeds of $2.0 million cash, prior to customary closing adjustments. The transaction was effective on the date of closing. The disposed properties had a net book value in assets held for sale of $38.52 million and liabilities associated with assets held for sale of $36.54 million. As a result of the disposition, the Company recognized a gain on disposal of asset of $4 thousand during the year ended December 31, 2021. Transaction costs totalling $14 thousand have reduced the gain recorded.

8. EXPLORATION AND EVALUATION ASSETS

Evaluation and evaluation assets is comprised of the following:

	2022			2021		
	Upstream	**Metallic Minerals**	**Total**	Upstream	Metallic Minerals	Total
Balance, January 1	**$ 540**	**$ 198**	**$ 738**	$ 1,236	$ -	$ 1,236
Additions	**403**	**-**	**403**	18	198	216
Land lease expiries	**(185)**	**-**	**(185)**	(714)	-	(714)
Dispositions	**-**	**(5)**	**(5)**	-	-	-
Balance, December 31	**$ 758**	**$ 193**	**$ 951**	$ 540	$ 198	$ 738

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

Additions during the year ended December 31, 2022 mainly related to undeveloped upstream oil and gas lands.

Additions during the year ended December 31, 2021 mainly related to industrial metals and mineral permits the Company has acquired.

During the year ended December 31, 2022, the Company expensed certain costs previously capitalized as exploration and evaluation assets as the lease term of undeveloped lands expired and/or management has no intentions to pursue exploration of these lands in the amount of $185 thousand (2021 - $714 thousand). These amounts have been included as exploration and evaluation expense in the statement of income (loss) and comprehensive income (loss).

Impairment

At December 31, 2022 or 2021, there were no indicators of impairment.

(all tabular amounts expressed in thousands of Canadian dollars, except for earnings per share information)

9. PROPERTY, PLANT AND EQUIPMENT

					December 31, 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 11)		**(268)**		**(29)**		**-**		**(297)**
Additions		**24**		**436**		**1,182**		**1,642**
Balance, December 31, 2022	**$**	**10,860**	**$**	**8,942**	**$**	**1,182**	**$**	**20,984**
ACCUMULATED DEPLETION, DEPRECIATION AND IMPAIRMENT								
Balance, January 1, 2022	**$**	**(6,016)**	**$**	**(1,152)**	**$**	**-**	**$**	**(7,168)**
Depletion and depreciation		**(454)**		**(299)**		**(30)**		**(783)**
Balance, December 31, 2022	**$**	**(6,470)**	**$**	**(1,451)**	**$**	**(30)**	**$**	**(7,951)**
Net book value, December 31, 2022	**$**	**4,390**	**$**	**7,491**	**$**	**1,152**	**$**	**13,033**

			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 11)		(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

Depletion

Future development costs of $3.19 million (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 year ended December 31, 2022. Future development costs are only included for CGUs with production.

Impairment and Impairment Reversal

The Company assesses many factors when determining if an impairment test should be performed. At December 31, 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 and the impact this has on the economic performance of the Company's CGUs resulted in no indicators of impairment at December 31, 2022.

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

As at June 30, 2021, the Company determined that it's non-core CGU, Alliance, no longer had any value absent any throughput and recorded an impairment loss in the three month period ended June 30, 2021 of $352 thousand, representing the full carrying value of the non-core CGU.

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As at June 30, 2021, management determined that the significant improvement in commodity pricing and the impact this has on the economic performance of the Saskatchewan CGU resulted in impairment reversals. During the three month period ended March 31, 2020, the Saskatchewan CGU incurred an impairment charge of $332 thousand. The recoverable amounts were estimated at the value in use based on the net present value of the before tax future net cash flows from oil and natural gas proved and probable reserves using forecasted prices and costs estimated by external engineers at December 31, 2020 and internally updated by Company engineers at June 30, 2021. The future net cash flows were discounted at a before tax rate of 15%. As a result of the impairment test, the Company has recorded a reversal of prior impairment loss in the three month period ended June 30, 2021 of $306 thousand, representing the increased carrying amount factoring in the depletion of the historical cost if the impairment had not previously been recognized.

The forecasted commodity prices used in the impairment test at June 30, 2021 were as follows:

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
WTI Crude Oil (USD$/bbl)	65.31	66.30	62.42	63.67	64.95	66.25	67.57	68.92	70.30	71.71	+2%/yr

For purposes of the impairment test, the benchmark commodity prices forecast above are adjusted to reflect varied delivery points and quality differentials in the products delivered.

10. 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 matured January 31, 2023, at which time it was subject to customary reviews by the lenders. Subsequent to December 31, 2022, the maturity was extended to February 28, 2023, March 31, 2023, April 30, 2023 and then October 31, 2023. In addition the operating facility was reduced to $1.0 million.

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 December 31, 2022, the Company's current ratio was 2.40:1.0 (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 December 31, 2022 the Company's net debt to cash flow ratio is 0.16:1.0 (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. 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.

11. 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 $2.36 million as at December 31, 2022 (December 31, 2021 - $3.06 million) based on an undiscounted total future liability of $4.04 million (December 31, 2021 - $3.94 million) and discounted using a long-term risk-free rate of 3.28% (December 31, 2021 – 1.68%) and an inflation rate of 2.09% (December 31, 2021 – 1.82%). The expected timing of decommissioning expenditures extends to 2072.

(all tabular amounts expressed in thousands of Canadian dollars, except for earnings per share information)

The following table summarizes changes in the decommissioning liabilities:

	2022	2021
Balance, January 1	**$ 3,059**	$ 3,261
Change in discount rate	**(564)**	(179)
Change in cash flow estimates[1]	**(63)**	32
Government subsidy for abandonment expenditures	**420**	-
Abandonment expenditures	**(536)**	(89)
Accretion expense (note 15)	**42**	34
Balance, December 31	**$ 2,358**	$ 3,059

[1] December 31, 2022, the Company adjusted anticipated years to decommission resulting from a review of third party and internal information as well as increased expected future inflation rates. During the year ended December 31, 2021, the Company increased expected future inflation rates.

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 year ending December 31, 2022 of $160 thousand (December 31, 2021 – $54 thousand). During the year ended December 31, 2022, the Company received funding pursuant to the Alberta Site Rehabilitation Program of $420 thousand. The government subsidy received was related to certain oil and natural gas properties where the carrying value is $nil. Accordingly, the government subsidy has been recorded as a reduction to actual expenditures with the difference between the liability included in decommissioning liabilities and the actual net abandonment expenditures included as an adjustment to depletion and depreciation expense for the year ending December 31, 2022 of $170 thousand.

The risk-free rate used in the calculation of the net present value has a significant impact on the carrying value of decommissioning liabilities. A 1% increase in the risk-free rate would decrease the decommissioning liability by approximately $256 thousand.

12. TAXES

a) Deferred tax liability

At December 31, 2022, a deferred tax liability of $711 thousand (2021 - $nil) has been recognized in the consolidated financial statements. The following table provides a continuity of the components of the deferred tax liability:

	Balance, January 1,2022	Recognized in loss	Balance, December 31, 2022
Exploration and evaluation assets and property, plant and equipment	$ 1,346	$ 483	$ 1,829
Decommissioning liabilities	(704)	162	(542)
Other	-	22	22
Non-capital loss carryforwards	(716)	118	(598)
Deferred tax asset not recognized	74	(74)	-
Deferred tax liability	$ -	$ 711	$ 711

(all tabular amounts expressed in thousands of Canadian dollars, except for earnings per share information)

	Balance, January 1,2021	Recognized in loss	Balance, December 31, 2021
Exploration and evaluation assets and property, plant and equipment	$ 2,236	$ (890)	$ 1,346
Decommissioning liabilities	(750)	46	(704)
Commodity contracts	(25)	25	-
Non-capital loss carryforwards	(993)	277	(716)
Deferred tax asset not recognized	-	74	74
Deferred tax liability	$ 468	$ (468)	$ -

b) Deferred tax expense (recovery)

The amount for deferred tax expense in the consolidated financial statements results from applying the combined federal and provincial tax rates to the Company's income before taxes as follows:

	2022	2021
Income (loss) before taxes	**$ 2,957**	$ (2,789)
Combined federal and provincial tax rates	**23.0%**	23.0%
Expected tax expense (recovery)	**680**	(641)
Differences from:		
Other	**-**	46
Stock based compensation	**105**	127
Previously unrecognized deferred tax asset	**(74)**	-
Total tax expense (recovery)	**$ 711**	$ (468)
Total tax expense (recovery) is comprised of		
Current	**$ -**	$ -
Deferred	**$ 711**	$ (468)
Total tax expense (recovery)	**$ 711**	$ (468)

Total non-capital losses available to the Company are approximately $2.6 million and expire between 2025 and 2040.

13. 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, 2020 and 2021	6,014	$ 16,310
Issued on exercise of restricted share units (note 16)	23	254
Balance, December 31, 2022	6,037	$16,564

(all tabular amounts expressed in thousands of Canadian dollars, except for earnings per share information)

c) Income (loss) per share

	December 31, 2022			December 31, 2021		
	Net loss	**Common shares (000's)**	**Income per share**	Net loss	Common shares (000's)	Loss per share
Loss - basic	**$ 2,246**	**6,014**	**$ 0.37**	$ (2,321)	6,014	$ (0.39)
Dilutive effect of options	**-**	**74**	**-**	-	-	-
Loss - diluted	**$ 2,246**	**6,088**	**$ 0.37**	$ (2,321)	6,014	$ (0.39)

For the year ended December 31, 2022, 85,033 options were excluded as they were anti dilutive. For the year ended December 31, 2021 all options and RSU's were excluded as they were anti dilutive.

14. 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.

	Year Ended December 31,	
	2022	2021
Oil	**$ 4,438**	**$ 7,389**

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.

	Year Ended December 31,	
	2022	2021
Transportation pipeline revenues	**$ 3,255**	$ 3,523

(all tabular amounts expressed in thousands of Canadian dollars, except for earnings per share information)

Royalty and other income:

The following table summarizes the Company's royalty and other income.

	Year Ended December 31,	
	2022	2021
Processing	**$ -**	$ 194
Butane Blending	**97**	-
Royalty Income	**338**	-
Total	**$ 435**	$ 194

15. FINANCE EXPENSES

Finance expenses is comprised of:

	Year Ended December 31,	
	2022	2021
Interest on bank debt	**$ 65**	$ 80
Stamping fees on bank debt	**-**	58
Financing fees	**3**	7
Accretion of decommissioning liabilities (note 11)	**42**	34
Accretion of lease liabilities	**1**	5
Accretion of long-term payables and accrued liabilities	**82**	-
Other interest expense	**-**	10
Total	**$ 193**	$ 194

16. 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).

(all tabular amounts expressed in thousands of Canadian dollars, except for earnings per share information)

A summary of the stock options issued and outstanding as at December 31, 2022 and 2021 are as follows:

	Number of Options (‘000)	Weighted Average Exercise Price
Outstanding, December 31, 2020	173	$ 11.95
Forfeited	(24)	12.48
Outstanding, December 31, 2021	149	11.69
Granted	27	11.00
Outstanding, December 31, 2022	176	$ 11.58
Exercisable, December 31, 2022	146	$ 11.24

The weighted average contractual term of all outstanding options at December 31, 2022 is 1.91 years.

Below is a summary of outstanding stock options:

Grant Date	**Term**	**Number of Options (‘000)**	**Exercise Price**
January 23, 2019	5 Years	72	$ 9.00
April 6, 2018	5 Years	19	$ 5.30
October 31, 2019	5 Years	21	$ 18.00
August 27, 2020	5 Years	37	$ 16.50
May 30, 2022	5 Years	27	$ 11.00

During the year ended December 31, 2022, the Company recorded stock-based compensation expense relating to the options of $180 thousand (2021 - $195 thousand) with a corresponding increase 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.

Subsequent to December 31, 2022, 19,000 options expired unexercised.

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 ("RSU's")

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).

	Number of RSU's ('000s)
Outstanding, December 31, 2020	155
Forfeited	(22)
Outstanding, December 31, 2021	133
Exercised	(24)
Expired	(75)
Granted	27
Outstanding, December 31, 2022	61
Exercisable, December 31, 2022	32

The weighted average contractual term of all outstanding RSU's at December 31, 2022 is 1.44 years.

Below is a summary of outstanding RSU's.

Grant Date	**Expiry Date**	**Number of RSU's (000's)**
August 27, 2020	December 31, 2023	34
May 30, 2022	December 31, 2024	27

During the year ended December 31, 2022, the Company recorded stock-based compensation expense relating to RSU's of $278 thousand (2021 - $356 thousand) with a corresponding increase to contributed surplus.

During the year ended December 31, 2022, 23,334 RSU's were exercised. Share capital was increased by the fair value of the RSU's on the day they were exercised totalling $254 thousand. The weighted average share price at the date of exercise was $10.86/share. Contributed surplus was decreased by $221 thousand, representing the value of exercised RSU's recorded as stock-based compensation. As the fair value of the RSU's exceeded the amount in contributed surplus, there was a corresponding charge to retained earnings of $33 thousand.

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.

(all tabular amounts expressed in thousands of Canadian dollars, except for earnings per share information)

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.

17. SUPPLEMENTAL CASH FLOWS INFORMATION

Changes in non-cash working capital is comprised of:

Source/(use) of cash		**2022**		2022
Accounts receivable	**$**	**(354)**	$	3,117
Deposits and prepaid expenses		**110**		986
Accounts payable and accrued liabilities		**(470)**		(5,500)
Changes in non-cash working capital	**$**	**(714)**	$	(1,397)
The above figure relates to:				
Operating activities	**$**	**(821)**	$	(2,082)
Investing activities		**107**		685
Changes in non-cash working capital	**$**	**(714)**	$	(1,397)
Interest paid	**$**	**68**	$	224
Taxes paid	**$**	**-**	$	20

18. COMMITMENTS

At December 31, 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	$ 710	$ 1,148

(all tabular amounts expressed in thousands of Canadian dollars, except for earnings per share information)

19. 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 during the year ended December 31, 2022 or 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 year end is as follows:

	2022	2021
Cash	**$ 6**	$ -
Accounts receivable	**2,493**	2,139
Deposits	**93**	135
Reclamation deposits	**141**	141
Total	**$ 2,733**	$ 2,415

Cash:

Cash consists of amounts on deposit with Canadian chartered banks and undeposited funds. The Company manages credit exposure of cash, if any, by selecting financial institutions with high credit ratings.

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:

	2022	2021
Current (less than 90 days)	**$ 1,111**	$ 861
Past due (more than 90 days)	**1,382**	1,278
Total	**$ 2,493**	$ 2,139

As at December 31, 2022 and 2021, management believes all receivables net of provision for expected credit losses will be collected.

Reclamation deposits and other deposits:

Reclamation deposits consist of amounts on deposit with the Provinces of Alberta, Saskatchewan and British Columbia. The Company believes the credit risk associated with these deposits and other deposits is minimal.

(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.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company does not sell or transact in any foreign currency. The Company's financial instruments are only indirectly exposed to currency risk as the underlying commodity prices in Canada for oil and natural gas are impacted by changes in exchange rates between the Canadian and United States dollar.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is subject to interest rate risk related to its exposure to interest rate fluctuations on its credit facility, which bears a floating rate of interest. At December 31, 2022 the total amount drawn on the credit facility under prime loans was $nil.

Commodity price risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted by not only the relationship between the Canadian and United States dollar but also North American and global economic events that dictate the levels of supply and demand. The nature of the Company's operations results in exposure to fluctuations in commodity prices. The Company's production is sold using "spot" pricing with prices fixed at the time of transfer of custody or on the basis of a monthly average market price.

The unrealized gain for the year ended December 31, 2022 was $nil (2021 – unrealized gain $109 thousand) and is included in the statement of income (loss) and comprehensive income (loss). Total realized loss for the year ended December 31, 2022 were $64 thousand (2021 – loss of $2.57 million) and are also included in the statement of income (loss) and comprehensive income (loss).

The Company has no commodity contracts outstanding at December 31, 2022 or 2021.

(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 18. 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.

(all tabular amounts expressed in thousands of Canadian dollars, except for earnings per share information)

At December 31, 2022, the Company had a working capital surplus of $411 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 10) to facilitate the management of liquidity risk. At December 31, 2022, approximately $2.92 million was available under the credit facility. Subsequent to December 31, 2022, the maturity date on the operating facility was extended to October 31, 2023 and the operating facility was reduced to $1.0 million. At December 31, 2022, the Company has classified $666 thousand of accounts payable and accrued liabilities as long term (2021 - $683 thousand) as the vendor has agreed to a payment plan that extends beyond 12 months. During the year ended December 31, 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 year ended December 31, 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 10). 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.

20. 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:

	2022	2021
Bank debt	**$ -**	$ 1,075
Shareholder's equity	**10,697**	7,993
Capital Employed	**$ 10,697**	$ 9,068

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

Adjusted working capital

	2022	2021
Adjusted current assets	**$ 2,820**	$ 2,570
Adjusted current liabilities	**(2,409)**	(3,056)
Adjusted working capital surplus (deficiency)	**$ 411**	$ (486)

The Company makes adjustments to capital employed by monitoring economic conditions and investment opportunities. The Corporation 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 10).

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 10). 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.

(all tabular amounts expressed in thousands of Canadian dollars, except for earnings per share information)

21. RELATED PARTY TRANSACTIONS

(a) Transactions

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

- During the year ended December 31, 2022, the Company incurred charges of $89 thousand (2021 – $237 thousand) from a company with common directors for management fees, office space, subscriptions and supplies of which $39 thousand (2021 - $116 thousand), was recorded as an increase in general and administrative expense and $50 thousand (2021 - $121 thousand), was recorded as interest expense and a reduction to lease liabilities. As at December 31, 2022, $nil (2021 - $1 thousand) is included within accounts receivable and $nil (2021 - $58 thousand) is included within accounts payable with respect to these charges.

(b) Key management compensation

The remuneration of the key management personnel of the Company, which includes directors, officers and vice-presidents is set out below in aggregate:

	2022	2021
Salaries, bonuses and consulting fees	**$ 713**	$ 549
Stock based compensation	**327**	353
Total key management compensation	**$ 1,040**	$ 902

Total personnel expenses for employees, directors and management including stock based compensation was $1.4 million for the year ended December 31, 2022 (2021 - $4.49 million) of which $942 thousand (2021 - $903 thousand) has been included in general and administrative expenses, $nil (2021 - $36 thousand) has been included in operating and transportation expenses and $458 thousand (2021 - $551 thousand) was recorded to stock-based compensation.

22. SEGMENT INFORMATION

The Company has the following four reportable operating segments based on the nature of its business activities:

Upstream
The upstream segment includes oil production and processing and other income associated with the upstream assets located in the Western Canada Sedimentary Basin. The operations primarily involve the production of oil, processing facilities and other third-party charges for operating upstream assets.

Midstream
The midstream segment consists of the Company's oil sales transportation pipeline, the Wabasca River Sales Pipeline.

Metallic Minerals
The Metallic Minerals segment includes industrial metal and mineral assets. The Company has amassed industrial metallic and mineral permits in Alberta and British Columbia with the current focus on Ironstone and Lithium.

Corporate and Other
The corporate and other segment includes corporate functions of the Company.

The Company has organized its segments based on the nature of different products and services that are provided by the segments.

All segments are located geographically within Canada, more specifically Alberta, Saskatchewan and British Columbia.

There are no inter-segment or intra-segment transactions.

(all tabular amounts expressed in thousands of Canadian dollars, except for earnings per share information)

Major Customers

The Company derives a majority of its midstream segment revenues from two major customers. These customers are reputable multi-national entities with nominal credit risk. For the year ended December, 2022, the two major customers accounted for $2.08 million of transportation pipeline revenues (year ended December 31, 2021 - $2.61 million). 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.

Year ended December 31, 2022	Upstream	Midstream	Metallic Minerals	Corporate and Other	Total
Revenue					
Oil Sales	$ 4,438	$ -	$ -	$ -	$ 4,438
Royalties	(1,446)	-	-	-	(1,446)
Transportation pipeline revenues	-	3,255	-	-	3,255
Royalty and other income	338	97	-	-	435
	3,330	3,352	-	-	6,682
Realized loss on commodity contracts	(64)	-	-	-	(64)
Total revenue, net of royalties and commodity contracts	3,266	3,352	-	-	6,618
Expenses					
Expenses excluding items listed separately below	1,267	1,014	44	3,304	5,629
Gain on disposal of assets	(230)	(2,238)	-	(2)	(2,470)
Depletion and depreciation	171	301	-	30	502
Total expenses	1,208	(923)	44	3,332	3,661
Income (loss) before taxes	2,058	4,275	(44)	(3,332)	2,957

Year ended December 31, 2021	Upstream	Midstream	Metallic Minerals	Corporate and Other	Total
Revenue					
Oil Sales	$ 7,389	$ -	$ -	$ -	$ 7,389
Royalties	(1,048)	-	-	-	(1,048)
Transportation pipeline revenues	-	3,523	-	-	3,523
Royalty and other income	194	-	-	-	194
	6,535	3,523	-	-	10,058
Realized loss on commodity contracts	(2,574)	-	-	-	(2,574)
Unrealized gain on commodity contracts	109	-	-	-	109
Total revenue, net of royalties and commodity contracts	4,070	3,523	-	-	7,593
Expenses					
Expenses excluding items listed separately below	4,686	828	172	3,773	9,459
Depletion and depreciation	649	228	-	-	877
Impairment loss (net)	46	-	-	-	46
Total expenses	5,381	1,056	172	3,773	10,382
Income (loss) before taxes	(1,311)	2,467	(172)	(3,773)	(2,789)

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

As at December 31, 2022	Upstream	Midstream	Metallic Minerals	Corporate and Other	Total
Current assets	$ 2,332	$ 406	$ -	$ 82	$ 2,820
Non-current assets	5,166	7,492	193	1,170	14,021
Current liabilities	2,094	132	-	183	2,409

As at December 31, 2021	Upstream	Midstream	Metallic 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