



INTERIM FINANCIAL STATEMENTS (UNAUDITED)

As at and for the period ended June 30, 2023

JUNE 30, 2023

MANAGEMENT'S REPORT

To the Shareholders of Courser Energy Ltd.:

Management is responsible for the preparation of the annual Courser Energy Ltd. financial statements. The financial statements have been prepared in accordance with the accounting policies detailed in the notes thereto. In Management's opinion, the financial statements are in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and include certain estimates that reflect Management's best judgments.

Management is responsible for the integrity of the financial statements. Management has developed and maintains an adequate system of internal control over financial reporting which provides reasonable assurance that all transactions are recorded, that the financial statements realistically report the Company's operating and financial results, and that the Company's assets are safeguarded from loss or unauthorized use. Management believes that this system of internal controls has operated effectively for the period ended June 30, 2023. The Company has effective disclosure controls and procedures to ensure timely and accurate disclosure of material information relating to the Company which complies with the requirements of Canadian securities legislation.

The Board of Directors has approved the information contained in the financial statements. Their financial statement related responsibilities are fulfilled mainly through the Audit Committee, which is composed entirely of independent directors and includes at least one director with financial expertise. The Audit Committee meets regularly with management and the external auditors to discuss reporting issues and ensures each party is properly discharging its responsibilities. The Audit Committee also considers the independence of the external auditors and reviews their fees.

The Company's independent auditors have not performed a review of these interim financial statements.

/s/ John Zahary

Chairman

/s/ Chris McGinnis

President

/s/ Nathan Kunec

Chairman of Audit Committee

September 07, 2023

Statements of Financial Position

(Canadian dollars)

	Note	June 30, 2023	December 31, 2022
Assets			
Current assets			
Cash		\$ 2,326	\$ 331,308
Accounts receivable	6	998,473	903,538
Prepaid expenses and deposits		106,543	169,151
		1,107,342	1,403,997
Right of use asset	7	17,014	-
Exploration and evaluation	8,9	880,300	757,172
Property, plant, and equipment	8,9	18,321,754	19,281,320
		\$ 20,326,410	\$ 21,442,489
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	1,463,120	\$ 2,149,308
		1,463,120	2,149,308
Lease liability		17,488	-
Decommissioning and other	18	9,101,211	9,289,164
		10,581,819	11,438,472
Shareholders' equity			
Share capital	19	62,592,275	62,592,275
Contributed surplus		8,552,470	8,501,555
Deficit		(61,400,154)	(61,089,813)
		9,744,591	10,004,017
		\$ 20,326,410	\$ 21,442,489

See accompanying notes to the financial statements.

Interim Statements of Loss and Comprehensive Loss

(Unaudited, Canadian dollars)

	Note	Three months ended June 30,		Six months ended June 30,	
		2023	2022	2023	2022
Revenue					
Petroleum and natural gas sales		\$ 2,928,812	\$3,700,149	\$ 5,580,241	\$6,826,035
Royalties		(454,878)	(645,412)	(747,737)	(1,174,063)
Revenue, net of royalties		2,473,934	3,054,737	4,832,504	5,651,972
Saskatchewan resource tax		(35,000)	(42,000)	(50,000)	(78,000)
Other income		34,739	12,077	63,896	20,972
Gain on settlement of claim balances		-	-	-	6,212,139
		2,473,673	3,024,814	4,846,400	11,807,083
Expenses					
Operating		1,456,509	1,472,537	3,049,315	2,649,883
Transportation		116,115	100,312	256,234	184,685
General and administrative		312,723	305,618	642,121	566,721
Restructuring		-	-	-	194,230
Net finance	11	80,210	110,990	154,600	178,367
Share-based compensation	19	13,402	357,648	38,881	357,648
Depletion and depreciation	5	476,806	303,576	1,015,590	625,915
		2,455,765	2,650,681	5,156,741	4,757,449
Net earnings / (loss)		\$ 17,908	\$ 374,133	\$ (310,341)	\$ 7,049,634
Net earnings / (loss) per share					
Basic and diluted	14	\$ -	\$ -	\$ -	\$ 0.02

See accompanying notes to the unaudited condensed interim financial statements.

Interim Statements of Cash Flows

(Unaudited, Canadian dollars)

	Note	Three months ended June 30,		Six months ended June 30,	
		2023	2022	2023	2022
Cash provided by (used in) the following activities:					
Operating activities					
Net earnings / (loss) for the period		\$ 17,908	\$374,133	\$ (310,341)	\$7,049,634
Items not affecting cash:					
Depletion and depreciation		476,806	303,576	1,015,590	625,915
Accretion of decommissioning obligations	18	75,475	110,990	145,840	178,367
Share-based compensation	19	13,402	357,648	38,881	357,648
ROU Expense		(4,217)		(8,056)	
Other		(2)	(1)	(2)	1
		579,372	1,146,346	881,912	8,211,564
Change in non-cash working capital	20	(439,883)	49,996	(712,187)	(5,331,771)
Cash from operating activities		139,489	1,196,342	169,725	2,879,793
Financing activities					
Net (payments) advances of bank loan				-	-
Promissory notes		-	-	-	(1,139,435)
Term loan principal repayments		-	-	-	(2,128,661)
Convertible debentures, net of issue costs		-	-	-	(6,517,100)
Proceeds from the issuance of shares	18	-	-	-	8,467,421
Cash from financing activities		-	-	-	(1,317,775)
Investing activities					
Development of oil and gas properties		(316,201)	(438,226)	(492,380)	(483,507)
Change in non-cash working capital	20	154	-	(6,327)	301
Cash used in investing activities		(316,047)	(438,226)	(498,707)	(483,206)
Change in cash		(176,558)	758,116	(328,982)	1,078,812
Cash, beginning of the period		178,884	961,130	331,308	640,434
Cash, end of the period		\$ 2,326	\$1,719,246	\$ 2,326	\$1,719,246
Supplementary disclosure					
Cash interest paid		\$ 4,507	\$-	\$ 8,256	\$ -
Cash taxes paid		-	-	-	-

See accompanying notes to the unaudited condensed interim financial statements.

Statements of Changes in Shareholders' Equity

(Canadian dollars)

	Note	Share capital	Convertible debentures	Contributed surplus	Retained deficit
Balance as at December 31, 2021 (Unaudited)		\$53,724,854	\$6,517,100	\$8,403,685	\$(77,268,340)
Net earnings		-	-	-	16,178,527
Settlement of convertible debentures		-	(6,517,100)	-	-
Options exercised	19	400,000	-	(400,000)	-
Share-based compensation	19	-	-	497,870	-
Common shares issued	19	8,467,421	-	-	-
Balance as at December 31, 2022		\$ 62,592,275	\$ -	\$ 8,501,555	\$(61,089,813)
Net earnings		-	-	-	(310,341)
Share-based compensation	19	-	-	50,915	-
Balance as at June 30, 2023		\$ 62,592,275	\$ -	\$ 8,552,470	\$(61,400,154)

See accompanying notes to the financial statements.

Notes to the Financial Statements

As at June 30, 2023 for the periods ended June 30, 2023 and 2022

All interim amounts are unaudited

1. Reporting entity

Course Energy Ltd. is a Calgary-based energy company primarily focused on heavy oil development and production in Saskatchewan. Course Energy Ltd. (referred to as the "Company" or "Course") was incorporated as under the Business Corporation Act in Canada on November 6, 2012. The Company's principal place of business is 2000, 715 5 Avenue S.W. Calgary, Alberta, Canada, T2P 2X6.

2. Basis of presentation, statement of compliance and assumption of going concern

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Unless otherwise stated, amounts presented in these financial statements, including tabular amounts, are stated Canadian dollars. The functional currency of the Company is the Canadian dollar.

These financial statements have been prepared on a historical cost basis. All accounting policies, methods of computation, and the use of estimates or judgements used in the preparation of these financial statements are consistent with those used the previous financial year.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

These financial statements were authorized for issue by the Board of Directors on September 07, 2023.

3. Summary of significant accounting policies

(a) Financial instruments

Financial assets and financial liabilities are measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial instrument's classification, as described below.

- *Fair value through profit or loss*: Financial instruments designated at fair value through profit or loss are initially recognized and subsequently measured at fair value with changes in those fair values charged immediately to net earnings. Financial instruments under this classification would include derivative assets and liabilities.
- *Amortized cost*: Financial instruments designated as amortized cost are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method. Financial instruments under this classification include accounts receivable, accounts payable, and debt instruments.
- *Fair value through other comprehensive income*: Financial instruments designated as fair value through other comprehensive income are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at fair value with changes in fair value recognized in other comprehensive income, net of tax.

Financial derivatives may be used periodically by the Company to manage exposure to market risk relating to commodity prices, foreign exchange rates and interest rates. The Company does not designate its financial derivatives contracts as hedges nor are they used for speculative purposes. As a result, all financial derivative contracts are classified as fair value through profit or loss and are recorded and carried on the statement of financial position at fair value with actual amounts received or paid on the settlement of the financial derivative instrument recorded in net earnings. Forward crude oil derivative contracts are recorded at their estimated fair value based on the difference between the contracted price and the period end forward price, using quoted market.

(b) Fair value measurement

The Company measures its cash at fair value at each reporting date. Fair value less costs of disposal is also calculated when indicators of impairment in a cash generating unit (CGU) have been identified and management performs an impairment test to determine the recoverable amount of non-financial assets that are tested for impairment.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in its principal or most advantageous market at the measurement date. To estimate the fair value of its financial instruments, the Company uses quoted market prices when available or third-party models and valuation methodologies that use observable market data. Fair value is measured using the assumptions that market participants would use, including transaction-specific details and non-performance risk.

All financial assets and liabilities for which fair value is measured or disclosed in the financial statements are further categorized using a three-level hierarchy that reflects the significance of the lowest level of inputs used in determining fair value:

- i. Level 1 - Inputs represent quoted prices in active markets for identical assets or liabilities. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- ii. Level 2 – Inputs other than quoted prices used in Level 1 that are observable, either directly or indirectly, as of the reporting date. Level 2 valuations are based on inputs which can be observed or corroborated in the marketplace.
- iii. Level 3 – Inputs that are less observable, unavailable or where observable data does not support the majority of the instrument's fair value.

At each reporting date, the Company determines whether transfers have occurred between levels in the fair value hierarchy by reassessing the level of classification for each financial asset and financial liability measured or disclosed at fair value in the financial statements. Assessments of the significance of an input to the fair value measurement require judgement and may affect the placement within the fair value hierarchy.

(c) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on its financial assets measured at amortized cost. Expected credit losses exist if one or more loss events occur after initial recognition of the financial asset which has an impact on the estimated future cash flows of the financial asset and that impact can be reliably measured. The Company uses a combination of historical and forward-looking information to determine the appropriate expected credit loss. The carrying amount of the asset is reduced through the use of an allowance account, and the loss is recognized in general and administrative expenses.

(d) Exploration assets

Expenditures incurred before the Company has obtained legal rights to explore an area are recognized in the statements of comprehensive income and loss as exploration expenses. Exploration assets reflect expenditures for an area where technical feasibility and commercial viability have not yet been determined. Expenditures, including land acquisition, geological and geophysical, drilling and completion costs and directly attributable employee salaries and benefits are capitalized and accumulated pending determination of technical feasibility and commercial viability. Exploration assets are not depleted. When assets are determined to be technically feasible and commercially viable, the accumulated costs are tested for impairment within the cash-generating unit ("CGU"), and the recoverable amount is transferred to property and equipment. Management considers technical feasibility and commercial viability to exist when a project is expected to be free cash flow positive for the remaining life of the project, as demonstrated by the assignment of proved reserves, combined with Management's judgement of other factors impacting current project status and forecasted operating and financial results.

Exploration assets are also assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Indications of impairment are assessed by the Company on a quarterly basis.

(e) Property, plant, and equipment

All costs directly associated with the acquisition and development of petroleum and natural gas properties are capitalized and measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development costs include expenditures for areas where technical feasibility and commercial viability have been determined. The initial cost of an asset is comprised of the purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation, and for qualifying assets, borrowing costs. The purchase price or constructed cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Expenditures on major turnarounds comprise the cost of replacement assets or parts of assets and inspection and overhaul costs. Where an asset or part of an asset is replaced and it is probable that future economic benefits will flow to the Company from the replacement, the expenditure is capitalized, and the replaced part is derecognized. Inspection and overhaul costs relating to turnarounds and all other repairs and maintenance costs are expensed when incurred. Well workover costs incurred to stimulate depleted wells are charged as an expense when incurred. Certain stimulation costs which increase production and reserves, extending beyond one year, are capitalized in property, plant and equipment and depleted over the economic life of the asset.

Petroleum and natural gas assets are accumulated in cost centers based on CGUs. CGUs are depleted using the unit-of-production method based upon estimated gross proved plus probable reserves, determined annually by independent professional engineers. Estimated future development costs necessary to bring the reserves into production are included in the depletion calculation. Other property and equipment assets are depreciated over the estimated useful lives of the assets at various rates per annum calculated on a declining balance basis. Depreciation methods, useful lives and residual values are reviewed at least annually.

A gain or loss arising on the disposal or retirement of fixed assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Statement of Earnings (Loss) for the relevant period.

(f) Impairment of non-financial assets

Non-financial assets are reviewed at the end of each reporting period for any indication that an asset may be impaired and, if so, the Company determines whether the asset is impaired by comparing the carrying amount to the estimated recoverable amount. E&E assets are also assessed for impairment when they are reclassified to P&E.

For the purpose of the impairment test, non-financial assets are grouped into the Company's three CGUs, which are the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of a CGU is the higher of its fair value less costs of disposal ("FVLCOD") and its value in use (VIU). For the purposes of testing for impairment, E&E assets are tested at the CGU level.

The Company determines VIU and FVLCOD by estimating the future cash flows expected from the CGU, discounted at a rate which reflects the current market assessment of the time value of money and the risks specific to the CGU. FVLCOD is determined as the amount obtainable from the sale of the CGU in an arm's-length transaction between knowledgeable, willing parties, less the costs of disposal. The Company considers recent transactions for similar assets within the same industry as indicators of fair value.

An impairment loss is recognized when the carrying amount of the CGU exceeds its recoverable amount. Impairment losses for a CGU are allocated first to goodwill allocated to the CGU, if any exists, and then to the other assets of the group pro rata on the basis of the carrying amount of each of the group's assets. The reductions in carrying amounts are recognized in profit or loss in the period in which they occur.

At the end of each reporting period, the Company assesses whether there is evidence that any impairment loss recognized in prior periods should be reduced because the asset's expected recoverable amount has increased since the impairment loss was recorded. If circumstances have changed since the recognition of an impairment loss such that the loss has been reduced, the carrying amount of the CGU is increased to the revised estimate of its recoverable amount but never beyond the previous value, net of depletion and depreciation, if no impairment loss had been recognized for the asset in prior periods.

(g) Leases

The Company assesses whether an arrangement is a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

When the Company is a party to a lease arrangement as the lessee, leases are recognized as a right-of-use (“ROU”) asset and a corresponding lease liability on the statements of financial position on the date that the leased asset becomes available for use.

ROU assets and lease liabilities are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be paid by the lessee under residual value guarantees, the exercise price of purchase options if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, less any incentives receivable. The future payments are discounted using the interest rate implicit in the lease or, when that rate cannot be readily determined, the Company’s incremental borrowing rate. The Company uses a single discount rate for a portfolio of leases with reasonably similar characteristics. Lease payments are allocated between the lease liability and finance expenses. Finance expenses are charged to the statements of comprehensive income over the lease term.

Associated ROU assets are initially measured at cost, which comprises the initial amount of the lease liability, any initial direct costs incurred, and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease payments made at or before the commencement date. ROU assets are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. ROU assets may be adjusted for certain re-measurements of the lease liability and impairment losses.

(h) Provisions

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 is probable that an outflow of economic benefit will be required to settle the obligation. Provisions are measured using the best estimate of the expenditure required to settle the obligation.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

A contingent liability is disclosed when the Company has a possible obligation arising from a past event whose existence will be confirmed by future events not wholly under its control, or when the Company has a present obligation that arises from past events that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation, or the amount the obligation cannot be measured with sufficient reliability.

(i) Decommissioning obligations

Decommissioning obligations are recognized when the Company has a statutory, contractual or legal obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. A corresponding amount equivalent to the liability is recognized as part of the cost of the related property, plant and equipment.

Estimated decommissioning obligations are carried on the Statement of Financial Position at present value, calculated using a weighted average risk-free rate, and accreted over time for the change in present value, with this accretion expense included in finance costs on the statement of earnings (loss). Actual expenditures incurred are charged against the accumulated obligation. Any difference between the recorded decommissioning obligation and the actual retirement costs incurred is recorded as a gain or loss when the field is abandoned.

The resulting increase in capitalized costs due to the inclusion of the decommissioning obligation is amortized to income on a basis consistent with depletion and depreciation of the underlying assets. Subsequent changes in the estimated decommissioning obligations are capitalized and amortized over the remaining useful life of the underlying asset.

Liabilities for environmental costs are recognized when an obligation exists, and the associated costs can be reliably estimated. Generally, the timing of recognition of these liabilities coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. The amount recognized is the best estimate of the expenditure required. Where the liability will not be settled for a number of years, the amount recognized is the present value of the estimated future expenditure. These estimates are included in decommissioning obligations.

(j) Revenue from petroleum sales

Revenue associated with the sale of crude oil, natural gas, or natural gas liquids is measured based on the consideration specified in contracts with customers. Revenue from contracts with customers is recognized when or as the Company satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The transfer of control of crude oil, natural gas, or natural gas liquids coincides with title passing to the customer and the customer taking physical possession.

(k) Share-based compensation

The Company accounts for share-based compensation using the fair-value method of accounting for executive incentive options, share options and performance warrants granted to directors, officers, employees and consultants using the Black-Scholes option-pricing model. The grant date fair values are recognized over the vesting periods of the awards with a corresponding increase in contributed surplus. When awards are exercised, the consideration received, and the associated amounts previously recorded as contributed surplus are reclassified to shareholders capital.

(l) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in net earnings except to the extent that it relates to items recognized directly in equity, in which case the related income tax is also recognized in equity. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the consolidated balance sheet 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 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 the accounting profit nor taxable profit. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but the Company intends to settle current tax liabilities and assets on a net basis, or the tax assets and liabilities will be realized simultaneously.

Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is neither a business combination nor an event resulting in income or expense. Deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

4. Changes to accounting policies

Future changes in accounting standards

The IASB has announced amendments to accounting standards and interpretations and new accounting standards that are effective for periods beginning on or after July 1, 2023. These standards and interpretations have not been applied to the financial statements. Courser does not expect that these changes will have a material impact on the Company's financial statements on adoption.

5. Use of estimates, judgements and assumptions

The preparation of financial statements in conformity with IFRS requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from estimates, and those differences may be material. The estimates and assumptions used are subject to updates based on experience and the application of new information. Estimates and underlying assumptions are reviewed on an ongoing basis, and any revisions to accounting estimates are recognized in the period in which the estimates are revised. Significant estimates and judgements made by Management in the preparation of these financial statements are outlined below.

(a) Fair value of financial instruments

The estimated fair value of financial instruments is reliant upon a number of estimated variables including forward commodity prices, foreign exchange rates and interest rates. Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

(b) Oil and gas reserves, recoverability of asset carrying values and depletion

The amounts recorded for exploration assets, property and equipment, depletion and depreciation and impairment testing are based on estimates of proven and probable reserves, production rates, future oil prices, future costs, future foreign exchange rates and other relevant assumptions. All the Company's petroleum reserves are evaluated and reported by independent engineering consultants in accordance with Canadian Securities Administrators' National Instrument 51-101.

There are a number of inherent uncertainties associated with estimating reserves and resources. Reserve and resource estimates are based on engineering data, estimated future prices, expected future rates of production and the timing and amount of future expenditures, all of which are subject to many uncertainties, interpretations and judgments. The most recent reserve estimates prepared by an external party reflect market and regulatory conditions existing at December 31, 2022, which could differ significantly from other points in time throughout the year or in future periods. Internal reserves have been generated since that time that account for changes in the above noted uncertainties. Assumptions that were valid at the time of reserves estimation may change significantly as new information becomes available or circumstances change. Changes in forward price estimates, production costs or recovery rates may change the economic status of reserves. Changes in the economic environment could result in significant changes to the discount rate used to calculate net present values. Changes in reserves impact the financial results of the Company as reserves and estimated future development costs are used to calculate depletion and are also used in measuring fair value less costs of disposal of property and equipment for impairment calculations.

(c) Determination of cash-generating units

Determination of what constitutes a CGU is subject to the judgement of Management. The recoverability of development and production asset carrying values is assessed at the CGU level, and the asset composition of a CGU can directly impact the recoverability of the assets included therein. Furthermore, the transfer of exploration assets to property and equipment is based on Management's judgement of technical feasibility and commercial viability.

(d) Decommissioning liabilities

The provision for decommissioning liabilities is based on numerous assumptions and judgements, including ultimate remediate plans, settlement amounts, historical production volumes, inflation factors, risk-free discount rates, timing of settlement and changes in the applicable legal and regulatory environments. To the extent future revisions to these assumptions impact the measurement of the existing decommissioning liability, a corresponding adjustment is made to the associated property, plant and equipment balance.

(e) Share-based compensation

The Company measures the cost of equity-settled transactions by reference to the estimated fair value of the equity instruments at the date at which they are granted. The fair value of share options is measured using a Black-Scholes option pricing model. Measurement inputs include weighted average share prices prior to the measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on Government of Canada bonds).

(f) Income taxes

Accounting for income taxes is a complex process requiring Management to interpret frequently changing laws and regulations and make judgments relating to the application of tax law, the estimated timing of temporary difference reversals, and the estimated realization of tax assets. All tax filings are subject to subsequent government audits and potential reassessment. These interpretations, judgments and changes related to them impact current and deferred tax provisions, deferred income tax assets and liabilities and earnings.

(g) Lease arrangements

Management applies judgement in reviewing each of its contractual arrangements to determine whether the arrangements contain a lease within the scope of IFRS 16. Leases that are recognized are subject to further Management judgement and estimation in various areas specific to the contractual arrangements, including lease terms and discount rates. In determining the lease term to be recognized, Management considers all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Lease obligations are estimated using a discount rate equal to the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company's incremental borrowing rate represents the rate that the Company would incur to obtain the funds necessary to purchase an asset of a similar value, with comparable payment terms and security in a similar economic environment.

6. Financial assets and credit risk

Credit risk arises from the potential that the Company may incur a loss if a counterparty to a financial instrument fails to meet its obligation in accordance with agreed terms. The Company's credit exposure on accounts receivable pertains to revenue for the most recent month's production volumes in addition to amounts receivable from joint operating partners. Courser typically sells its heavy oil production to four separate oil and natural gas marketing companies. All revenues recorded at June 30, 2023 were received in July, 2023. For joint operating partners, Courser bills these partners typically 2 months after the month of activity with receipt 30 days thereafter.

The Company also faces a credit risk with cash holdings. If there is a failure in one of the Company's financial institutions, the Canada Deposit Insurance Corporation would only insure up to \$100,000. Any cash being held in an institution above that amount could potentially be at risk.

The Company's carrying values of cash and accounts receivable represent the Company's maximum credit exposure. As noted above, the Company's deposits its cash with large established Canadian banking institutions. The aging of accounts receivable is as follows:

	June 30, 2023	December 31, 2022
Not past due	\$879,291	\$886,260
Past due greater than 90 days	119,182	17,278
Accounts receivable	\$998,473	\$903,358

The Company has historically not experienced any collection issues with its oil and natural gas sales and therefore has not recorded an allowance for doubtful accounts as at June 30, 2023.

7. Leases

IFRS 16 replaced IAS 17 Leases ("IAS 17") and requires the recognition of right-of-use ("ROU") assets and lease obligations on the statement of financial position for most leases where the entity is acting as the lessee. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. IFRS 16 allows lessors to continue with the dual classification model for recognized leases, with the resultant accounting remaining unchanged from IAS 17.

The Company recognized lease liabilities measured at the present value of remaining lease payments, discounted using the interest rate implicit in the lease or the Company's incremental borrowing rate as at the time the lease was entered. The Company used a weighted average incremental borrowing rate of 4.5% to measure the present value of the future lease payments on March 1, 2022. The associated ROU assets were measured at the amount equal to the lease liabilities on March 1, 2022 less any amount previously recognized for onerous leases, with no impact on opening retained earnings.

The Company identified ROU lease assets and liabilities related to head office space. The impact on the consolidated statement of financial position as at June 30, 2023 was as follows:

	June 30, 2023
Short-term portion of ROU asset	\$17,014
Long-term portion	-
Total ROU asset	\$ 17,014

The following table provides a reconciliation of the contractual obligations and commitments as at June 30, 2023 to the Company's lease liabilities:

	June 30, 2023
Commitments as at June 30, 2023	\$17,488
Cash expense	17,781
Impact of discounting	(293)
Lease liabilities as at June 30, 2023	\$ 17,488

Cash flows associated with lease repayments were allocated to operating activities and financing on the consolidated statement of cash flows based on their interest and principal repayments, respectively.

Subsequent to quarter end, the Company signed a lease extension that secured the office space through June 2026. As a result of this, both the long-term portion of the ROU asset and the offsetting lease liabilities are expected to increase by around \$43 thousand dollars in Q3.

8. Property, plant and equipment

	Oil and gas assets	Corporate assets	Total assets
Cost:			
Balance, January 1, 2022	\$ 82,455,260	\$ 250,386	\$ 82,705,645
Development additions	1,962,456	6,830	1,969,286
Change in decommissioning obligations	(838,078)	-	(838,078)
Capitalized general and administrative costs	169,000	-	169,000
Capitalized share-based compensation	88,132	-	88,132
Balance, December 31, 2022	\$ 83,836,770	\$ 263,692	\$ 84,100,462
Development additions	275,067	4,274	279,341
Change in decommissioning obligations	(333,793)	-	(333,793)
Capitalized general and administrative costs	90,000	-	90,000
Capitalized share-based compensation	12,034	-	12,034
Balance, June 30, 2023	\$ 83,880,078	\$ 293,423	\$ 84,173,501
Accumulated depletion and depreciation:			
Balance, January 1, 2022	\$ 71,701,663	\$ 222,868	\$ 71,924,531
Depletion and depreciation	1,386,000	10,611	1,396,611
Impairment reversal	(8,502,000)	-	(8,502,000)
Balance, December 31, 2022	\$ 64,585,663	\$ 233,479	\$ 64,819,142
Depletion and depreciation	1,002,000	13,590	1,015,590
Balance, June 30, 2023	\$ 65,587,663	\$ 247,069	\$ 65,834,732
Net book value:			
Balance, December 31, 2022	\$ 19,251,107	\$ 30,213	\$ 19,281,320
Balance, June 30, 2023	\$ 18,292,415	\$ 46,354	\$ 18,338,769
Exploration and evaluation assets			
Balance, December 31, 2022	\$ 757,172		
Additions	123,128		
Balance, June 30, 2023	\$ 880,300		

As at June 30, 2023, \$62.6 million in future development costs associated with proved plus probable reserves and salvage values of \$2.4 million were included in the petroleum and natural gas asset cost bases for depletion calculation purposes (December 31, 2022 - \$62.6 and \$2.4 million). Undeveloped lands valued at \$880,300 were acquired in the last 12 months and were excluded from the depletion calculation. No other costs have been included or excluded from property plant and equipment in the determination of depletion.

9. Impairment reversal on property, plant, and equipment

Impairment Assessment

At December 31, 2022, the Company identified indicators of an impairment reversal in the Lone Rock / Lloydminster / Edam CGU and in the Dolcy CGU, due to increased forward commodity prices. Further, an indicator of impairment was identified in the Coleville CGU due to production shut ins. As a result, an impairment test was performed for each CGU. The recoverable amount was determined using fair value less cost to dispose ("FVLCTD") as it was estimated to result in a recoverable amount higher than the value in use ("VIU") approach.

Management determined the net present value of the reserve report cash flows expected to be derived from each of the CGU's, using an after-tax discount rate that is based on a deemed market participant of approximately 20% and the following forward commodity price estimates:

	Natural Gas (\$/Mcf)	Heavy Oil (\$/bbl)	Pentane Plus (\$/bbl)
2023	3.68	81.80	81.87
2024	3.69	80.63	72.20
2025	3.35	74.06	67.20
2026	3.43	75.81	69.20
2027	3.51	77.70	71.24

Management determined that the recoverable amounts of the Company's Lone Rock / Lloydminster / Edam and Dolcy CGUs exceeded their carrying value, while the Coleville CGU carrying value exceeded the recoverable amount. A net impairment recovery of \$8,502,000 was recognized in the Company's PP&E.

The Company did not identify indicators of impairment or impairment reversal at June 30, 2023.

E&E Impairment assessment

For E&E assets, the assets were acquired during the last 12 months. There were no indications of impairment at June 30, 2023.

10. Financial liabilities and liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure it will have sufficient liquidity to meet liabilities when due, under both normal and unusual conditions without incurring unacceptable losses or jeopardizing the Company's business objectives. The Company's liquidity is dependent on the Company's expected business growth and changes in its business environment. The Company manages this risk by continuously monitoring forecast and actual cash flows from operating, financing, and investing activities and opportunities to extend or modify its existing debt facility or to issue additional equity. The Company will continue to manage its capital expenditures to reflect current financial resources in the interest of sustaining long-term viability.

Estimated undiscounted cash outflows relating to financial liabilities as at June 30, 2023, were as follows:

	Undiscounted amount	Less than 1 year	1 - 3 years	4 – 5 years
Accounts payable and accrued liabilities	\$ 1,463,120	\$ 1,463,120	\$-	\$-
Office Lease	113,826	113,826	-	-
Financial liabilities	\$ 1,576,946	\$ 1,576,946	\$-	\$-

11. Bank line of credit

In December 2022, the Company was successful in obtaining a line of credit with its bank. The line of credit is backed by accounts receivable and can be drawn on by the lesser of 75% of current receivables or \$1,000,000. While the Company had drawn on the line of credit during the quarter, the balance owing on the line of credit as at June 30, 2023 was nil.

12. Financial derivatives and market risk management

Management of cash flow variability is an integral component of the Company's business strategy. Changing business conditions are monitored regularly and, where material, reviewed with the Board of Directors to establish risk management guidelines to be used by Management. The risk exposure inherent in the movement of the price of crude oil and natural gas prices and fluctuations in foreign exchange rates are all proactively reviewed by the Company and may be managed through the use of derivative contracts as considered appropriate.

(a) Commodity price risk

The Company is exposed to commodity price movements as part of its operations. The Company maintains a risk management strategy to protect funds flow from operations from the volatility of commodity prices. The Company's strategy focuses on the use of puts, costless collars, swaps or fixed price contracts to limit exposure to fluctuations in commodity prices. At June 30, 2023, the Company had no outstanding risk management contracts (2022 – nil).

(b) Interest rate risk

The Company is exposed to fluctuations in interest rates to the extent it has debt outstanding with variable interest rate terms. During the fourth quarter of 2022, the Company secured financing that is largely backed by accounts receivable with a financial institution. The credit facility provides the Company with up to a \$1,000,000 operating facility with a variable rate that is calculated daily and paid monthly. At June 30, 2022, the amount drawn on the credit facility was nil.

(c) Foreign currency risk

The Company does not sell or transact in any foreign currency, but commodity prices are largely benchmarked against the West Texas Intermediate ("WTI") index, which is in US dollars. As a result, the prices that the Company receive are affected by fluctuations in the exchange rates between the US dollar and the Canadian dollar. The exchange rate effect cannot be quantified, but generally an increase in the value of the Canadian dollar compared to the US dollar will reduce the prices received by the Company for its crude oil and natural gas sales. The Company had no foreign exchange forward rate contracts in place as at June 30, 2023.

13. Capital management

The Company's policy is to maintain a strong capital base to provide flexibility in the future development of the business and to maintain the confidence of investors and lenders. The Company periodically reviews certain quantitative measures of its capital structure to understand its position relative to industry peers but does not set certain limits or ranges with respect to these quantitative measures. The Company is not subject to any external restrictions on its capital structure. Management closely monitors debt leverage to ensure the Company maintains financial flexibility and balance sheet strength sufficient to manage unforeseen events and opportunities as they arise.

14. Petroleum and natural gas sales

The following table summarizes sales of petroleum and natural gas:

	Six months ended June 30,	
	2023	2022
Crude oil	\$ 5,435,556	\$ 6,701,494
Natural gas	36,910	83,495
Natural gas liquids	107,775	41,046
Petroleum and natural gas revenue	\$ 5,580,241	\$ 6,826,035

Courser Energy's sales are comprised of liquids and natural gas to various customers. The Company had three customers which each individually accounted for 10 percent or more of the total sales made during the period ended June 30, 2023. Sales from the transfer of liquids and natural gas volumes to customers are recognized at the time when Courser's performance obligations are fully satisfied upon transfer of these volumes to customers.

15. Other income

The following table summarizes other income:

	Six months ended June 30,	
	2023	2022
Disposal, road use and royalty income	\$ 63,896	\$ 20,972
Other income total	\$ 63,896	\$ 20,972

16. Restructuring costs

On December 3, 2021, the Company filed an application with the Court of Queen's Bench of Alberta to obtain creditor protection under the Companies' Creditors Arrangement Act ("CCAA"). The initial court date to obtain a stay of proceedings under the CCAA was December 8, 2021. The Company was successful in obtaining an initial order and a stay of proceedings for a period of 10 days until December 18, 2021, and through subsequent hearings, the stay was extended through March 16, 2022, at which time, the Company executed the Plan of Arrangement and Compromise ("The Plan").

In conjunction with the Plan, the Company incurred restructuring costs \$194,230 in 2022. In March 2022, upon execution of the Plan, the Company settled various debts and liabilities with a combination of cash payments and equity conversions. A total of \$1,449,522 was paid out in cash to settle various debts. The cash payments were funded by a rights offering which raised \$1,815,000 net of share issuance costs. As a result of these transactions, a one-time gain of \$6,218,577 was realized on the settlement of liabilities included in the Plan.

17. Finance expenses

The following table summarizes net finance expenses recorded during the periods noted below:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Interest expense on term and bank loans	\$4,507	\$-	\$8,256	\$-
Accretion of decommissioning obligations	75,475	110,990	145,840	178,367
Net finance expenses	\$79,982	\$110,990	\$154,096	\$178,367

18. Decommissioning costs

The total future decommissioning obligations were estimated by management based on the expected cost to reclaim and abandon its net ownership interest in well sites and facilities and the estimated timing of the costs to be incurred in future periods. Decommissioning obligations acquired as part of an acquisition are initially measured at fair value using a risk-free rate. Management estimates the total undiscounted amount of cash flows required to settle its decommissioning obligations June 30, 2023 is \$9.1 million (2022 - \$9.3 million), which will be incurred over the next 10-15 years with the majority of costs incurred between 2023 and 2027. The Bank of Canada's long-term risk-free rate of 3.14% and an inflation rate of 2.0% (December 31, 2022 - 3.31% and 2.0% respectively) were used to calculate the present value of the decommissioning obligation at the period end.

A reconciliation of the changes to the decommissioning obligations during the periods is as follows:

	June 30, 2023	December 31, 2022
Balance, beginning of period	\$ 9,289,164	\$ 11,182,888
Incurred	-	(1,394,951)
Additions	-	29,167
Accretion	145,840	339,307
Change in estimate	(333,793)	(867,247)
Balance, end of period	\$ 9,101,211	\$ 9,289,164

19. Share Capital

(a) Issued and outstanding common shares

The Company is authorized to issue an unlimited number of voting common shares and an unlimited amount of special voting shares. The following table is a continuity schedule of the Company's common shares outstanding and share capital:

	Number of Shares	Share Capital
December 31, 2022	510,676,446	\$ 62,592,275
Relinquished shares	(160,001)	-
June 30, 2023	510,516,445	\$ 62,592,275

(b) Share based compensation

The Company's stock option plan allows for the granting of options to directors, officers, employees and contractors serving in capacity of employees of the Company. The exercise price of each option shall be fixed by the Board of Directors when such option is granted, provided that from and after the date that the common shares are listed on a stock exchange (an "Exchange"), such price shall not be less than the price permitted by such Exchange. Unless otherwise determined by the Board of Directors, vesting typically occurs one third on each of the next three anniversaries of the date of the grant as recipients render continuous service to the Company, and the share options typically expire five years from the date of the grant. The maximum number of common shares issuable on the exercise of outstanding share options at any time is limited to 10% of the issued and outstanding common shares.

In 2022, the Board issued new options to certain employees, executives and the Board of Directors as follows:

- Options totaling 20,000,000 shares were issued on April 11, 2022 with no strike price to executives and the Board of Directors. These options vested and were immediately exercised on May 10, 2022. The options had an estimated fair value of \$0.02 per share based on the value of shares released in the execution of the Plan.
- Options totaling 22,000,000 were also issued on April 11, 2022 to executives and employees. These options vest evenly over a three-year period and expire five years from the anniversary of the grant date. During the three months ended June 30, 2023, the Company recorded share-based compensation expenses of \$14,784, of which, \$13,402 was expensed, and \$1,382 was capitalized (2022 – 357,648 expensed).

The following table summarizes the Company's options outstanding, one third of which were exercisable at June 30, 2023.

	June 30, 2023			December 31, 2022		
	Number of units outstanding	Weighted average exercise price (\$ per share)	Weighted average remaining life (years)	Number of units outstanding	Weighted average exercise price (\$ per share)	Weighted average remaining life (years)
Issued						
Share options	22,000,000	0.02	3.7	22,000,000	0.02	4.3
Options outstanding	22,000,000	0.02	3.7	22,000,000	0.02	4.3

The Black-Scholes option pricing model was used to determine the fair value of \$0.01 of the stock options granted during the year using the following assumptions:

Risk free interest rate (%)	2.62%
Average expected life (years)	5.0
Average expected volatility (%)	60.0%
Forfeiture rate (%)	5.0%

Subsequent to quarter end, the board issued a number of new shares and options as follows:

- 7,000,000 shares were issued to directors in lieu of cash for director fees with a nil strike prices and a \$0.02/share valuation.
- 17,000,000 shares were issued to executives and employees as incentive options with a nil strike price and a \$0.02/share valuation.
- 2,000,000 long term options were issued to employees which vest over three years and expire in five years with a \$0.02/share strike price.

20. Supplemental cash flow information

The net change in non-cash working capital is comprised of:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Accounts receivable	\$84,124	\$(219,884)	\$(94,935)	\$(391,993)
Prepaid expenses and deposits	(50,461)	31,801	62,608	60,272
Accounts payable and accrued liabilities, and other	(473,392)	622,760	(686,187)	1,018,149
Change in non-cash working capital	(439,729)	\$49,996	\$(718,514)	\$(5,331,470)
Related to operating activities	(439,883)	49,996	(712,187)	(5,331,771)
Related to investing activities	154	-	(6,327)	301

21. Subsequent events

- Subsequent to quarter end, executive shares and incentive options were issued to employees, executives and directors. In total, 24,000,000 new shares and 2,000,000 new long-term options were issued. For further information see note 19.
- Subsequent to quarter end, the Company initiated a process to raise equity by means of a share issuance. The Company will be raising \$2 million before fees with 50 million shares being issued at \$0.04 per share. The transaction will be backstopped by its two major shareholders (Azimuth Capital Management & Durum Opportunities Fund) who collectively own over 75% of the shares of the Company. Existing shareholders will be granted the right to participate in this financing along the same terms and will be sent transaction information in the near future.