



INTERIM FINANCIAL STATEMENTS (UNAUDITED)

AS AT AND FOR THE PERIOD ENDED JUNE 30, 2024

JUNE 30, 2024

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, 2024. 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 5, 2024

Statements of Financial Position

(Canadian dollars)

	Note	June 30, 2024	December 31, 2023
Assets			
Current assets			
Cash		\$ 2,063,689	\$ -
Accounts receivable	6	1,060,476	882,869
Prepaid expenses and deposits		118,874	33,898
		3,243,039	916,767
Right of use asset	7	42,594	51,077
Exploration and evaluation	8,9	1,421,773	1,512,947
Property, plant, and equipment	8,9	18,823,812	19,752,515
		20,288,179	21,316,539
		\$ 23,531,218	\$ 22,233,306
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	\$ 3,271,813	\$ 1,447,567
Bank loan	11	-	192,360
		3,271,813	1,639,927
Lease Liability	7	42,733	51,505
Decommissioning and other	17	8,491,017	9,086,932
		8,533,750	9,138,437
Shareholders' equity			
Share capital	18	65,023,670	62,592,275
Contributed surplus		8,617,730	8,589,058
Deficit		(61,915,745)	(62,157,786)
		11,725,655	11,454,942
		\$ 23,531,218	\$ 22,233,306

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,	
		2024	2023	2024	2023
Revenue					
Petroleum and natural gas sales	14	\$ 2,985,792	\$ 2,928,812	\$ 5,247,290	\$ 5,580,241
Royalties		(518,920)	(454,878)	(859,970)	(747,737)
Revenue, net of royalties		2,466,872	2,473,934	4,387,320	4,832,504
Saskatchewan resource tax		(30,000)	(35,000)	(46,500)	(50,000)
Other income	15	620,339	34,739	646,960	63,896
		3,057,211	2,473,673	4,987,780	4,846,400
Expenses					
Operating		1,538,498	1,456,509	2,926,842	3,049,315
Transportation		106,802	116,115	194,301	256,234
General and administrative		314,509	312,723	636,237	642,121
Net finance	11,16	83,899	80,210	165,888	154,600
Share-based compensation	18	7,862	13,402	21,895	38,881
Depletion and depreciation	5	415,199	476,806	800,576	1,015,590
		2,466,769	2,455,765	4,745,739	5,156,741
Net earnings / (loss)		\$ 590,442	\$ 17,908	\$ 242,041	\$ (310,341)
Net earnings / (loss) per share					
Basic and diluted	18	\$ -	\$ -	\$ -	\$ -

See accompanying notes to the financial statements.

Interim Statements of Cash Flows

(Unaudited, Canadian dollars)

	Note	Three months ended June 30,		Six months ended June 30,	
		2024	2023	2024	2023
Cash provided by (used in) the following activities:					
Operating activities					
Net earnings / (loss) for the period		\$ 590,442	\$ 17,908	\$ 242,041	\$ (310,341)
Items not affecting cash:					
Depletion and depreciation		415,199	476,806	800,576	1,015,590
Accretion of decommissioning obligations	17	78,830	75,473	155,388	145,838
Share-based compensation	18	7,862	13,402	21,895	38,881
ROU Expense		(4,411)	(4,217)	(8,772)	(8,056)
		1,087,922	579,372	1,211,128	881,912
Change in non-cash working capital	19	1,520,691	(439,883)	1,613,097	(712,187)
Cash from operating activities		2,608,613	139,489	2,824,225	169,727
Financing activities					
Net (payments) advances of bank loan		(251,808)	-	(192,360)	-
Cash from financing activities		(251,808)	-	(192,360)	-
Investing activities					
Development of oil and gas properties		(329,785)	(316,201)	(516,742)	(492,380)
Change in non-cash working capital	19	36,669	154	(51,434)	(6,327)
Cash used in investing activities		(293,116)	(316,047)	(568,176)	(498,707)
Change in cash		2,063,689	(176,558)	2,063,689	(328,982)
Cash, beginning of the period		-	178,884	-	331,308
Cash, end of the period		\$ 2,063,689	\$ 2,326	\$ 2,063,689	\$ 2,326
Supplementary disclosure					
Cash interest paid		\$ 10,383	\$ 8,256	\$ 10,383	\$ 8,256
Cash taxes paid		-	-	-	-

See accompanying notes to the financial statements.

Statements of Changes in Shareholders' Equity

(Canadian dollars)

	Note	Share capital	Contributed surplus	Deficit	Shareholders' equity
Balance as at January 1, 2023		\$ 62,592,275	\$ 8,501,555	\$ (61,089,813)	\$ 10,004,017
Net loss		-	-	(1,067,973)	(1,067,973)
Options exercised,	18	480,000	(480,000)	-	-
Share-based compensation	18	-	567,503	-	567,503
Common shares issued	18	1,951,395	-	-	1,951,395
Balance as at December 31, 2023		\$ 65,023,670	\$ 8,589,058	\$ (62,157,786)	\$ 11,454,942
Net loss		-	-	242,041	242,041
Share-based compensation	18	-	28,672	-	28,672
Balance as at June 30, 2024		\$ 65,023,670	\$ 8,617,730	\$ (61,915,745)	\$ 11,725,655

See accompanying notes to the financial statements.

Notes to the Financial Statements

As at June 30, 2024 and for the periods ended June 30, 2024 and 2023

1. Reporting entity

Courser Energy Ltd. is a Calgary-based energy company primarily focused on heavy oil development and production in Saskatchewan. Courser Energy Ltd. (referred to as the “Company” or “Courser”) was incorporated 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 05, 2024.

3. Material Accounting Policy Information

(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 four active 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 (FVL COD) 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 FVL COD 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. FVL COD 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

New or Amended accounting standards adopted by the Company

There were no changes in accounting policies, or standards of interpretations issued, but not yet adopted, that had a material effect on the reported net income or net assets of the Company during the periods presented in the financial statements.

Future changes in accounting standards

The IASB has announced amendments to accounting standards and interpretations and new accounting standards that are effective for annual periods beginning on or after January 1, 2024. 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, 2023. 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, 2024 were received in July, 2024. 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 deposits its cash with large established Canadian banking institutions. The aging of accounts receivable is as follows:

	June 30, 2024	December 31, 2023
Not past due	\$ 1,006,669	\$ 823,434
Past due greater than 90 days	53,807	59,435
Accounts receivable	\$ 1,060,476	\$ 882,869

As at June 30, 2024, \$949,134 of the accounts receivable balance was related to current month revenue. These amounts were collected in the following month.

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, 2024.

7. Leases

The Company has secured office space through June 2026. As a result of this, the Company has a ROU asset and Lease liabilities on the books. 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 statement of financial position as at June 30, 2024 was as follows:

ROU balance at December 31, 2023	\$ 51,077
Use of asset	(8,344)
ROU asset as at June 30, 2024	\$ 42,733

The following table provides a reconciliation of the contractual obligations and commitments as at June 30, 2024 to the Company's lease liabilities:

Lease liabilities as at December 31, 2023	\$ 51,505
Interest expense	118
Obligations settled	(8,654)
Lease liabilities as at June 30, 2024	\$ 42,733

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

8. Property, plant and equipment

	Oil and gas assets	Corporate assets	Total assets
Cost:			
Balance, January 1, 2023	\$ 83,836,770	\$ 263,692	\$ 84,100,462
Development additions	2,499,807	4,185	2,503,992
Change in decommissioning obligations	(485,553)	-	(485,553)
Right-of-use assets	-	68,138	68,138
Capitalized general and administrative costs	180,000	-	180,000
Capitalized share-based compensation	105,682	-	105,682
Balance, December 31, 2023	\$ 86,136,706	\$ 336,016	\$ 86,472,721
Development additions	516,912	1,003	517,915
Change in decommissioning obligations	(751,304)	-	(751,304)
Capitalized general and administrative costs	90,000	-	90,000
Capitalized share-based compensation	6,777	-	6,777
Balance, June 30, 2024	\$ 85,999,091	\$ 337,019	\$ 86,336,110
Accumulated depletion and depreciation:			
Balance, January 1, 2023	\$ 64,585,663	\$ 233,479	\$ 64,819,142
Depletion and depreciation	1,823,000	26,987	1,849,987
Balance, December 31, 2023	\$ 66,408,663	\$ 260,466	\$ 66,669,129
Depletion and depreciation	788,000	12,575	800,575
Balance, June 30, 2024	\$ 67,196,663	\$ 273,041	\$ 67,469,704
Net book value:			
Balance, December 31, 2023	\$ 19,728,043	\$ 75,550	\$ 19,803,593
Balance, June 30, 2024	\$ 18,802,428	\$ 63,978	\$ 18,866,406

Exploration and evaluation assets

Balance, December 31, 2023	\$ 1,512,947
Additions	(91,174)
Balance, June 30, 2024	\$ 1,421,773

As at June 30, 2024, \$62.6 million in future development costs associated with proved plus probable reserves were included in the petroleum and natural gas asset cost bases for depletion calculation purposes (December 31, 2023 - \$62.6 million). Undeveloped lands valued at \$1.4 million 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

The Company reviewed valuations as at June 30, 2024 and did not identify indicators of impairment or impairment reversal.

E&E Impairment assessment

For E&E assets, there were no indications of impairment at June 30, 2024.

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, 2024, were as follows:

	Undiscounted amount	Less than 1 year	1 - 3 years
Accounts payable and accrued liabilities	\$ 3,271,813	\$ 3,208,417	\$ 63,396
Office Lease	246,012	121,709	124,303
Financial liabilities	\$ 3,517,825	\$ 3,330,126	\$ 187,699

11. Bank loan

The Company has 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, 2024, the Company had a nil balance drawn from the operating facility.

During the quarter the Company obtained revisions to the current and debt service ratio covenants on the accounts receivable backed facility. The Company is in compliance with all covenants on the credit facility.

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, 2024, the Company had no outstanding risk management contracts (2023 – nil).

(b) Interest rate risk

The Company is exposed to fluctuations in interest rates to the extent it has bank debt outstanding with variable interest rate terms.

(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, 2024.

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,	
	2024	2023
Crude oil	\$ 5,203,251	\$ 5,435,556
Natural gas	11,756	36,910
Natural gas liquids	32,283	107,775
Petroleum and natural gas revenue	\$ 5,247,290	\$ 5,580,241

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, 2024. 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.

Included in the accounts receivable at June 30, 2024 is \$943,752 of liquids and natural gas sales which have been settled subsequent to month end.

15. Other income

The following table summarizes other income:

	Six months ended June 30,	
	2024	2023
Disposal, road use and royalty income	\$ 52,799	\$ 63,896
Gain on partial disposition	594,161	-
Other income	\$ 646,960	\$ 63,896

During the quarter, the Company entered into a farmout agreement with a private company. Included in this transaction was a divestment of a 50% interest in certain undeveloped lands along with a 50% interest in the multi-lateral well drilled in the fourth quarter of 2023. The Company recognized a gain of \$594,161 as a result of this transaction.

16. Finance expenses

The following table summarizes net finance expenses recorded during the six months ended June 30, 2024 and 2023:

	Six months ended June 30,	
	2024	2023
Interest expense on term and bank loans	\$ 10,383	\$ 8,256
Capital lease interest expense	118	-
Accretion of decommissioning obligations (note 17)	155,387	145,840
Finance expenses	\$ 165,888	\$ 154,096

17. 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 at June 30, 2024 is \$8.5 million (December 31, 2023 - \$9.1 million), which will be incurred over the next 10-15 years with the majority of costs incurred between 2024 and 2028. The Bank of Canada's long-term risk-free rate of 3.42% and an inflation rate of 2.0% (December 31, 2023 – 3.05% 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, 2024	December 31, 2023
Balance, beginning of period	\$ 9,086,932	\$ 9,289,164
Incurred	(140,190)	(240,853)
Additions	-	62,813
Accretion	155,387	283,320
Change in estimate	(611,113)	(307,512)
Balance, end of period	\$ 8,491,016	\$ 9,086,932

18. 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
Issuance of shares	49,946,827	1,951,395
Relinquished shares	(160,001)	-
Shares issued upon exercise of executive options(b)	24,000,000	480,000
December 31, 2023	584,463,272	\$ 65,023,670
June 30, 2024	584,463,272	\$ 65,023,670

During the prior year, the Company raised \$1,951,395 through a share offering to current investors at an initial share price of \$0.04/share. The issuance was backstopped by the Company's two largest shareholders.

(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 2024, the Board has not issued any new options to employees, executives or the Board of Directors.

- During the six months ended June 30, 2024, the Company recorded share-based compensation expenses of \$28,672, of which, \$21,895 was expensed, and \$6,777 was capitalized.

The following table summarizes the Company's employee options outstanding.

	June 30, 2024			December 31, 2023		
	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)
<i>Issued</i>						
Share options	24,000,000	0.02	2.9	24,000,000	0.02	3.4
Options outstanding	24,000,000	0.02	2.9	24,000,000	0.02	3.4

19. Supplemental cash flow information

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

	Six months ended June 30,	
	2024	2023
Accounts receivable	\$ (177,607)	\$ (94,935)
Prepaid expenses and deposits	(84,976)	62,608
Accounts payable and accrued liabilities	1,824,246	(686,187)
Change in non-cash working capital	\$ 1,561,663	\$ (718,514)
Related to operating activities	\$ 1,648,797	\$ (712,187)
Related to investing activities	(87,134)	(6,327)