



## **Condensed Interim Financial Statements (unaudited)**

**For the three and nine months ended September 30, 2022**

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**SEPTEMBER 30, 2022**

**Notice of No Auditor Review of Interim Financial Statements**

The accompanying interim financial statements of Courser Energy Ltd. as at and for the three and nine month periods ending September 30, 2022 have been prepared by and are the responsibility of the Company's Management.

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

December 8, 2022

## Interim Statements of Financial Position

(Unaudited, Canadian dollars)

	Note	September 30, 2022	December 31, 2021
<b>Assets</b>			
Current assets			
Cash		\$1,956,098	\$640,434
Accounts receivable	4	1,250,483	774,455
Prepaid expenses and deposits		737,273	137,415
		<b>3,943,854</b>	1,552,304
Property, plant, and equipment			
	5,6	8,249,561	10,781,115
		<b>\$12,193,415</b>	\$12,333,419
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	7	\$2,509,191	\$6,505,136
Promissory notes	8	-	1,139,435
Term loan	8	-	2,128,661
		<b>2,509,191</b>	9,773,232
Decommissioning and other			
	12	8,970,943	11,182,888
		<b>11,480,134</b>	20,956,120
<b>Shareholders' equity</b>			
Share capital	13	62,592,275	53,724,854
Convertible debentures	8	-	6,517,100
Contributed surplus		8,467,449	8,403,685
Deficit		(70,346,443)	(77,268,340)
		<b>713,281</b>	(8,622,701)
		<b>\$12,193,415</b>	\$12,333,419

See accompanying notes to the unaudited condensed interim financial statements.

## Interim Statements of Loss and Comprehensive Loss

(Unaudited, Canadian dollars)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
<b>Revenue</b>					
Petroleum and natural gas sales		\$3,234,117	\$2,169,379	\$10,060,152	\$4,077,054
Royalties		(560,240)	(403,922)	(1,734,303)	(819,791)
<b>Revenue, net of royalties</b>		<b>2,673,877</b>	<b>1,765,457</b>	<b>8,325,849</b>	<b>3,257,263</b>
Saskatchewan resource tax		(36,252)	(29,284)	(114,252)	(54,455)
Other income		26,691	15,988	47,663	78,970
Gain on settlement of claim balances		-	-	6,212,139	-
		<b>2,664,316</b>	<b>1,752,161</b>	<b>14,471,399</b>	<b>3,281,778</b>
<b>Expenses</b>					
Operating		1,929,995	1,314,903	4,579,878	2,663,364
Transportation		99,988	81,610	284,673	164,004
General and administrative		279,125	231,390	845,846	696,452
Restructuring		-	-	194,230	-
Net finance	11	101,951	124,517	280,318	341,035
Share-based compensation	13	26,045	17,982	383,693	66,348
Depletion and depreciation	5	354,949	319,716	980,864	636,280
		<b>2,792,053</b>	<b>2,090,118</b>	<b>7,549,502</b>	<b>4,567,483</b>
<b>Net earnings / (loss)</b>		<b>\$(127,737)</b>	<b>\$(337,957)</b>	<b>\$6,921,897</b>	<b>\$(1,285,705)</b>
<b>Net earnings / (loss) per share</b>					
Basic and diluted	14	\$-	\$(0.01)	\$0.02	\$(0.02)

See accompanying notes to the unaudited condensed interim financial statements.

## Interim Statements of Cash Flows

(Unaudited, Canadian dollars)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
<b>Cash provided by (used in) the following activities:</b>					
<b>Operating activities</b>					
Net earnings / (loss) for the period		<b>\$(127,737)</b>	\$(337,957)	<b>\$6,921,897</b>	\$(1,285,705)
Items not affecting cash:					
Depletion and depreciation		<b>354,949</b>	319,716	<b>980,864</b>	636,280
Accretion of decommissioning obligations	<b>12</b>	<b>101,951</b>	69,109	<b>280,318</b>	179,309
Share-based compensation	<b>13</b>	<b>26,045</b>	17,982	<b>383,693</b>	66,348
Other		<b>1</b>	1	<b>1</b>	(1)
		<b>355,209</b>	68,851	<b>8,566,773</b>	(403,769)
Change in non-cash working capital	<b>15</b>	<b>192,269</b>	(42,170)	<b>(5,139,502)</b>	476,781
Cash from operating activities		<b>547,478</b>	26,681	<b>3,427,271</b>	73,012
<b>Financing activities</b>					
Net (payments) advances of bank loan		-	-	-	-
Promissory notes		-	-	<b>(1,139,435)</b>	240,000
Term loan principal repayments		-	-	<b>(2,128,661)</b>	-
Convertible debentures, net of issue costs	<b>8</b>	-	-	<b>(6,517,100)</b>	-
Proceeds from the issuance of shares	<b>13</b>	-	-	<b>8,467,421</b>	-
Cash from financing activities		-	-	<b>(1,317,775)</b>	240,000
<b>Investing activities</b>					
Development of oil and gas properties		<b>(377,995)</b>	(43,750)	<b>(861,502)</b>	(133,280)
Change in non-cash working capital	<b>15</b>	<b>67,369</b>	(24,401)	<b>67,670</b>	32,289
Cash used in investing activities		<b>(310,626)</b>	(68,151)	<b>(793,832)</b>	(100,991)
Change in cash		<b>236,852</b>	(41,470)	<b>1,315,664</b>	212,021
Cash, beginning of the period		<b>1,719,246</b>	362,457)	<b>640,434</b>	108,966
<b>Cash, end of the period</b>		<b>\$1,956,098</b>	\$320,987	<b>\$1,956,098</b>	\$320,987
<b>Supplementary disclosure</b>					
Cash interest paid		\$-	\$34,740	\$-	\$103,086
Cash taxes paid		-	-	-	-

See accompanying notes to the unaudited condensed interim financial statements.

## Interim Statements of Changes in Shareholders' Equity

(Unaudited, Canadian dollars)

	Note	Share capital	Convertible debentures	Contributed surplus	Retained deficit	Shareholders' equity
<b>Balance as at January 1, 2021</b>		<b>\$53,189,854</b>	<b>\$6,517,100</b>	<b>\$8,840,733</b>	<b>\$(75,492,088)</b>	<b>\$(6,944,401)</b>
Net loss		-	-	-	(1,776,252)	(1,776,252)
Options exercised		535,000	-	(535,000)	-	-
Share-based compensation	<b>13</b>	-	-	97,952	-	97,952
<b>Balance as at December 31, 2021</b>		<b>\$53,724,854</b>	<b>\$6,517,100</b>	<b>\$8,403,685</b>	<b>\$(77,268,340)</b>	<b>\$(8,622,701)</b>
Net earnings		-	-	-	6,921,897	6,921,897
Convertible debentures issued		-	(6,517,100)	-	-	(6,517,100)
Options exercised		-	-	(400,000)	-	(400,000)
Share based compensation		-	-	463,764	-	463,764
Common Shared issued		8,867,421	-	-	-	8,867,421
<b>Balance as at September 30, 2022</b>		<b>\$62,592,275</b>	<b>\$ -</b>	<b>\$8,467,449</b>	<b>\$(70,346,443)</b>	<b>\$713,281</b>

See accompanying notes to the unaudited condensed interim financial statements.

## Notes to the Interim Financial Statements (unaudited)

As at September 30, 2022 and for the three and nine months ended September 30, 2022 and 2021

### 1. Reporting Entity

Courser Energy Ltd. (the “Company” or “Courser”) is a Calgary-based energy company primarily focused on heavy oil development and production in Saskatchewan. The Company was incorporated 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 condensed unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. These financial statements were authorized for issue by the Board of Directors on December 8, 2022. These financial statements are condensed as they do not include all the information required by IFRS for annual financial statements and should be read in conjunction with the Company’s unaudited financial statements for the year ended December 31, 2021. 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, except as detailed in the accounting policies disclosed in Note 2 “Basis of presentation” of the Company’s unaudited consolidated financial statements for the year ended December 31, 2021. All accounting policies, methods of computation, and the use of estimates or judgements used in the preparation of these interim 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.

### 3. Use of Estimates, Judgements and Assumptions

A full list of the significant estimates and judgements made by Management in the preparation of its financial statements are included in Note 5 “Use of Estimates, Judgement and Assumptions” of the annual financial statements. Changes to any of these estimates, judgements and assumptions could result in a material adjustment to the carrying values of assets and liabilities. 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.

### 4. 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 at September 30, 2022 pertains to accrued revenue for September 2022 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 September 30, 2022 were received in October, 2022. For joint operating partners, Courser bills these partners typically 2 months after the month of activity with receipt 30 days thereafter.

The Company’s carrying values of accounts receivable represent the Company’s maximum credit exposure. The aging of accounts receivable is as follows:

	September 30, 2022	December 31, 2021
Not past due	\$1,239,932	\$765,585
Past due greater than 90 days	10,551	8,870
<b>Accounts receivable</b>	<b>\$1,250,483</b>	<b>\$774,455</b>

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 September 30, 2022.

## 5. Property, Plant, and Equipment

	Oil and gas assets	Corporate assets	Total assets
<b>Cost:</b>			
<b>Balance, January 1, 2021</b>	<b>\$83,763,773</b>	<b>\$247,401</b>	<b>\$84,011,174</b>
Development additions	4,296	2,984	7,280
Decommissioning obligations change in estimate	(1,495,760)	-	(1,495,760)
Capitalized general and administrative costs	168,000	-	168,000
Capitalized share-based compensation	14,951	-	14,951
<b>Balance, December 31, 2021</b>	<b>\$82,455,260</b>	<b>\$250,385</b>	<b>\$82,705,645</b>
Development additions	722,535	6,490	729,025
Decommissioning obligations change in estimate	(2,492,263)	-	(2,492,263)
Capitalized general and administrative costs	126,000	6,477	132,477
Capitalized share-based compensation	80,071	-	80,071
<b>Balance, September 30, 2022</b>	<b>\$80,891,603</b>	<b>\$263,352</b>	<b>\$81,154,955</b>
<b>Accumulated depletion and depreciation:</b>			
<b>Balance, January 1, 2021</b>	<b>\$70,743,663</b>	<b>212,079</b>	<b>\$70,955,742</b>
Depletion and depreciation	958,000	10,789	968,789
Impairment	-	-	-
<b>Balance, December 31, 2021</b>	<b>\$71,701,663</b>	<b>\$222,868</b>	<b>\$71,924,531</b>
Depletion and depreciation	973,000	7,864	980,864
Impairment	-	-	-
<b>Balance, September 30, 2022</b>	<b>\$72,674,663</b>	<b>\$230,732</b>	<b>\$72,905,395</b>
<b>Net book value:</b>			
Balance, December 31, 2021	\$10,753,597	\$27,517	\$10,781,115
<b>Balance, September 30, 2022</b>	<b>\$8,216,940</b>	<b>\$32,621</b>	<b>\$8,249,561</b>

As at September 30, 2022, \$77.1 million in future development costs associated with proved plus probable reserves and net salvage values of \$2.4 million were included in the petroleum and natural gas asset cost bases for depletion calculation purposes (December 31, 2021 - \$77.8 million and \$2.5 million). No other costs have been included or excluded from property plant and equipment in the determination of depletion. During nine months ended September 30, 2022, \$126,000 in general and administrative expenses were capitalized to property, plant, and equipment (December 31, 2020 - \$168,000).

## 6. Impairment loss on property, plant, and equipment

### 2022 Impairments

At September 30, 2022, the Company evaluated its property, plant, and equipment for indicators of any potential impairment or related impairment reversals. The assessment factored in reserves, change in commodity prices from year end, the health of the Company, the sector and the general economy, and near-term development plans. While several indicators had changed positively since year-end 2021, the most recent reserve report indicated that significant capital outlays were required to achieve current valuations. It is uncertain at present, as to where such capital investments would be funded, and as such, no positive impairment adjustments were recorded during the quarter. The recoverable amount of the Company's CGU's as at September 30, 2022 was \$8.2 million (December 31, 2021 - \$10.8 million).

## 7. 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 September 30, 2022 were as follows:

	Undiscounted amount	Less than 1 year	1 - 3 years	4 - 5 years
Accounts payable and accrued liabilities	\$2,509,191	\$2,509,191	\$-	\$-
<b>Financial liabilities</b>	<b>\$2,509,191</b>	<b>\$2,509,191</b>	<b>\$-</b>	<b>\$-</b>

## 8. Term Loan & Convertible Debentures

On March 16, the Company executed the Plan of Arrangement and Compromise (“The Plan”). As part of The Plan, the term loan, promissory notes and convertible debentures were converted into equity or settled with cash payments. At September 30, 2022, no further loans or obligations are in place.

## 9. 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 September 30, 2022, the Company had no outstanding risk management contracts.

### (b) Interest rate risk

As at September 30, 2022, the Company does not currently have any interest bearing debt or other instruments.

### (c) Foreign currency risk

The Company does not sell or transact in any foreign currency except the Company’s commodity prices are largely denominated in United States 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 at the period ended September 30, 2022.

## 10. 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.

## 11. Net Finance Expenses

The following table summarizes net finance expenses recorded during the three and nine months ended September 30, 2022 and 2021:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Interest expense on term and bank loans	\$-	\$34,740	\$-	\$103,086
Interest expense on promissory notes	\$-	20,668	-	58,640
Accretion of decommissioning obligations	101,951	69,109	<b>280,318</b>	179,309
<b>Net finance expenses</b>	<b>\$101,951</b>	<b>\$124,517</b>	<b>\$280,318</b>	<b>\$341,035</b>

## 12. Decommissioning and Other

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 credit-adjusted risk-free rate. Management estimates the total undiscounted amount of cash flows required to settle its decommissioning obligations at September 30, 2022 is \$9.0 million, which will be incurred over the next 10-15 years with the majority of costs incurred between 2022 and 2026. The Bank of Canada's long-term risk-free rate of 3.76% and an inflation rate of 2.0% (December 31, 2021 – 1.82% and 2.0% respectively) were used to calculate the present value of the decommissioning obligation at September 30, 2022.

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

	September 30, 2022	December 31, 2021
<b>Balance, beginning of period</b>	<b>\$11,182,887</b>	\$12,452,020
Liabilities incurred	-	-
Accretion	<b>280,318</b>	226,627
Change in estimate	<b>(2,492,262)</b>	(1,495,760)
<b>Balance, end of period</b>	<b>\$8,970,943</b>	\$11,182,887

## 13. 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
<b>December 31, 2021</b>	<b>56,120,029</b>	<b>\$53,724,854</b>
New shares issued	454,609,823	\$8,867,421
<b>September 30, 2022</b>	<b>510,729,851</b>	<b>\$62,592,275</b>

### (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.

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 on May 10, 2022 with a valuation of \$0.02 per share, with the shares being allocated to various individuals in lieu of cash.

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 nine months ended September 30, 2022, the Company recorded share-based compensation expense of \$383,693 (2021 - \$66,348).

**(b) Share Based Compensation (continued)**

The follow table summarizes the Company's options outstanding.

	September 30, 2022			December 31, 2021		
	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)
<b>Issued</b>						
Share options	22,000,000	0.02	4.5	-	-	-
Options outstanding	22,000,000	0.02	4.5	-	-	-
<b>Exercisable</b>						
Share options	-	-	-	-	-	-
Options outstanding	-	-	-	-	-	-

The Black-Scholes option pricing model was used to determine the fair value of stock options granted during the second quarter 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%
Fair value per stock option	\$0.0106

**14. Net earnings (loss) per Common Share**

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Net earnings (loss)	<b>\$(127,737)</b>	\$(337,957)	<b>\$6,921,897</b>	\$(1,285,705)
Weighted number of average common shares outstanding:				
Basic and diluted	<b>510,729,851</b>	53,920,029	<b>381,807,739</b>	53,920,029
<b>Basic and diluted net loss per share</b>	<b>\$-</b>	\$(0.01)	<b>\$0.02</b>	\$(0.02)

**15. Supplemental Cash Flow Information**

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Accounts receivable	<b>\$274,797</b>	\$(262,058)	<b>\$(476,028)</b>	\$(654,051)
Prepaid expenses and deposits	<b>(660,130)</b>	9,589	<b>(599,858)</b>	(40,928)
Accounts payable and accrued liabilities, and other	<b>644,971</b>	185,899	<b>(3,995,946)</b>	1,204,049
Change in non-cash working capital	<b>\$259,638</b>	\$(66,570)	<b>\$(5,071,832)</b>	\$509,070
Related to operating activities	<b>192,269</b>	(79,080)	<b>(5,139,502)</b>	476,781
Related to investing activities	<b>67,369</b>	12,510	<b>67,670</b>	32,289

## 16. Subsequent Events

The following events and transactions occurred subsequent to September 30, 2022:

- The Company secured financing that is largely backed by accounts receivable with a financial institution. The credit facility provides the Company with a \$1,000,000 operating facility with a variable rate that is calculated daily and paid monthly. There are provisions in the agreement that allow for an expansion of the facility if revenues and receivables grow in the future.
- Subsequent to quarter end, the Company incurred several capital expenditures including the drill and completion of a new well and the acquisition of certain land holdings. The new well was drilled and completed on budget and the Company expects to see production from the new well come onstream during the fourth quarter.