CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024

(unaudited)

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

(all tabular amounts expressed in thousands of Canadian dollars) (unaudited)	Note	As at September 30 2024	As at December 31 2023
Assets			
Current assets			
Cash		**$ 5,892**	$ 2,289
Accounts receivable	3, 15(a)	**22,830**	18,693
Deposits and prepaid expenses		**2,254**	1,862
Assets held for sale	5	**1,107**	1,107
Commodity contracts	15(b)	**7,199**	5,548
Total current assets		**39,282**	29,499
Reclamation deposits		**18**	18
Commodity contracts	15(b)	**1,781**	476
Exploration and evaluation assets	4	**13,431**	1,461
Property, plant and equipment	5	**213,869**	189,674
Right-of-use assets		**531**	739
Deferred tax asset		**27,359**	35,212
Total assets		**$ 296,271**	$ 257,079
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**$ 42,500**	$ 33,570
Current portion of promissory note	7	**16,114**	4,248
Current portion of decommissioning liabilities	8	**1,400**	1,600
Current portion of lease liabilities		**318**	178
Total current liabilities		**60,332**	39,596
Bank debt	6	**75,549**	72,464
Accounts payable and accrued liabilities	15(c)	**-**	220
Promissory note	7	**-**	10,500
Lease liabilities		**292**	611
Decommissioning liabilities	8	**29,813**	29,489
Total liabilities		**165,986**	152,880
Shareholders' Equity			
Share capital	9	**61,525**	62,440
Warrant reserve	10	**1,062**	1,062
Share-based compensation reserve	13	**4,314**	3,349
Retained earnings		**63,384**	37,348
Total equity		**130,285**	104,199
Total liabilities and shareholders' equity		**$ 296,271**	$ 257,079

Subsequent events (note 6, 7, 15, 17)

See the accompanying Notes to the Condensed Interim Consolidated Financial Statements

Approved by the Board:

" signed", Stephen J Holyoake, Director *"signed"*, Ryan Mooney, Director

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

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

	Note	Three Months Ended, September 30, 2024	Three Months Ended, September 30, 2023	Nine Months Ended, September 30, 2024	Nine Months Ended, September 30, 2023
Revenue					
Petroleum and natural gas sales	11	**$ 34,201**	$ 15,894	**$ 102,019**	$ 17,580
Royalties		**(8,958)**	(3,829)	**(22,533)**	(4,347)
Transportation pipeline revenues		**662**	774	**2,049**	2,203
Royalty and other income		**730**	206	**2,358**	860
		26,635	13,045	**83,893**	16,296
Realized gain (loss) on commodity contracts	15(b)	**949**	(354)	**1,332**	(354)
Unrealized gain (loss) on commodity contracts	15(b)	**10,470**	(3,821)	**3,106**	(3,821)
Total revenue, net of royalties and commodity contracts		**38,054**	8,870	**88,331**	12,121
Expenses					
Operating and transportation		**5,825**	3,293	**19,391**	4,595
General and administrative		**1,305**	1,776	**5,217**	3,514
Exploration and evaluation expenditures		**-**	-	**147**	-
Depletion and depreciation	5, 8	**6,471**	2,814	**19,027**	3,267
Share-based compensation	13	**579**	110	**1,382**	230
Total expenses		**14,180**	7,993	**45,164**	11,606
Operating income		**23,874**	877	**43,167**	515
Other income (expenses)					
Gain on disposal of assets		**-**	173	**-**	227
Transaction costs		**(37)**	(287)	**(144)**	(658)
Finance expenses	12	**(2,977)**	(1,998)	**(9,134)**	(2,087)
Total other expenses		**(3,014)**	(2,112)	**(9,278)**	(2,518)
Income (loss) before taxes		**20,860**	(1,235)	**33,889**	(2,003)
Deferred tax recovery (expense)		**(4,755)**	221	**(7,853)**	362
Income (loss) and comprehensive income (loss) for the period		**$ 16,105**	$ (1,014)	**$ 26,036**	$ (1,641)
Income (loss) per share:	9(c)				
Basic		$ 1.09	$ (0.09)	$ 1.75	$ (0.21)
Diluted		$ 1.07	$ (0.09)	$ 1.72	$ (0.21)

See the accompanying Notes to the Condensed Interim Consolidated Financial Statements

Highwood Asset Management Ltd.

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity

(all tabular amounts expressed in thousands of Canadian dollars)

(unaudited)

	Note	Share capital, net of treasury shares	Warrant reserve	Share-based compensation reserve	Retained Earnings (Deficit)	Total equity
Balance, January 1, 2023		$ 16,564	$ -	$ 2,929	$ (8,796)	$ 10,697
Unit equity offering	10, 11	36,540	1,260	-	-	37,800
Unit issuance costs, net of tax benefit	10, 11	(5,744)	(198)	-	-	(5,942)
Shares issued on acquisitions	4, 10	16,107				16,107
Purchase of shares held in trust	10, 14	(575)		-	-	(575)
Share-based compensation	14	-	-	230	-	230
Loss and comprehensive loss for the period		-	-	-	(1,641)	(1,641)
Balance, September 30, 2023		$ 62,892	$ 1,062	$ 3,159	$ (10,437)	$ 56,676
Balance, January 1, 2024		**$ 62,440**	**$ 1,062**	**$ 3,349**	**$ 37,348**	**$ 104,199**
Exercise of restricted share units	**13**	**211**	**-**	**(211)**	**-**	**-**
Purchase of shares held in trust	**9, 13**	**(1,126)**	**-**	**-**	**-**	**(1,126)**
Share-based compensation	**13**	**-**	**-**	**1,176**	**-**	**1,176**
Income and comprehensive income for the period		**-**	**-**	**-**	**26,036**	**26,036**
Balance, September 30, 2024		**$ 61,525**	**$ 1,062**	**$ 4,314**	**$ 63,384**	**$ 130,285**

See the accompanying notes to the Condensed Interim Consolidated Financial Statements

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

(all tabular amounts expressed in thousands of Canadian dollars)		Three months ended, September 30,		Nine months ended, September 30,	
(unaudited)	Note	**2024**	2023	**2024**	2023
Cash provided by (and used in)					
Operating activities					
Income (loss) for the period		**$ 16,105**	$ (1,014)	**$ 26,036**	$ (1,641)
Items not involving cash:					
Unrealized (gain) loss on commodity contracts	15(b)	**(10,470)**	3,821	**(3,106)**	3,821
Exploration and evaluation expenditures	4	**-**	-	**147**	-
Depletion and depreciation expense	5, 8	**6,471**	2,814	**19,027**	3,267
Finance expense	12	**520**	370	**1,328**	434
Deferred tax (recovery) expense		**4,755**	(221)	**7,853**	(362)
Share-based compensation	13	**512**	110	**1,176**	230
Other		**37**	114	**128**	431
Cash abandonment expenditures	8	**(135)**	(78)	**(246)**	(120)
Change in long-term accounts payable and accrued liabilities		**(117)**	(55)	**(258)**	(307)
Change in non-cash working capital	14	**(1,225)**	2,699	**(4,676)**	3,557
Net cash from operating activities		**16,453**	8,560	**47,409**	9,310
Financing activities					
Payments of lease obligations		**(39)**	(6)	**(146)**	(18)
Proceeds from promissory note		**-**	-	**-**	2,800
Bank debt, net of repayments	6	**4,757**	73,500	**3,500**	73,500
Debt issue costs	6	**(560)**	(1,218)	**(1,000)**	(1,218)
Proceeds on unit issuances		**-**	35,000	**-**	35,000
Unit share issuance costs paid		**-**	(6,989)	**-**	(7,717)
Purchase of shares held in trust	13	**(336)**	(575)	**(1,126)**	(575)
Changes in non-cash working capital	14	**348**	2,549	**1,170**	2,970
Net cash from financing activities		**4,170**	102,261	**2,398**	104,742
Investing activities					
Additions to property, plant and equipment	5	**(16,254)**	(2,289)	**(43,335)**	(2,975)
Additions to exploration and evaluation assets	4	**(4,494)**	(628)	**(12,117)**	(1,055)
Proceeds on dispositions to property, plant and equipment	5	**-**	173	**-**	173
Proceeds on dispositions of exploration and evaluation assets		**-**	-	**-**	75
Corporate acquisitions, net of cash received		**-**	(108,816)	**-**	(108,816)
Transaction costs		**(37)**	(287)	**(144)**	(658)
Additions to right-of-use assets		**-**	-	**(32)**	-
Change in non-cash working capital	14	**6,043**	1,615	**9,424**	2,066
Net cash used in investing activities		**(14,742)**	(110,232)	**(46,204)**	(111,190)
Change in cash		**$ 5,881**	$ 589	**$ 3,603**	$ 2,862
Cash, beginning of period		**11**	2,279	**2,289**	6
Cash, end of period		**$ 5,892**	$ 2,868	**$ 5,892**	$ 2,868
Supplemental cash flow information	14				

See the accompanying Notes to the Condensed Interim Consolidated Financial Statements

1. REPORTING ENTITY

Highwood Asset Management Ltd. (the "Company") is a public company engaged in the ownership & oversight of various operations with a primary focus on oil and gas production, with operations also in midstream energy and land holdings of metallic minerals. The Company incorporated in Alberta, Canada on August 24, 2012. The Company conducts its operations in Western Canada, primarily in the province of Alberta. The Company's principal place of business is located at 1100, 250 – 2nd Street SW, Calgary, Alberta, T2P 0C1.

The Company's common shares and warrants trade on the TSX Venture Exchange ("TSX-V") under the symbol "HAM" and "HAM.WT".

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries at September 30, 2024, Castlegate Energy Partnership, 2312882 Alberta Ltd., Cataract Creek Environmental Ltd., Renewable EV Battery Cleantech Corp. and 2339364 Alberta Ltd.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 13, 2024.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

The condensed interim consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements as at and for the year ended December 31, 2023 and the notes thereto.

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except as detailed in the material accounting policy information disclosed in note 3 of the Company's audited consolidated financial statements for the year ended December 31, 2023. All material accounting policy information and methods of computation followed in the preparation of these condensed interim consolidated financial statements are consistent with those of the previous financial year.

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

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

A full list of significant estimates and judgments can be found in note 2(d) of the Company's annual consolidated financial statements for the year ended December 31, 2023. There have been no changes during the three and nine months ended September 30, 2024 related to significant estimates and judgments used in the preparation of the consolidated financial statements.

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

3. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	September 30, 2024	December 31, 2023
Petroleum and natural gas marketers	**$ 19,074**	$ 15,133
Joint interest partners	**2,294**	2,731
Road use receivable	**444**	454
Royalty and other income	**20**	33
Other	**1,342**	686
Allowance for doubtful accounts	**(344)**	(344)
	$ 22,830	$ 18,693

4. EXPLORATION AND EVALUATION ASSETS

Evaluation and evaluation assets are comprised of the following:

	September 30, 2024	December 31, 2023
Balance, beginning of period	**$ 1,461**	$ 951
Additions	**12,117**	1,372
Dispositions	**-**	(21)
Transfers to property, plant and equipment (note 5)	**-**	(626)
Land lease expiries	**(147)**	(215)
Balance, end of period	**$ 13,431**	$ 1,461

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

Additions during the nine months ended September 30, 2024 mainly related to undeveloped mining and mineral leases, undeveloped upstream oil and gas lands and exploration activities where technical feasibility has not yet been determined.

At September 30, 2024, there were no indicators of impairment.

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

5. PROPERTY, PLANT AND EQUIPMENT

COSTS		**September 30, 2024**		December 31, 2023
Balance, beginning of period	**$**	**204,621**	$	20,984
Change in decommissioning liabilities (note 8)		**(757)**		27,288
Additions		**43,640**		17,395
Acquisitions		**-**		139,510
Transferred from exploration and evaluation assets (note 7)		**-**		626
Transferred to assets held for sale		**-**		(1,182)
Balance, end of period	**$**	**247,504**	$	204,621
ACCUMULATED DEPLETION, DEPRECIATION AND IMPAIRMENT				
Balance, beginning of period	**$**	**(14,947)**	$	(7,951)
Depletion and depreciation		**(18,688)**		(7,071)
Transferred to assets held for sale		**-**		75
Balance, end of period	**$**	**(33,635)**	$	(14,947)
Net book value	**$**	**213,869**	$	189,674

During 2023, the Company listed its previous office space for sale and believes the sale will occur prior to the end of 2024. Therefore, these assets have been classified as assets held for sale at September 30, 2024. The held for sale assets have no associated liabilities.

During the three and nine months ended September 30, 2024, the Company capitalized $400 thousand and $1.17 million, respectively, (three and nine months ended September 30, 2023 - $100 thousand and $100 thousand, respectively) of general and administrative costs directly related to exploration and drilling activities.

Depletion

Future development costs of $325.5 million (December 31, 2023 - $349.3 million) associated with the development of the Company's proved plus probable reserves were included in the calculation of depletion for the nine months ended September 30, 2024. Future development costs are only included for CGUs with production.

Impairment and Impairment Reversal

The Company assesses many factors when determining if an impairment test should be performed. At September 30, 2024, the Company conducted an assessment of impairment indicators for the Company's CGUs. No indicators of impairment at September 30, 2024 were identified.

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

6. BANK DEBT

	September 30, 2024	December 31, 2023
Credit facilities		
Syndicated loan facility	**$ 77,000**	$ 73,500
Operating facility	**-**	-
Total draw, end of period	**$ 77,000**	$ 73,500
Debt issue costs incurred	**(2,251)**	(1,251)
Amortization of debt issue costs (note 12)	**800**	215
Balance credit facilities, end of period	**$ 75,549**	$ 72,464

The Company has an Amended and Restated Credit Agreement (the "ARCA"). The ARCA is comprised of senior secured extendible revolving credit facilities in the aggregate principal amount of up to $110 million with a syndicate of banks. The ARCA is comprised of revolving credit facilities consisting of a $10 million operating facility and a syndicated loan facility to a maximum of $100 million. The ARCA allows the Company to enter into Letters of Credit up to a maximum of $20 million. In conjunction with the ARCA, the term out date was amended from August 3, 2024 to August 2, 2025. Subsequent to September 30, 2024, ARCA was amended to increase the aggregate principal amount of up to $120 million, comprised of a revolving credit facilities consisting of a $10 million operating facility and a syndicated loan facility to a maximum of $110 million. All other terms and conditions remain the same under the ARCA.

The ARCA bears interest at the Bank's prime rate plus an applicable margin of 250bps to 500bps on prime rate loans and 350bps to 650bps on margin on SOFR loans, margin on CORRA loans and issue fees for letters of credit, as determined by reference to the Company's consolidated total debt to EBITDA ratio (as defined in the credit facility agreement). At September 30, 2024, the Company had an effective interest rate of prime plus 3.25% per annum on prime-based loans under the ARCA.

The ARCA has a revolving period of 365 days, extendible annually at the request of the Company, subject to approval of the lenders thereunder. If not extended, the ARCA is anticipated to automatically convert to a term loan and all outstanding obligations will be repayable one year after the expiry of the revolving period and the Company will not be entitled to any further drawdowns. The borrowing base for the ARCA is $110 million, and is subject to semi-annual redeterminations based on the production profile of the borrowing base properties and other relevant matters as determined by the lenders, including a review of the Company's annual reserve report, prepared by the Company's independent qualified reserves evaluator and internally prepared updates thereto. If after a borrowing base determination or re-determination, a borrowing base shortly exists, the Company would be required to repay any amounts borrowed in excess of the borrowing base within 60 days. The ARCA is secured by a first priority security interest including a general security agreement and floating charge demand debenture over all the Company's present and future property, assets and undertakings. The next semi-annual redetermination is scheduled for November 30, 2024. The ARCA include operating restrictions on the Company, including (among other things), limitations on acquisitions, distributions, dividends and hedging arrangements. The ARCA includes industry standard reporting requirements and financial covenants. With respect to financial covenants, the Company is required to maintain a minimum Liability Management Rating, as defined by the Alberta Energy Regulator, of 2.00:1:00. The maximum utilization allowed on the New Credit Facility is 90% of the total commitments of the lenders, with the total commitment being $110 million at September 30, 2024. At September 30, 2024, the Company is in compliance with this requirement.

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

The Company was required to enter into commodity contracts with an aggregate notional quantity of at least 65% of the next 18 months expected production from proved developed producing properties, on a boe/day basis, at or in excess of US$70.00/bbl (or the Canadian equivalent) for a period of 18 months from August 3, 2023, after which, the Company is required to enter into commodity contracts with an aggregate notional quantity of at least 50% of the next 6 months expected production and rolling monthly from proved developed producing properties, on a boe/day basis, at or in excess of US$60.00/bbl (or the Canadian equivalent). In addition, the Company shall not enter into commodity contracts where the volume exceeds (a) 75% of expected production for the 12 months following the month in which the agreement is entered into (b) 65% of expected production for the 13 through to 24 months following the month in which the agreement is entered into (c) 50% of expected production for the 25 through 36 months following the month which the agreement is entered into and (d) 30% of the expected production for the 37 to 48 months which the agreement is entered into. At September 30, 2024, the Company is in compliance with these requirements.

At September 30, 2024, the Company had approximately $3.8 million (of which $1.7 million is denominated in United Stated dollars) in issued and outstanding letters of credit to suppliers of brokered commodities while credit is being established.

7. PROMISSORY NOTE

	September 30, 2024	December 31, 2023
Principal balance	**$ 14,000**	$ 14,000
Accrued interest (note 12)	**2,114**	748
Balance, end of period	**$ 16,114**	$ 14,748
Current portion	**$ 16,114**	$ 4,248
Non-current portion	**$ -**	$ 10,500

The Promissory Note, matures on July 1, 2025 and provides for payments, equal to $3.5 million each, commencing October 1, 2024 and thereafter on January 1, 2025, April 1, 2025 and July 1, 2025, with the outstanding principal (if any) due in full on maturity. The Promissory Note bears interest at 13% per annum payable quarterly on October 1, 2024, January 1, 2025, April 1, 2025 and July 1, 2025; all payments/repayments (of both principal and interest) under the Promissory Note are subject to certain terms and conditions under the ARCA (note 6). Subsequent to September 30, 2024, the interest and principal payments due October 1, 2024 were fully satisfied. All obligations under the Promissory Note are fully and unconditionally personally guaranteed by Joel MacLeod, the Executive Chairman of the Company, in an amount limited to $3 million. The Promissory Note is secured by a Security Interest on the assets of the Company, subordinated to the ARCA.

8. DECOMMISSIONING LIABILITIES

The Company's decommissioning liabilities result from its ownership interest in oil and natural gas properties including well sites, pipelines and facilities. The total decommissioning liability is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future periods. The Company has estimated the net present value of the decommissioning liabilities to be $31.2 million as at September 30, 2024 (December 31, 2023 - $31.1 million) based on an undiscounted and uninflated total future liability of $48.5 million (December 31, 2023 - $47.3 million) and discounted using a long-term risk-free rate of 3.13% (December 31, 2023 – 3.02%) and an inflation rate of 2.00% (December 31, 2023 – 2.00%). The expected timing of decommissioning expenditures extends to 2074.

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

The following table summarizes changes in the decommissioning liabilities:

	September 30, 2024	December 31, 2023
Balance, beginning of period	**$ 31,089**	$ 2,358
Change in discount rate	**(1,568)**	8,701
Change in cash flow estimates [1]	**380**	758
Acquisitions	**-**	19,878
Additions	**877**	161
Abandonment expenditures	**(246)**	(1,364)
Accretion expense (note 12)	**681**	597
Balance, end of period	**$ 31,213**	$ 31,089
Expected to be settled within one year	**$ 1,400**	$ 1,600
Expected to be settled beyond one year	**$ 29,813**	$ 29,489

1 Change in estimates for the nine months ended September 30, 2024 is a result of changes in estimated future abandonment and reclamation costs.

9. SHARE CAPITAL

a) Authorized

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

b) Issued and outstanding common shares

	Number of Shares (000's)	Stated Value
Balance, January 1, 2023	6,037	16,564
Common shares issued for cash proceeds from equity financing	5,833	33,833
Common shares issued for cash from private placement	467	2,707
Common shares issued as Boulder Acquisition consideration	1,500	8,700
Common shares issued as Shale Acquisition consideration	1,277	7,407
Purchase of shares held in trust for performance share units	(179)	(1,000)
Cash share issue costs (net of tax recovery)	-	(5,771)
Balance, December 31, 2023	14,935	$ 62,440
Repurchase of common shares held in trust (note 13)	(190)	(1,126)
Issued on exercise of restricted share units (note 13)	38	211
Balance, September 30, 2024	14,783	$ 61,525

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

c) Income (loss) per share

	Three months ended September 30, 2024			Three months ended September 30, 2023		
	Income	**Common shares (000's)**	**Income per share**	Loss	Common shares (000's)	Loss per share
Income (loss) - basic	**$ 16,105**	**14,801**	**$ 1.09**	$ (1,014)	11,728	$ (0.09)
Dilutive effect		**246**			-	
Income (loss) - diluted	**$ 16,105**	**15,047**	**$ 1.07**	$ (1,014)	11,728	$ (0.09)

	Nine months ended September 30, 2024			Nine months ended September 30, 2023		
	Income	**Common shares (000's)**	**Income per share**	Loss	Common shares (000's)	Loss per share
Income (loss) - basic	**$ 26,036**	**14,871**	**$ 1.75**	$ (1,641)	7,955	$ (0.21)
Dilutive effect		**246**			-	
Income (loss) - diluted	**$ 26,036**	**15,117**	**$ 1.72**	$ (1,641)	7,955	$ (0.21)

For the three and nine months ended September 30, 2024, all options and warrants were excluded as they were anti-dilutive. The weighted average number of common shares is adjusted for treasury shares purchased and held by the trustee.

For the three and nine months ended September 30, 2023 all options, RSU's and DSU's were excluded as they were anti-dilutive.

10. WARRANTS

Issued and outstanding	Number of Warrants (000's)	Exercise Price
Balance, January 1, 2023	-	$ -
Warrants issued from equity financing	2,917	7.50
Warrants issued from private placement	233	7.50
Balance, December 31, 2023 and September 30, 2024	3,150	$ 7.50
Exercisable, September 30, 2024	3,150	$ 7.50

Each warrant entitles the holder thereof to purchase one Common Share at an exercise price of $7.50 and a term of three years. At September 30, 2024, the remaining life of the warrants is 1.84 years.

11. REVENUE

Petroleum and natural gas sales:

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

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

The following table summarizes the Company's product sales.

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
Oil	**$ 31,494**	$ 13,640	**$ 92,241**	$ 15,326
Natural Gas Liquids	**2,158**	1,115	**6,636**	1,115
Natural Gas	**549**	1,139	**3,142**	1,139
Total	**$ 34,201**	$ 15,894	**$ 102,019**	$ 17,580

12. FINANCE EXPENSE

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
Interest on bank debt	**$ 2,007**	$ 1,361	**$ 6,513**	$ 1,386
Interest on promissory note (note 7)	**459**	289	**1,366**	289
Amortization of debt issue costs (note 6)	**258**	51	**585**	51
Interest income	**(9)**	(22)	**(73)**	(22)
Accretion of decommissioning liabilities (note 8)	**228**	302	**681**	333
Other	**34**	17	**62**	50
Total	**$ 2,977**	$ 1,998	**$ 9,134**	$ 2,087

13. SHARE-BASED PAYMENTS

The Incentive Plans of the Company limit the total number of common shares that may be issued on exercise of Options, RSU's, PSU's and DSU's outstanding at any time under the specific Incentive Plans to 10% of the number of common shares issued and outstanding (less the number of common shares reserved for issuance under any other share-based compensation arrangement of the Company) for Options, 5% of the number of common shares issued and outstanding for RSU's and 1% of the number of common shares issued and outstanding for DSU's.

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

Options

The Company has a stock option plan for officers, directors, employees and consultants ("the Option Plan"). Under the Option Plan, the Board of Directors sets the exercise price, expiry date and vesting terms for each option grant provided that no options will be granted at a discount to market prices and no option will have a term exceeding ten years.

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

A summary of the stock options issued and outstanding as at September 30, 2024 are as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, January 1, 2023	176	$ 11.58
Expired	(19)	5.30
Granted	65	6.00
Outstanding, December 31, 2023	222	10.48
Expired	(72)	-
Granted	286	6.00
Outstanding, September 30, 2024	436	7.79
Exercisable, September 30, 2024	98	$ 13.51

The weighted average contractual term of all outstanding options at September 30, 2024 is 3.80 years.

Below is a summary of outstanding stock options:

Grant Date	**Term**	**Number of Options (‘000)**	**Exercise Price**
October 31, 2019	5 Years	21	$ 18.00
August 27, 2020	5 Years	37	$ 16.50
May 30, 2022	5 Years	27	$ 11.00
August 28, 2023	5 Years	65	$ 6.00
January 4, 2024	5 Years	9	$ 6.00
April 15, 2024	5 Years	277	$ 6.00

On January 4, 2024, the Company granted 9,000 options at an exercise price of $6.00 per option. The options granted vest 1/3 on each of January 4, 2025, January 4, 2026 and January 4, 2027 and have a five-period term.

On April 15, 2024, the Company granted 277,000 options at an exercise price of $6.00 per option. The options granted vest 1/3 on each of April 15, 2025, April 15, 2026 and April 15, 2027 and have a five-year term.

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

	January 4, 2024	April 15, 2024
Number of options (#000’s)	9	277
Exercise price ($/share)	$ 6.00	$ 6.00
Stock price on grant date ($/share)	$ 4.50	$ 5.75
Expected life (years)	5.0	5.0
Risk-free interest rate	3.74%	3.77%
Expected volatility	80%	80%
Option fair value (per option)	$ 2.74	$ 3.77
Estimated forfeiture rate	0%	0%
Expected dividend yield	0%	0%

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

Restricted Share Units ("RSU's")

The Company has a RSU plan, for officers, directors, employees and consultants "the RSU Plan". The RSU Plan is administered by the Corporate Governance, Environmental, Health and Safety Committee which has the power, subject to the limits imposed by the RSU Plan, to: (i) award RSUs; (ii) determine the terms under which RSUs are granted; (iii) interpret the RSU Plan and adopt, amend and rescind such administrative guidelines and other rules and regulations relating to the RSU Plan; and (iv) make all other determinations and take all other actions in connection with the implementation and administration of the RSU Plan.

A summary of RSU's issued and outstanding at September 30, 2024 is as follows:

	Number of RSU's
Outstanding, January 1, 2023	61
Granted	59
Outstanding, December 31, 2023	120
Exercised	(38)
Expired	(1)
Granted	134
Outstanding, September 30, 2024	215
Exercisable, September 30, 2024	33

The weighted average contractual term of all outstanding RSU's at September 30, 2024 is 2.63 years.

Below is a summary of outstanding RSU's.

Grant Date	**Expiry Date**	**Number of RSU's (000's)**
May 30, 2022	December 31, 2024	27
August 28, 2023	December 31, 2026	54
January 4, 2024	December 31, 2027	4
April 15, 2024	December 31, 2027	130

The RSU's that were scheduled to expire December 31, 2023, were automatically extended under section 4.9(d) of the RSU plan. During the three and nine months ended September 30, 2024, 4,891 and 38,491 RSUs were exercised resulting in 4,891 and 38,491 common shares being issued. During the three and nine months ended September 30, 2024, share capital was increased by the fair value of the RSU's on the day they were exercised, being $5.32 per common share related to the 4,891 RSU's exercised during three months ended September 30, 2024 and $5.30 per common share related to the 33,600 RSU's exercised during the first quarter 2024, for a total of $211 thousand, with a corresponding decrease to share-based compensation reserve.

On January 4, 2024, the Company granted 4,400 RSU's exercisable for no consideration. The RSU's granted vest 1/3 on each of January 4, 2025, January 4, 2026 and January 4, 2027 and expire on December 31, 2027.

On April 15, 2024, the Company granted 130,125 RSU's exercisable for no consideration. The RSU's granted vest 1/3 on each of April 15, 2025, April 15, 2026 and April 15, 2027 and expire on December 31, 2027.

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

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

	January 4, 2024	April 15, 2024
Number of RSU's (#000's)	4	130
Exercise price ($/share)	$ -	$ -
Stock price on grant date ($/share)	$ 4.50	$ 5.75
Expected life (years)	4	4
Risk-free interest rate	3.74%	3.77%
Expected volatility	80%	80%
Option fair value (per option)	$ 4.50	$ 5.75
Estimated forfeiture rate	0%	0%
Expected dividend yield	0%	0%

Performance Share Units ("PSUs")

The Company has a PSU plan, for officers, employees and consultants "the PSU Plan". The PSU Plan is administered by the Corporate Governance and Compensation Committee, subject to the limits imposed by the PSU Plan. Under the PSU Plan, the Board of Directors sets the vesting terms for each PSU grant.

The fair value of the PSUs is determined on grant date based on the dollar value granted. PSUs issued to participants are held by the plan trustee and held in trust until such time the PSU's vest. Common shares, from time to time, are acquired in the open market by an independent trustee and are held in trust for the potential future settlement of award values and are netted out of share capital, including the cumulative purchase cost, until they are distributed for future settlement. For the nine months ended September 30, 2024, the trustee purchased 190,360 common shares for a total cost of $1.126 million and as at September 30, 2024, the trustee held 369,010 common shares to be distributed under the PSU plan. PSU's will be settled in equity in the amount equal to the fair value of the PSU on the date they vest. The fair value is expensed over the vesting term and represents the fair value for the graded vested portion of the PSUs outstanding.

Below is a summary of outstanding PSU's, based on their historical fair value at grant date:

Balance, January 1, 2023	$ -
Granted	609
Balance, December 31, 2023	609
Granted	824
Balance, September 30, 2024	$ 1,433

On January 4, 2024, the Company granted $22 thousand worth of PSU's. The PSU's granted vest on January 4, 2027, subject to the sole discretion of the Board of Directors.

On April 15, 2024, the Company granted $802 thousand worth of PSU's. The PSU's granted vest on April 15, 2027, subject to the sole discretion of the Board of Directors.

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

Below is a summary of outstanding PSU's:

Grant Date	Expiry Date	Amount of PSU's (000's)
August 28, 2023	August 3, 2026	$ 609
January 4, 2024	January 4, 2027	22
April 15, 2024	April 15, 2027	802

Deferred Share Units ("DSUs")

The Company has a DSU plan for directors ("the DSU Plan"). The DSU Plan is administered by the Corporate Governance and Compensation Committee. The Corporate Governance and Compensation Committee authorizes the amounts of DSU's to be granted to each of the participants for each calendar year, and the date that the grant becomes effective, with DSU's vesting one year following grant date.

A summary of DSU's issued and outstanding at September 30, 2024 is as follows:

	Number of DSU's
Outstanding, January 1, 2023	-
Granted	20
Outstanding, December 31, 2023	20
Granted	20
Forfeited	(10)
Outstanding, September 30, 2024	30
Exercisable, September 30, 2024	15

The weighted average contractual term of all outstanding DSU's at September 30, 2024 is 2.19 years.

Below is a summary of outstanding DSU's.

Grant Date	Expiry Date	Number of DSU's (000's)
August 28, 2023	August 27, 2026	15
April 15, 2024	April 14, 2027	15

On April 15, 2024, the Company granted 20,000 DSU's exercisable for no consideration. The DSU's granted vest on April 15, 2025.

During the nine months ended September 30, 2024, 10,000 DSU's were forfeited.

Employee Share Purchase Plan

The Employee Share Purchase Plan ("ESPP") allows eligible employees to purchase common shares of the Company and the Company will match 100% of the employee's contribution, up to a maximum equal to the lesser of i) 7.5% of the employee's base earnings; and ii) $100,000. The common shares of the Company are acquired through normal market purchases on the TSX-V consistent with the timing of the employee's renumeration. The cost of the shares purchased to match the employee's contribution is expensed as incurred and included in share-based compensation expense. On January 1st of each calendar year, the employer contributions made in respect of the contribution periods between January 1 and June 30 of the prior calendar year will vest. On July 1st of each calendar year, the employer contributions made in respect of the contribution periods between July 1st and December 31st of the prior calendar year will vest.

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

Share-based Compensation

	Three months ended September 30, 2024	2023	Nine months ended September 30, 2024	2023
Options	**$ 194**	$ 31	**$ 415**	$ 76
RSUs	**167**	40	**381**	115
PSUs	**121**	19	**283**	19
DSUs	**30**	20	**97**	20
ESPP	**67**	-	**206**	-
Total share-based compensation expense	**$ 579**	$ 110	**$ 1,382**	$ 230

14. SUPPLEMENTAL CASH FLOWS INFORMATION

Changes in non-cash working capital is comprised of:

Source/(use) of cash	Three months ended September 30, 2024	2023	Nine months ended September 30, 2024	2023
Accounts receivable	**$ 1,605**	$ (725)	**$ (4,137)**	$ (510)
Deposits and prepaid expenses	**(617)**	319	**(241)**	(13)
Reclamation deposits	**-**	-	**-**	123
Accounts payable and accrued liabilities	**4,178**	7,269	**10,296**	8,993
Changes in non-cash working capital	**$ 5,166**	$ 6,863	**$ 5,918**	$ 8,593

	Three months ended September 30, 2024	2023	Nine months ended September 30, 2024	2023
The above figure relates to:				
Operating activities	**$ (1,225)**	$ 2,699	**$ (4,676)**	$ 3,557
Financing activities	**348**	2,549	**1,170**	2,970
Investing activities	**6,043**	1,615	**9,424**	2,066
Changes in non-cash working capital	**$ 5,166**	$ 6,863	**$ 5,918**	$ 8,593
Interest paid	**$ 2,007**	$ 1,361	**$ 6,513**	$ 1,386
Taxes paid (recovered)	**$ -**	$ -	**$ -**	$ -

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

15. FINANCIAL RISK MANAGEMENT

The Board of Directors has the overall responsibility for the establishment and oversight and execution of the Company's risk management framework. While the Board of Directors has the overall responsibility for the Company's risk management framework, the Company's management has the responsibility to administer and monitor those risks.

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

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

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk. There were no changes to the Company's risk management policies or processes since the year ended December 31, 2023.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The maximum exposure to credit risk at period end is as follows:

	September 30, 2024	December 31, 2023
Cash	**$ 5,892**	$ 2,289
Accounts receivable	**22,830**	18,693
Deposits	**504**	1,003
Commodity contracts	**8,980**	6,024
Reclamation deposits	**18**	18
Total	**$ 38,224**	$ 28,027

Accounts receivable:

Receivables from petroleum and natural gas marketers are normally collected on the 25th day of the month following production. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with credit worthy purchasers. Joint interest receivables are typically collected within one to three months of the joint interest bill being issued to the partner.

The Company's accounts receivable are aged as follows:

	September 30, 2024	December 31, 2023
Current (less than 90 days)	**$ 20,241**	$ 16,986
Past due (more than 90 days)	**2,589**	1,707
Total	**$ 22,830**	$ 18,693

As at September 30, 2024, management believes all receivables net of provision for expected credit losses of $344 thousand (December 31, 2023 - $344 thousand) will be collected.

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

(b) Market risk

Market risk is the risk that changes in market conditions, such as commodity prices, foreign exchange rates and interest rates, will affect the Company's cash flow, income (loss) or the value of its financial instruments. The objective of the Company's market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the Company's return.

Foreign currency risk

The Company's financial instruments are only indirectly exposed to currency risk as the underlying commodity prices in Canada for oil and natural gas are impacted by changes in exchange rates between the Canadian and United States dollar. At September 30, 2024, the Company had $1.4 million in account receivable and $1.1 million accounts payable denominated in United States dollars (December 31, 2023 - $1.4 million in account receivable and $4.0 million accounts payable).

Interest rate risk

The Company is subject to interest rate risk related to its exposure to interest rate fluctuations on its ARCA, which bears a floating rate of interest. A 1% interest rate increase or decrease on the full amount outstanding of $77.0 million (note 6) would decrease or increase net income (loss) by approximately $148 thousand and $445 thousand for the three and nine months ended September 30, 2024, respectively. Fluctuations in interest rates may affect the fair value of financial assets and liabilities bearing interest at fixed rates.

Commodity price risk

The Company's production is sold using "spot" pricing with prices fixed at the time of transfer of custody or on the basis of a monthly average market price.

The Company has the following commodity contracts outstanding at September 30, 2024 as required under the ARCA (note 6):

Swaps:

Product	Notional Volume	Term	Contract Price (CAD/GJ)	Index
Natural Gas	4,600GJ/day	Sept 1, 2023 to March 31, 2025	$ 3.00 - $ 3.05	AECO
Natural Gas	1,500GJ/day	April 1, 2025 to December 31, 2026	$ 3.13 - $ 3.20	AECO
Natural Gas	300GJ/day	November 1, 2025 to March 31, 2026	$ 3.50	AECO
Natural Gas	3,000GJ/day	April 1, 2025 to March 31, 2027	$ 3.15 - $3.40	AECO

Product	Notional Volume	Term	Contract Price (CAD/bbl)	Index
Crude Oil	200bbls/day	March 1, 2024 to December 31, 2024	$ 100.25 - $ 101.05	WTI - NYMEX
Crude Oil	200bbls/day	April 1, 2024 to September 30, 2025	$ 95.75 - $ 100.00	WTI - NYMEX
Crude Oil	200bbls/day	May 1, 2024 to October 31, 2025	$ 102.50 - $ 104.00	WTI - NYMEX
Crude Oil	300bbls/day	May 1, 2024 to December 31, 2025	$ 105.00 - $ 106.00	WTI - NYMEX
Crude Oil	1,150bbls/day	October 1, 2024 to December 31, 2024	$ 97.45 - $ 105.50	WTI - NYMEX
Crude Oil	100bbls/day	October 1, 2024 to September 30, 2025	$ 95.50	WTI - NYMEX
Crude Oil	100bbls/day	October 1, 2024 to December 31, 2026	$ 101.00	WTI - NYMEX
Crude Oil	100bbls/day	November 1, 2024 to July 31, 2025	$ 95.00	WTI - NYMEX
Crude Oil	870bbls/day	January 1, 2025 to March 31, 2025	$ 95.55 - $ 103.15	WTI - NYMEX
Crude Oil	500bbls/day	April 1, 2025 to September 30, 2025	$ 94.00 - $ 95.00	WTI - NYMEX

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

Product	Notional Volume	Term	Contract Price (CAD/bbl)	Index
MSW Differential	100bbls/day	March 1, 2024 to December 31, 2024	$ 5.05	ICE-1A-SW
MSW Differential	100bbls/day	April 1, 2024 to December 31, 2024	$ 4.70	ICE-1A-SW
MSW Differential	100bbls/day	April 1, 2024 to September 30, 2025	$ 4.75	ICE-1A-SW
MSW Differential	400bbls/day	April 1, 2024 to December 31, 2024	$ 3.78	ICE-1A-SW
MSW Differential	200bbls/day	June 1, 2024 to December 31, 2024	$ 3.35	ICE-1A-SW
MSW Differential	500bbls/day	June 1, 2024 to September 30, 2025	$ 3.75	ICE-1A-SW
MSW Differential	100bbls/day	January 1, 2025 to December 31, 2025	$ 5.25	ICE-1A-SW

Electricity:

Product	Notional Volume	Term	Contract Price (CAD/MWh)	Index
Electricity	500 MWh/month	September 1, 2024 to July 31, 2026	$ 55.75	Alberta Power Pool – AESO (Flat)

The commodity contracts had a total fair value at September 30, 2024 of an asset of $8.98 million (December 31, 2023 – asset of $6.02 million). The corresponding unrealized gain (loss) for the three and nine months ended September 30, 2024 were $10.5 million and $3.1 million, respectively (three and nine months ended September 30, 2023 – $3.82 million) and is included in the statement of income (loss) and comprehensive income (loss). Total realized gain (loss) for the three and nine months ended September 30, 2024 were $949 thousand and $1.3 million, respectively ((three and nine months ended September 30, 2023 – ($354 thousand)) and are also included in the statement of income (loss) and comprehensive income (loss).

For the nine months ended September 30, 2024, a $0.10/bbl increase/decrease in oil prices and a $0.10/GJ in natural gas prices would have a negative/positive impact on net income of approximately $386 thousand.

Subsequent to September 30, 2024, the Company entered into the following commodity contracts:

Swaps:

Product	Notional Volume	Term	Contract Price (CAD/bbl)	Index
Crude Oil	100bbls/day	October 1, 2024 to March 31, 2026	$ 96.50	WTI - NYMEX
Crude Oil	100bbls/day	November 1, 2024 to March 31, 2026	$ 95.00	WTI - NYMEX
Crude Oil	200bbls/day	January 1, 2025 to December 31, 2025	$ 92.00 - $ 92.23	WTI - NYMEX
Crude Oil	100bbls/day	July 1, 2025 to June 30, 2026	$ 91.50	WTI - NYMEX
Crude Oil	100bbls/day	October 1, 2025 to September 30, 2026	$ 93.00	WTI - NYMEX

Product	Notional Volume	Term	Contract Price (CAD/bbl)	Index
MSW Differential	500bbls/day	January 1, 2025 to December 31, 2025	$ 4.75	ICE-1A-SW

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with the financial liabilities as they become due. The Company's financial liabilities, excluding commodity contracts consist of accounts payable and accrued liabilities, promissory note and bank debt.

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

At September 30, 2024, the Company had a working capital deficit of $26.5 million, excluding commodity contract asset and liability, current portion of decommissioning liability, and current portion of lease liabilities. The working capital deficit at September 30, 2024, was mainly driven by the capital program incurred during the third quarter of 2024. The Company expects to reduce the working capital deficit through increased cash flow in the fourth quarter with increased production and minimal capital activity planned. The Company expects to repay its financial liabilities in the normal course of operations and to fund future operational and capital requirements through operating cash flows and available capacity on the Company's ARCA, which was increased to $120 million subsequent to September 30, 2024. The maturity date of the bank debt is August 2, 2026; therefore, all bank debt has been classified as long-term.

The Company monitors liquidity risk through cost control, debt and equity management policies. Strategies include continuously monitoring of forecast and actual cash flows, financing activities and available credit available under the ARCA. The nature of the oil and gas industry is very capital intensive. The Company prepares annual capital expenditure budgets and utilizes authorizations for expenditures and capital committees for projects to manage capital expenditures.

The Company may need to conduct asset sales, equity issues or issue debt if liquidity risk increases in a given period. Liquidity risk may increase as a result of potential revisions to the Company's ARCA, which is subject to semi-annual reviews. Company also maintains and monitors a certain level of cash flow which is used to partially finance all operating and capital expenditures. The Company believes it has sufficient funds and operating cash flows to meet foreseeable obligations by actively monitoring its credit facilities and coordinating payment and revenue cycles each month. However, there are no assurances that the lender will maintain the borrowing base at the current level, which may result in a borrowing base shortfall. If the Company cannot generate sufficient funds to meet the borrowing base shortfall it would constitute an event of default under the loan agreement and the bank could demand immediate repayment of the outstanding loan amount. The Company actively monitors covenants associated with the credit facilities and was in compliance at September 30, 2024.

The following table details the Company's financial liabilities, excluding commodity contracts, as at September 30, 2024:

	Total	**<1 year**	**1-3 years**	**4-5 years**
Accounts payable and accrued liabilities	**$ 42,500**	42,500	$ -	$ -
Bank debt	**75,549**	-	75,549	-
Promissory note	**16,114**	16,114	-	-
Lease liabilities	**610**	318	292	-
Total financial liabilities	**$ 134,773**	$ 58,932	$ 75,841	$ -

16. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

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

The Company's capital structure may be adjusted by issuing or repurchasing equity and/or debt instruments, modifying capital spending programs and disposing of assets. Management continually reviews its approach to capital management, particularly when there are major changes to the Company such as major acquisitions and believes this approach is appropriate. The Company's key capital management measures include adjusted EBITDA, adjusted funds flow, free funds flow and net debt, which are calculated and described below. These capital management measures are not standardized and therefore may not be comparable with the calculation of similar measures by other entities.

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

Net Debt

The Company considers net debt a key capital management measure in assessing the Company's liquidity.

The following table outlines the Company's calculation of net debt:

	September 30, 2024	December 31, 2023
Adjusted current assets[1]	**$ 32,083**	$ 23,951
Adjusted current liabilities[1]	**(58,614)**	(37,818)
Adjusted working capital	**(26,531)**	(13,867)
Bank debt	**(75,549)**	(72,464)
Promissory note – long term portion	**-**	(10,500)
Other long-term obligations	**-**	(220)
Total net debt	**$ (102,080)**	$ (97,051)

Note 1: Adjusted current assets and current liabilities excludes commodity contracts, current portion of lease liabilities and current portion of decommissioning obligations.

Adjusted EBITDA

The Company considers adjusted EBITDA to be a key capital management measure as it demonstrates the Company's profitability, operating and financial performance with respect to cash flow generation, adjusted for interest related to its capital structure. Adjusted EBITDA is calculated by adjusting cash flows from operating activities for changes in non-cash working changes and interest.

Adjusted funds flow

The Company considers adjusted funds flow to be a key capital management measure as it demonstrates the Company's ability to generate required funds to manage production levels and fund future capital investment. The Company calculates adjusted funds flow as adjusted EBITDA less net interest and adjusting for decommissioning expenditures incurred.

Free funds flow

The Company considers free funds flow to be a key capital management measure as it is used to measure liquidity and efficiency of the Company by measuring the funds available after capital investment available for debt repayment, to pursue acquisitions and shareholder distributions. The Company calculates free funds flow as adjusted funds flow less expenditures on property, plant and equipment and exploration and evaluation assets (collectively, the "capital expenditures").

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

The following table outlines the Company's calculation of adjusted EBITDA, adjusted funds flow and free funds flow to cash flow from operating activities:

	Three months ended September 30,		**Nine months ended September 30,**	
	2024	2023	**2024**	2023
Cash flow from operating activities	**$ 16,453**	$ 8,560	**$ 47,409**	$ 9,310
Change in non-cash working capital and long-term payables	**1,342**	(2,644)	**4,934**	(3,250)
Net interest[1]	**2,457**	1,628	**7,806**	1,653
Adjusted EBITDA	**20,252**	7,544	**60,149**	7,713
Decommissioning expenditures	**135**	78	**246**	120
Net interest[1]	**(2,457)**	(1,628)	**(7,806)**	(1,653)
Adjusted funds flow	**17,930**	5,994	**52,589**	6,180
Capital expenditures, net	**(20,748)**	(2,917)	**(55,452)**	(4,030)
Free funds flow	**$ (2,818)**	$ 3,077	**$ (2,863)**	$ 2,150

Note 1: Net interest is interest on bank debt and promissory note less interest income

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

17. SUBSEQUENT EVENTS

On October 10, 2024, the Company granted $982 thousand worth of PSU's. The PSU's granted vest on October 10, 2027, subject to the sole discretion of the Board of Directors.