kiwetinohk energy

Condensed Consolidated Interim Financial Statements

As at and for the three months ended
March 31, 2023

Condensed Consolidated Interim Balance Sheet

(Expressed in thousands of Canadian dollars, unaudited)

	Note	March 31, 2023	December 31, 2022
Assets			
Current			
Accounts receivable	14	**57,614**	79,847
Prepaid expenses and deposits	15	**12,016**	13,654
Inventory		**682**	7
Risk management contracts	14	**20,446**	2,554
		90,758	96,062
Property, plant, and equipment	3	**861,031**	790,746
Project development costs	4	**24,353**	22,118
Risk management contracts	14	**753**	—
Deferred tax asset		**7,319**	23,724
Total assets		**984,214**	932,650
Liabilities			
Current			
Accounts payable and accrued liabilities		**78,714**	77,048
Share based compensation liability	12	**881**	743
Contingent payment consideration	4	**1,918**	11,969
Risk management contracts	14	**5,782**	13,687
Lease liabilities	5	**884**	505
Asset retirement obligations	9	**5,723**	6,348
		93,902	110,300
Share based compensation liability	12	**1,412**	1,310
Lease liabilities	5	**11,003**	11,162
Risk management contracts	14	**4,373**	6,634
Asset retirement obligations	9	**78,333**	83,426
Loans and borrowings	7	**139,732**	119,199
Total liabilities		**328,755**	332,031
Equity			
Shareholders' capital	11	**441,321**	440,916
Contributed surplus		**31,448**	30,962
Retained earnings		**182,690**	128,741
Total equity		**655,459**	600,619
Total liabilities and equity		**984,214**	932,650
Commitments	10		

See the accompanying notes to the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Net Income (Loss) and Comprehensive Income (Loss)

(Expressed in thousands of Canadian dollars except per share amounts, unaudited)

For the three months ended March 31,	Note	2023	2022
Revenue			
Commodity sales from production	6	**119,421**	79,866
Commodity sales from purchases	6	**20,498**	60,598
Royalty expense		**(12,718)**	(8,039)
Revenue, net of royalties		**127,201**	132,425
Other income			
Unrealized gain (loss) on risk management	14	**28,811**	(37,510)
Realized gain (loss) on risk management	14	**5,169**	(13,227)
Other income		**596**	1,042
Total revenue and other income		**161,777**	82,730
Expenses			
Operating		**16,542**	11,402
Transportation		**11,548**	5,424
Commodity purchases, transportation and other		**20,608**	60,002
Exploration and evaluation		**327**	3,255
General and administrative		**4,375**	4,976
Depletion and depreciation	3	**31,888**	12,913
Finance costs	13	**4,787**	2,576
Share-based compensation	12	**1,196**	3,285
Contingent payment consideration	4	**(51)**	3,449
Total expenses		**91,220**	107,282
Net income (loss) before income taxes		**70,557**	(24,552)
Income tax expense			
Current		**203**	—
Deferred		**16,405**	—
Total income tax expense		**16,608**	—
Net income (loss) and comprehensive income (loss)		**53,949**	(24,552)
Net income (loss) per share			
Basic	8	**$1.22**	$(0.56)
Diluted	8	**$1.21**	$(0.56)

See the accompanying notes to the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Changes in Equity

(Expressed in thousands of Canadian dollars, unaudited)

For the three months ended March 31,	Note	2023	2022
Shareholders' equity			
Shareholders' capital			
Balance, beginning of period		**440,916**	435,381
Issuance of share capital	11	**1,203**	3,816
Repurchases of shares for cancellation	11	**(798)**	—
Balance, end of period		**441,321**	439,197
Contributed surplus			
Balance, beginning of period		**30,962**	24,301
Share-based compensation	12	**956**	3,285
Stock options exercised	11	**(470)**	(1,969)
Balance, end of period		**31,448**	25,617
Retained earnings (deficit)			
Balance, beginning of period		**128,741**	(62,248)
Net income (loss) and comprehensive income (loss)		**53,949**	(24,552)
Balance, end of period		**182,690**	(86,800)
Total shareholders' equity		**655,459**	378,014

See the accompanying notes to the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Cash Flows

(Expressed in thousands of Canadian dollars, unaudited)

For the three months ended March 31,	Note	2023	2022
Cash flows related to the following activities:			
Operating			
Net income (loss)		**53,949**	(24,552)
Adjustments for non-cash items:			
Share-based compensation	12	**1,196**	3,285
Depletion and depreciation	3	**31,888**	12,913
Exploration and evaluation		**—**	2,747
Unrealized (gain) loss on risk management	14	**(28,811)**	37,510
Accretion of asset retirement obligations	9,13	**865**	437
Interest on lease obligations	13	**220**	11
Deferred financing amortization	13	**324**	323
Unrealized (gain) loss on foreign exchange	13	**(4)**	879
Contingent payment consideration	4	**(51)**	3,449
Deferred tax expense		**16,405**	—
Net change in non-cash working capital	15	**7,323**	(11,014)
Asset retirement obligation expenditures	9	**(3,144)**	(656)
Cash flows from operating activities		**80,160**	25,332
Investing			
Settlement of contingent consideration	4,15	**(10,000)**	(5,000)
Exploration and evaluation		**—**	(55)
Property, plant and equipment	3	**(106,394)**	(53,478)
Project development costs	4	**(2,235)**	(679)
Proceeds from disposition		**781**	238
Net change in non-cash working capital	15	**15,747**	11,298
Cash flows used in investing activities		**(102,101)**	(47,676)
Financing			
Issuance of common shares	11	**733**	1,847
Repurchase of shares for cancellation	11	**(798)**	—
Increase in loans and borrowings	7	**20,209**	18,395
Repayment of lease obligations	5	**—**	(241)
Net change in non-cash working capital	15	**1,803**	—
Cash flows from financing activities		**21,947**	20,001
Effect of foreign exchange on cash		**(6)**	—
Decrease in cash		**—**	(2,343)
Cash, beginning of period		**—**	2,343
Cash, end of period		**—**	—
Cash finance costs paid		**3,305**	1,434

See the accompanying notes to the condensed consolidated interim financial statements.

1. Nature and description of the company

Kiwetinohk Energy Corp. (“Kiwetinohk” or the “Company”) is a corporation formed on September 22, 2021, pursuant to the Canada Business Corporations Act. Kiwetinohk’s common shares commenced trading on the Toronto Stock Exchange under the symbol KEC on January 14, 2022.

Kiwetinohk’s mission is to build a profitable energy transition business providing clean, reliable, dispatchable, and affordable energy. The Company develops and produces natural gas and related products and is in the process of developing renewable and natural gas-fired power generation projects with an aim of also incorporating carbon capture technology and hydrogen production, all as part of a broader portfolio of clean energy assets to support the transition to lower carbon energy in the markets that it serves.

The registered office of the Company is located at Suite 1700, 250 – 2nd Street SW, Calgary, Alberta, T2P 0C1.

2. Basis of presentation

These unaudited condensed consolidated interim financial statements (the “financial statements”) have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards (“IFRS”). These financial statements are condensed as they do not include the information required by IFRS for annual financial statements and therefore should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2022.

The financial statements have been prepared using historical costs on a going concern basis and have been presented in Canadian dollars.

The financial statements were authorized for issue by the Company’s Board of Directors on May 2, 2023.

Changes to significant accounting policies

The same accounting policies were applied in the financial statements as were used for the Company’s audited financial statements for the year ended December 31, 2022.

(All figures expressed in thousands of Canadian dollars, unless otherwise stated)

3. Property, plant and equipment ("PP&E") assets

	Development and production	Office furniture and equipment	Right of use assets	Total
Cost				
Balance at December 31, 2021	563,587	742	1,599	565,928
Acquisitions	59,181	—	—	59,181
Additions	247,183	480	11,226	258,889
Change in decommissioning asset	5,219	—	—	5,219
Transfers from E&E	107,998	—	—	107,998
Balance at December 31, 2022	983,168	1,222	12,825	997,215
Acquisitions	—	—	—	—
Additions	105,890	504	—	106,394
Change in decommissioning asset	(3,439)	—	—	(3,439)
Balance at March 31, 2023	**1,084,838**	**1,726**	**12,825**	1,099,389
Accumulated depletion and depreciation				
Balance, December 31, 2021	(29,826)	(382)	(1,013)	(31,221)
Depletion and depreciation	(81,837)	(95)	(1,187)	(83,119)
Transfers from E&E	(92,129)	—	—	(92,129)
Balance at December 31, 2022	(203,792)	(477)	(2,200)	(206,469)
Depletion and depreciation	(31,493)	(89)	(307)	(31,889)
Balance at March 31, 2023	**(235,285)**	**(566)**	**(2,507)**	(238,358)
Net book value				
At December 31, 2022	779,376	745	10,625	790,746
At March 31, 2023	**849,553**	**1,160**	**10,318**	**861,031**

Future development costs of $2.2 billion were included in the depletion calculation during the three months ended March 31, 2023 (December 31, 2022 - $2.3 billion). For the three months ended March 31, 2023, the Company capitalized $1.0 million (twelve months ended December 31, 2022 - $1.9 million) of general and administrative expenses directly to PP&E.

On September 15, 2022, the Company completed an asset acquisition and acquired an incremental working interest in its Placid CGU for cash consideration of $59.2 million.

There were no impairment indicators at March 31, 2023.

(All figures expressed in thousands of Canadian dollars, unless otherwise stated)

4. Project development costs

	March 31, 2023	December 31, 2022
Cost		
Balance, beginning of period	**22,118**	2,469
Engineering related costs	**2,235**	13,767
Acquisition	**—**	5,882
Balance, end of period	**24,353**	22,118

For the three months ended March 31, 2023, the Company capitalized $0.2 million (twelve months ended December 31, 2022 - $0.9 million) in general and administrative expenses directly to project development costs.

On May 18, 2022, the Company completed an asset acquisition to purchase an early stage 170 MW solar development project for cash consideration of up to $9.0 million, of which $2.5 million was paid upon closing and $3.4 million was initially recognized as consideration contingent on certain milestones being achieved. Milestones are based on successfully advancing regulatory requirements and interconnection capacity reviews.

During the three months ended March 31, 2023 the Company revalued the remaining contingent consideration to $1.9 million which resulted in a gain of $51.0 thousand. The Company reassessed the timeline of remaining payments with all remaining payments expected within 12 months. Contingent consideration was measured based on a probability weighted present value of expected cash flows on acquisition and will be re-evaluated quarterly.

5. Lease obligations

	March 31, 2023	December 31, 2022
Balance, beginning of period	**11,667**	594
Accretion of lease liabilities	**220**	446
Lease payments	**—**	(612)
Additions	**—**	11,239
Balance, end of period	**11,887**	11,667
Classification of lease obligations:		
Current liability	**884**	505
Long-term liability	**11,003**	11,162
Balance, end of period	**11,887**	11,667

The Company has lease liabilities for contracts related to office space held until August 31, 2031. The Company discounted lease payments at the inception of the lease using a weighted average incremental borrowing rate of 7.5% to calculate the lease liability which resulted in a lease liability and a corresponding right-of-use asset at inception of the lease of $11.2 million.

(All figures expressed in thousands of Canadian dollars, unless otherwise stated)

6. Revenue

	For the three months ended March 31,	
	2023	2022
Oil & condensate	**68,194**	45,444
NGLs	**14,849**	9,274
Natural gas	**36,378**	25,148
Commodity sales from production	**119,421**	79,866
Commodity sales from purchases	**20,498**	60,598
Total revenue	**139,919**	140,464

7. Loans and borrowings

Senior Secured Extendible Revolving Facility ("Credit Facility")

On June 13, 2022 the Company amended and increased the consolidated Credit Facility by $60.0 million to $375.0 million with a syndicate of banks. The Credit Facility was confirmed at $375.0 million at November 22, 2022 through the semi-annual redetermination process with no changes in terms. The Credit Facility is comprised of an operating facility of $65.0 million and a syndicated facility of $310.0 million. The Credit Facility is a 364-day committed facility available on a revolving basis until May 31, 2023, at which time it may be extended at the lenders' option. If the revolving period is not extended, the undrawn portion of the Credit Facility will be cancelled and the amount outstanding would be required to be repaid at the end of the non-revolving term, being May 31, 2024. The borrowing base is determined based on the lenders' evaluation of the Company's petroleum and natural gas reserves at the time and commodity prices.

Interest payable on amounts drawn under the Credit Facility is at the prevailing bankers' acceptance plus stamping fees, lenders' prime rate or U.S. base rate plus the applicable margins, depending on the form of borrowing by the Company. The applicable margins and stamping fees are based on a sliding scale pricing grid tied to the Company's debt to earnings before interest, taxes, depreciation and amortization ("bank EBITDA" ratio): from a minimum of the bank's prime rate or U.S. base rate plus an applicable margin ranging from 1.75 percent to 5.25 percent or from a minimum of bankers' acceptances rate plus a stamping fee ranging from 2.75 percent to 6.25 percent. The undrawn portion of the Credit Facility is subject to standby fees ranging from 0.6875 percent to 1.5625 percent based on the Company's bank EBITDA.

The Credit Facility is secured by a $1.0 billion demand floating charge debenture and a general security agreement over all assets of the Company. At March 31, 2023, the Company has letters of credit outstanding of $38.1 million (December 31, 2022 - $40.8 million) of which, $14.4 million has been provided for through the EDC facility (see below), resulting in $23.7 million in letters of credit which reduce the available operating facility capacity. The Company's available borrowing capacity at March 31, 2023 is $212.0 million (December 31, 2022 - $229.5 million).

	March 31, 2023	December 31, 2022
Credit facility drawn	**139,947**	119,738
Deferred financing costs	**(215)**	(539)
Balance, end of period	**139,732**	119,199

(All figures expressed in thousands of Canadian dollars, unless otherwise stated)

The Company is not subject to any financial covenants under the Credit Facility.

EDC Credit Facility

In March 2022, Kiwetinohk entered into a $15.0 million unsecured demand revolving letter of credit facility (the "LC Facility") with Export Development Canada ("EDC"). Kiwetinohk's obligations under the LC Facility are supported by a performance security guarantee ("PSG"). The PSG is valid to May 31, 2024 and may be extended from time-to-time at the option of Kiwetinohk and with the agreement of EDC. As at March 31, 2023, the Company has $0.6 million of capacity remaining under the LC Facility.

8. Weighted average shares

	For the three months ended March 31,	
	2023	2022
Basic weighted average shares	**44,219**	43,815
Effect of dilutive instruments	**530**	—
Diluted weighted average shares	**44,749**	43,815

9. Asset retirement obligations ("ARO")

	March 31, 2023	December 31, 2022
Balance, beginning of period	**89,774**	88,690
Liabilities incurred	**—**	3,567
Acquisitions	**—**	4,541
Accretion expense	**865**	2,411
Changes in estimate	**(3,439)**	(12,388)
Asset retirement obligation expenditures	**(3,144)**	4,771
Disposition	**—**	(1,818)
Balance, end of period	**84,056**	89,774
Current asset retirement obligations	**5,723**	6,348
Long term asset retirement obligations	**78,333**	83,426
Balance, end of period	**84,056**	89,774

The Company's asset retirement obligations result from its ownership in oil and natural gas assets, including well sites, facilities and gathering systems. The Company estimates the total future cash flows to settle its ARO is $113.0 million, or $175.6 million inflated at 1.68% (December 31, 2022 – 2.09%) and undiscounted. These cash flows have been discounted using a risk-free interest rate of 3.02% (December 31, 2022 – 3.28%) to arrive at the present value estimate of $84.1 million. The Company expects these obligations to be settled over one to forty-four years.

10. Commitments

$ millions	2023	2024	2025	2026	2027	Thereafter
Gathering, processing and transport	55.6	77.1	67.9	15.6	17.1	42.7
Natural gas purchases	30.0	5.0	—	—	—	—
Lease liabilities	0.5	1.8	2.1	2.2	2.2	7.8
Other	—	0.4	0.4	0.4	0.4	0.7
Total	86.1	84.3	70.4	18.1	19.6	51.2

The Company currently has natural gas transportation commitments of approximately 120.0 MMcf per day to deliver gas to Chicago on the Alliance pipeline through October 2025. The Company has entered into various gas purchase agreements to fill the underutilized portion of the Alliance pipeline through January 2024.

11. Shareholders' capital

The Company is authorized to issue an unlimited number of voting common shares and an unlimited number of preferred shares issuable in series.

$000s, except share amounts	Number	$
Common shares:		
Balance, December 31, 2021	43,674,583	435,381
Stock options exercised	508,598	5,630
Repurchased under NCIB	(6,471)	(95)
Balance, December 31, 2022	44,176,710	440,916
Stock options exercised [1]	76,214	1,203
Repurchase shares for cancellation	(67,939)	(798)
Balance, March 31, 2023	**44,184,985**	**441,321**

1 – Common shares received on exercise of stock options excludes the impact of cash-less settlements during the period.

On December 20, 2022, the Company announced the approval of its normal course issuer bid ("NCIB") to purchase and cancel up to 2.2 million Common Shares over a 12-month period, commencing December 22, 2022. During the three months ended March 31, 2023, the Company purchased 67,939 common shares at a total cost of $0.8 million ($11.75 per share). Subsequent to March 31, 2023, the Company has repurchased approximately 88,000 additional shares at a total cost of $1.0 million ($11.53 per share).

(All figures expressed in thousands of Canadian dollars, unless otherwise stated)

12. Share-based compensation plans

Equity-settled incentive plans

Stock Options

The following table summarizes the changes in stock options outstanding and related weighted average exercise prices of stock options outstanding for the three months ended March 31, 2023.

	Number of options	Weighted average exercise price ($)
Outstanding, December 31, 2021	3,227,691	9.30
Granted	284,113	13.47
Exercised	(752,415)	7.88
Forfeited	(42,603)	10.00
Outstanding, December 31, 2022	2,716,786	10.36
Granted	34,550	15.28
Exercised	(83,086)	10.00
Forfeited	(66,755)	11.36
Outstanding, March 31, 2023	**2,601,495**	**10.41**

A summary of the inputs used to value stock options granted is as follows:

	2023	2022
Risk-free interest rate	**3.32 %**	2.71 %
Expected life	**7.0 %**	7.0 %
Expected volatility [1]	**50 %**	50 %
Expected dividend rate	**— %**	— %
Expected forfeiture rate	**4 %**	5 %
Weighted average fair value	**$7.10**	$7.31

1 – Kiwetinohk has estimated the expected volatility over the life of the option based on a peer group average for intermediate oil and gas and power companies.

Performance Warrants

The following table summarizes the changes in performance warrants outstanding and related weighted average exercise prices of performance warrants outstanding for the three months ended March 31, 2023.

(All figures expressed in thousands of Canadian dollars, unless otherwise stated)

	Number of performance warrants	Weighted average exercise price ($)
Outstanding, December 31, 2021	7,922,336	20.00
Granted	—	—
Forfeited	(367,078)	20.00
Outstanding, December 31, 2022	7,555,258	20.00
Forfeited	(460,154)	20.00
Outstanding, March 31, 2023	7,095,104	20.00

Cash-settled incentive plans

The following table summarizes the changes in the deferred share unit ("DSU"), performance share unit ("PSU"), and restricted share unit ("RSU") awards for the three months ended March 31, 2023.

(Number of awards)	DSUs	PSUs	RSUs
Outstanding, December 31, 2021	—	—	—
Granted	47,422	142,494	184,195
Outstanding, December 31, 2022	47,422	142,494	184,195
Granted	13,996	—	—
Forfeited	—	(10,087)	(17,341)
Outstanding, March 31, 2023	61,418	132,407	166,854

The following table summarizes the change in compensation liability relating to awards:

	DSUs	PSUs	RSUs
Balance, December 31, 2021	—	—	—
Granted	693	603	757
Balance, December 31, 2022	693	603	757
Change in accrued compensation liability	38	89	113
Balance, March 31, 2023	731	692	870

	March 31, 2023	December 31, 2022
Current liability	**881**	743
Long-term liability	**1,412**	1,310
Balance, end of period	**2,293**	2,053

(All figures expressed in thousands of Canadian dollars, unless otherwise stated)

13. Finance costs

	For the three months ended March 31,	
	2023	2022
Interest and bank charges	**3,382**	926
Accretion of asset retirement obligations	**865**	437
Interest on lease obligations	**220**	11
Deferred financing amortization	**324**	323
Unrealized (gain) loss on foreign exchange	**(4)**	879
Finance costs	**4,787**	2,576

14. Financial instruments and risk management

The Company's financial instruments recognized on the condensed consolidated balance sheet includes accounts receivable, prepaid expenses and deposits, inventory, accounts payable and accrued liabilities, lease liabilities, share based compensation liability, contingent payment consideration, loans and borrowings, and risk management contracts.

Financial instruments carried at fair value include contingent payment consideration, share based compensation liability, and risk management contracts. Contingent payment consideration, share based compensation liability and risk management contracts are classified as a Level 2 measurement in the fair value measurement hierarchy. All other financial instruments are measured at amortized cost.

With respect to risk management contracts, which are derivative financial instruments, management has elected not to use hedge accounting and consequently records the fair value of its natural gas, crude oil, foreign exchange and basis differential contracts on the condensed consolidated interim balance sheet at each reporting period with the change in the fair value of the financial contracts being classified as unrealized gains and losses in the condensed consolidated interim statement of net income (loss) and comprehensive income (loss).

The carrying value of accounts receivable, prepaid expenses and deposits, inventory, accounts payable and accrued liabilities approximate fair value due to their short terms to maturity. Loans and borrowings approximate their fair value due to the use of floating rates. Lease liabilities have a carrying value that does not significantly differ compared to fair value.

The nature of financial instruments exposes the Company to credit risk, liquidity risk, and market risk.

Credit risk
Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company is exposed to credit risk with respect to its accounts receivable and risk management contracts.

The Company's risk management contracts are held with large established financial institutions. The Company manages credit risk by ensuring transactions are only entered into with counterparties with strong credit worthiness and regular internal reviews are performed on the Company's exposure to these counterparties, the majority of which is short-term.

(All figures expressed in thousands of Canadian dollars, unless otherwise stated)

The Company's maximum exposure to credit risk is as follows:

	March 31, 2023	December 31, 2022
Commodity sales from production and marketing	**50,146**	73,914
Government related filings	**5,075**	4,205
Joint venture	**2,210**	1,609
Other	**183**	119
Total accounts receivable	**57,614**	79,847
Cash	**—**	—
Total exposure	**57,614**	79,847

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company operates in a capital-intensive industry with medium to long-term cash cycles. The Company may face lengthy development lead times, as well as risks associated with rising capital costs and timing of project completion because of the availability of resources, permits and other factors beyond its control. The Company regularly monitors its cash requirements by assessing its ability to generate cash flow from operations, access to external financing, debt obligations as they become due, and its expected future operating and capital expenditure requirements. The Company may adjust forward looking capital allocations to manage liquidity risk as required.

The Company's expected cash outflows relating to financial liabilities at March 31, 2023 are as follows:

$ millions	2023	2024	2025	2026	2027	Thereafter
Accounts payable	78.7	—	—	—	—	—
Contingent payment consideration	1.9	—	—	—	—	—
Cash-settled compensation liability[1]	1.6	—	—	—	—	0.7
Lease liabilities	0.5	1.8	2.1	2.2	2.2	7.8
Loans and borrowings[2]	139.9		—	—	—	—
Total	222.6	1.8	2.1	2.2	2.2	8.5

1 – cash outflows relating to the DSU cash-settled compensation liability will be paid when each director retires. The Company has no available information to estimate the year of cash outflow and therefore the entirety of the DSU expected outflow been assigned to "Thereafter".
2 – represents current debt drawn repaid at the end of the Credit Facility term

Market risk
Market risk is the risk that fluctuations in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's condensed consolidated interim statement of net income and comprehensive income to the extent the Company has outstanding financial instruments.

Commodity price risk and foreign currency risk
The nature of the Company's operations result in exposure to fluctuations in commodity prices. Additionally, the Company is exposed to foreign currency fluctuations as crude oil and natural gas prices are referenced in U.S. dollar denominated prices. The demand for energy including petroleum and natural gas sales is generally linked to economic activities. A slowdown in economic growth, an economic downturn or recession, or other adverse economic or political developments in North America or globally, could result in a significant adverse effect on global financial markets which could in turn cause commodity price and foreign currency fluctuations which could negatively impact the Company's operations and cash flows.

(All figures expressed in thousands of Canadian dollars, unless otherwise stated)

Management continuously monitors commodity prices and foreign exchange rates and may from time to time enter into risk management contracts to manage exposure to these risks in accordance with Board approved risk management guidelines.

The Company has the following commodity risk management contracts outstanding at March 31, 2023:

Type		Q2 2023	Q3 2023	Q4 2023	2024	2025
Crude oil [1]						
WTI fixed price	bbl/d	1,700	1,950	1,100	500	—
WTI buy put	bbl/d	2,750	1,917	2,000	1,250	—
WTI buy call	bbl/d	—	500	500	—	—
WTI sell call	bbl/d	2,250	1,917	2,000	750	—
WTI swap average	US$/bbl	$68.70	$68.05	$70.41	$70.62	$—
WTI buy put average	US$/bbl	$77.73	$74.21	$74.25	$67.20	$—
WTI buy call average	US$/bbl	$—	$85.00	$85.00	$—	$—
WTI sell call average	US$/bbl	$91.49	$88.30	$87.92	$77.62	$—
Natural gas [1,2]						
NYMEX Henry Hub fixed price	MMBtu/d	12,500	12,500	8,000	2,500	—
NYMEX Henry Hub buy put	MMBtu/d	24,500	27,000	22,000	12,500	3,347
NYMEX Henry Hub sell call	MMBtu/d	9,500	14,500	14,500	7,500	3,347
NYMEX Henry Hub buy call	MMBtu/d	5,000	5,000	5,000	—	—
NGI Chicago basis to NYMEX Henry Hub	MMBtu/d	12,500	12,500	—	—	—
NYMEX Henry Hub fixed price average	US$/MMBtu	$3.35	$3.35	$3.34	$3.23	$—
NYMEX Henry Hub buy put average	US$/MMBtu	$4.84	$4.64	$4.48	$3.60	$3.00
NYMEX Henry Hub sell call average	US$/MMBtu	$5.41	$5.32	$5.23	$4.70	$4.35
NYMEX Henry Hub buy call average	US$/MMBtu	$8.00	$7.00	$7.00	$—	$—
NGI Chicago basis to NYMEX Henry Hub average	US$/MMBtu	$0.01	$0.01	$—	$—	$—
Natural gas transportation [1,2,3]						
Purchase AECO 5A basis (to NYMEX Henry Hub)	MMBtu/d	25,000	25,000	8,333	—	—
Sell GDD Chicago basis (to NYMEX Henry Hub)	MMBtu/d	(25,000)	(25,000)	(8,333)	—	—
AECO 5A basis (to NYMEX Henry Hub) average	US$/MMBtu	$(1.28)	$(1.28)	$(1.28)	$—	$—
GDD Chicago basis (to NYMEX Henry Hub) average	US$/MMBtu	$0.10	$0.10	$0.10	$—	$—

1 – Prices per unit and volumes per day are represented at the average amounts for the period.
2 – All basis swap pricing is in $USD / unit relative to NYMEX Henry Hub benchmark pricing.
3 – Natural gas transportation hedges relate to basis pricing differentials between AECO and Chicago on firm transportation commitments.
4 – The Company has entered into select bought call transactions in order to preserve potential upside associated with swap and collar transactions over the same period.

(All figures expressed in thousands of Canadian dollars, unless otherwise stated)

The Company has the following foreign exchange risk management contracts outstanding at March 31, 2023:

Type		Q2 2023	Q3 2023	Q4 2023	2024	2025
Foreign exchange						
Sell USD CAD (monthly average)	US$	$11.5 MM	$11.5 MM	$11.5 MM	$10.0 MM	$6.5 MM
USD CAD buy put	US$	$15.0 MM	$15.0 MM	$15.0 MM	$11.0 MM	$2.5 MM
USD CAD sell call	US$	$15.0 MM	$15.0 MM	$15.0 MM	$11.0 MM	$2.5 MM
USD CAD fixed sell rate		$1.33	$1.33	$1.33	$1.33	$1.33
USD CAD put rate		$1.32	$1.32	$1.32	$1.32	$1.33
USD CAD call rate		$1.36	$1.36	$1.36	$1.36	$1.38

Subsequent to March 31, 2023, the Company entered into the following risk management contracts:

Type		Q2 2023	Q3 2023	Q4 2023	2024	2025
Crude oil contracts [1,2]						
WTI buy put	bbl/d	—	333	500	500	—
WTI sell call	bbl/d	—	333	500	500	—
WTI buy put average	US$/bbl	$—	$70.00	$70.00	$70.00	$—
WTI sell call average	US$/bbl	$—	$83.90	$83.90	$74.50	$—
Natural gas [1,2]						
NYMEX Henry Hub fixed price	MMBtu/d	1,667	2,500	2,500	833	—
NYMEX Henry Hub buy put	MMBtu/d	1,667	7,500	10,000	8,333	—
NYMEX Henry Hub sell call	MMBtu/d	1,667	7,500	10,000	8,333	—
NYMEX Henry Hub fixed price average	US$/MMBtu	$2.90	$2.90	$2.90	$2.90	$—
NYMEX Henry Hub buy put average	US$/MMBtu	$2.90	$2.95	$2.98	$2.99	$—
NYMEX Henry Hub sell call average	US$/MMBtu	$3.25	$3.53	$3.66	$3.75	$—

1 – Prices per unit and volumes per day are represented at the average amounts for the period.
2 – Additional contracts were layered into the Company's existing risk management portfolio as part of the Company's risk management policy. The Company does not seek to speculate on commodity price movements through the hedging program.

The Company offsets risk management assets and liabilities if the Company has a legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously. The following table is a summary of the company's risk management in the condensed consolidated interim Balance Sheet as at March 31, 2023 and the impact of offsetting contracts.

(All figures expressed in thousands of Canadian dollars, unless otherwise stated)

	Gross financial assets (liabilities)	Gross financial assets (liabilities) offset	Net financial assets (liabilities) on Balance Sheet
As at December 31, 2022			
Current asset	15,510	12,956	2,554
Long-term asset	56	56	—
Current liability	(26,643)	(12,956)	(13,687)
Long-term liability	(6,690)	(56)	(6,634)
Net risk management position	(17,767)	—	(17,767)
As at March 31, 2023			
Current asset	25,769	5,323	20,446
Long-term asset	1,391	638	753
Current liability	(11,105)	(5,323)	(5,782)
Long-term liability	(5,011)	(638)	(4,373)
Net risk management position	11,044	—	11,044

A summary of the Company's total gain on risk management contracts for the three months ended March 31, is as follows:

	2023	2022
Realized gain (loss) on production	**1,973**	(86,107)
Realized gain (loss) on purchases	**4,279**	(34,079)
Realized loss on foreign exchange	**(1,083)**	(752)
Total realized gain (loss)	**5,169**	(120,938)
Unrealized gain	**28,811**	11,036
Total gain on risk management	**33,980**	(109,902)

Interest rate risk

The Company is exposed to interest rate risk to the extent that changes in floating market interest rates impact interest incurred on its credit facility. The Company does not currently utilize risk management contracts to mitigate interest rate risk.

(All figures expressed in thousands of Canadian dollars, unless otherwise stated)

15. Supplemental cash flow information

Changes in non-cash working capital are as follows:

	2023	2022
Accounts receivable	**22,222**	(11,286)
Prepaid expenses	**1,638**	401
Inventory	**(675)**	—
Accounts payable and accrued liabilities	**1,688**	11,169
Net change in non-cash working capital	**24,873**	284
Allocated to:		
Operating activities	**7,323**	(11,014)
Investing activities	**15,747**	11,298
Financing activities	**1,803**	—
Net change in non-cash working capital	**24,873**	284

In the fourth quarter of 2022, the Company made a $8.2 million prepayment to secure casing to be delivered in 2023. This balance is recorded within Prepaid expenses and deposits as at March 31, 2023, and the cash payment was recorded as a stand-alone investing line item on the Consolidated Statement of Cash Flows and as a result is not included within net changes in non-cash working capital.

During January 2023, the Company settled the a contingent payment of $10.0 million related to the Simonette Acquisition that occurred on April 28, 2021. This payment was recognized in the cash flow statement as an investing activity during the first quarter of 2023. As of March 31, 2023 all contingent payments related to this acquisition have been fully settled.