Condensed Consolidated Interim Financial Statements

As at and for the three and six months ended
June 30, 2024

Condensed Consolidated Interim Balance Sheet
(Expressed in thousands of Canadian dollars, unaudited)

	Note	As at June 30, 2024	December 31, 2023
Assets			
Current			
Cash		**—**	5,054
Accounts receivable	14	**42,084**	57,949
Prepaid expenses and deposits		**13,475**	14,240
Inventory		**165**	—
Risk management contracts	14	**—**	10,708
		55,724	87,951
Property, plant, and equipment	3	**1,016,904**	953,534
Project development costs	4	**10,336**	35,292
Risk management contracts	14	**178**	8,838
Total assets		**1,083,142**	1,085,615
Liabilities			
Current			
Accounts payable and accrued liabilities		**59,600**	59,277
Share based compensation liability	12	**4,196**	1,218
Risk management contracts	14	**9,355**	—
Lease liabilities	5	**3,536**	3,842
Provisions	9	**5,839**	5,341
		82,526	69,678
Share based compensation liability	12	**2,145**	1,986
Lease liabilities	5	**23,679**	22,683
Risk management contracts	14	**3,237**	—
Provisions	9	**80,158**	76,958
Loans and borrowings	7	**189,179**	194,088
Deferred tax liability		**5,835**	10,020
Total liabilities		**386,759**	375,413
Equity			
Shareholders' capital	11	**434,751**	434,615
Contributed surplus		**36,441**	34,950
Retained earnings		**225,191**	240,637
Total equity		**696,383**	710,202
Total liabilities and equity		**1,083,142**	1,085,615
Commitments and contingencies	10		

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

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

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

	Note	For the three months ended June 30, 2024	2023	For the six months ended June 30, 2024	2023
Revenue					
Commodity sales from production	6	**105,049**	83,935	**224,711**	203,356
Commodity sales from purchases	6	**7,353**	17,475	**23,336**	37,973
Royalty expense		**(9,470)**	(9,841)	**(18,537)**	(22,559)
Revenue, net of royalties		**102,932**	91,569	**229,510**	218,770
Other income					
Unrealized (loss) gain on risk management	14	**(16,820)**	8,887	**(31,960)**	37,698
Realized gain on risk management	14	**3,542**	12,333	**6,677**	17,502
Other income		**964**	753	**1,785**	1,349
Total revenue and other income		**90,618**	113,542	**206,012**	275,319
Expenses					
Operating		**14,758**	16,385	**32,383**	32,927
Transportation		**14,280**	11,274	**25,819**	22,822
Commodity purchases, transportation and other		**7,266**	20,479	**22,739**	41,087
Exploration, evaluation and other		**58**	113	**179**	440
General and administrative		**5,755**	5,958	**11,845**	10,333
Depletion and depreciation	3	**40,066**	27,667	**82,292**	59,555
Finance costs	13	**6,214**	5,619	**11,879**	10,406
Share-based compensation	12	**2,668**	2,853	**4,747**	4,049
Project development impairment	4	**29,222**	—	**29,222**	—
Provision for onerous contract	9	**4,531**	—	**4,531**	—
Contingent payment consideration		**—**	(1)	**—**	(52)
Total expenses		**124,818**	90,347	**225,636**	181,567
Net (loss) income before income taxes		**(34,200)**	23,195	**(19,624)**	93,752
Income tax (recovery) expense					
Current		**7**	28	**7**	231
Deferred		**(7,669)**	1,466	**(4,185)**	17,871
Total income tax (recovery) expense		**(7,662)**	1,494	**(4,178)**	18,102
Net (loss) income and comprehensive (loss) income		**(26,538)**	21,701	**(15,446)**	75,650
Net (loss) income per share					
Basic	8	**$(0.61)**	$0.49	**$(0.35)**	$1.71
Diluted	8	**$(0.61)**	$0.49	**$(0.35)**	$1.70

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)

	Note	For the three months ended June 30, 2024	2023	For the six months ended June 30, 2024	2023
Shareholders' equity					
Shareholders' capital					
Balance, beginning of period		**434,615**	441,321	**434,615**	440,916
Issuance of share capital	11	**136**	74	**136**	1,277
Repurchases of shares for cancellation	11	**—**	(2,638)	**—**	(3,436)
Balance, end of period		**434,751**	438,757	**434,751**	438,757
Contributed surplus					
Balance, beginning of period		**35,759**	31,448	**34,950**	30,962
Share-based compensation	12	**801**	2,411	**1,610**	3,367
Stock options exercised	11	**(119)**	(25)	**(119)**	(495)
Balance, end of period		**36,441**	33,834	**36,441**	33,834
Retained earnings					
Balance, beginning of period		**251,729**	182,690	**240,637**	128,741
Net (loss) income and comprehensive (loss) income		**(26,538)**	21,701	**(15,446)**	75,650
Balance, end of period		**225,191**	204,391	**225,191**	204,391
Total shareholders' equity		**696,383**	676,982	**696,383**	676,982

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)

	Note	For the three months ended June 30, 2024	For the three months ended June 30, 2023	For the six months ended June 30, 2024	For the six months ended June 30, 2023
Cash flows related to the following activities:					
Operating					
Net (loss) income		**(26,538)**	21,701	**(15,446)**	75,650
Adjustments for non-cash items:					
Share-based compensation	12	**2,668**	2,853	**4,747**	4,049
Depletion and depreciation	3	**40,066**	27,667	**82,292**	59,555
Unrealized loss (gain) on risk management	14	**16,820**	(8,887)	**31,960**	(37,698)
Accretion expense	9,13	**925**	855	**1,784**	1,720
Interest on lease obligations	13	**548**	224	**1,085**	444
Deferred financing amortization	13	**183**	269	**344**	593
Unrealized (gain) loss on foreign exchange	13	**(119)**	172	**(673)**	168
Contingent payment consideration		**—**	(1)	**—**	(52)
Project development impairment	4	**29,222**	—	**29,222**	—
Provision for onerous contract	9	**4,531**	—	**4,531**	—
Deferred tax (recovery) expense		**(7,669)**	1,466	**(4,185)**	17,871
Net change in non-cash working capital	15	**969**	(4,701)	**1,673**	2,622
Asset retirement obligation expenditures	9	**(374)**	(258)	**(919)**	(3,402)
Cash flows from operating activities		**61,232**	41,360	**136,415**	121,520
Investing					
Cash used in in acquisition	3	**—**	(431)	**—**	(431)
Settlement of contingent consideration	15	**—**	(250)	**—**	(10,250)
Property, plant and equipment	3	**(68,243)**	(55,351)	**(142,837)**	(161,745)
Project development costs	4	**(2,196)**	(3,454)	**(3,391)**	(5,689)
Power connection process payment	15	**—**	—	**(985)**	—
Proceeds from disposition	3	**—**	—	**21**	781
Net change in non-cash working capital	15	**4,387**	(20,685)	**11,857**	(4,938)
Cash flows used in investing activities		**(66,052)**	(80,171)	**(135,335)**	(182,272)
Financing					
Issuance of common shares	11	**17**	49	**17**	782
Repurchase of shares for cancellation	11	**—**	(2,638)	**—**	(3,436)
Increase (decrease) in loans and borrowings	7	**4,747**	42,083	**(5,253)**	62,292
Payment of lease obligations	5	**(485)**	—	**(876)**	—
Net change in non-cash working capital	15	**—**	(660)	**—**	1,143
Cash flows from (used in) financing activities		**4,279**	38,834	**(6,112)**	60,781
Effect of foreign exchange on cash		**(20)**	(23)	**(22)**	(29)
Decrease in cash		**(561)**	—	**(5,054)**	—
Cash, beginning of period		**561**	—	**5,054**	—
Cash, end of period		**—**	—	**—**	—
Cash finance costs paid		**4,161**	5,083	**8,718**	8,388
Cash taxes paid		**20**	—	**20**	—

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 produces natural gas, natural gas liquids, oil and condensate and is a developer of renewable and natural gas power projects, and early stage carbon capture and storage opportunities, in Alberta.

The registered office of the Company is located at Suite 1700, 250–2nd Street SW, Calgary, AB, 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, 2023.

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 July 30, 2024.

Changes to significant accounting policies

With the exception of newly issued accounting policies in effect as of January 1, 2024 as noted below, the Company has applied the same accounting policies in the financial statements as were used for the Company’s audited financial statements for the year ended December 31, 2023.

New accounting policies

IAS 1 Presentation of Financial Statements
Effective January 1, 2024, amendments to the classification of a liability as current or non-current require that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. An entity also has to disclose information to convey the risk to users that non-current liabilities with covenants could become repayable within twelve months. This did not have a material impact on the Company's financial statements.

IAS 7 Statement of Cash Flows & IFRS 7 Financial Instruments: Disclosures
Effective January 1, 2024, amendments in Supplier Finance Arrangements do not define supplier finance arrangements and instead provide the characteristics of an arrangement for which an entity is required to provide the information and add various disclosure objectives and requirements to sufficiently explain the impact of these arrangements on the financial statements. Additionally, supplier finance arrangements are added as an example within the liquidity risk disclosure requirements. This did not have a material impact on the Company's financial statements.

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

IFRS 16 Leases

Effective January 1, 2024, amendments to the sale and leaseback subsequent recognition criteria require a seller-lessee to subsequently measure the lease liability arising from a leaseback in a way that does not recognize any amount of the gain or loss that relates to the right of use it retains. This did not have a material impact on the Company's financial statements.

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, 2022	983,168	1,222	12,825	997,215
Acquisitions	1,286	—	—	1,286
Additions	295,732	52	14,424	310,208
Change in decommissioning asset	(3,482)	—	—	(3,482)
Lease remeasurement	—	—	209	209
Disposition of assets	(113,382)	—	—	(113,382)
Balance at December 31, 2023	1,163,322	1,274	27,458	1,192,054
Additions	146,595	305	—	146,900
Change in decommissioning asset	(1,698)	—	—	(1,698)
Lease remeasurement	—	—	481	481
Disposition of assets	(21)	—	—	(21)
Balance at June 30, 2024	**1,308,198**	**1,579**	**27,939**	**1,337,716**
Accumulated depletion and depreciation				
Balance, December 31, 2022	(203,792)	(477)	(2,200)	(206,469)
Depletion and depreciation	(126,200)	(484)	(1,466)	(128,150)
Disposal of assets	96,099	—	—	96,099
Balance at December 31, 2023	(233,893)	(961)	(3,666)	(238,520)
Depletion and depreciation	(81,266)	(98)	(928)	(82,292)
Balance at June 30, 2024	**(315,159)**	**(1,059)**	**(4,594)**	**(320,812)**
Net book value				
At December 31, 2023	929,429	313	23,792	953,534
At June 30, 2024	**993,039**	**520**	**23,345**	**1,016,904**

Future development costs of $2.6 billion, inclusive of estimated abandonment and reclamation costs, were included in the depletion calculation during the six months ended June 30, 2024 (December 31, 2023 - $2.8 billion). For the six months ended June 30, 2024, the Company capitalized $1.3 million of general and administrative expenses directly to PP&E (December 31, 2023 - $3.1 million).

In the prior year, the Company disposed of non-core assets for total proceeds of $20.3 million, resulting in a gain on disposition of $7.6 million. After completing the Final Statement of Adjustments during the six months ended June 30, 2024, the gain was decreased by $0.2 million to a total gain of $7.4 million.

There were no impairment indicators at June 30, 2024.

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

4. Project development costs

	June 30, 2024	December 31, 2023
Cost		
Balance, beginning of period	**35,292**	22,118
Additions	**3,391**	13,174
Impairment	**(28,347)**	—
Balance, end of period	**10,336**	35,292

For the six months ended June 30, 2024, the Company capitalized $0.5 million in general and administrative expenses directly to project development costs (December 31, 2023 - $0.8 million).

In accordance with IFRS Accounting Standards, an impairment test is performed if the Company identifies indicators of impairment at the end of a reporting period. At June 30, 2024 the Company determined there was an impairment indicator present in its power project development costs related to evolving government policy and regulatory uncertainty which has caused delays and impacted the ability of the Company to finance these projects and advance their development to a Final Investment Decision on previously anticipated timelines. The Company is still advancing its Homestead solar project and no indicator of impairment was identified on this project. An impairment expense of $29.2 million, including $0.9 million of previously recognized refundable deposits, was recorded on the remaining projects within the portfolio, representing 100% of the costs to date.

5. Lease obligations

	June 30, 2024	December 31, 2023
Balance, beginning of period	**26,525**	11,667
Accretion of lease liabilities	**1,085**	1,405
Lease payments	**(876)**	(1,180)
Lease remeasurement	**481**	209
Additions	**—**	14,424
Balance, end of period	**27,215**	26,525
Classification of lease obligations:		
Current liability	**3,536**	3,842
Long-term liability	**23,679**	22,683
Balance, end of period	**27,215**	26,525

The Company has lease liabilities for contracts related to office space held until August 31, 2031 and for lands for the Homestead Solar project for an initial period of 25 years. The Company has the ability to terminate the Homestead lease upon providing notice to landowner's and satisfaction of certain reclamation requirements. The Company recognizes discounted lease payments at the inception of the lease using a weighted average incremental borrowing rate at such time.

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

6. Revenue

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	**2024**	2023
Oil & condensate	**71,012**	53,262	**142,031**	121,456
NGLs	**14,663**	9,923	**31,760**	24,772
Natural gas	**19,374**	20,750	**50,920**	57,128
Commodity sales from production	**105,049**	83,935	**224,711**	203,356
Commodity sales from purchases	**7,353**	17,475	**23,336**	37,973
Total revenue	**112,402**	101,410	**248,047**	241,329

7. Loans and borrowings

Senior Secured Extendible Revolving Facility ("Credit Facility")

On May 27, 2024 the Company completed the annual borrowing base review of the consolidated Credit Facility and increased the borrowing base from $375.0 million to $400.0 million. The borrowing base is comprised of an operating facility of $65.0 million and a syndicated facility of $335.0 million. The Credit Facility is a 364-day committed facility available on a revolving basis which was extended until May 31, 2025, 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, 2026. 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 charged at the prevailing bankers' acceptance rate plus the applicable 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 ratio of the Company's debt to earnings before interest, taxes, depreciation and amortization ("bank EBITDA ratio"). Applicable margins over the bank's prime rate or U.S. base rate range from 1.75 percent to 5.25 percent and stamping fees applicable to the relevant Canadian Overnight Repo Rate Average ("CORRA") rate range 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 ratio.

The Credit Facility is secured by a $1.0 billion demand floating charge debenture and a general security agreement over all recourse assets of the Company. At June 30, 2024, the Company had letters of credit outstanding of $81.6 million (December 31, 2023 - $89.4 million) of which, $57.9 million had been provided for through the EDC facility (see below), and the remaining $23.7 million were issued under the Credit Facility and reduce the available operating facility capacity. At June 30, 2024, the Company has $185.6 million of capacity available under the Credit Facility (December 31, 2023 - $156.7 million).

	June 30, 2024	December 31, 2023
Credit facility drawn	**190,667**	195,000
Deferred financing costs	**(1,488)**	(912)
Balance, end of period	**189,179**	194,088

(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 Letter of Credit Facility

On May 27, 2024, Kiwetinohk amended and increased the unsecured demand revolving letter of credit facility (the "LC Facility") with Export Development Canada ("EDC") from $75.0 million to $125.0 million. Kiwetinohk's obligations under the LC Facility are supported by a performance security guarantee ("PSG") granted by EDC to the Credit Facility lender to guarantee the payment of certain amounts in respect of letters of credit. The PSG is valid to May 31, 2025 and may be extended from time-to-time at the option of Kiwetinohk and with the agreement of EDC. The Company expects to renew the PSG in May 2025 concurrently with its annual borrowing base review of the consolidated Credit Facility. At June 30, 2024, the Company has $67.1 million of capacity remaining under the LC Facility (December 31, 2023 - $8.9 million).

8. Weighted average shares

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	**2024**	2023
Basic weighted average shares	**43,667**	44,073	**43,665**	44,147
Effect of dilutive instruments	**482**	402	**365**	477
Diluted weighted average shares	**44,149**	44,475	**44,029**	44,625

9. Provisions

Provisions for onerous contracts
Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

	Asset Retirement Obligations	**Onerous Contract**	**Total**
Balance at December 31, 2022	89,774	—	89,774
Provisions incurred	2,472	—	2,472
Expenditures	(4,074)	—	(4,074)
Changes in estimate	(5,954)	—	(5,954)
Accretion expense	3,677	—	3,677
Dispositions	(3,596)	—	(3,596)
Balance at December 31, 2023	82,299	—	82,299
Provisions incurred	1,405	4,531	5,936
Expenditures	(919)	—	(919)
Changes in estimate	(3,103)	—	(3,103)
Accretion expense	1,784	—	1,784
Balance at June 30, 2024	**81,466**	**4,531**	**85,997**

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

Asset Retirement Obligations

The Company's asset retirement obligations ("ARO") 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 $114.2 million, or $176.9 million inflated at 1.80% (December 31, 2023 – 1.62%) and undiscounted. These cash flows have been discounted using a long-term risk-free interest rate of 3.39% (December 31, 2023 – 3.02%) to arrive at the present value estimate of $81.5 million. The Company expects these obligations to be settled over one to forty-two years.

Onerous Contracts

The Company has recognized a provision related to an onerous contract to transport and offload natural gas from the Nova Gas Transmission Ltd. pipeline system for use at its Opal gas-fired peaking project. The provision represents the future tolling obligations that the Company is presently obligated to make under the contract. The Company estimates the total undiscounted future tolling obligations under this contract to be $5.1 million. These payments have been discounted using a seven-year risk-free interest rate of 3.49% to arrive at a present value estimate of $4.5 million (December 31, 2023 – nil). The Company expects to reduce the provision by $0.7 million over the next twelve months as obligations become due. The estimate may vary as a result of changes in future discount rates and revisions in published tolls over the contract period.

10. Commitments and contingencies

$ millions	2024	2025	2026	2027	2028	Thereafter
Gathering, processing and transport	38.4	67.4	15.0	16.4	16.5	22.1
Natural gas purchases	7.5	—	—	—	—	—
Upstream and Corporate lease liabilities	1.0	2.2	2.2	2.2	2.2	6.3
Power lease liabilities [1]	1.3	2.0	1.3	1.3	1.3	25.9
Power construction	0.6	—	—	—	—	—
Other	—	0.4	0.4	0.4	0.4	0.4
Total	48.8	72.0	18.9	20.3	20.4	54.7

1- The Company has not reached a final investment decision ("FID") on power projects as of the date hereof. The Company has the ability to terminate the lease and remove this financial obligation if FID is not achieved.

The Company currently has natural gas transportation commitments on the Nova Gas Transmission Ltd. and Alliance pipelines, with a commitment to deliver approximately 120.0 MMcf per day of gas to Chicago on Alliance through October 2025. The Company has entered into various gas purchase agreements to fill the underutilized portion of the Alliance pipeline through October 2024.

Lease liabilities represent the undiscounted payments required under lease obligations as described in Note 5.

The Company may be involved in litigation and disputes arising in the normal course of operations. Management is of the opinion that any potential litigation will not have a material adverse impact on the Company's financial position or results of operations as at June 30, 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, 2022	44,176,710	440,916
Stock options exercised	84,710	1,310
Repurchase of shares for cancellation	(598,776)	(7,611)
Balance, December 31, 2023	43,662,644	434,615
Stock options exercised [1]	5,845	136
Repurchase of shares for cancellation	—	—
Balance, June 30, 2024	**43,668,489**	**434,751**

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

On December 19, 2023, the Company renewed its normal course issuer bid ("NCIB"), allowing the Company to purchase and cancel up to 2.2 million Common Shares prior to December 22, 2024. The Company has not purchased any shares under the NCIB program during the six months ended June 30, 2024.

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 six months ended June 30, 2024.

	Number of options	Weighted average exercise price ($)
Outstanding, December 31, 2022	2,716,786	10.36
Granted	244,500	14.11
Exercised	(96,462)	10.00
Forfeited	(96,755)	10.94
Outstanding, December 31, 2023	2,768,069	10.68
Exercised	(23,592)	10.01
Forfeited	(4,567)	12.51
Outstanding, June 30, 2024	**2,739,910**	**10.68**

No stock options were granted during the six months ended June 30, 2024.

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

Performance Warrants

The following table summarizes the changes in performance warrants outstanding and related weighted average exercise prices of performance warrants outstanding for the six months ended June 30, 2024.

	Number of performance warrants	Weighted average exercise price ($)
Outstanding, December 31, 2022	7,555,258	20.00
Forfeited	(776,003)	20.00
Outstanding, December 31, 2023	6,779,255	20.00
Forfeited	(71,245)	20.00
Outstanding, June 30, 2024	6,708,010	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 six months ended June 30, 2024.

(Number of awards)	DSUs	PSUs	RSUs
Outstanding, December 31, 2022	47,422	142,494	184,195
Granted	55,331	141,657	198,533
Exercised	—	(32,282)	(55,609)
Forfeited	—	(28,667)	(17,341)
Outstanding, December 31, 2023	102,753	223,202	309,778
Granted	27,543	5,000	2,500
Forfeited	—	(3,261)	(3,233)
Outstanding, June 30, 2024	130,296	224,941	309,045

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

	DSUs	PSUs [1]	RSUs
Balance, December 31, 2022	693	603	757
Change in accrued compensation liability	(186)	(933)	(971)
Granted	661	1,768	2,531
Exercised	—	(418)	(720)
Forfeited	—	(364)	(217)
Balance, December 31, 2023	1,168	656	1,380
Change in accrued compensation liability	223	1,239	1,346
Granted	329	54	27
Forfeited	—	(43)	(38)
Balance, June 30, 2024	1,720	1,906	2,715

1 – The change in PSU compensation liability relating to granted and forfeited awards assumes a 1.0x performance multiplier. The change in accrued compensation liability to reach the ultimate settlement includes the impact of the estimated performance multiplier on the change in PSU liability as at June 30, 2024.

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

The following table summarizes the composition of the compensation liability as at:

	June 30, 2024	December 31, 2023
Current liability	**4,196**	1,218
Long-term liability	**2,145**	1,986
Balance, end of period	**6,341**	3,204

The following table summarizes the total share-based compensation expense relating to equity-settled and cash-settled awards:

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	**2024**	2023
Equity-settled awards	**801**	2,411	**1,610**	3,367
Cash-settled awards	**1,867**	442	**3,137**	682
Share-based compensation expense	**2,668**	2,853	**4,747**	4,049

13. Finance costs

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	**2024**	2023
Interest and bank charges	**4,677**	4,099	**9,339**	7,481
Accretion expense	**925**	855	**1,784**	1,720
Interest on lease obligations	**548**	224	**1,085**	444
Deferred financing amortization	**183**	269	**344**	593
Unrealized (gain) loss on foreign exchange	**(119)**	172	**(673)**	168
Finance costs	**6,214**	5,619	**11,879**	10,406

14. Financial instruments and risk management

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

Financial instruments carried at fair value include share based compensation liability and risk management contracts. 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 (loss) income and comprehensive (loss) income.

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

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.

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

	June 30, 2024	December 31, 2023
Commodity sales from production and marketing	**38,188**	51,630
Government related filings	**3,358**	5,786
Joint venture	**504**	485
Other	**34**	48
Total accounts receivable	**42,084**	57,949
Cash	**—**	5,054
Risk management contracts	**—**	19,546
Total exposure	**42,084**	82,549

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 expenditures to manage liquidity risk as required.

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

The Company's expected cash outflows relating to financial liabilities at June 30, 2024 are as follows:

$ millions	2024	2025	2026	2027	2028	Thereafter
Accounts payable	59.6	—	—	—	—	—
Cash-settled compensation liability[1]	2.8	1.4	0.4	—	—	1.7
Loans and borrowings[2]	—	—	190.7	—	—	—
Risk management contracts	7.2	2.7	2.3	0.2	—	—
Upstream and Corporate lease liabilities	1.0	2.2	2.2	2.2	2.2	6.3
Power lease liabilities[3]	1.3	2.0	1.3	1.3	1.3	25.9
Total	71.9	8.3	196.9	3.8	3.6	33.9

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 has been assigned to "Thereafter".
2 – Assumes current debt drawn is repaid at the current maturity date of the Credit Facility.
3 – The Company has not reached a final investment decision ("FID") on power projects as of June 30, 2024. The Company has the ability to terminate the lease and remove this financial obligation if FID is not achieved.

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.

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.

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

The Company has the following commodity risk management contracts outstanding at June 30, 2024:

Type		Q3 2024	Q4 2024	2025	2026	2027
Crude oil [1]						
WTI swap	bbl/d	1,750	2,000	563	—	—
WTI buy put	bbl/d	4,167	3,500	2,333	500	42
WTI sell call	bbl/d	3,667	3,000	2,333	500	42
WTI swap average	US$/bbl	$74.32	$73.91	$74.17	$—	$—
WTI buy put average	US$/bbl	$69.19	$69.29	$69.34	$70.19	$70.00
WTI sell call average	US$/bbl	$78.79	$77.18	$77.07	$73.38	$73.18
Natural gas [1]						
NYMEX Henry Hub swap	MMBtu/d	2,500	2,500	—	—	—
NYMEX Henry Hub buy put	MMBtu/d	45,833	40,833	28,958	15,868	863
NYMEX Henry Hub sell call	MMBtu/d	35,833	32,500	28,958	15,868	863
NYMEX Henry Hub swap average	US$/MMBtu	$3.23	$3.23	$—	$—	$—
NYMEX Henry Hub buy put average	US$/MMBtu	$3.11	$3.19	$3.24	$3.14	$3.00
NYMEX Henry Hub sell call average	US$/MMBtu	$3.96	$4.14	$4.60	$4.49	$3.90
Natural gas transportation [1,2,3]						
Purchase AECO 5A basis (to NYMEX Henry Hub)	MMBtu/d	30,000	13,333	4,167	—	—
Sell GDD Chicago basis (to NYMEX Henry Hub) [3]	MMBtu/d	(30,000)	(13,333)	(4,167)	—	—
AECO 5A basis (to NYMEX Henry Hub) average	US$/MMBtu	$(1.28)	$(1.37)	$(1.42)	$—	$—
GDD Chicago basis (to NYMEX Henry Hub) average [3]	US$/MMBtu	$(0.07)	$(0.10)	$(0.12)	$—	$—

1 – Prices per unit and volumes per day are represented at the average amounts for the period.
2 – Natural gas transportation hedges relate to exposure to basis pricing differentials between AECO and Chicago arising from firm transportation commitments.
3 – Gas Daily Daily ("GDD") pricing represents the daily natural gas settlement price in Chicago.

The Company has the following foreign exchange risk management contracts outstanding at June 30, 2024:

Type		Q3 2024	Q4 2024	2025	2026	2027
Foreign exchange						
Sell USD CAD (monthly average)	US$	$9.0 MM	$9.0 MM	$16.5 MM	$— MM	$— MM
USD CAD buy put	US$	$5.0 MM	$5.0 MM	$2.5 MM	$5.0 MM	$— MM
USD CAD sell call	US$	$5.0 MM	$5.0 MM	$2.5 MM	$5.0 MM	$— MM
USD CAD fixed sell rate		$1.33	$1.33	$1.34	$—	$—
USD CAD put rate		$1.32	$1.32	$1.33	$1.28	$—
USD CAD call rate		$1.34	$1.34	$1.38	$1.35	$—

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

Subsequent to June 30, 2024, the Company entered into the following risk management contracts:

Type		Q3 2024	Q4 2024	2025	2026	2027
Crude oil contracts [1,2]						
WTI buy put	bbl/d	333	333	—	—	—
WTI sell call	bbl/d	333	333	—	—	—
WTI buy put average	US$/bbl	$70.00	$70.00	$—	$—	$—
WTI sell call average	US$/bbl	$88.50	$88.50	$—	$—	$—

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 position in the condensed consolidated interim Balance Sheet as at June 30, 2024 and the impact of offsetting contracts.

	Gross financial assets (liabilities)	Offsetting contracts	Net financial assets (liabilities) on Balance Sheet
As at December 31, 2023			
Current asset	14,950	(4,242)	10,708
Long-term asset	9,014	(176)	8,838
Current liability	(4,242)	4,242	—
Long-term liability	(176)	176	—
Net risk management position	19,546	—	19,546
As at June 30, 2024			
Current asset	7,413	(7,413)	—
Long-term asset	1,312	(1,134)	178
Current liability	(16,769)	7,414	(9,355)
Long-term liability	(4,370)	1,133	(3,237)
Net risk management position	(12,414)	—	(12,414)

A summary of the Company's total gain (loss) on risk management contracts for the three and six months ended June 30, 2024 is as follows:

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

	For the three months ended June 30, 2024	2023	For the six months ended June 30, 2024	2023
Realized gain on production	**3,234**	8,857	**5,906**	10,830
Realized gain on purchases	**1,882**	3,824	**2,999**	8,103
Realized loss on foreign exchange	**(1,574)**	(348)	**(2,228)**	(1,431)
Total realized gain	**3,542**	12,333	**6,677**	17,502
Unrealized (loss) gain	**(16,820)**	8,887	**(31,960)**	37,698
Total (loss) gain on risk management	**(13,278)**	21,220	**(25,283)**	55,200

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.

15. Supplemental cash flow information

Changes in non-cash working capital are as follows:

	For the three months ended June 30, 2024	2023	For the six months ended June 30, 2024	2023
Accounts receivable	**11,579**	6,817	**16,694**	29,039
Prepaid expenses and deposits	**(3,750)**	(7,981)	**(3,188)**	(6,343)
Inventory	**(165)**	917	**(165)**	242
Accounts payable and accrued liabilities	**(2,308)**	(25,799)	**189**	(24,111)
Net change in non-cash working capital	**5,356**	(26,046)	**13,530**	(1,173)
Allocated to:				
Operating activities	**969**	(4,701)	**1,673**	2,622
Investing activities	**4,387**	(20,685)	**11,857**	(4,938)
Financing activities	**—**	(660)	**—**	1,143
Net change in non-cash working capital	**5,356**	(26,046)	**13,530**	(1,173)

For the three and six months ended June 30, 2024, the Company has drawn \$2.2 million and \$4.1 million of prepaid casing into Property, Plant and Equipment with no impact on the condensed consolidated interim Statement of Cash Flows (nil in the respective 2023 periods). As at June 30, 2024, \$2.2 million of casing remains in Prepaid Expenses and Deposits.

In the prior year, the Company settled a \$10.0 million contingent payment related to the 2021 Simonette Acquisition. All contingent payments related to this acquisition have been fully settled. This \$10.0 million payment has been recognized in the condensed consolidated interim Statement of Cash Flows under investing activities.