Westbrick Energy Ltd.

Condensed Interim Statements of Financial Position
(*stated in thousands of dollars*)
(unaudited)

	Note		**June 30, 2022**		December 31, 2021
Assets					
Current assets					
Accounts receivable		**$**	**109,954**	$	55,190
Prepaid expenses and deposits			**6,337**		2,284
Fair value of financial instruments	13		**-**		309
			116,291		57,783
Exploration and evaluation assets	3		**113,636**		111,042
Property, plant, and equipment	4		**849,204**		755,461
Total Assets		**$**	**1,079,131**	$	924,286
Liabilities and Shareholders' Equity					
Current Liabilities					
Accounts payable and accrued liabilities		**$**	**135,798**	$	110,046
Decommissioning obligations	7		**2,639**		1,306
Fair value of financial instruments	13		**43,513**		11,826
Lease obligation	6		**404**		135
Bank debt	5		**43,186**		-
Income taxes payable			**30,610**		-
			256,150		123,313
Lease obligation	6		**609**		649
Bank debt	5		**-**		128,930
Decommissioning obligations	7		**56,032**		74,737
Deferred income taxes			**90,449**		75,023
			403,240		402,652
Shareholders' Equity					
Share capital	8		**299,340**		299,340
Contributed surplus			**31,806**		30,033
Retained earnings			**344,745**		192,261
			675,891		521,634
Total Liabilities and Shareholders' Equity		**$**	**1,079,131**	$	924,286
Commitments	15				
Subsequent event	13				

The accompanying notes are an integral part of these condensed interim financial statements.

Westbrick Energy Ltd.

Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)
(stated in thousands of dollars, except per share amounts)
(unaudited)

	Note	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Revenue					
Petroleum and natural gas	10	**$ 295,331**	$ 66,266	**$ 485,827**	$ 131,441
Royalties		**(43,608)**	(5,471)	**(62,151)**	(9,717)
		251,723	60,795	**423,676**	121,724
Realized losses on financial instruments		**(43,059)**	(2,367)	**(55,323)**	(4,765)
Unrealized gains (losses) on financial instruments		**29,690**	(18,362)	**(31,996)**	(19,069)
Other income	11	**3,877**	859	**6,373**	1,776
		242,231	40,925	**342,730**	99,666
Expenses					
Operating		**26,345**	11,782	**50,023**	24,402
Transportation		**7,668**	2,389	**13,474**	4,899
General and administration		**2,130**	2,015	**4,975**	4,107
Transaction costs		**3,145**	2,140	**3,342**	2,140
Share-based compensation	9	**913**	691	**1,773**	1,382
Finance expenses	12	**2,619**	1,104	**5,196**	2,155
Depletion and depreciation	3,4	**34,655**	20,661	**65,427**	36,703
		77,475	40,782	**144,210**	75,788
Net income before income taxes		**164,756**	143	**198,520**	23,878
Current taxes		**25,672**	-	**30,610**	-
Deferred income taxes		**12,400**	194	**15,426**	5,812
		38,072	194	**46,036**	5,812
Net and comprehensive income (loss)		**$ 126,684**	$ (51)	**$ 152,484**	$ 18,066
Net income (loss) per basic common share	8	**$ 2.68**	$ (0.00)	**$ 3.22**	$ 0.38

The accompanying notes are an integral part of these condensed interim financial statements.

Westbrick Energy Ltd.

Condensed Interim Statements of Changes in Shareholders' Equity
(stated in thousands of dollars, except number of shares)
(unaudited)

	Number of Common Shares		Share Capital		Contributed Surplus		Retained Earnings		Shareholders' Equity
Balance at December 31, 2020	47,352,572	$	299,340	$	27,191	$	98,335	$	424,866
Share-based compensation	-		-		1,382		-		1,382
Net income for the period	-		-		-		18,066		18,066
Balance at June 30, 2021	47,352,572	$	299,340	$	28,573	$	116,401	$	444,314
Balance at December 31, 2021	47,352,572	$	299,340	$	30,033	$	192,261	$	521,634
Share-based compensation	-		-		1,773		-		1,773
Net income for the period	-		-		-		152,484		152,484
Balance at June 30, 2022	47,352,572	$	299,340	$	31,806	$	344,745	$	675,891

Westbrick Energy Ltd.

Condensed Interim Statements of Cash Flows
(stated in thousands of dollars)
(unaudited)

	Note	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Cash flows from operating activities:					
Net and comprehensive income (loss)		**$ 126,684**	$ (51)	**$ 152,484**	$ 18,066
Non-cash items:					
Unrealized (gain) loss on financial instruments		**(29,690)**	18,362	**31,996**	19,069
Depletion and depreciation	3,4	**34,655**	20,661	**65,427**	36,703
Deferred income taxes		**12,400**	194	**15,426**	5,812
Finance expenses	12	**2,619**	1,104	**5,196**	2,155
Share-based compensation	9	**913**	691	**1,773**	1,382
Decommissioning expenditures	7	**(397)**	34	**(2,530)**	(223)
Changes in non-cash working capital	14	**30,355**	(3,931)	**10,414**	(7,049)
		$ 177,539	$ 37,064	**$ 280,186**	$ 75,915
Cash flows from investing activities:					
Additions to property, plant and equipment	4	**$ (80,239)**	$ (20,781)	**$ (160,311)**	$ (58,768)
Acquisition of property, plant and equipment	4	**-**	(123,341)	**-**	(123,341)
Additions to exploration and evaluation	3	**(10,607)**	(9,310)	**(16,419)**	(11,584)
Acquisitions of exploration and evaluation	3	**(364)**	(7,050)	**(364)**	(7,050)
Changes in non-cash working capital	14	**13,406**	(3,261)	**(13,978)**	6,786
		$ (77,804)	$ (163,743)	**$ (191,072)**	$ (193,957)
Cash flows from financing activities:					
Proceeds from (repayment of) bank debt		**(98,095)**	127,488	**(85,744)**	119,765
Interest paid		**(1,640)**	(835)	**(3,370)**	(1,687)
Payments on lease obligation	6	**-**	26	**-**	(36)
		$ (99,735)	$ 126,679	**$ (89,114)**	$ 118,042
Change in cash and cash equivalents		**-**	-	**-**	-
Cash and cash equivalents, beginning of period		**-**	-	**-**	-
Cash and cash equivalents, end of period		**$ -**	$ -	**$ -**	$ -

The accompanying notes are an integral part of these condensed interim financial statements.

1. Reporting entity

Westbrick Energy Ltd. ("Westbrick" or the "Company") was incorporated under the laws of the Province of Alberta on January 14, 2011. The Company is engaged in the exploration for and development and production of oil, natural gas, and natural gas liquids ("NGL") in Alberta and conducts many of its activities jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

The Company's registered office is located at Suite 2300, 520 – 3rd Avenue SW, Calgary, Alberta, Canada, T2P 0R3.

2. Basis of preparation

a) Statement of compliance

These condensed interim financial statements ("interim financial statements") as at and for the three and six months ended June 30, 2022, have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* under International Financial Reporting Standards as issued by the International Accounting Standards Board. These interim financial statements have been prepared following the same accounting policies and methods of completion as the financial statements of the Company for the year ended December 31, 2021. These interim financial statements do not include all of the information required for full annual financial statements. As such, these interim financial statements should be read in conjunction with the Company's financial statements for the year ended December 31, 2021.

These interim financial statements were authorized for issuance by the Board of Directors on August 11, 2022.

b) Functional and presentation currency

These interim financial statements are presented in thousands of Canadian dollars, unless otherwise noted, which is the functional currency of the Company.

(tabular amounts in thousands of dollars, unless otherwise stated)

3. Exploration and evaluation assets

		Cost
Balance at December 31, 2020	$	117,836
Additions		22,477
Transfers to property, plant and equipment		(20,017)
Acquisitions		7,085
Dispositions		(105)
Expired mineral leases included in depletion and depreciation		(16,234)
Balance at December 31, 2021	$	111,042
Additions		**16,419**
Transfers to property, plant and equipment		**(9,353)**
Acquisitions		**364**
Expired mineral leases included in depletion and depreciation		**(4,836)**
Balance at June 30, 2022	**$**	**113,636**

Exploration and evaluation assets ("E&E assets") consist of undeveloped lands, seismic data, and costs incurred on the Company's drilling and completion projects which are pending determination of technical feasibility and commercial viability. After proved and/or probable reserves are established, the associated E&E assets, which include an estimate of the cost of undeveloped land and seismic, are tested for impairment and transferred to property, plant and equipment.

The carrying value of expired mineral leases is included with depletion and depreciation expense on the statements of income (loss) and comprehensive income (loss) for the period.

Impairment Assessment

In accordance with IFRS, an impairment test is performed upon transferring E&E assets to Property, Plant and Equipment, and if the Company identifies any indicators of impairment. The Company determined that no indicators of impairment existed with respect to its E&E assets as at June 30, 2022 and December 31, 2021, and accordingly an impairment test was not performed.

Acquisitions

During the three and six months ended June 30, 2022, the Company acquired 4,636 net hectares of undeveloped land in exchange for total cash consideration of $0.4 million.

(tabular amounts in thousands of dollars, unless otherwise stated)

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

	Petroleum And Natural Gas	Office	Right Of Use	Total
Cost:				
Balance at December 31, 2020	$ 854,999	$ 244	$ 330	$ 855,573
Acquisitions	140,118	-	-	140,118
Additions	175,308	62	690	176,060
Dispositions	(1,100)	-	-	(1,100)
Transfers from exploration and evaluation	20,017	-	-	20,017
Derecognition of right-of-use asset	-	-	(330)	(330)
Change in decommissioning estimates	22,322	-	-	22,322
Balance at December 31, 2021	$ 1,211,664	$ 306	$ 690	$ 1,212,660
Additions	**162,371**	**138**	**204**	**162,713**
Transfers from exploration and evaluation	**9,353**	**-**	**-**	**9,353**
Change in decommissioning estimates	**(17,732)**	**-**	**-**	**(17,732)**
Balance at June 30, 2022	**$ 1,365,656**	**$ 444**	**$ 894**	**$ 1,366,994**
Accumulated depletion and depreciation:				
Balance at December 31, 2020	$ 379,556	$ 179	$ 273	$ 380,008
Depletion and depreciation	77,296	40	185	77,521
Derecognition of right-of-use asset	-	-	(330)	(330)
Balance at December 31, 2021	$ 456,852	$ 219	$ 128	$ 457,199
Depletion and depreciation	**60,428**	**37**	**126**	**60,591**
Balance at June 30, 2022	**$ 517,280**	**$ 256**	**$ 254**	**$ 517,790**
Carrying amounts:				
At December 31, 2021	$ 754,812	$ 87	$ 562	$ 755,461
At June 30, 2022	**$ 848,376**	**$ 188**	**$ 640**	**$ 849,204**

Depletion and Depreciation

The calculation of depletion and depreciation expense for the three months ended June 30, 2022, includes estimated future development costs of $1,062.3 million (December 31, 2021 - $1,157.1 million) associated with proved plus probable reserves.

Capitalized General and Administrative Expense

For the six months ended June 30, 2022, the Company capitalized $5.4 million (six months ended June 30, 2021 - $1.8 million) of general and administrative expenses to property, plant and equipment.

Impairment Assessment

At June 30, 2022 and December 31, 2021, the Company determined there were no indicators of impairment and accordingly did not perform an impairment test.

5. Bank debt

The Company has a revolving committed term credit facility (the “Credit Facility”) with a syndicate of financial institutions (the “Lenders”). The Credit Facility is comprised of an extendable $295 million syndicated facility and a $30 million operating facility, of which the Company has drawn $43.2 million as at June 30, 2022. The Credit Facility is available for a revolving period of 364 days maturing on May 31, 2022 and may be extended annually at the Company’s and Lenders’ option and subject to Lender approval, with a term out to May 31, 2023, when amounts under the Credit Facility would be due if not extended. The Company is in compliance with all non-financial covenants and there are no financial covenants in place as at June 30, 2022.

Interest is payable monthly for borrowings through direct advances. Under the Credit Facility, borrowing is also available utilizing bankers’ acceptances. The Credit Facility provides for interest rates on a pricing grid and range from bank prime plus 1.75% to bank prime plus 5.25% for direct advances and stamping fees of 2.75% to 6.25% for borrowings utilizing bankers acceptances, depending upon the Company’s then current bank debt to trailing 12 months cash flow ratio of between less than 0.5 times to greater than 4.5 times. Borrowing margins and fees are reviewed annually as part of the Lenders’ annual renewal.

The Credit Facility is subject to semi-annual borrowing base reviews, generally on or before May 31 and November 30 each year. In the event that the Lenders reduce the borrowing base below the amount drawn at the time of the re-determination, the Company has 60 days to eliminate any borrowing base shortfall by repaying the amount drawn in excess of the re-determined borrowing base, or by providing additional security or other consideration satisfactory to the Lenders. Repayments of principal are not required provided that the borrowings under the Credit Facility do not exceed the authorized borrowing amount and the Company is in compliance with all covenants, representations and warranties.

The Lenders have extended the conversion and borrowing base review dates from May 31, 2022 to August 31, 2022, with the review process and renewal currently under way. While the review encompasses many factors, the Company has no reason to believe that the amount of the borrowing base and the terms of the Credit Facility will not be renewed at or similar to the terms of the borrowing base presently in place. In the unlikely event that the Credit Facility is not extended by the Lenders, the Company is expected to generate sufficient cash flows to meet its current financial obligations.

(tabular amounts in thousands of dollars, unless otherwise stated)

The Credit Facility is secured by a first fixed and floating charge debenture over all assets in the amount of $1 billion.

For the six months ended June 30, 2022, the Company's average effective interest rate was 5.0% (six months ended June 30, 2021 – 4.6%).

6. Lease obligation

The Company has recognized a lease obligation associated with the payments for leasing office space. The lease obligation is calculated by discounting the lease payments at the Company's incremental borrowing rate at the inception of the lease.

The Company has the following future commitments associated with its Calgary head office lease obligation:

		June 30, 2022		December 31, 2021
Balance at beginning of period	**$**	**784**	$	102
Lease additions		**204**		690
Financing expense		**25**		27
Lease payments		**-**		(35)
Balance at end of period		**1,013**		784
Less current portion		**(404)**		(135)
Long term portion	**$**	**609**	$	649

7. Decommissioning obligations

The Company's decommissioning obligations result from its ownership interest in petroleum and natural gas assets, including well sites and related facilities. The total decommissioning obligation is estimated based on the Company's net ownership interest in all wells and facilities, estimated future costs to reclaim and abandon these wells and facilities, and the estimated timing of the costs to be incurred in future years. The Company has estimated the net present value of the current and long-term decommissioning obligations to be $58.7 million (December 31, 2021 - $76.0 million) based on an undiscounted and uninflated liability of approximately $75.1 million (December 31, 2021 - $73.4 million). These payments are expected to be incurred over the next 50 years, with the majority of costs to be incurred between 2023 and 2050. As at June 30, 2022, the liability has been calculated using an inflation rate of 1.75% (December 31, 2021 – 1.84%) and discounted using risk-free rates ranging from 2.66% to 3.33% (December 31, 2021 – 0.81% to 1.70%) depending on the estimated timing of the future obligation.

(tabular amounts in thousands of dollars, unless otherwise stated)

The Company uses guidance provided by third parties and regulatory authorities to estimate the cost to reclaim and abandon wells and facilities in order to determine its decommissioning obligations. The decrease in the Company's decommissioning obligations since December 31, 2021, is primarily due to the increase in risk free rates.

	June 30, 2022	December 31, 2021
Balance at beginning of period	**$ 76,043**	$ 38,278
Obligations incurred	**2,198**	2,049
Obligations assumed on acquisitions	**-**	16,499
Changes in future estimates	**(17,732)**	19,122
Decommissioning expenditures	**(2,530)**	(715)
Accretion expense	**692**	810
Total decommissioning obligation at end of period	**58,671**	76,043
Less current portion	**(2,639)**	(1,306)
Long term balance at end of period	**$ 56,032**	$ 74,737

8. Share capital

The Company has an unlimited number of Common and Preferred Shares authorized for issuance. As at June 30, 2022 and December 31, 2021 there were 47,352,572 Common Shares issued and outstanding and weighted average number of common shares issued and outstanding respectively,for the periods then ended, and nil Preferred Shares issued and outstanding.

9. Share-based compensation

The Company's share option plan has authorized 5,235,257 common share options for issuance and as at June 30, 2022, 5,230,000 options were issued and outstanding (December 31, 2021 – 4,980,000). During the six months ended June 30, 2022, 250,000 options were granted. The fair value of options granted during the six month period ended June 30, 2022, was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions and resulting values:

	June 30, 2022
Fair value of options granted (weighted average)	**$ 10.69**
Risk-free rate	**2.21%**
Option life - years	**4.8**
Estimated volatility	**76%**
Forfeiture rate	**5%**

(tabular amounts in thousands of dollars, unless otherwise stated)

Share-based compensation expense of $0.9 million and $1.8 million was recorded for the three and six months ended June 30, 2022, respectively ($0.7 million and $1.4 million for the three and six months ended June 30, 2021, respectively).

10. Petroleum and natural gas revenue

The Company sells its production pursuant to fixed and variable priced physical delivery contracts. The transaction price for variable priced contracts is based on benchmark commodity prices, 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. Under the contracts, Westbrick is required to deliver fixed or variable volumes of commodities to the contract counterparty. Westbrick's customers are oil, natural gas liquids ("NGL"), and natural gas marketers and joint operations partners in the oil and natural gas industry, and are subject to normal credit risks. Concentration of credit risk is mitigated by marketing production to numerous oil, NGL, and natural gas marketers under customary industry sale and payment terms.

Revenue is recognized when Westbrick gives up control of the unit of production at the delivery point agreed to under the terms of the contract. The amount of production revenue that is recognized is based on the agreed transaction price and the volumes delivered. Westbrick does not have any factors considered to be constraining in the recognition of revenue with variable pricing factors.

Westbrick derives its revenue under contracts with customers primarily through the transfer of the following major commodities at a point in time:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	**2022**	2021
Oil	**$ 25,083**	$ 5,302	**$ 38,226**	$ 10,061
Natural gas liquids	**94,479**	20,397	**167,708**	39,673
Natural gas	**175,769**	40,567	**279,893**	81,707
Petroleum and natural gas revenue	**$ 295,331**	$ 66,266	**$ 485,827**	$ 131,441

Receivables arising under contracts with customers through the transfer of commodities and which are included in accounts receivable as at June 30, 2022 amounted to $99.2 million (June 30, 2021 - $23.8 million).

(tabular amounts in thousands of dollars, unless otherwise stated)

11. Other income

Other income includes compression and gathering fees, and is comprised of the following:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	**2022**	2021
Compression and gathering fees	**$ 3,046**	$ 859	**$ 4,821**	$ 1,746
Other	**831**	-	**1,552**	30
Other income	**$ 3,877**	$ 859	**$ 6,373**	$ 1,776

12. Finance expenses

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	**2022**	2021
Interest on bank loan	**$ 1,678**	$ 870	**$ 3,394**	$ 1,718
Interest on lease liabilities	**14**	6	**25**	7
Financing fees	**526**	73	**1,085**	183
Accretion	**401**	155	**692**	247
Finance expenses	**$ 2,619**	$ 1,104	**$ 5,196**	$ 2,155

13. Financial instruments and capital management

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

- market risk
- credit risk
- liquidity risk

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

Fair Value of Financial Instruments

The Company recognizes the fair value of its financial derivative contracts on the statement of financial position for each reporting period, with the change in fair value recognized as an unrealized gain or loss on the statement of income (loss) and comprehensive income (loss).

Westbrick classifies the fair value of these financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 – inputs represent quoted prices in active markets for identical assets or liabilities. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – inputs other than quoted prices used in Level 1 that are observable, either directly or indirectly, as of the reporting date. Level 2 valuations are based on inputs which can be observed or corroborated in the market place from sources such as the New York Mercantile Exchange and the Natural Gas Exchange.
- Level 3 – inputs that are less observable, unavailable or where the observable data does not support the majority of the instrument's fair value.

The Company's commodity contracts are classified as level 2 within the fair value hierarchy as the contracts are not transacted in active markets. The fair value of the derivative financial instruments is determined by calculating the difference between the contracted price and the published forward price curves as at the statement of financial position date, and then multiplying this price differential by the contracted commodity volumes.

As at June 30, 2022, the fair value and carrying value of the Company's derivative contracts was a net liability of $43.5 million (December 31, 2021 – $11.5 million).

a) Market Risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates will affect the Company's income or the value of the financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company may use both financial derivatives and physical delivery sales contracts to manage market risks.

i) **Commodity Price Risk:** Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by not only the relationship between the Canadian and United States dollar, but also by world economic events that dictate the levels of supply and demand. The Company's production is usually sold using "spot" or near term contracts, with prices fixed at the time of transfer of custody or on the basis of a monthly average market price.

(tabular amounts in thousands of dollars, unless otherwise stated)

The following is a summary of the financial instrument commodity price contracts in place as at June 30, 2022:

Term	Reference	GJ/d	Average $CAD/GJ	Type	Fair value
Jul 1, 2022 – Sep 30, 2022	AECO 5A	5,000	3.23	Swap	(1,119)
Jul 1, 2022 – Oct 31, 2022	AECO 5A	40,000	3.211	Swap	(8,387)
Jul 1, 2022 – Oct 31, 2022	AECO 7A	10,000	2.625 – 3.395	Collar	(1,947)
Jul 1, 2022 – Dec 31, 2022	AECO 5A	35,000	2.45	Swap	(13,575)
Jul 1, 2022 – Dec 31, 2022	AECO 7A	5,000	2.40 – 2.525	Collar	(2,198)
Jul 1, 2022 – Sep 30, 2022	AECO 7A	10,000	3.00 – 3.405	Collar	(1,606)
Oct 1, 2022 – Dec 31, 2022	AECO 7A	10,000	3.00 – 3.315	Collar	(1,369)
Nov 1, 2022 – Mar 31, 2023	AECO 5A	5,000	4.30	Swap	(457)
Nov 1, 2022 – Mar 31, 2023	AECO 7A	10,000	3.00 – 6.005	Collar	(872)
Jan 1, 2023 – Mar 31, 2023	AECO 5A	5,000	4.105	Swap	(411)
Jan 1, 2023 – Mar 31, 2023	AECO 7A	25,000	4.10 – 7.130	Collar	(1)
Jan 1, 2023 – Dec 31, 2023	AECO 7A	5,000	3.25 – 7.45	Collar	148
Fair value – natural gas financial instruments					$ (31,794)

Term	Reference	bbl/d	Average $CAD/bbl	Type	Fair value
Jul 1, 2022 – Jul 31, 2022	CAD WTI	250	75.00 – 95.65	Collar	(304)
Jul 1, 2022 – Dec 31, 2022	CAD WTI	250	75.62	Swap	(2,333)
Jul 1, 2022 – Dec 31, 2022	CAD WTI	1,000	70.50 – 82.63	Collar	(8,178)
Aug 1, 2022 – Aug 31, 2022	CAD WTI	250	75.00 – 80.56	Collar	(393)
Sep 1, 2022 – Sep 30, 2022	CAD WTI	250	75.00 – 88.00	Collar	(302)
Oct 1, 2022 – Dec 31, 2022	CAD WTI	250	90.00 – 125.00	Collar	(209)
Fair value – oil and NGL financial instruments					(11,719)
Total fair value of financial instruments					$ (43,513)

Subsequent to June 30, 2022, the following financial instrument commodity price contracts were executed:

Term	Reference	GJ/d	Average $CAD/GJ	Type
Nov 1, 2022 – Mar 31, 2023	AECO 7A	5,000	5.50 – 10.00	Collar
Apr 1, 2023 – Oct 31, 2023	AECO 5A	5,000	4.22	Swap

ii) **Currency Risk:** Prices for petroleum are determined in global markets and generally denominated in United States dollars. Natural gas prices obtained by the Company are influenced by both US and Canadian demand and the corresponding North American supply, and by imports and exports of liquefied natural gas. The exchange rate effect cannot be quantified but generally an increase in the value of the Canadian dollar as compared to the United States dollar will reduce the prices received by the Company for its petroleum and natural gas sales. The Company currently does not have any financial instruments denominated in a foreign currency, nor does it hedge this exposure.

(tabular amounts in thousands of dollars, unless otherwise stated)

iii) **Interest Rate Risk:** Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's syndicated Credit Facility provides for interest rates on a pricing grid which range from bank prime plus 1.75% to bank prime plus 5.25% for direct advances and stamping fees of 2.75% to 6.25% for borrowings utilizing bankers acceptances, depending upon the Company's then current bank debt to trailing 12 months cash flow ratio as described above. The Company will be exposed to interest rate risk on draw down of this facility and has not entered into any mitigating interest rate hedges or swaps. Based on the Company's average loan balance for the first six months of 2022, a 1% increase or decrease in the interest rate charged on Westbrick's Credit Facility would amount to a $0.7 million impact on net income before income taxes for the six months ended June 30, 2022 (six months ended June 30, 2021 - $0.4 million). As at June 30, 2022, the Company had drawn $43.2 million on the Credit Facility (December 31, 2021 - $128.9 million).

b) 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 and arises principally from the Company's receivables from joint venture partners and petroleum and natural gas marketers. The carrying amount of accounts receivable reflects management's assessment of the credit risk associated with these customers. The maximum exposure to credit risk is as follows:

		June 30, 2022		December 31, 2021
Joint venture partners	**$**	**6,658**	$	7,907
Petroleum and natural gas marketers		**99,237**		41,791
Other		**4,059**		5,492
Total accounts receivable	**$**	**109,954**	$	55,190

The Company conducts all its operations in Canada. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Receivables from petroleum and natural gas marketers are normally collected on the 25th day of the month following production. Since substantially all of Westbrick's products are marketed by three purchasers, it is the Company's policy to mitigate credit risk by establishing marketing relationships with creditworthy purchasers. The Company historically has not experienced any collection issues with its petroleum and natural gas marketers.

(tabular amounts in thousands of dollars, unless otherwise stated)

The aging of the Company's accounts receivable is summarized as follows:

	June 30, 2022	December 31, 2021
Current	**$ 105,656**	$ 52,914
31 – 60 days	**1,013**	1,693
61 – 90 days	**6**	426
Greater than 90 days	**3,279**	157
Total accounts receivable	**$ 109,954**	$ 55,190

At June 30, 2022, $3.3 million, or 3.0% (December 31, 2021 - $0.2 million or 0.3%) of Westbrick's accounts receivable are aged over 90 days. Many of these accounts are due from various partners of jointly owned assets. Receivables from joint venture partners are typically collected within one to three months of the joint venture bill being issued. The Company attempts to mitigate the risk from joint venture receivables by obtaining venturer pre-approval of significant capital expenditures. However, the receivables are from participants in the petroleum and natural gas sector, and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. In addition, further risk exists with joint venturers as disagreements occasionally arise that increase the potential for non-collection. The Company does not typically obtain collateral from petroleum and natural gas marketers or joint venturers; however, the Company does have the ability to withhold production from joint venturers in the event of non-payment.

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's financial liabilities consist of accounts payable, financial instruments, bank debt, and lease obligations. Accounts payable and commodity price financial instruments have contractual maturities of less than one year. To meet these obligations, Westbrick maintains a revolving Credit Facility, as discussed in Note 5, which is subject to annual renewal by the Lenders and has a contractual maturity in 2023 if not extended.

Management closely monitors cash flow requirements to ensure that it has sufficient cash on demand or borrowing capacity to meet operational and financial obligations currently and in the foreseeable future; this excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. To further manage its capital expenditures, the Company utilizes Authorizations for Expenditures on both operated and non-operated projects. The Company also collects the majority of its petroleum and natural gas revenues 25 days following the end of the particular production month.

(tabular amounts in thousands of dollars, unless otherwise stated)

To facilitate its capital expenditure program, the Company has a syndicated Credit Facility with a borrowing base of $325 million as at June 30, 2022 and December 31, 2021, against which the Company has drawn funds of $43.2 million as of June 30, 2022 (December 31, 2021 - $128.9 million).

The timing of cash flows relating to financial liabilities as at June 30, 2022 is as follows:

	Total	Less Than One Year	One to Three Years
Accounts payable and accrued liabilities	$ 135,798	$ 135,798	$ -
Fair value of financial instruments liabilities	43,513	43,513	-
Income taxes payable	30,610	30,610	-
Lease obligation	1,013	404	609
Bank debt	43,186	43,186	-
Total financial liabilities	$ 254,120	$ 253,511	$ 609

d) Capital Management

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements. The Credit Facility is subject to a regular review of the borrowing base, which is directly impacted by the value of the petroleum and natural gas reserves. The review encompasses many factors, including a thorough analysis of Westbrick's reserve estimate, based on the lenders' commodity price assumptions. Revisions or changes in the reserve estimates and commodity prices can have either a positive or a negative impact on the borrowing base. Any re-determination of the borrowing base is effective immediately, and if the borrowing base is reduced below the amount drawn at the time of redetermination, the Company has 60 days to eliminate any borrowing base shortfall by repaying the amount drawn in excess of the re-determined borrowing base or by providing additional security or other consideration satisfactory to the lenders.

The Company monitors its capital program based on available funds, which is the combination of working capital, excluding the lease obligation and the fair value of financial instruments, and the undrawn portion of the bank loan, as calculated below:

	June 30, 2022	December 31, 2021
Accounts receivable	**$ 109,954**	$ 55,190
Undrawn portion of bank loan	**281,814**	196,070
Accounts payable and accrued liabilities	**(135,798)**	(110,046)
Income taxes payable	**(30,610)**	-
Net available funds	**$ 225,360**	$ 141,214

(tabular amounts in thousands of dollars, unless otherwise stated)

The Lenders have extended the conversion and borrowing base review dates from May 31, 2022 to August 31, 2022, with the review process and renewal currently under way. While the review encompasses many factors, the Company has no reason to believe that the amount of the borrowing base and the terms of the Credit Facility will not be renewed at or similar to the terms of the borrowing base currently in place. In the unlikely event that the Credit Facility is not extended by the Lenders the Company is expected to generate sufficient cash flows to meet its current financial obligations.

The Company's policy is to maintain a strong capital base so as to preserve investor, creditor and market confidence, and to sustain future development of the business. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas assets. The Company considers its capital structure to include shareholders' equity, loans and borrowings and working capital. In order to maintain or adjust the capital structure, the Company may issue shares and adjust its capital spending to manage current and projected debt levels.

14. Supplemental cash flow information

Changes in non-cash working capital are comprised of:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	**2022**	2021
Accounts receivable	**$ (11,509)**	$ (1,072)	**$ (54,764)**	$ (8,052)
Prepaid expenses and deposits	**(4,176)**	(2,872)	**(4,053)**	(4,101)
Prepaids on acquisition	**-**	(1,441)	**-**	(1,441)
Accounts payable and accrued liabilities[1]	**33,774**	(1,807)	**24,643**	13,331
Income taxes payable	**25,672**	-	**30,610**	-
	43,761	(7,192)	**(3,564)**	(263)
Operating	**30,355**	(3,931)	**10,414**	(7,049)
Investing	**13,406**	(3,261)	**(13,978)**	6,786
	$ 43,761	$ (7,192)	**$ (3,564)**	$ (263)

(1) Net of interest accrual

15. Commitments

The Company enters into various contractual obligations and commitments in the normal course of operations. The following table lists Westbrick's estimated material contractual obligations and commitments at June 30, 2022:

($000s)	2022	2023	2024	2025	2026	Thereafter	Total
Gas transportation	$ 5,857	$ 8,450	$ 5,057	$ 3,120	$ 1,618	$ 964	$ 25,066
Gas processing	3,831	5,891	5,891	-	-	-	15,613
Office leases	135	540	403	-	-	-	1,078
Capital costs(1)	5,094	-	-	-	-	-	5,094
Bank debt	-	43,186	-	-	-	-	43,186
Total	$14,917	$ 58,067	$ 11,351	$ 3,120	$ 1,618	$ 964	$ 90,037

(1) *Includes commitments to purchase pipeline materials*