SUNSHINE OILSANDS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

SUNSHINE OILSANDS LTD.

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CONTENTS

	PAGES
INDEPENDENT AUDITOR'S REPORT	1 – 5
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	6 – 7
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	8 – 9
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	10 – 11
CONSOLIDATED STATEMENT OF CASH FLOWS	12
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	13 – 80

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SUNSHINE OILSANDS LTD.
(Incorporated in the Province of Alberta, Canada with limited liability)

Opinion

We have audited the consolidated financial statements of Sunshine Oilsands Ltd. (the "Company") and its subsidiaries (hereafter collectively referred to as the "Group") set out on pages 6 to 80, which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board (the "IAASB"). Our responsibilities under those standards are further described in the "*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to the Going Concern

We draw attention to Note 3 to the consolidated financial statements, which indicates that the Group's total current liabilities exceeded its total current assets by approximately CAD79,458,000 as at December 31, 2023. This condition, along with other matters as set forth in Note 3 to the consolidated financial statements, indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matters (Continued)

Impairment assessment of Exploration and Evaluation ("E&E") Assets

Refer to Note 10 to the consolidated financial statements and the accounting policies on pages 24 and 25.

The key audit matter	How the matter was addressed in our audit
As at December 31, 2023, the carrying amount of the Group's E&E assets was approximately CAD237,971,000. The management of the Company reviewed petroleum properties, which comprise different cash generating units ("CGUs"), for indicators of possible impairment or reversal of impairment by considering events or changes in circumstances. Such events and changes in circumstances included the economic impact on these CGUs resulting from fluctuation of crude oil prices, production costs and change in production and oil reserve volumes. The management of the Company compared the carrying amount of each CGU with its recoverable amount, which was estimated by calculating the fair value less costs of disposal using a discounted cash flow forecast, to determine the amount of impairment or reversal of impairment, if any. In determining fair value less costs of disposal, the estimated future cash flows of contingent resources were discounted to their present value using a post-tax discount rate. The management of the Company applied critical judgement in determining the recoverable amount. The preparation of discounted cash flow forecast involves the exercise of significant management judgement, particularly in estimating for the quantity of contingent resources, future commodity prices, production rates, operating expenses and development costs, as well as a discount rate. The management of the Company engages independent qualified reserves evaluators to evaluate the contingent resources associated with the E&E assets. We have identified the impairment assessment of the E&E assets as a key audit matter because the amount is significant to the consolidated financial statements as a whole and involve the exercise of significant management judgement in estimating the inputs in the impairment assessment models, which have a high degree of auditor judgement, subjectivity and effort in performing procedures relating to the significant assumptions.	Our audit procedures were designed to perform, amongst others: • Understanding the process and testing the design and implementation of the key controls over management's review on impairment assessment of E&E assets. • Examining and challenging management's assessment of impairment indicators, specifically on status of the evaluation and development activities. • Examining the methodology adopted by management in the impairment assessments with reference to the requirements of the prevailing accounting standards. • Evaluating the competence, capabilities, and objectivity of the independent qualified reserves evaluators engaged by the management, and the methodology used by the independent qualified reserves evaluators. • Examining the impairment assessment prepared by the management of the Company, with involving our expert to assist us in assessing whether the management's discount rate and future commodity prices, by comparing it against market data and other external data. • Considering the disclosures in the consolidated financial statements in respect of the impairment assessment of petroleum properties and the key assumptions adopted with reference to the requirements of the prevailing accounting standards.

Key audit matters (Continued)

Impairment assessment of property, plant and equipment

Refer to Note 11 to the consolidated financial statements and the accounting policies on pages 25 to 27.

The key audit matter	How the matter was addressed in our audit
As at December 31, 2023, the carrying amount of the Group's property, plant and equipment was approximately CAD481,384,000. The management of the Company performed impairment assessment of the property, plant and equipment by comparing the carrying amount of each CGU with its recoverable amount, which was estimated by calculating the fair value less costs of disposal using a present value of the CGUs' expected future cash flow, to determine the amount of impairment or reversal of impairment, if any. In determining fair value less costs of disposal, the estimated future cash flows of contingent resources were discounted to their present value using a post-tax discount rate. The management of the Company applied critical judgement in determining the recoverable amount. We have identified the impairment assessment of the property, plant and equipment as a key audit matter because the amount is significant to the consolidated financial statements as a whole and there is involvement of a significant degree of judgements and estimates made by the management of the Company.	The audit procedures that we performed, amongst others, included: • Understanding the process and testing the design and implementation of the key controls over management's review on impairment assessment of property, plant and equipment. • Examining and challenging management's assessment of impairment indicators and the methodology adopted by management in the impairment assessments with reference to the requirements of the prevailing accounting standards. • Evaluating the competence, capabilities, and objectivity of the independent qualified reserves evaluators engaged by the Group, and the methodology used by the independent qualified reserves evaluators. • Comparing the forecasted commodity prices used in the estimate of proved and probable reserves to those published by other reserve engineering companies. • Comparing estimates of forecasted production, forecasted operating, royalty and capital cost assumptions used in the estimate of proved and probable reserves to historical results. • Examining the impairment assessment prepared by the management of the Company, with involving our expert to assist us in assessing whether the management's discount rate, by comparing it against market data and other external data. • Evaluating the disclosures in the financial statements in respect of the impairment assessment of the CGUs and the key assumptions adopted with reference to the requirements of the prevailing accounting standards.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors of the Company and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, active taken to eliminate threats or safeguards applied.

From the matters communicated with audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Fung Shing Bun, Spencer.

Prism Hong Kong and Shanghai Limited
Certified Public Accountants
Fung Shing Bun, Spencer
Practising Certificate Number: P07451
Hong Kong, March 22, 2024

SUNSHINE OILSANDS LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2023

	Notes	2023	2022
		CAD'000	CAD'000
Assets			
Current assets			
Trade and other receivables	7	5,424	8,330
Loan receivables	8	-	1,514
Cash and cash equivalents	9	527	542
		5,951	10,386
Non-current assets			
Exploration and evaluation assets	10	237,971	235,044
Property, plant and equipment	11	481,384	485,222
Right-of-use assets	12(a)	5,983	5,720
Other receivables	7	2,594	-
Loan receivables	8	12,049	11,347
		739,981	737,333
Total assets		745,932	747,719
Liabilities and shareholders' equity			
Current liabilities			
Trade payables, interest payables and accrued liabilities	13	72,450	233,330
Loans from related companies	15	-	15,200
Other loans	14(a)	1,839	4,008
Senior notes	14(b)	10,581	269,040
Lease liabilities	12(b)	539	391
		85,409	521,969
Non-current liabilities			
Interest payables	13	181,556	7,470
Loans from related companies	15	51,933	38,744
Loans from shareholders	16	19,021	12,342
Other loans	14(a)	13,615	12,230
Senior notes	14(b)	252,142	-
Lease liabilities	12(b)	1,380	811
Provisions	17	49,829	44,144
		569,476	115,741
Total liabilities		654,885	637,710

SUNSHINE OILSANDS LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2023

(CONTINUED)

	Notes	2023	2022
		CAD'000	CAD'000
Shareholders' equity			
Share capital	18	1,315,265	1,315,265
Reserve for share-based compensation		76,416	76,416
Capital reserve		(4,453)	(4,453)
Exchange fluctuation reserve		(455)	(1,042)
Accumulated deficit		(1,294,508)	(1,275,178)
Equity attributable to owners of the Company		92,265	111,008
Non-controlling interests		(1,218)	(999)
Total shareholders' equity		91,047	110,009
Total liabilities and shareholders' equity		745,932	747,719

	Notes
Going concern	3
Commitments and contingencies	31
Subsequent events	36

The consolidated financial statements on pages 6 to 80 were approved and authorised for issue by the board of directors on March 22, 2024 and are signed on its behalf by:

David Yi He,
Independent Non-Executive Director

Kwok Ping Sun,
Executive Director

The accompanying notes form part of these annual consolidated financial statements.

SUNSHINE OILSANDS LTD.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2023

	Notes	2023	2022
		CAD'000	CAD'000
Revenue	19	29,555	14,667
Other income	21	9,822	2,864
Reversal of impairment loss on property, plant and equipment		-	20,028
Total revenue and income		39,377	37,559
Expenses			
Diluent costs		(12,462)	(6,984)
Transportation costs		(9,531)	(3,926)
Operating costs		(17,068)	(18,942)
Depletion and depreciation		(8,610)	(3,870)
Impairment loss on exploration and evaluation assets		-	(19,653)
Impairment loss on financial assets, net of reversal		(337)	(78)
General and administrative costs		(12,553)	(11,064)
Finance costs	22	(10,125)	(8,737)
Total expenses		(70,686)	(73,254)
Other gain (loss)			
Foreign exchange gain (loss), net		11,683	(30,010)
Loss before income tax		(19,626)	(65,705)
Income tax expenses	28	-	-
Loss for the year	23	(19,626)	(65,705)
Loss for the year attributable to:			
Owners of the Company		(19,330)	(65,403)
Non-controlling interests		(296)	(302)
		(19,626)	(65,705)

SUNSHINE OILSANDS LTD.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2023

(CONTINUED)

	Note	**2023**	**2022**
		CAD'000	CAD'000
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss			
Exchange differences arising on translation of financial statements from functional currency to presentation currency		664	(653)
Other comprehensive income (expense) for the year		664	(653)
Total comprehensive expenses for the year		(18,962)	(66,358)
Total comprehensive expenses for the year attributable to:			
Owners of the Company		(18,743)	(66,042)
Non-controlling interests		(219)	(316)
		(18,962)	(66,358)
Loss per share	24		
Basic and diluted (CAD cents)		(7.94)	(26.86)

The accompanying notes form part of these annual consolidated financial statements.

SUNSHINE OILSANDS LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2023

	Attributable to owners of the Company							
	Share capital	**Reserve for share-based compensation**	**Capital reserve**	**Exchange fluctuation reserve**	**Accumulated deficit**	**Total**	**Non-controlling interests**	**Total equity**
	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000
Balance as at January 1, 2023	1,315,265	76,416	(4,453)	(1,042)	(1,275,178)	111,008	(999)	110,009
Loss for the year	-	-	-	-	(19,330)	(19,330)	(296)	(19,626)
- Exchange differences arising on translation of financial statements from functional currency to presentation currency	-	-	-	587	-	587	77	664
Total comprehensive income (expense) for the year	-	-	-	587	(19,330)	(18,743)	(219)	(18,962)
Balance as at December 31, 2023	1,315,265	76,416	(4,453)	(455)	(1,294,508)	92,265	(1,218)	91,047

The accompanying notes form part of these annual consolidated financial statements.

SUNSHINE OILSANDS LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2023

(CONTINUED)

	Attributable to owners of the Company							
	Share capital	**Reserve for share-based compensation**	**Capital reserve**	**Exchange fluctuation reserve**	**Accumulated deficit**	**Total**	**Non-controlling interests**	**Total equity**
	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000
Balance as at January 1, 2022	1,315,265	76,416	(4,453)	(403)	(1,209,775)	177,050	(683)	176,367
Loss for the year	-	-	-	-	(65,403)	(65,403)	(302)	(65,705)
- Exchange differences arising on translation of financial statements from functional currency to presentation currency	-	-	-	(639)	-	(639)	(14)	(653)
Total comprehensive expense for the year	-	-	-	(639)	(65,403)	(66,042)	(316)	(66,358)
Balance as at December 31, 2022	1,315,265	76,416	(4,453)	(1,042)	(1,275,178)	111,008	(999)	110,009

The accompanying notes form part of these annual consolidated financial statements.

SUNSHINE OILSANDS LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
	CAD'000	CAD'000
Operating activities		
Loss before income tax	(19,626)	(65,705)
Adjustments for:		
Depletion and depreciation	8,610	3,870
Unrealised foreign exchange (gain) loss	(11,851)	29,408
Income recognised in relation to the bitumen royalty agreement	(5,000)	-
Interest income	(7)	(6)
Written-off on trade payables	(2,374)	-
Impairment loss on financial assets, net of reversal	337	78
Impairment loss on exploration and evaluation assets	-	19,653
Reversal of impairment loss on property, plant and equipment	-	(20,028)
Finance costs	10,125	8,737
Operating cash flows before movements in working capital	(19,786)	(23,993)
Decrease (increase) in trade and other receivables	104	(3,987)
Increase in trade payables and accrued liabilities	12,094	6,655
Net cash used in operating activities	(7,588)	(21,325)
Investing activities		
Payments for property, plant and equipment	(547)	(543)
Payments for exploration and evaluation assets	(2,234)	(1,053)
Interest received	7	6
Net cash used in investing activities	(2,774)	(1,590)
Financing activities		
Advance from related companies' loans	265	11,099
Advance from shareholders' loans	6,991	11,792
Advance from other loans	1,440	1,969
Repayment to other loans	(1,780)	(284)
Repayment of lease liabilities	(583)	(713)
Payments for finance costs	(512)	(636)
Repayment of related companies' loans	(455)	(98)
Proceeds from bitumen royalty agreement	5,000	-
Net cash generated from financing activities	10,366	23,129
Net increase in cash and cash equivalents	4	214
Cash and cash equivalents, beginning of year	542	312
Effect of foreign exchange rate changes	(19)	16
Cash and cash equivalents, end of year	527	542

The accompanying notes form part of these annual consolidated financial statements.

1. CORPORATE INFORMATION

Sunshine Oilsands Ltd. (the "Company") was incorporated under the laws of the Province of Alberta on February 22, 2007. Its ultimate controlling party is Mr. Kwok Ping Sun ("Mr. Sun"). The address of its principal place of business is 1100, 700 – 6th Avenue S.W., Calgary, Alberta, Canada T2P 0T8 and subsequently with effective from July 8, 2022, was changed to Suite 1910, 715-5th Ave SW, Calgary AB, T2P 2X6. The Company's shares were listed on the Stock Exchange of Hong Kong Limited ("SEHK") on March 1, 2012 pursuant to an initial public offering ("IPO") and trades under the stock code symbol of "2012". On November 16, 2012, the Company completed a listing of its common shares on the Toronto Stock Exchange ("TSX") and traded under the symbol of "SUO". On September 30, 2015, the Company completed a voluntary delisting from the TSX. The Company continues to be a reporting issuer in Canada.

The Company and its subsidiaries (together referred to as the "Group") is engaged in the evaluation and the development of oil properties for the production of crude oil products in the Athabasca oilsands region in Alberta, Canada. Details of the subsidiaries are set out in note 33.

The consolidated financial statements are presented in Canadian Dollars ("CAD") which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied, for its first time, the following new and amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") which are effective for the Group's financial year beginning on January 1, 2023.

IFRS 17 (including the June 2020 and December 2021 amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International tax reform – Pillar Two Model Rules

The application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

Amendments to IFRSs issued but not yet effective

The Group has not early applied the following amendments to IFRSs and interpretation that have been issued but are not yet effective:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1	Non-current Liabilities with Covenants[1]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[1]
Amendments to IAS 21	Lack of Exchangeability[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

[1] Effective for annual periods beginning on or after January 1, 2024
[2] Effective for annual periods beginning on or after January 1, 2025
[3] Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that, the application of the amendments to IFRSs will have no material impact on the results and the financial position of the Group.

3. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of preparation

These consolidated financial statements have been prepared in accordance with IFRSs. The consolidated financial statements have been prepared on historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantages) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The material accounting policies are set out below.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Basis of preparation (Continued)

Going concern assessment

As at December 31, 2023, the Group's total current liabilities exceeded its total current assets by approximately CAD79,458,000. Notwithstanding the above results, the consolidated financial statements have been prepared on a going concern basis, the validity of the going concern basis is dependent upon the success of the Group's future operations, its ability to generate adequate cash flows in order to meet its obligations as and when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements.

Also, the directors of the Company are of the opinion that the Group will be able to finance its future financing requirements and working capital based on the following considerations:

- The ultimate controlling party, Mr. Sun, has agreed to provide financial support for the continuing operations of the Company so as to enable it to meet its liabilities when they fall due for the foreseeable future;
- The related companies have agreed to provide financial support for the continuing operations of the Company so as to enable it to meet its liabilities when they fall due for the foreseeable future and not call for any principal and accrued interest amounting approximately CAD66,818,000, until the Group is in a financial position to do so;
- The shareholders of the loan from shareholders have agreed to provide financial support for the continuing operations of the Company so as to enable it to meet its liabilities when they fall due for the foreseeable future and not call for any principal and accrued interest amounting approximately CAD21,040,000, until the Group is in a financial position to do so;
- Successful defenses and/or the orderly negotiations of judgements and settlement payment plans for the payables and litigation claims may be achieved; and
- The directors of the Company have reviewed the Group's cash flow projections which cover a period of not less than twelve months for the twelve months ending December 31, 2024.

In view of the above, the directors of the Company are of the opinion that there will be sufficient financial resources available to the Group to enable it to meet its liabilities as and when they fall due and to continue as a going concern. Accordingly, the directors of the Company have prepared the consolidated financial statements on a going concern basis.

Despite the aforementioned factors, significant uncertainties persist regarding the Company's directors' ability to execute the outlined plans and initiatives. This includes uncertainty surrounding the major shareholder's capacity and commitment to fulfilling promises of funding working capital to the Company. Additionally, uncertainties loom over the potential outcomes and timing of litigation claims against the Company (note 31(b)), which could result in adverse judgements or in the case of enforcement of judgements, thereby posing a substantial disruption to the Company's operations. The Group's ability to continue as a going concern hinges upon its capacity to generate sufficient financing and operational cash flows in the near term, as well as secure ongoing financial support from its ultimate controlling parties and senior note holders.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Basis of preparation (Continued)

Going concern assessment (Continued)

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in these financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved where the Group has:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the Group's returns.

When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services to a customer. Specifically, the Group uses a five-step approach to recognise revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

Sales of goods

Revenue from the sales of crude oil products is recognised based on the floating prices specified in contracts with customers and when control of the product transfers to the customers and collection is reasonably assured. The sales or transaction price of the Group's crude oil products to customers are made pursuant to contracts based on prevailing commodity pricing and adjusted by quality and equalisation adjustments. The revenue is collected on the 25th day of the month following sales.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Revenue from contracts with customers (Continued)

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Leasing

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract or modification date or acquisition date, as appropriate. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Leasing (Continued)

The Group as lessee (Continued)

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; and
- the amount expected to be payable by the lessee under residual value guarantees;

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Leasing (Continued)

The Group as lessee (Continued)

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 *Provision, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use asset unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line item in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

When the Group obtains ownership of the underlying leased assets at the end of the lease term upon exercising purchase options, the carrying amount of the relevant right-of-use asset is transferred to property, plant and equipment.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Leasing (Continued)

The Group as lessee (Continued)

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. CAD) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve (attributed to non-controlling interests as appropriate).

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in consolidated statement of profit or loss and other comprehensive income on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income/a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to consolidated statement of profit or loss and other comprehensive income on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in consolidated statement of profit or loss and other comprehensive income in the period in which they become receivable.

Retirement benefits costs and termination benefits

Payments to the defined contribution plans, state-managed retirement benefit schemes, the Mandatory Provident Fund Scheme (the “MPF scheme”) and the Employee Provident Fund (the “EPF scheme”) and Canada Pension Plan (“CPP”) are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from " profit (loss) before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Current and deferred tax are recognised in profit or loss.

Oil and natural gas exploration and development expenditures

Exploration and evaluation ("E&E") assets

E&E assets are those expenditures for an area where technical feasibility and commercial viability have not yet been determined. These costs include unproved property acquisition costs, geological and geophysical costs, E&E drilling, directly attributable general and administrative costs (including share-based compensation costs), borrowing costs, consequential operating costs net of revenues and the initial estimate of any decommissioning obligation associated with the assets. The costs directly associated with an exploration well are capitalised as E&E assets until the drilling of the well is completed and the results have been evaluated.

Pre-acquisition costs for oil and gas assets are recognised in the consolidated statement of profit or loss and other comprehensive income when incurred. Acquisition of undeveloped mineral leases is initially capitalised as E&E assets and charged to consolidated statement of profit or loss and other comprehensive income upon the expiration of the lease, impairment of the asset or management's determination that no further E&E activities are planned on the lease, whichever comes first. E&E assets can be further broken down into tangible and intangible assets. Intangible costs are all costs considered necessary to drill a well and ready a site prior to the installation of the production equipment. Tangible drilling costs are those incurred to purchase and install the production equipment and include production facilities.

The decision to transfer assets from E&E to development and producing assets (included in property, plant and equipment) occurs when the technical feasibility and commercial viability of the project are determined, based on proved and probable reserves being assigned to the project. If commercial reserves are found, E&E are tested for impairment and transferred to appraisal and development tangible assets as part of property, plant and equipment. No depreciation and/or amortisation is charged during the E&E phase.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Oil and natural gas exploration and development expenditures (Continued)

Impairment

If no economically recoverable reserves are found upon evaluation, the E&E assets are tested for impairment and the difference between the carrying amount and the recoverable amount are charged to the consolidated statement of profit or loss and other comprehensive income. If extractable reserves are found and, subject to further appraisal activity which may include the drilling of additional wells, are likely to be developed commercially, the costs continue to be carried as an intangible asset while progress is made in assessing the commerciality of the reserves. All such carried costs are subject to technical, commercial and management review as well as review for indicators of impairment at the end of each reporting period to confirm the continued intent to develop or otherwise extract value from the discovery. Lack of intent to develop or otherwise extract value from such discovery would result in the relevant expenditures being charged to the consolidated statement of profit or loss and other comprehensive income. When economically recoverable reserves are determined and development is approved, the relevant carrying value is transferred to property, plant and equipment.

E&E assets are assessed for the indicators of impairment at the end of each reporting period. The assessment for impairment is completed on a CGU basis. After impairment is assessed, any carrying amounts which exceed recoverable amounts, by CGU, on the E&E assets are written down to the recoverable amount through the consolidated statement of profit or loss and other comprehensive income.

Impairment losses recognition are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. The reversal of an impairment loss is reversed to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

Property, plant and equipment

Property, plant and equipment comprises mainly computers and office equipment and development and production assets (includes crude oil products assets), The initial cost of a property, plant and equipment consists of its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation associated with the asset and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid, including the fair value of any other consideration given to acquire the asset. Property, plant and equipment are carried at cost less the total of accumulated depletion, depreciation and impairment losses.

Turnaround costs

Turnaround costs, which are the costs related to the turnaround of a capital project, such as those costs incurred to ensure safety of the worksite and preservation of an asset that are not directly attributable to the development of an asset are expensed through the consolidated statements of profit and loss and other comprehensive income.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Property, plant and equipment (Continued)

Maintenance and repairs

Major repairs and maintenance consist of replacing assets or substantial parts of an asset. Where an asset or substantial part of an asset is replaced and it is probable that future economic benefits associated with the replacement will flow to the Group, the expenditure is capitalised and depreciated the decreasing charge over the remaining life of the asset. The net carrying value of the asset or substantial part being replaced is derecognised at the time the replacement is capitalised. All other maintenance costs are expensed as incurred.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depletion and depreciation

Depletion of development and production costs (crude oil products assets), included in property, plant and equipment, and production equipment are measured on the unit-of-production method based upon estimated proved plus probable recoverable oil and natural gas reserves before royalties in each CGU as determined by independent engineers.

Depreciation of office furniture, equipment, computers and vehicles included in property, plant and equipment are depreciated on a declining balance basis between 20% to 30% per year.

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Impairment losses on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation can be identified.

Recoverable amount is the higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU"). In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGUs, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the cost of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including ECL, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "Other income" line item (note 21).

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 30 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 12 months past due, whichever occurs sooner. Financial assets written-off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at fair value through profit or loss , are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions including decommissioning costs are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Decommissioning costs and liabilities for statutory, contractual, constructive or legal obligations associated with site restoration and abandonment of tangible long-lived assets are initially measured at a fair value which approximates to the costs the Group would incur in performing the tasks necessary to abandon the field and restore the site. Fair value is recognised in the consolidated statement of financial position at the present value of expected future cash outflows to satisfy the obligation as a liability, with a corresponding increase in the related asset, and is depleted using the unit-of-production method over the estimated remaining proved plus probable oil and gas reserves before royalties as appropriate.

Subsequent to initial measurement, the effect of the passage of time on the liability for the decommissioning obligation (accretion expense) is recognised in the consolidated statement of profit or loss and other comprehensive income as finance costs. Actual costs incurred upon settlement of the obligation are charged against the obligation to the extent of the liability recorded. Any difference between the actual costs incurred upon settlement of the obligation and the recorded liability is recognised as a gain or loss in the consolidated statement of profit or loss and other comprehensive income in the period in which the settlement occurs.

Equity-settled share-based payment transactions

Share options issued to employees

Equity-settled share-based compensation to directors and employees are measured at the fair value of the equity instruments, less the fair value of the proceeds received on issuing the equity instruments at the issue date.

The fair value of the equity instruments, including share options or warrants, expected to vest as determined at the issue date of the equity-settled share-based compensation is expensed on a graded vesting basis over the vesting period, unless the services are directly attributable to qualifying assets, with a corresponding increase in reserve for share-based compensation.

At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in the consolidated statement of profit or loss and other comprehensive income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserve for share-based compensation.

When share options are exercised the amount previously recognised in share options reserve will be transferred to share capital when the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

The Group records compensation expense at the date of issue, based on fair value and management's best estimates.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Equity-settled share-based payment transactions (Continued)

Share options issued to non-employees

Equity-settled share-based compensation transactions, with parties other than employees and directors, are measured at the fair value of the goods or services received, except where fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments issued, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (reserve for share-based compensation), when the Company obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets or directly attributable to qualifying assets.

Fair value measurement

When measuring fair value except value in use of exploration and evaluation assets, property, plant and equipment and right-of-use assets for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 to the consolidated financial statement, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimates, that management has made in applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Going concern

In the process of applying the Group's accounting policies, apart from those involving estimations, management has prepared the consolidated financial statements on the assumption that the Group will be able to operate as a going concern in the coming year, which is a critical judgement that has the most significant effect on the amounts recognised in the consolidated financial statements. The assessment of the going concern assumption involves making a judgement by the directors of the Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors of the Company consider that the Group has the capability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt upon the going concern assumption are set out in note 3 to the consolidated financial statements.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Oil and gas reserves

The process of estimating quantities of reserves is inherently uncertain and complex. It requires significant judgements and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. Reserve estimates are based on, among other things, forecasts of production, prices, cost estimates and economic conditions.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Oil and gas reserves (Continued)

Reserve estimates are critical to many accounting estimates including:

- determining whether or not an exploratory well has found economically recoverable reserves. Such determinations involve the commitment of additional capital to develop the field based on current estimates of production, prices and other economic conditions;

- calculating unit-of-production depletion rates. Proved plus probable reserves are used to determine rates that are applied to each unit-of-production in calculating depletion expense; and

- assessing development and production assets for impairment. Estimated future net cash flows used to assess impairment of the Group's development and production assets are determined using proved plus probable reserves.

Depletion and impairment of property, plant and equipment and exploration and evaluation assets

The amounts recorded for depletion and impairment of property, plant and equipment crude oil assets are based on estimates. These estimates include proved and probable reserves, production rates, future oil prices, future development costs, remaining lives and periods of future benefits of the related assets and other relevant assumptions.

The Group's reserve estimates are evaluated annually pursuant to the parameters and guidelines stipulated under the Canadian Oil and Gas Evaluation Handbook ("COGEH"). Changes in reserve estimates impact the financial results of the Group as reserves and estimated future development costs are used to calculate depletion and are also used in impairment calculations.

The decision to transfer exploration and evaluation assets to property, plant and equipment crude oil is based on the estimated proved and probable reserves which are in part used to determine a project's technical feasibility and commercial viability.

For impairment testing, property, plant and equipment (crude oil assets) and exploration and evaluation assets are aggregated into CGUs, based on management's judgement in defining the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash flows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

Exploration and evaluation assets are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involve management estimates and judgements such as future prices of oil and production profile. Management uses all readily available information in determining an amount that is a reasonable approximately of recoverable amount, including estimates basis on reasonable and supportable assumptions and projections of future oil prices and production profile.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Depletion and impairment of property, plant and equipment and exploration and evaluation assets (continued)

The discount rate used to calculate the net present value of cash flows for impairment testing is based on estimates of market conditions, recent asset sales and an approximate company and industry peer group weighted average cost of capital. Changes in the general economic environment could result in significant changes to this estimate.

The forecasted Western Canada Select (WCS) price utilised in the computation of the net present value of cash flows for impairment testing is obtained through examination of historical engineering forecasts in comparison to actual WCS prices. The accuracy of the engineer's WCS forecast is subject to fluctuations in global oil demand and supply dynamics, geopolitical tensions, regulatory changes impacting the oil industry, technological advancements affecting oil extraction and refining processes, as well as environmental considerations and their implications on oil production and consumption patterns. Additionally, market sentiments, currency fluctuations, and unforeseen events such as natural disasters or global economic downturns can significantly influence the WCS price trajectory.

The impairment test, if conducted, was performed with the sole objective of assessing whether the recoverable amount exceeds the carrying amount of the assets, utilising the available information and assumptions at the time of evaluation by the Company. Therefore, the impairment test inherently entails a significant level of uncertainty and volatility, and the conclusions drawn are subject to various limitations and external factors beyond the Company's control.

The determination of the recoverable amount in the impairment test relies on numerous assumptions, encompassing the accuracy and comprehensiveness of both financial and non-financial data provided. Additionally, it relies on the successful execution of engineering reports or relevant assessments and the occurrence of transactions in an orderly and highly efficient market. Fluctuations in the external environment, market conditions, regulatory frameworks, technological advancements, and unforeseen events can notably influence the recoverable amounts of the subject CGUs under evaluation.

Moreover, the realisation of the estimated recoverable amount is contingent upon the effective execution of the Company's strategies, the attainment of projected financial performance, and the general performance of the industry in which the Company operates. There are significant inherent uncertainties and constraints associated with impairment tests, as well as the potential impact of unforeseen events on the calculation of the recoverable amount.

Decommissioning costs

A provision is required to be recognised for the future retirement obligations associated with the Group's assets. The decommissioning provision is based on estimated costs, taking into account of the anticipated method and extent of restoration consistent with legal, regulatory and construction requirements, technological advances and the possible use of the site. Since these estimates are specific to the sites involved, there are many individual assumptions underlying the amount provided. These individual assumptions can be subject to change based on actual experience and a change in one or more of these assumptions could result in a materially different amount.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Allowance recognised in respect of trade and other receivables and loan receivables

The impairment provisions for trade and other receivables and loan receivables are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income.

As at December 31, 2023, the carrying amounts of trade and other receivables and loan receivables are approximately CAD6,669,000 (2022: CAD5,023,000) and CAD12,049,000 (2022: CAD12,861,000) respectively, with accumulated loss allowance on trade and other receivables and loan receivables of approximately CAD324,000 (2022: CAD95,000) and CAD1,041,000 (2022: CAD933,000) respectively.

Share-based compensation

The Company recognises compensation expense on options and stock appreciation rights ("SARs") granted. Compensation expense is based on the estimated fair value of each option, preferred share and stock appreciation right at its grant date, the estimation of which requires management to make assumptions about future volatility of the Company's stock price, future interest rates, future forfeiture rates and the timing with respect to exercise of the instruments. The effects of a change in one or more of these variables could result in a materially different fair value.

Income taxes

The calculation of deferred income taxes is based on a number of assumptions, including estimating the future periods in which temporary differences, tax losses and other tax credits will reverse. Tax interpretations, regulations, and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes other loans and senior notes in note 14, loans from related companies in note 15 and loans from shareholders in note 16, net of cash and cash equivalents disclosed in note 9 and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated deficit.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and issue of new debt.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2023	**2022**
	CAD'000	CAD'000
Financial assets		
Financial assets at amortised cost (including cash and cash equivalents)	19,245	18,426
Financial liabilities		
Financial liabilities at amortised cost	603,137	592,364

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, loan receivables, cash and cash equivalents, trade payables, interest payables and accrued liabilities, loans from related companies, loans from shareholders, other loans and senior notes. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk

Market risk is the risk that changes in market prices will affect the Group's net loss. The objective of market risk management is to manage and control market risk exposures within acceptable limits. There have been no changes over the prior year to the Group's objectives, policies or processes to manage market risks.

(a) Price risk

Commodity price risk is the risk that the value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for crude oil products are impacted by world economic events that dictate the levels of supply and demand. The Group has not attempted to mitigate commodity price risk through the use of various financial derivative or physical delivery sales contracts.

(b) Currency risk

The Group is exposed to currency risks primarily through loan receivables, loans from related companies, Loans from shareholders, other loans, senior notes and bank balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The foreign currencies giving rise to this risk are primarily Hong Kong dollar ("HK$"), United States dollar ("US$") and Renminbi ("RMB").

The following table details the Group's exposure as at the reporting date to currency risk arising from recognised assets or (liabilities) denominated in a currency other than the functional currency of the entity to which they relate.

	2023			**2022**		
	HK$ CAD'000	US$ CAD'000	RMB CAD'000	HK$ CAD'000	US$ CAD'000	RMB CAD'000
Assets						
Cash and cash equivalents	501	1	5	213	1	11
Loan receivables	-	-	12,049	-	-	12,861
Liabilities						
Loan from related companies	(31,427)	-	(20,411)	(35,645)	-	(18,204)
Loans from shareholders	(19,021)	-	-	(12,342)	-	-
Other loans	(15,454)	-	-	(16,238)	-	-
Senior notes	-	(262,723)	-	-	(269,040)	-
Interest payables	(10,849)	(173,939)	(6,051)	(5,939)	(176,942)	(4,482)
	(76,250)	(436,661)	(14,408)	(69,951)	(445,981)	(9,814)

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging of significant foreign currency exposure should the need arise.

6. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (Continued)

(b) Currency risk (Continued)

Sensitivity Analysis

The following table details the Group's sensitivity to a 5% increase or decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A negative number below indicates an increase in post-tax loss where respective functional currency weakened 5% against the relevant foreign currency. For a 5% strengthening of respective functional currency against the relevant foreign currency, there would be an equal and opposite impact on the post-tax profit and the balances below would be positive.

	Effect in post-tax loss	
	2023	2022
	CAD'000	CAD'000
HK$	(2,936)	(2,693)
US$	(16,811)	(17,170)
RMB	(555)	(378)

(c) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances carried at prevailing market rates. The Group also exposed to fair value interest rate risk in relation to fixed-rate restricted bank balance and obligation under a finance lease. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group's exposure to interest rate risk in relation to variable-rate bank balances is minimal due to short-term maturities, hence, no sensitivity analysis is prepared.

6. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk

As at December 31, 2023, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge all obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of the Group mainly arises from trade and other receivables, loan receivables, and cash and cash equivalents. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In order to recognise the credit risk, the management of the Company has delegated a team responsible for determination of monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For trade receivables, the Group has applied the simplified approach in IFRS 9 *Financial Instruments* to measure the loss allowance at lifetime ECL. The Group determines the ECL on an collectively basis by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other non-trade related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather than 12-month ECL.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase the Group compares the risk of a default occurring on the asset as at the reporting date with the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating result of the borrower;
- significant increase in credit risk on other financial instruments of the borrower; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

6. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (Continued)

The Group's exposure to credit risk

In order to recognise credit risk, the Group has developed and maintained the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the management uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off

6. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (Continued)

The Group's exposure to credit risk (Continued)

The tables below detail the credit quality of the Group's financial assets, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

	Notes	Internal credit rating	12-month or lifetime ECL	2023 Gross carrying amount	2023 Loss allowance	2023 Net carrying amount	2022 Gross carrying amount	2022 Loss allowance	2022 Net carrying amount
				CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000
Trade receivables	7	(Note)	Lifetime ECL (simplified approach)	3,558	(57)	3,501	1,313	(9)	1,304
Other receivables and deposits	7	Performing	12-month ECL	3,435	(267)	3,168	3,805	(86)	3,719
Loan receivables	8	Performing	12-month ECL	13,090	(1,041)	12,049	13,794	(933)	12,861
					(1,365)			(1,028)	

As at December 31, 2023, the Group has concentration of credit risk as 100% (2022: 94% and 100%) of the total trade receivables was due from the Group's largest external customer and the top five largest external customers respectively.

Note: For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Notes 7 include further details on the loss allowance for these assets respectively.

6. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group's approach to managing liquidity risk is to plan that it will have sufficient liquidity to meet its liabilities when due, using either equity or debt proceeds.

The maturity analysis of the Group's financial liabilities is as follows:

	Weighted average effective interest rate	Within one year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flows	Carrying value
		CAD'000	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000
As at December 31, 2023							
Trade payables and accrued liabilities	N/A	63,120	-	-	-	63,120	63,120
Interest payables (note)	10%	10,264	212,041	-	-	222,305	190,886
Loans from shareholders	10%	-	21,428	-	-	21,428	19,021
Loans from related companies	10%	-	58,504	-	-	58,504	51,933
Other loans	N/A	1,852	11,922	1,693	-	15,467	15,454
Senior notes	10%	11,639	295,551	-	-	307,190	262,723
		86,875	599,446	1,693	-	688,014	603,137
Lease liabilities	9%	701	712	847	-	2,260	1,919
As at December 31, 2022							
Trade payables and accrued liabilities	N/A	53,400	-	-	-	53,400	53,400
Interest payables (note)	10%	191,711	6,223	1,262	-	199,196	187,400
Loans from a shareholder	10%	-	-	16,045	-	16,045	12,342
Loans from related companies	10%	16,744	31,613	16,091	-	64,448	53,944
Other loans	2%	4,397	-	12,230	-	16,627	16,238
Senior notes	10%	286,976	-	-	-	286,976	269,040
		553,228	37,836	45,628	-	636,692	592,364
Lease liabilities	9%	473	230	643	130	1,476	1,202

Note: It represented interest payables on senior notes, loans from related parties and shareholders.

6. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement objective and policies

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. The directors of the Company consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost using the effective interest rate method in the consolidated financial statements approximate their fair values.

7. TRADE AND OTHER RECEIVABLES

	2023	2022
	CAD'000	CAD'000
Trade receivables	3,558	1,313
Other receivables (note a)	2,946	3,564
Deposits	489	241
Prepayments	1,349	3,307
	8,342	8,425
Less: loss allowance (note b and c)	(324)	(95)
	8,018	8,330
Analysed as:		
Current	5,424	8,330
Non-current	2,594	-
	8,018	8,330

As at December 31, 2023, the gross amount of trade receivables arising from contracts with customers amounted to approximately CAD3,558,000 (2022: CAD1,313,000).

The Group allows an average credit period of 30 days to its trade customers. The Group transacts with a number of oil and natural gas marketing companies, and the marketing companies typically remit amounts to the Group by the 25th day of the month following production.

The following is an ageing analysis of trade receivable, net of loss allowances presented based on the invoice date, as at December 31, 2023 and 2022:

	2023	2022
	CAD'000	CAD'000
0-30 days	3,501	1,304

7. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group applies the simplified approach to provide for ECL using the lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECL also incorporate forward looking information as follow:

	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	CAD'000	CAD'000
As at December 31, 2023			
Not past due	1.61%	3,558	57
As at December 31, 2022			
Not past due	0.65%	1,313	9

The movement in the loss allowance for trade receivables is set out below:

	2023	**2022**
	CAD'000	CAD'000
As at January 1	9	-
Loss allowance recognised in profit or loss during the year	48	9
As at December 31	57	9

Notes:

(a) As at December 31, 2023, included in other receivables, amount of approximately CAD2,594,000, net of allowance of approximately CAD144,000 (2022: CAD2,692,000, net of allowance of approximately CAD64,000) represented the amount due form Renergy Petroleum (Canada) Co., Ltd., which Mr. Sun and Nobao Energy Holding (China) Company Limited* 挪寶能源控股(中國)有限公司 ("Nobao Energy (China)"), a company under the control of Mr. Sun, has conditionally acquired Changjiang Investment Group Co., Ltd.'s interest in.

The amount is unsecured and interest-free. During the year ended December 31, 2023, the expected repayment date has been extended to October 2025.

(b) The Group measures the loss allowance for other receivables and deposit at an amount equal to 12-month ECL. The Group recognised 12-month ECL for other receivables based on the internal credit rating of receivables as follows:

	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	CAD'000	CAD'000
As at December 31, 2023			
Performing	7.77%	3,435	267
As at December 31, 2022			
Performing	2.26%	3,805	86

* For identification purpose only

7. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

(c) The movement in the loss allowance for other receivables and deposits is set out below:

	2023	2022
	CAD'000	CAD'000
As at January 1	86	163
Impairment of (reversal of) loss allowance recognised in profit or loss during the year	181	(77)
As at December 31	267	86

8. LOAN RECEIVABLES

	2023	2022
	CAD'000	CAD'000
Analysed as:		
Current	-	1,604
Non-current	13,090	12,190
	13,090	13,794
Less: loss allowance (notes d and e)	(1,041)	(933)
	12,049	12,861

Notes:

(a) The loan receivable represented that the Group and Zhengwei International Investment and Management Co., Ltd. ("ZIIM"), a Hong Kong-based investment holding company controlled by a shareholder of the Company, entered into several loan agreements and under which the Group provided loans (denominated in RMB) to ZIIM with a specific principal amount. Meanwhile, ZIIM provided loans (denominated in RMB) to the Group with a specific principal amount (note 14a). The loans were unsecured and no interest bearing.

During the year ended December 31, 2023, a loan with an outstanding principal amount of RMB8,169,000 (equivalent to approximately CAD1,522,000) has been extended the repayment date to June, 2026.

The following is an ageing analysis on the repayment schedule of loans receivables, net of loss allowances, presented based on their contractual maturity dates:

	2023	2022
	CAD'000	CAD'000
Within one year	-	1,514
After one year but within two years	10,648	-
After two years but within five years	1,401	11,347
As at December 31	12,049	12,861

8. LOAN RECEIVABLES (CONTINUED)

Notes: (Continued)

(b) During the years ended December 31, 2023 and 2022, in determining the 12-month ECL for the loan receivables, the directors of the Company have taken into account the historical default experience, the financial position of the counterparties, value of collaterals as well as the future prospects of the industries in which the debtors operate, various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets individually occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

(c) There has been no change in the estimation techniques or significant assumptions made during both years.

(d) The following is the analysis of the gross carrying amount and loss allowance of the loan receivables as at December 31, 2023 and 2022.

	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	CAD’000	CAD’000
As at December 31, 2023			
Performing	7.95%	13,090	1,041
As at December 31, 2022			
Performing	6.76%	13,794	933

(e) The movement in the loss allowance for loan receivables is set out below:

	2023	**2022**
	CAD’000	CAD’000
As at January 1	933	787
Loss allowance recognised in profit or loss during the year	108	146
As at December 31	1,041	933

Details of the balances denominated in currency other than functional currency of the Group is disclosed in note 6(b).

9. CASH AND CASH EQUIVALENTS

Bank balances carry interest at market rates which range from 0% to 0.4% (2022: 0% to 0.3%) per annum.

Details of the balances denominated in a currency other than functional currency of the Group is disclosed in note 6(b).

10. EXPLORATION AND EVALUATION ASSETS

	CAD'000
Balance as at January 1, 2022	255,696
Capital expenditures	1,053
Non-cash expenditures (note a)	(2,052)
Impairment loss on exploration and evaluation assets	(19,653)
Balance as at December 31, 2022 and January 1, 2023	235,044
Capital expenditures	2,234
Non-cash expenditures (note a)	693
Balance as at December 31, 2023	237,971

Note:

(a) Non-cash expenditures include changes in decommissioning obligations.

At the end of the reporting period, the Group assessed impairment for its E&E assets. For the purpose of impairment assessment, the recoverable amount of E&E assets was determined using judgement and internal estimates. The recoverable amount is the FVLCD. FVLCD is the amount obtainable from the sale of an asset or CGU in an arms-length transaction between knowledgeable, willing parties, less the costs of disposal. Recoverable amount was based on the FVLCD model with reference to cash flow forecast provided by management of Company. Key assumptions for the FVLCD calculations relate to the estimation of cash flows which include forecasted crude oil prices, sales and gross margin, such estimation is based on the past performance of each cash generating units and management's expectations. The post-tax discount rate in measuring the FVLCD was 12% (2022: 14%) in relation to E&E assets.

For the years ended December 31, 2023 and 2022, the Group assessed E&E assets for any indicators of impairment due to higher commodity price sensitivity and changing interest rate expectations. Based on the impairment assessment, nil impairment was recognised in profit and loss during the year ended December 31, 2023 (year ended December 2022: impairment loss of approximately CAD19,653,000).

11. PROPERTY, PLANT AND EQUIPMENT

	Crude oil assets	Corporate assets	Total
	CAD'000	CAD'000	CAD'000
Cost			
Balance as at January 1, 2022	895,484	5,775	901,259
Additions	513	30	543
Non-cash expenditures (note a)	(9,812)	-	(9,812)
Exchange alignment	-	45	45
Balance as at December 31, 2022 and January 1, 2023	886,185	5,850	892,035
Additions	542	5	547
Non-cash expenditures (note a)	3,532	-	3,532
Exchange alignment	-	(18)	(18)
Balance as at December 31, 2023	890,259	5,837	896,096
Accumulated depletion, depreciation and impairment			
Balance as at January 1, 2022	418,578	5,057	423,635
Depletion and depreciation charge for the year	3,104	60	3,164
Reversal of impairment loss on property, plant and equipment	(20,028)	-	(20,028)
Exchange alignment	-	42	42
Balance as at December 31, 2022 and January 1, 2023	401,654	5,159	406,813
Depletion and depreciation charge for the year	7,737	179	7,916
Exchange alignment	-	(17)	(17)
Balance as at December 31, 2023	409,391	5,321	414,712
Carrying values			
As at December 31, 2023	480,868	516	481,384
As at December 31, 2022	484,531	691	485,222

Note:

(a) Non-cash expenditures include changes in decommissioning obligations.

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Recoverable amounts for each CGU were estimated based on FVLCD methodology which is calculated using the present value of the CGUs' expected future cash flows (after-tax). The cash flow information was derived from a report on the Group's oil and gas reserves which was prepared by an independent qualified reserve evaluator, GLJ Petroleum Consultants ("GLJ"). As at December 31, 2023 and 2022, the projected cash flows used in the FVLCD calculation reflect market assessments of key assumptions, including long-term forecasts of commodity prices, inflation rates, and foreign exchange rates (Level 3 fair value inputs). Cash flow forecasts are also based on GLJ's evaluation of the Group's reserves and resources to determine production profiles and volumes, operating costs, maintenance and future development capital expenditures. Future cash flow estimates are discounted using after-tax risk-adjusted discount rates. The after-tax discount rates applied in the impairment calculation as at December 31, 2023 was 12% (2022: 14%) based on the specific risk to the assets.

The reversal is recognised in the profit or loss only to the extent that was previously recognised in the profit or loss. Any additional increase is accounted for as a revaluation and is recognised in other comprehensive income. Future depletion expenses are adjusted to allocate the CGU's revised carrying amount over its remaining useful life. To determine the extent of any impairment or its reversal, estimates are made regarding the future after-tax cash flows generated from each CGU based on Sunshine's year end reserve report and the latest oil price forecasts (if applicable) as prepared by a third party – independent reserve engineer.

For the years ended December 31, 2023 and 2022, the Group assessed West Ells CGU for any indicators of impairment due to higher commodity price sensitivity and changing interest rate expectations. Based on the impairment assessment, nil impairment was recognised in profit and loss during the year ended December 31, 2023 (year ended December 2022: reversal of impairment loss of approximately CAD20,028,000).

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Right-of-use assets

	Leasehold land	Offices	Trucks	Equipment	Total
	CAD'000	CAD'000	CAD'000	CAD'000	CAD'000
Balance as at January 1, 2022	4,744	771	-	-	5,515
Additions	-	556	287	147	990
Depreciation	(118)	(549)	(5)	(34)	(706)
Exchange alignment	(78)	(1)	-	-	(79)
Balance as at December 31, 2022 and January 1, 2023	4,548	777	282	113	5,720
Additions	-	1,221	-	-	1,221
Depreciation	(116)	(484)	(57)	(37)	(694)
Exchange alignment	(229)	(35)	-	-	(264)
Balance as at December 31, 2023	4,203	1,479	225	76	5,983

The right-of-use assets represented leases leasehold land, office premises, trucks and equipment.

Additions to the right-of-use assets for the year ended December 31, 2023 amounted to approximately CAD1,221,000 due to new leases in Hong Kong of office premises (2022: CAD990,000 due to new lease in Canada of office premises, trucks and equipment).

(b) Lease liabilities

	2023	2022
	CAD'000	CAD'000
Analysed as:		
Current	539	391
Non-current	1,380	811
	1,919	1,202

	2023	2022
Amounts payable under lease liabilities	CAD'000	CAD'000
Within one year	539	391
After one year but within two years	607	157
After two years but within five years	773	529
Over five years	-	125
	1,919	1,202
Less: Amount due for settlement within 12 months (shown under current liabilities)	(539)	(391)
Amount due for settlement after 12 months	1,380	811

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(b) Lease liabilities (Continued)

During the year ended December 31, 2023, the Group had new lease agreement in respect of office premises recognised lease liabilities (2022: the Group had new lease agreement in respect of office premises, trucks and equipment, and recognised lease liabilities).

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, which is 10% for the office premises, trucks and equipment.

(c) Amount recognised in profit or loss

	2023	**2022**
	CAD'000	CAD'000
Depreciation of right-of-use assets	694	706
Interests on lease liabilities	133	97
Expense relating to short-term leases	6	178

(d) Others

During the year ended December 31, 2023, the total cash outflow for lease amount to approximately CAD589,000 (2022: CAD891,000).

As at December 31, 2023 and 2022, no lease agreement which not yet commenced is committed by the Group.

13. TRADE PAYABLES, INTEREST PAYABLES AND ACCRUED LIABILITIES

	2023	**2022**
	CAD'000	CAD'000
Trade payables	18,973	16,433
Interest payables (note a)	190,886	187,400
Other payables (notes b)	21,830	20,472
Accrued liabilities	22,317	16,495
	254,006	240,800
Analysed as:		
Current	72,450	233,330
Non-current	181,556	7,470
	254,006	240,800

Notes:

(a) The interest payables as at December 31, 2023 includes the interest payable relating to: i) senior notes of approximately CAD173,939,000 (2022: CAD176,942,000). ii) loans from related companies of approximately CAD14,885,000 (2022: CAD9,899,000); iii) loans from shareholders of approximately CAD2,019,000 (2022: CAD496,000) and iv) other loans of approximately CAD43,000 (2022: CAD63,000) respectively.

(b) As at December 31, 2023, included in amount of other payables are approximately CAD1,835,000 (2022: CAD1,820,000) represented the amounts due to directors. The amounts are unsecured, interest-free and repayment on demand.

13. TRADE PAYABLES, INTEREST PAYABLES AND ACCRUED LIABILITIES (CONTINUED)

The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period:

	2023	2022
	CAD'000	CAD'000
Within 90 days	1,537	420
91 – 180 days	904	27
181 – 365 days	2,831	661
Over 365 days	13,701	15,325
	18,973	16,433

The average credit period granted by its suppliers of 30 days. The Group has financial risk management in place to ensure that all payables are settled within the credit timeframe.

Details of the balances denominated in currency other than functional currency of the Group is disclosed in note 6(b).

14. DEBT

(a) Other loans

	2023	2022
	CAD'000	CAD'000
Analysed as:		
Current	1,839	4,008
Non-current	13,615	12,230
	15,454	16,238

As at December 31, 2023 and 2022, the maturity of loans from shareholders analysis:

	2023	2022
	CAD'000	CAD'000
Within one year or on demand	1,839	4,008
After one year but within two years	11,922	-
After two years but within five years	1,693	12,230
	15,454	16,238

Included in the above balance is approximately CAD13,615,000 (2022: CAD13,966,000) for which the Group and Zhengwei International Investment and Management Co., Ltd. ("ZIIM"), a Hong Kong-based investment holding company controlled by a shareholder of the Company, entered into several loan agreements and under which ZIIM provided loans (denominated in HK$) to the Group with a specific principal amount. Meanwhile, the Group provided loans (denominated in RMB) to ZIIM with a specific principal amount (note 8a).

14. DEBT (CONTINUED)

(a) Other loans (Continued)

During the year ended December 31, 2023, a loan with an outstanding principal amount of HKD10,000,000 (equivalent to approximately CAD1,693,000) has been extended the repayment date to June, 2026.

The loans were unsecured, no interest bearing and expected to be repaid in 2025 and 2026.

(b) Senior notes

	2023	2022
	CAD'000	CAD'000
Balance as at January 1	269,040	251,838
Exchange alignment	(6,317)	17,202
Balance as at December 31	262,723	269,040
Analysed as:		
Current	10,581	269,040
Non-current	252,142	-
	262,723	269,040

On August 8, 2014, the Company completed an offering of US$200 million (equivalent to approximately CAD232,020,000) senior secured notes (the "Notes") at an offering price of US$938.01 per US$1,000 principal amount. The Notes bear interest at a rate of 10% per annum and had a potential maturity date of August 1, 2017, if certain conditions were met as explained below.

The conditions were: if by February 1, 2016, the Company had not (1) received at least US$50 million of net cash proceeds from one or more equity offerings; and (2) deposited, or caused to be deposited, cash in an amount sufficient to pay: (a) one year of interest payments on the aggregate principal amount of Notes outstanding on February 1, 2016; and (b) the yield premium, then the final maturity date of the Notes would have been August 1, 2016. The Company did not meet these conditions by February 1, 2016, and as a result the final maturity date of the Notes was August 1, 2016 at which time the Company was negotiating forbearance with the noteholders.

On September 9, 2016, the Company and noteholders representing 96% of the outstanding Notes (the "Forbearing Holders") entered into a long-term forbearance agreement in respect of the Notes (the "2016 Forbearing Agreement"). The remaining noteholders representing 4% of the outstanding Notes is referred to as Non-Forbearing Holders.

On March 21, 2017, the Company entered into the Forbearance Reinstatement Agreement ("2017 FRA") and a Note Exchange Agreement (the "NEA") with the Forbearing Holders. The Forbearing Holders agreed to waive the liability of the Company in relation to previous violations of terms listed on the 2016 Forbearing Agreement and fully reinstate the 2016 Forbearing Agreement, provided that the Company made the following payments on or before March 27, 2017:

14. DEBT (CONTINUED)

(b) Senior notes (Continued)

- Payment of US$2.8 million representing 20% of the yield maintenance premium originally due on August 1, 2016;
- Payment of US$2.4 million representing 20% accrued interest and forbearance fee originally due on February 1, 2017. As of March 27, 2017, all the above cash commitment US$5.2 million was paid;
- the Company agreed to repurchase and the Forbearing Holders agreed to sell up to US$11.2 million of Notes in exchange for common shares of the Company, pending on conditions.

Other payments contemplated in the 2017 FRA included:

- Payment of all legal professional fees by March 21, 2017, which was paid on March 21, 2017;
- 80% of the yield maintenance premium to be repaid on August 1, 2017 in cash;
- 80% of the accrued interest and forbearance fee of US$9.6 million to be repaid on August 1, 2017 in cash;
- Make principal repayments to the Forbearing Holders of US$5.0 million on April 30, 2017, US$10.0 million on June 30, 2017 and the remaining amount on or before the maturity date of the bond on August 1, 2017.

On September 26, 2017, the Company and the Forbearing Holders confirmed the signing of the Amended and Restated Forbearance Agreement (the "2017 Amended FA"). The principal terms of the 2017 Amended FA include:

- The forbearance would be extended to August 1, 2018 (New York time), provided that;
- Repayment of US$0.2 million upon signing the 2017 Amended FA, which was paid on September 26, 2017;
- Repayment of US$1.8 million by October 30, 2017;
- Repayment of US$5.0 million and US$15.0 million on February 1, 2018 and May 1, 2018 respectively, if repayment is made prior to December 31, 2017, all accrued and unpaid interests incurred on the corresponding amount will be waived;
- The Company was to obtain financing of US$5.0 million within 45 days after signing the 2017 Amended FA;
- The Company was to obtain financing of US$5.0 million every quarter.

Some of the Company's loan agreements are subject to covenant clauses, whereby the Company is required to meet certain criteria. The Company did not fulfill the minimum liquidity, quarterly financings and capital raise covenants as required in the 2017 Amended FA. Furthermore, the Company did not fulfill repayment requirements of US$1.8 million on October 30, 2017, US$5.0 million on February 1, 2018 and US$15.0 million on May 1, 2018.

On August 1, 2018, the Company was required, amongst other matters, to repay notes principal, and any previous outstanding payment commitments. The Company did not fulfill the repayment requirements. On October 31, 2018 (Calgary time), the Company and the Forbearing Holders signed a Reinstatement and Amending Agreement ("2018 FRAA"). The principal terms of the 2018 FRAA include:

- The forbearance was extended to August 1, 2019 (New York time);
- An interest of 10% per annum is incurred from the date hereof until August 1, 2019 (New York time);
- The Company is to obtain financing of at least US$5.0 million by April 30, 2019 to maintain sufficient liquidity.

14. DEBT (CONTINUED)

(b) Senior notes (Continued)

On April 24, 2020, the Company and the Forbearing Holders confirmed the signing of the Forbearance Reinstatement and Amending Agreement (“2020 FRAA”). The principal terms of the 2020 FRAA include:

- The 2020 FRAA covers the period from December 31, 2019 to August 31, 2021 (“Period of Forbearance 1”);
- Same as the 2018 FRAA executed on November 1, 2018, all outstanding amounts (principal and interests) will continue to be accrued at an interest of 10% per annum until August 31, 2021, and during the Period of Forbearance 1, there will not be any forbearance fee and yield maintenance premium based on the initial 2016 Forbearance Agreement executed on September 12, 2016.

During the year ended December 31, 2021, the Forbearing Holders (the “Note Transferor”) entered into note assignments and transfer agreements with the ultimate controlling party, Mr. Sun (the “Note Transferee”), and agreed to assign the initial nominal principal amount of notes from the transferee Holders of approximately US$188,658,000 (equivalent to approximately CAD240,200,000) from the Note Transferor to the Note Transferee.

On August 8, 2021, the Company and Mr. Sun confirmed the signing of the Forbearance Reinstatement and Amending Agreement (“2021 FRAA”). The principal terms of the 2021 FRAA include:

- The 2021 FRAA covers the period from September 1, 2021 to August 31, 2023 (“Period of Forbearance 2”);
- Same as the 2020 FRAA executed on April 24, 2020, all outstanding amounts (principal and interests) will continue to be accrued at an interest of 10% per annum until August 31, 2023, and during the Period of Forbearance 2, there will not be any forbearance fee and yield maintenance premium based on the initial 2016 Forbearance Agreement executed on September 12, 2016.

On August 8, 2023, the Company and Mr. Sun confirmed the signing of the Forbearance Reinstatement and Amending Agreement (the “2023 FRAA”). The principal terms of the 2023 FRAA include:

- The 2023 FRAA covers the period from September 1, 2023 to August 31, 2025 (“Period of Forbearance 3”);
- Same as the 2021 FRAA executed on August 8, 2021, all outstanding amounts (principal and interests) will continue to be accrued at an interest of 10% per annum until August 31, 2025, unless otherwise waived in separate interest waiver agreements. During the Period of Forbearance 3, there will not be any forbearance fee and yield maintenance premium based on the initial 2016 Forbearing Agreement executed on September 12, 2016.

The directors of the Company believe the entering into of the 2023 FRAA is in the interests of the Company and its shareholders as a whole in view that the 2023 FRAA will provide the Company with additional time to repay or refinance the indebtedness owned by the Company to the noteholders under the Notes, whilst at the same time the financing cost has been substantially lowered to a reasonable market level.

Details of the balances denominated in currency other than functional currency of the Group is disclosed in note 6(b).

15. LOANS FROM RELATED COMPANIES

Related companies	2023	2022
	CAD'000	CAD'000
Prime Union Enterprises Limited (notes a,b)	32,033	33,951
Jiangxi Nobao Electrical Company Limited* 江西挪寶電器有限公司 (notes a,b)	10,992	12,919
Others (notes a,b)	8,908	7,074
	51,933	53,944
Analysed as:		
Current	-	15,200
Non-current	51,933	38,744
	51,933	53,944

Notes:

(a) As at December 31, 2023, the Group had loans from related companies which are unsecured, interest bearing at 10% per annum and repayment are due from 1 to 3 years. (2022: CAD53,944,000 are due from 3 months to 3 years).

(b) Mr. Sun is the common director and shareholder of the related companies.

(c) During the year ended December 31, 2023, loans with an outstanding principal amount of approximately CAD14,517,000 have been extended the repayment date to 2026.

Details of the balances denominated in currency other than functional currency of the Group is disclosed in note 6(b).

16. LOANS FROM SHAREHOLDERS

Shareholders	2023	2022
	CAD'000	CAD'000
Zhang Jun	12,030	12,342
Mr. Sun	6,991	-
	19,021	12,342
Analysed as:		
Non-current	19,021	12,342

Notes:

(a) As at December 31, 2023, the Group had loans from shareholders which are unsecured, interest bearing at 10% per annum, and repayment are due from 1 to 3 years.

Details of the balances denominated in currency other than functional currency of the Group is disclosed in note 6(b).

* For identification purpose only

17. PROVISIONS

	2023	2022
	CAD'000	CAD'000
Decommissioning obligations, non-current		
Balance, as at January 1	44,144	54,770
Effect of changes in discount rate	4,225	(11,864)
Unwinding of discount rate	1,460	1,238
Balance, as at December 31	49,829	44,144

As at December 31, 2023, the Group's estimated total undiscounted cash flows required to settle asset decommissioning obligations was approximately CAD82,193,000 (2022: CAD73,003,000). Expenditures to settle asset decommissioning obligations were estimated to be incurred up to 2040. Decommissioning costs are based on estimated costs to reclaim and abandon crude oil products properties and the estimated timing of the costs to be incurred in future years, discounted using an annual risk-free rate from 3.45% to 4.30% (2022: 3.17% to 3.92%) per annum and inflated using an inflation rate of 2.0% (2022: 2.0%) per annum.

18. SHARE CAPITAL

The Company's authorised share capital is as follows:

- an unlimited number of Class "A" and Class "B" voting common shares without par value; and
- an unlimited number of Class "C", Class "D", Class "E" and Class "F" non-voting common shares without par value; and
- an unlimited number of Class "G" and Class "H" non-voting preferred shares.

	Number of shares	Issued amount
		CAD'000
Issued and fully paid		
As at January 1, 2022, December 31, 2022, January 1, 2023 and December 31, 2023	243,478,681	1,315,265

Note:

(a) Common shares consist of fully paid Class "A" common shares, which have no par value, carry one vote per share and carry a right to dividends.

19. REVENUE

Revenue represents revenue arising on sales of crude oil products. An analysis of the Group's revenue for the year is as follows:

	2023	2022
	CAD'000	CAD'000
Revenue from contracts with customers within the scope of IFRS 15		
- Crude oil products sales	30,237	15,629
- Royalties	(682)	(962)
	29,555	14,667

All revenue from contracts with customers is derived from Canada and recognised at a point in time.

Revenues associated with the sale of crude oil products are recognised at a point in time when control of goods have transferred, which is generally when title passes from the Group to the customer. Revenues are recorded net of crown royalties. Crown royalties are recognised at the time of production. The royalty rate at West Ells is based on price sensitive royalty rates set by the Government of Alberta. The applicable royalty rates change dependent upon whether a project is pre-payout or post-payout, with payout being defined as the point in time when a project has generated enough net revenues to recover its cumulative costs. The royalty rate applicable to pre-payout oil sands operations starts at 1% of crude oil products sales and increases for every dollar that the WTI crude oil products price in Canadian dollars is priced above CAD55 per barrel, to a maximum of 9% when the WTI crude oil products price is CAD120 per barrel or higher. The West Ells project is currently in pre-payout.

Revenue is allocated to each performance obligation on the basis of its standalone selling price and measured at the transaction price, which is the fair value of the consideration and represents amounts receivable for goods or services provided in the normal course of business. The price is allocated to each unit in the series as each unit is substantially the same and depicts the same pattern of transfer to the customer.

20. SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision maker (the "CODM"), for the purpose of resource allocation and assessment of segment performance focuses on types of goods provided. No operating segments identified by the CODM has been aggregated in arriving at the reportable segments of the Group.

For management purpose, the Group operates in one business unit based on their products, and has one reportable and operating segment: mining, production and sales of crude oil products. The directors of the Company monitor the revenue of its business unit as a whole based on the monthly sales and delivery reports for the purpose of making decisions about resource allocation and performance assessment.

Information about geographical area

As all of the Group's revenue is derived from the customers based in the Canada (country of domicile) and majority of the Group's non-current assets are located in Canada, no geographical information is presented.

20. SEGMENT INFORMATION (CONTINUED)

Information about major customers

Revenue from customers contributing over 10% of the total revenue, before royalty, of the Group is as follows:

	2023	**2022**
	CAD'000	CAD'000
Customer A	25,400	15,287
Customer B	4,694	N/A*

For the year ended December 31, 2023, Customer A contributed 84% of the Group's revenue (2022: 98%) and five largest customers in aggregate contributed to 100% of the Group's revenue (2022: 100%). To the best knowledge of the directors of the Company, neither the directors of the Company, their associates, nor any shareholders, who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers for the years ended December 31, 2023 and 2022.

* Revenue from relevant customers was less than 10% of the Group's total revenue for the respective year.

21. OTHER INCOME

	2023	**2022**
	CAD'000	CAD'000
Income recognised in relation to the bitumen royalty agreement (note a)	6,978	2,824
Government grants (note b)	-	34
Written-off on trade payables	2,374	-
Bank interest income	7	6
Others	463	-
	9,822	2,864

Notes:

(a) For the year ended December 31, 2023, the Group recognised the income in relation to bitumen royalty agreement, including i) approximately of CAD5,000,000 (2022: nil) represented that a payment from the royalty agreement with Burgess Energy Holdings L.L.C. ("Burgess") from the aggregate consideration subject to the terms and conditions stipulated therein; and ii) approximately of CAD1,978,000 (2022: CAD2,824,000) represented that a reimbursement made by Burgess to the Group in respect of mineral and surface lease rental borne by the Group in accordance with the terms of the agreement. For details, please refer to the note 31(c) to the consolidated financial statements.

(b) For the year ended December 31, 2022, the government grants is approximately CAD34,000 in respect of COVID-19-related subsidies which related to Employment Support Scheme provided by the Government of Hong Kong Special Administrative Region under the Anti-Epidemic Fund. The government grants has been recognised as other income on a systematic basis over the periods in which the Group recognises the staff costs for which the government grants are intended to compensate. The Group recognised as other income for the year as the Group fulfilled all the relevant granting criteria.

22. FINANCE COSTS

	2023	2022
	CAD'000	CAD'000
Interest on:		
- Senior notes, including yield maintenance premium	1,174	1,710
- Other loans	491	651
- Leases liabilities	133	97
- Loans from shareholders	1,531	496
- Loans from related companies	5,147	4,499
- Others	189	46
Unwinding of discounts on provisions	1,460	1,238
	10,125	8,737

23. LOSS FOR THE YEAR

	2023	2022
	CAD'000	CAD'000
Loss for the year has been arrived at after charging (crediting):		
Directors' and chief executive's emoluments (note 25)	2,304	2,332
Salaries, wages, allowances and other benefits (note a)	8,834	7,307
Contributions to retirement benefits scheme (excluding directors', chief executive's and supervisors' emoluments) (note a)	514	489
Total staff costs (note 25)	11,652	10,128
Auditor's remuneration	325	795
Depletion and depreciation of property, plant and equipment	7,916	3,164
Depreciation of right-of-use assets	694	706
Impairment loss (reversal of) impairment loss on trade and other receivables	229	(68)
Impairment loss on loan receivables	108	146
Impairment loss on exploration and evaluation assets	-	19,653
Reversal of impairment loss on property, plant and equipment	-	(20,028)
Lease rentals for office premises (note b)	6	178

Note:

a) The amount of approximately CAD5,629,000 and CAD3,719,000 are included in operating costs and general and administrative costs respectively for the year ended December 31, 2023 (2022: CAD5,364,000 and CAD2,432,000 respectively).

b) The amounts represent lease rentals relating to short-term leases.

24. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2023	**2022**
	CAD'000	CAD'000
Loss per share		
Loss attributable to owners of the Company for the purpose of basic and diluted earnings per share for the year	(19,330)	(65,403)

	2023	**2022**
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	243,478,681	243,478,681

The computation of diluted earnings per share does not assume the exercise of the Company's share-based compensation because the exercise price of those share-based compensation was higher than the average market price for shares for both 2023 and 2022.

25. DIRECTORS' EMOLUMENTS AND OTHER STAFF COSTS

The directors' emoluments and other staff costs are broken down as follows:

	2023	**2022**
	CAD'000	CAD'000
Directors' emoluments (note a)		
Directors' fees	338	366
Salaries and allowances	1,960	1,960
Contribution to retirement benefits scheme	6	6
	2,304	2,332
Other staff costs		
Salaries and other benefits	8,834	7,307
Contribution to retirement benefits scheme	514	489
	9,348	7,796
Total staff costs	11,652	10,128

25. DIRECTORS' EMOLUMENTS AND OTHER STAFF COSTS (CONTIINUED)

(a) Directors' emoluments

Details of the directors' emoluments are as follows:

For the year ended December 31, 2023

Emoluments paid or receivable in respect of a person's services in connection with the management of the affairs of the Company or its subsidiary undertaking:	Director's fees	Salaries, allowances and other benefits	Employer's contributions to retirement benefits scheme	Total
	CAD'000	CAD'000	CAD'000	CAD'000
Executive Directors				
Mr. Sun	52	855	3	910
Gloria Ho	41	600	3	644
Non-Executive Directors:				
Michael Hibberd	45	505	-	550
Xijuan Jiang	41	-	-	41
Linna Liu	39	-	-	39
Independent Non-Executive Directors:				
Yi He	53	-	-	53
Guangzhong Xing	45	-	-	45
Alfa Li (note b)	21	-	-	21
Jue Pang (note c)	1	-	-	1
	338	1,960	6	2,304

25. DIRECTORS' EMOLUMENTS AND OTHER STAFF COSTS (CONTINUED)

(a) Directors' emoluments (Continued)

For the year ended December 31, 2022

Emoluments paid or receivable in respect of a person's services in connection with the management of the affairs of the Company or its subsidiary undertaking:	**Director's fees**	**Salaries, allowances and other benefits**	**Employer's contributions to retirement benefits scheme**	**Total**
	CAD'000	CAD'000	CAD'000	CAD'000
Executive Directors				
Mr. Sun	52	855	3	910
Gloria Ho	42	600	3	645
Non-Executive Directors:				
Michael Hibberd	46	505	-	551
Xijuan Jiang	42	-	-	42
Linna Liu	39	-	-	39
Independent Non-Executive Directors:				
Yi He	54	-	-	54
Guangzhong Xing	46	-	-	46
Alfa Li (note b)	45	-	-	45
	366	1,960	6	2,332

Notes:

(a) The remuneration includes remuneration received from the Group by directors in his/her capacity as an employee of the subsidiaries.

(b) Retired on June 28, 2023

(c) Appointed on December 19, 2023

Mr. Sun is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

No directors and chief executive of the Company waived or agreed to waive the emolument paid by the Group during the years ended December 31, 2023 and 2022.

No emoluments were paid by the Group to the directors of Company as an inducement for joining the Group or as compensation for loss of office during the years end December 31, 2023 and 2022.

25. DIRECTORS' EMOLUMENTS AND OTHER STAFF COSTS (CONTINUED)

(b) Five highest paid individuals

The five highest paid individuals include three (2022: three) directors of the Company for the year ended December 31, 2023. The emoluments of the remaining two (2022: two) non-director individuals are as follows:

	2023	2022
	CAD'000	CAD'000
Salaries and other emoluments	1,074	852
Contribution to retirement benefit scheme	7	7
	1,081	859

The emoluments fell within the following bands:

	2023	2022
	Number of individuals	Number of individuals
HK$2,000,001 (equivalent to approximately CAD345,000) to HK$2,500,000 (equivalent to approximately CAD431,000)	-	1
HK$2,500,001 (equivalent to approximately CAD431,000) to HK$3,000,000 (equivalent to approximately CAD517,000)	1	1
HKD3,500,001 (equivalent to approximately CAD603,000) to HK$4,000,000 (equivalent to approximately CAD689,000)	1	-

26. RETIREMENT BENEFIT SCHEME

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs, capped at HK$1,500 (equivalent to CAD250) per month, to the MPF Scheme, in which the contribution is matched by employees.

As stipulated by rules and regulations in the People's Republic of China ("PRC"), subsidiaries in the PRC are required to contribute to a state-managed retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The state-managed retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-managed retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions.

The Group operates the CPP Scheme for all qualifying employees in Canada. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5.25% of relevant payroll costs, capped at CAD292,000 per annually, to the CPP Scheme, in which the contribution is matched by employees.

During the year ended December 31, 2023, the total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately CAD520,000 (2022: CAD495,000) represents contributions payable to these schemes by the Group in respect of the respective accounting period.

27. SHARE-BASED COMPENSATION

(a) Employee stock option plan

Post-IPO Stock Option Plan

On January 26, 2012, the Post-IPO Stock Option Plan was approved and adopted by shareholders at the Company's Annual General Meeting. The Post-IPO Stock Option Plan was effective immediately prior to the Company's IPO closing and listing on the SEHK, March 1, 2012. The maximum number of Class "A" common shares that may be reserved for issuance pursuant to the Post-IPO Stock Option Plan is 10% of the total number of issued and outstanding shares, less the maximum aggregate number of shares underlying the options already granted pursuant to the Pre-IPO Stock Option Plan. The Post-IPO Stock Option Plan was amended at the Annual and Special Meeting of Shareholders on June 13, 2013. As a result of the amendment, Options granted under the Post-IPO Stock Option Plan have an exercise price that is determined by the Board of Directors but is not less than the higher of: the closing price on the TSE or the SEHK (whichever is higher) on the option offer date, which must be a business day; the volume weighted average trading price (VWAP) of the shares on TSE or the SEHK (whichever is higher) for the five trading days immediately preceding the option offer date; and the average closing price of the shares on the TSE or the SEHK (whichever is higher) for the five trading days immediately preceding the option offer date.

There was no share options granted for the years ended December 31, 2023 and 2022.

(b) Movements in stock options

The following reconciles the stock options outstanding at the beginning and end of each year:

	2023		2022	
	Number of options	Weighted average exercise prices CAD	Number of options	Weighted average exercise prices CAD
Balance, as at January 1	6,500,000	1.96	6,580,000	1.96
Expired	(6,300,000)	2.00	(80,000)	2.50
Balance, as at December 31	200,000	0.60	6,500,000	1.96
Exercisable, as at December 31	200,000	0.60	6,500,000	1.96

As at December 31, 2023, stock options outstanding had a weighted average remaining contractual life of 0.69 years (2022: 0.55 years).

28. INCOME TAX EXPENSES

(a) Current income tax

No provision for income tax was made for the years ended December 31, 2023 and 2022 as the Group had no assessable profits for both years.

Reconciliation between income tax expenses and accounting loss at combined federal and provincial income tax rate:

	2023	**2022**
	CAD'000	CAD'000
Loss before income tax	(19,626)	(65,705)
Tax at the domestic income tax rate at 23% (2022:23%)	(4,514)	(15,112)
Tax effect of expenses not deductible for tax purposes	682	7,639
Tax effect of income not taxable for tax purposes	(2,682)	(2)
Tax effect of deductible temporary differences not recognised	2,152	926
Tax effect of tax losses not recognised	4,266	6,609
Effect of different tax rates of subsidiaries operating in other jurisdictions	96	(60)
Income tax	-	-

(b) Deferred income tax

At the end of the reporting period, the Group has not recognised deferred income tax due to the unpredictability of future profit streams of the respective group entities. The components of the net deferred income tax asset not recognised are as follows:

	2023	**2022**
	CAD'000	CAD'000
Deferred tax assets (liabilities)		
E&E assets and property, plant and equipment	(69,426)	(71,242)
Right-of-use assets	133	-
Decommissioning liabilities	10,489	10,153
Lease liabilities	(105)	-
Share issue costs	(1)	27
Tax losses (note)	244,634	246,680
	185,724	185,618

Note: During the year ended December 31, 2023, an amount of tax losses of approximately CAD6,209,000 was deducted from the deferred tax assets as the directors of the Company was in the view that the corresponding amount was ineligible to be allowed in certain tax jurisdiction.

Unrecognised tax losses will expire in 20 years from the year of origination.

29. DIVIDENDS

The directors of the Company did not recommend or declare the payment of any dividend in respect of the years ended December 31, 2023 and 2022.

30. RELATED PARTY TRANSACTIONS

In addition to the transactions disclosed elsewhere in these consolidated financial statements, during the year, the Group entered into the following material related party transactions.

(a) Trading transactions

(i) For the year ended December 31, 2023, a consulting company, to which the director of the consulting company is a common director of the Company, charged the Group of approximately CAD533,000 (2022: CAD517,000) for management and advisory services. As at December 31, 2023, the outstanding amount of approximately CAD3,043,000 (2022: CAD2,510,000) was included in trade payables.

(b) Compensation of key management personnel

The remuneration of the directors of the Company and other key management executives is determined by the Compensation Committee and consists of the following amounts:

	2023	**2022**
	CAD'000	CAD'000
Directors' fees	338	366
Salaries and allowances	3,034	2,812
Contribution to retirement benefit scheme	13	13
	3,385	3,191

31. COMMITMENTS AND CONTINGENCIES

(a) Commitments

	2023	**2022**
	CAD'000	CAD'000
Capital expenditure in respect of the acquisition of drilling machinery contracted for but not provided in the consolidated financial statements	-	97

Note: The Group has an annual obligation for oil sands mineral lease rentals and surface lease rentals. Annual payment is approximately CAD2,500,000.

31. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Litigations

i) The Group received a demand notice from the Regional Municipality of Wood Buffalo ("RMWB") in relation to the 2016-2023 municipal property taxes of approximately CAD15,067,000. The Group was also charged with overdue penalties of approximately CAD14,899,000. Since then the Group was in active negotiation with RMWB for a settlement plan with proposals to waive overdue penalties. As at the date of this report, the Group believes that notices issued by RMWB relating to property taxes did not comply with relevant legislation and the Group has sought judicial review to determine the effect of non-compliant tax notices on RMWB's property tax claim.

ii) The Group received a judgement from the Court of the State of New York, New York County (the "Judgement") that the Company shall pay the non-forbearing holder all the amounts due and owing on the Notes issued under the notes indenture dated 8 August 2014 (including principal and interests) in an aggregate amount of approximately US$15,481,000 (equivalent to approximately CAD20,967,000). The judgement was vacated on May 25, 2023. On December 13, 2023, the Company received a judgement from the Court of the State of New York, New York County that the Group should pay the Non-forbearing Holder all the amounts due and owing on the Notes (including principal and interests) in an aggregate amount of approximately US$19,694,000 (equivalent to approximately CAD26,048,000). On January 2, 2024 and February 20, 2024, the Company lodged an appeal against the Judgement. The appeal is expected to be held in July 2024. On February 27, 2024, the Non-forbearing Holder tried to execute the judgement by serving restraining notice in the State of New York.

(c) Bitumen Royalty Agreement

On August 31, 2021 (Calgary time), the Company entered into a royalty agreement with Burgess, pursuant to which, the Company has granted to Burgess a royalty interest in the bitumen within, upon, under or produced from the royalty lands owned by the Company and/or its affiliates ("Bitumen Royalty Agreement"), free and clear of any and all encumbrances for an aggregate consideration of CAD20,000,000 (the "Consideration").

On June 8, 2023, the Company entered into an amended royalty agreement (together with its ancillary documents, the "Amended Bitumen Royalty Agreement") with Burgess, pursuant to which, the Company receive a payment of CAD5,000,000 from the Consideration of subject to the terms and conditions stipulated therein. Up to year ended December 31, 2023, an accumulative amount of approximately CAD14,517,000 (2022: CAD7,539,000) has been received by the Company in respect of the Consideration.

During the year ended December 31, 2023, a total of approximately CAD6,978,000 (2022: CAD2,824,000) was recognised in other income (note 21) in accordance with terms set out in the Bitumen Royalty Agreement.

31. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(c) Bitumen Royalty Agreement (Continued)

Pursuant to Amended Bitumen Royalty Agreement, the royalty interest entitled Burgess to share a percentage of the Company's produced oil of that month (the "royalty share of bitumen") when average daily WCS of the month rise to US$60/bbl or above. The percentage that Burgess can share from the Company's produced oil of the month is calculated based on the following:

a) When the WCS price is below US$60/bbl, the royalty rate is 0%;

b) When the WCS price is US$60/bbl, the royalty rate is 2.5% and thereafter proportionally increases up to a maximum of 8.75%, when the WCS price rises to US$80/bbl.

c) When the WCS price is US$80/bbl, the royalty rate is 8.75% and thereafter proportionally increases up to a maximum of 25%, when the WCS price rises to US$113/bbl or above.

The bitumen involved under the Bitumen Royalty Agreement covered all royalty lands owned by the Company. Thus far, West Ells is the only project that has been put into operation.

Burgess has the option of either receiving the royalty in cash of in kind.

During the year ended December 31, 2023, royalty amounts of approximately CAD91,000, net of withholding tax were paid by the Company in accordance with Bitumen Royalty Agreement.

The directors of the Company considered that the possibility of outflow in royalty interest expenses was remote. No provision for potential liabilities in respect of the royalty interest expense has been made in the consolidated financial statements.

32. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2023	2022
		CAD'000	CAD'000
Assets			
Current assets			
Trade and other receivables	(a)	5,190	8,074
Loan receivables		-	1,514
Cash and cash equivalents		25	322
Amounts due from subsidiaries	(c)	-	14,871
		5,215	24,781
Non-current assets			
Exploration and evaluation assets		237,971	235,044
Property, plant and equipment		481,278	485,053
Right-of-use assets		1,780	1,172
Investment in subsidiaries		-*	-*
Other receivables	(a)	2,594	-
Loan receivables		12,049	11,347
		735,672	732,616
Total assets		740,887	757,397
Liabilities and shareholders' equity			
Current liabilities			
Trade payables, interest payables and accrued liabilities	(b)	72,201	233,024
Loans from related companies		-	14,246
Other loans		1,839	4,008
Senior notes		10,581	269,040
Amount due to subsidiaries	(c)	2,684	2,756
Lease liabilities		539	391
		87,844	523,465
Non-current liabilities			
Interest payables		178,317	5,241
Loans from related companies		42,881	30,260
Loans from shareholders		19,021	12,342
Other loans		13,615	12,230
Senior notes		252,142	-
Lease liabilities		1,380	811
Provisions		49,829	44,144
		557,185	105,028
Total liabilities		645,029	628,493

* The amount shown as zero due to rounding less than CAD1,000.

32. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	Notes	2023	2022
		CAD'000	CAD'000
Shareholders' equity			
Share capital		1,315,265	1,315,265
Reserve for share-based compensation	(d)	76,416	76,416
Capital reserve	(d)	(4,453)	(4,453)
Accumulated deficit	(d)	(1,291,370)	(1,258,324)
Total shareholders' equity		95,858	128,904
Total liabilities and shareholders' equity		740,887	757,397

Notes:

(a) As at December 31, 2023, included in other receivables, amount of approximately CAD2,594,000 (net of allowance of approximately CAD144,000) (2022: CAD2,692,000 (net of allowance of approximately CAD64,000)) represented the amount due form Renergy Petroleum (Canada) Co., Ltd., which Mr. Kwok Ping Sun and Nobao Energy (China), a company under the control of Mr. Sun, has conditionally acquired Changjiang Investment Group Co., Ltd.'s interest in. The amount is unsecured, interest-free and expect to be settled in October 2023.

(b) Included in the amount of other payables as at December 31, 2023, approximately CAD1,835,000 (2022: CAD1,820,000) represented the amounts due to directors. The amounts are unsecured, interest-free and repayment on demand.

(c) As at 31 December 2023, the carrying amount of amounts due from subsidiaries was approximately nil (2022: CAD14,871,000), net of impairment CAD16,415,000 (2022: nil). The amounts due from (to) subsidiaries are unsecured, non-interest bearing and repayable on demand.