Unaudited Condensed Consolidated Interim Financial Statements of

CEQUENCE ENERGY LTD.

March 31, 2020

CEQUENCE ENERGY LTD.

Condensed Consolidated Interim Statements of Financial Position
(Unaudited)

(In thousands of Canadian dollars)	**As at March 31, 2020 $**	As at December 31, 2019 $
Assets		
Current		
Cash	**2,244**	1,738
Accounts receivable (Note 12)	**10,509**	11,778
Deposits and prepaid expenses	**653**	497
Commodity contracts (Note 12)	**1,469**	57
	14,875	14,070
Non-current		
Property and equipment (Note 3)	**144,921**	253,592
	159,796	267,662
Liabilities		
Current		
Accounts payable and accrued liabilities	**19,315**	17,309
Flow-through share liability (Note 11)	**4,554**	5,342
Share-based payment liability (Note 9)	**32**	50
Decommissioning liability (Note 8)	**839**	1,432
Lease liability	**257**	252
	24,997	24,385
Non-current		
Lease liability	**135**	201
Term loan (Note 5)	**49,361**	49,316
Decommissioning liability (Note 8)	**41,384**	38,742
	115,877	112,644
Equity		
Share capital	**647,869**	647,869
Contributed surplus	**33,901**	33,840
Deficit	**(637,851)**	(526,691)
	43,919	155,018
	159,796	267,662

Going Concern (Note 2)
Commitments (Note 11)

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

CEQUENCE ENERGY LTD.

Condensed Consolidated Interim Statements of Net loss and Comprehensive loss (Unaudited)

(In thousands of Canadian dollars, except per share amounts)	For the three months ended March 31, 2020 $	2019 $
Revenue and other income		
Production revenue (Note 6)	**10,023**	14,769
Other income	**828**	51
Gain (loss) on derivative financial instruments (Note 12)	**2,018**	(1,804)
	12,869	13,016
Expenses		
Operating	**5,600**	6,131
Transportation	**2,290**	2,350
Depletion and depreciation (Note 3)	**4,270**	6,076
Impairment (Note 3)	**109,870**	-
General and administrative	**1,118**	1,156
Finance (Note 7)	**830**	982
Share-based payment (Note 9)	**51**	135
	124,029	16,830
Loss before income taxes	**(111,160)**	(3,814)
Income taxes	**-**	-
Net loss and comprehensive loss	**(111,160)**	(3,814)
Loss per share (Note 10)		
Basic and diluted	**($2.66)**	($0.16)

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

CEQUENCE ENERGY LTD.

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited)

(In thousands of Canadian dollars)	**For the three months ended March 31, 2020 $**	2019 $
Equity		
Share capital		
Balance, beginning and end of period	**647,869**	642,123
Warrants		
Balance, beginning and end of period	**-**	737
Contributed surplus		
Balance, beginning of period	**33,840**	32,720
Share-based payment expense (Note 9)	**61**	111
Balance, end of period	**33,901**	32,831
Deficit		
Balance, beginning of period	**(526,691)**	(523,269)
Net loss	**(111,160)**	(3,814)
Balance, end of period	**(637,851)**	(527,083)
Total equity	**43,919**	148,608

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

CEQUENCE ENERGY LTD.

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)

(In thousands of Canadian dollars)	**For the three months ended March 31, 2020 $**	2019 $
Operating activities:		
Net loss	**(111,160)**	(3,814)
Adjustments for non-cash items:		
Depletion and depreciation expense (Note 3)	**4,270**	6,076
Impairment (Note 3)	**109,870**	-
Accretion expense on decommissioning liability (Note 7)	**143**	176
Share-based payment (Note 9)	**51**	135
Amortization of transaction costs (Note 7)	**45**	-
Unrealized (gain) loss on derivative financial instruments (Note 12)	**(1,412)**	2,790
(Gain) loss on sale of property and equipment	**(22)**	1
Flow-through share obligation incurred	**(788)**	-
Decommissioning costs incurred (Note 8)	**(277)**	(2,478)
Net change in non-cash working capital (Note 13)	**2,107**	(2,643)
Cash flow from operating activities	**2,827**	243
Investing activities:		
Property and equipment expenditures (Note 3)	**(3,264)**	(2,184)
Proceeds from sale of property and equipment	**-**	(1)
Net change in non-cash working capital (Note 13)	**1,012**	(5,614)
Cash flow used in investing activities	**(2,252)**	(7,799)
Financing activities:		
Lease liability payments	**(60)**	(63)
Cash settlement of share-based payments (Note 9)	**(9)**	-
Cash flow used in financing activities	**(69)**	(63)
Net increase (decrease) in cash	**506**	(7,619)
Cash, beginning of period	**1,738**	14,496
Cash, end of period	**2,244**	6,877

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

1. NATURE AND DESCRIPTION OF THE COMPANY

Cequence Energy Ltd. (the “Company” or “Cequence”) is incorporated under the laws of Alberta and is listed on the Toronto Stock Exchange. Cequence is engaged in the acquisition, exploration and production of petroleum and natural gas reserves in Western Canada. The registered office of the Company is located at Suite 1400, 215 – 9th Avenue. SW, Calgary, Alberta, T2P 1K3.

These unaudited condensed consolidated interim financial statements (“financial statements”) include all assets, liabilities, revenues and expenses of Cequence and its wholly-owned subsidiary, 1175043 Alberta Ltd.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance and authorization

These financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”, as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain information or disclosure normally included in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been condensed or omitted.

These financial statements should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2019.

The financial statements were approved by the Company’s Board of Directors on May 14, 2020.

Basis of presentation

The financial statements have been prepared using the same accounting policies and methods as those used in the consolidated financial statements for the year ended December 31, 2019. The financial statements have been presented in Canadian dollars, which is also the Company’s functional currency, rounded to the nearest thousand, unless otherwise indicated.

Basis of consolidation

The financial statements include the accounts of the Company and its consolidated subsidiary, which is the entity over which the Company has control. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. All intercompany transactions and balances are eliminated on consolidation.

Going Concern and Capital Management

These financial statements have been prepared on the basis that the Company will continue as a going concern, which asserts that the Company has the ability to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company continues to review its options to improve its financial leverage including alternative financing arrangements, property acquisitions or divestitures, corporate mergers and acquisitions, other recapitalization opportunities, further adjustments to the capital program, use of risk management contracts or the issuance of additional equity.

Cequence's objectives are to maintain a flexible capital structure in order to meet its financial obligations, execute on strategic opportunities throughout the business cycle and respond to changes in economic conditions. The Company's capital comprises equity, a demand credit facility, Term Loan and working capital. Cequence manages the capital structure and makes adjustments in light of economic conditions and the risk characteristics of the underlying assets.

(All figures expressed in thousands except per share amounts unless otherwise noted)

As at March 31, 2020, the Company had a working capital deficiency of $10,122 and a Term loan outstanding with a carrying value and face value of $49,361 and $50,000, respectively. The Company has a $7,000 extendible revolving term credit facility (the "Credit Facility") that had nil drawn at March 31, 2020 other than letters of credit outstanding of $1,590. The Credit Facility is a demand loan with a maturity date of June 16, 2020 and renewable at the lender's consent.

Due to low commodity prices and declining production volumes the Company has not generated sufficient cash flow to finance future capital investment. Without investing in capital to develop reserves there is no certainty that the Company can sustain production and positive cash flows from operating activities. The inability to finance future capital investment may impact the assessment of the Company as a going concern. These circumstances result in a material uncertainty surrounding the Company's ability to continue as a going concern and may cast significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly the appropriateness of the use of accounting principles applicable to a going concern.

These financial statements do not reflect the adjustments and classifications of assets, liabilities, revenues and expenses which would be necessary if the Company were unable to continue as a going concern.

3. PROPERTY AND EQUIPMENT

Cost:	
Balance at December 31, 2019	934,071
Additions	**3,264**
Decommissioning obligation additions and change in estimates	**2,205**
Balance at March 31, 2020	**939,540**
Depletion, depreciation and impairment:	
Balance at December 31, 2019	(680,479)
Depletion and depreciation	**(4,270)**
Impairment	**(109,870)**
Balance at March 31, 2020	**(794,619)**

Carrying amounts:	
At December 31, 2019	253,592
At March 31, 2020	**144,921**

At March 31, 2020, the Company conducted an assessment of impairment indicators. In performing the assessment, management determined that the continued market capitalization deficit to net assets and the decrease in commodity prices in the forward market may indicate an impairment.

The impairment test was conducted at March 31, 2020. The recoverable amount at March 31, 2020 was estimated at fair value less cost to sell, based on the net present value of discounted future cash flows from crude oil and natural gas reserves estimated by the Company's independent reserves evaluator at December 31, 2019, updated using forward commodity price estimates at March 31, 2020 provided by the Company's independent reserves evaluator. The Company also included the fair value of undeveloped land based on an internal evaluation with consideration to recent land sales. The fair value less costs of disposal values used to determine the recoverable amounts are classified as Level 3 fair value measurements as certain key assumptions are not based on observable market data but, rather, management's best estimates. The Company used an after-tax 12% discount rate for the March 31, 2020 impairment tests which took into account the risks specific to the CGUs and market assessment of the time value of money.

(All figures expressed in thousands except per share amounts unless otherwise noted)

The determination of impairment is sensitive to changes in key judgments, including reserve or resource revisions, changes in forward commodity prices and exchange rates, and changes in costs and timing of development. Changes in these key judgments would impact the recoverable amount of the Company’s CGUs, therefore resulting in additional impairment charges or recoveries.

The benchmark escalated prices on which the March 31, 2020 impairment tests are based are as follows:

	Natural Gas	**Condensate**	**Crude Oil**
	AECO Spot ($/mmbtu)	Edmonton Pentanes Plus ($/bbl)	Edmonton Par ($/bbl)
2020	1.98	43.96	36.68
2021	2.25	52.05	47.95
2022	2.35	61.56	56.46
2023	2.45	68.92	64.19
2024	2.55	75.84	71.81
2025	2.65	77.27	73.27
2026	2.70	78.84	74.84
2027	2.76	80.44	76.44
2028	2.81	82.08	78.08
2029	2.87	83.75	79.75

Prices increase at a rate of 2.0 percent per year for natural gas, condensate and crude oil after 2029. Adjustments were made to the benchmark prices, for purposes of the impairment tests, to reflect varied delivery points and quality differentials in the products delivered.

The estimated recoverable amount at March 31, 2020 was $144,921. A one percent increase in the discount rate applied to the Company’s future estimated cash flows would result in an additional impairment of $15,000, whereas a ten percent increase in forward commodity prices would result in a reversal of the impairment of $120,000.

4. CREDIT FACILITY

The Company has a Credit Facility of $7,000 (December 31, 2019 - $7,000) and has drawn $nil (December 31, 2019 - $nil) under the facility. The Company has letters of credit outstanding of $1,590 (December 31, 2019 - $1,590). The Credit Facility matures on June 16, 2020, is renewable at the lender’s consent and is secured by a general assignment of book debts and a $250,000 demand debenture with a first floating charge over all assets of the Company. To the extent the Credit Facility is not renewed, the balance would be immediately due and payable on the maturity date. The Credit Facility is reviewed on a semi-annual basis with the lender holding the right to request an additional review as may be required.

(All figures expressed in thousands except per share amounts unless otherwise noted)

The Credit Facility has a financial covenant that requires Senior Debt to twelve month trailing EBITDA, as defined in the bank agreement, to be less than 3:0 to 1:0. At March 31, 2020 the ratio was 0.2 times (December 31, 2019 – 0.1 times). At March 31, 2020 all financial debt covenants and all banking requirements under the Credit Facility were satisfied.

5. TERM LOAN

Cequence has a $50,000 second lien secured loan (the "Term Loan"), due October 3, 2023. Interest on the Term Loan is paid quarterly at a rate of 5% per annum.

Cequence has granted the lender second lien security over all of the Company's assets (with the exception of its Simonette joint venture property) through a $100,000 demand debenture, which will rank junior in priority to the security securing the obligations under the Company's Credit Facility pursuant to an intercreditor agreement.

The Term Loan is subject to a cross default clause and the same financial covenants as the Credit Facility as well as certain other non-financial covenants and restrictive covenants, including restrictions over asset sales, restricted payments, the incurrence of additional indebtedness and other transactions outside of the ordinary course of business. At March 31, 2020, all financial debt covenants and all banking requirements under the Term Loan were satisfied.

At any time prior to the maturity of October 3, 2023, the Company has the option to make voluntary prepayments without penalty towards the Term Loan. Subject to restrictions in the intercreditor agreement, there are mandatory repayments related to asset sales and the incurrence of unsecured debt.

6. PRODUCTION REVENUE

Cequence sells its crude oil and condensate, natural gas, and natural gas liquids production pursuant to variable price contracts. The transaction price for variable priced contracts is based on a benchmark commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula (apart from the benchmark commodity price) can be either fixed or variable, depending on the contract terms. Revenues are typically collected on the 25th day of the month following the prior month's production, with revenue being recorded once the product is delivered to a contractually agreed upon delivery point.

The following table presents Cequence's production disaggregated by revenue source:

	Three months ended March 31,	
	2020	2019
Natural gas	**5,465**	8,014
Crude oil and condensate	**5,317**	7,251
Natural gas liquids	**374**	386
Royalties	**(1,133)**	(882)
Total production revenue	**10,023**	14,769

(All figures expressed in thousands except per share amounts unless otherwise noted)

7. FINANCE EXPENSE

	Three months ended March 31,	
	2020	2019
Standby fees on credit facility and other	**12**	54
Interest expense on Term Loan	**623**	740
Interest expense on lease liability	**7**	12
Amortization of transaction costs	**45**	-
Accretion expense on decommissioning liability	**143**	176
Total finance expense	**830**	982

8. DECOMMISSIONING LIABILITY

The following table summarizes the changes in decommissioning liabilities for the three months ended March 31, 2020 and year ended December 31, 2019:

	2020	2019
Balance, beginning of period	**40,174**	35,555
Property dispositions	**(22)**	-
Accretion expense	**143**	668
Liabilities incurred	**-**	5
Liabilities acquired	**143**	524
Decommissioning costs incurred	**(277)**	(4,055)
Revisions in estimated cash flows	**(263)**	4,233
Revisions due to change in discount rates	**2,325**	3,244
Balance, end of period	**42,223**	40,174
Current	**839**	1,432
Non-current	**41,384**	38,742
	42,223	40,174

The Company's decommissioning liabilities result from its ownership in crude oil and natural gas assets including well sites, facilities and gathering systems. The total estimated, undiscounted cash flows, inflated at 2 percent, required to settle the obligations are $55,786 (December 31, 2019 - $56,290). These cash flows have been discounted using a risk-free interest rate of 1.36 percent (December 31, 2019 – 1.67 percent) based on Government of Canada long-term benchmark bonds. The Company expects these obligations to be settled in approximately 1 to 50 years (December 31, 2019 – 1 to 50 years). As at March 31, 2020 and December 31, 2019, no funds have been set aside to settle these liabilities.

9. SHARE-BASED PAYMENT PLANS

The Company has a stock option and Restricted Share Unit plan ("RSU"). For the three months ended March 31, 2020, Cequence recognized share-based payment expense on equity-settled stock options of $61 (2019 - $111) and RSUs of ($10) (2019 – $24).

(All figures expressed in thousands except per share amounts unless otherwise noted)

A summary of the Company's stock option plan during the three months ended March 31, 2020 and year ended December 31, 2019 is as follows:

Number of Stock Options (000's)	**2020**	2019
Outstanding, beginning of period	**1,482**	1,476
Granted	**759**	185
Cancelled/Forfeited	**-**	(149)
Expired	**-**	(30)
Outstanding, end of period	**2,241**	1,482

(1) The Company issued 759,000 stock options (2019 - 185,000) at a weighted average exercise price of $0.35 (2019 - $0.53) to employees, officers and directors.

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

	2020	2019
Risk-free interest rate	**1.52%**	1.51%
Expected life of options	**5 years**	5 years
Expected volatility	**86%**	79%
Expected dividend rate	**0%**	0%
Expected forfeiture rate	**10%**	10%
Weighted average fair value	**$0.22**	$0.35

Expected volatility is determined based on the historical volatility of the Company's shares.

A summary of the Company's RSU plan during the three months ended March 31, 2020 and year ended December 31, 2019 is as follows:

Number of RSUs (000's)	**2020**	2019
Outstanding, beginning of period	**341**	444
Granted	**1,442**	102
Settled	**(43)**	(152)
Cancelled/Forfeited	**(4)**	(53)
Outstanding, end of period	**1,736**	341

10. LOSS PER SHARE

Loss per share has been calculated based on the weighted average number of common shares outstanding. For the three months ended March 31, 2020 and 2019, the Company has excluded all dilutive instruments as their inclusion would be anti-dilutive. The following table reconciles the denominators used for the basic and diluted loss per share calculations:

	Three months ended March 31,	
	2020	2019
Basic weighted average shares	**41,784**	24,553
Effect of dilutive instruments	**-**	-
Diluted weighted average shares	**41,784**	24,553

(All figures expressed in thousands except per share amounts unless otherwise noted)

11. COMMITMENTS

	2020	2021	2022	2023	2024+	Total
Office leases (1)	207	207	-	-	-	414
Pipeline transportation	5,220	6,953	6,117	5,555	18,172	42,017
Gas processing	3,130	4,154	4,154	4,154	26,317	41,909
Total	8,557	11,314	10,271	9,709	44,489	84,340

(1) Reflects minimum undiscounted lease payments. This is recorded as a lease liability on the Statements of Financial Position.

Cequence has a take or pay agreement with the operator of the Simonette facility. The volume commitment under the take or pay is 42 mmcf/d until April 30, 2030.

The Company has firm natural gas transportation on a major pipeline system for 35 mmcf/d until March 30, 2026 and firm crude oil transportation on a major pipeline system for 600 bbls/d until December 31, 2021.

The Company has a contract to ship 10,850 GJ/d of natural gas on the TransCanada mainline system from the Empress receipt point to the Dawn hub in Ontario. The contract expires on March 31, 2028 and has early termination rights that can be exercised following March 31, 2023. The toll for this service is $0.77 per GJ. As part of this commitment, the Company entered into a five-year contract to transport AECO gas to Empress at an annual cost of approximately $750.

On June 27, 2019, Cequence completed a private placement of common shares. Cequence issued a total of 17,230,769 flow-through common shares at a subscription price of $0.65 per flow-through common share for gross proceeds of $11,200. The implied premium on the flow-through shares of $0.31 per share or $5,342 was recorded as a flow-through share liability.

In accordance with the terms of the agreement and pursuant to certain provisions of the Income Tax Act (Canada), the Company is required to incur on a best efforts basis and renounce to the holders of the flow-through common shares, for income tax purposes, qualifying Canadian development expenditures of $11,200 prior to December 31, 2020. At March 31, 2020, the Company had incurred $1,652 (December 31, 2019 - $177) of qualifying Canadian development expenditures.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

There have been no significant changes to the Company's exposure to risks, or the objectives, policies and processes to manage these risks from December 31, 2019.

(All figures expressed in thousands except per share amounts unless otherwise noted)

The following table summarizes information relating to financial instruments and their classification:

	As at March 31, 2020		As at December 31, 2019	
	Carrying value	Fair value	Carrying value	Fair value
Fair value through profit or loss				
Cash	**2,244**	**2,244**	1,738	1,738
Commodity contracts	**1,469**	**1,469**	57	57
Amortized cost				
Accounts receivable	**10,509**	**10,509**	11,778	11,778
Deposits	**653**	**653**	497	497
Credit facility	**-**	**-**	-	-
Accounts payable and accrued liabilities	**(19,315)**	**(19,315)**	(17,309)	(17,309)
Lease liability	**(392)**	**(392)**	(453)	(453)
Term Loan	**(49,361)**	**(50,000)**	(49,316)	(50,000)

The Company's fair value hierarchy for those assets and liabilities measured at fair value comprises cash measured at level 1 and commodity contracts measured at level 2 under the Company's fair value hierarchy as of March 31, 2020 and December 31, 2019. The fair value of commodity contracts is determined by discounting the remaining contracted crude oil and natural gas volumes by the difference between the contracted price and published forward price curves as at the consolidated statement of financial position date.

The nature of these financial instruments and the Company's operations expose the Company to market risk, credit risk and liquidity risk. The Company manages its exposure to these risks by operating in a manner that minimizes these risks. Management employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Company's business objectives and risk tolerance levels. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established policies in setting risk limits and controls and monitors these risks in relation to market conditions.

MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's net loss and comprehensive loss to the extent the Company has outstanding financial instruments. The objective of the Company is to mitigate market risk exposures within acceptable limits, while maximizing returns.

Commodity price risk

The nature of the Company's operations results in exposure to fluctuations in commodity prices. Management continuously monitors commodity prices and initiates instruments to manage exposure to these risks when it deems appropriate. As a means of managing commodity price volatility, the Company enters into various derivative financial instrument agreements and physical contracts. The fair values of the derivative financial instruments are based on mark-to-market assessments and estimates of fair value and are recorded on the consolidated statements of financial position as either an asset or liability with the change in fair value recognized in net loss and comprehensive loss.

(All figures expressed in thousands except per share amounts unless otherwise noted)

The following information presents all outstanding positions for commodity derivative financial instruments at March 31, 2020:

Term	Product	Type	Average Volume	Average Price ($)	Basis
April 1, 2020 to June 30, 2020	Gas	Swap	5,000 GJ/day	CDN$1.55/GJ	AECO
April 1, 2020 to June 30, 2020	Gas	Swap	2,500 MMbtu/day	US$2.03/MMbtu	DAWN
July 1, 2020 to September 30, 2020	Gas	Swap	5,000 GJ/day	CDN$1.62/GJ	AECO
July 1, 2020 to September 30, 2020	Gas	Swap	2,500 MMbtu/day	US$2.01/MMbtu	DAWN

Term	Product	Type	Average Volume (bbl/d)	Average Price (CDN$/bbl)	Basis
April 1, 2020 to June 30, 2020	Oil	Swap	300	80.34	WTI

For the three months ended March 31, 2020, realized gains from derivative commodity contracts recognized in net loss and comprehensive loss were $606 (2019 - $986).

The fair value of the commodity contracts outstanding at March 31, 2020 was a current asset of $1,469 (December 31, 2019 – current asset of $57).

For the three months ended March 31, 2020, the Company recorded an unrealized gain of $1,412 from derivative commodity contracts (2019 – ($2,790 loss)).

As at March 31, 2020, a change in gas price of $0.50/gj and oil price of $1.00/bbl results in a change in the fair value of the commodity contracts of $686 and $27 (2019 - $1,258 and $110) respectively and a commensurate change to net loss and comprehensive loss.

Foreign exchange risk

The Company is exposed to foreign currency fluctuations as crude oil and natural gas prices and certain derivative commodity contracts are referenced to U.S. dollar denominated prices. As at March 31, 2020, the Company had no forward, foreign exchange contracts in place, nor any significant working capital items denominated in foreign currencies (2019 – nil).

Interest rate risk

The Company is exposed to interest rate risk to the extent that changes in market interest rates impact its borrowings under the floating rate credit facility. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates. The Company has no interest rate swaps or financial contracts in place as at or during the three months ended March 31, 2020 (2019 - nil).

As at March 31, 2020, a 1 percent change in interest rates on the Company's outstanding credit facilities, with all other variables constant, would result in a change in net loss and comprehensive loss of $nil (2019 - $nil).

(All figures expressed in thousands except per share amounts unless otherwise noted)

CREDIT RISK

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company is exposed to credit risk with respect to its cash, accounts receivable and commodity contract assets.

The Company's cash and commodity contract assets are held with a large established financial institution. The majority of the Company's accounts receivable are due from marketers of the Company's petroleum and natural gas production which are typically collected on the 25th day of the month following the prior month's production and from joint venture partners in the crude oil and natural gas industry. The Company mitigates its credit risk by entering into contracts with established counterparties that have strong credit ratings and reviewing its exposure to individual counterparties on a regular basis.

As at March 31, 2020, the accounts receivable balance was $10,509 (December 31, 2019 - $11,778) of which $1,842 (December 31, 2019 - $1,634) was past due. The Company considers all amounts greater than 90 days past due. These past due accounts are considered to be collectible, except as provided in the allowance for doubtful accounts. When determining whether past due accounts are uncollectible, the Company factors in the past credit history of the counterparties. The following table provides an aging analysis of the Company's accounts receivable:

Current	30-60 days	60-90 days	90+days	Total
7,690	**430**	**547**	**1,842**	**10,509**

At March 31, 2020, the Company has an allowance for doubtful accounts of $660 (December 31, 2019 – $667).

As at March 31, 2020, the maximum exposure to credit risk was $14,222 (December 31, 2019 - $13,573) being the carrying value of the Company's cash, accounts receivable and commodity contract assets.

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The nature of the crude oil and natural gas industry is capital intensive and the Company maintains and monitors a certain level of cash flow to finance operating and capital expenditures.

The expected timing of cash flows relating to financial liabilities as at March 31, 2020 is as follows:

	< 1 Year	1 – 2 Years	2 – 5 Years	Thereafter
Term Loan	-	-	50,000	-
Accounts payable and accrued liabilities	19,315	-	-	-
Lease liability	257	135	-	-
	19,572	135	50,000	-

(All figures expressed in thousands except per share amounts unless otherwise noted)

13. CHANGES IN NON-CASH WORKING CAPITAL

	Three months ended March 31,	
	2020	2019
Accounts receivable	**1,269**	(2,701)
Deposits and prepaid expenses	**(156)**	(139)
Accounts payable and accrued liabilities	**2,006**	(5,417)
Net change in non-cash working capital	**3,119**	(8,257)
Allocated to:		
Operating activities	**2,107**	(2,643)
Investing activities	**1,012**	(5,614)
	3,119	(8,257)