



BRI-CHEM

**Interim Condensed Consolidated
Financial Statements (Unaudited)**

Q3 2023

September 30, 2023
(Expressed in Canadian Dollars)

Interim Condensed Consolidated Statements of Operations and Comprehensive Income

(Canadian dollars)

(unaudited)

	Note	Three months ended		Nine months ended	
		September 30 2023	September 30 2022	September 30 2023	September 30 2022
Sales		\$ 26,829,832	\$ 28,985,726	\$ 79,260,004	\$ 77,991,003
Cost of sales		21,936,100	23,663,253	64,798,334	62,488,554
Gross margin		4,893,732	5,322,473	14,461,670	15,502,449
Expenses					
Salaries and benefits	11	1,885,737	1,851,127	5,582,731	5,125,105
Selling, general and administration		1,502,874	1,159,475	4,225,788	3,707,503
Depreciation on property and equipment		319,811	263,019	955,294	779,037
(Reversal of) impairment losses		-	-	-	(893,153)
		3,708,422	3,273,621	10,763,813	8,718,492
Operating earnings		1,185,310	2,048,852	3,697,857	6,783,957
Financing costs		1,005,081	641,515	2,880,015	1,761,505
Foreign exchange loss		454,153	595,570	14,723	729,244
		1,459,234	1,237,085	2,894,738	2,490,749
Net (loss) earnings before income taxes		(273,924)	811,767	803,119	4,293,208
Income tax expense (recovery)					
Current		19,234	-	(8,708)	30,605
Deferred		82,652	311,879	369,448	(4,350,564)
		101,886	311,879	360,740	(4,319,959)
Net (loss) earnings		\$ (375,810)	499,888	\$ 442,379	8,613,167
Other comprehensive income (loss)					
Foreign currency translation adjustment		638,865	1,638,789	(69,737)	2,086,128
Total comprehensive income		\$ 263,055	\$ 2,138,677	\$ 372,642	\$ 10,699,295
Earnings per share					
Basic	7	\$ (0.01)	\$ 0.02	\$ 0.02	\$ 0.33
Diluted	7	\$ (0.01)	\$ 0.02	\$ 0.02	\$ 0.33

The accompanying notes are an integral part to these interim condensed consolidated financial statements

Interim Condensed Consolidated Statements of Financial Position

(Canadian dollars)

(unaudited)

	Note	September 30 2023	December 31 2022
Assets			
Current assets			
Inventories		30,182,677	31,863,968
Accounts receivable	4	\$ 25,085,299	\$ 30,919,042
Prepaid expenses and deposits		775,458	623,674
Income tax receivable		\$ 7,617	\$ —
		56,051,051	63,406,684
Non-current assets			
Property and equipment		8,927,943	8,971,285
Deferred tax assets		4,084,865	4,463,453
Right-of-use assets		1,441,216	1,631,814
Other long-term assets		26,541	26,589
		\$ 70,531,616	\$ 78,499,825
Liabilities			
Current liabilities			
Bank indebtedness	5	\$ 28,285,527	\$ 30,738,886
Accounts payable and accrued liabilities		10,923,386	16,428,249
Income tax payable		—	72,696
Current portion of lease liabilities		616,297	526,396
Current portion of long-term debt	6	214,083	206,116
		40,039,293	47,972,343
Non-current liabilities			
Long-term debt	6	6,771,475	6,917,558
Lease liabilities		940,743	1,203,905
		47,751,511	56,093,806
Equity			
Share capital		33,939,875	33,939,875
Contributed surplus		4,044,886	4,043,442
Deficit		(13,053,773)	(13,496,152)
Accumulated other comprehensive loss		(2,150,883)	(2,081,146)
		22,780,105	22,406,019
		\$ 70,531,616	\$ 78,499,825

The accompanying notes are an integral part to these interim condensed consolidated financial statements

Interim Condensed Consolidated Statements of Changes in Equity
 (Canadian dollars)
 (unaudited)

	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive (loss) / income	Total equity
Balance at January 1, 2022	\$ 33,689,875	\$ 4,039,397	\$ (22,139,285)	\$ (3,873,527)	\$ 11,716,460
Employee share-based payment options	250,000	4,045	—	—	\$ 254,045
Total comprehensive income	—	—	8,643,133	1,792,381	\$ 10,435,514
Balance at December 31, 2022	\$ 33,939,875	\$ 4,043,442	\$ (13,496,152)	\$ (2,081,146)	\$ 22,406,019
Employee share-based payment options	—	1,444	—	—	1,444
Total comprehensive income (loss)	—	—	442,379	(69,737)	372,642
Balance at September 30, 2023	\$ 33,939,875	\$ 4,044,886	\$ (13,053,773)	\$ (2,150,883)	\$ 22,780,105

The accompanying notes are an integral part to these interim condensed consolidated financial statements

Interim Condensed Consolidated Statements of Cash Flows (Canadian dollars) (unaudited)			
For the nine months ended	Note	September 30 2023	September 30 2022
Operating activities			
Net earnings		\$ 442,379	\$ 8,613,167
Adjustments for:			
Depreciation on property and equipment		955,294	779,037
Amortization of debt related transaction costs		54,486	148,936
Foreign exchange (gain) loss on debt		(6,332)	838,083
Unrealized foreign exchange loss (gain)		28,560	(23,715)
Interest on debt and finance leases	10	2,375,071	1,287,182
(Gain) on disposal of equipment		(14,480)	(6,474)
Loss on extinguished debt		—	451,062
Stock-based compensation		1,444	3,322
Tax expense (recovery)		363,482	(4,350,564)
(Reversal of) impairment losses		—	(893,153)
Change in non-cash working capital	10	1,635,083	(12,780,699)
Total cash provided by (used in) in operating activities		5,834,987	(5,933,816)
Financing activities			
Repayment on bank indebtedness		(2,641,486)	8,763,016
Interest paid on debt and finance leases		(2,148,278)	(1,167,563)
Repayment of obligations under finance lease		(447,553)	(334,130)
Advances on long-term debt		—	5,593,603
Repayment of long-term debt		(153,198)	(6,988,589)
Issuance of shares		—	250,000
Total cash (used in) provided by financing activities		(5,390,515)	6,116,337
Investing activities			
Proceeds on sale of property and equipment		14,480	6,474
Purchases of property and equipment		(458,952)	(188,995)
Total cash (used in) investing activities		(444,472)	(182,521)
Net change in cash and cash equivalents		—	—
Cash and cash equivalents, beginning of the period		—	—
Cash and cash equivalents, end of the period		\$ —	\$ —

The accompanying notes are an integral part to these interim condensed consolidated financial statements

1. DESCRIPTION OF BUSINESS

Bri-Chem Corp. (“the Company” or “Bri-Chem”) is an independent wholesale supplier of drilling fluids and chemicals for the oil and gas industry operating from owned or leased warehouses located throughout Canada and the United States. Bri-Chem Corp. was incorporated under the laws of the Province of Alberta, Canada and its head office is in Acheson, Alberta, Canada. Its registered and primary place of business is 27075 Acheson Road, Acheson, Alberta T7X 6B1.

Weather conditions can materially impact the sale of the Company’s products and services, particularly in its Canadian divisions during spring break-up. Additionally, many exploration and production areas in the northern Western Canadian Sedimentary Basin are accessible only in winter months when the ground is frozen hard enough to support the weight of heavy equipment. The timing of freeze-up and spring break-up affects the ability to move equipment in and out of these areas. As a result, late March through May is traditionally the Company’s slowest period.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These unaudited interim condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” as issued by the International Accounting Standards Board. The unaudited interim condensed consolidated financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31, 2022 and notes thereto as filed on SEDAR at www.sedar.com. However, selected notes are included that are significant to understanding the Company’s financial position and performance since the last annual consolidated financial statements.

These unaudited interim condensed financial statements were approved for issuance by Bri-Chem’s Board of Directors on November 9, 2023, and are presented in Canadian dollars, which is Bri-Chem’s functional currency.

b) Principles of Consolidation

The financial statements of the Company consolidate the accounts of Bri-Chem and its subsidiaries which are entities over which the Company has control. Control exists when the Company has the power, directly or indirectly, to direct the relevant activities of an entity to obtain benefit from its activities. Inter-company transactions, balances and unrealized gains and losses from inter-company transactions are eliminated on consolidation.

c) Going Concern

These interim condensed consolidated financial statements were prepared on a going concern basis which contemplates the realization of assets and satisfaction of liabilities in the normal course of business for the foreseeable future. For the 9 months ended September 30, 2023, the Company realized net earnings of \$442,379 (September 30, 2022 - \$8,613,167) and accumulated deficit and other comprehensive loss of \$15,204,656 (September 30, 2022 – \$15,313,517).

2. BASIS OF PRESENTATION (CONT'D)

c) Going Concern (Cont'd)

In preparing the financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the company, or cease operations, or has no realistic alternative but to do so.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed by the Company are set out in Note 2 to the audited financial statements for the fiscal year ended December 31, 2022, have been consistently followed in preparation of these interim condensed consolidated financial statements.

RECENT PRONOUNCEMENTS NOT YET EFFECTIVE AND THAT HAVE NOT BEEN ADOPTED EARLY

Certain new standards, interpretations, amendments, and improvements to existing standards were issued by the IASB or IFRS Interpretations Committee ("IFRIC") that are not yet effective. The standards and amendments issued that are applicable to the Company are as follows:

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after January 1, 2024, with early application permitted. No significant impact to the Company's financial statements is expected.

IFRS Sustainability Disclosure Standards

The International Sustainability Standards Board (ISSB) of the IFRS Foundation has published IFRS S1 'General Requirements for Disclosure of Sustainability-related Financial Information' and IFRS S2 'Climate-related Disclosures'. The objective of IFRS S1 and S2 is to require an entity to disclose information about its sustainability and climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. IFRS S1 requires an entity to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term. IFRS S2 applies to climate-related risks to which the entity is exposed (climate-related physical risks and climate-related transition risks) and climate-related opportunities available to the entity.

An entity is required to provide disclosures required by the IFRS Sustainability Disclosure Standards as part of its general purpose financial reports and is required to report its sustainability-related financial disclosures

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

at the same time as its related financial statements. The entity's sustainability-related financial disclosures are required to cover the same reporting period as the related financial statements.

While both Standards are effective from 1 January 2024. The following transitional reliefs are available:

- Comparative information: An entity is not required to disclose comparative information in the first annual reporting period in which it applies IFRS S1.
- Timing of reporting: In the first annual reporting period in which an entity applies IFRS S1, the entity is permitted to report its sustainability-related financial disclosures after it publishes its related financial statements (as specified in IFRS S1).
- Information on sustainability-related risks and opportunities other than climate: In the first annual reporting period in which an entity applies IFRS S1, the entity is permitted to disclose information on only climate-related risks and opportunities (in accordance with IFRS S2) and consequently apply the requirements in IFRS S1 only insofar as they relate to the disclosure of climate-related financial information.

The Company already has a sustainability reporting process in place however, the ISSB has confirmed that industry-specific disclosures are required and, in the absence of specific IFRS Sustainability Disclosure Standards, companies must consider the Sustainability Accounting Standards Board ('SASB') Standards to identify sustainability-related risks, opportunities and appropriate metrics. Accordingly, the directors are building capacity across the Company to perform a gap analysis, consider data reliability and environmental, social and governance risks and opportunities as well as appropriate targets, metrics and disclosure format.

4. ACCOUNTS RECEIVABLE

Accounts receivable recognized in the interim condensed consolidated statements of financial position are as follows:

	September 30 2023	December 31 2022
Trade accounts receivable	\$ 25,523,904	\$ 31,150,020
Allowance for doubtful accounts	(1,158,161)	(1,031,090)
Trade accounts receivable, net	24,365,743	30,118,930
Other receivables	719,556	800,112
Accounts receivable	\$ 25,085,299	\$ 30,919,042

The change in the allowance for doubtful accounts is as follows:

	September 30 2023	December 31 2022
Balance, beginning of year	\$ 1,031,090	\$ 436,630
Bad debts	543,270	566,642
Receivables written off	(416,199)	11,565
Recovery of bad debts	—	16,254
Balance, end of quarter	\$ 1,158,161	\$ 1,031,090

The Company pledged its accounts receivables with a carrying amount of \$16,311,414 (December 31, 2022 - \$18,342,721) as collateral for the ABL Facility described in Note 5.

5. BANK INDEBTEDNESS

	September 30 2023	December 31 2022
ABL Facility	\$ 25,829,633	\$ 28,647,097
BCAP Loan	4,745,370	5,266,204
Cash and cash equivalents	(2,289,476)	(3,174,415)
	\$ 28,285,527	\$ 30,738,886

Bank indebtedness relates to borrowings on the Company's BCAP Loan and ABL Facility with Canadian Imperial Bank of Commerce ("CIBC") as well as cash and cash equivalents held with an affiliate bank, CIBC Bank USA.

The BCAP Loan is backed by the Canadian Government with 80% of the principal having been guaranteed by The Business Development Bank of Canada. The BCAP Loan bears interest at a rate of 2.25% above CIBC's prime lending rate. The term of the BCAP Loan is amortized over 10 years from the agreement date of July 16, 2020, with interest only payable for the first 12 months.

The Company amended its ABL Facility agreement on December 16, 2022, increasing the borrowing availability from \$25,000,000 to \$37,500,000. The borrowing base block of \$3,000,000 was removed from

5. BANK INDEBTEDNESS (CONT'D)

the agreement. The agreement includes a fixed charge coverage ratio covenant of no less than 1.0 to be tested monthly on a 12 month rolling basis. The agreement matures on October 31, 2024. In addition, the interest rate will be determined on a tiered system based on the ratio of the average consecutive five day total excess availability to the average daily borrowing base, as outlined in the table below:

Tier	Ratio of the Average Daily Total Excess Availability to the Average Daily Borrowing Base (shown as a percentage)	BA Borrowing or SOFR Loan Applicable Margin	Canadian Prime Rate Loan or Base Rate Loan Applicable Margin
Tier 1	> 20%	2.00%	0.50%
Tier 2	< 20%	2.25%	0.75%

Transaction costs of \$20,000 were incurred as part of this amendment and are being amortized over the term of the agreement.

6. LONG-TERM DEBT

	September 30 2023	December 31 2022
Canadian Western Bank Facility 20 year, \$6M term loan, bearing an interest rate of 5.61% per annum on a five year term, repayable monthly payments of \$41,634. Loan matures May 1, 2042. Canadian Western Bank 20 year \$1.319M term loan, bearing a fixed interest rate of 6.62% on a two year term. Loan matures Oct 1, 2042	\$ 7,054,915	\$ 7,208,112
Less: transaction costs	69,357	84,438
	6,985,558	7,123,674
Less: current portion	214,083	206,116
	\$ 6,771,475	\$ 6,917,558

Changes in financing activities	September 30 2023	December 31 2022
Long-term debt balance January 1	\$ 7,123,674	\$ 6,764,499
Cash movements		
Debt repayments	(153,198)	(7,041,311)
Debt advances	—	7,004,396
Loss on Extinguished Debt	—	359,269
Non-cash movements		
Amortization of non-cash interest	15,082	36,821
	\$ 6,985,558	\$ 7,123,674

6. LONG-TERM DEBT (CONT'D)

Canadian Western Bank

On May 9, 2022, the Company signed an agreement with Canadian Western Bank ("CWB") to refinance its subordinated debt. The financing consists of a \$6 million, 20 year fixed term loan and bears a current 5 year fixed interest rate of 5.61% per annum. On October 24, 2022 a second tranche of financing was signed with CWB for the purchase of a warehouse facility, located in Midland Texas, in the amount of \$1,319,000. The second tranche financing consists of a 20 year term loan and bears a current 2 year fixed interest rate of 6.62% per annum. This loan is secured by a first demand collateral mortgage over all owned lands and premises; assigned by the Company to CWB of all risk insurance in the amounts and from an insurer acceptable to CWB, on all Company real property, without limitation lands, buildings, fixtures and equipment owned by the Company, showing CWB as first loss payee. The CWB Term Loan includes a tangible net worth covenant of \$9,295,000 and a fixed charge coverage ratio covenant of no less than 1.10, both tested annually. Transaction costs of \$91,794 were incurred as part of the refinancing, and are being amortized over the term of the agreement.

The CWB Term Loan is secured by the following: an unlimited corporate guarantee supported by a general security agreement from all entities within the group, only to a prior charge from the ABL facility, first demand collateral mortgage over all owned lands and only to a prior charge from the ABL facility, first demand collateral mortgage over all owned lands and premises; assigned by the Company to CWB of all risk insurance in the amounts and from an insurer acceptable to CWB, on all Company real property, without limitation lands, buildings, fixtures and equipment owned by the Company, showing CWB as first loss payee. Transaction costs of \$3,500 were incurred as part of this amendment and are being amortized over the term of the agreement.

7. EARNINGS PER SHARE

Basic and diluted earnings per share were calculated using profit attributable to shareholders of the Company as the numerator.

	September 30 2023	September 30 2022
For the three months ended		
Net earnings attributable to the shareholders of the Company	\$ (375,810)	\$ 499,888
Basic weighted average number of ordinary shares	26,432,981	26,432,981
Dilutive warrants and options issued and outstanding	100,000	63,333
Diluted weighted average number of ordinary shares	26,532,981	26,496,314
Basic earnings per share	\$ (0.01)	\$ 0.02
Diluted earnings per share	(0.01)	0.02

	September 30 2023	September 30 2022
For the nine months ended		
Net earnings attributable to the shareholders of the Company	\$ 442,379	\$ 8,613,167
Basic weighted average number of ordinary shares	26,432,981	26,432,981
Dilutive options issued and outstanding	100,000	63,333
Diluted weighted average number of ordinary shares	26,532,981	26,496,314
Basic earnings per share	\$ 0.02	\$ 0.33
Diluted earnings per share	0.02	\$ 0.33

8. SEGMENT REPORTING

The Company manages its business in five reportable segments: Fluids Distribution Canada, Fluids Distribution USA, Fluids Blending & Packaging Canada, Fluids Blending & Packaging USA, and Other. The operating segment(s) of the Company has separate financial information available and is evaluated regularly by the chief operating decision makers in allocating resources and assessing performance. The chief operating decision makers of the Company is the Chief Executive Officer and Chief Financial Officer. Other includes activities related to corporate and public company affairs. Revenues between Fluids Blending & Packaging Canada and Fluids Distribution Canada are recorded at market value. The revenue from external parties is measured in a manner consistent with that in the consolidated statement of operations. Selected financial information by reportable segment is disclosed as follows:

For the three months ended September 30, 2023	Fluids Distribution			Fluids Blending & Packaging			Other	Consolidated
	Canada	USA	Total	Canada	USA	Total		
Total revenues	\$ 4,009,388	\$ 15,487,427	\$ 19,496,815	\$ 4,899,686	\$ 3,518,111	\$ 8,417,797	\$ —	\$ 27,914,612
Revenues from internal customers	117,462	—	117,462	967,318	—	967,318	—	1,084,780
Revenues from external customers	3,891,926	15,487,427	19,379,353	3,932,368	3,518,111	7,450,478	—	26,829,832
Cost of sales	3,168,179	12,877,605	16,045,784	3,084,349	2,805,967	5,890,315	—	21,936,100
Operating earnings / (loss) ⁽¹⁾	101,455	623,885	725,340	(70,994)	297,107	226,113	101,289	1,052,742
Amortization and depreciation	6,745	208,394	215,139	13,286	42,464	55,750	48,922	319,811
Interest	—	31,083	31,083	—	—	—	973,998	1,005,081
Income tax expense	—	—	—	19,233	—	19,233	82,653	101,886
Segment profit (loss)	\$ 94,710	\$ 384,410	\$ 479,120	\$ (103,876)	\$ 254,644	\$ 150,768	\$ (1,005,698)	\$ (375,810)
Segment assets	11,507,245	39,761,155	51,268,400	6,484,179	3,212,067	9,696,246	9,566,970	\$ 70,531,616
Capital expenditures	\$ 5,000	\$ 70,621	\$ 75,621	\$ 96,679	\$ —	\$ 96,679	\$ 5,390	\$ 177,690

For the nine months ended September 30, 2023	Fluids Distribution			Fluids Blending & Packaging			Other	Consolidated
	Canada	USA	Total	Canada	USA	Total		
Total revenues	\$ 10,800,192	\$ 47,879,684	\$ 58,679,876	\$ 14,664,695	\$ 9,014,926	\$ 23,679,621	\$ —	\$ 82,359,497
Revenues from internal customers	441,311	—	441,311	2,658,182	—	2,658,182	—	3,099,493
Revenues from external customers	10,358,879	47,879,684	58,238,563	12,006,513	9,014,926	21,021,439	—	79,260,004
Cost of sales	8,388,503	39,914,504	48,303,007	9,308,436	7,186,892	16,495,328	—	64,798,334
Operating earnings / (loss) ⁽¹⁾	101,504	1,959,640	2,061,144	(237,208)	926,777	689,569	1,896,604	4,647,317
Amortization and depreciation	19,306	623,807	643,113	37,410	128,729	166,139	146,042	955,294
Interest	—	100,497	100,497	—	—	—	2,779,518	2,880,015
Income tax expense / (recovery)	—	392	392	(10,149)	1,078	(9,071)	369,419	360,740
Segment profit (loss)	\$ 75,083	\$ 1,234,946	\$ 1,310,029	\$ (264,831)	\$ 796,970	\$ 532,139	\$ (1,399,790)	\$ 442,379
Segment assets	\$ 11,507,245	\$ 39,761,155	\$ 51,268,400	\$ 6,484,179	\$ 3,212,067	\$ 9,696,246	\$ 9,566,970	\$ 70,531,616
Capital expenditures	\$ 44,242	\$ 197,711	\$ 241,954	\$ 166,729	\$ 14,829	\$ 181,558	\$ 35,440	\$ 458,952

⁽¹⁾ Operating earnings includes gross margin less salaries and benefits; less selling, general, and administration expenses; and foreign exchange (gain) loss

8. SEGMENT REPORTING (CONT'D)

The Company's operations are conducted in the following geographic locations:

	September 30 2023	September 30 2022
For the three months ended		
Revenue		
Canada	\$ 7,824,294	\$ 7,411,524
United States	19,005,539	21,574,202
	\$ 26,829,832	\$ 28,985,726
For the nine months ended		
Revenue		
Canada	\$ 22,365,392	\$ 20,040,452
United States	56,894,612	57,950,551
	\$ 79,260,004	\$ 77,991,003
Non-current assets		
Canada	\$ 9,954,593	\$ 8,660,095
United States	4,608,557	5,037,129
	\$ 14,563,150	\$ 13,697,224

For the nine months ended September 30, 2023, revenue from one customer amounted to \$12,337,694 (Sept 30, 2022 - \$9,473,153), representing 15.6% (Sept 30, 2022 - 11.3%) of consolidated sales, and 25.8% (Sept 30, 2022 - 17.7%) of USA Fluid Distribution segmented sales.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to various risks in relation to financial instruments. These risks include credit risk, interest rate risk, currency risk, and liquidity risk. The Company's risk management function is performed by management within guidelines approved by its Board of Directors. The Company seeks to minimize the effects of the identified risks by focusing on actively securing short to medium-term cash flows and minimizing exposures to capital markets.

Credit risk

Credit risk arises from the possibility that the entities to which the Company provides services may experience financial difficulty and would be unable to fulfill their obligations. The Company's trade receivables are with customers in the crude oil and natural gas industry and are subject to normal industry credit risk. The Company's practice is to manage credit risk by performing a detailed analysis of the credit worthiness of new customers before the Company's standard payment terms are offered. Additionally, the Company continuously reviews individual customer trade receivables, taking into consideration payment history and the aging of the trade receivable to monitor collectability.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

The table below provides an analysis of the Company's accounts receivable as follows:

	Gross accounts receivable	Allowance for doubtful accounts	Net accounts receivable
September 30, 2023			
Current	9,012,270	\$ —	\$ 9,012,270
31 to 60 days	5,744,645	—	5,744,645
61 to 90 days	3,839,933	—	3,839,933
91 to 120 days	2,328,381	—	2,328,381
Over 120 days	4,598,674	(1,158,161)	3,440,514
Total	\$ 25,523,904	\$ (1,158,161)	\$ 24,365,743
December 31, 2022			
Current	\$ 7,176,304	\$ —	\$ 7,176,304
31 to 60 days	6,782,800	—	6,782,800
61 to 90 days	5,212,792	—	5,212,792
91 to 120 days	3,499,412	—	3,499,412
Over 120 days	8,478,712	(1,031,090)	7,447,622
Total	\$ 31,150,020	\$ (1,031,090)	\$ 30,118,930

Interest rate risk

The Company is exposed to interest rate risk for borrowings on its ABL facility and term loan, to the extent that the prime interest rate changes.

Currency risk

The Company and its US subsidiaries are subject to foreign currency risk due to its accounts receivable, accounts payable and accrued liabilities, bank indebtedness, and long-term debt denominated in foreign currencies. Therefore, there is a risk of earnings fluctuations arising from changes in and the degree of volatility of foreign exchange rates arising on foreign monetary assets and liabilities. An analysis of currency risk for the Company as follows:

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

Balance, September 30, 2023	Foreign currency denominated monetary financial assets	Foreign currency denominated monetary financial liabilities ⁽¹⁾	Position
USD denominated (USD)	\$ 13,647,901	\$ (29,728,702)	\$ (16,080,801)
Currency translation at September 30, 2023 currency exchange rate (1.3520) (CAD)	18,451,962	(40,193,205)	(21,741,243)
Assuming CAD currency weakens against USD currency by 5% (1.4196) (CAD)	19,374,560	(42,202,865)	(22,828,305)
Impact (CAD)	\$ 922,598	\$ (2,009,660)	\$ (1,087,062)

⁽¹⁾ Foreign currency denominated monetary financial liabilities includes US dollar cash and cash equivalents recorded within bank indebtedness as discussed in Note 5.

Liquidity risk

Liquidity risk is the exposure of the Company to the risk of not being able to satisfy its financial liabilities as they become due. The Company actively monitors its financing obligations to ensure that it has enough available funds to meet current and foreseeable future financial requirements at a reasonable cost. The Company mitigates liquidity risk by maintaining adequate Credit Facilities, and through the forecasting and management of its operational cash flows. Management of operational cash flows takes into consideration the Company's debt financing plans and covenant compliance.

The Company manages its capital structure based on current economic conditions, the risk characteristics of the underlying assets, and planned capital requirements within guidelines approved by its Board of Directors. Total capitalization is adjusted by drawing on existing Credit Facilities, issuing new debt or equity securities when opportunities are identified, and through disposition of underperforming assets to reduce debt when required.

As at September 30, 2023, the Company had \$3,422,830 (September 30, 2022 - \$3,130,609) of undrawn credit available on the ABL Facility and BCAP loan. Aside from the capital requirements associated with its ABL Facility, BCAP and CWB loans, as disclosed in Note 5 and Note 6, the Company is not subject to any other external capital requirements. The total capital structure of the Company is as follows:

	September 30 2023	December 31 2022
Bank indebtedness	\$ 28,285,527	\$ 30,738,886
Long-term debt	6,985,558	7,123,674
Lease Liabilities	1,557,040	1,730,301
Equity	22,780,105	22,406,019
Total capital	\$ 59,608,230	\$ 61,998,880

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

The Company's liquidity and cash flow from operations has been impacted by a variety of external factors including further volatility in crude oil prices due to macro-economic uncertainty impacting both the global and local economy in general and global oil demand in particular. During the year ended December 31, 2022, the Company has realized a build-up of inventory through purchases and increase in demand for product as Canada and USA oil and gas companies have increased their drilling activity and rig counts in response to rising demand for oil and gas. Depending on the oil and gas market growth, management has stress tested the Company's liquidity position to meet all commitments as well as created various levels of mitigation actions to respond to sudden reductions in revenue. The impact that a decline in the commodity pricing will have on the Company's business or financial results cannot be reasonably estimated at this time, which in turn could lead to the non-compliance of certain lending covenant on the Company's Credit Facilities, which if not amended or waived, could limit, in part, or in whole, the Company's access to the Credit Facilities and could accelerate repayment.

Cash flows related to bank indebtedness, accounts payable and accrued liabilities included below may occur at different times or amounts. A maturity analysis of the Company's outstanding obligations as at September 30, 2023 is as follows:

September 30	Bank indebtedness	Accounts payable and accrued liabilities	Current portion of long term debt ⁽¹⁾	Lease liabilities ⁽¹⁾	Total
2023	\$ 28,285,527	\$ 10,923,386	\$ 47,891	\$ 162,507	\$ 39,419,311
2024	—	—	197,216	609,716	806,932
2025	—	—	212,852	486,922	699,775
2026	—	—	226,565	255,028	481,593
2027	—	—	251,804	42,868	294,672
Thereafter	—	—	6,049,229	—	6,049,229
Total	\$ 28,285,527	\$ 10,923,386	\$ 6,985,558	\$ 1,557,040	\$ 47,751,511

⁽¹⁾ Includes Interest.

10. SUPPLEMENTAL CASH FLOW INFORMATION

	September 30 2023	September 30 2022
Accounts receivable	\$ 5,840,744	\$ (9,380,616)
Inventories	1,588,021	(8,564,341)
Prepaid expenses and deposits	(152,063)	(244,641)
Related parties	—	8,031
Accounts payable and accrued liabilities	(5,462,970)	5,348,695
Customer deposits	19,026	(42,155)
Income taxes payable/receivable	(66,606)	62,739
Foreign exchange	(131,069)	31,589
Change in non-cash working capital	\$ 1,635,083	\$ (12,780,699)
Interest paid	\$ 2,375,071	\$ 1,287,302

11. GOVERNMENT ASSISTANCE

During the nine month period, the Company has recognized \$321,605 of proceeds from the Employee Retention Credit (“ERTC”). The amount has been recognized as a reduction to Salaries and Benefits in the Consolidated Statement of Operations. There are no unfulfilled conditions attached to the subsidy recognized in income. During the quarter ending September 30, 2023, the Company has not recognized any proceeds from the ERTC.