POINT LOMA RESOURCES LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(Unaudited)

POINT LOMA RESOURCES LTD.

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited)

(Thousands of Canadian Dollars)

	Note	As at September 30 2018	As at December 31 2017
Assets			
Current			
Cash		$ 558	$ 2,114
Trade and other receivables		1,564	1,660
Prepaid expenses and deposits		583	159
		2,705	3,933
Exploration and evaluation assets	6	2,788	2,046
Property, plant and equipment	7	36,146	30,121
Total Assets		$ 41,639	$ 36,100
Liabilities			
Current			
Accounts payable and accrued liabilities		$ 5,524	$ 4,304
Convertible debentures	8	2,164	1,980
Decommissioning obligations	9	24,806	20,780
Deferred premium on flow-through shares	17 (b)	431	522
Total Liabilities		32,925	27,586
Shareholders' Equity			
Share capital	10	24,613	22,387
Contributed surplus		1,253	1,132
Equity portion of convertible debentures	8	687	687
Deficit		(17,839)	(15,692)
Total Shareholders' Equity		8,714	8,514
Total Liabilities and Shareholders' Equity		$ 41,639	$ 36,100

Going Concern (Note 2)
Commitments (Note 17)
Subsequent Events (Notes 15 and 18)

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

POINT LOMA RESOURCES LTD.

CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited)

(Thousands of Canadian Dollars, except per share amounts)

	Note	Three months ended September 30 **2018**	2017	Nine months ended September 30 **2018**	2017
Revenue					
Petroleum and natural gas	13	**$ 1,854**	$ 1,009	**$ 4,556**	$ 3,707
Royalties		**(205)**	(108)	**(503)**	(502)
		1,649	901	**4,053**	3,205
Processing income		**28**	305	**302**	473
		1,677	1,206	**4,355**	3,678
Expenses					
Operating		**1,074**	1,370	**3,726**	3,432
Transportation		**54**	71	**142**	161
General and administrative		**534**	659	**1,850**	1,596
Transaction costs	5 (b)	**-**	-	**14**	-
Loss (gain) on acquisition and disposition of assets		**(195)**	170	**(2,287)**	(1,534)
Depletion and depreciation	7	**829**	531	**2,182**	1,405
Share-based compensation	11	**68**	106	**121**	328
Exploration	6	**194**	1,109	**312**	1,109
Finance	14	**191**	232	**533**	574
		2,749	4,248	**6,593**	7,071
Net loss before taxes		**(1,072)**	(3,042)	**(2,238)**	(3,393)
Deferred tax recovery	17 (b)	**-**	250	**91**	250
Net loss and comprehensive loss		**$ (1,072)**	$ (2,792)	**$ (2,147)**	$ (3,143)
Net loss per share – basic and diluted	12	**$ (0.02)**	$ (0.07)	**$ (0.04)**	$ (0.09)

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

POINT LOMA RESOURCES LTD.

CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(Thousands of Canadian Dollars)

	Share Capital (Note 10)	Warrants	Contributed Surplus	Equity Component of Convertible Debentures (Note 8)	Deficit	Total Equity
Balance at December 31, 2017	**$ 22,387**	**$ -**	**$ 1,132**	**$ 687**	**$ (15,692)**	**$ 8,514**
Net loss	-	**-**	**-**	-	**(2,147)**	**(2,147)**
Common Shares issued for cash	**753**	**-**	-	-	-	**753**
Common Shares issued for acquisitions	**1,579**	**-**	-	-	-	**1,579**
Share issue costs	**(106)**	**-**	-	-	-	**(106)**
Share-based compensation (Note 11)	**-**	-	**121**	-	-	**121**
Balance at September 30, 2018	**$ 24,613**	**$ -**	**$ 1,253**	**$ 687**	**$ (17,839)**	**$ 8,714**
Balance at December 31, 2016	$ 13,164	$ 5	$ 678	$ 724	$ (8,184)	$ 6,387
Net loss	-	-	-	-	(3,143)	(3,143)
Common Shares issued for cash	4,020	-	-	-	-	4,020
Common Shares issued for acquisitions	2,301	-	-	-	-	2,301
Common Shares issued on conversion of debentures	702	-	-	-	-	702
Equity component of convertible debentures converted	-	-	-	(37)	-	(37)
Share issue costs	(304)	-	-	-	-	(304)
Warrants exercised	5	(2)	-	-	-	3
Share-based compensation (Note 11)	-	-	328	-	-	328
Balance at September 30, 2017	$ 19,888	$ 3	$ 1,006	$ 687	$ (11,327)	$ 10,257

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

POINT LOMA RESOURCES LTD.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

(Unaudited)

(Thousands of Canadian Dollars)

	Note	Three months ended September 30		Nine months ended September 30	
		2018	2017	**2018**	2017
Operating activities					
Net loss		**$ (1,072)**	$ (2,792)	**$ (2,147)**	$ (3,143)
Adjustments for non-cash items:					
Depletion and depreciation	7	**829**	531	**2,182**	1,405
Loss (gain) on acquisition and disposition of assets		**(195)**	170	**(2,287)**	(1,534)
Exploration expense	6	**194**	1,109	**312**	1,109
Bad debt expense	15	**15**	-	**28**	-
Accretion	14	**171**	222	**478**	468
Share-based compensation	11	**68**	106	**121**	328
Deferred tax recovery	17 (b)	**-**	(250)	**(91)**	(250)
Long-term interest expense accrued on convertible debentures	8	**19**	19	**56**	56
Debenture conversion expenses paid through share issuance	10	**-**	-	**-**	47
Decommissioning obligations recovered (settled)	9	**8**	-	**(212)**	-
Changes in non-cash working capital	16	**267**	(810)	**1,072**	(404)
Cash flows from (used in) operating activities		**304**	(1,695)	**(488)**	(1,918)
Investing activities					
Cash acquired	5 (b)	**32**	-	**282**	40
Proceeds from disposition of assets		**38**	(166)	**488**	4,004
Exploration and evaluation expenditures	6	**(27)**	(97)	**(678)**	(137)
Exploration and evaluation acquisitions	5 (e)	**-**	-	**(131)**	-
Property, plant and equipment expenditures	7	**(10)**	(3,135)	**(1,031)**	(3,554)
Property, plant and equipment acquisitions		**-**	-	**(635)**	-
Changes in non-cash working capital	16	**(299)**	2,883	**(290)**	1,002
Cash flows from (used in) investing activities		**(266)**	(515)	**(1,995)**	1,355
Financing activities					
Issuance of common shares, net of costs	10	**(20)**	(12)	**647**	3,716
Exercise of warrants		**-**	-	**-**	3
Changes in non-cash working capital	16	**13**	-	**280**	-
Cash flows from financing activities		**(7)**	(12)	**927**	3,719
Change in cash		**31**	(2,222)	**(1,556)**	3,156
Cash beginning of period		**527**	6,055	**2,114**	677
Cash end of period		**$ 558**	$ 3,833	**$ 558**	$ 3,833

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

1. Reporting Entity

Point Loma Resources Ltd. (“Point Loma” or the “Company”) is engaged in the acquisition and development and production of petroleum and natural gas reserves in the province of Alberta and Saskatchewan. The Company’s head office address is located at 2000, 350 – 7th Avenue SW, Calgary, Alberta, Canada T2P 3N9.

2. Going Concern

These condensed interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

For the nine months ended September 30, 2018, the Company reported a net loss of $2.1 million and used $0.5 million of cash flows in operating activities. As at September 30, 2018, the Company has an accumulated deficit of $17.8 million, a $2.8 million working capital deficit and is committed to flow-through share expenditures of $2.8 million prior to December 31, 2018, with a further $1.4 million required to be spent by December 31, 2019 based on the flow-through issuance completed in October 2018. These conditions indicate the existence of a material uncertainty that may cast significant doubt upon the Company’s ability to continue as a going concern. Subsequent to September 30, 2018, the Company raised gross capital proceeds of $3.2 million (expected net proceeds of approximately $2.7 million after issuance fees) as a step toward reducing this risk. Further rationalization of assets and/or funding through future share issuances, private placements, operating lines or other borrowing facilities, restructuring of existing payables, non-core property sales, improvements in realized oil and gas prices received and/or a combination of these alternatives will be required to continue as a going concern. There is no assurance the Company will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. There is no certainty that these and/or other strategies will be sufficient to enable the Company to continue as a going concern. These financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations. Such adjustments could be material.

3. Basis of Presentation

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), including International Accounting Standard 34 – Interim Financial Reporting. The condensed interim financial statements were authorized for issue by the Board of Directors on November 22, 2018.

(b) Basis of preparation

The condensed interim financial statements follow the same accounting policies and methods of computation as the annual financial statements for the year ended December 31, 2017, except as disclosed in Note 4 or otherwise indicated. The disclosures provided below are incremental to those included with the annual financial statements. Certain information and disclosures normally included in the notes to the annual financial statements have been condensed or have been disclosed on an annual basis only.

Accordingly, these condensed interim financial statements should be read in conjunction with the annual audited financial statements for the year ended December 31, 2017.

4. Changes in Accounting Policies

(a) Accounting standards adopted by Point Loma effective January 1, 2018 include:

i. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Expanded disclosure requirements are also part of the standard. IFRS 15 is effective for fiscal years beginning on or after January 1, 2018. The standard is required to be either adopted retrospectively in full or using a modified approach where prior numbers remain and the retrospective effect is an adjustment to retained earnings. The standard had no impact on opening deficit and the additional disclosures are presented in Note 13. The standard resulted in a change in presentation between processing income and operating expenses with no impact on earnings. The Company retrospectively adopted this standard on January 1, 2018.

ii. On January 1, 2018, Point Loma adopted IFRS 9 “Financial Instruments” as issued by the IASB. IFRS 9 introduces a single approach to determine whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements; however, where the fair value option is applied to financial liabilities, the change in fair value resulting from an entity’s own credit risk is recorded in other comprehensive income instead of net earnings, unless this creates an accounting mismatch. In addition, a new expected credit loss model for calculating impairment on financial assets replaces the incurred loss impairment model used in IAS 39. The new model results in more timely recognition of expected credit losses. IFRS 9 also includes a simplified hedge accounting model, aligning hedge accounting more closely with risk management. Point Loma does not currently apply hedge accounting. The standard was effective for annual periods beginning on January 1, 2018. The Company retrospectively adopted the standard on January 1, 2018. The adoption of IFRS 9 did not require any material adjustments to the Company’s financial statements.

(b) Accounting standards issued but not yet adopted

In January 2016, the IASB issued IFRS 16, "Leases“ ("IFRS 16"), which requires entities to recognize right of use lease assets and corresponding lease obligations on the statement of financial position. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements, and may continue to be treated as operating leases. IFRS 16 is effective for years beginning on or after January 1, 2019. The standard is required to be adopted either retrospectively or using a modified retrospective approach (simplified method). Point Loma plans to utilize the practical expedient exemptions available for low value and short-term lease arrangements and will not recognize contractual arrangements that previously had not met the definition of a lease under the previous standard.

Point Loma is currently evaluating the financial impact of IFRS 16 on the Company’s financial statements. As at September 30, 2018, Point Loma anticipates that its commitments with respect to the corporate office lease will require the recognition of a right of use asset and corresponding lease liability on the statement of financial position following the adoption of the new standard on January, 1, 2019. The Company will continue to assess the impact of the new leasing standard on Point Loma’s financial statements which could be subject to change prior to the implementation of the new standard in 2019.

5. Acquisitions and Dispositions

(a) On August 20, 2018, the Company closed an acquisition of incremental working interest in certain existing properties through the issuance of 876,623 common shares, amounting to $0.3 million.

(Tabular amounts are stated in thousands of Canadian Dollars, except per share amounts and unless otherwise stated)

(b) On June 28, 2018, the Company issued 5,192,000 common shares, at $0.25 per share based on the share price on the date of closing, in exchange for all the common shares of Sanford Petroleum Limited, which was subsequently amalgamated with Point Loma. The assets associated with this acquisition are located in Alberta and Saskatchewan.

The acquired net assets have contributed petroleum and natural gas revenues and operating income (petroleum and natural gas revenue less royalties and net operating and transportation expenses) of $0.2 million and $0.1 million, respectively since June 28, 2018. Had the acquisition closed on January 1, 2018, Point Loma's petroleum and natural gas revenue and operating income for the nine months ended September 30, 2018 would have increased by $0.6 million and $0.2 million, respectively. Pro forma information is not necessarily representative of future revenue and/or operations.

The purchase was accounted for using the acquisition method of accounting under IFRS 3 – Business Combinations, whereby, the net assets acquired and the liabilities assumed are recorded at fair value as follows:

Fair value of net assets acquired:		
Exploration and evaluation assets (Note 6)	$	261
Property, plant and equipment (Note 7)		1,786
Working capital, including $282 thousand of cash		310
Decommissioning obligations assumed (Note 9)		(1,059)
	$	1,298
Consideration:		
5,192,000 Common Shares (Note 10)	$	1,298

The above amounts of identifiable assets acquired and liabilities assumed have been determined from information currently available to management of the Company at the time of acquisition and incorporates estimates, which may be subject to adjustment.

During the three-months ended September 30, 2018, the Company received additional cash of $32 thousand, which is included in working capital noted above.

(c) On May 15, 2018, the Company sold undeveloped land that was acquired as part of property, plant and equipment in Note 5 (e) for gross cash proceeds of $0.1 million, with no resulting gain or loss on disposition.

(d) On May 10, 2018, the Company sold gross overriding royalties ("GORR") associated with the newly acquired properties identified in Note 5 (e) for cash proceeds of $0.3 million. No gain or loss was realized as a result of this transaction, and it was recorded as a disposal of exploration and evaluation assets of $12 thousand and property, plant and equipment of $321 thousand.

(Tabular amounts are stated in thousands of Canadian Dollars, except per share amounts and unless otherwise stated)

(e) On April 30, 2018, the Company acquired a 70% working interest in certain oil and gas properties located in Alberta, for cash consideration of $0.8 million. The purchase was accounted for using the acquisition method of accounting under IFRS 3 – Business Combinations, whereby, the net assets acquired and the liabilities assumed are recorded at fair value as follows:

Fair value of net assets acquired:		
Exploration and evaluation assets (Note 6)	$	131
Property, plant and equipment (Note 7)		3,696
Working capital		167
Decommissioning obligations assumed (Note 9)		(969)
(Gain) on acquisition		(2,259)
Cash consideration	$	766

The above amounts of identifiable assets acquired and liabilities assumed have been determined from information currently available to management of the Company and incorporates estimates, which may be subject to adjustment.

The acquired net assets have contributed petroleum and natural gas revenues of approximately $0.7 million and $0.2 million in operating income (petroleum and natural gas revenue less royalties and net operating and transportation expenses) since April 30, 2018. Had the acquisition closed on January 1, 2018, Point Loma's petroleum and natural gas revenue and operating income for the nine months ended September 30, 2018 would have increased by approximately $0.9 million and $0.4 million, respectively. Pro forma information is not necessarily representative of future revenue and/or operations.

During the three months ended September 30, 2018, the Company realized incremental working capital of $167 thousand, resulting in an increase in the gain on acquisition.

6. Exploration and Evaluation ("E&E") Assets

At December 31, 2016	$	3,854
Additions		253
Acquisitions		907
Dispositions		(969)
Transfer to Property, Plant and Equipment (Note 7)		(1,329)
Exploration expense		(670)
At December 31, 2017		2,046
Additions		678
Acquisitions (Note 5 (b)(e))		392
Dispositions		(16)
Exploration expense		(312)
At September 30, 2018	**$**	**2,788**

E&E assets consist of Point Loma's intangible exploration projects pending determination of proved and probable reserves. Additions represent the Company's share of costs incurred on E&E assets during the period. E&E assets are not depreciated or depleted.

(Tabular amounts are stated in thousands of Canadian Dollars, except per share amounts and unless otherwise stated)

For the three and nine months ended September 30, 2018, Point Loma recorded exploration expenses of $194 thousand and $312 thousand, respectively, (2017 - $1.1 million and $1.1 million respectively) relating to lease expirations and/or surrenders where future development is currently not anticipated, net of those actually renewed where expiry was initially anticipated. No impairment triggers were identified as at September 30, 2018.

7. Property, Plant and Equipment ("PP&E")

Cost		
At December 31, 2016	$	14,297
Additions		5,826
Acquisitions		7,256
Transfer from E&E assets (Note 6)		1,329
Dispositions		(7,050)
Change in decommissioning obligations		13,409
At December 31, 2017		35,067
Additions		1,031
Acquisitions (Note 5 (a)(b)(e))		5,760
Dispositions		(569)
Change in decommissioning obligations (Note 9)		1,954
At September 30, 2018	**$**	**43,243**

Accumulated depletion, depreciation, and impairment		
At December 31, 2016	$	559
Depletion and depreciation		1,986
Disposition		(199)
Impairment		2,600
At December 31, 2017		4,946
Depletion and depreciation		2,182
Disposition		(31)
At September 30, 2018	**$**	**7,097**
Net book value		
At December 31, 2017	$	30,121
At September 30, 2018	**$**	**36,146**

No impairment triggers were identified relating to PP&E assets as at September 30, 2018, and consequently an impairment test was not performed. The September 30, 2018 depletion expense calculation includes future development costs of $12.1 million (December 31, 2017 – $12.7 million) associated with the development of the Company's proved and probable reserves.

(Tabular amounts are stated in thousands of Canadian Dollars, except per share amounts and unless otherwise stated)

8. Convertible Debentures

		Liability Component		Equity Component
Balance, December 31, 2016	$	2,357	$	724
Accretion		164		-
Conversion - debentures totaling $650 thousand		(618)		(37)
Accrued interest		77		-
Balance, December 31, 2017		1,980		687
Accretion (Note 14)		128		-
Accrued interest		56		-
Balance, September 30, 2018	**$**	**2,164**	**$**	**687**

As at September 30, 2018, the Company had subordinated secured convertible debentures outstanding totaling $2.5 million that bear interest at 3% per annum payable with a maturity date of June 28, 2021 and convertible into Common Shares of the Company at the option of the holder at a conversion price of $0.50 per share at any time prior to the maturity date. In the event that the 20 consecutive trading days' volume-weighted average price of the Company's Common Shares is greater than $0.75 per common share, the Company shall have the option to cause the conversion of the debenture on the same terms as the holders of these convertible debentures.

9. Decommissioning Obligations

Balance, December 31, 2017	$	20,780
Acquisitions (Note 5 (b)(e))		2,028
Result of decrease in discount rate of acquired obligations		1,220
Disposals		(94)
Revision of estimates		734
Accretion expense (Note 14)		350
Decommissioning obligations settled		(212)
Balance, September 30, 2018	**$**	**24,806**

The Company's decommissioning obligations result from its ownership interest in oil and natural gas well sites and facilities and are estimated based on the present value of estimated costs to reclaim and abandon these wells and facilities and the estimated timing of costs to be incurred in future years.

At September 30, 2018, the estimated total undiscounted inflation-adjusted amount of cash flows required to settle the Company's obligations were approximately $34.2 million (December 31, 2017 – $28.1 million). The weighted average time in which these payments are expected to be made is approximately 14 years. The decommissioning obligations have been estimated using existing technology at current prices and discounted using discount rates that reflect current market assessments of the time value of money and the risks specific to each liability. At September 30, 2018, an average risk-free interest rate of 2.4% (December 31, 2017 – 2.1%) and an inflation rate of 2.2% (December 31, 2017 – 2.0%) was used to calculate the carrying amount of decommissioning obligations.

The increase in decommissioning obligations of $1.2 million is due to the adjustment resulting from acquisitions and the difference between the fair value discount rate on the acquisition dates and the Company's risk-free rate.

(Tabular amounts are stated in thousands of Canadian Dollars, except per share amounts and unless otherwise stated)

10. Share Capital

The Company is authorized to issue an unlimited number of Common Shares. No dividends are paid by the Company. The holders of Common Shares are entitled to one vote per share.

Issued and outstanding	Number of Common Shares	Amount
Balance, December 31, 2016	27,353,325	$ 13,164
Acquisition of private company	1,250,000	525
Acquisition of oil and gas properties	3,350,000	1,776
Conversion of debenture	1,742,488	702
Exercise of Warrants	8,094	5
Private placement	8,375,000	4,020
Flow-through share issuance	10,454,545	3,450
Deferred flow-through premium	-	(522)
Issue costs	-	(733)
Balance, December 31, 2017	52,533,452	22,387
Private placement	2,597,321	753
Acquisition of private company (Note 5 (b))	5,192,000	1,298
Acquisition of oil and gas properties (Note 5 (a))	876,623	281
Issue costs	-	(106)
Balance, September 30, 2018	**61,199,396**	**$ 24,613**

On January 9, 2018, a wholly owned subsidiary of Evenergy Company Limited ("Evenergy"), a company organized under the laws of Hong Kong, purchased 2,597,321 Common Shares through a private placement at a price of $0.29 per common share for gross cash proceeds of $0.8 million. Evenergy owns 18% of the Company's Common Shares at September 30, 2018.

11. Share-based Compensation

	Number of Stock Options	Weighted Average Exercise Price
Balance, December 31, 2016	2,335,000	$ 0.39
Granted	1,750,000	0.38
Balance, December 31, 2017	4,085,000	0.39
Granted	505,000	0.29
Forfeited	(850,000)	(0.37)
Balance, September 30, 2018	**3,740,000**	**$ 0.37**

On January 18, 2018, 505,000 stock options were granted at an exercise price of $0.29 per share to certain officers and employees of the Company. The stock options vest equally over three years from the grant date and expire on January 17, 2023. The respective fair value of the stock options determined on the grant date was $0.18 per share, or $91 thousand in total, based on the Black-Scholes pricing model at a risk-free interest rate of 1.5%, an expected life of five years, and estimated forfeiture rate and dividend yield of nil, with expected volatility of 84%.

(Tabular amounts are stated in thousands of Canadian Dollars, except per share amounts and unless otherwise stated)

During the three and nine months ended September 30, 2018, nil and 850,000 stock options were forfeited, resulting in share-based compensation expense of $68 thousand and $121 thousand, respectively, (September 30, 2017 – $106 thousand and $328 thousand for the three and nine months ended, respectively). Information about stock options outstanding as at September 30, 2018 is summarized below:

Expiry date	Exercise price	Weighted average remaining life of options outstanding (years)	Outstanding	Exercisable
June 28, 2021	$ 0.40	2.74	1,345,000	896,667
December 1, 2021	0.35	3.17	435,000	145,000
March 21, 2022	0.48	3.47	100,000	33,333
July 23, 2022	0.38	3.81	1,270,000	423,333
September 8, 2022	0.33	3.94	135,000	45,000
January 17, 2023	0.29	4.30	455,000	–
	$ 0.37	3.41	3,740,000	1,543,333

12. Per Share Amounts

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Net loss	**$ (1,072)**	$ (2,792)	**$ (2,147)**	$ (3,143)
Common Shares outstanding, beginning of period	**60,322,773**	42,078,907	**52,533,452**	27,353,325
Effect of shares issued (Note 10)	**390,669**	-	**4,431,071**	7,233,653
Issued for settlement of obligations	**-**	-	**-**	73,593
Convertible debentures converted	**-**	-	**-**	1,017,856
Warrants exercised	**-**	-	**-**	6,552
Basic and diluted weighted average number of shares	**60,713,442**	42,078,907	**56,964,523**	35,684,979
Loss per share - basic and diluted	**$ (0.02)**	$ (0.07)	**$ (0.04)**	$ (0.09)

There is no dilutive impact to the weighted shares number of Common Shares outstanding for the three or nine months ended September 30, 2018 and 2017, as the effects of all options, warrants and convertible debentures are anti-dilutive.

(Tabular amounts are stated in thousands of Canadian Dollars, except per share amounts and unless otherwise stated)

13. Revenue

Petroleum and natural gas revenue earned by the Company is disaggregated by commodity, as follows:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Crude oil	**$ 994**	$ 570	**$ 2,374**	$ 1,961
Natural gas liquids	**434**	99	**905**	246
Natural gas	**426**	340	**1,277**	1,500
Total petroleum and natural gas revenue	**$ 1,854**	$ 1,009	**$ 4,556**	$ 3,707

Except as disclosed in Note 15, Point Loma sells its petroleum and natural gas revenue pursuant to variable-price contracts with terms of generally one year or less. The transaction price is based on the commodity index price and will fluctuate due to variability in commodity prices and may include adjustments for quality, location or other factors depending on the contract terms, and are wellhead prices less those costs incurred by the marketer after title transfers.

Relevant commodity prices include AECO for natural gas, and WTI and Canadian Light Sweet for crude oil and natural gas liquids. The Company delivers volumes of petroleum and natural gas product to the respective counterparty throughout the contract period.

Revenue is recognized when a customer obtains legal title to the product, which is when volumes are physically transferred to the contract counterparty. Point Loma's realized natural gas prices are recorded at wellhead. During the three and nine months ended September 30, 2018, Point Loma's revenue was generated in central Alberta and the production was sold primarily to three major customers, who accounted for 33%, 27% and 15% of the Companies revenues on a year to date basis. Revenues are typically collected on the 25th day of the month following production.

14. Finance Expense

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Interest– convertible debentures	**$ 19**	$ 18	**$ 56**	$ 114
Interest income	**-**	(8)	**(2)**	(8)
Other interest expense	**1**	-	**1**	-
Accretion – convertible debentures (Note 8)	**43**	102	**128**	123
Accretion – decommissioning obligations (Note 9)	**128**	120	**350**	345
	$ 191	$ 232	**$ 533**	$ 574

15. Financial Instruments and Risk Management

The Company is exposed to various risks that arise from its business environment and the financial instruments it holds. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk exposures and the following explains how these risks and its capital structure are managed.

Liquidity risk

Liquidity risk is the risk that a Company will not meet its financial obligations as they become due.

The Company's liquidity risk is outlined in Note 2. During Q3-2018, the Company's cash flows from operating activities were $304 thousand, and YTD-2018 cash flows used in operating activities were $488 thousand. In addition, and during the nine months ended September 30, 2018 Point Loma, through a private equity raise, issued 2,597,321 Common Shares for gross proceeds of $0.8 million (Note 10), and obtained $0.5 million in cash through various dispositions. Subsequent to September 30, 2018, the Company also raised Common Share Units and flow-through shares as described in Note 18, for net cash proceeds of $2.7 million.

As at September 30, 2018, the Company's working capital deficiency of $2.8 million includes current accounts payable of $ 5.5 million. The ability to fulfill these liabilities is dependent on the expected upcoming production capability of existing assets and the Company's ability to attain profitable operations and generate funds therefrom, including improvements in realized oil and gas prices, together with the continued ability to raise capital through public issuances, private placements, debt financing, property sales or some combination of these alternatives. The Company is actively pursuing each of these options, taking into consideration the cost/benefit of each alternative.

Credit risk

The Company's maximum exposure to credit risk at September 30, 2018 is in respect of accounts receivable of $1.6 million (December 31, 2017 - $1.7 million). During the three and nine months ended September 30, 2018, an estimated provision for bad debts of $15 thousand and $28 thousand (2017 - $nil) was recorded as part of general and administrative expense. Details associated with customers where significant revenues are earned are disclosed as part of Note 13.

Commodity price risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Prices for oil and natural gas are impacted by not only the relationship between the Canadian and United States dollar, but also world economic events that can affect supply and demand levels. Changes in commodity prices can expose the Company to fluctuations in its net earnings. Commodity prices changes will impact revenues reported. The Company does not have any foreign currency hedge contracts in place as at September 30, 2018.

The Company has entered into physical delivery sales contracts in order to manage the exposure to market risks from fluctuations in commodity prices. These instruments are not used for trading or speculative purposes.

As at September 30, 2018, the Company had the following physical natural gas price contracts (at AECO NIT) in place:

- 600 GJ/day at $1.03/GJ for the month of October 2018
- 600 GJ/day at $1.15/GJ for the month of October 2018
- 600 GJ/day at $1.60/GJ for the month of October 2018
- 600 GJ/day at $2.30/GJ for the period November 2018 – March 2019

Subsequent to September 30, 2018, the Company entered into further physical natural gas price contracts as follows:

- 600 GJ/day at $2.35/GJ for the period December 2018 – March 2019

The Company has accounted for its physical delivery sales contracts, which were entered into and continue to be held for the purpose of receipt or delivery of non-financial items in accordance with its expected purchase, sale or usage requirements as executory contracts. As such, these contracts are not considered to be derivative financial instruments and have not been recorded at fair value on the balance sheet. Settlements on these physical contracts are recognized in revenue. For the three and nine months ended September 30, 2018, the Company has recognized revenue amounting to $23 thousand and $38 thousand, respectively, relating to those contracts.

(Tabular amounts are stated in thousands of Canadian Dollars, except per share amounts and unless otherwise stated)

16. Supplemental Cash Flow Information

Changes in non-cash working capital:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Source (use) of cash:				
Accounts receivable	**$ (35)**	$ (752)	**$ 205**	$ (1,170)
Prepaid expenses and deposits	**26**	61	**(165)**	(223)
Accounts payable and accrued liabilities	**(10)**	2,764	**1,022**	1,991
	$ (19)	$ 2,073	**$ 1,062**	$ 598
Attributable to:				
Operating activities	**$ 267**	$ (810)	**$ 1,072**	(404)
Investing activities	**(299)**	2,883	**(290)**	1,002
Financing activities	**13**	-	**280**	-
	$ (19)	$ 2,073	**$ 1,062**	$ 598

Negligible amounts of interest were paid for the three and nine months ended September 30, 2018 (2017 - $nil and $11 thousand).

17. Commitments

(a) On August 16, 2017, the Company entered into an agreement to lease office premises, with a preliminary termination date of December 31, 2019. As a result, Point Loma is committed to monthly cash payments of approximately $30 thousand, with the first payment made on April 1, 2018.

(b) On December 19, 2017, the Company issued 10,454,545 flow-through Common Shares at a price of $0.33 per Common Share for total gross proceeds of $3.45 million (Note 10). The proceeds must be spent on eligible flow-through capital expenditures prior to December 31, 2018. As at September 30, 2018, $614 thousand had been expended, resulting in a deferred tax recovery of $91 thousand for the nine months ended September 30, 2018, and leaving $2.8 million remaining to be incurred on eligible expenditures prior to December 31, 2018.

18. Subsequent Events

(a) On October 25, 2018, the Company closed an offering, whereby $3.2 million in gross cash proceeds ($2.7 million net proceeds) was raised as follows:

- 5,954,300 Units were issued at a price of $0.29 per Common Share resulting in gross cash proceeds of $1.73 million (net proceeds of $1.5 million). Each Unit is comprised of one Common Share and one Common Share Purchase Warrant of the Company. Each Warrant can be exchanged for one Common Share at a price of $0.39 per share for a period of two years from the issuance date. Cash issuance costs associated with the Units amounted to $0.3 million. In addition, 416,835 broker Warrants were issued as part of the offering, also exercisable at $0.39 per common share for a period of two years from the issuance date.

- 4,356,059 flow-through shares were issued at $0.33 per share, resulting in gross cash proceeds of $1.44 million (net proceeds of $1.2 million). Cash issuance costs associated with the flow-through shares amounted to $0.2 million.

(b) On October 9, 2018, the Company disposed of royalty interests as well as GORR associated with properties identified in Note 5(b) for gross cash proceeds of $0.3 million. No gain or loss resulted from these transactions.