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Persta Resources Inc.

(incorporated under the laws of Alberta with limited liability)

(Stock code: 3395)

**ANNOUNCEMENT OF UNAUDITED RESULTS
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

This announcement is issued pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The Board of Persta Resources Inc. is pleased to announce its unaudited condensed interim financial results for the three months ended March 31, 2021.

The board (the “**Board**”) of directors (the “**Directors**”) of Persta Resources Inc. (the “**Company**”) is pleased to announce the unaudited condensed interim financial results of the Company for the three months ended March 31, 2021 (the “**Q1 Results**”) and its business updates. This announcement is issued by the Company pursuant to Rule 13.09(2) of the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong). The Board and its Audit and Risk Committee have reviewed the Q1 Results. Please see the attached announcement for further information.

By Order of the Board
Persta Resources Inc.
Yongtan Liu
Chairman

Calgary, July 18, 2021
Hong Kong, July 19, 2021

As at the date of this announcement, the Board comprises of two executive Directors, being Mr. Yongtan Liu and Mr. Pingzai Wang; and three independent non-executive Directors, namely Mr. Richard Dale Orman, Mr. Peter David Robertson and Mr. Larry Grant Smith.



Persta Resources Inc.

CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2021 and 2020

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4.3(3)(a), if an auditor has not performed a review of the financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying condensed interim financial statements of Persta Resources Inc. have been prepared by and are the responsibility of the Company's management and approved by the Board of Directors of the Company. The Company's independent auditor has not performed a review of these condensed financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

STATEMENT OF FINANCIAL POSITION

As at March 31, 2021

(Expressed in Canadian dollars)

Unaudited

	Note	As at March 31, 2021	As at December 31, 2020
Assets			
Current assets:			
Cash and cash equivalents	4	1,188,354	1,071,573
Accounts receivable	5	1,648,288	1,986,850
Prepaid expenses and deposits		<u>496,299</u>	<u>480,793</u>
Total current assets		3,332,942	3,539,216
Exploration and evaluation assets	6	6,974,847	6,974,847
Property, plant and equipment	7	30,394,189	31,797,573
Right of use assets	8	<u>2,723,017</u>	<u>2,355,297</u>
Total Assets		<u>43,424,995</u>	<u>44,666,933</u>
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	9	9,828,514	8,898,738
Current portion of long term debt	10	24,052,315	23,790,351
Current portion of lease liabilities	8	757,461	582,211
Decommissioning liabilities	11	<u>205,836</u>	<u>205,836</u>
Total current liabilities		34,844,126	33,477,136
Other liabilities	12	579,650	351,408
Lease liabilities	8	2,245,183	2,049,417
Long term debt	10	1,919,122	1,885,600
Decommissioning liabilities	11	<u>1,487,887</u>	<u>1,741,996</u>
Total liabilities		41,075,968	39,505,557
Shareholders' equity:			
Share capital	13	213,426,683	213,426,683
Warrants	13	647,034	647,034
Contributed surplus	13	387,442	358,042
Accumulated deficit		<u>(212,112,132)</u>	<u>(209,270,383)</u>
Total shareholders' equity		<u>2,349,027</u>	<u>5,161,376</u>
Total Liabilities and Shareholders' Equity		<u>43,424,995</u>	<u>44,666,933</u>
Going concern	3		
Subsequent events	22		

The accompanying notes form part of these condensed interim financial statements.

STATEMENT OF LOSS AND OTHER COMPREHENSIVE LOSS

For the three months ended March 31, 2021

(Expressed in Canadian dollars)

Unaudited

		Three months ended March 31,	
	Note	2021	2020
Revenue			
Commodity sales from production	14	4,954,287	3,229,043
Trading revenue	14	2,118	(244)
Other income	14	21,003	19,975
Royalty expense		<u>(863,048)</u>	<u>(787,950)</u>
Total net revenue		4,114,360	2,460,824
Expenses			
Operating costs		(3,624,095)	(1,759,755)
General and administrative costs	13	(709,540)	(953,561)
Depletion, depreciation and amortization	6,7	(1,381,956)	(1,254,712)
Impairment losses and write-offs		<u>—</u>	<u>(480,622)</u>
Total expenses		<u>(5,715,590)</u>	<u>(4,448,650)</u>
Loss from operations		(1,601,231)	(1,987,826)
Finance expenses	15	<u>(1,240,523)</u>	<u>(1,305,202)</u>
Loss before taxes		(2,841,753)	(3,293,028)
Income taxes	16	<u>—</u>	<u>—</u>
Loss and comprehensive loss		<u><u>(2,841,753)</u></u>	<u><u>(3,293,028)</u></u>
Loss per share			
Basic and diluted	17	<u><u>(0.01)</u></u>	<u><u>(0.01)</u></u>

The accompanying notes form part of these condensed interim financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the three months ended March 31, 2021

(Expressed in Canadian dollars)

Unaudited

	Note	Share Capital	Warrants	Contributed Surplus	Accumulated Deficit	Total Equity
Balance as at January 1, 2021	13	213,426,683	647,034	358,042	(209,270,380)	5,161,379
Share-based expenses		—	—	29,400	—	29,400
Loss for the period		<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,841,752)</u>	<u>(2,841,752)</u>
Balance as at March 31, 2021		<u>213,426,683</u>	<u>647,034</u>	<u>387,442</u>	<u>(212,112,132)</u>	<u>2,349,027</u>
Balance as at January 1, 2020	13	210,366,683	647,034	73,895	(187,419,284)	23,668,328
Loss for the period		<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,293,031)</u>	<u>(3,293,031)</u>
Balance as at March 31, 2020		<u>210,366,683</u>	<u>647,034</u>	<u>73,895</u>	<u>(190,712,315)</u>	<u>20,375,297</u>

The accompanying notes form part of these condensed interim financial statements.

STATEMENT OF CASHFLOWS

For the three months ended March 31, 2021

(Expressed in Canadian dollars)

Unaudited

		Three months ended March 31,	
	Note	2021	2020
Cash provided by (used in):			
Operations			
Net loss		(2,841,753)	(3,293,028)
Items not involving cash:			
Depletion, depreciation and amortization		1,381,956	1,254,712
Share-based expenses		29,400	—
Non-cash finance expenses		397,977	200,433
Unrealized foreign exchange loss		747	(5,183)
Impairment losses and write-offs		—	480,622
		<u> </u>	<u> </u>
Funds used in operations		(1,031,673)	(1,362,445)
Changes in non-cash working capital	4	<u>2,209,558</u>	<u>1,207,317</u>
Total cash generated from (used in) operations		1,177,885	(155,128)
Investing			
Expenditures on property, plant and equipment		(819,252)	419,924
Expenditures on exploration and evaluation assets		<u>—</u>	<u>(19,947)</u>
Net cash generated from (used in) investing		(819,252)	399,977
Financing			
Principal portion of lease payments		(171,711)	—
Interest portion of lease payments		<u>(69,393)</u>	<u>—</u>
Net cash used in financing		(241,104)	—
Increase in cash and cash equivalents		117,529	244,849
Effect of exchange rate changes on cash and cash equivalents		(747)	5,183
Cash and cash equivalents, beginning of period		<u>1,071,573</u>	<u>1,060,752</u>
Cash and cash equivalents, end of period		<u><u>1,188,354</u></u>	<u><u>1,310,784</u></u>
Supplementary information:			
Interest paid		<u><u>827,617</u></u>	<u><u>703,493</u></u>

The accompanying notes form part of these condensed interim financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the three months ended March 31, 2021

(Expressed in Canadian dollars unless otherwise indicated)

Unaudited

1 CORPORATE INFORMATION

Persta Resources Inc. (the “**Company**” or “**Persta**”) was incorporated in Calgary, Alberta, Canada under the Business Corporations Act (Alberta) in 2005. Persta is an exploration and development company pursuing petroleum and natural gas production in Alberta, Canada. The Company’s registered office is located at 15th Floor, Bankers Court, 850-2nd Street SW, Calgary, Alberta, T2P 0R8, Canada, and its head office is located at Suite 3600, 888-3rd Street SW, Calgary, Alberta, T2P 5C5, Canada.

Pursuant to an initial public offering on March 10, 2017, the Company’s shares were listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and traded under the stock code “3395”. The Company has been a reporting issuer under the Securities Act (Alberta) since October 2, 2018.

2 BASIS OF PREPARATION

These unaudited condensed interim financial statements have been prepared by management in accordance with International Accounting Standard (“**IAS**”) 34, “Interim Financial Reporting”. The Financial Statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended December 31, 2020. These unaudited condensed interim financial statements have been prepared following the same accounting policies as the annual audited financial statements for the year ended December 31, 2020 and should be read in conjunction with the annual audited financial statements and the notes thereto. The disclosures provided below are incremental to those included in the 2020 annual financial statements. These unaudited condensed interim financial statements were approved by the board (the “**Board**”) of directors (the “**Directors**”) on July 16, 2021.

The financial statements are presented in Canadian dollars (“**C\$**”), which is the Company’s functional currency.

3 GOING CONCERN

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at March 31, 2021 the Company had a working capital deficiency of C\$31 million, used cash in operating activities of C\$1 million for the three months ended March 31, 2021 and has drawn C\$24.5 million on its subordinated debt facility of C\$26 million. Additional draws on the subordinated debt facility are subject to approval of the lender.

As at March 31, 2021, the Company was not in compliance with the net debt to TTM EBITDA, working capital and net debt to total proved reserves covenants (as defined in Note 10) those financial covenants and therefore the debt was due on demand. On June 30, 2021, the Company has received a waiver in respect of this covenant breach.

On June 30, 2021, the Company and lender agreed to restructure the loan agreement (the “**2021 Restructuring**”). Under the terms of the Restructuring, financial covenants in respect of net debt to total proved reserves and net debt to TTM EBITDA (as defined in Note 10) have been waived for the remainder of 2021, and will be reinstated starting March 31, 2022. Financial covenants in respect of working capital have been eliminated for the remainder of the loan. A funding covenant has been added whereby the Company must secure additional capital in the form of new equity for a cumulative amount equal to or greater than C\$8 million on or before September 30, 2021. The Company must make a C\$2.2 million principal payment on or before August 31, 2021 and a C\$2.2 million principal payment on or before September 30, 2021 (together, the “**2021 Principal Payments**”).

To satisfy the C\$8 million funding and 2021 Principal Payments covenants, the Company plans to complete an equity placing of 70 million common shares to be issued at a minimum of HK\$0.80 per share for gross proceeds of a minimum of C\$8.96 million. The placing is subject to Stock Exchange and shareholder approval which will be sought at a meeting of shareholders anticipated to occur in August 2021.

The global impact of COVID-19 has resulted in significant volatility in global stock markets and has created a great deal of uncertainty in the global economy. These factors may have a negative impact on the Company’s operations and its ability to raise financing to meet its debt covenants. If the Company is in breach of any covenants in future periods, the lender will have the right to demand repayment of all amounts owed under the subordinated debt.

The Company’s ability to continue as a going concern is dependent upon the ability to generate positive cash flow from operations, obtain equity financing, dispose of assets or other arrangements to fund operating and investing activities. There are no assurances that any waivers will be obtained or transactions will be completed, on terms acceptable to the Company. If these financial covenants are not met or a waiver is not obtained by lenders, the subordinated debt facility may become due on demand. These conditions cause material uncertainty which cast significant doubt on the Company’s ability to continue as a going concern.

Should the use of the going concern basis in preparation of the financial statements be determined to be not appropriate, adjustments would have to be made to write down the carrying amounts of the Company’s assets to their realizable values, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements. If the Company is unable to continue as a going concern, it may be forced to seek relief under applicable bankruptcy and insolvency legislation.

4 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

	As at March 31, 2021	As at December 31, 2020
C\$		
Deposits with banks and other financial institutions	1,186,350	1,069,568
Cash on hand	<u>2,004</u>	<u>2,004</u>
Cash and cash equivalents in the statement of financial position and statement of cash flows	<u>1,188,354</u>	<u>1,071,572</u>

(b) Supplementary cash flows information

C\$	Three months ended March 31,	
	2021	2020
Change in non-cash working capital:		
Accounts receivable	(338,562)	(508,811)
Prepaid expenses and deposits	15,506	74,305
Accounts payable and accrued liabilities	(1,158,018)	(1,406,020)
Lease liabilities ¹	<u>—</u>	<u>213,285</u>
	(1,481,074)	(1,627,241)
Change in non-cash working capital included in investing and financing activities	<u>3,690,632</u>	<u>2,834,558</u>
Change in non-cash working capital included in operating activities	<u>2,209,558</u>	<u>1,207,317</u>

(1) Lease liabilities classified as financing activities for the three months ended March 31, 2020

5 ACCOUNTS RECEIVABLE

C\$	As at March 31, 2021	As at December 31, 2020
Trade receivables	1,648,288	1,680,327
Other receivables	<u>—</u>	<u>306,523</u>
Total	<u>1,648,288</u>	<u>1,986,850</u>

(a) Aging analysis of trade receivables

As at March 31, 2020 and December 31, 2020, the aging analysis of trade receivables (included in accounts receivable), based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

C\$	As at March 31, 2021	As at December 31, 2020
Within 1 month	<u>1,648,288</u>	<u>1,680,327</u>

Trade receivables are generally collected within 25 days from the date of billing.

(b) Impairment of accounts receivable

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Company determines that recovery of the amount is remote, in which case the impairment loss is written off against account receivables directly. No accounts receivable are considered individually nor collectively to be impaired. No material balances of trade or other receivables are past due, and no impairment loss has been recognized for the three month period ended March 31, 2021 and year ended December 31, 2020.

6 EXPLORATION AND EVALUATION ASSETS

C\$	As at March 31, 2021	As at December 31, 2020
Balance, beginning of period	6,974,847	18,543,990
Additions	—	167,684
Transfer to PP&E (<i>Note 7</i>)	—	(7,400,192)
Write-offs	—	(741,451)
Impairment	—	(3,595,184)
Balance, end of period	6,974,847	6,974,847

Exploration and evaluation (“**E&E**”) assets consist of undeveloped lands, unevaluated seismic data and unevaluated drilling and completion costs on the Company’s exploration projects which are pending the determination of proven or probable reserves in sufficient quantity to warrant commercial development. Transfers are made to property, plant and equipment (“**PP&E**”) as proven or probable reserves are determined. E&E assets are expensed due to uneconomic drilling and completion activities and write-offs of lease expiries. Impairment is assessed based on the recoverable amount compared with the asset’s carrying amount to measure the amount of the impairment.

For the year ended December 31, 2020, general and administrative (“**G&A**”) costs of C\$0.16 million were capitalized and included in E&E additions as they were directly attributable to exploration and development activities. For the year ended December 31, 2020, the Company wrote-off C\$0.74 million of E&E assets attributable to land lease expiries. For the three months ended March 31, 2021, there were no capitalized G&A costs or write-offs.

At December 31, 2020 and March 31, 2021, the Company’s E&E assets in respect of its Basing, Voyager and Dawson CGUs is comprised solely of undeveloped lands in which the Company holds a right to explore for, and produce petroleum and natural gas.

PP&E transfer

With the commissioning of production operations at Voyager in the second quarter, at June 30, 2020 the Company initially transferred C\$6.8 million of E&E assets to PP&E, comprised of development and production costs incurred for Voyager. C\$0.6 million of Voyager E&E assets were subsequently transferred to PP&E in the fourth quarter of 2020.

7 PROPERTY, PLANT AND EQUIPMENT

C\$	Cost	Accumulated Depletion, Depreciation and Impairment	Net Book Value
At January 1, 2020	151,706,916	(117,056,706)	34,650,210
Additions	1,764,681	—	1,764,681
Change in decommissioning obligations	(97,972)	—	(97,972)
Transfer from E&E (<i>Note 6</i>)	7,400,192	—	7,400,192
Cost recovery	(1,568,373)	—	(1,568,373)
Depletion and depreciation	—	(4,961,805)	(4,961,805)
Impairment	—	(5,389,360)	(5,389,360)
At December 31, 2020	159,205,444	(127,407,871)	31,797,573
At January 1, 2021	159,205,444	(127,407,871)	31,797,573
Additions	90,770	—	90,770
Change in decommissioning obligations	(287,207)	—	(287,207)
Depletion and depreciation	—	(1,206,948)	(1,206,948)
At March 31, 2021	159,009,008	(128,614,819)	30,394,189

Substantially all of PP&E consists of development and production assets. For the three months ended March 31, 2020, PP&E additions are primarily comprised of G&A capitalized in accordance with the Company's accounting policies (2020: C\$0.2 million).

Depletion, depreciation and impairment

Depletion and depreciation, impairment of PP&E, and any reversal thereof, are recognized as separate line items in the statement of loss and other comprehensive loss. The depletion calculation for the three month period ended March 31, 2020 includes estimated future development costs of C\$6.08 million (2020: C\$6.08 million) associated with the development of the Company's proved plus probable reserves. When indications of impairment are identified, or when E&E assets are transferred to PP&E, impairment is assessed based on the recoverable amount compared with the asset's carrying amount to measure the amount of the impairment, refer to Note 4 in the audited financial statements for the year ended December 31, 2020 for additional information on the Company's accounting policies.

8 RIGHT OF USE ASSETS AND LEASES

(a) Right of use assets

C\$	Oil and Gas Production	Office Space	Vehicles	Total
At January 1, 2020	135,367	2,275,104	—	2,410,471
Additions	540,265	—	21,084	561,349
Amortization	<u>(168,124)</u>	<u>(440,343)</u>	<u>(8,058)</u>	<u>(616,523)</u>
At December 31, 2020	507,508	1,834,761	13,026	2,355,297
At January 1, 2021	507,508	1,834,761	13,026	2,355,297
Additions	542,728	—	—	542,728
Amortization	<u>(62,908)</u>	<u>(110,086)</u>	<u>(2,014)</u>	<u>(175,008)</u>
At March 31, 2021	<u>987,328</u>	<u>1,724,675</u>	<u>11,012</u>	<u>2,723,017</u>

(b) Lease liabilities

C\$	Oil and Gas Production	Office Space	Vehicles	Total
At January 1, 2020	141,428	2,522,323	—	2,663,751
Additions	540,265	—	21,084	561,349
Lease payment	<u>(172,471)</u>	<u>(413,754)</u>	<u>(7,247)</u>	<u>(593,472)</u>
At December 31, 2020	509,222	2,108,569	13,837	2,631,628
At January 1, 2021	509,222	2,108,569	13,837	2,631,628
Additions	542,728	—	—	542,728
Lease payment	<u>(58,132)</u>	<u>(111,714)</u>	<u>(1,866)</u>	<u>(171,711)</u>
At March 31, 2021	<u>993,818</u>	<u>1,996,856</u>	<u>11,971</u>	<u>3,002,644</u>

C\$	As at March 31, 2021	As at December 31, 2020
Statement of Financial Position		
Current lease liabilities	757,461	582,211
Long term lease liabilities	<u>2,245,183</u>	<u>2,049,417</u>
Total lease liabilities	<u>3,002,644</u>	<u>2,631,628</u>

9 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at March 31, 2021	As at December 31, 2020
C\$		
Trade payables	994,767	394,767
Accrued liabilities	<u>4,220,591</u>	<u>3,133,308</u>
Total trade payables and accrued liabilities	5,215,357	3,528,075
Capital payables	4,111,402	5,111,454
Other payables	<u>501,753</u>	<u>259,209</u>
Total	<u>9,828,514</u>	<u>8,898,738</u>

All trade payables, accrued liabilities, capital payables and other payables are expected to be settled within one year or are payable on demand. As at March 31, 2021 and December 31, 2020, capital payables are primarily comprised of costs incurred pursuant to the Contract (as defined in Note 12 of the Company's audited financial statements for the year ended December 31, 2020). As at March 31, 2021 and December 31, 2020, other payables are primarily comprised of office renovation and rent inducement expenditures.

Aging analysis of trade payables and accrued liabilities

As at March 31, 2021 and December 31, 2020, the aging analysis of trade payables and accrued liabilities based on dates of invoices at the end of the reporting period is as follows:

	As at March 31, 2021	As at December 31, 2020
C\$		
Within 1 month	2,037,962	2,639,606
1 to 3 months	2,787,056	563,342
Over 3 months but within 6 months	<u>390,339</u>	<u>325,125</u>
Total	<u>5,215,357</u>	<u>3,528,075</u>

10 LONG TERM DEBT

	As at March 31, 2021	As at December 31, 2020
C\$		
Shareholder loans (net)	2,548,246	2,533,290
Subordinated debt	23,578,600	23,578,600
Accrued and unpaid interest on subordinated debt	474,930	356,699
Less: deferred financing costs	<u>(629,597)</u>	<u>(792,638)</u>
Total	<u>25,972,178</u>	<u>25,675,951</u>
Current	24,052,315	23,790,351
Long term	<u>1,919,122</u>	<u>1,885,600</u>

(a) Subordinated debt

As at March 31, 2021, the Company was not in compliance with the net debt to TTM EBITDA, working capital and net debt to total proved reserves covenants (as defined in Note 13 of the audited financial statements for the year ended December 31, 2020) and therefore the debt was due on demand. On June 30, 2021, the Company and lender agreed to restructure the loan agreement (the “**2021 Restructuring**”). Under the terms of the 2021 Restructuring, the lender waived financial covenants in respect of net debt to total proved reserves and net debt to TTM EBITDA for the remainder of 2021 and the breaches which occurred at March 31, 2021. Financial covenants in respect of working capital have been eliminated for the remainder of the loan term. Pursuant to the 2021 Restructuring, the SubDebt is subject to the following covenants for 2021 (a) the Company must secure additional capital in the form of new equity for a cumulative amount equal to or greater than C\$8 million on or before September 30, 2021 (“**2021 Funding Covenant**”) and; (b) measured at the end of each fiscal quarter maintaining the Company’s Alberta Energy liability management ratio above 2.0/1.0 (“**LMR Covenant**”); and (c) a C\$2.2 million principal payment on or before August 31, 2021 and a C\$2.2 million principal payment on or before September 30, 2021 (together, the “**2021 Principal Payments**”). Pursuant to the 2021 Restructuring, the PIK Interest and Penalty Interest payments will terminate when the loan balance is below C\$20 million, and the loan interest rate will reduce to 10% when the loan balance is below C\$15 million.

(b) Shareholder loans

On December 23, 2019, Jixing advanced C\$0.675 million to the Company (the “**2019 Shareholder Loan**”). The full proceeds of the 2019 Shareholder Loan were applied to amounts due in respect of the Contract (refer to Note 12). The 2019 Shareholder Loan has a term of two years, is unsecured, non-interest bearing, carries no covenants, and is repayable at any time at the Company’s sole discretion. In calculating the C\$0.6 million fair value of the 2019 Shareholder Loan as at December 31, 2019, the Company applied an effective interest rate of 5.97%, comprised of 4% base plus 1.97% Canadian Dealer Offered Rate (“**CDOR**”). The residual of C\$0.07 million was recorded to Contributed Surplus (refer to Note 13). On April 27, 2021 the Company and Jixing agreed to extend the term of the 2019 Shareholder Loan one year to December 23, 2022.

On June 2, 2020, a Persta director advanced C\$2 million to the Company (the “**2020 Shareholder Loan**”). The proceeds of the 2020 Shareholder Loan were used for working capital and general corporate purposes. The 2020 Shareholder Loan has a term of two years, is unsecured, non-interest bearing, carries no covenants, and is repayable at any time at the Company’s sole discretion. In calculating the C\$1.85 million fair value of the 2020 Shareholder Loan as at June 2, 2020, the Company assumed an effective interest rate of 4% per annum base plus one month CDOR, over the term of the 2020 Shareholder Loan. On this basis the effective rate was 4.28% per annum, comprised of 4% base plus 0.28% CDOR. The residual of C\$0.16 million was recorded to Contributed Surplus (refer to Note 13).

11 DECOMMISSIONING LIABILITIES

C\$	As at March 31, 2021	As at December 31, 2020
Balance, beginning of period	1,947,832	2,084,399
Liabilities settled	—	(58,614)
Change in estimate	(287,207)	(97,972)
Accretion expense (<i>Note 22</i>)	<u>33,098</u>	<u>20,019</u>
Balance, end of period	<u>1,693,723</u>	<u>1,947,832</u>
Current	205,836	205,836
Long term	<u>1,487,887</u>	<u>1,741,996</u>

The total future decommissioning obligations were estimated based on the Company’s net ownership interest in petroleum and natural gas assets including well sites, gathering systems and facilities, the estimated costs to abandon and reclaim the petroleum and natural gas assets and the estimated timing of the costs to be incurred in future periods. As at March 31, 2021, the Company estimated the total undiscounted amount of cash flows required to settle its decommissioning obligations to be approximately C\$2.5 million which will be incurred between 2020 and 2067. The majority of these costs will be incurred by 2037. As at March 31, 2021, an average risk free rate of 1.18% (2020: 1.1%) and an inflation rate of 0.7% (2020: 0.7%) were used to calculate the decommissioning obligations.

12 OTHER LIABILITIES

	As at March 31, 2021	As at December 31, 2020
C\$		
Accrued compensation per Phantom Unit Plan ¹	487,187	258,944
Capital payables	—	—
Other payables	<u>92,463</u>	<u>92,463</u>
Total	<u>579,650</u>	<u>351,407</u>

(1) As defined in Note 19 of the Company's audited financial statements for the year ended December 31, 2020.

As at March 31, 2021 and December 31, 2020, other payables are primarily comprised of office renovation and rent inducement expenditures.

13 SHARE CAPITAL

(a) Authorized:

The Company is authorized to issue an unlimited number of common shares.

(b) Issued:

	Common Shares	Amount C\$
Balance at January 1, 2020	301,886,520	210,366,683
Shares issued for cash	<u>60,000,000</u>	<u>3,060,000</u>
Balance at December 31, 2020 and March 31, 2021	<u>361,886,520</u>	<u>213,426,683</u>

On December 23, 2020, the Company completed a private placement issuing 60 million shares at a price of HK\$0.30 per share for gross proceeds of HK\$18 million (C\$3.06 million).

(c) Warrants:

On August 13, 2018, the Company issued 8 million warrants to the lender of the subordinated debt facility for total consideration of C\$0.75 million. The warrants have an exercise price of HK\$3.16 per warrant and a term of 5 years. Pursuant to the 2020 Restructuring (see Note 13 of the audited financial statements for the year ended December 31, 2020), the Company has agreed to re-price the 8 million share purchase warrants previously issued to the lender. This re-pricing is subject to Stock Exchange and shareholder approval. The new exercise price of the warrants will be calculated based on the volume weighted average price of the Common Shares on the Stock Exchange for the five trading days immediately preceding the date on which the re-pricing of the exercise price of the warrants is approved by the shareholders. As at March 31, 2021 and up to the date of these financial statements, the Company has not yet set a date for the shareholder meeting to approve the repricing of the warrants.

(d) **Stock options and share-based expenses:**

The Company has a stock option plan which was approved and adopted by the shareholders of the Company by ordinary resolution passed on June 8, 2018 (the “**Option Plan**”). The Option Plan is a rolling plan and provides that the number of common shares issuable under the Option Plan, together with all of the Company’s other previously established or proposed share compensation arrangements, may not exceed 10% of the total number of issued and outstanding common shares, on a non-diluted basis, as of the date on which the Option Plan is approved by the shareholders. The exercise price of each option equals the volume-weighted average market price for the five days preceding the issue date of the Company’s stock on the date of grant and the option’s maximum term is ten years. Options granted vest 1/3 on each of the first, second and third anniversaries from the date of grant.

<i>HK\$ except number of options amounts</i>	Number of Options	Exercise Price
At January 1, 2020	—	—
Granted	<u>3,780,000</u>	<u>\$0.52</u>
At December 31, 2020 and March 31, 2021	<u>3,780,000</u>	<u>\$0.52</u>

The average trading price of the Company’s common shares was HK\$0.35 per share for the three months ended March 31, 2021. The following table summarizes stock options outstanding and exercisable at March 31, 2021:

Exercise Price (HK\$)	Amount Outstanding at Period End	Remaining Contractual Life	Weighted Average Exercise Price (HK\$)	Amount Exercisable at Period End	Weighted Average Exercise Price (HK\$)
<u>\$0.52</u>	<u>3,780,000</u>	<u>4.11 years</u>	<u>\$0.52</u>	<u>—</u>	<u>—</u>

(e) **Contributed surplus:**

As at December 31, 2020 and March 31, 2021, contributed surplus is comprised of the difference between the deemed fair value and gross value of the Shareholder Loans (refer to Note 10) at the date of initial recognition, and share-based expenses incurred during the period.

14 REVENUE

	Three months ended March 31,	
C\$	2021	2020
Commodity sales from production		
Natural gas, natural gas liquids and condensate	4,598,459	2,973,568
Crude oil	<u>355,829</u>	<u>255,474</u>
Total commodity sales from production	<u><u>4,954,287</u></u>	<u><u>3,229,042</u></u>
Trading revenue		
Natural gas trading revenue	18,550	13,744
Natural gas trading cost	<u>(16,431)</u>	<u>(13,988)</u>
Total trading revenue	<u><u>2,118</u></u>	<u><u>(244)</u></u>
Other income		
Total other income	<u><u>21,003</u></u>	<u><u>19,975</u></u>

The Company sells its products pursuant to variable-price contracts. The transaction price for variable price contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Commodity prices are based on market indices that are determined on a monthly or daily basis. The contracts generally have a term of one year or less, whereby delivery takes place throughout the contract period. Revenues are typically collected on the 25th day of the month following production.

Trading revenue is realized when the Company purchases natural gas on the open market to meet its forward sale obligations. It is measured at the fair value of the consideration received or receivable, net of the costs incurred to purchase the natural gas.

Other income is comprised of over-riding royalty payments and income generated from sources outside normal operations including rental income and subsidies. Over-riding royalty payments are periodically received from arm's length entities, whereby the Company receives a portion of oil and natural gas revenues generated from wells in which it holds a royalty interest.

Information about major customers

During the three months ended March 31, 2021 and 2020, the Company had four active customers, of which one customer exceeded 10% of the Company's revenues. During the three months ended March 31, 2021, the Company's largest customer accounted for 84% of revenues (2020: 76%), the second largest customer accounted for 8% of revenues (2020: 9%).

Geographical information

The Group's revenue from external customers and non-current assets are all located in Canada.

Timing of revenue recognition

For the three months ended March 31, 2021 and 2020, all of the Company's revenues and commodity sales from production is recognized at a point in time.

15 FINANCE EXPENSES

C\$	Three months ended March 31,	
	2021	2020
Interest expense and financing costs:		
Subordinated debt (Note 10)	983,348	731,492
Right of use assets and leases (Note 8)	69,393	56,811
Commitment charges ¹	—	352,163
Other financing costs and bank charges	14,182	—
Accretion expenses:		
Decommissioning liabilities (Note 11)	33,098	21,475
Shareholder loans (Note 10)	14,214	17,720
Amortization of debt issuance costs	125,541	125,541
Loss (gain) on foreign exchange	747	—
Total finance expenses	1,240,523	1,305,202

- (1) For the three months ended March 31, 2020, commitment charges are comprised of subordinated debt restructuring costs, termination fees incurred following the Company's cancellation of a warrant subscription agreement with an arms' length subscriber and costs associated with the Company's PSG facility (Note 20).

16 INCOME TAXES

The blended statutory tax rate was 23% for the three month period ended March 31, 2021 (2020: 25.5%). In the second quarter of 2019, the Alberta corporate income tax rate was reduced from 12 percent to eight percent over a four year period. The rate was reduced from 12% to 11% effective July 1, 2019 and will be further reduced by 1% on January 1 for each of the next three years until it reaches 8% on January 1, 2022. The provision for income taxes differs from the result that would have been obtained by applying the combined federal and provincial tax rates to the loss before income taxes due to changes in unrecognized deferred tax assets. As at March 31, 2021, the Company has approximately C\$121 million of deductible temporary differences in PP&E and E&E assets, decommissioning liabilities, share issue costs, non-capital losses and others. As at March 31, 2021, the Company has approximately C\$121 million of tax deductions, which includes loss carry forwards of approximately C\$34 million which begin expiring in 2037.

17 LOSS PER SHARE

<i>C\$ except share amounts</i>	Three months ended March 31,	
	2021	2020
Loss and comprehensive loss	(2,841,753)	(3,293,028)
Weighted average number of common shares	<u>361,886,520</u>	<u>293,263,443</u>
Loss per share — basic and diluted	<u>(0.01)</u>	<u>(0.01)</u>

There were 3.78 million options and 8 million warrants excluded from the weighted-average share calculations for the three months ended March 31, 2021 because they were anti-dilutive (2019: 8 million warrants).

18 DIVIDEND

The Board did not recommend the payment of a dividend for the three month periods ended March 31, 2021 and 2020.

19 RELATED PARTY TRANSACTIONS, PERSONNEL COSTS AND REMUNERATION POLICY

(a) Remuneration policy

The Company's remuneration and bonus policies are determined by the performance of individual employees. The emolument of the executives are recommended by the remuneration committee of the Company, having regard to the Company's operating results, the executives' duties and responsibilities within the Company and comparable market statistics.

(b) Transactions with key management personnel

Key management compensation for the three month period ended March 31, 2021 totaled C\$0.4 million (2020: C\$0.48 million).

(c) Transactions with directors

Director compensation for the three month period ended March 31, 2021 totaled C\$0.25 million, comprised of C\$0.03 million of cash paid during the period (2020: C\$0.13 million) and C\$0.22 million accrued pursuant to the Phantom Unit Plan (as defined in Note 19 of the Company's audited financial statements for the year ended December 31, 2020). As at March 31, 2021 the total accrued compensation under the Phantom Unit Plan was C\$0.5 million (2020: C\$0.32 million).

Save as disclosed above, all other transactions with directors are unchanged from those disclosed in Note 26 of the audited financial statements for the year ended December 31, 2020.

20 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Overview

The Company has exposure to credit risk, liquidity and market risk from its use of financial instruments. This note presents information about the Company's exposure to each of the risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

(a) *Credit risk*

The Company's credit risk on cash arises from possible default of the counterparty. The Company limits its exposure to counterparty credit risk on cash by only dealing with financial institutions with high credit ratings.

Credit risk on trade and other receivables is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from purchasers of the Company's crude oil and natural gas and joint venture partners. The Company seeks to manage its credit risk on trade and other receivables by trading with third party customers it considers to be creditworthy. As at March 31, 2021 the Company's accounts receivables consisted of C\$1.7 million (2020: C\$1.7 million) due from purchasers of the Company's crude oil and natural gas production.

Receivables from purchasers of the Company's crude oil and natural gas when outstanding are normally collected on the 25th day of the month following production. The carrying amount of accounts receivable and cash balances represents the maximum credit exposure. The Company has determined that no allowance for doubtful accounts was necessary as at March 31, 2021. The Company has also not written off any receivables during the year ended December 31, 2020 as accounts receivables were subsequently collected in full. There are no material financial assets that the Company considers past due and at risk of collection. As at March 31, 2021, all of the trade receivables were less than 90 days old.

(b) *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions. The Company will attempt to match its payment cycle with collection of crude oil and natural gas revenues on the 25th of each month. The Company prepares annual budgets and updates forecasts for operating, financing and investing activities on an ongoing basis to ensure it will have sufficient liquidity to meet its liabilities when due (see Note 3).

The current challenging economic climate may lead to adverse changes in cash flow, working capital levels or debt balances, which may also have a direct impact on the Company's results and financial position. These and other factors may adversely affect the Company's liquidity and the Company's ability to generate profits in the future.

The contractual maturities of financial liabilities as at March 31, 2021 are as follows:

C\$	Carrying amount	Total	1 year or less	1–3 years	4+ years
Accounts payable and accrued liabilities	9,828,514	9,828,514	9,828,514	—	—
Other liabilities	579,650	579,650	—	579,650	—
Lease liabilities	3,002,645	3,239,141	812,417	1,596,144	830,580
Shareholder loans ¹	2,675,000	2,675,000	—	2,675,000	—
Subordinated debt ²	<u>24,053,530</u>	<u>24,053,530</u>	<u>—</u>	<u>24,053,530</u>	<u>—</u>
Total	<u>40,139,338</u>	<u>40,375,835</u>	<u>10,640,931</u>	<u>28,904,324</u>	<u>830,580</u>

(1) Gross value of shareholder loan as per Note 10

(2) Subordinated debt plus accrued and unpaid interest as per Note 10

(c) *Market risk*

Market risk is the risk that changes in market metrics, such as commodity prices, foreign exchange rates and interest rates that will affect the Company's valuation of financial instruments, the debt levels of the Company, as well as its profit and cash flow from operations. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for crude oil and natural gas are impacted by not only the relationship between the Canadian and United States dollar but also world economic events that dictate the levels of supply and demand. The Company may utilize commodity contracts as a risk management technique to mitigate exposure to commodity price volatility. The Company did not enter into any financial derivatives during the three month periods ended March 31, 2021 and 2020.

Interest rate risk

As at March 31, 2021 the Company's debts are comprised of shareholder's loans, SubDebt and amounts owing under the Contract (refer to Note 12 in the audited financial statements for the year ended December 31, 2020), which all carry a fixed interest rate. As at March 31, 2021 and 2020, the Company has no variable rate borrowings. As such, a one percent change in prevailing interest rates would not change the Company's net loss for the three months ended March 31, 2021 and 2020.

Foreign currency risk

The Company manages foreign exchange risk by monitoring foreign exchange rates and evaluating their effects on using Canadian or Hong Kong vendors as well as timing of transactions. The Company recognizes a foreign exchange gain/loss based on the revaluation of monetary items held in Hong Kong Dollars and the value changes with the fluctuation in the HKD/CAD exchange rates. As at March 31, 2021, the Company held HK\$0.3 million (C\$0.04 million based on the HKD/CAD exchange rate at the same date). Changes in the HKD/CAD foreign exchange rate of less than 10% would not materially change the Company's financial statements.

(d) *Capital management*

The Company's general policy is to maintain an appropriate capital base in order to manage its business in the most effective manner with the goal of increasing the value of its assets and thus its underlying share value. The Company's objectives when managing capital are to maintain financial flexibility in order to preserve its ability to meet financial obligations; to maintain a capital structure that allows the Company to favor the financing of its growth strategy using internally-generated cash flow and its debt capacity; and to optimize the use of its capital to provide an appropriate investment return to its shareholders.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying crude oil and natural gas assets. The Company considers its capital structure to include shareholders' equity, bank debt, subordinated debt, other liabilities and working capital. To assess capital and operating efficiency and financial strength, the Company continually monitors its net debt.

The Company has not paid nor declared any dividends since its inception.

As part of its capital management process, the Company prepares budgets and forecasts, which are used by management and the Board of Directors to direct and monitor the strategy and ongoing operations and liquidity of the Company. Budgets and forecasts are subject to significant judgment and estimates relating to activity levels, future cash flows and the timing thereof and other factors which may or may not be within the control of the Company.

The following represents the capital structure of the Company:

	As at March 31, 2021	As at December 31, 2020
C\$		
Long term debt (<i>excluding current portion as per Note 10</i>)	1,919,122	2,533,290
Other liabilities	579,650	351,407
Lease liabilities	3,002,644	2,631,628
Net working capital deficit	<u>31,511,184</u>	<u>29,212,731</u>
Net debt	37,012,600	34,729,056
Shareholders' equity	<u>2,349,027</u>	<u>5,161,376</u>
Total	<u>39,361,627</u>	<u>39,890,432</u>

(e) *Performance services guarantee ("PSG") facility*

On April 25, 2018, the Company obtained a PSG facility from Economic Development Canada ("EDC") totaling C\$4.4 million. On July 30, 2020 the aggregate PSG was reduced to C\$1.85 million. Under the terms of the PSG facility, EDC will guarantee qualifying letters of credit ("L/C") on behalf of the Company. Previously, these L/C's were cash collateralized, following approval by the EDC the requirement of the Company to hold cash to underwrite the L/C is relieved for the duration of the PSG approval. Under the terms of the PSG facility, the L/C guarantee period is the lesser of one year or the term of the L/C if less than 12 months. The guarantee can be renewed annually for long term L/C's subject to subsequent approval by the EDC. As at March 31, 2021, the Company has PSG coverage for the following L/C's:

Amount	Expiry
C\$1,392,000	June 14, 2022
C\$408,158	March 31, 2022

The PSG facility has a 12 month term and must be renewed annually. The current term expires on July 30, 2021, and the Company has applied for renewal. If the facility is not approved for renewal, the PSG coverage will terminate at the expiry of the existing L/C's and the Company will seek alternative insurance arrangements to guarantee the L/C's or cash collateralize them.

21 COMMITMENTS

Commitments and contingencies exist under various agreements and operations in the normal course of the Company's business. The following table outlines the Company's commitments as at March 31, 2021:

C\$	Total	Less than 1 year	1–3 years	4–5 years	After 5 years
Transportation commitment	34,828,217	5,458,160	12,401,713	12,359,083	4,609,261
Jixing agreements ²	132,144,484	3,536,620	20,075,004	20,111,508	88,421,352
PSG facility (<i>Note 20</i>)	<u>1,800,158</u>	<u>—</u>	<u>1,800,158</u>	<u>—</u>	<u>—</u>
Total	<u>168,772,859</u>	<u>8,994,780</u>	<u>34,276,875</u>	<u>32,470,591</u>	<u>93,030,613</u>

- (1) The PSG facility commitment will only be due if the facility is not renewed and the L/C's are cash collateralized by the Company (see Note 20).
- (2) Refer to Note 26 in the audited financial statements for the year ended December 31, 2020 for details on the Jixing agreements.

Transportation Commitment:

The Company entered into a take or pay firm service transportation agreement with committed transportation volumes as below:

Description	Volume (MMcf/d)	Effective date	Expiring date	Duration
Persta Existing FT-R with NGTL	8.00	2013-11-01	2021-10-31	8 years
Persta New FT-R with NGTL	102.00	2018-12-01	2026-12-31	8 years

The firm service transportation agreements cover the period from November 1, 2013 to December 31, 2026 (the firm service fee varies and is subject to review by the counter-party on an annual basis). The amounts presented in the Commitments table above for the transportation service commitment fee is based on fixed transportation capacity as per these agreements and management's best estimate of future transportation charges.

22 SUBSEQUENT EVENTS

COVID-19

The global impact of the outbreak of COVID-19 has resulted in significant volatility in global stock markets and has forecasted a great deal of uncertainty as to the health of the global economy. In addition, there has been a significant drop in the price of oil in global and Canadian markets. These factors may have a negative impact on the Company's operations and its ability to raise financing in the near future or on terms favourable to the Company. The potential impact that COVID-19 will have on the Company's business or financial results cannot be reasonably estimated at this time.

SubDebt Restructuring

On June 30, 2021, the Company and lender agreed to restructure the loan agreement (the “**2021 Restructuring**”). Under the terms of the 2021 Restructuring, the lender waived financial covenants in respect of net debt to total proved reserves and net debt to TTM EBITDA for the remainder of 2021. Financial covenants in respect of working capital have been eliminated for the remainder of the loan term. Pursuant to the 2021 Restructuring, the SubDebt is subject to the following covenants for 2021 (a) the Company must secure additional capital in the form of new equity for a cumulative amount equal to or greater than C\$8 million on or before September 30, 2021 (“**2021 Funding Covenant**”) and; (b) measured at the end of each fiscal quarter maintaining the Company’s Alberta Energy liability management ratio above 2.0/1.0 (“**LMR Covenant**”); and (c) a C\$2.2 million principal payment on or before August 31, 2021 and a C\$2.2 million principal payment on or before September 30, 2021 (together, the “**2021 Principal Payments**”). Pursuant to the 2021 Restructuring, the PIK Interest and Penalty Interest payments will terminate when the loan balance is below C\$20 million, and the loan interest rate will reduce to 10% when the loan balance is below C\$15 million.

Equity Placings

On June 8, 2021 the Company entered into a subscription agreement with 大連永力石油化工有限公司 (Dalian Yongli Petrochemical Ltd.*) (“**Dalian**”), pursuant to which the Company has conditionally agreed to allot and issue, and Dalian has conditionally agreed to subscribe for 20 million common shares at a price of HK\$0.80 per common share. On the same day, the Company entered into a subscription agreement with Jixing Gas Holdings Limited (“**Jixing**”), pursuant to which the Company conditionally agreed to allot and issue, and Jixing conditionally agreed to subscribe for, (i) 30 million common shares at a price of HK\$0.80 per common share, and (ii) 20 million common shares at the higher of HK\$0.80 and the volume weighted average price per common share as quoted on the Stock Exchange for the 30 trading days immediately preceding the date on which the Company receives an irrevocable notice from Jixing notifying the Company that it will make payment for the second tranche of 20 million common shares in full. On June 9, 2021, after further consideration of the circumstances surrounding the subscription for new common shares by Jixing, the Company decided to exercise its right to terminate the subscription agreement with Jixing by way of written notice to Jixing.

As Dalian is a connected person (as defined in the Listing Rules) of the Company, the subscription agreement and the transaction contemplated thereunder constitute connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

* For identification purpose only



Persta Resources Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2021 and 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("**MD&A**") of Persta Resources Inc. ("**Persta**" or the "**Company**") should be read in conjunction with the Company's unaudited condensed financial statements and notes thereto for the three months ended March 31, 2021 (the "**Financial Statements**") and the audited financial statements and notes thereto for the year ended December 31, 2020 (the "**2020 Audited Financial Statements**"). All amounts and tabular amounts in this MD&A are stated in thousands of Canadian dollars ("**C\$'000**") unless indicated otherwise. This MD&A is dated July 16, 2021.

FORWARD LOOKING INFORMATION

Certain statements in this MD&A are forward-looking statements that are, by their nature, subject to significant risks and uncertainties and the Company hereby cautions investors about important factors that could cause the Company's actual results to differ materially from those projected in a forward-looking statement. Any statements that express, or involve discussions as to expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will", "expect", "anticipate", "estimate", "believe", "going forward", "ought to", "may", "seek", "should", "intend", "plan", "projection", "could", "vision", "goals", "objective", "target", "schedules" and "outlook") are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including the risk factors detailed in this MD&A), uncertainties and other factors some of which are beyond the Company's control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, the Company strongly cautions investors against placing undue reliance on any such forward-looking statements. Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on estimates and assumptions that the resources and reserves described can be profitably produced in the future. Further, any forward-looking statement speaks only as of the date on which such statement is made and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events.

All forward-looking statements in this MD&A are expressly qualified by reference to this cautionary statement.

NON-IFRS FINANCIAL MEASURES

The financial information contained herein has been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) and sometimes referred to in this MD&A as Generally Accepted Accounting Principles (“**GAAP**”) as issued by the International Accounting Standards Board (“**IASB**”).

This MD&A also includes references to financial measures commonly used in the oil and natural gas industry. These financial measures are not defined by IFRS as issued by IASB and, therefore, are referred to as non-IFRS measures. The non-IFRS measures used by the Company may not be comparable to similar measures presented by other companies. See “Non-IFRS Financial Measures” of this MD&A for information regarding the following non-IFRS financial measures used in this MD&A: “operating netback” and “adjusted EBITDA”.

FUTURE PROSPECTS

The Company acquired Petroleum and Natural Gas Licenses for Basing, Voyager and Kaydee in the Alberta Foothills, Dawson near Peace River and Progress-Montney in northern Alberta between 2006 and 2018. Approximately 90% of the Company’s revenue is generated from the Basing area. Voyager is geologically analogous and located approximately 30 kilometres (“**km**”) from Basing.

The Company commenced de-watering at its Voyager area on June 29, 2020, recovering the fluid which was injected into the wells during their completion. As water impedes the flow of gas, production is anticipated to increase as completion fluid is still being recovered from the wells.

In the third quarter of 2020 the Company initiated facility enhancements and well workovers to increase and stabilize production. Two compressors were installed at Basing, allowing additional production from three wells. Since the successful completion of these operations at the end of October 2020, the Company’s production has increased from approximately 12,000 mcf/d to approximately 15,000 mcf/d as of the date of this MD&A. The Company is encouraged by the strengthening market for Western Canadian gas which exceeded C\$4.00/gigajoule (“**GJ**”) periodically year to date 2021, representing 5-year highs. As the spot price for Western Canadian gas changes daily, there is no guarantee the Company will sell its gas in the future for currently forecast prices.

Please refer to “*Events after the Reporting Period*” in this MD&A for additional disclosures in respect of the impact of the outbreak of novel coronavirus disease (“**COVID-19**”).

SELECTED QUARTERLY INFORMATION

Average Daily Production	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Natural gas (mcf/d)	13,518	14,158	12,977	14,357	14,490	11,912	6,238	6,717
Crude oil (bbls/d)	65	78	56	0	48	80	74	76
NGLs and condensate (bbls/d)	90	106	85	92	92	113	45	59
Total production (boe/d)	2,408	2,544	2,304	2,485	2,554	2,178	1,159	1,255
Average Daily Trading								
Natural gas (boe/d)	10	88	42	30	12	48	598	367
Financial	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
<i>C\$'000s except share amounts</i>								
Production revenue	4,954	4,309	2,991	2,740	3,229	4,897	1,582	2,082
Net trading revenue	2	11	(2)	(1)	—	12	399	249
Royalties	(863)	(609)	(202)	847	(788)	(1,119)	(456)	(214)
Operating costs	(3,624)	(3,756)	(3,534)	(1,824)	(1,760)	(1,510)	(1,919)	(1,811)
Operating netback ¹	469	(44)	(747)	1,761	681	2,280	(395)	306
Net loss	(2,842)	(13,009)	(3,460)	(1,569)	(3,813)	(34,671)	(3,041)	(10,744)
Net working capital ²	(31,511)	(29,938)	(5,135)	(4,111)	(28,122)	(26,646)	(5,880)	(3,441)
Total assets	43,425	44,667	54,601	56,162	57,283	59,064	92,233	94,131
Capital expenditures ³	91	1,349	400	128	20	575	192	143
Loss per share (basic & diluted)	(0.01)	0.04	0.01	0.01	0.01	0.12	0.01	0.03

- (1) Operating netback is defined as revenue less royalties, trading cost and operating costs. Operating netback is a non-IFRS financial measure. See “Non-IFRS Financial Measures” for further information.
- (2) Net working capital consists of current assets less current liabilities. As at March 31, 2021 net working capital includes C\$24.5 million of long term debt which has been reclassified as current, as the Company was not in compliance with certain covenants of its subordinated debt facility at March 31, 2021.
- (3) Capital expenditures consist of total expenditures for property, plant and equipment plus exploration and evaluation assets, excluding changes in non-cash working capital.

Summary

The Company's total production is impacted by seasonal fluctuations experienced in western Canada. During the Canadian winter (October–March), demand for gas is highest as it is used for heating and power generation. The market price for natural gas is cyclical and follows demand, with prices generally strongest in the winter, and weakest in summer. During summer the Company has strategically shut-in wells during periods of low natural gas prices and purchased gas on the open market to meet its forward sales obligations. The Company's revenues have been strongest during the first quarter of 2021 and fourth quarter of 2020, and weakest in the second and third quarters, reflecting the demand cycle.

In the third quarter of 2020, operating costs increased with the start of production at Voyager and commencement of the Jixing Gas Handling and Voyager Compression agreements (refer to Note 26 of the 2020 Audited Financial Statements).

The Company's higher net loss experienced in the second and fourth quarters of 2019, and the fourth quarter of 2020 is attributable to impairment losses and write-offs recognised during these periods. These impairment losses are non-cash charges resulting from assessments which indicated the carrying costs of the Company's assets exceed their estimated future recoverable amounts, which have been negatively impacted by the decline in commodity prices over the past three years.

As at March 31, 2021, net working capital includes C\$24.5 million of long term debt which has been reclassified as current, as the Company was not in compliance with certain covenants of its subordinated debt facility. Subsequent to period the Company received a waiver for these breaches (refer to Note 10 in the Financial Statements).

RESULTS OF OPERATIONS

Daily Production and Sales Volumes

Boe Conversions — Per barrel of oil equivalent amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil equivalent (6:1). Barrel of oil equivalents (“boe”) may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, as the value ratio between natural gas and crude oil based on current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

	Three months ended March 31,		
	2021	2020	Change
Production			
Natural gas (mcf/d)	13,518	14,490	(7%)
Oil (bbl/d)	65	48	35%
NGLs (bbl/d)	30	32	(6%)
Condensate (bbl/d)	<u>60</u>	<u>60</u>	<u>0%</u>
Total production (boe/d)	<u>2,408</u>	<u>2,554</u>	<u>(6%)</u>
Trading			
Natural gas (mcf/d)	<u>63</u>	<u>72</u>	<u>(13%)</u>
Total trading (boe/d)	<u>10</u>	<u>12</u>	<u>(13%)</u>
Total sales volume (boe/d)	<u>2,418</u>	<u>2,566</u>	<u>(6%)</u>

Total sales volume for the three months ended March 31, 2021 was 6% lower than the comparative period in 2020 as natural declines offset the new Voyager production which started in the third quarter of 2020, and infield compression which was added at Basing and Voyager in the fourth quarter of 2020.

During periods of low natural gas prices, the Company strategically shut-in in its production and purchased gas on the open market to meet its forward sales obligations. The 13% year-over-year decrease in trading volumes over 2020 reflects the stronger gas price experienced throughout 2021, which resulted in fewer days where production was shut-in.

Natural gas liquids (“NGLs”) and condensate production are by-products of natural gas. The amount of NGL and condensate production varies for each well, and their production rates as a percentage of natural gas production can change over time. The change in NGL and condensate production for the three months ended March 31, 2021 compared to 2020 is consistent with the change in natural gas production over the same period.

Oil production for the three months ended March 31, 2021 was 35% greater than the same period in 2020, as the Company shut-in production in March 2020 in response to the collapse in oil prices following the onset of the COVID-19 pandemic. The wells remained shut-in through the second quarter of 2020, and resumed production in July 2020.

Revenue

<i>C\$'000s</i>	Three months ended March 31,		
	2021	2020	Change
Production			
Natural gas	4,118	2,566	60%
Crude oil	392	255	54%
NGLs	89	33	168%
Condensate	356	375	(5%)
Total production revenue	4,954	3,229	53%
Trading			
Natural gas trading revenue	19	14	33%
Natural gas trading cost	(16)	(14)	17%
Total trading (loss) revenue	2	—	100%
Other income	21	20	5%
Total revenue	4,977	3,249	53%

Production revenue for the three months ended March 31, 2021 increased 53% respectively over the comparative period in 2020, reflecting stronger natural gas and crude oil pricing the current period. Crude oil prices have strengthened since the beginning of this year, as global demand has increased with the elimination of movement and travel restrictions implemented in 2020 in response to the COVID-19 pandemic. Pricing for NGL and condensate, which are correlated to crude oil, have strengthened as well.

Trading revenue for the three months ended March 31, 2021 was consistent with the comparative quarter in 2020, reflecting the small quantities of gas which was traded in both periods. Other income for the three months ended March 31, 2021 was consistent with the comparative period as well.

Commodity prices

	Three months ended March 31,		
	2021	2020	Change
Natural gas (C\$/mcf)			
Average market price (AECO)	2.77	1.87	48%
Average trading price	3.21	2.08	54%
Average trading cost price	2.84	2.08	37%
Average sales price	3.16	2.04	55%
Crude oil (C\$/bbl)			
Average market price (Edmonton Par)	57.46	51.43	12%
Average sales price	62.23	59.03	5%
Sales/market differential	8%	13%	
NGLs (C\$/bbl)			
Average market price (Propane/Butane)	30.45	28.66	6%
Average sales price	31.86	11.50	177%
Sales/market differential	4%	-149%	
Condensate (C\$/bbl)			
Average market price (Pentane Plus)	73.43	63.42	16%
Average sales price	70.86	68.80	3%
Sales/market differential	-4%	8%	

Realized gas price sales for the three months ended March 31, 2021 averaged C\$3.16/mcf, 55% higher than the same period in 2020, attributable to stronger AECO market pricing. In periods of extreme weakness in the AECO market, the Company shut-in its production and traded gas on the spot market to meet its forward sales obligations. The average trading price is a function of the gains realized on the quantity and price of gas traded over a given time to meet its forward sales obligations, and therefore not directly comparable to prior periods.

NGL production is tied to natural gas production. The Company's natural gas wells produce varying amounts of NGLs (propane and butane), which are sold at different prices in the market. As some wells are shut-in, the NGL production matrix is impacted, resulting in a changing realized price dependent on the composition of NGLs. Generally the more butane produced, the higher the realized price for NGLs. For the three months ended March 31, 2021, realized NGL prices were consistent with the market

price. In the comparative quarter in 2020, realized NGL prices were significantly below average market prices as the Company's NGLs were largely comprised of propane until the fourth quarter of 2020, when the Company resumed production from two wells in the Basing area which are butane weighted.

The Company's realized condensate and crude oil prices for the three months ended March 31, 2021 and 2020 were consistent with the average market prices over the same periods. Variations from the benchmark are a function of product sales occurring periodically over the quarter and year, compared to the average daily reference price.

Royalties

<i>C\$'000s</i>	Three months ended March 31,		
	2021	2020	Change
Natural gas, NGLs and condensate	786	695	13%
Crude oil	<u>77</u>	<u>93</u>	<u>(17%)</u>
Total royalties	<u>863</u>	<u>788</u>	<u>10%</u>
Effective average royalty rate	<u>17%</u>	<u>24%</u>	<u>(29%)</u>

In Alberta, royalties are set by a sliding scale formula containing separate elements that account for market price and well production. Royalty rates will fluctuate to reflect changes in production rates, market prices and cost allowances. On a "per-well" basis, for the three months ended March 31, 2021 and 2020, the Company's base royalty rate for natural gas ranged from 5% to 21%, the base royalty rate for NGLs (propane and butane) was 30% and the base royalty rate for condensate and crude oil was 40%. Effective royalty rates can differ from the base rates if the production qualifies for any cost allowances which offset the base amount payable.

The Company forecasts its effective royalty rate will range between 15–20% for 2021, reflecting new production from Voyager which benefits from the Modernizing Alberta's Royalty Framework, under which a company will pay a flat royalty of 5% on a well's early production until the well's total revenue from all hydrocarbon products equals the drilling and completion cost allowance.

Operating Costs

<i>C\$'000s</i>	Three months ended March 31,		
	2021	2020	Change
Natural gas, NGLs and condensate	3,553	1,702	109%
Crude oil	<u>71</u>	<u>58</u>	<u>23%</u>
Total operating costs	<u>3,624</u>	<u>1,760</u>	<u>106%</u>
Unit Cost (C\$/boe)			
Natural gas, NGLs and condensate	16.48	7.46	121%
Crude oil	12.94	13.43	(4%)
Average cost	16.36	7.57	116%

Total operating costs (“**opex**”) for natural gas, NGLs and condensate for the three months ended March 31, 2021 were 106% higher respectively than the comparative period in 2020. Operating costs have increased from new gas transport and compression obligations tariffs pursuant to the Jixing Gas Handling and Voyager Compression Agreements (as defined in Note 26 of the 2020 Audited Financial Statements), which commenced with the commissioning of Voyager in June 2020. The increase in crude oil opex for three months ended March 31, 2021 over the comparative period is a function of the increase in production over the same period.

General and Administrative Costs (“G&A”)

<i>C\$'000s</i>	Three months ended March 31,		
	2021	2020	Change
Staff costs	481	672	(28%)
Accounting, legal and consulting fees	131	181	(28%)
Office	26	32	(18%)
Share-based expense	29	—	100%
Other	<u>42</u>	<u>69</u>	<u>(39%)</u>
Total G&A costs	<u>710</u>	<u>954</u>	<u>(26%)</u>
Capitalized staff costs	<u>88</u>	<u>58</u>	<u>52%</u>

Total general and administrative (“**G&A**”) costs for the three months ended March 31, 2021 were 26% lower than the comparative period in 2020. Staff cost reductions were primarily realized from a 40% reduction in headcount, which is estimated to reduce staff costs by approximately C\$500k on an annualized basis. Lower accounting, legal and consulting fees were realized in the current period reflecting the successful cost reduction activities undertaken by the Company over the past year.

Other costs include memberships, insurance, travel and accommodation, the reduction over the comparative period is due to lower travel and accommodation expenditures. Capitalized G&A costs are comprised of qualifying expenditures in respect of geological and geophysical activities, changes over the comparative periods are a function of qualifying activity incurred during that time.

The Company uses the fair-value method for the determination of non-cash related share-based payments expense. During the second quarter of 2020, 3.78 million stock options were granted to employees at an exercise price of HK\$0.52 per option. This was the initial award of options issued under the Company's stock option plan. Pursuant to this initial grant, the Company recognized C\$29k of share-based expense in the three months ended March 31, 2021 (2020: C\$nil).

Finance Expenses

C\$'000s	Three months ended March 31,		
	2021	2020	Change
Interest expense and financing costs:			
Subordinated debt	983	731	34%
Right of use assets and leases	69	57	22%
Commitment charges	—	352	(100%)
Other financing costs and bank charges	14	—	100%
Accretion expenses:			
Decommissioning liabilities	33	21	54%
Shareholder loans	14	18	100%
Amortization of debt issuance costs	126	126	(0%)
Loss on foreign exchange	<u>1</u>	<u>—</u>	<u>100%</u>
Total finance expenses	<u>1,241</u>	<u>1,305</u>	<u>(5%)</u>

For the three months ended March 31, 2021 and 2020, interest expense was incurred from the Company's subordinated debt and capitalized leases. Following the restructuring of the Company's subordinated debt in April 2020, the annualized interest rate increased from 12% to 16%. The rate can be reduced to 12% if the Company achieves certain benchmarks in future periods.

Commitment charges are primarily attributable to one-time fees of approximately C\$350k pursuant to the cancellation of a warrant subscription agreement on January 24, 2020. For the three months ended March 31, 2021 and 2020, accretion expenses were incurred from decommissioning liabilities and shareholder loans.

Amortization of debt issuance costs includes legal fees, commissions and commitment fees which were incurred for the closing and subsequent amendments to the subordinated debt facility (refer to Note 13 to the 2020 Audited Financial Statements). These costs are capitalized against the debt, and amortized over the term.

Depletion, Depreciation and Amortization (“DD&A”)

<i>C\$’000s except per unit costs</i>	Three months ended March 31,		
	2021	2020	Change
Depletion	1,198	1,086	10%
Depreciation	9	8	18%
Amortization of right of use assets	<u>175</u>	<u>161</u>	<u>9%</u>
Total DD&A	<u>1,382</u>	<u>1,255</u>	<u>10%</u>
Per boe	<u>6.24</u>	<u>5.40</u>	<u>16%</u>

Depletion, depreciation and amortization (“DD&A”) expense is comprised of depletion incurred from production of the Company’s developed assets, the depreciation expense comprised of the depreciation of fixed assets including office furniture, office equipment, vehicles, computer hardware and computer software and amortization of capitalized leases carried as right of use assets.

Depletion is a function of both production and the capitalized value of assets subject to depletion. The increase in DD&A on a per boe basis for the three months ended March 31, 2021 over the comparative period in 2020 is attributable to the reduction in Company’s oil and natural gas reserves over the same period.

Impairment Losses and Write-offs

<i>C\$’000s</i>	Three months ended March 31,		
	2021	2020	Change
E&E write-offs	—	219	(100%)
E&E impairment	—	136	(100%)
PP&E impairment	<u>—</u>	<u>126</u>	<u>(100%)</u>
Total impairment and write-offs	<u>—</u>	<u>481</u>	<u>(100%)</u>

Impairment is incurred if the estimated recoverable amount of an asset exceeds its carrying amount. In addition, where a non-financial asset does not generate largely independent cash inflows, the Company is required to perform its test at a cash generating unit (“CGU”), which is the smallest identifiable grouping of assets that generates largely independent cash inflows. E&E write-offs are attributable to land lease expires, when a lease term is completed the Company writes-off any remaining capitalized value in respect of the asset. Refer to Note 4 in the 2020 Audited Financial Statements for additional disclosures in respect of the Company’s significant accounting policies.

The Company did not recognize any impairment or write-offs during the three months ended March 31, 2021. In the same period of 2020, the Company identified indications of impairment at its Dawson CGU and wrote the E&E and PP&E carrying cost in the Dawson CGU down to the estimated fair value as at March 31, 2020 (refer to Note 18 in the 2020 Audited Financial Statements).

Loss and Comprehensive Loss

<i>C\$'000s</i>	Three months ended March 31,		
	2021	2020	Change
Loss and comprehensive loss	<u>(2,842)</u>	<u>(3,293)</u>	<u>(14%)</u>
Total loss and comprehensive loss	<u>(2,842)</u>	<u>(3,293)</u>	<u>(14%)</u>

Loss and comprehensive loss for the three months ended March 31, 2021 was 14% lower than the comparative period in 2020, attributable to the increase in revenues earned in 2021.

CAPITAL EXPENDITURES

<i>C\$'000s</i>	Three months ended March 31,		
	2021	2020	Change
PP&E			
Production facilities	(12)	—	(100%)
Workovers	15	—	100%
G&A costs capitalized	<u>88</u>	<u>—</u>	<u>100%</u>
Total PP&E	<u>91</u>	<u>—</u>	<u>100%</u>
E&E Assets			
G&A costs capitalized	—	58	(100%)
Other	<u>—</u>	<u>(38)</u>	<u>100%</u>
Total E&E	<u>—</u>	<u>20</u>	<u>(100%)</u>
Total PP&E and E&E	91	20	354%
Change in non-cash working capital	<u>(728)</u>	<u>246</u>	<u>(396%)</u>
Total	<u>(638)</u>	<u>266</u>	<u>(340%)</u>

2021 total PP&E and E&E capital expenditures (“**capex**”) was C\$0.091 million, compared to C\$0.02 million in same period in 2020. The Company capitalized a total of C\$0.088 million of G&A this year (2020: C\$nil), in accordance with the Company’s accounting policies (refer to Note 4 in the 2020 Audited Financial Statements).

LIQUIDITY AND CAPITAL RESOURCES

Capital management

The Company’s general policy is to maintain an appropriate capital base in order to manage its business in the most effective manner with the goal of increasing the value of its assets and thus its underlying share value. The Company’s objectives when managing capital are to maintain financial flexibility in order to preserve its ability to meet financial obligations; to maintain a capital structure that allows the Company to favor the financing of its growth strategy using internally-generated cash flow and its debt capacity; and to optimize the use of its capital to provide an appropriate investment return to its shareholders.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying crude oil and natural gas assets. The Company considers its capital structure to include shareholders’ equity, shareholders’ loans, subordinated debt, other liabilities and working capital. To assess capital and operating efficiency and financial strength, the Company continually monitors its net debt. As disclosed in Note 3 of the Financial Statements, the Company’s future viability is dependent on its ability to source additional capital on acceptable terms.

Capital structure of the company

The Company’s capital structure is as follows:

	As at March 31, 2021	As at December 31, 2020
<i>C\$’000s</i>		
Long term debt ⁽¹⁾	1,919	1,886
Other liabilities	580	351
Lease liabilities	3,003	2,632
Net working capital deficit ⁽²⁾	<u>31,511</u>	<u>29,938</u>
Net debt	37,013	34,807
Shareholders’ equity ⁽³⁾	<u>2,349</u>	<u>5,161</u>
Total capital	<u>39,362</u>	<u>39,968</u>
Gearing ratio⁽⁴⁾	<u>94%</u>	<u>87%</u>

Notes:

- 1 This is the fair value of the long term debt.
- 2 Net working capital consists of current assets less current liabilities.
- 3 As at March 31, 2021 and the date of this MD&A, the Company has 361,886,520 common shares issued and outstanding and 8 million warrants issued with an exercise price of HK\$3.16 per warrant and 3.78 million stock options issued with an exercise price of HK\$0.52 per option.
- 4 Gearing Ratio is defined as net debt as a percentage of total capital.

The 2021 working capital deficit includes C\$24.5 million of long term debt (2020: C\$24 million) which has been reclassified as current, as at as the Company was not in compliance with certain covenants of its subordinated debt facility at March 31, 2021. These breaches were subsequently waived by the lender (refer to Note 10 of the Financial Statements).

Performance services guarantee (“PSG”) facility

On April 25, 2018, the Company obtained a PSG facility from Economic Development Canada (“EDC”) totaling C\$4.4 million. On June 28, 2019 the aggregate PSG was reduced to C\$2.5 million. Under the terms of the PSG facility, EDC will guarantee qualifying letters of credit (“L/C”) on behalf of the Company. Previously, these L/C’s were cash collateralized, following approval by the EDC the requirement of the Company to hold cash to underwrite the L/C is relieved for the duration of the PSG approval. Under the terms of the PSG facility, the L/C guarantee period is the lesser of one year or the term of the L/C if less than 12 months. The guarantee can be renewed annually for long term L/C’s subject to subsequent approval by the EDC. As at March 31, 2021 the Company has PSG coverage for the following L/C’s:

Amount	Expiry
C\$1,392,000	June 14, 2022
C\$408,158	March 31, 2022

The PSG facility has a 12 month term and must be renewed annually. The current term expires on July 30, 2021, and the Company has applied for renewal. If the facility is not approved for renewal, the PSG coverage will terminate at the expiry of the existing L/C’s and the Company will seek alternative insurance arrangements to guarantee the L/C’s or cash collateralize them.

Capital resources

The Company operates in a capital intensive industry. The Company’s liquidity requirements arise principally from the need for financing the expansion of its exploration and development activities, acquisition of land leases and petroleum and natural gas licences. The Company’s principal sources of funds have been proceeds from bank borrowings, equity financings, shareholder loans and cash

generated from operations. The Company's liquidity primarily depends on its ability to generate cash flow from its operations and to obtain external financing to meet its debt obligations as they become due, as well as the Company's future operating and capital expenditure requirements.

On December 23, 2020, the Company issued 60 million common shares at a price of HK\$0.30 per share for gross proceeds of HK\$18 million (approximately C\$3 million assuming HK\$:C\$ exchange rate of 0.16:1) (the “**Subscription**”). Net proceeds from the Subscription were used for the expansion of its existing business and general working capital.

At March 31, 2021, the Company had a working capital deficiency of C\$30 million and has drawn C\$24.5 million on its subordinated debt of C\$26 million, which is subject to certain covenants. As at March 31, 2021, the Company was not in compliance with the net debt to TTM EBITDA, working capital and net debt to total proved reserves covenants (as defined in Note 10 of the Financial Statements) those financial covenants and therefore the debt was due on demand. On June 30, 2021, the Company has received a waiver in respect of this covenant breach.

On June 30, 2021, the Company and lender agreed to restructure the loan agreement (the “**2021 Restructuring**”). Under the terms of the Restructuring, financial covenants in respect of net debt to total proved reserves and net debt to TTM EBITDA have been waived for the remainder of 2021, and will be reinstated starting March 31, 2022. Financial covenants in respect of working capital have been eliminated for the remainder of the loan. A funding covenant has been added whereby the Company must secure additional capital in the form of new equity for a cumulative amount equal to or greater than C\$8 million on or before September 30, 2021. The Company must make a C\$2.2 million principal payment on or before August 31, 2021 and a C\$2.2 million principal payment on or before September 30, 2021 (together, the “**2021 Principal Payments**”).

To satisfy the C\$8 million funding and 2021 Principal Payments covenants, the Company has arranged an equity placing of 70 million common shares to be issued at a minimum of HK\$0.80 per share for gross proceeds of a minimum of C\$8.96 million. The placing is subject to Stock Exchange and shareholder approval which will be sought at a meeting of shareholders anticipated to occur in August 2021.

The global impact of COVID-19 has resulted in significant volatility in global stock markets and has forecasted a great deal of uncertainty as to the health of the global economy. These factors may have a negative impact on the Company's operations and its ability to raise financing to meet its covenants. If the Company is in breach of any covenants in future periods the lender will have the right to demand repayment of all amounts owed under the subordinated debt.

The Company's ability to continue as a going concern is dependent upon the ability to generate positive cash flow from operations, equity and/or debt financing, disposing of assets or other arrangements to fund future development capital and ongoing operations. There are no assurances that any transactions will be completed on terms acceptable to the Company. These conditions cause material uncertainty which casts significant doubt on the Company's ability to continue as a going concern.

Use of proceeds from the Subscription

C\$'000

Business objective as stated in the announcement ¹	% of total net proceeds	Planned use of net proceeds from the Closing Date to March 31, 2021 ²	Actual use of net proceeds during the period from the Closing Date to March 31, 2021 ²	Proceeds unused
Expansion of existing business ³	33%	1,000.0	1,000.0	—
General working capital	67%	2,000.0	2,000.0	—
Total	100%	3,000.0	3,000.0	—

Notes:

- (1) Refer to the Company's announcement dated October 26, 2020.
- (2) The Subscription was closed on December 23, 2020 (the "Closing Date").
- (3) Activities associated with the expansion of existing business includes facility optimisation and production de-bottlenecking to enhance natural gas production from the Company's Basing area.

SHARES, WARRANTS AND STOCK OPTIONS OUTSTANDING

Common Shares

On December 23, 2020, the Company completed a private placement issuing 60 million shares at a price of HK\$0.30 per share for gross proceeds of HK\$35.4 million (approximately C\$3.0 million). On May 14, 2019, the Company completed a private placement issuing 23.6 million shares at a price of HK\$1.50 per share for gross proceeds of HK\$35.4 million (approximately C\$6.0 million). As at March 31, 2021 and as at the date of this MD&A, the Company has 361,886,520 common shares outstanding (2020: 301,886,520).

Warrants

On August 13, 2018, the Company issued 8.0 million warrants for total consideration of C\$0.75 million. The warrants have an exercise price of HK\$3.16 per warrant and a term of 5 years. No warrants have been exercised for the years ended December 31, 2020 and 2019 and up to the date of the MD&A. As at March 31, 2021 and as at the date of this MD&A, the Company has 8 million warrants outstanding (2020: 8 million).

Stock Options

The Company has a stock option plan which was approved and adopted by the shareholders of the Company by ordinary resolution passed on June 8, 2018 (“**Stock Option Plan**”). On May 18, 2020, the Company issued 3.78 million options with an exercise price of HK\$0.52 per option and a term of 5 years. The options vest equally over a 3 year period, with the first tranche vesting on the first anniversary of the award, and the second and third tranches vesting equally on the second and third anniversary respectively. As at March 31, 2021 and as at the date of this MD&A, the Company has 3.78 million options outstanding (2020: nil).

COMMITMENTS

Commitments and contingencies exist under various agreements and operations in the normal course of the Company’s business. Refer to Note 21 of the Financial Statements and Note 28 of the 2020 Audited Financial Statements for disclosure of the Company’s commitments and contingencies.

DIVIDEND

The Board did not approve the payment of a dividend for the three months ended March 31, 2021 and 2020.

RELATED PARTY TRANSACTIONS

Refer to Note 19 of the Financial Statements and Note 26 of the 2020 Audited Financial Statements for disclosure of the Company’s related party transactions.

OFF-BALANCE SHEET TRANSACTIONS

The Company was not involved in any off-balance sheet transactions during the three months ended March 31, 2021 and 2020.

PLEDGED ASSETS

As disclosed in this MD&A, all assets are pledged in support of the Company’s debt arrangements and there are no other pledges.

CONTINGENT LIABILITIES

As at March 31, 2021 and up to the date of this MD&A, the Company had no material undisclosed contingent liabilities.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Save as disclosed in this MD&A, the Company has neither any other significant investments nor significant acquisitions and disposals of the relevant subsidiaries, associates and joint ventures during the three months ended March 31, 2021 and up to the date of this MD&A.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this MD&A, the Company did not have other plans for material investments or capital assets as of the date of this announcement, as pursuant to paragraphs 32(4) and 32(9) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

EVENTS AFTER THE REPORTING PERIOD

COVID-19

The global impact of COVID-19 has resulted in significant volatility in global stock markets and has forecasted a great deal of uncertainty as to the health of the global economy. In addition, there has been a significant drop in the price of oil in global and Canadian markets. These factors may have a negative impact on the Company’s operations and its ability to raise financing in the near future or on terms favourable to the Company. The potential impact that COVID-19 will have on the Company’s business or financial results cannot be reasonably estimated up to the date of this announcement.

SubDebt Restructuring

On June 30, 2021, the Company and lender agreed to restructure the loan agreement (the “**2021 Restructuring**”). Under the terms of the 2021 Restructuring, the lender waived financial covenants in respect of net debt to total proved reserves and net debt to TTM EBITDA for the remainder of 2021. Financial covenants in respect of working capital have been eliminated for the remainder of the loan term. Pursuant to the 2021 Restructuring, the SubDebt is subject to the following covenants for 2021 (a) the Company must secure additional capital in the form of new equity for a cumulative amount equal to or greater than C\$8 million on or before September 30, 2021 (“**2021 Funding Covenant**”) and; (b) measured at the end of each fiscal quarter maintaining the Company’s Alberta Energy liability management ratio above 2.0/1.0 (“**LMR Covenant**”); and (c) a C\$2.2 million principal payment on or before August 31, 2021 and a C\$2.2 million principal payment on or before September 30, 2021 (together, the “**2021 Principal Payments**”). Pursuant to the 2021 Restructuring, the PIK Interest and Penalty Interest payments will terminate when the loan balance is below C\$20 million, and the loan interest rate will reduce to 10% when the loan balance is below C\$15 million.

Equity Placing

On June 8, 2021 the Company entered into a subscription agreement with 大連永力石油化工有限公司 (Dalian Yongli Petrochemical Ltd.*) (“**Dalian**”), pursuant to which the Company has conditionally agreed to allot and issue, and Dalian has conditionally agreed to subscribe for 20 million common shares at a price of HK\$0.80 per common share. On the same day, the Company entered into a subscription agreement with Jixing Gas Holdings Limited (“**Jixing**”), pursuant to which the Company conditionally agreed to allot and issue, and Jixing conditionally agreed to subscribe for, (i) 30 million common shares at a price of HK\$0.80 per common share, and (ii) 20 million common shares at the higher of HK\$0.80 and the volume weighted average price per common share as quoted on the Stock Exchange for the 30 trading days immediately preceding the date on which the Company receives an

irrevocable notice from Jixing notifying the Company that it will make payment for the second tranche of 20 million common shares in full. On June 9, 2021, after further consideration of the circumstances surrounding the subscription for new common shares by Jixing, the Company decided to exercise its right to terminate the subscription agreement with Jixing by way of written notice to Jixing.

As Dalian is a connected person (as defined in the Listing Rules) of the Company, the subscription agreement and the transaction contemplated thereunder constitute connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

FINANCIAL RISK MANAGEMENT

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company's financial risks are discussed in Note 27 of the 2020 Audited Financial Statements.

The Company holds a number of financial instruments, the most significant of which are accounts receivable, accounts payable and accrued liabilities, cash and cash equivalents, subordinated debt and shareholder loans. Due to their near term maturities, accounts receivable, accounts payable and accrued liabilities, cash and cash equivalents and shareholder loan are recorded at fair value. The subordinated debt is recorded at amortized cost.

The Company did not enter into any financial derivatives contracts for the three months ended March 31, 2021 and 2020. For the three months ended March 31, 2021, the Company experienced a foreign exchange loss of C\$0.1k (2020: gain of C\$5k). These foreign exchange gains and losses are related to the revaluation of monetary items held in Hong Kong Dollars and the value changes with the fluctuation in the Hong Kong Dollars/Canadian Dollars exchange rates. The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates for the monetary assets and liabilities denominated in the currencies other than the functional currencies to which they relate. The Company has not hedged its exposure to currency fluctuation and the Company currently does not have a foreign currency hedging policy, however, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Periodically, the Company has entered into fixed price physical commodity contracts to manage commodity risk. These contracts are considered normal sales contracts and are not recorded at fair value in the financial statements. During the year ended December 31, 2020, the Company entered into the following fixed price physical commodity contracts to forward sell natural gas at a fixed daily volume and fixed price per gigajoule (“GJ”):

Commodity	Term	Quantity	Price
Natural gas	January 1, 2020 to October 31, 2020	2,000 GJ/day	C\$1.80 per GJ
Natural gas	January 1, 2020 to October 31, 2020	1,000 GJ/day	C\$1.7925 per GJ
Natural gas	January 1, 2020 to October 31, 2020	5,000 GJ/day	C\$1.80 per GJ
Natural gas	May 1, 2020 to October 31, 2020	2,000 GJ/day	C\$2.085 per GJ

Subsequent to the completion of these contracts, the price for natural gas in western Canada has strengthened and the Company has not entered into any additional contracts up to the date of this MD&A. The Company continually monitors the market for its products and will manage commodity risk in the future through the use of fixed physical and/or derivative contracts in periods of pricing weakness.

RELATIONSHIPS WITH STAKEHOLDERS

The Company has actively cultivated, established, and maintained positive relationships with First Nations and all individuals and other enterprises who are proximate to, or interested in, the Company’s projects. The Company provides project updates and meets with the local community on a regular basis to discuss its current and anticipated operations to pro-actively manage any potential concerns or issues. The Company also works closely with stakeholders at the municipal, provincial, and federal level to ensure that the regulatory authorities are aware of the Company’s adherence to all requisite rules, regulations, and laws which pertain the Company’s activities.

HUMAN RESOURCES

The Company had 6 employees as at March 31, 2021 (2020: 10). The employees of the Company are employed under employment contracts which set out, among other things, their job scope and remuneration. Further details of their employment terms are set out in the employee handbook of the Company. The Company determines the employees’ salaries based on their job nature, scope of duty, and individual performance. The Company also provides reimbursements, allowances for site visits and a discretionary annual bonus for the employees. Employee compensation for the three months ended March 31, 2021 totaled C\$0.4 million (2020: C\$0.48 million).

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of IFRS accounting policies and reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months are described in Note 5 of the 2020 Audited Financial Statements.

CHANGES IN ACCOUNTING POLICIES

The financial statements have been prepared in accordance with all applicable IFRSs as issued by the IASB. The IASB has issued a number of new and revised IFRSs effective January 1, 2020. For the purpose of preparing the financial statements, the Company has adopted all applicable new and revised IFRSs for the three months ended March 31, 2021 and year ended December 31, 2020 (refer to Notes 4(r) and 4(s) of the 2020 Audited Financial Statements).

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

For the period starting January 1, 2021 and ending March 31, 2021, Mr. Pingzai Wang in the capacity as Chief Executive Officer (“**CEO**”), and Mr. Jesse Meidl, Chief Financial Officer (“**CFO**”) of the Company have designed, or caused to be designed under their supervision, disclosure controls and procedures (“**DC&P**”) to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company’s CEO and CFO by others, particularly during the period in which the annual and quarterly filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

For the period starting January 1, 2021 and ending March 31, 2021, Mr. Pingzai Wang and Mr. Jesse Meidl, in their capacity as CEO and CFO of the Company respectively, have designed or caused to be designed under their supervision, internal controls over financial reporting (“**ICFR**”) to provide reasonable assurance that all assets are safeguarded, transactions are appropriately authorized and to facilitate the preparation of relevant, reliable and timely information. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objective of the control system is met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud. In reaching a reasonable level of assurance, management necessarily is required to apply its judgment in evaluating the cost/benefit relationship of possible controls and procedures.

There were no changes made to Persta’s internal controls over financial reporting during the period beginning on January 1, 2021 and ending on March 31, 2021 that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

Management has concluded that Persta's internal control over financial reporting was effective as March 31, 2021. This assessment was based on the framework in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

RISK FACTORS AND RISK MANAGEMENT

The Board has established a framework for identifying, evaluating and managing key risks faced by the Company. The Board, through the Audit and Risk Committee, reviews annually the effectiveness of the internal control system of the Company, considering factors such as:

- changes, since the last annual review, in nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment;
- the scope and quality of management's ongoing monitoring of risks and of the internal control systems;
- the extent and frequency of communication of monitoring results to the board which enables it to assess control of the Company and the effectiveness of risk management;
- the adequacy of resources, staff qualifications and experience and training programmes;
- budget of the Company's accounting and financial reporting functions; communication of the monitoring results to the Board that enables it to assess control of the Company and the effectiveness of the risk management;
- significant control failings or weaknesses that have been identified during the period. Also, the extent to which they have caused unforeseeable outcomes or contingencies that had or might have, a material impact on the Company's financial performance or condition; and
- the effectiveness of the Company's processes for financial reporting and compliance with applicable listing rules and securities laws.

The liquidity position of Persta would be expected to be improved by a material increase in future commodity prices and an increase in proved and probable reserves based on the Company's drilling program. The Company is involved in regular discussions with its lender and is continually pursuing other financing opportunities such as alternative debt arrangements, joint venture opportunities, property acquisitions or divestitures and other recapitalization opportunities and is taking steps to manage its spending and leverage including the implementation of cost reduction and capital management initiatives. If the Company is unable to obtain additional financing or come to some other arrangement with its lender, it will be required to curtail certain capital expenditure activities and/or possibly be required to liquidate certain assets. Ongoing exploration and development of Persta's properties will require substantial additional capital investment. Failure to secure additional financing, and/or secure other funds from asset sales, would result in a delay or postponement of development of these prospective properties. There can be no assurance that additional financing will be available or that, if available, will be on terms favourable or acceptable to Persta.

Persta monitors and complies with current government regulations that affect its activities, although operations may be adversely affected by changes in government policy, regulations, royalty regime or taxation. In addition, Persta maintains a level of liability, business interruption and property insurance which is believed to be adequate for the Company's size and activities, but is unable to obtain insurance to cover all risks within the business or in amounts to cover all possible claims. See "Forward-Looking Information" in this MD&A and "Risk Factors" in the Company's Annual Information Form ("AIF") for the year ended December 31, 2020. The AIF is available at the Company's website at www.persta.ca and also www.sedar.com.

IMPACT OF NEW ENVIRONMENTAL REGULATIONS

The oil and gas industry is currently subject to regulation pursuant to a variety of provincial and federal environmental legislation, all of which is subject to governmental review and revision from time to time. Such legislation provides for, among other things, restrictions and prohibitions on the spill, release or emission of various substances produced in association with certain oil and gas industry operations, such as sulphur dioxide and nitrous oxide. In addition, such legislation sets out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well and facility sites. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability and the imposition of material fines and penalties.

The use of fracture stimulations has been ongoing safely in an environmentally responsible manner in western Canada for decades. With the increase in the use of fracture stimulations in horizontal wells there is increased communication between the oil and natural gas industry and a wider variety of stakeholders regarding the responsible use of this technology. This increased attention to fracture stimulations may result in increased regulation or changes of law which may make the conduct of the Company's business more expensive or prevent the Company from conducting its business as currently conducted. Persta focuses on conducting transparent, safe and responsible operations in the communities in which its people live and work.

NON-IFRS FINANCIAL MEASURES

This MD&A or documents referred to in this MD&A make reference to the terms “operating netback” and “adjusted EBITDA” which are not recognized measures under IFRS, and do not have a standardized meaning prescribed by IFRS. Accordingly, the Company’s use of these terms may not be comparable to similarly defined measures presented by other companies. Management considers operating netback an important measure to evaluate the Company’s operational performance, as it demonstrates its field level profitability relative to current commodity prices. Management uses adjusted EBITDA to measure the Company’s efficiency and its ability to generate the cash necessary to fund a portion of its future growth expenditures or to repay debt. Investors are cautioned that the non-IFRS measures should not be construed as an alternative to net income determined in accordance with IFRS as an indication of the Company’s performance.

Operating netback

<i>C\$’000s</i>	Three months ended March 31,		
	2021	2020	Change
Commodity sales from production	4,954	3,229	53%
Net trading revenue	2	—	100%
Royalties	(863)	(788)	10%
Operating costs	<u>(3,624)</u>	<u>(1,760)</u>	<u>106%</u>
Operating netback	<u>469</u>	<u>681</u>	<u>(31%)</u>

Adjusted EBITDA

<i>C\$’000s</i>	Three months ended March 31,		
	2021	2020	Change
Commodity sales from production	4,954	3,229	53%
Net trading revenue	2	—	100%
Royalties	(863)	(788)	10%
Operating costs	(3,624)	(1,760)	106%
General and administrative costs	(710)	(954)	(26%)
Other income	<u>21</u>	<u>20</u>	<u>5%</u>
Adjusted EBITDA	<u>(219)</u>	<u>(253)</u>	<u>(13%)</u>

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value and accountability. The Board has adopted the principles and the code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) to ensure that the Company’s business activities and decision making processes are regulated in a proper and prudent manner.

The Company has complied with the relevant code provisions contained in the CG Code during the three months ended March 31, 2021 (the “**Reporting Period**”).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its code of conduct regarding dealings in the securities of the Company by the Directors and the Company’s senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company’s securities. Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Company during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company has not purchased, redeemed or sold any of its listed securities during the Reporting Period.

REVIEW OF THE INTERIM RESULTS

The Company established an audit and risk committee of the Company (the “**Audit and Risk Committee**”) with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit and Risk Committee comprises three independent non-executive Directors, namely Mr. Peter David Robertson (Chairman), Mr. Richard Dale Orman and Mr. Larry Grant Smith. The Audit and Risk Committee has reviewed the Company’s interim results for the three months ended March 31, 2021 and has also discussed with management the internal control, the accounting principles and practices adopted by the Company. The Audit and Risk Committee is of the opinion that the interim results have been prepared in accordance with the applicable accounting standards, laws and regulations and the Listing Rules and that adequate disclosures have been made.

PUBLICATION OF INFORMATION

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.persta.ca). This announcement is prepared in both English and Chinese and in the event of inconsistency, the English text of this announcement shall prevail over the Chinese text.

SELECTED ABBREVIATIONS

In this MD&A, the abbreviations set forth below have the following meanings:

Crude oil and natural gas liquids

Bbls/d or Bbl/d	barrels of oil per day
Bbls or Bbl	barrels of oil or barrel of oil
Boe	barrel of oil equivalent
Boe/d	barrel of oil equivalent per day
C\$/Bbl	Canadian dollars per barrel of oil
C\$/Boe	Canadian dollars per barrel of oil equivalent
Mbbls or Mbbl	thousand barrels
Mboe	thousand barrels of oil equivalent
Mbpd	thousand barrels per day
MMbbls	million barrels of oil
MMbbls/d	million barrels of oil per day
MMboe	million barrels of oil equivalent
MMboe/d	million barrels of oil equivalent per day
US\$/Bbl	US dollars per barrel of oil

Natural gas

Bcf	billion cubic feet
Bcm	billion cubic metres
Cf	cubic feet
C\$/Mcf	Canadian dollars per thousand cubic feet
C\$/MMbtu	Canadian dollars per million British thermal units
GJ	gigajoule
GJ/d	gigajoules per day
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
Mcfe	thousand cubic feet of gas equivalent
Mcfe/d	thousand cubic feet of gas equivalent per day
MMbtu	million British thermal units
MMcf	million cubic feet
MMcf/d	million cubic feet per day
MMcfe	million cubic feet of gas equivalent
MMcfe/d	million cubic feet of gas equivalent per day
tcf	trillion cubic feet
US\$/MMbtu	US dollars per million British thermal units

Other

km	kilometres
km ²	square kilometres
m	metres
m ³	cubic metres
mg	milligrams
°C	degrees Celsius

CONVERSION FACTORS — IMPERIAL TO METRIC

Bbl = 0.1590 cubic metres (m³)

Mcf = 0.0283 cubic metres (103m³)

acres = 0.4047 hectares (ha)

Btu = 1054.615 joules (J)

feet (ft) = 0.3048 metres (m)

miles (mi) = 1.6093 kilometres (km)

pounds (Lb) = 0.4536 kilograms (kg)

* *For identification purpose only*