



## Persta Resources Inc.

(incorporated under the laws of Alberta with limited liability)

Stock code: 3395



# Global Offering



### Sole Sponsor



### Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



# IMPORTANT

If you are in any doubt about any of the contents of this Prospectus, you should obtain independent professional advice.



## Persta Resources Inc.

*(incorporated under the laws of Alberta with limited liability)*

### GLOBAL OFFERING

<b>Number of Offer Shares</b>	<b>: 69,580,000 Shares (subject to reallocation and the Over-Allotment Option)</b>
<b>Number of Hong Kong Offer Shares</b>	<b>: 6,958,000 Shares (subject to reallocation)</b>
<b>Number of International Offer Shares</b>	<b>: 62,622,000 Shares (subject to reallocation and the Over-Allotment Option)</b>
<b>Maximum Offer Price</b>	<b>: HK\$3.80 per Offer Share (plus brokerage of 1%, a Stock Exchange trading fee of 0.005% and a SFC transaction levy of 0.0027%) payable in full in Hong Kong dollars on application and subject to refund</b>
<b>Nominal value</b>	<b>: Not applicable</b>
<b>Stock code</b>	<b>: 3395</b>

#### Sole Sponsor



#### Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Capitalized terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this Prospectus unless the context otherwise requires.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, having attached thereto the documents specified in the paragraph headed "1. Documents Delivered to the Registrar of Companies in Hong Kong" in Appendix VII to this Prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this Prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement with the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, March 3, 2017 and, in any event, not later than Wednesday, March 8, 2017. The Offer Price will not be more than HK\$3.80 per Offer Share and is currently expected to be not less than HK\$3.00 per Offer Share. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$3.80 for each Hong Kong Offer Share together with 1.0% brokerage, a 0.005% Stock Exchange trading fee and a 0.0027% SFC transaction levy (subject to refund if the Offer Price as finally determined should be lower than HK\$3.80 per Offer Share). If, for whatever reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us by Wednesday, March 8, 2017, the Global Offering will not proceed and will lapse.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters, and with our consent) may reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this Prospectus (which is HK\$3.00 to HK\$3.80 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, an announcement will be made on our Company's website at [www.persta.ca](http://www.persta.ca) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. If applications for the Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, then even if the number of the Hong Kong Offer Shares and/or the indicative Offer Price range is/are so reduced, such applications cannot be subsequently withdrawn. For further information, please see the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this Prospectus.

Prospective investors should read the entire Prospectus carefully and, in particular, should consider the matters discussed in the section headed "Risk Factors" of this Prospectus.

The Offer Shares are not qualified for distribution by a prospectus filed in Alberta or any other province of Canada. The Offer Shares may not be offered, sold or resold, directly or indirectly, in Canada or to any resident of Canada in connection with the Global Offering, except pursuant to an exemption from the prospectus requirements of applicable Canadian securities laws, and in compliance with, or pursuant to exemptions from, the dealer registration requirements of such laws. The Offer Shares are not qualified for resale in Alberta and may not be resold in Alberta, directly or indirectly, during the four month period commencing with the completion of the Global Offering, except pursuant to exemptions from the prospectus requirements of applicable securities law.

The obligations of the Underwriters under the Underwriting Agreements to subscribe or procure subscribers for the subscription of the Offer Shares, are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) upon the occurrence of any of the events set forth in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" of this Prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Joint Global Coordinators (for themselves and on behalf of the Underwriters) terminate the obligations of the Underwriters under the Underwriting Agreements in accordance with the terms thereof, the Global Offering will not proceed and will lapse. In such case, an announcement will be made by our Company on the Stock Exchange website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.persta.ca](http://www.persta.ca).

28 February 2017

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## EXPECTED TIMETABLE<sup>(1)</sup>

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Latest time to complete electronic applications  
under the **White Form eIPO** service through  
the designated website at [www.eipo.com.hk](http://www.eipo.com.hk)<sup>(2)</sup> ..... 11:30 a.m. on Friday,  
March 3, 2017

Application lists open<sup>(3)</sup> ..... 11:45 a.m. on Friday,  
March 3, 2017

Latest time to lodge **WHITE** and **YELLOW**  
Application Forms ..... 12:00 noon on Friday,  
March 3, 2017

Latest time to give **electronic application instructions**  
to HKSCC<sup>(4)</sup> ..... 12:00 noon on Friday,  
March 3, 2017

Latest time to complete payment of **White Form eIPO**  
applications by effecting internet banking transfer(s) or  
PPS payment transfer(s) ..... 12:00 noon on Friday,  
March 3, 2017

Application lists close<sup>(3)</sup> ..... 12:00 noon on Friday,  
March 3, 2017

Expected Price Determination Date<sup>(5)</sup> ..... Friday,  
March 3, 2017

Announcement of:

- the final Offer Price;
- an indication of the level of interest in the International Offering;
- the level of applications of the Hong Kong Public Offering; and
- the basis of allocation of the Hong Kong Offer Shares

to be published on the Stock Exchange's website  
at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at  
[www.persta.ca](http://www.persta.ca) on or before ..... Thursday,  
March 9, 2017

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## EXPECTED TIMETABLE<sup>(1)</sup>

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Announcement of results of allocation (with successful applicants' identification document numbers, where applicable) will be available through a variety of channels, including the websites of the Stock Exchange and our Company, as described in the section headed "How to Apply for Hong Kong Offer Shares — 11. Publication of Results" in this Prospectus from..... Thursday, March 9, 2017

Results of allocations in the Hong Kong Public Offering will be available at [www.iporesults.com.hk](http://www.iporesults.com.hk), with a "search by ID" function ..... Thursday, March 9, 2017

Despatch of share certificates or deposit of the share certificates into CCASS in respect of wholly or partially successful applications on or before<sup>(6)</sup>..... Thursday, March 9, 2017

Despatch of **White Form** e-Refund payment instructions/ refund cheques in respect of wholly or partially unsuccessful applications on or before<sup>(6)(7)</sup>..... Thursday, March 9, 2017

Dealings in Shares on the Stock Exchange to commence at..... 9:00 a.m. on Friday, March 10, 2017

- (1) All times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this Prospectus.
- (2) You will not be permitted to submit your application through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force at any time between 9:00 a.m. and 12:00 noon on Friday, March 3, 2017, the application lists will not open on that day. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" in this Prospectus.
- (4) Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this Prospectus.
- (5) Please note that the Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Friday, March 3, 2017 and, in any event, not later than Wednesday, March 8, 2017. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters), and us, the Global Offering will not proceed and lapse. Notwithstanding that the Offer Price may be fixed at below the maximum Offer Price of HK\$3.80 per Share payable by applicants for Shares under the Hong Kong Public Offering, applicants who apply for Shares must pay on application the maximum Offer Price of HK\$3.80 per Share plus brokerage of 1.0%, a Stock Exchange trading fee of 0.005% and a SFC transaction levy of 0.0027%, but will be refunded the surplus application monies as provided in the section headed "How to Apply for Hong Kong Offer Shares" in this Prospectus.

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## EXPECTED TIMETABLE<sup>(1)</sup>

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- (6) Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by Application Form, they may collect their refund cheques (where applicable) and/or share certificates (where applicable) in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited from 9:00 a.m. to 1:00 p.m. on Thursday, March 9, 2017 or any other date notified by us as the date of despatch of share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals who opt for personal collection must not authorize any other person to make their collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorized representatives bearing letters of authorization from their corporations stamped with the corporations' chops. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar. Uncollected share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms shortly thereafter. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your share certificates (if applying by using a **WHITE Application Form** or through the **WHITE Form eIPO** service) and/or refund cheques (if applying by using **WHITE** or **YELLOW** Application Form) will be sent to the address on the Application Form on or before Thursday, March 9, 2017 by ordinary post and at your own risk. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares" in this Prospectus. **Share certificates will only become valid certificates of title provided that the Hong Kong Public Offering has become unconditional and if the Underwriting Agreements have not been terminated in accordance with their terms.** For applicants who apply by giving **electronic application instructions**, the relevant arrangements are set forth under the section headed "How to Apply for Hong Kong Offer Shares — 6. Applying by Giving **Electronic Application Instructions** to HKSCC via CCASS" in this Prospectus.
- (7) Refund payments will be made in respect of wholly or partially unsuccessful applications and in respect of successful applications in the event that the Offer Price is less than the initial price per Offer Share payable on application.

**For details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, you should refer to the section headed "Structure of the Global Offering" in this Prospectus.**

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*We have issued this Prospectus solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and it does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this Prospectus pursuant to the Hong Kong Public Offering. This Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this Prospectus in any jurisdiction other than Hong Kong. The distribution of this Prospectus for the purposes of a public offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this Prospectus and the Application Forms to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this Prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not contained nor made in this Prospectus and the Application Forms must not be relied on by you as having been authorized by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, employees, agents, advisers, affiliates or representatives of any of them or any other person or party involved in the Global Offering.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this Prospectus. Since this is a summary, it does not contain all of the information that may be important to you. You should read the whole Prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this Prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

Our Company is based in Alberta, Canada and is principally engaged in natural gas and crude oil exploration and production, with a focus on natural gas. Our Company commenced operations in March 2005 with the long-term objective of building a successful Canadian natural gas and crude oil exploration, development and production company. We acquired our first 6,400 net acres of land in WCSB in January 2007 known as the Alberta Foothills and drilled and commercially produced liquids-rich natural gas from our first deep well in this area in December 2008. Since then, our natural gas and oil production rate has organically grown and reached approximately 3,363 Boe/d of average production in the first nine months of 2016. The exit production of 2016 is 4,500 Boe/d. As at the Latest Practicable Date, we held 114,528 net acres of land in WCSB which we intend to explore through drilling in locations listed in our Company's multi-year inventory.

Our Company's long-term business strategy is to increase our shareholder value by continuing to exploit and develop our natural gas and oil asset base in the three core exploration and production areas to increase our reserves, production and cash flow.

### KEY ASSETS

Our Company's major assets and operations are concentrated in Western Canada with three core areas: (1) Alberta Foothills liquids-rich natural gas properties; (2) Deep Basin Devonian natural gas properties; and (3) the Peace River light oil properties.

#### The Alberta Foothills

The Alberta Foothills assets consist of lands with PNG rights covering 67,008 net acres as at the Latest Practicable Date. There are five liquids-rich natural gas wells in production in Basing with an average production rate of approximately 20.0 MMcf/d and approximately 184 Bbls/d of condensate and NGLs in the first nine months of 2016, and there is one other producing well that was voluntarily and temporarily shut-in due to economic limit considerations. As at September 30, 2016, the gross Proved Reserves, Proved plus Probable Reserves and Proved plus Probable plus Possible Reserves had been estimated to be 12,030 Mboe, 17,567 Mboe and 22,427 Mboe respectively. There are 71 potential drilling locations targeting a multi-zone stacked sandstone reservoir in the Wilrich and Mountain Park formations of Spirit River Group as estimated by GLJ. Other than the Stolberg JV and the Viking JV, we own a 100% working interest in the PNG Licences and Crown Leases covering the Alberta Foothills area.

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## SUMMARY

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### Our Three Core Areas for Growth



### Deep Basin Devonian

The Deep Basin Devonian natural gas assets consist of approximately 44,320 net acres of land with PNG rights in an area known as Hanlan-Peco. Although GLJ has not assigned any Reserves or Resources to Hanlan-Peco and the area is undeveloped, our management team identified two natural gas targets based on seismic interpretation and information gathered from nearby producing wells. We own a 100% working interest in our PNG Licences and Crown Leases in this area.

#### Peace River

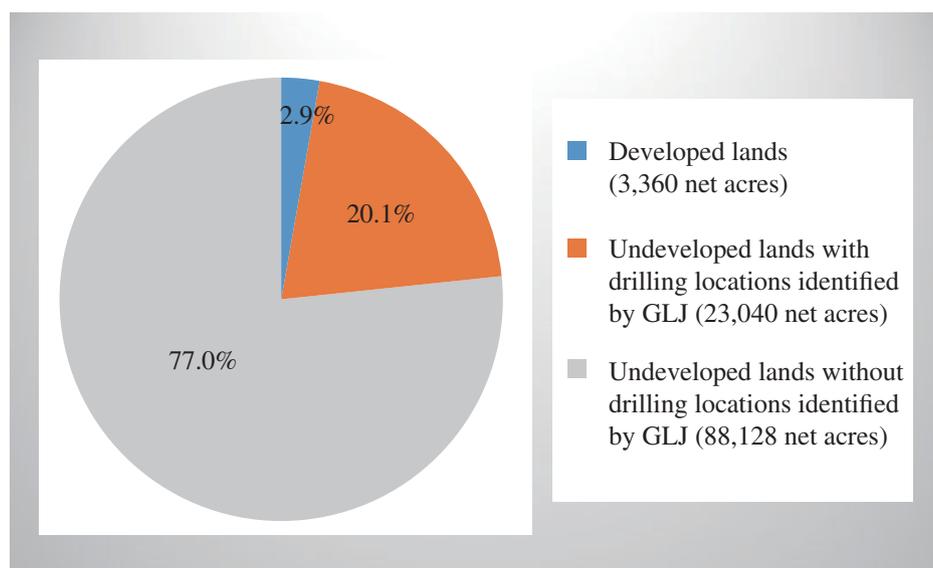
As at the Latest Practicable Date, the Peace River light oil assets consist of approximately 3,200 net acres of land with PNG rights. There are two light oil wells in production in Dawson with a production rate of 126 Bbls/d as at September 30, 2016. There is one other producing well which was voluntarily and temporarily shut-in due to economic limit considerations. As at September 30, 2016, the gross Proved Reserves, Proved plus Probable Reserves and Proved plus Probable plus Possible Reserves are estimated to be approximately 69,000 Bbl, 99,000 Bbl and 135,000 Bbl respectively. There are 6 drilling locations with an estimated 899 Mbbbls of gross Best Estimate Unrisked Prospective Resources identified by 3D seismic data as estimated by GLJ.

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## SUMMARY

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### Our Land Position as at the Latest Practicable Date



The table below summarizes the net acres of land and the drilling locations held by our Company as at the Latest Practicable Date.

	<b>As at the Latest Practicable Date</b>
<b>Land held by our Company</b>	
Total gross acres of land	approximately 116,320
Total net acres of land	approximately 114,528
With net acres of developed land	approximately 3,360
With net acres of undeveloped land	approximately 111,168
Average working interest	approximately 98.5%
Undeveloped land percentage	approximately 97.1%
<b>Estimated drilling locations</b>	
Drilling locations assigned to Proved Reserves	4
Drilling locations assigned to Probable and Possible Reserves only	1
Drilling locations assigned to Contingent Resources	8
Drilling locations assigned to Prospective Resources	64
Total drilling locations	77

## SUMMARY

The table below shows the data of our Reserves and Resources as at September 30, 2016, based on GLJ's price forecast effective on October 1, 2016:

Reserves Data	Total		Producing Wells			Drilling Locations			Post-tax NPV 10%*
	Gross	Net	No. of Producing Wells	Gross	Net	No. of Drilling Locations Inventory*** (as at Latest Practicable Date)	Gross	Net	
	(Mboe)	(Mboe)		(Mboe)	(Mboe)		(Mboe)	(Mboe)	(C\$ Millions)
Proved (1P)**	12,099	10,294	7	5,333	4,419	4	6,766	5,875	87.4
Proved + Probable (2P)**	17,666	14,680	7	7,444	6,073	5	10,222	8,607	119.4
Proved + Probable + Possible (3P)**	22,562	18,430	7	9,581	7,727	5	12,981	10,703	
Contingent Resources** (Unrisked Best Estimate)	10,396	9,061				8	10,396	9,061	
Prospective Resources** (Unrisked Best Estimate)	67,526****	58,486****				64****	67,526****	58,486****	

\* This represents future net revenue, after additions for cost recovery and deductions for value-added taxes, royalties, future capital costs and operating expenses have been made. Future net revenue is presented after deduction of income taxes and has been discounted at an annual rate of 10% (which is shown to indicate the effect of time on the value of money) to determine its net present value. Future net revenue presented in this Prospectus should not be construed as being the fair market value of our Company's properties. The expected capital is accounted for in determining the post-tax NPV10% in two ways. Firstly, the capital is included as an expense which is discounted annually and reduces the net cash flow accordingly. Secondly, the development capital increases the unused tax deduction for our Company. For further information on the bases and assumptions used in determining future net revenue and post-tax NPV 10%, please see page IV-71 of the Competent Person's Report in Appendix IV to this Prospectus. For risks associated with the net present values, please see the section headed "Risk Factors — The reserves and resources data, volumes and present value calculations presented in this Prospectus are only estimates and actual results may differ" in this Prospectus.

\*\* As at September 30, 2016, GLJ estimated our Company holds gross Proved Reserves of 12,099 Mboe (approximately 5.4% of which is crude oil, condensate and other NGLs with the remaining 94.6% being natural gas), gross Proved plus Probable Reserves of 17,666 Mboe (approximately 5.4% of which is crude oil, condensate and other NGLs, with the remaining 94.6% being natural gas), gross Proved plus Probable plus Possible Reserves of 22,562 Mboe (approximately 5.4% of which is crude oil, condensate and other NGLs, with the remaining 94.6% being natural gas), gross Best Estimate Unrisked Contingent Resources of 10,396 Mboe (approximately 4.9% of which is condensate and other NGLs, with the remaining 95.1% being natural gas), and gross Best Estimate Unrisked Prospective Resources of 67,526 Mboe (approximately 7.0% of which is crude oil, condensate and other NGLs, with the remaining 93.0% being natural gas). Please refer to the Competent Person's Report as set out in Appendix IV to this Prospectus for more information.

\*\*\* As at the Latest Practicable Date, a total of 77 drilling locations are held by our Company. 5 drilling locations have been assigned to Proved, Probable and Possible Reserves (which include 4 locations assigned to Proved Reserves and 1 location assigned to Probable and Possible Reserves only). 8 drilling locations have been assigned to Contingent Resources. 64 drilling locations have been assigned to Prospective Resources.

\*\*\*\* 1 Crown Lease in Dawson has expired in November 2016 (with 4 prospective drilling locations and 599 Mbbls of gross Best Estimated Unrisked Prospective Resources assigned by GLJ as at September 30, 2016). Our Company directly wrote off C\$100,000 of E&E assets as a result of the aforesaid Crown Lease expiry for the nine months ended 30 September 2016 because they were considered not to have further prospective value. Therefore its expiration will not have further financial impact on our Company.

## SUMMARY

The table below shows the well number, production date, initial flow rate, flow rate and accumulated production as at September 30, 2016, reserve life, well status and recovery method of our wells:

UWID	Production date	Initial flow rate	Flow rate on September 30, 2016	Accumulated production as at September 30, 2016	Remaining 2P reserve life (Years) as at September 30, 2016 <i>(Note 1)</i>	Well status as at September 30, 2016	Recovery method
<b>Basing</b>							
100/07-21-047-19W5/03	December 2008	3.5 MMcf/d	3.5 MMcf/d	12.5 Bcf of sweet natural gas and 106,625 Bbls of condensate and NGLs	24.4	Producing	Drilling
100/05-29-047-19W5/00	December 2009	5.2 MMcf/d	4.1 MMcf/d	10.7 Bcf of natural gas and 91,271 Bbls of condensate and NGLs	38.5	Producing	Drilling
100/10-36-047-20W5/04	December 2010	7.1 MMcf/d	0.9 MMcf/d	3.3 Bcf of natural gas and 28,149 Bbls of condensate and NGLs	20.2	Producing	Drilling
100/16-29-047-19W5/00 <i>(Note 2)</i>	January 2012	0.6 MMcf/d	0	0.02 Bcf of natural gas	N/A	Shut-in	Drilling
102/08-36-047-20W5/02	November 2013	6.0 MMcf/d	8.8 MMcf/d	4.6 Bcf of natural gas and 39,238 Bbls of condensate and NGLs	16.2	Producing	Drilling
103/05-02-048-20W5/02	September 2014	8.1 MMcf/d	7.4 MMcf/d	3.3 Bcf of natural gas and 28,149 Bbls of condensate and NGLs	25.5	Producing	Drilling
<b>Dawson</b>							
100/16-22-080-17W5/03 <i>(Note 3)</i>	April 2011	438 Bbls/d	49 Bbls/d	47,250 Bbl of light oil	11.7	Producing	Drilling
100/01-27-080-17W5/02 <i>(Note 4)</i>	October 2011	375 Bbls/d	0	34,425 Bbl of light oil	N/A	Shut-in	Drilling
100/02-35-080-17W5/00	September 2012	305 Bbls/d	77 Bbls/d	119,740 Bbl of light oil	16.5	Producing	Drilling

*Note 1:* Reserves life is based on GLJ's current economic forecast utilizing Proved plus Probable Reserves. Please refer to pages IV-133, IV-134 and IV-248 of the Competent Person's Report in Appendix IV to this Prospectus for more information.

*Note 2:* GLJ has not assigned any Reserves to this well due to economic limit considerations.

*Note 3:* According to GLJ, this well resumed production in September 2016 at higher forecast future oil prices with a remaining 2P reserve life.

*Note 4:* According to GLJ, this well has not been assigned any Reserves as it is considered to be uneconomic to resume production due to economic limit considerations as resuming production will result in negative cumulative before tax cash flow.

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## SUMMARY

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### KEY STRENGTHS

We believe that the following strengths will contribute to our growth and differentiate us from our competitors:

- economics and quality of resources base;
- size of resources within our Company's acreage land position;
- location of resources and market access;
- holding sole operating control and land ownership; and
- an experienced management and technical team with a strong industry track record.

### COMPETITIVE LANDSCAPE

According to the Industry Consultant, Alberta has one of the largest natural gas and oil reserves in Canada. The province provides ample opportunities for companies involved in the extraction and processing of natural gas and oil resources and leading companies in the Canadian natural gas and oil sector have a strong presence in Alberta.

Based on the classification of the Industry Consultant, our Company, with a quarterly production averaging between 500 Boe/d and 10,000 Boe/d, can be classified as a junior natural gas and oil company. For junior companies, it is important to focus on costs and efficiencies, especially during periods of low natural gas and oil prices. Minimizing operating costs for extracting resources is necessary.

Junior or intermediate natural gas producers such as our Company that have access to high-quality conventional resources and low costs of production may be able to compete with large producers and remain profitable.

The natural gas and oil industry is a cyclical industry and follows boom and bust cycles. Weaker natural gas and oil prices drive the need for producers to be efficient and cut production costs to tide over the duration of lower selling prices. Natural gas from conventional sources is cheaper to be produced as compared to unconventional sources as there is no need for special equipment or techniques for natural gas extraction.

For the nine months ended September 30, 2016, our Company's production portfolio was 98.2% natural gas (including NGLs and condensate) and 1.8% light oil. Companies such as our Company producing more natural gas from high-quality assets are expected to have the competitive advantage of lower production costs per Boe extracted.

## SUMMARY

### PNG LICENCES AND CROWN LEASES

As at the Latest Practicable Date, our Company was the registered licensee or lessee of 62 PNG Licences and Crown Leases in Alberta, Canada, of which 36 PNG Licences and 5 Crown Leases related to the Alberta Foothills and 17 Crown Leases related to Peace River and 4 PNG Licences related to Deep Basin Devonian.

Our PNG Licences have an initial term of either 4 years or 5 years, depending on the region in which the lands are located. Once a well has been drilled on an area covered by the relevant PNG Licence, we may validate the PNG Licence for an intermediate term of another 5 years. Our Crown Leases have an initial term of 5 years. When a PNG Licence or a Crown Lease reaches the end of its primary term, our Company can renew the PNG Licence or Crown Lease if we can show that the land to which the relevant PNG Licence or Crown Lease related is productive of natural gas and/or crude oil.

The table below shows the number of our Company's PNG Licences and Crown Leases for our existing wells, drilling locations assigned by GLJ and undeveloped land that will expire in 2017, 2018 and 2019 and thereafter respectively.

Year of Expiration	PNG Licences and Crown Leases for Existing Wells		PNG Licences and Crown Leases for Drilling Locations Assigned by GLJ		PNG Licences and Crown Leases for Undeveloped Land Not Assigned any Drilling Locations by GLJ	
	PNG Licences	Crown Leases	PNG Licences	Crown Leases	PNG Licences	Crown Leases
2017	0	2	1 <sup>1</sup>	2	4 <sup>1</sup>	5
2018	0	0	4 <sup>2</sup>	2	3	3
2019 and thereafter (including indefinite term)	2	1	13 <sup>3</sup>	0	13	7
Total	2	3	18	4	20	15

*Notes:*

1. Our Company submitted applications and obtained approvals to extend the terms of our Company's lease of these lands to March 31, 2017. None of these leases cover any of the 13 drilling locations under the three-year development plan. Our Company will be required to perform certain exploration and evaluation activities during the three months ending March 31, 2017.
2. 3 of these PNG Licences cover 5 of our drilling locations in 2019 under our three-year development plan. We will submit the renewal application package within three months before expiry date. Our Canadian Legal Advisers have advised us that there will be no material legal impediment for us in renewing our PNG Licences.

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## SUMMARY

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3. 2 of these PNG Licences cover 5 of our drilling locations in 2017 & 2018 and 3 of our drilling locations in 2019 under our three-year development plan, which have indefinite terms until the related well becomes non-productive. The indefinite term relates to the aforesaid 2 PNG Licences covering a total 8 of our drilling locations in 2017, 2018 and 2019 which had initially expired on January 11, 2017 and were renewed with an indefinite expiry date.

For more information about our PNG Licences and Crown Leases, please refer to the section headed “Business — Properties — Licences and Permits” in this Prospectus.

### TRANSPORTATION

The Alberta Foothills and Deep Basin Devonian are located in the service area of the NGTL System. The NGTL System consists of more than 32,000 km of natural gas pipeline, associated compressors and other facilities located in Alberta and Northeastern British Columbia. Due to the ongoing maintenance and repairs of pipelines and other facilities of the NGTL System, there may be outage plans on the NGTL System. These outage plans did not have a material adverse impact on our operations and financial conditions. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any other shortage of transportation capacity of our natural gas, crude oil, NGLs and condensate.

### OUR STRATEGIES

Our Company will maintain our competitiveness and growth and increase shareholder value by implementing the following strategies:

- enhancing the value of our natural gas and oil assets through increased operational efficiency, effective well placement and field development;
- upgrading our Reserves by drilling and developing our undeveloped land position;
- improving our drilling and completion techniques;
- pursuing potential acquisition opportunities with significant value appreciation; and
- exploration drilling for new pool discoveries.

### OUR PRODUCTS

Our main products sold during the Track Record Period and as at the Latest Practicable Date were: (i) natural gas; (ii) crude oil; (iii) NGLs and (iv) condensate. Our products do not have a product life cycle nor are they subject to seasonality. There was no significant change in our product mix during the Track Record Period. For more details of our products, please refer to the section headed “Business — Our Products” in this Prospectus.

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## SUMMARY

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### **IMPACTS OF DEMAND AND PRICE OF NATURAL GAS AND CRUDE OIL ON OUR OPERATIONS**

Our operations and revenue depend largely on the demand for and price of natural gas and crude oil in Canada. Our revenue and results of operations are substantially dependent on the prevailing prices of natural gas and oil which are unstable and subject to fluctuation. Natural gas prices are influenced primarily by factors within North America, including, amongst others, North American supply and demand, economic performance and weather conditions. Crude oil prices are mainly driven by a few factors which include the supply from the Organization of Petroleum Exporting Countries (OPEC) and the supply from outside the OPEC, global crude oil demand and crude oil inventories. Furthermore, crude oil prices also react to a variety of geopolitical and economic events as well. In addition, the marketability of the production depends upon the availability, capacity and destinations of gathering systems, pipelines, and other transportation infrastructure, approval and regulation of federal and provincial infrastructure projects, effect of federal and provincial regulation on such production and general economic conditions. All of these factors are beyond our control. Adverse changes in general economic and market conditions could also negatively impact demand for natural gas and oil, production cost, results of financing efforts, fluctuations in interest rates, market competition, labor market supplies, timing and extent of capital expenditures or credit risk and counterparty risk.

Decrease in natural gas and oil prices may change the economics of producing from some wells resulting in a reduction in the volume of our Company's production. Our Company has temporarily shut-in two producing oil wells in 2015 due to economic limit considerations. All of these factors could result in a material decrease in our net production revenue, cash flows and profitability and have a material adverse effect on our operations, financial condition and amount of our reserves.

Natural gas and oil prices are expected to remain volatile in the near future because of market uncertainties over the supply and demand of these commodities due to the current state of the world economies. Volatile natural gas and oil prices make it difficult to estimate the value of producing properties for acquisitions and often cause disruption in the market for natural gas and oil producing properties, as buyers and sellers have difficulty in agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

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## SUMMARY

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The table below shows the average market prices and average sales prices for our natural gas and crude oil and the average realized sales price and forward sales price for our natural gas during the Track Record Period.

	Year ended December 31			Nine months ended September 30
	2013	2014	2015	2016
	<b>Natural gas</b>			
Average market price (C\$ per Mcf)	3.23	4.57	2.74	2.01
Average realized price (C\$ per Mcf)	3.53	5.02	2.43	1.70
Average forward sales price (C\$ per Mcf)	3.73	4.07	3.95	3.10
Average sales price (C\$ per Mcf)	3.62	4.70	3.61	2.45
<b>Crude oil</b>				
Average market price (C\$ per Bbl)	100.88	102.71	62.29	41.34
Average sales price (C\$ per Bbl)	91.92	93.50	49.09	47.14

For more details of impacts of demand and price of natural gas and crude oil on our operations, please refer to the section headed “Financial Information — Significant Factors Affecting our Results of Operations — Demand and Price of Natural Gas and Crude Oil in Canada” at pages 277–279 in this Prospectus.

## SUMMARY

### OUR THREE-YEAR DEVELOPMENT PLAN

Our Company has established a three-year development plan during which a total of 13 drilling locations in Basing in the Alberta Foothills (with 3 drilling locations, 2 drilling locations and 8 drilling locations planned to be drilled in 2017, 2018 and 2019 respectively) will be drilled. These 13 drilling locations represent 100% of Proved plus Probable Reserves and Best Estimate Contingent Resources by GLJ.

For ease of reference, the table below summarizes the key information of our three-year development plan:

		<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Total</u>
<b>Number of wells to be drilled</b>		3	2	8	13
<b>Workflow</b>		2 rigs to be employed for drilling in Q1, followed by completion and tie-in in Q2	1 rig to be employed for drilling in Q1, followed by completion and tie-in in Q1	4 rigs to be employed for drilling in Q2, followed by completion and tie-in in Q3	
		<u>(2P)</u>	<u>(2P)</u>	<u>(2P)</u>	<u>2019 (Best Estimated Unrisked Contingency)</u>
<b>Production Forecast By volume</b>	Alberta Foothills Natural Gas (Mcf/d)	35,276	37,464	30,884	13,635
	Liquid (NGLs/Condensate) (bbls/d)	301	319	263	116
	Peace River Light Oil (Bbls/d)	65	49	37	
	<b>Total Production (Boe/d)</b>	<b>6,245</b>	<b>6,612</b>	<b>5,448</b>	<b>2,389</b>
<b>Average Payout Period (years)</b>		1.0	1.4	2.5	
<b>Average 2P Reserves/Resources Life (years)</b>		37.5	35.3	30.5	

## SUMMARY

### Production Forecast

Our Company intends to increase our current production from an average production of approximately 3,363 Boe/d in the first nine months of 2016 to approximately 5,448 Boe/d based on Proved plus Probable Reserves and an additional 2,389 Boe/d based on Best Estimate Unrisked Contingent Resources in 2019. The table below summarizes our Company's actual production volume during the years ended December 31, 2013, 2014, 2015 and 2016 and forecast production volume for 2017 to 2019:

#### Our Company's actual production volume during the years ended December 31, 2013, 2014, 2015 and 2016 and forecast production volume for 2017 to 2019\*

		Year Ended December 31			Nine Months Ended September 30		2017	2018	2019	2019
		2013	2014	2015	2016	Q4 2016	(2P)	(2P)	(2P)	(Best Estimate Unrisked Contingency)
Alberta Foothills	Natural Gas (Mcf/d)	11,515	15,610	10,380	18,917	23,967	35,276	37,464	30,884	13,635
	Liquid (NGLs/Condensate) (Bbls/d)	124	81	85	151	175	301	319	263	116
Peace River	Light Oil (Bbls/d)	138	102	54	59	76	65	49	37	
Total Production (boe/d)		2,181	2,785	1,869	3,363	4,245	6,245	6,612	5,448	2,389

\* Key assumptions in determining the production forecasts by volume in the above are based on those adopted by GLJ. Please refer to page IV-127 – IV-129 and IV-246 of the Competent Person's Report in Appendix IV to this Prospectus for more information. The above production forecast includes the current producing wells.

\*\* Production forecast of all new drilling locations in 2019 is based on Best Estimate Unrisked Contingent Resources as stated at page IV-142 of the Competent Person's Report. If based on Best Estimate Risked Contingent Resources to reflect a chance of development, a factor of 80% shall be applied to the production forecast.

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## SUMMARY

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### Capital Expenditure

Our expected capital expenditure budget for our three-year development plan in 2017, 2018 and 2019 in Basing in the Alberta Foothills is set out in the table below:

<u>Locations/Capital Expenditure</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Total</u>
<b>Total number of wells to be drilled</b>	<u>3</u>	<u>2</u>	<u>8</u>	<u>13</u>
Drilling, completion and tie-ins costs	C\$18.0 million	C\$12.0 million	C\$59.2 million	C\$89.2 million
Land acquisition and geology & geophysics evaluation	C\$1.5 million	—	C\$2.0 million	C\$3.5 million
<b>Total capital expenditure</b>	<u>C\$19.5 million</u>	<u>C\$12.0 million</u>	<u>C\$61.2 million</u>	<u>C\$92.7 million</u>

*Notes:*

- (1) The above costs for drilling completion and tie-ins are based on individual well costs adopted by GLJ. Please refer to page IV-145 of the Competent Person's Report in Appendix IV to this Prospectus for more information.
- (2) The total capital expenditure estimates of C\$92.7 million for future development were provided to GLJ by our Company. The key factors in the projection of the expected capital expenditure are based on third parties quotes including rig costs, directional drilling costs, mud costs, cementing costs and optional fracturing costs for which vendor quotes were not provided. GLJ has considered that these estimates are reasonable based on the supporting vendor's cost estimates and GLJ's non-confidential files, which include publicly available data from third party programs including Geo Scout, AccuMap and geoLogic. These programs provide information such as drilling times, sand tonnage, number of fracturing stages, and occasionally drilling and completion costs for wells.

We intend to apply approximately 52.6% (which amounts to C\$18 million) of the net proceeds of the Global Offering (assuming an Offer Price of HK\$3.40 per Share, being mid-point of the estimated Offer Price range) and our existing working capital to fund the expected capital expenditure of approximately C\$19.5 million for our development of 3 wells in 2017. We expect to finance the capital expenditure of approximately C\$73.2 million for our development of 2 wells in 2018 and 8 wells in 2019 with the following sources of funding:

- (i) approximately 38.4% of the net proceeds of the Global Offering of approximately C\$13.0 million (assuming an Offer Price of HK\$3.40 per Share, being the mid-point of the estimated Offer Price range).
- (ii) net cash inflow generated from our operating activities of approximately C\$56.3 million.
- (iii) new bank borrowings which will be approximately C\$8.0 million.

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## SUMMARY

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### Operating Costs

A breakdown of our Company's historical and forecast cash operating costs during the Track Record Period and for our three-year development plan is set out as below:

#### Natural gas, NGL and condensate

	Actual					Forecast		
	2013 C\$'000	2014 C\$'000	2015 C\$'000	Q1-Q3 2016 C\$'000	Q4 2016 C\$'000	2017 C\$'000	2018 C\$'000	2019 C\$'000
Total operating costs	<u>3,606</u>	<u>4,913</u>	<u>3,345</u>	<u>4,276</u>	<u>1,773</u>	<u>10,715</u>	<u>11,379</u>	<u>13,246</u>

(unaudited)

#### Crude oil

	Actual					Forecast		
	2013 C\$'000	2014 C\$'000	2015 C\$'000	Q1-Q3 2016 C\$'000	Q4 2016 C\$'000	2017 C\$'000	2018 C\$'000	2019 C\$'000
Total operating costs	<u>1,450</u>	<u>643</u>	<u>291</u>	<u>192</u>	<u>89</u>	<u>360</u>	<u>271</u>	<u>205</u>

(unaudited)

#### Breakeven analysis regarding selling price and sales volume of natural gas

Sales of natural gas was the major business segment and accounted for the majority of our revenue, royalties and operating costs. The table below sets out our Company's illustration of the breakeven analysis of the average selling price and sales volume of natural gas with respect to our Company's net profit during the Track Record Period as well as the forecast period of 2017 to 2019 based on our three-year development plan.

## SUMMARY

### *Breakeven Selling Price and Breakeven Sales Volume for Illustration Only*

Year	Actual or Forecast	Category of Resources	Volume (Mcf)	Actual or Forecast Average Selling Price (C\$/Mcf)	Breakeven Selling Price (C\$/Mcf)	Breakeven Sales Volume (Mcf)	Breakeven Sales Volume as a % of the Total Natural Gas Production Volume	
Year Ended December 31	2013	Actual	4,202,855	3.62	3.77	4,383,411	104.3%	
	2014	Actual	5,697,904	4.70	4.18	5,059,633	88.8%	
	2015	Actual	3,788,831	3.61	4.27	4,476,859	118.2%	
	2016 (Note 2)	Actual	7,388,374	2.70	3.03	8,284,372	112.1%	
	2017	Forecast	2P	12,875,375	3.17 (Note 1)	2.10	8,538,264	66.3%
	2018	Forecast	2P	13,674,360	3.19 (Note 1)	2.01	8,628,254	63.1%
	2019	Forecast	2P plus Best Estimate Unrisked Contingency	16,249,800	3.46 (Note 1)	2.01	9,454,266	58.2%

*Notes:*

1. Based on GLJ report. For details, please refer to page IV-79 of Appendix IV to this Prospectus.
2. Based on audited figures from January to September 2016 and unaudited figures from October to December 2016.

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## SUMMARY

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For more information about the above breakeven analysis, please refer to the section headed “Business — Three-Year Development Plan” at pages 204 to 224 in this Prospectus.

The table below sets out the key information of our three-year development plan with page references of the Business section of and Appendix IV “Competent Person’s Report” to this Prospectus.

<u>Key Information</u>	<u>Page reference of the Business Section</u>	<u>Page reference of Appendix IV</u>
Number and Location of the Drilling Locations	Page 205	IV-145
Time Line for Drilling, Completion and Tie-in for Commercial Production for each Drilling Location and Development Status	Pages 206 – 208	IV-145
Production Forecast By Volume	Pages 209 – 210	IV-138 – IV-143; IV-158 –IV-159; and IV-249
Average Payout Period	Page 210	—
Average 2P Reserves/Resources Life	Page 210	IV-133; IV-134 and IV-137
Amount of Capital Expenditure	Pages 211 – 212	IV-145
Production and Operating Costs	Pages 214 – 217	IV-156 and IV-252
Gas Processing Capacity, Transportation Support and Resources	Pages 220 – 224	—

### COMPETENT PERSON’S REPORT

GLJ has completed an independent reserves and resource assessment and evaluation of certain oil and gas properties of our Company effective September 30, 2016, the Competent Person’s Report. The evaluation has been prepared in accordance with resource and reserves definitions, standards and procedures contained in the PRMS.

In the course of the evaluation, GLJ has reviewed our Company’s ownership of mineral rights to explore oil and gas in the areas to which GLJ has recognized reserves, contingent resources, and prospective resources, and also conducted site visits to our current producing properties, Basing and Dawson respectively. The evaluation was conducted on the basis of the GLJ October 1, 2016 price

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## SUMMARY

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forecast which is summarized in the product price and market forecasts section of the Competent Person's Report. Gas price adjustments and sensitivity analyses incorporate all physical sales agreements signed with Macquarie Energy prior to the effective date of the Competent Person's Report.

In preparing the Competent Person's Report, GLJ adopted royalty regulations as of its effective date. Net present values of our Company and detailed property reports for our Company's most significant properties at Basing, Dawson, Dawson (Prospective) and Kaydee-Voyager (Prospective) are presented in the various sections of the report. Areas at Columbia, Stolberg, Cadotte and Hanlan-Peco were also reviewed, though no reserves or resources are assigned at the time of preparing the report.

Regarding our Company's three-year development plan, the schedules, production ramp-ups and assumptions of our three-year development plan for Basing in the Alberta Foothills core area have also been reviewed by GLJ, who has given its opinion as to the credibility and validity of these plans based on its industry experience.

For the assumptions used in our three-year development plan and the assessment and evaluation of our natural gas and oil reserves and resources, please refer to the Competent Person's Report in Appendix IV to this Prospectus.

### **OUR CUSTOMERS, SUPPLIERS AND CONTRACTORS**

For the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, our revenue contributed by our top five customers was approximately C\$23.5 million, C\$32.4 million, C\$16.0 million and C\$14.9 million respectively, representing approximately 99.9%, 100%, 99.2% and 98.4% of our total revenue respectively. All our top five customers are gas and oil trading companies or are involved in gas and oil trading. For the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, our revenue contributed by our largest customer was approximately C\$14.5 million, C\$26.7 million, C\$11.6 million and C\$8.6 million respectively, representing approximately 61.7%, 82.5%, 72.2% and 56.9% of our total revenue respectively. As natural gas, crude oil, NGLs and condensate are fungible products with well-established markets and numerous purchasers, should any of our top five customers terminate their business relationship with us, we are of the view that we would be able to identify alternative customers on a timely basis and enter into sale and purchase agreements with them on commercially reasonable terms without significantly affecting our business operations.

Since 2015, we have entered into natural gas forward sales agreements with Macquarie Energy in order to protect against downward movements in the price of natural gas. Each sales agreement establishes a fixed selling price against a fixed daily production volume for a certain time interval. For the year ended December 31, 2015 and the nine months ended September 30, 2016, the sales volume under the sales arrangements with Macquarie Energy were 9,260 GJ/d and 11,659 GJ/d, respectively, and the sales value under the sales arrangements with Macquarie Energy amounted to

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## SUMMARY

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C\$11.6 million and C\$8.6 million, respectively, which amounted to approximately 72.2% and 56.9% of our total revenue, respectively. Please refer to the section headed “Business — Sales and Marketing — Natural Gas Sales Arrangement” in this Prospectus for details.

During the Track Record Period, we have engaged a number of Independent Third Party suppliers and contractors. These have primarily included suppliers and contractors of drilling and well completion consulting, seismic data, geological and geophysics consulting, engineering and design, regulation and environmental consulting, inspection and maintenance, pressure vessel integrity management, supplies of packaged equipment and facilities operation. During the years ended December 31, 2013, 2014 and 2015 and nine months ended September 30, 2016, we engaged a total of 210, 194, 105 and 77 contractors respectively. For the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, the aggregate purchases from our largest five suppliers amounted to approximately C\$6.1 million, C\$6.8 million, C\$4.1 million and C\$3.7 million respectively, representing approximately 40.0%, 33.7%, 56.1% and 49.6% of our total purchases respectively. Purchases from our largest supplier accounted for approximately 11.4%, 9.7%, 28.2% and 25.5% respectively of our total purchases for the same periods. For more information about our customers, suppliers and contractors, please refer to the sections headed “Business — Sales and Marketing — Customers” and “Business — Our Suppliers and Contractors” in this Prospectus.

### **HISTORICAL FINANCING**

We have entered into the Macquarie Bank Credit Agreement pursuant to which Macquarie Bank granted a revolving facility in a maximum sum of the lesser of C\$100,000,000 and the then effective borrowing base under the Macquarie Bank Credit Agreement (determined by Macquarie Bank based on its assessment of the lending value of the hydrocarbon reserves of our Company) and a term credit facility of C\$90,000,000 for funding of our Company’s drilling and development program relating to gas and oil mineral interests with committed amounts in each case as set forth herein. The credit facility granted under the Macquarie Bank Credit Agreement is secured, amongst others, by our Company further entering into a fixed charge against certain of our PNG Licences in favor of Macquarie Bank and by a limited recourse guarantee and a pledge provided by Aspen, one of our Controlling Shareholders, in respect of the Shares held by it, which was released prior to the Listing. For more information about the financing of our Company, please refer to sections headed “Business — Encumbrances in relation to our PNG Licences and Crown Leases” and “Financial Information — Indebtedness — Bank Loan” in this Prospectus.

### **SUMMARY OF HISTORICAL FINANCIAL INFORMATION**

The following is a summary of our financial information as at December 31, 2013, 2014 and 2015 and September 30, 2016 and for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016, extracted from our Company’s financial statements which have been prepared and presented in accordance with IFRS and are set forth in the Accountants’ Report set out in Appendix I to this Prospectus.

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## SUMMARY

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The summary of financial information should be read in conjunction with the financial information included in the Accountants' Report, including the notes thereto, the text of which is set out in Appendix I to this Prospectus.

Please refer to the section headed "Financial Information" in this Prospectus for details of our financial information during the Track Record Period.

### Selective Information from Statements of Profit or Loss and Other Comprehensive Income

	Year ended December 31			Nine months ended September 30	
	2013	2014	2015	2015	2016
	C\$'000	C\$'000	C\$'000	C\$'000	C\$'000
				(unaudited)	
Revenue	23,497	32,424	16,080	12,320	15,151
Operating costs	(5,056)	(5,556)	(3,636)	(2,752)	(4,468)
<b>Profit/(loss) from operations</b>	<b>1,935</b>	<b>6,535</b>	<b>790</b>	<b>(336)</b>	<b>(1,256)</b>
<b>(Loss)/profit for the year/ period</b>	<b>(654)</b>	<b>3,002</b>	<b>(2,485)</b>	<b>(2,784)</b>	<b>(3,642)</b>

Our revenue increased from approximately C\$23.5 million for the year ended December 31, 2013 to C\$32.4 million for the year ended December 31, 2014 mainly due to the increase in revenue from the sales of natural gas as a result of the increase in its average sales price and the increase in production volume following the commencement of production of the two new wells in November 2013 and September 2014. But our revenue decreased to C\$16.1 million for the year ended December 31, 2015 due to the decrease of sales in both natural gas and crude oil as a result of the decrease in the average sales price of natural gas and crude oil and the decrease in our production volume following the shut-in and reduction of production volume of our wells. Our revenue increased from approximately C\$12.3 million for the nine months ended September 30, 2015 to C\$15.2 million for the nine months ended September 30, 2016 mainly due to the increase of sales in both natural gas and crude oil as a result of the increase in our production volume of natural gas and crude oil.

Due to the aforesaid changes in our revenue, we recorded a net loss of C\$0.7 million for the year ended December 31, 2013 but a net profit of C\$3.0 million for the year ended December 31, 2014, and a net loss of C\$2.5 million for the year ended December 31, 2015 and a net loss of C\$3.6 million for the nine months ended September 30, 2016.

## SUMMARY

### Selective Information from Statements of Financial Position

	As at December 31			As at September 30
	2013	2014	2015	2016
	C\$'000	C\$'000	C\$'000	C\$'000
Non-current assets	89,283	94,864	91,377	85,080
Current assets	3,314	10,214	9,170	7,999
Current liabilities	117,193	5,700	2,247	2,727
Net current (liabilities)/assets	(113,879)	4,514	6,923	5,272

### Summary of Statements of Cash Flows

	Year ended December 31			Nine months ended September 30	
	2013	2014	2015	2015	2016
	C\$'000	C\$'000	C\$'000	C\$'000 (unaudited)	C\$'000
<b>Net cash generated from operating activities</b>	8,692	14,919	5,363	4,282	3,885
<b>Net cash (used in)/generated from investing activities</b>	(8,980)	(18,208)	(5,374)	(4,808)	245
<b>Net cash generated from/(used in) financing activities</b>	288	8,264	449	(1,565)	(6,328)
<b>Net increase/(decrease) in cash and cash equivalents</b>	—	4,975	438	(2,091)	(2,198)
<b>Cash and cash equivalents at the beginning of the year/period</b>	—	—	4,975	4,975	5,413
<b>Cash and cash equivalents at the end of the year/period</b>	—	4,975	5,413	2,884	3,215

### Key Financial Ratios

The following table shows our key financial ratios during the Track Record Period:

	As at December 31			As at September 30
	2013	2014	2015	2016
Current ratio <sup>(1)</sup>	0.03x	1.79x	4.08x	2.93x
Quick ratio <sup>(2)</sup>	0.03x	1.79x	4.08x	2.93x
Return on assets <sup>(3)</sup>	-0.7%	2.9%	-2.5%	-3.9%
Return on equity <sup>(4)</sup>	2.5%	5.8%	-4.8%	-7.3%
Gearing ratio <sup>(5)</sup>	-427.1%	90.9%	87.9%	78.8%

(1) Current assets divided by current liabilities

(2) Current assets less inventories, divided by current liabilities

(3) (Loss)/profit and total comprehensive income for the year/period divided by total assets and multiplied by 100%

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## SUMMARY

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- (4) (Loss)/profit and total comprehensive income for the year/period attributable to owners of the Company divided by total equity and multiplied by 100%
- (5) Total debt which represents bank indebtedness, bank loan, shareholders' loan and other debts divided by total equity and multiplied by 100%

The improvement in our gearing ratio was due to the capitalization of the shareholders' loan and the employees' loans by the issuance of Class B and Class C non-voting Common Shares in the year ended December 31, 2014. The gearing ratio as at December 31, 2015 and September 30, 2016 slightly decreased due to proceeds from new share issuance which increased total equity and repayment of bank loan which decreased total debt.

For details, please refer to the section headed "Financial information — Key Financial Ratios" of this Prospectus.

### **Capital Expenditures**

The capital expenditures were approximately C\$11.0 million, C\$15.7 million and C\$4.1 million for the years ended December 31, 2013, 2014 and 2015, respectively, and C\$1.1 million for the nine months ended September 30, 2016. The capital expenditures include the expenditures on new well sites, facilities and equipment, the purchase of land and unevaluated drilling and completion costs of our Company's exploration projects which were pending the determination of proven or probable reserves.

For details, please refer to the section headed "Financial Information — Liquidity and Capital Resources" for more information on capital expenditure.

### **DIVIDEND**

Our Company did not declare or pay any dividends during the Track Record Period. We do not have a fixed dividend payout ratio. For more information about the determination of our future dividend, please refer to the section headed "Financial Information — Dividend" in this Prospectus.

### **CONTROLLING SHAREHOLDERS**

Immediately upon completion of the Global Offering (without taking into account any Shares to be allocated and issued upon the exercise of the Over-Allotment Option), 164 Co, JLHY, Mr. Bo, Mr. Jing, Liyuan, Aspen and Ms. Hou (being the spouse of Mr. Bo) will become a group of our Controlling Shareholders acting in concert and will jointly hold approximately 67.30% of the total number of issued Shares of our Company. For details regarding the shareholding interest of our Controlling Shareholders, please refer to the section headed "Substantial Shareholders" in this Prospectus.

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## SUMMARY

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### LISTING EXPENSES

Legal, professional and other fees, together with the SFC transaction levy and Stock Exchange trading fee were incurred with respect to the Listing. Based on the midpoint of the indicative price range set out in the Prospectus, the total listing fee borne by us amounted to approximately C\$6.4 million, of which approximately C\$2.4 million is expected to be capitalized after the Listing in 2017. The remaining amount includes approximately C\$4.0 million, of which approximately C\$0.5 million was charged to profit and loss in 2015, approximately C\$2.3 million was charged to profit and loss for the nine months ended September 30, 2016, C\$0.7 million was estimated to be charged to profit and loss for the three months ended December 31, 2016 and C\$0.5 million will be charged to profit and loss for the year ending December 31, 2017.

### LOSS ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2016

Our Directors estimate that, on the bases set out in Appendix III to this Prospectus, and in the absence of unforeseen circumstances, the estimated loss attributable to owners of our Company for the year ended December 31, 2016 as follows:

Estimated loss attributable to owners of  
our Company . . . . . not more than C\$2.5 million

Unaudited pro forma estimated loss per Share of  
our Company . . . . . not more than C\$0.009

*Note:* For the bases and calculation method, please refer to the section headed “Financial Information — Loss estimate for the year ended December 31, 2016” in this Prospectus.

### STATISTICS OF THE GLOBAL OFFERING<sup>(1)</sup>

**Number of Offer Shares:** 69,580,000 Shares (subject to the Over-Allotment Option)

**Over-Allotment Option:** Up to an aggregate of 10,437,000 additional Offer Shares, representing 15% of the initial number of Offer Shares

**Offering structure:**

Hong Kong Public Offering:	6,958,000 Shares, representing 10% of the Offer Shares (subject to reallocation)
International Offering:	62,622,000 Shares, representing 90% of the Offer Shares (subject to reallocation)

**Offer Price range:** HK\$3.00 to HK\$3.80 per Offer Share

**Board lot:** 1,000 Shares

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## SUMMARY

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	Based on minimum indicative Offer Price of HK\$3.00	Based on maximum indicative Offer Price of HK\$3.80
<b>Market capitalization:</b> (assuming no exercise of the Over-Allotment Option)	HK\$834.9 million	HK\$1,057.5 million
<b>Unaudited pro forma adjusted net tangible assets per Share:<sup>(2)</sup></b>	HK\$1.42	HK\$1.62

*Notes:*

1. The statistics are based on an Offer Price of HK\$3.40 per Offer Share (being the mid-point of the indicative Offer Price range) and do not take into account any Shares which may be issued pursuant to the exercise of the Over-Allotment Option.
2. For the assumptions and calculation method, please refer to the unaudited pro forma financial information set out in Appendix II to this Prospectus.

### FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$197.2 million (assuming an Offer Price of HK\$3.40 per Share, being the mid-point of the estimated Offer Price range), after deducting the underwriting fees and commissions and estimated expenses payable by us in relation to the Global Offering.

We intend to use the net proceeds from the Global Offering for the following purposes:

- approximately 91% of the net proceeds (approximately HK\$179.5 million, assuming an Offer Price of HK\$3.40 per Share, being the mid-point of the indicative Offer Price range) will be used for the development of our Alberta Foothills gas assets as follow:
  - drilling of 3 natural gas wells in Basing in 2017 . . . . . approximately 52.6%;
  - drilling of 10 natural gas wells in Basing in 2018 and 2019 . . . . . approximately 38.4%;
- approximately 9% of the net proceeds (approximately HK\$17.7 million, assuming an Offer Price of HK\$3.40 per Share, being the mid-point of the indicative Offer Price range) will be used for working capital and general corporate purposes.

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above they will be placed in short term demand deposits and/or money market instruments. For details, please refer to the section headed “Future Plans and Use of Proceeds” in this Prospectus.

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## SUMMARY

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### RISK FACTORS

There are risks associated with an investment in the Offer Shares. These risks can be categorized into: (i) risks relating to our business; (ii) risks relating to the Alberta natural gas and oil industry; (iii) risks relating to Alberta and Canada; and (iv) risks relating to the Global Offering. Some of the key risks include:

- our exploration, development and operations involve uncertainties and risks, including those inherent in the natural gas and oil industry, such that our three-year development plan and the level of expected profitability may not be achieved;
- we may be exposed to risks in connection with our daily natural gas production committed sales arrangement with Macquarie Energy, including fluctuations in commodity pricing;
- our projects may be delayed or may not progress within budget or achieve commercial viability or the intended economic results;
- the Reserves and Resources data, volumes and present value calculations presented in this Prospectus are only estimates and actual results may differ; and
- we will need a significant amount of capital investment to accomplish our growth strategy including the exploration for and development of well sites and to maintain our operations. We may be unable to raise capital on terms favorable to us or at all, which could increase our financing costs, dilute your ownership interests, affect our business operations or force us to delay or abandon our growth strategy.

For more information relating to these and other risk factors relating to an investment in our Shares, please refer to the section headed “Risk Factors” in this Prospectus.

### RECENT DEVELOPMENTS

The Government of Alberta finalized the new royalty framework in April 2016. Starting from January 2017, crude oil, natural gas liquids and natural gas production will have a flat royalty rate of 5%, until cumulative revenue from a well is equal to the Drilling and Completion Cost Allowance, based on average industry drilling and completion costs. After that pay-out, royalties will be energy price-sensitive and reflect expected returns over the life of the well. For wells drilled before 2017, the existing royalty rates will remain in effect until 2026. For more information of the new royalty structure and the royalty review report, please refer to the section headed “Laws and Regulations — Laws and Regulations Relating to the Canadian Natural Gas and Oil Industry — Royalties and Incentives” of this Prospectus.

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## SUMMARY

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Regarding the PNG Licences and Crown Leases, 3 PNG Licences in Cadotte covering approximately 48,640 net acres of land (with no Reserves or Resources assigned by GLJ) have expired in July 2016. 1 Crown Lease in Dawson covering approximately 640 net acres of land (with 4 prospective drilling locations and 599 Mbbls of gross Best Estimate Unrisked Prospective Resources assigned by GLJ as at September 30, 2016) has expired in November 2016. Our Company directly wrote off C\$100,000 of E&E assets as a result of the aforesaid Crown Lease expiry for the nine months ended 30 September 2016 because they were considered not to have further prospective value. Therefore its expiration will not have further financial impact on our Company.

Since July 1, 2016, we entered into further forward sales agreements with Macquarie Energy against our daily production volume for various time intervals. As at December 31, 2016, we have existing arrangements with Macquarie Energy to deliver 45.4%, 38.2% and 19.7% of our total actual gas production/gas production forecast (based on 2P) in Q4 2016, 2017 and 2018 respectively. The revenue generated will amount to C\$3.2 million, C\$15.6 million and C\$8.1 million for the three months ended December 31, 2016 and the years ending December 31, 2017 and 2018 respectively.

Save for the aforesaid, our Directors have confirmed that since September 30, 2016, being the date to which the latest audited financial statements of our Company were prepared, and up to the date of this Prospectus, including the three months ended December 31, 2016, there was no material adverse change in our financial, operational and trading positions or prospect or in the general regulatory, economic and market conditions in Canada or the industry in which we operate that materially and adversely affected our business, results of operations or financial condition.

### **WAIVERS GRANTED**

We have applied for, and the Stock Exchange has granted us, a number of waivers from strict compliance with the Listing Rules.

Due to the fact that throughout the Track Record Period, we have been in a pre-production, exploration and/or development phase with regard to the large amount of Junior Assets we have acquired and accumulated and our production has been operating on a mere 2.9% of our net acreage of land on a small and limited scale, we are unable to satisfy the profit test in Rule 8.05(1) of the Listing Rules. As we believe that our executive Director and senior management, taken together, have sufficient experience that is specifically relevant to the exploration and/or extraction activity that we are pursuing, and we consider that we are able to demonstrate a clear path to commercial production with our three-year development plan, we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the profit or other financial standard requirements under Rule 8.05(1)(a) of the Listing Rules in reliance on Rule 18.04 of the Listing Rules.

For more information about the waivers granted, please refer to the section headed “Waivers from Compliance with the Listing Rules and Exemption from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance” of this Prospectus.

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## SUMMARY

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### KEY CANADIAN LEGAL AND REGULATORY MATTERS

Our Company was incorporated as a corporation in Alberta, Canada with limited liability on March 11, 2005 under the ABCA and our entire business operation is conducted in Alberta. Our decision to apply for listing in Hong Kong rather than Canada is commercially driven and is largely based on our relationship with and the anticipated appetite for investment in our Shares from the Hong Kong/China investment community.

We are subject to the ABCA and other applicable laws and regulations in Alberta and Canada. The legal and regulatory regime in Hong Kong differs in certain material aspects from that in Alberta and Canada. Certain Canadian legal and regulatory provisions may significantly affect your rights and obligations as a Shareholder. Please refer to the sections headed “Key Canadian Legal and Regulatory Matters”, “Laws and Regulations” of and “Appendix V — Summary of the Articles and By-Laws of Our Company and Alberta Corporation Laws” to this Prospectus for further information.

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## DEFINITIONS

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*In this Prospectus, unless the context otherwise requires the following words and expressions shall have the following meanings. Certain technical terms are explained in the section headed “Glossary of Technical Terms” in this Prospectus.*

“164 Co”	1648557 Alberta Ltd., a company incorporated in Alberta with limited liability and one of our Controlling Shareholders, the issued voting shares of which are held as to 99.01% by Mr. Bo and as to 0.99% by The Bo Family Trust
“ABCA”	the <i>Business Corporations Act</i> (Alberta), as amended, supplemented or as otherwise modified from time to time
“Accountants’ Report”	the accountants’ report of our Company for the three financial years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016 prepared by the Joint Reporting Accountants as set out in Appendix I to this Prospectus
“Alberta”	the Province of Alberta, Canada
“Alberta Department of Energy”	the Department of Energy, which forms part of Alberta Energy, and is responsible for developing policy and managing the development of Alberta’s oil, natural gas and other mineral resources, including overseeing land tenure, royalty and other fiscal systems
“Alberta Energy”	the Ministry of Energy of the Government of Alberta, which manages the development of Alberta’s non-renewable resources
“Alberta Energy Regulator” or “AER”	a corporation established under the <i>Responsible Energy Development Act</i> (Alberta), with a mandate to provide for the safe, efficient, orderly and environmentally responsible development of Alberta’s energy resources
“Alberta Environment and Parks” or “AEP”	the Ministry of Environment and Parks of the Government of Alberta, which is responsible for administration of environmental policies in Alberta
“Alberta System”	a natural gas transmission system throughout Alberta, of which the NGTL System forms a part
“ALSA”	the <i>Alberta Land Stewardship Act</i> (Alberta), as amended, supplemented or as otherwise modified from time to time

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## DEFINITIONS

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“ALUF”	the Alberta Land Use Framework, a land use policy for surface and resource use and development in Alberta published by the Government of Alberta in December 2008
“Annual and Special Meeting”	the annual and special meeting of our Company held on February 26, 2016
“APEGA”	the Association of Professional Engineers and Geoscientists of Alberta, a body that regulates and licences the practices of engineering and geoscience in Alberta through practice standards and a code of ethics. The Association of Professional Engineers, Geologists and Geophysicists of Alberta was renamed APEGA in 2012
“Application Form(s)”	<b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) or <b>GREEN</b> Application Form(s), individually or collectively, as the context so requires, any of them, that are used in connection with the Hong Kong Public Offering
“Articles”	the articles of incorporation of our Company, as amended, supplemented, restated or as otherwise modified from time to time
“ASC”	the Alberta Securities Commission
“Aspen”	Aspen Investment Holdings Ltd., a company incorporated in Alberta with limited liability and one of our Controlling Shareholders, the issued voting shares of which are held as to 39.69% by 164 Co, 41.09% by JLHY and 19.22% by Liyuan
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“By-Laws”	the By-Laws of our Company conditionally adopted on February 29, 2016 and effective upon Listing, as amended, supplemented, restated or as otherwise modified from time to time
“Canada”	Canada, its territories, its possessions and all areas subject to its jurisdiction

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## DEFINITIONS

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“Canadian dollars” or “CAD” or “C\$” or “CDN\$”	Canadian dollars, the lawful currency of Canada
“CAGR”	compound annual growth rate
“Canadian Legal Advisers”	Gowling WLG (Canada) LLP, the legal advisers to our Company as to Canadian law
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this Prospectus, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Class A Shares”	the Class “A” Common Voting Shares in the capital of our Company (as so designated pursuant to our Articles prior to April 29, 2016), which are re-designated as Common Shares on April 29, 2016
“Class B Shares”	the Class “B” Common Non-Voting Shares in the capital of our Company (as so designated pursuant to our Articles prior to April 29, 2016), which are converted for Common Shares on a 1:1 basis on April 29, 2016
“Class C Shares”	the Class “C” Common Non-Voting Shares in the capital of our Company (as so designated pursuant to our Articles prior to April 29, 2016), which are converted for Common Shares on a 1:1 basis on April 29, 2016
“close associate(s)”	has the meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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“Climate Change and Emissions Management Act” or “CCEMA”	the <i>Climate Change and Emissions Management Act</i> (Alberta), as amended, supplemented or otherwise modified from time to time
“Climate Change and Emissions Management Fund” or “Fund”	a provincial fund established pursuant to the Climate Change and Emissions Management Act
“Code of Corporate Governance”	the Code of Corporate Governance Practices set out in Appendix 14 to the Listing Rules
“Commissioner”	the Commissioner of Competition appointed pursuant to the Competition Act
“Common Shares” or “Share(s)”	the common shares of no par value in the capital of our Company (each as so designated pursuant to our Articles as at the Listing Date)
“Companies Act”	the <i>Companies Act</i> (Alberta), as amended, supplemented or as otherwise modified from time to time
“Companies Ordinance”	the <i>Companies Ordinance</i> (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the <i>Companies (Winding Up and Miscellaneous Provisions) Ordinance</i> (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, “we”, “our”, “us” or “Persta”	Persta Resources Inc., a company incorporated with limited liability under the laws of Alberta on March 11, 2005
“Competent Evaluator”, “Competent Person” or “GLJ”	GLJ Petroleum Consultants Ltd., a competent person being a person that satisfies Rules 18.21 and 18.22 of the Listing Rules and a competent evaluator being a person undertaking valuations that satisfies Rule 18.23 of the Listing Rules, a limited liability company incorporated under the laws of Alberta and an Independent Third Party
“Competent Person’s Report”	the Competent Person’s report in respect of the reserves assessment and evaluation of our Company’s oil and gas properties as at September 30, 2016 prepared by GLJ as set out in Appendix IV to this Prospectus

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## DEFINITIONS

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“Competition Act”	the <i>Competition Act</i> (Canada), as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“ConocoPhillips”	ConocoPhillips Canada Resources Corp., a subsidiary of ConocoPhillips Co., a company listed on the New York Stock Exchange (NYSE: COP), an Independent Third Party
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to 164 Co, Aspen, JLHY, Mr. Jing, Liyuan, Mr. Bo and Ms. Hou in this Prospectus
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CRA”	the Canada Revenue Agency, a federal agency of the Government of Canada that administers tax laws
“Crown”	Her Majesty in right of Alberta
“Crown Lease”	a lease of rights to crude oil or natural gas or both, issued by the Government of Alberta pursuant to applicable legislation
“Deed of Non-competition”	the deed of non-competition dated January 17, 2017 given by the Controlling Shareholders in favor of our Company (for ourselves and as trustee for our subsidiaries), as further described in the section headed “Relationship with Controlling Shareholders — Deed of Non-Competition” in this Prospectus
“Deed of Tax Indemnity”	the deed of tax indemnity dated January 17, 2017 given by the Controlling Shareholders in favor of our Company (for ourselves and as trustee for our subsidiaries) as further described in the section headed “Appendix VI — Statutory and General Information — E. Other information — 1. Estate Duty and Tax Indemnity” to this Prospectus
“Director(s)”	director(s) of our Company
“EPEA”	the <i>Environmental Protection and Enhancement Act</i> (Alberta) as amended, supplemented or otherwise modified from time to time

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## DEFINITIONS

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“First Nations”	the indigenous peoples of Canada, excluding the Arctic-situated Inuit peoples
“First Supplemental Unanimous Shareholders Agreement”	the first supplemental unanimous shareholders agreement dated April 29, 2016 entered into between 164 Co, JLHY, Mr. Bo, Mr. Jing, Liyuan and Aspen to supplement the Unanimous Shareholders Agreement
“GAAP”	generally accepted accounting principles
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offering and the International Offering
“ <b>GREEN</b> Application Form(s)”	the application form(s) to be completed by the <b>White Form eIPO</b> service provider, Computershare Hong Kong Investor Services Limited
“H2 2016”	the second half of 2016
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Offer Shares”	the 6,958,000 Shares initially being offered for subscription under the Hong Kong Public Offering (subject to any adjustment or re-allocation as described in the section headed “Structure of the Global Offering” in this Prospectus)
“Hong Kong Public Offering”	the offer of Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus a brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this Prospectus and the Application Forms, as further described in the section headed “Structure of the Global Offering — The Hong Kong Public Offering” in this Prospectus

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## DEFINITIONS

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“Hong Kong Share Register”	the branch register of members of our Shares maintained by the Hong Kong Share Registrar in Hong Kong
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Takeovers Code” or “Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Hong Kong Underwriters”	the underwriters for the Hong Kong Public Offering as listed in the section headed “Underwriting — Hong Kong Underwriters” in this Prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated February 27, 2017 relating to the Hong Kong Public Offering entered into by, among others, our Company, the Joint Global Coordinators and the Hong Kong Underwriters as further described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement” in this Prospectus
“ICA” or “Investment Canada Act”	the <i>Investment Canada Act</i> (Canada), as amended, supplemented or as otherwise modified from time to time
“IFRS”	International Financial Reporting Standards, as issued by the International Accounting Standards Board
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is independent of and not connected with (within the meaning of the Listing Rules) any director, chief executive, substantial shareholder of our Company or any of their respective associates
“Industry Consultant” or “F&S”	Frost & Sullivan (Singapore) Pte Ltd, an independent industry and market research company
“Industry Report”	the market research report prepared by the Industry Consultant which was commissioned by us in relation to, among other things, the natural gas and oil industry and competitive landscape in Alberta

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## DEFINITIONS

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“International Offer Shares”	the 62,622,000 Shares initially being offered under the International Offering (subject to any adjustment or re-allocation together with, where relevant, any additional Shares which may be issued by our Company pursuant to the Over-Allotment Option as described in the section headed “Structure of the Global Offering” in this Prospectus)
“International Offering”	the offering by our Company of the International Offer Shares at the Offer Price, as further described in the section headed “Structure of the Global Offering — the International Offering” in this Prospectus
“International Underwriters”	the underwriters for the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering and expected to be entered into by, among others, our Company, the Joint Global Coordinators and the International Underwriters, as further described in the section headed “Underwriting — International Offering” in this Prospectus
“IOGC”	an agency of the Government of Canada that manages and regulates oil and natural gas exploration and development on First Nations’ reserve lands
“IPO”	initial public offering
“ITA”	the <i>Income Tax Act</i> (Canada), as amended, supplemented or otherwise modified from time to time
“JLHY”	Ji Lin Hong Yuan Trade Group Limited (吉林省弘原經貿集團有限公司), a company incorporated in the PRC with limited liability and one of our Controlling Shareholders, 60% of the equity interest of which is held by Mr. Jing
“Joint Bookrunners” or “Joint Global Coordinators” or “Joint Lead Managers”	Changjiang Securities Brokerage (HK) Limited, CCB International Capital Limited and CIMB Securities Limited
“Joint Policy Statement”	the Joint Policy Statement Regarding the Listing of Overseas Companies published by the Stock Exchange and the SFC on September 27, 2013
“Joint Reporting Accountants”	KPMG LLP, Chartered Professional Accountants, Calgary, Canada and KPMG, Certified Public Accountants, Hong Kong

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## DEFINITIONS

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“Latest Practicable Date”	February 20, 2017, being the latest practicable date for ascertaining certain information in this Prospectus before its publication
“Leased Properties”	the leased properties described in the section headed “Appendix VI — Statutory and General Information — B. Further Information About Our Business — 4. Properties — (a) Our Leased Properties” to this Prospectus
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about Friday, March 10, 2017, on which the Shares are listed and from which dealings in the Shares are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Liyuan”	Changchun Liyuan Investment Co. Ltd. (長春市麗源投資有限公司), a company incorporated in the PRC with limited liability and one of our Controlling Shareholders, 98% of the equity interest of which is held by JLHY
“Macquarie Bank”	Macquarie Bank Limited, an authorized deposit taking institution in Australia owned by Macquarie Group Limited (ASX: MDQ), an Independent Third Party
“Macquarie Bank Credit Agreement”	the senior secured first lien credit agreement entered into between Macquarie Bank and our Company on October 20, 2014, as amended by a first amending agreement made effective as at December 3, 2014, a second amending agreement made effective as at July 17, 2015, a third amending agreement made effective as at December 18, 2015, a fourth amending agreement made effective as at February 4, 2016, a fifth amending agreement made effective as at February 26, 2016, a sixth amending agreement made effective as at April 20, 2016 and a seventh amending agreement made effective as at September 12, 2016, as may be further amended, restated or supplemented from time to time

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## DEFINITIONS

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“Macquarie Energy”	Macquarie Energy Canada Ltd., a company incorporated in Canada, owned by Macquarie Group Limited (ASX: MDQ), an Independent Third Party
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Mines and Minerals Act”	the <i>Mines and Minerals Act</i> (Alberta), as amended, supplemented or as otherwise modified from time to time
“Minister of Energy”	the Minister of Energy for the Government of Alberta
“Mr. Bo”	Mr. Le Bo (伯樂), our President, Chairman of our Board, Chief Executive Officer, our executive Director and one of our Controlling Shareholders
“Mr. Jing”	Mr. Yuan Jing (景元), our non-executive Director and one of our Controlling Shareholders
“Ms. Hou”	Ms. Jing Hou (侯靜), also Mrs. Bo, spouse of Mr. Bo and one of our Controlling Shareholders
“NEB”	the National Energy Board, an independent regulatory agency of the Government of Canada that regulates interprovincial and international crude oil and natural gas pipelines, and the import and export of crude oil and natural gas commodities
“NGTL”	NOVA Gas Transmission Ltd., a wholly-owned subsidiary of TransCanada Corporation, a company listed on the Toronto Stock Exchange (TSX: TRP) and the New York Stock Exchange (NYSE: TRP), an Independent Third Party
“NGTL System”	a pipeline system that receives, transports and delivers natural gas within Alberta and British Columbia in Canada operated by NGTL
“NI 51-101”	the Canadian Securities Administrators’ National Instrument 51-101 <i>Standards of Disclosure for Oil and Gas Activities</i>
“NI 51-102”	the Canadian Securities Administrators’ National Instrument 51-102 <i>Continuous Disclosure Obligations</i>

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## DEFINITIONS

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“Non-Resident Shareholder”	a Shareholder that is, for purposes of the ITA and applicable income tax treaty or convention, neither resident nor deemed to be resident in Canada
“NPV”	net present value
“Offer Price”	the final price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering, to be determined as described in the section headed “Structure of the Global Offering — Pricing and Allocation” in this Prospectus
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares
“OGCA”	the <i>Oil and Gas Conservation Act</i> (Alberta), as amended, supplemented or otherwise modified from time to time
“OHSA”	the <i>Occupational Health and Safety Act</i> (Alberta), as amended, supplemented or otherwise modified from time to time
“OHSC”	the <i>Occupational Health and Safety Code</i> (Alberta), as amended, supplemented or otherwise modified from time to time
“OHSR”	the <i>Occupational Health and Safety Regulation</i> (Alberta), as amended, supplemented or otherwise modified from time to time
“Over-Allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 10,437,000 additional new Shares (representing in aggregate 15% of the initial Offer Shares) to, among other things, cover over-allocations in the International Offering, if any, details of which are described in the section headed “Structure of the Global Offering” in this Prospectus
“Peco Plant”	ConocoPhillip’s gas plant and processing facilities in the Peco area situated in Alberta

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## DEFINITIONS

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“PetroLama”	PetroLama Energy Canada Inc., a company incorporated in Canada, an Independent Third Party
“PIPA”	the <i>Personal Information Protection Act</i> (Alberta), as amended, supplemented or otherwise modified from time to time
“PNG Licence”	a petroleum and natural gas licence pursuant to which the Crown grants the holder the right to explore for and recover petroleum or natural gas resources, or both, pursuant to applicable legislation
“Preferred Shares”	the preferred shares in the capital of our Company (each as so designated pursuant to our Articles as at the Listing Date)
“Price Determination Date”	the date, expected to be on or about Friday, March 3, 2017, on which the Offer Price is fixed for the purposes of the Global Offering, and in any event no later than Wednesday, March 8, 2017
“Principal Share Register”	our Company’s register of members maintained by the Principal Share Registrar in Alberta, Canada
“Principal Share Registrar”	Computershare Trust Company of Canada
“Properties”	the Leased Properties, Crown Leases and PNG Licences
“Prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“Q3 2016”	the third quarter of 2016
“Q4 2016”	the fourth quarter of 2016
“Q1 2017”	the first quarter of 2017
“Q2 2017”	the second quarter of 2017
“Securities Act”	the <i>Securities Act</i> (Alberta), as amended, supplemented or otherwise modified from time to time
“Section 85 rollover”	section 85 of the ITA, a tax-free rollover of property to a corporation when the transferor accepts some shares as part of the consideration received for the transfer. The purpose of the rollover is to allow a taxpayer to defer gains that are accrued on property transferred to a Canadian corporation

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## DEFINITIONS

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“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the <i>Securities and Futures Ordinance</i> (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SGER”	the <i>Specified Gas Emitters Regulation</i> (Alberta), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	the holder(s) of the Share(s)
“Shareholders’ equity”	the Shares, retained earnings and other accumulated comprehensive income
“Sole Sponsor”	Changjiang Corporate Finance (HK) Limited
“Springburn”	Springburn Oilfield Services Ltd., a transportation services provider and an Independent Third Party
“Stabilizing Manager”	Changjiang Securities Brokerage (HK) Limited
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between the Stabilizing Manager and Aspen on the Price Determination Date, pursuant to which the Stabilizing Manager may borrow up to 10,437,000 Shares from Aspen to cover any over-allocations under the International Offering, if any
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stolberg JV”	the 30:70 joint venture in the Stolberg area between our joint venture partner and our Company in respect of PNG Licence 5507110258
“subsidiary(ies)”	has the meaning ascribed to it in the Companies Ordinance, or in the Listing Rules, as the context requires
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Surface Rights Act”	the <i>Surface Rights Act</i> (Alberta), as amended, supplemented or otherwise modified from time to time

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## DEFINITIONS

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“Surface Rights Board”	the Surface Rights Board established and continued under the Surface Rights Act, a quasi-judicial tribunal that grants right of entry and assists landowners/occupants and operators resolve disputes about compensation when operators require access to private land or occupied Crown land to develop subsurface resource
“The Bo Family Trust”	a discretionary trust established on December 23, 2011 under the laws of Alberta, the trustees of which are Mr. Bo and Ms. Hou and the beneficiaries of which include family members of Mr. Bo and Ms. Hou
“Track Record Period”	the three financial years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016
“Unanimous Shareholders Agreement”	the unanimous shareholders agreement dated December 18, 2015 entered into between 164 Co, JLHY, Mr. Bo, Mr. Jing and Aspen, whereby they confirmed the existence of, among other things, the existence of the acting in concert arrangements, a summary of which is set out in “Corporate Structure and History” in this Prospectus
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.” or “US” or “USA”	the United States of America
“US\$” or “USD”	United States dollars, the lawful currency of the US
“UPPVP Act”	the <i>Unclaimed Personal Property and Vested Property Act</i> (Alberta), as amended, supplemented or otherwise modified from time to time
“Viking JV”	the 50:50 farm out and participation joint venture in the Provost area between our joint venture partner and our Company in respect of Crown Lease 0401030109
“VNW”	VNW Enterprise Ltd., a transportation services provider and an Independent Third Party

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## DEFINITIONS

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“Water Act”	the <i>Water Act</i> (Alberta), as amended, supplemented or otherwise modified from time to time
“WCSB”	the Western Canadian Sedimentary Basin
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO at <a href="http://www.eipo.com.hk"><u>www.eipo.com.hk</u></a>
“White Form eIPO service provider”	Computershare Hong Kong Investor Services Limited
“%”	per cent

*Unless otherwise specified, conversion of C\$ into HK\$ in this Prospectus are based on the rate of C\$1.00: HK\$5.8244, conversion of C\$ into US\$ are based on the rate of C\$1.00: US\$0.7509 and conversion of US\$ into HK\$ in this Prospectus are based on the rate of US\$1.00: HK\$7.7574.*

*No representation is made that any amounts in HK\$, C\$ and US\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.*

*Certain amounts and percentage figures included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

*Unless otherwise expressly stated or the context otherwise requires, all data in this Prospectus is as at the Latest Practicable Date.*

*Unless otherwise specified statements contained in this Prospectus assume no exercise of the Over-Allotment Option.*

*The English names of PRC companies, entities, persons or addresses included in this Prospectus are translations of their Chinese names and are included for identification purposes only. In the event of inconsistency, the Chinese versions shall prevail.*

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary contains definitions of certain technical terms used in this Prospectus in connection with our business. These terms and their given meanings may not correspond to industry standard definitions or usage of these terms.*

### TECHNICAL TERMS

“1P”	Proved Reserves
“2P”	Proved plus Probable Reserves
“3P”	Proved plus Probable plus Possible Reserves
“2D”	two-dimensional seismic data, being an interpretive data that allows a view of a vertical cross-section of subsurface strata beneath a prospective area
“3D”	three-dimensional seismic data, being geophysical data that depicts the subsurface strata in three dimensions. 3D seismic data typically provides a more detailed and accurate interpretation of the subsurface strata than 2D seismic data
“acid stimulation”	the treatment of a reservoir formation with a stimulation fluid containing a reactive acid
“API gravity”	American Petroleum Institute gravity, which is a measure of how heavy or light a petroleum liquid is compared to water. If a petroleum liquid’s API gravity is greater than 10 degrees, it is lighter and floats on water; if less than 10 degrees, it is heavier than water and sinks. API gravity is thus a measure of the relative density of a petroleum liquid and the density of water, but it is used to compare the relative densities of petroleum liquids. A higher API gravity indicates a lighter and less dense liquid
“assets”	a resource controlled by an enterprise as a result of past events and from which future economic benefits are expected to flow to the enterprise
“barrel”	a unit of volume equal to 42 US gallons
“Best Estimate”	at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the best estimate
“CBM”	coal bed methane
“CO <sub>2</sub> ”	carbon dioxide

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## GLOSSARY OF TECHNICAL TERMS

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“completion”	the installation of permanent equipment for the production of natural gas or oil or, in the case of a dry hole, the reporting of abandonment to the appropriate agency
“condensate”	a low-density, high API gravity liquid hydrocarbon phase that generally occurs in association with the production of natural gas
“Contingent Resources”	quantities of crude oil estimated, as at a given date, to be potentially recoverable from known accumulations but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies
“Cretaceous”	a geological period and system of the Mesozoic era spanning from approximately 145.5 to 65.5 million years ago
“crude oil”	the portion of petroleum that exists in the liquid phase in natural underground reservoirs and remains liquid at atmospheric conditions of pressure and temperature
“decline curve”	prediction of future oil and gas well production based on past history
“delineation”	determination of the physical boundary of something
“delineation well”	a well that is so closely located to another well penetrating an accumulation of crude oil and natural gas that there is a reasonable expectation that another portion of the accumulation will be penetrated by the first mentioned well. The drilling of the first-mentioned well is necessary in order to determine the physical extent, reserves and commercial value of the accumulation
“developed non-producing Reserves”	Reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown
“developed producing Reserves”	Reserves that are expected to be recovered from completion intervals open at the time of the estimate. These Reserves may be currently producing or, if shut in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty

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## GLOSSARY OF TECHNICAL TERMS

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“development”	the phase in petroleum operations that occurs after exploration has proven successful, and before full-scale production
“development well”	a well drilled inside the established limits of a natural gas and oil reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive
“Devonian”	the geologic period and system of the Paleozoic era spanning from 416 to 359.2 million years ago
“drilling location”	a location identified by the Competent Person in a project associated with a potential accumulation that is sufficiently well defined as a viable drilling target to move a project toward commercial production
“dry well”	a well found to be incapable of producing oil or gas in sufficient quantities to justify completion as a producing oil or gas well
“E&E”	exploration and evaluation
“E&P”	exploration and production
“economic limit”	the limit at the net operating cash flows from a project, which may be an individual well, lease, or entire field, are negative
“EUR” or “estimated ultimate recovery”	an approximation of the quantity of oil or gas that is potentially recoverable or has already been recovered from a reserve or well
“exit production”	the rate of production of oil and/or gas as at the end of the relevant year
“exploration”	the initial phase in petroleum operations that includes generation of a prospect or play or both, and drilling of exploration wells
“frac stimulation”	the abbreviation for hydraulic fracture stimulation, a process whereby fluid and sand particles (suspended in the fluid), are pumped into the well causing the geological formation to crack open (fracture), which creates a better conduit for the reservoir fluids to flow into the well bore

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## GLOSSARY OF TECHNICAL TERMS

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“field”	a defined geographical area consisting of a single reservoir or multiple reservoirs all grouped on, or related to, the same individual geological structural feature or stratigraphic condition
“formation”	a layer of rock which has distinct characteristics that differ from nearby rock
“geological and geophysical study” or “G&G Study”	a study of available geology and seismic, magnetic, gravity, and log data to learn or evaluate subsurface geology characteristic and hydrocarbon potential.
“GHG”	greenhouse gas
“gross Reserves”	the working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests
“H <sub>2</sub> S”	hydrogen sulfide
“high estimate”	at least a 10% probability (P10) that the quantities actually recovered will equal or exceed the high estimate
“horizontal drilling”	a drilling technique used in certain formations where a well is drilled vertically to a certain depth, after which the drill path builds to 90 degrees until it is in the target formation and continues horizontally for a certain distance
“IP” or “initial production”	the average amount of oil and/or gas produced in the first 24 hours of a well
“Junior Assets”	the oil and gas assets of the Company which are yet to be developed as listed in the section headed “Business — Our Key Assets — Junior Assets” in this Prospectus
“light crude oil”	crude oil normally measured at 30 API gravity or lighter
“low estimate”	at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the low estimate
“LNG”	liquefied natural gas
“LPG”	liquefied petroleum gas
“NGLs”	natural gas liquids

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## GLOSSARY OF TECHNICAL TERMS

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“OGIP” or “original gas in place”	the total volume of natural gas stored in a reservoir prior to production
“payout”	the point at which all costs of leasing, exploring, drilling and operating have been recovered from production
“permeability”	measure of the ability of a rock to conduct a fluid through its interconnected pores (pore throat) when that fluid is at 100% saturation. A rock may be highly porous and yet impermeable if it has no pore throat. Permeability is measured in millidarcies
“perforating”	the communication tunnel created from the casing or liner into the reservoir formation, through which oil or gas is produced
“PIIP”	quantity of petroleum initially in place that is estimated, as at a given date, to exist in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as at a given date, to be contained in known accumulations prior to production plus those estimated quantities in accumulations yet to be discovered. It is a measurement derived from an aggregation of the total reserves, contingent resources and prospective resources held by a person whether they are recoverable or unrecoverable
“play”	a group of oil fields or prospects in the same region that are controlled by the same set of geological circumstances
“PNG rights”	the right to produce petroleum and natural gas from the subsurface formation
“Possible Reserves”	those quantities of natural gas and crude oil which by analysis of geosciences and engineering data are less likely to be recoverable than probable reserves
“Probable Reserves”	those quantities of natural gas and crude oil which by analysis of geosciences and engineering data are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves
“producing well”	a well currently in production, or if shut in, previously in production and with reasonable certainty of resumption of production

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## GLOSSARY OF TECHNICAL TERMS

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“production”	the phase in petroleum operations that occurs after exploration and development phases and during which hydrocarbons are drained from an oil or gas reservoir
“Prospective Resources”	those quantities of natural gas and crude oil estimated, as at a given date, to be potentially recoverable from undiscovered accumulations which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoir and under defined economic conditions, operating methods and government regulations
“Proved Reserves”	those quantities of natural gas and crude oil, which, by analysis of geosciences and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations
“PRMS”	the Petroleum Resources Management System published by the Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council, and Society of Petroleum Evaluation Engineers in March 2007, as amended from time to time
“PV10%”	the present value of estimated future net revenues to be generated from the production of Proved Reserves and discounted using an annual discount rate of 10%
“Reserves”	those quantities of natural gas and crude oil anticipated to be commercially recoverable by the application of development projects to known accumulations from a given date forward under defined conditions. Reserves are classified according to the degree of certainty associated with the estimates
“reservoir”	means a porous and permeable underground rock formation containing a natural accumulation of natural gas and crude oil that is confined by impermeable rock or water barriers, is separate from other reservoirs and is characterized by a single pressure system
“Resources”	Contingent Resources and/or Prospective Resources
“saturation”	the fraction or percentage of the pore volume occupied by a specific fluid (e.g. oil, gas, water, etc.)

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## GLOSSARY OF TECHNICAL TERMS

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“section”	an area of land measuring 1 mile long by 1 mile wide or 640 acres
“seismic”	a method by which the physical attributes in the outer rock shell of the earth are determined by measuring, with a seismograph, the rate of transmission of shock waves through the various rock formations
“seismic data”	detailed information obtained by carrying out seismic work
“solution gas”	natural gas which is dissolved in the reservoir along with crude oil, condensates and water
“Spirit River Group”	a group of formations in WCSB which includes the Wilrich and Mountain Park formations
“surface land package”	a survey plan showing the proposed well location and consultation with confirmation of non objection from nearby parties and notification of other stakeholders, as required under the OGCA, Oil and Gas Conservation Rules and Alberta Energy Regulator Directive 056
“sweet natural gas”	a natural gas that contains no sulfur or sulfur compound at all, or in such small quantities that no processing is necessary for their removal in order that the gas may be sold
“water cut”	the ratio of water produced compared to the volume of total liquids produced from an oil well
“UWID”	Unique Well Identification (UWID) is the standard well identification developed for the Petroleum Industry by Geoscience Data Committee of the Canadian Petroleum Association
“working interest”	a proportional interest in a lease granting its owner the right to explore, develop and produce resources from a property and to receive revenues in proportion to the working interest over the property and incur costs in proportion to the working interest over the property
“WTI”	West Texas Intermediate, a grade of crude oil used as benchmark in oil pricing

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## GLOSSARY OF TECHNICAL TERMS

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### ABBREVIATIONS

#### Units of Measure

##### 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 meters
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

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## GLOSSARY OF TECHNICAL TERMS

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### Other

km	kilometers
km <sup>2</sup>	square kilometers
m	meters
m <sup>3</sup>	cubic meters
mg	milligrams
°C	degrees Celsius

### CONVERSION

#### Conversion Factors — Imperial to Metric

Bbl	×	0.1590	=	cubic meters (m <sup>3</sup> )
Mcf	×	0.0283	=	1.000 cubic meters (10 <sup>3</sup> m <sup>3</sup> )
acres	×	0.4047	=	hectares (ha)
Btu	×	1054.615	=	joules (J)
feet (ft)	×	0.3048	=	meters (m)
miles (mi)	×	1.6093	=	kilometers (km)
pounds (Lb)	×	0.4536	=	kilograms (kg)

*Unless otherwise indicated, gross reserves or gross production are reserves or production attributable to our interests prior to deduction of royalties; net reserves or net production are reserves or production net of such royalties. Gross or net production reported refers to sales volume.*

*The conversion factor from GJ to Mcf is based on the Gross Heating Value obtained from gas sample analysis and calculated at 15°C and 101,325 kPa and moisture and acid gas free. The conversion factor of our Company produced gas is in a range of 1 Mcf = 1.13~1.17 GJ. To simplify this conversion factor, our Company has adopted a conversion factor of 1 Mcf = 1.15 GJ, and 6.9 GJ = 1 Boe.*

*Our Company has adopted the standard of 6.0 Mcf: 1.0 Bbl when converting natural gas to oil equivalent. Condensate and other NGLs are converted to oil equivalent at a ratio of 1.0 Bbl: 1.0 Bbl. They may be misleading, particularly if used in isolation. A Boe conversion ratio of 6 Mcf: 1 Bbl is based roughly on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at our Company's sales point. Given the value ratio based on the current price of oil as compared to natural gas is significantly different from the energy equivalency of 6 Mcf: 1 Bbl, utilizing conversion ratios at 6 Mcf: 1 Bbl, 1 Mcf: 1.15 GJ and 6.9 GJ: 1 Boe may be misleading as an indication of value. For more information, please refer to the sections headed "Forward-looking Statements" and "Risk Factors" in this Prospectus.*

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## FORWARD-LOOKING STATEMENTS

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Certain statements in this Prospectus are forward looking statements that are, by their nature, subject to significant risks and uncertainties and we hereby caution investors in the Offer Shares or our other securities about important factors that could cause our actual results to differ materially from those projected in a forward looking statement included in this Prospectus. 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 Prospectus), uncertainties and other factors some of which are beyond our 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.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about our businesses and industry. No assurance can be given that these expectations will prove to be correct and such forward looking statements included in this Prospectus should not be unduly relied upon. In addition, this Prospectus may contain forward looking statements attributed to third party industry sources. Accordingly, any such statements are qualified in their entirety by reference to, and are accompanied by, the information and factors discussed throughout this Prospectus. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- the completion, size and timing of the Global Offering;
- the performance and characteristics of our properties and the size of our resources and reserves;
- the natural gas and oil production and production capacity of our assets;
- our growth strategy and opportunities;
- our capital expenditure programs and future capital requirements;
- our estimates of future interest and foreign exchange rates;
- our environmental considerations, including water usage, GHG emissions and the cost of compliance with environmental legislation;
- the timing and size of certain of our operations and phases, including our planned natural gas and oil development projects, and the levels of anticipated production;
- supply and demand fundamentals for natural gas, crude oil, NGLs and condensate and other diluents and fluctuations in market prices and costs;

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## FORWARD-LOOKING STATEMENTS

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- supply and demand for natural gas and oil and volatility in market prices;
- our future general and administrative expenses;
- our status and stage of development;
- the majority of our total reserves and contingent resources are non-producing and/or undeveloped;
- uncertainties associated with estimating reserves and resource volumes;
- sale, farming in, farming out or development of certain properties using third party resources;
- operational hazards;
- competition for, among other things, capital, the acquisition of reserves and resources, pipeline capacity and skilled personnel;
- risks inherent in our operations;
- our treatment under governmental regulatory and royalty regimes and tax laws;
- our ability to meet specific requirements in respect of our Crown Leases and PNG Licences;
- First Nations' claims and our relationships with local and regional stakeholders;
- unforeseen title defects;
- risks arising from future acquisition and/or disposal activities;
- failure to accurately estimate abandonment and reclamation costs;
- the need to obtain regulatory approvals and maintain compliance with regulatory requirements and the extent of, and cost of compliance with, laws and regulations and the effect of changes in such laws and regulations from time to time;
- the cost and availability of capital, including access to capital markets at acceptable rates; and
- all other risks and uncertainties described in the section headed "Risk Factors" in this Prospectus. However, readers are cautioned that the risks and uncertainties described in the section headed "Risk Factors" in this Prospectus are not exhaustive.

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## FORWARD-LOOKING STATEMENTS

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Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution 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 certain estimates and assumptions that the resources and reserves described can be profitably produced in the future. Further, any forward-looking statement speaks only as at the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement 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 Prospectus are expressly qualified by reference to this cautionary statement. We do not undertake any obligation to publicly update or revise any forward-looking statement except as required by law.**

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## RISK FACTORS

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*You should consider carefully all the information set out in this Prospectus and, in particular, you should consider and evaluate the following risks associated with an investment in our Company before making any investment decision in relation to the Global Offering. You should pay particular attention to the fact that we are incorporated in Alberta, Canada and that all of our operations are governed by a legal and regulatory environment which in some respects may differ from what might prevail in other countries. The occurrence of any of the following risks could have a material adverse effect on the business, results of operations, financial position and growth prospects of our Company. The trading prices of our Shares could decline due to any of these risks, and you may lose all or part of your investment. Please be cautioned that the risks and uncertainties described below are not exhaustive.*

These risks can be broadly categorized into: (i) risks relating to our business; (ii) risks relating to the Alberta natural gas and oil industry; (iii) risks relating to Alberta and Canada; and (iv) risks relating to the Global Offering.

### **RISKS RELATING TO OUR BUSINESS**

**Our exploration, development and operations involve uncertainties and risks, including those inherent in the natural gas and oil industry, such that our development plan and the level of expected profitability may not be achieved.**

As part of our growth strategy, we intend to further explore and develop our natural gas and oil reserves and resources on our existing land base. Our growth depends on our ability to develop and operate our PNG Licences and Crown Leases at reasonable costs and within our targeted timeframe to bring them to commercial production, which is dependent upon many factors beyond our control.

Natural gas and oil exploration involves a high degree of risk and there is no assurance that expenditures made on future exploration by us will result in new discoveries of natural gas or oil in commercial quantities. There is also no assurance that reported resources can be later classified as reserves. It is difficult to project the costs of implementing an exploratory drilling program due to inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones or unexpected drilling conditions and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof. For instance, the use of data to identify targets due to its uncertainty features may result in the risk that a seismically identified feature may not be associated with an economic reservoir. Future gas and oil exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs.

We will continue to evaluate reserves and resources or prospects on an ongoing basis in a manner consistent with industry standards. Our long-term commercial success depends on our

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## RISK FACTORS

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ability to find, acquire, develop and commercially produce natural gas and oil reserves and resources. No assurance can be given that we will be able to locate satisfactory reserves and resources. Failure to discover, develop and produce commercial quantities of natural gas and oil could have an adverse impact on our future growth prospects, results of operations and revenue.

Completion of drilling a well does not assure a profit on the investment or recovery of drilling, completion and production cost. Wells that we have drilled or plan to drill may not be productive or, even if productive, may not produce in such quantities that will allow us to recover our investments or profits. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. Production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

The extraction of our gas and oil is further subject to a variety of risks, including encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, cratering, fires and spills. In addition, reservoir quality or equipment failures and design flaws could increase the costs of extracting natural gas and oil from our well sites. The costs of producing and transporting natural gas and oil may increase and hence render our production uneconomical. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on our future results of operations, liquidity and financial condition.

In addition, the marketability of the natural gas and oil produced from our projects will be affected by numerous factors beyond our control. These factors include fluctuations in market prices, the proximity and capacity of pipelines and processing, the availability of equipment, the development and condition of infrastructure necessary to carry out our operations and government regulations (including regulations relating to prices, taxes, royalties, land tenure, allowable production, importing and exporting of oil and gas and environmental protection). Our estimates of production costs have also been based on our current estimations for our projects. Actual production costs may differ materially from such estimates. Moreover, it is possible that other developments, such as increasingly strict environmental and safety laws and regulations and enforcement policies could result in substantial costs and liabilities, delays or an inability to complete our projects or the abandonment of our projects.

**We may be exposed to risks in connection with our daily natural gas production committed sales arrangement with Macquarie Energy, including fluctuations in commodity pricing.**

We have entered into natural gas forward sales agreements with Macquarie Energy in order to protect against downward movements in the price of natural gas. Each sales agreement establishes a fixed selling price against a fixed daily production volume. For the year ended December 31, 2015 and the nine months ended September 30, 2016, we delivered approximately 9,260 GJ/d and 11,659 GJ/d of our daily production volume under these sales agreements, respectively. Under all of our existing sales arrangements with Macquarie Energy as at the Latest Practicable Date, a weighted average daily volume of approximately 12,411 GJ/d was delivered for Q4 2016 and a fixed daily volume of 15,400 GJ/d and 8,400 GJ/d will be delivered for each of the years ending December 31,

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2017 and 2018, respectively. The majority of our revenue in 2015 and 2016, and a substantial portion of our revenue in 2017 and 2018, was and/or is expected to be generated under the forward sales agreements with Macquarie Energy. We cannot assure you that we will be able to produce and deliver the committed volume of natural gas under the foregoing sales arrangement in full or in part. In addition, the weighted average forward selling prices for 2017 and 2018 under all existing sales agreements with Macquarie Energy as at December 31, 2016 will be at C\$2.78/GJ and C\$2.66/GJ, respectively, which are determined with reference to the forecast of future AECO prices for gas sales and delivery. However, we may receive less revenue than selling the natural gas at the spot price if the spot price of natural gas becomes higher than the price fixed by our sales agreements. We may suffer financial losses if we are unable to commence operations on schedule or are unable to produce sufficient quantities of natural gas to fulfil our obligations as well as facing credit risks in instances where the counterparty fails to perform under the foregoing sales arrangement.

**Our projects may be delayed or may not progress within budget or achieve commercial viability or the intended economic results.**

The completion of our three-year development plan could be delayed or experience interruptions or increased costs or may not be completed at all due to a number of factors, including:

- availability of capital;
- the effect of and any changes to regulations of the natural gas and oil industry by various levels of government and governmental agencies;
- non-performance, negligence, misconduct or error by third party contractors and operators;
- unfavorable weather conditions;
- availability of infrastructure and pipeline capacity;
- increases in materials or labor costs;
- catastrophic events such as fires, storms or explosions;
- the breakdown or failure of equipment or processes;
- construction, procurement and/or performance falling below expected levels of output or efficiency;
- changes in project scope;
- violation of permit requirements;

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- surface access restrictions or other restrictions on accessing project sites;
- subsurface conditions;
- decrease in demand for commodities or decrease in commodity prices or increase in supply for commodities; and
- interest rates fluctuations leading to increased cost of borrowings.

Because of these factors, we may not be able to execute or construct our projects or facilities on time, on budget, or at all, and may be unable to process and market the natural gas and oil that we may produce.

While we have a schedule for developing our projects, including obtaining regulatory approvals and commencing and completing the construction of our projects, we cannot assure you that our expected timetables will be met without delays, or at all, which could have potentially adverse effects upon our projects' budgets. Any delays may increase the costs of our projects, requiring additional capital. Accordingly, our plans and objectives may change from those described in this Prospectus and we cannot assure you that such capital will be available in a timely and cost-effective fashion.

**The reserves and resources data, volumes and present value calculations presented in this Prospectus are only estimates and actual results may differ.**

There are numerous uncertainties inherent in estimating quantities of natural gas and oil reserves and resources and cash flows to be derived therefrom, including many factors that may change and are beyond our control. The reserves and resources and any associated cash flow information set forth in this Prospectus represents estimates only and are based on a number of assumptions. In general, estimates of economically recoverable natural gas and oil reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of gas and oil, royalty rates, the assumed effects of regulation by governmental agencies and future production cost, all of which may vary from actual results. All such estimates are to some degree speculative, and classifications of reserves are only attempts to define the degree of speculation involved. For these reasons, estimates of economically recoverable natural gas and oil reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at different times, may vary. Our actual production, revenues, taxes and development and operating expenditures with respect to our reserves and resources will vary from estimates thereof and such variations could be material.

We use PV10% to estimate the present value of future net revenues from our operations. Pre-tax PV10% is the estimated present value of our future net revenues generated from our Proved Reserves (1P) and Proved plus Probable Reserves (2P) before income taxes, discounted using an

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annual discount rate of 10%. Post tax PV10% is the same calculation on an after income tax basis. PV10% is not a measure of financial or operating performance, nor is it intended to represent the current market value of our estimated reserves. Estimates with respect to reserves that may be developed and produced in the future are often based on volumetric calculations, probabilistic methods and analogy to similar types of reserves, rather than upon actual production history, and are therefore generally less reliable. While we believe that the presentation of PV10% estimates provides useful information to investors in evaluating and comparing the relative size and value of our reserves, calculations of our future net revenues using PV10% are inherently uncertain as a result of the reasons outlined above and therefore should not be unduly relied on. Furthermore, the Competent Person, in the Competent Person's Report, has used a range of other discount rates to calculate present value of future net revenues which would produce different results from the use of PV10%. We make no representation that 10% is the correct or best discount rate to use and PV10% estimates are presented in this Prospectus for reference only.

Actual future net cash flows will be affected by other factors such as actual production levels, supply and demand for natural gas and oil, curtailments or increases in consumption by natural gas and oil purchasers, changes in governmental regulation or taxation and the impact of inflation on costs. Actual production and cash flows derived therefrom will vary from the estimates contained in the Competent Person's Report. The reserves reports are based in part on the assumed success of activities intended to be undertaken in future years. The reserves and estimated cash flows to be derived therefrom contained in the applicable engineering reports will be reduced to the extent that such activities do not achieve the level of success assumed in such Competent Person's Report.

Estimates of Proved Reserves (1P) that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

If we fail to successfully develop or acquire additional natural gas and oil reserves, our business and growth prospects could be harmed.

The level of our future natural gas and oil reserves and resources, production, cash flows and revenue will be highly dependent on our success in exploiting our reserves and resources base, acquiring additional reserves and resources and discovering new reserves and resources. Without the continual addition of new reserves through acquisition or exploration and development activities, the existing number of reserves and level of production will decline over time as and when the reserves have been already exploited and our financial position and growth prospects could be materially and adversely affected. Future increase in our reserves will depend not only on our ability to develop any properties we may have from time to time, but also on our ability to identify, acquire and develop suitable producing properties or prospects. We cannot assure you that

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we will be successful in exploring for and developing or acquiring additional reserves and resources on terms that meet our strategy, and that our future exploration and development efforts will result in the discovery and development of additional commercial accumulation of natural gas and oil.

**We will need a significant amount of capital investment to accomplish our growth strategy including the exploration for and development of well sites and to maintain our operations. We may be unable to raise capital on terms favorable to us or at all, which could increase our financing costs, dilute your ownership interests, affect our business operations or force us to delay or abandon our growth strategy.**

The exploration for and development of our well sites requires a significant amount of capital investment and prior to the commencement of commercial operations at the relevant well site and our ability to obtain financing and the cost of such financing are dependent on numerous factors, including but not limited to:

- general economic and capital market conditions;
- the availability of credit from banks or other lenders;
- investor confidence in us; and
- the continued performance of our projects.

Our projected capital expenditures required to develop commercial operations at our well sites are expected to be significantly greater than our currently available working capital. We currently do not have the capital or committed financing in place necessary to complete all our planned future exploration and development phases and therefore will need to rely on additional equity or debt financing to obtain the funds necessary to complete our future exploration and development activities. Inflation risks and interest rates subject us to potential erosion of future product netbacks. For example, domestic prices for construction equipment and services and natural gas and oil production equipment and services can inflate the costs of project development and increase future production cost.

In addition, any construction delays in our projects could potentially increase the capital expenditure required to develop the well sites. Our operations may not generate sufficient cash flows to fund our capital investment requirements and ongoing activities at all times. We may later be required to finance our cash needs through public or private equity offerings, bank loans or other debt financing, or other sources. We cannot assure you that financing for our existing well sites or future expansion or other corporate purposes will be available on terms favorable to us or at all, which could force us to delay, reduce or abandon our growth strategy, increase our financing costs, or both.

Additional funding from debt financings may make it more difficult for us to operate our business because we would need to make principal and interest payments on the indebtedness and may be subject to potentially higher interest rates or obligated to abide by certain unfavorable terms

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or restrictive covenants contained in the debt financing agreements, which may, among other things, limit our ability to make business and operational decisions and pay dividends. For instance, the interest rate of the new term loan facility which will be made available to our Company by a Canadian-listed financial institution is higher than the interest rate under the Macquarie Bank Credit Agreement. Furthermore, raising capital through public or private sales of equity to finance capital expenditures could cause earnings or ownership dilution to your shareholding interests in our Company.

Recent and continuing disruptions and volatility in the global financial markets may lead to an increase in the interest rates or a contraction in credit availability impacting our ability to finance our operations. We require continued access to capital. A significant reduction in the availability of credit could materially and adversely affect our ability to achieve our planned growth and operating results.

**We depend upon the experience and services of experienced management and skilled staff and our business may be severely disrupted in the event that we lose their services and are unable to find replacements with comparable experience and expertise.**

Our business and operations depends significantly upon the continued services of our experienced management team, including Mr. Bo, our President, Chief Executive Officer and our executive Director, Mr. Pingzai Wang, our Senior Vice President of Exploration, Mr. Binyou Dai, our Vice President of Engineering, Ms. Jun Xiang, our Interim Chief Financial Officer, Mr. Lei Song, our Production Engineer and other skilled staff. We rely on their expertise in the natural gas and oil industry to develop our business strategies and to manage our business operations and growth. We also rely on the technical know-how of our management team for our operations, including drilling methods and process management throughout the exploration, development and production phases. The unexpected loss or departure of any of our management could adversely affect our business, our financial conditions and results of operations. Moreover, should we need to attract or retain replacement personnel, we may have to incur additional expenses to recruit, train and retain such personnel, which could materially and adversely affect our results of operations.

Our business operations and continued growth depend in part on our ability to recruit and retain suitable staff. Our well sites will require experienced employees with particular areas of expertise. The number of persons skilled in the exploration and development of well sites may be limited. We cannot assure you that all required employees with the necessary expertise will be available. There may be other natural gas and oil exploration projects in Alberta that are planned for completion on timetables similar to those of our well sites. We may need to offer better compensation and other benefits in order to attract and retain key personnel, which may materially increase our expenses and affect our profitability.

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**Our future acquisition of Crown Leases and PNG Licences and other assets may be adversely affected by competition from other natural gas and oil exploration and production companies, and if we fail to compete effectively, we may be unable to sustain our growth.**

Our continued growth is affected by our ability to compete effectively. As part of our growth strategy, we plan to expand our business by acquiring land and other resource and reserve assets in the future. However, we may encounter competition from both existing and new emerging gas and oil players when we seek to do so and may not have the financial resources to compete with those players for the acquisition of such land and other assets. Other factors that could affect our competitiveness may also include, among others, technical capability, experience and track record.

**Future acquisitions and the anticipated benefits of acquisitions are not guaranteed.**

Future acquisitions of gas and oil issuers and assets by us will typically be based on engineering and economic assessments made by our management and reviewed by independent engineers. These assessments include a series of assumptions regarding such factors as the recoverability, marketability and future prices of natural gas and oil and production costs, future capital expenditures, royalties and other governmental levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond our control. In particular, changes in the prices of and markets for natural gas and oil from those anticipated at the time of making such assessments will affect the value of our securities. In addition, all such assessments involve a measure of geological and engineering uncertainty which could result in lower production and reserves than anticipated. Although selected title and environmental reviews are conducted prior to acquisitions of resource issuers and assets, such reviews cannot guarantee that any unforeseen defects in the chain of title will not arise to defeat our title to certain assets or that environmental defects or deficiencies do not exist or are greater than anticipated.

Achieving the benefits of any future acquisitions we may complete will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as our ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with ours. Integrating the assets acquired under such acquisitions will require the dedication of substantial management effort, time and resources, which may divert management's focus and resources from other strategic opportunities and operational matters during this process. The integration process may not be as successful as anticipated and may result in the loss of key employees and the disruption of ongoing business, customer and employee relationships and this may adversely affect our ability to achieve the anticipated benefits of such acquisitions.

**Our operations depend on infrastructure owned and operated by third parties and on services provided by third parties.**

We depend on certain infrastructure owned and operated or to be constructed by others and on services provided by third parties, including, without limitation, processing facilities or pipelines for the transportation of products to the market, engineering, equipment procurement and

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construction contracts, maintenance contracts for key equipment, and contracts for services of a constant or recurring nature. In particular, we solely rely on ConocoPhillip's Peco Plant for processing and the NGTL System for transportation of our products. There is no assurance that we will be able to continue utilizing ConocoPhillip's Peco Plant under its current available processing capacity and the NGTL System under its current available transportation capacity. The failure of any or all third parties to supply utilities or services, on a timely basis and on acceptable commercial terms, and otherwise comply with the terms and conditions of the applicable agreements, will negatively impact our operations and financial results.

**We derive a substantial portion of our revenue from our major customers, and the loss of any of such customers, or a significant loss, reduction or rescheduling of orders from any of these customers, could have a material adverse effect on our business, results of operations and financial condition.**

Our business is substantially dependent on our major customers. As we are a junior gas and oil producer, we derive a substantial portion of our revenue from a limited number of major customers. Sales to our top five customers collectively accounted for approximately 99.9%, 100%, 99.2% and 98.4% of our revenue for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, respectively, while our largest customer accounted for approximately 61.7%, 82.5%, 72.2% and 56.9% of our revenue for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, respectively.

We intend to derive a substantial portion of our revenue from our major customers. However, we cannot assure you on our ability to successfully retain these customers. Any failure to maintain our established relationships with them, due to market conditions or any other reason, could result in the loss of a key customer and its business. If we lose a key customer, or if a key customer significantly reduces its purchasing levels or delays a major purchase, or if we fail to attract additional major customers, our business, financial condition and results of operations could be materially and adversely affected.

**Operations may be adversely affected by processing and transportation capacity of natural gas and oil.**

We deliver our products through gathering, processing and pipeline systems, most of which we do not own. The amount of natural gas and oil that we can produce and sell is subject to the accessibility, availability, proximity, capacity and destinations of these systems. The lack of availability in any of the gathering, processing and pipeline systems, and in particular the processing facilities, or the insufficiency in the capacity of such systems to facilitate transport of our production, could result in the inability to realize the full economic potential of our production or in a reduction of the price offered for our production. Although pipeline expansions and the proposed construction of new pipelines are ongoing, the lack of firm pipeline capacity continues to affect the natural gas and oil industry and limit the ability to produce and to market natural gas and oil production. Pipeline expansions and the construction of new pipelines have long timelines for completion, require substantial capital, and are often subject to delays outside the control of the project proponent, such as delays in receiving regulatory approvals. Any significant change in

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market factors or other conditions affecting these infrastructure systems and facilities, as well as any delays in constructing new infrastructure systems and facilities could harm our business. Third party pipeline transportation capacity limitations can impact the Alberta oil and gas industry in terms of production, market availability and cash flow. For instance, our 2017 production forecast will not be fully supported by the assigned FT-R services in NGTL and approximately 47% of which is based on the expected available FT-R services from other third parties and/or IT-R services from NGTL. If third party pipeline providers restrict interruptible transportation service in Alberta, this may have an adverse impact on production, subject to any contracted levels of firm transportation service.

Third party pipeline providers are subject to risks relating to maintenance work, pipeline repair and new equipment installation and any service reductions may affect production rates in the industry. For instance, due to the ongoing maintenance and repairs on the NGTL System, we may from time to time experience short-term outage in the delivery capability of the NGTL System, which we rely on for transporting our natural gas. For further details, please refer to the section headed “Business — Transportation” in this Prospectus.

In addition, a portion of our production may, from time to time, be processed through facilities owned by third parties and over which we do not have control. From time to time, these facilities may discontinue or decrease operations either as a result of normal servicing requirements or as a result of unexpected events. A discontinuation or decrease of operations could materially and adversely affect our ability to process its production and to deliver the same for sale.

**Our future financial performance will be negatively affected by the listing expenses incurred in connection with the Listing.**

Our financial results for the year ending December 31, 2016 will be affected by non-recurring expenses in relation to the Listing. Based on the midpoint of the indicative price range set out in the Prospectus, the total listing fee borne by us amounted to approximately C\$6.4 million, of which approximately C\$2.4 million is expected to be capitalized after the Listing in 2017. The remaining amount includes approximately C\$4.0 million, of which approximately C\$0.5 million was charged to profit and loss in 2015, approximately C\$2.3 million was charged to profit and loss for the nine months ended September 30, 2016, approximately C\$0.7 million is estimated to be charged to profit and loss for the three months ended December 31, 2016 and approximately C\$0.5 million will be charged to profit and loss for the year ending December 31, 2017, respectively.

Whether or not the Listing eventually occurs, a significant portion of the listing expenses will have been incurred and recognized as expenses, which will reduce our net profit and therefore negatively affect our future financial performance. In addition, if the Listing were to be postponed due to market conditions, we would also need to incur additional listing expenses for our future listing plan, which would further negatively affect our future net profit. As a result, our business, financial performance, results of operations and prospect would be materially and adversely affected.

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### **Adverse impact on our business and reputation if we do not obtain registration of the trademark of “PERSTA” (both text and design marks) in Canada.**

As at the Latest Practicable Date, we are the registered owner of two trademark registrations bearing our name “PERSTA” (both text and design marks) in Hong Kong. We also applied for four trademark registrations bearing our name “PERSTA” (both text and design marks) with the Canadian Intellectual Property Office, which is still under review. Siepman-Werke GmbH & CO. KG. (“**Siepman**”), an Independent Third Party, is the registered owner of certain Canadian trademark registrations bearing the name of “PERSTA” (both text and design marks) for, amongst other goods and services, die-forged and/or welded valves, pipelines and water level indicators. We have received Siepman’s consent to our abovementioned applications registration for use in association with the goods and services in relation to crude oil, natural gas, liquefied petroleum gas and natural gas liquids, and we have executed an agreement that the trademarks to be registered by us can coexist in the Canadian marketplace with their trademark registrations without causing confusion to the goods and services provided by the parties in the Canadian marketplace.

Notwithstanding the aforesaid, we cannot guarantee that the trademarks in the application process in Canada will be approved in the end, nor can we guarantee that the granting of the trademark registrations in such products or services areas can cover all of our normal business activities. Should we fail to obtain the trademark registrations in Canada such that we are unable to protect our name “PERSTA” under the Canadian trademark laws or other laws of intellectual property rights or should any court rule that we are infringing on or have been infringing on any third party trademarks or intellectual property rights, that will cause an adverse impact on our business and reputation. Currently we are not aware of any third party’s intent to enforce its trademarks against us.

### **We rely on gas processing plant for the processing of NGLs and condensate and we had a record of adjustments by the gas processing plant.**

We engage third party gas processing plant to process our untreated natural gas. NGLs and condensate are the by-products generated from the processing of the natural gas and are sold directly to the gas processor. We rely on the measurement and allocation of volume by the gas processor for the sales volume of these by-products and our actual production, revenues and financial performance in relation to NGLs and condensate are subject to any reallocation and correction they made to the measurement of volume of these products. We experienced a decline in sales volume of NGLs and condensate from 45,180 Bbl for 2013 to 29,682 Bbl for 2014. The decline was due to the reallocation of products in the gas processing plant, which was an offset to the sales volume of our NGLs by an amount equal to the overallocated volume of NGLs by the gas processor due to the allocation error of the gas processor during the years from 2010 to 2013. Any future reallocation of products and correction made to the processed volume by the gas processor will result in fluctuations on our actual sales volume of NGLs and condensate, and if such adjustment is substantial, could materially and adversely affect our results of operations.

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**We recorded net current liabilities as at December 31, 2013 and we may expose ourselves to liquidity risk if we experience net current liabilities in the future.**

We had a net current liabilities position of C\$113,879,030 as at December 31, 2013 mainly due to a short-term bank loan of C\$30,350,000 and a shareholder's loan of C\$69,418,658. The repayment of the short term loan and the capitalization of the shareholder's loan changed the net current liabilities position to a net current asset position of C\$4,514,170 as at December 2014. Please refer to the section headed "Financial Information — Discussion of Statements of Financial Position Items — Net Current Assets and Liabilities" in this Prospectus for details. There is no assurance that we will not record net current liabilities in the future. We may not have sufficient working capital to meet our current liabilities, implement our development plan or expand our operations as anticipated. In such circumstances, our liquidity, business operations, financial conditions, and prospects may be materially and adversely affected.

### **RISKS RELATING TO THE ALBERTA NATURAL GAS AND OIL INDUSTRY**

**Revenue and results of operations are sensitive to changes in natural gas and oil prices and general economic conditions.**

Our ability to achieve profitability depends largely on the demand for and price of natural gas and crude oil in Canada.

Our revenue and results of operations are substantially dependent on the prevailing prices of natural gas and oil which are unstable and subject to fluctuation. Fluctuations in natural gas or oil prices could have an adverse effect on our operations and financial condition and the value and amount of our reserves. Natural gas prices are influenced primarily by factors within North America, including North American supply and demand, economic performance, weather conditions and availability and pricing of alternative fuel sources. Crude oil prices are mainly driven by a few factors which include the supply from the Organization of Petroleum Exporting Countries (OPEC) and the supply from outside the OPEC, global crude oil demand and crude oil inventories. Furthermore, crude oil prices also react to a variety of geopolitical and economic events as well. In addition, the marketability of the production depends upon the availability, capacity and destinations of gathering systems, pipelines, and other transportation infrastructure, approval and regulation of federal and provincial infrastructure projects, effect of federal and provincial regulation on such production and general economic conditions. All of these factors are beyond our control. Adverse changes in general economic and market conditions could also negatively impact demand for natural gas and oil, production cost, results of financing efforts, fluctuations in interest rates, market competition, labor market supplies, timing and extent of capital expenditures or credit risk and counterparty risk.

For further details about the pricing and marketing of natural gas and oil, please refer to the section headed "Laws and Regulations — Pricing and Marketing" in this Prospectus.

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Decreases in natural gas and oil prices typically result in a reduction of our Company's net production revenue and may change the economics of producing from some wells, which could result in a reduction in the volume of our Company's production. We have temporarily shut-in production from two oil wells in 2015 in view of weak oil prices. Any substantial declines in the prices of crude oil or natural gas could also result in delay or cancellation of existing or future drilling, exploration and development or construction programs or the curtailment of production. All of these factors could result in a material decrease in our net production revenue, cash flows and profitability and have a material adverse effect on our operations, financial condition and proved reserves and the level of expenditures for the development of our natural gas and oil reserves, causing a reduction in our oil and gas acquisition, exploration and development activities. In addition, bank borrowings available to us will in part be determined by our borrowing base. A sustained material decline in prices from historical average prices could further reduce such borrowing base, therefore reducing the bank credit available and could require that a portion of our bank debt be repaid.

Natural gas and oil prices are expected to remain volatile for the near future because of market uncertainties over the supply and demand of these commodities due to the current state of world economies. Volatile natural gas and oil prices make it difficult to estimate the value of producing properties for acquisitions and often cause disruption in the market for natural gas and oil producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

We conduct an assessment of the carrying value of our assets to the extent required by IFRS. If oil or natural gas prices decline, the carrying value of our assets could be subject to downward revision, and our earnings could be adversely affected.

We mainly sell our natural gas, natural gas related products (NGLs and condensate) and crude oil products to gas and oil trading companies or companies involved in gas and oil trading. The selling price of our natural gas benchmarks to Canadian Gas Price Reporter, which is also known as Alberta Energy Company natural gas price ("**AECO natural gas price**"), while the natural gas related products and crude oil products benchmark to monthly average of WTI commodity price. During the Track Record Period, we also entered into sales agreements to sell our natural gas over a time period at a specified price and volume. The sales value accounted for 29.6%, 23.9%, 72.2% and 52.0% of our total revenue from sales of crude oil and natural gas for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, respectively. Therefore, the sales of remaining production which accounted for 70.4%, 76.1%, 27.8% and 48.0% of our total revenue from crude oil and natural gas sales for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, respectively, were sensitive to the respective market price fluctuations. The outlook for natural gas, crude oil, NGLs and condensate prices is one of the key factors impacting our reserve estimates and future investment plans, which in turn affect our expected production volumes and sales revenue for future periods.

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**Our business operations are subject to and may be adversely affected by present and any future laws and regulations and substantial changes to those regulations.**

Our business is subject to substantial regulation under provincial and federal laws relating to the natural gas and oil industry, including exploration, development, processing, marketing, pricing, environmental protection, hydraulic fracturing, taxation, labor and transportation and other matters. Changes to current laws and regulations governing operations and activities of oil and gas operations could have a material adverse impact on our business and operations. We cannot assure you that laws, regulations and government programs related to our projects and the gas and oil industry will generally not be changed in a manner which may adversely affect our projects, cause delays or inability to complete our projects or adversely affect our profitability.

Our operations are, and will continue to be, affected in varying degrees by federal, provincial and local laws and regulations regarding the protection of the environment. Should there be changes to existing laws and regulations, our competitive position within the oil industry may be adversely affected, and other industry players may have greater resources than we have to adapt to legislative changes.

We will be responsible for compliance with the terms and conditions of environmental and regulatory approvals we receive and all the laws and regulations regarding the abandonment of our exploration and delineation wells, our projects and the reclamation of our lands at the end of their economic lives. These abandonment and reclamation costs may be substantial.

A breach of such approvals, laws or regulations may result in the issuance of remedial orders, the suspension of approvals, or the imposition of fines and penalties. It is not presently possible to estimate the abandonment and reclamation costs with certainty since they will be a function of regulatory requirements in the future. The value of salvageable equipment may not fully cover these abandonment and reclamation costs.

Labor laws and regulations in Canada impose various obligations on employers, including provisions which could significantly impact the cost of an employer's decision to reduce its workforce. In the event we decide to significantly change or decrease our workforce, such laws and regulations could adversely affect our ability to enact such changes in a manner that is advantageous to our business or in a timely and cost-effective manner, thus materially and adversely affecting our financial condition and results of operations.

In addition, in the future we may be required by applicable laws or regulations to place a deposit with the AER, or to establish and fund one or more reclamation funds to secure or provide for payment of future abandonment and reclamation costs, which could divert cash resources away from capital expenditure and working capital needs. During the Track Record Period, we have made a provision for decommissioning obligations. Please refer to Note 13 in the Accountants' Report set out in Appendix I to this Prospectus.

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We cannot assure you that future environmental approvals, laws or regulations will not adversely impact our ability to develop and operate our projects or increase or maintain production of natural gas and oil or control of our costs of production. Equipment which can meet future environmental standards may not be available on economically viable terms or on a timely basis and instituting measures to ensure environmental compliance in the future may significantly increase production cost or reduce output. There is a risk that the federal and/or provincial governments could pass legislation that would tax air emissions or require, directly or indirectly, reductions in air emissions produced by energy industry participants, which we may be unable to mitigate.

All phases of the business present environmental risks and hazards and are subject to environmental legislation and regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases and emissions of various substances produced in connection with operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures, and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and production cost. Unlawful discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require us to incur costs to remedy such discharge. Environmental legislation also may materially impact the cost and operations of processing, refining, storage, and transportation of natural gas and oil. We cannot assure you that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise may have a material adverse effect on our business, results of operations, financial position and growth prospects.

Leases are subject to provincial stewardship and conservation guidelines, and as such, there is a risk that surface and subsurface access and activities could be altered to conserve and protect the diversity of ecological regions, migratory species and support the efficient use of lands. The ALSA defines regional outcomes (economic, environmental and social) and includes a broad plan for land and natural resource use for public and private lands.

Additionally, although we are currently not a party to any material environmental litigation, we cannot assure you that we will not become subject to such legal proceedings in the future, which may have a material adverse effect on our business, results of operations, financial position, growth prospects and reputation.

For further information on environmental regulation, please refer to the section headed “Laws and Regulations — Environmental Regulation” in this Prospectus.

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## RISK FACTORS

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In addition, there can be no assurance that income tax laws, other laws or government incentive programs relating to the gas and oil industry, will not be changed in a manner which will adversely affect us. There can be no assurance that tax authorities having jurisdiction will agree with how we calculate our income for tax purposes or that such tax authorities will not change their administrative practices to our detriment.

**Drilling and other equipment for exploration and development activities may not be available when needed.**

Natural gas and oil exploration and development activities are dependent on the availability of drilling and related equipment in the areas where such activities will be conducted (typically leased from third parties). If the demand for this equipment exceeds the supply at any given time, or if the equipment is subject to access restrictions our exploration and development activities could be delayed. We cannot assure you that sufficient drilling and other necessary equipment will be available as needed by us. Shortages could delay and/or increase the cost of our proposed exploration, development and sales activities, and could have a material adverse effect on our business, results of our operations, financial position and growth prospects.

**The Canadian gas and oil exploration industry could experience disruptions due to unfavorable or seasonal weather conditions.**

The level of activity in the Canadian gas and oil exploration industry is influenced by seasonal weather patterns and could be affected by unfavorable weather conditions. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Seasonal factors and unexpected weather patterns may lead to declines in development activities.

**Acquiring, developing and exploring for natural gas and oil involves many hazards and our insurance coverage may not be sufficient to cover all resulting losses and we cannot be fully insured against all risks related to our operations.**

Our involvement in the exploration for and development of gas and oil properties may result in us becoming subject to liability for pollution, blow-outs, property damage, personal injury or other hazards. Although we have obtained insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities.

In addition, although we maintain insurance in accordance with customary industry practice, we are not fully insured against all of these risks nor are all such risks insurable and in certain circumstances we may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. In addition, the nature of these risks is such that liabilities could exceed policy limits, in which event we could incur significant costs that could have a material adverse effect on our business, financial condition, results of operations, prospects and our ability to pay dividends to Shareholders.

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## RISK FACTORS

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**The gas and oil exploration industry in general is highly competitive.**

The Canadian gas and oil exploration industry and international oil and gas exploration industry are highly competitive. Gas and oil producers compete with each other for the acquisition, exploration, production and development of natural gas and oil properties, and for capital to finance such activities and they include companies that have greater financial and personnel resources available to them. Our business will compete with other producers of synthetic oil, conventional crude oil and natural gas, and with vertically integrated oil and gas companies. Some of these competitors may have lower costs and greater financial and other resources than us. A number of these competitors have significantly longer operating histories and have more widely recognized brand names, which could give such competitors advantages in attracting customers. Many such companies not only explore for and produce natural gas and oil, but also carry on refining operations, operate processing and transportation infrastructure, and market natural gas and crude oil and other products on a worldwide basis and as such have greater and more diverse resources upon which to draw. There is also competition between the gas and oil industry and other industries with respect to the supply of energy and fuel to industrial, commercial and individual customers.

We are vulnerable to political events throughout the world that adversely affect natural gas and oil prices and marketability.

Political events throughout the world that cause disruptions or resumptions in the supply of natural gas and oil in various global markets may severely affect the marketability and price of natural gas and oil acquired or discovered by our Company. Conflicts, or conversely peaceful developments, arising outside of Canada have a significant impact on the price of natural gas and oil. Any particular event could result in a material decline in prices and result in a reduction of our net production revenue.

In addition, our natural gas and oil properties, wells and facilities could be the subject of a terrorist attack. If any of our properties, wells or facilities are the subject of terrorist attack it may have a material adverse effect on our business, financial condition, results of operations and prospects. Our Company does not have insurance to protect against the risk of terrorism.

**Ownership of all permits, leases, licences and approvals, including our Crown Leases and PNG Licences, is subject to federal, provincial and local laws and regulations and may be unable to be obtained or renewed or may be cancelled.**

The Mines and Minerals Act regulates natural persons and corporate entities eligible to own Crown Leases or PNG Licences and, subject to certain exceptions, limits ownership to a number of different types of locally registered corporate entities, including corporations registered under the Companies Act or corporations registered, incorporated or continued under the ABCA. Accordingly, overseas companies or entities may not directly own Crown Leases or PNG Licences in Alberta. They may only do so indirectly through whole or part ownership of a Canadian registered or incorporated company.

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## RISK FACTORS

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Our properties are held in the form of licences and leases and working interests in licences and leases. If we or the holder of the licence or lease fails to meet the specific requirement or covenants of a PNG Licence, Crown Lease, licence or lease, the PNG Licence, Crown Lease, licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of our licences or leases or the working interests relating to a licence or lease may have a material adverse effect on our Company's business, financial condition, results of operations and prospects.

Permits, PNG Licences, Crown Leases, leases, licences, and approvals are required from a variety of regulatory authorities at various stages of our projects. We cannot assure you that the various government permits, PNG Licences, Crown Leases, leases, licences and approvals sought will be granted in respect of our projects or, if granted, will not be cancelled or will be renewed upon expiry. We cannot assure you that such permits, leases, licences, and approvals will not contain terms and provisions which may adversely affect the final design and/or economics of our projects. In addition, we cannot assure you that third parties will not object to the development of our projects during the regulatory process.

### **Our operations could be adversely affected by climate change legislation.**

As is the case for all producers, our exploration activities and production facilities emit GHG which directly subjects us to statutory regulation.

On July 1, 2007, SGER came into force under CCEMA requiring Alberta facilities which emit or have emitted more than 100,000 tonnes of GHGs in 2003 or any subsequent year to reduce their GHG emissions intensity by 12% (from emission baseline levels). If a facility is not able to abate GHG emissions sufficiently to meet the reduction target, it may utilize the following compliance mechanisms: (i) emissions performance credits obtained from other regulated facilities; (ii) emissions offsets obtained from non-regulated facilities or projects which reduce or remove GHG emissions; or (iii) credits for contributions to the Fund. Regulated facilities may choose any combination of these compliance mechanisms to comply with their target. At present, we do not operate any facilities regulated by SGER. However, we cannot assure you that we will not incur material costs in the future if the relevant SGER provisions are amended. The Government of Alberta also published a new climate change action plan in January 2008 wherein it set an objective to deliver a 50% reduction in GHG emissions by 2050 compared to business as usual, by employing: (i) mandatory carbon capture and storage ("CCS") for certain facilities and development across all industrial sectors; (ii) energy efficiency and conservation; and (iii) research and investment in clean energy technologies, including carbon separation technologies to assist CCS. Further, pursuant to a recent announcement from the Government of Alberta, by 2016 emissions intensity must be reduced to up to 85% of baseline, and by 2017 emissions intensity must be reduced to up to 80% of baseline; and contributions to the Fund were increased from C\$15/tonne to C\$20/tonne of GHG on January 1, 2016 and will increase again to C\$30/tonne on January 1, 2017.

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## RISK FACTORS

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Further, the Government of Alberta has expanded the scope of carbon pricing in Alberta. Beginning in January 2017 all economic sectors will be subject to a C\$20/tonne carbon price, which will increase to C\$30/tonne on January 1, 2018, and escalate annually thereafter.

The Government of Alberta has also announced plans to reduce methane emissions from oil and gas operations by 45% by 2025. This will be accomplished by applying new emissions design standards to new facilities, and developing a voluntary joint initiative among industry, environmental groups and indigenous groups on methane reduction and verification that will take action on venting and fugitive emissions from existing facilities, including enhanced measurement and reporting requirements for new and existing facilities. Regulated mandatory standards will become effective in 2020, and will be implemented by the AER, Alberta Energy and AEP.

Changes in the regulatory environment such as increasingly strict carbon dioxide emission laws could result in significant cost increases. In 2008, the Government of Canada provided details of its environmental regulatory framework, originally announced on April 26, 2007. All industrial sectors in Canada were required to reduce their emissions intensity from 2006 levels by 18% by 2010, with 2% continuous improvement every year after that. To date, regulations have only been implemented for coal fired electricity generation and motor vehicles. It is unknown when regulations that are specific to the oil and gas industry will be released or implemented.

Canada is a signatory to the UN Framework Convention on climate change and the Kyoto Protocol established thereunder pursuant to which it was required to reduce its GHG emissions by 6% below 1990 levels by the 2008–2012 timeframe. Subsequent to ratifying the Kyoto Protocol, the Government of Canada announced that it would be unable to meet its Kyoto commitments. In December 2009 representatives from approximately 170 countries met at Copenhagen, Denmark, to negotiate a successor to the Kyoto Protocol. That meeting resulted in the non-binding Copenhagen Accord which represents a broad political consensus rather than a binding international obligation. On January 30, 2010, the Government of Canada committed to a non-binding GHG emissions target of 17% below 2005 levels by 2020 pursuant to the Copenhagen Accord. On December 12, 2011, the Government of Canada announced that it would not agree to a second Kyoto compliance period following the expiration of the first period in 2012. Meetings in Durban, South Africa in December 2011 led to the adoption of the Durban Platform, which launches a process to develop a single, new, comprehensive climate change agreement by 2015 that will include commitments by all major emitters beginning in 2020. Canada is a signatory to the Paris Agreement which was concluded at the Paris climate conference held in December 2015. Canada has committed to reduce GHG emissions by 20% from 2005 levels by 2020. The Canadian federal government has not yet presented a framework for achieving the said target.

The Canadian government has stated on several occasions that it would like to align its GHG emissions regime with that of the US. It is currently unclear when such legislation will be enacted in the US or what it will entail. It is therefore unclear whether or when the Canadian federal government will implement a GHG emissions regime or what obligations might be imposed thereunder. Any Canadian federal legislation, once enacted, could have a material adverse effect on our operations.

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Further, the Canadian Prime Minister and the First Ministers of the provincial and territorial governments recently met to discuss a national climate change plan, and on March 3, 2016, jointly issued the Vancouver Declaration on Clean Growth and Climate Change. The Vancouver Declaration outlines the vision and principles that the governments will follow to create a climate change and economic growth framework for Canada. The governments agreed upon four immediate priorities: (a) clean technology, innovation, and jobs; (b) carbon pricing mechanisms adapted to each province's and territory's specific circumstances and in particular the realities of Canada's Indigenous peoples and Arctic and sub-Arctic regions; (c) specific mitigation opportunities; and (d) adaptation and climate resilience.

Working groups were established to report on these priorities, and to make recommendations on the development of the Government of Canada's climate change framework. Options presented in the working group reports were discussed at meetings of Ministers of the Environment and Ministers of Innovation and Economic Development held in October and November 2016. On the basis of these reports, the Ministers proposed the basis for a Pan-Canadian Framework on Clean Growth and Climate Change. As one element of the Pan-Canadian Framework on Clean Growth and Climate Change, the Government of Canada proposes a pan-Canadian benchmark for carbon pricing. The proposed benchmark includes, among other things, the following elements: (i) all jurisdictions in Canada will have carbon pricing by 2018; (ii) pricing will be based on GHG emissions and applied to a common and broad set of sources; (iii) jurisdictions can implement an explicit price-based system or a cap-and-trade system; (iv) for jurisdictions with an explicit price-based system, the carbon price should start at a minimum of C\$10 per tonne in 2018, and rise by C\$10 per year to C\$50 per tonne in 2022; (v) for jurisdictions with cap-and-trade need: (a) a 2030 emissions reduction target equal to or greater than Canada's 30% reduction target, and (b) declining (more stringent) annual caps to at least 2022 that correspond, at a minimum, to the projected emissions reductions resulting from the carbon price that year in price-based systems; (vi) the Government of Canada will introduce an explicit price-based carbon pricing system that will apply in jurisdictions that do not meet the benchmark; and (vii) the overall approach will be reviewed by early 2022 to confirm the path forward, including continued increases in stringency.

Future federal industrial air pollutant and GHG emission reduction targets, together with provincial emission reduction requirements contemplated in CCEMA, or emission reduction requirements in future regulatory approvals, may require the reduction of emissions or emissions intensity from our operations and facilities, payments to a technology fund or purchase of emission performance or off-set credits. The required emission reductions may not be technically or economically feasible for our projects and the failure to meet such emission reduction requirements or other compliance mechanisms may materially adversely affect our business and result in fines, penalties and the suspension of operations. In addition, equipment from suppliers which can meet future emission standards may not be available on an economic basis and other compliance methods of reducing emissions or emission intensity to required levels in the future may significantly increase our production costs or reduce the output of our projects. Emission performance or off-set credits may not be available for acquisition by us, or may not be available on an economically

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## RISK FACTORS

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feasible basis. There is also the risk that the provincial government could impose additional emission or emission-intensity reduction requirements, or that the federal and/or provincial governments could pass legislation which would tax such emissions.

### **Changes in foreign exchange rates could adversely affect our business, results of operations and financial position.**

Our results may be indirectly affected by the exchange rate between the Canadian and US dollar. Our revenue, expenditures and other expenses are in Canadian dollars, and our reporting currency is the Canadian dollar. However, the spot price or selling price of oil commodities is determined by reference to US benchmark prices. An increase in the value of the Canadian dollar relative to the US dollar will indirectly decrease the revenues received for our commodities. Separately, to the extent that we may in the future engage in risk management activities related to commodity prices and foreign exchange rates, through entry into natural gas and oil price hedges and forward foreign exchange contracts or otherwise, we could be subject to unfavorable price changes and credit risks associated with the counterparties with which we contract.

### **Alternatives to and changing demand for crude oil products.**

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to natural gas and oil, and technological advances in fuel economy and energy generation devices could reduce the demand for oil and other liquid hydrocarbons. We cannot predict the impact of changing demand for natural gas and oil products, and any major changes may have a material adverse effect on the our business, financial condition, results of operations and cash flows.

## **RISKS RELATING TO ALBERTA AND CANADA**

### **Cash flow and profitability could be affected by changes in Alberta's royalty regime and by increased taxes.**

The development of our resource assets will be directly affected by the applicable fiscal regime. The economic benefit of future capital expenditures for our projects is, in many cases, dependent on the fiscal regime. The Government of Alberta receives royalties on production of natural resources from lands in which it owns the mineral rights, which are linked to commodity prices and production levels and apply to both new and existing projects and conventional oil and gas activities.

On January 29, 2016, the Government of Alberta released a royalty review report that recommended minimal changes to the current royalty structure. The Government of Alberta finalized the new royalty framework called as Modernizing Alberta's Royalty Framework in April 2016. For more information of the current and new royalty structure and the royalty review report, please refer to the section headed "Laws and Regulations — Laws and Regulations Relating to the Canadian Natural Gas and Oil Industry — Royalties and Incentives" of this Prospectus.

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According to the Modernizing Alberta's Royalty Framework, starting January 2017, crude oil, natural gas liquids and natural gas production will have a flat royalty rate of 5%, until cumulative revenue from a well is equal to the Drilling and Completion Cost Allowance, based on average industry drilling and completion costs. After that pay-out, royalties will be energy price-sensitive and reflect expected returns over the life of the well. For wells drilled before 2017, the existing royalty rates will remain in effect until 2026. We cannot assure you that the adoption of the new royalty framework could not have a materially adverse effect on the financial prospects and results of operations of oil and gas developers and producers in Alberta, including us.

**As we are incorporated in Alberta, Canada and are principally governed by Canadian laws and regulations, you may not have the benefit of certain Hong Kong laws, rules and regulations such as those relating to shareholder protection which, although broadly commensurate with those protections afforded to shareholders of Canadian incorporated companies, are not identical.**

We are governed by the ABCA and are principally subject to Canadian laws, regulations and accounting standards. As highlighted in the sections headed "Key Canadian Legal and Regulatory Matters" and "Appendix V — Summary of the Articles and By-Laws of Our Company and Alberta Corporation Laws" to this Prospectus. Canadian laws and regulations may differ in some respects from comparable laws and regulations of Hong Kong or other jurisdictions. Accordingly, Shareholders may not have the benefit of certain Hong Kong laws and regulations.

**Dividends payable to foreign investors and gains on the sale of Shares may become subject to withholding taxes under Canadian tax laws.**

Dividends paid or credited or deemed to be paid or credited on our Shares to a Non-Resident Shareholder will be subject to a Canadian non-resident withholding tax at a rate of 25%, subject to reduction under the provisions of any applicable income tax treaty or convention between Canada and the country of which the Non-Resident Shareholder is resident.

A Non-Resident Shareholder may also be subject to tax in respect of any capital gain realized by such Shareholder on a disposition of Shares if the Shares constitute "taxable Canadian property" (as defined in the ITA) of the Non-Resident Shareholder at the time of disposition and the Non-Resident Shareholder is not entitled to relief under an applicable income tax treaty or convention. The Shares will generally not constitute taxable Canadian property to a Non-Resident Shareholder unless certain ownership thresholds and asset value tests have been satisfied.

For further details about potential Canadian federal income tax considerations, please refer to the section headed "Key Canadian Legal and Regulatory Matters — Certain Canadian Federal Income Tax Considerations" of this Prospectus. Investors should consult an independent tax adviser if they have any doubt about the application of Canadian federal income tax rules to their particular circumstances and the consequences to them with respect to the purchase, ownership, withholding tax on dividends and refund procedures as well as disposition of our Shares.

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## RISK FACTORS

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**Claims may be made by aboriginal peoples which could increase project development costs, and/or delay or prevent the exploration or development of our projects and adversely affect our business.**

Aboriginal peoples have claimed aboriginal title and rights to portions of western Canada based on historic use and occupation of lands, historic customs and treaties with governments. Such rights may include rights to access the surface of the lands, as well as hunting, harvesting and fishing rights. We are not aware that any claims have been made in respect of our specific properties or assets. However, if a claim arose and was successful, such claim could, among other things, delay or prevent the exploration or development at our projects, which in turn could have a material adverse effect on our business, results of operations, financial position and growth prospects.

Prior to making decisions that may adversely affect existing or claimed aboriginal rights and interests, the government has a duty to consult with potentially affected aboriginal peoples. This duty may be delegated to industry participants. The time required for the completion of aboriginal consultations may affect the timing of regulatory authorizations. Furthermore, any agreements or arrangements reached pursuant to such consultation may materially affect our business, results of operations, financial position and growth prospects.

**As a Canadian company, it could be difficult for investors to effect service of process on and recover against us or our Directors and officers. Shareholders may face difficulties in protecting their interest.**

We are a Canadian company and most of our Directors and officers are residents of various jurisdictions outside Hong Kong. A substantial portion of our assets and the assets of our Directors and officers at any one time, are and may be located in jurisdictions outside Hong Kong. It could be difficult for investors to effect service of process within Hong Kong on our Directors and officers who reside outside Hong Kong or to recover against us or our Directors and officers on judgments of Hong Kong courts predicated upon the laws of Hong Kong. We have also been advised by our Canadian Legal Advisers that Canada has no arrangement for the reciprocal recognition and enforcements of judgment with Hong Kong.

Our corporate affairs are governed by our charter documents, consisting of our Articles and By-Laws, and by the ABCA. The rights of our Shareholders and the fiduciary responsibilities of our Directors are governed by the laws of Alberta and Canada. The laws of Alberta and Canada relating to the protection of the interests of minority Shareholders differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. You should be mindful about such differences. Please refer to the section headed “Appendix V — Summary of the Articles and By-Laws of Our Company and Alberta Corporation Laws” to this Prospectus.

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## RISK FACTORS

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### RISKS RELATING TO THE GLOBAL OFFERING

**There has been no prior public market for the Shares, and an active trading market may not develop.**

Prior to the Global Offering, no public market existed for our Shares. The initial Offer Price range to the public for our Offer Shares is the result of negotiations between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), and our Offer Price may differ significantly from the market price for our Shares following the Global Offering. We cannot assure you that an active trading market for our Shares will develop following the Global Offering or, if it does develop, that it will be sustained or that the market price for our Shares will not decline below the Offer Price. There can be no assurance as to the ability of holders of our Shares to sell their Shares or the prices at which Shareholders would be able to sell their Shares. Consequently, holders of our Shares may not be able to sell their Shares at prices equal to or greater than the price paid for their Shares in the Global Offering.

**The price and trading volume of the Shares may be volatile, which could result in substantial losses for investors purchasing Offer Shares in the Global Offering.**

Factors such as fluctuations in our revenue, earnings, cash flows, new investments, acquisitions or alliances, regulatory developments, additions or departures of key personnel, or actions taken by competitors could cause the market price of our Shares or trading volume of our Shares to change substantially and unexpectedly. In addition, stock prices have been subject to significant volatility in recent years. Such volatility has not always been directly related to the performance of the specific companies whose shares are traded. Such volatility, as well as general economic conditions, may materially and adversely affect the prices of shares and as a result investors in our Offer Shares may incur substantial losses.

**Future sale or major divestment of Shares by any of our Company's Controlling Shareholders could adversely affect the prevailing market price of the Shares.**

The Shares held by our Controlling Shareholders are subject to certain lock-up periods, the details of which are set under the section headed "Underwriting" in this Prospectus. We cannot assure you that after the restrictions of the lock-up periods expire that these Shareholders will not dispose of any Shares. Sales of substantial amounts of our Shares in the public market, or the perception that these sales may occur, may materially and adversely affect the prevailing market price of the Shares.

**You should read the entire Prospectus carefully and we cannot assume or assure the reliability of industry and market information and statistics derived from official government publications contained in the Prospectus.**

This Prospectus contains information and statistics relating to the natural gas and oil industry and market. With respect to information and statistics derived from various government or official sources and publications and commissioned reports, while we have exercised reasonable care in

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## RISK FACTORS

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reproducing such information and statistics, they have not been independently verified by us, our Directors or any of our affiliates or advisers, nor by the Sole Sponsor, the Underwriters or any other parties involved in the Global Offering or their respective affiliates or advisers. Further, we cannot assure you that such information and statistics are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other countries. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the information and statistics included in this Prospectus being inaccurate or not comparable to information and statistics produced for other economies. None of our Company, our Directors, the Sole Sponsor, the Underwriters nor any other parties involved in the Global Offering makes any representation as to the accuracy or completeness of such information. Prospective investors should not place undue reliance on any of such information and statistics contained in this Prospectus. In any event, you should consider carefully the importance placed on such information and statistics.

**Future issuances or sales, or perceived issuances or sales, of substantial amounts of the Shares in the public market could materially and adversely affect the prevailing market price of the Shares and our Company's ability to raise capital in the future.**

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market, including by our substantial Shareholders, or our issue of new Shares, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our Shares could also materially and adversely affect our ability to raise capital in the future at a time and at a price favourable to it, and our Shareholders would experience dilution in their holdings upon issuance or sale of additional securities in the future. The market price of our Shares could be lower than our Offer Price.

**Our Controlling Shareholders have substantial control over our corporate actions and can exert significant influence over important corporate matters, which may reduce the price of our Shares and deprive you of an opportunity to receive a premium for your Shares.**

After Completion of the Global Offering, our Controlling Shareholders will jointly own approximately 67.30% of our total issued Shares, without taking into account any Shares which may be issued upon the exercise of the Over-Allotment Option. These Shareholders have signed the Unanimous Shareholders Agreement and the First Supplemental Unanimous Shareholders Agreement in relation to board and shareholder meetings of Aspen and our Company and if acting together under that agreement, could exert substantial influence over matters such as electing Directors and approving material mergers, acquisitions, the amount and timing of dividends and other business combination transactions. The interests of our Controlling Shareholders may not be consistent with the interests of other Shareholders. To the extent the interests of our Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders could be disadvantaged or harmed. This concentration of ownership may also discourage, delay or prevent a change of control of our Company, which could have the dual effect of depriving our

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Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and reducing the price of our Shares. These actions may be taken even if they are opposed by our other Shareholders, including those who purchase Shares in the Global Offering.

**We may issue additional Shares in the future which may be dilutive to Shareholders.**

We may issue additional Shares in the future, which may dilute a Shareholder's holdings in the Company. Subject to the Listing Rules, the Articles permit the issuance of an unlimited number of Common Shares and Shareholders will have no pre-emptive rights in connection with such further issuances. Subject to the applicable Canadian laws and the Listing Rules, the Directors have the discretion to determine the terms of further issue Shares. Investors of our Shares may experience immediate dilution in the net tangible asset value per Share if our Company issues additional Shares in the future at a price which is lower than the then net tangible asset value per Share.

**We may not be able to pay any dividends on the Shares.**

We do not have a fixed dividend payout ratio, and we cannot guarantee when, if and/or in what form dividends will be paid on our Shares following the Global Offering. A declaration of dividends must be proposed by our Board and is based on, and limited by, various factors, including, without limitation, our business and financial performance, capital and regulatory requirements and general business conditions. We may not have sufficient or any profits to make dividend distributions to Shareholders in the future, even if our financial statements prepared under IFRS indicate that our operations have been profitable. For further details on our dividend, please refer to the section headed "Financial Information — Dividend" in this Prospectus.

**The structure of our Company is subject to change from time to time.**

From time to time, we may take steps to organize our affairs in a manner that minimizes taxes and other expenses payable with respect to our operations. If the manner in which we structure our affairs is successfully challenged by a taxation or other authority, our Company and the holders of Shares may be adversely affected.

**Foreign exchange losses could occur through the conversion of the proceeds from the Global Offering into Canadian dollars.**

The net proceeds from the Global Offering will be denominated in Hong Kong dollars. If the Canadian dollar increases in value against the Hong Kong dollar, our Company could experience foreign exchange losses as we convert the net proceeds from the Global Offering into Canadian dollars for the purposes as described in this Prospectus.

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**As the Offer Price is higher than our net tangible book value per Share, you will incur immediate dilution to your attributable net tangible book value per Share.**

The Offer Price is higher than our net tangible book value per Share immediately prior to completion of the Global Offering. Therefore, subscriber of the Offer Shares will experience an immediate dilution in pro forma net tangible assets of HK\$1.52 per Share based on our pro forma net tangible assets per Share as at September 30, 2016 (assuming an Offer Price of HK\$3.40, which is the mid-point of the indicative Offer Price range, and without taking into consideration any Shares which may be issued upon the exercise of the Over-Allotment Option), and our existing Shareholders will receive an increase in the pro forma adjusted net tangible asset value per Share of their Shares. In addition, holder of our Shares may experience a further dilution of their interest if we obtain additional capital in the future through equity offerings.

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## KEY CANADIAN LEGAL AND REGULATORY MATTERS

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*Our Company was incorporated as a corporation in Alberta, Canada with limited liability on March 11, 2005 under the ABCA and our entire business operation is conducted in Alberta. We are therefore subject to the ABCA and other applicable laws and regulations in Alberta and Canada. The legal and regulatory regime in Hong Kong differs in certain material aspects from that in Alberta and Canada. Set out below is a summary of certain laws and policies in Alberta and Canada that may be relevant to our Shareholders and potential investors. As the information contained below is in summary form, it does not contain all of the information that may be important to you as potential investors. This section should be read in conjunction with “Appendix V — Summary of the Articles and By-Laws of our Company and Alberta Corporation Laws” to this Prospectus. **If you are in any doubt about any content of this section or information contained in this Prospectus in general, you should obtain independent professional advice.***

### CERTAIN CANADIAN OVERSEAS OWNERSHIP RESTRICTIONS

The ICA generally prohibits a reviewable investment to be made by an entity that is a “non-Canadian”, unless after review, the minister responsible for the ICA is satisfied that the investment is likely to be of net benefit to Canada.

An investment in the Shares by a non-Canadian who is not a “WTO investor” (which includes governments of, or individuals who are nationals of, member states of the World Trade Organization (including Canada) and corporations and other entities controlled by them), at a time when our Company was not already controlled by a WTO investor, would be subject to a net benefit review under the ICA in two circumstances. First, if it was an investment to acquire control (within the meaning of the ICA, and as described below) and the value of our Company’s assets, as determined under ICA regulations, was C\$5 million or more. Second, the investment would also be reviewable if an order for review was made by the federal cabinet of the Canadian government on the grounds that the investment related to Canada’s cultural heritage or national identity (as prescribed under the ICA), regardless of asset value.

An investment in our Shares by a WTO investor that is not a state-owned enterprise (or by a non-Canadian that is neither a state-owned enterprise nor a WTO investor at a time when our Company was already controlled by a WTO investor) would only be reviewable under the ICA if it was an investment to acquire control and the enterprise value of our Company, as determined under ICA regulations was not less than a specified amount, which is C\$600 million until April 24, 2017 and will increase thereafter in accordance with ICA regulations. The enterprise value of our Company equals our market capitalization plus our liabilities other than operating liabilities minus our cash and cash equivalents, as determined under ICA regulations.

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## KEY CANADIAN LEGAL AND REGULATORY MATTERS

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An investment in our Shares by a WTO investor that is also a state-owned enterprise (or by a non-Canadian state-owned enterprise who is not a WTO investor at a time when our Company was already controlled by a WTO investor) would only be reviewable under the ICA if it was an investment to acquire control and the value of our Company's assets, as determined under ICA regulations was not less than a specified amount, which for 2016 is C\$375 million.

In addition to the foregoing circumstances, an investment would also be reviewable if an order for review is made by the federal cabinet of the Canadian government on the grounds that an investment by a non-Canadian could be injurious to national security.

The ICA provides detailed rules to determine if there has been an acquisition of control. For example, a non-Canadian would acquire control of our Company for the purposes of the ICA if the non-Canadian acquired a majority of the Shares. The acquisition of less than a majority, but one-third or more, of the Shares would be presumed to be an acquisition of control of our Company unless it could be established that, on the acquisition, our Company would not in fact be controlled by the acquirer. An acquisition of control for the purposes of the ICA could also occur as a result of the acquisition by a non-Canadian of all or substantially all of our Company's assets.

The Competition Act provides that certain substantial transactions among significant parties may not be consummated unless a pre-merger notification thereof is made to the Commissioner and a stipulated waiting period expires. Where the Commissioner believes that a proposed transaction does not give rise to competition concerns, he may issue an advance ruling certificate (an "ARC") that exempts the parties from the notification requirement and precludes the Commissioner from challenging the transaction in the future.

There are two thresholds that must be met in order for a transaction to be notifiable. The first threshold is the current C\$87 million "size of transaction" threshold. This threshold is set annually by the Canadian government for 2016. If the book value of the assets in Canada of our Company, or the revenues generated from sales in or from Canada by our Company and its affiliates exceed C\$87 million, the second C\$400 million "size of the parties" threshold must also be considered. Assuming the first threshold is exceeded, if the book value of the assets in Canada or the revenues generated in, from and into Canada of the purchaser and its affiliates and our Company and its affiliates exceeds C\$400 million, notification is required.

In connection with the Global Offering, if a person (or affiliated group of persons) acquires more than 20% of the shares pursuant to the Global Offering and the above mentioned thresholds are exceeded, Competition Act approval may be required.

If a transaction is subject to notification, the parties thereto are required to file prescribed information in respect of themselves, their affiliates and the proposed transaction and pay a prescribed filing fee. The parties may also apply for an ARC or a "no action letter" which may be issued by the Commissioner in respect of a proposed transaction if he is satisfied that there are not sufficient grounds on which to apply to the Competition Tribunal for an order challenging the transaction at that time. As the Commissioner retains the right to challenge a transaction for up to one year after closing, the parties usually agree not to close until the Commissioner has completed

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her review and has issued either a no-action letter or an ARC. The Commissioner would likely only challenge a proposed transaction if the transaction prevents or lessens, or is likely to prevent or lessen, competition substantially in the market affected.

### CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Gowling WLG (Canada) LLP, counsel to the Company, the following, as at the date of this Prospectus, describes the principal Canadian federal income tax considerations under the ITA to a holder of Shares who, at all relevant times, for purposes of the ITA and any applicable income tax treaty or convention, is neither resident nor deemed to be resident in Canada, deals at arm's length and is not affiliated with the Company, holds the Shares as capital property, does not and is not deemed to use or hold the Shares in, or in the course of, carrying on a business in Canada, has not acquired the Shares in one or more transactions considered to be an adventure or concern in the nature of trade, does not hold Shares as part of the business property of a permanent establishment in Canada and is not a foreign affiliate of a taxpayer resident in Canada for the purposes of the ITA. In addition, this discussion does not apply to an insurer who carries on business in Canada and elsewhere, an "authorized foreign bank", a "financial institution", a "specified financial institution", or an entity an interest of which is a "tax shelter investment" (all as defined in the ITA).

This discussion is based on the facts set out in this Prospectus, the provisions of the ITA and the regulations thereunder (the "**Regulations**") in force on the date hereof and counsel's understanding of the current administrative policies of and assessing practices of the CRA made publicly available prior to the date hereof. It also takes into account all specific proposals to amend the ITA and the Regulations publicly announced by or on behalf of the Canadian Minister of Finance prior to the date hereof. This discussion does not otherwise take into account or anticipate any changes in law or in the administrative policies or assessing practices of the CRA, whether by legislative, governmental or judicial action or decision, nor does it take into account any other federal, provincial or foreign income tax considerations, which may differ significantly from those discussed herein.

For ITA purposes, each amount relating to the acquisition, holding or disposition of the Shares must be converted to Canadian dollars using the rate quoted by the Bank of Canada at noon on the particular day for the exchange of the particular currency to Canadian currency, or using such other rate that is, acceptable to the CRA, on the effective date that the amount first arose.

**This discussion is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in the Shares. Moreover, the income or other tax consequences of acquiring, holding or disposing of Shares will vary depending on the holder's particular circumstances, including the jurisdiction or jurisdictions in which the holder resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of Shares. Investors should consult their own tax advisers for advice with respect to the tax consequences of an investment in Shares based on their particular circumstances.**

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### Dividends on Shares

Dividends paid or credited or deemed to be paid or credited on the shares to a Non-Resident Shareholder will be subject to a Canadian non-resident withholding tax at a rate of 25%.

The non-resident withholding tax of 25% applicable to dividends may be reduced by virtue of the provisions of an applicable income tax treaty or convention between Canada and the country of which the Non-Resident Shareholder is a resident. This non-resident withholding tax rate may be reduced to 15%, or even 5%, for Non-Resident Shareholders entitled to the benefits of the Canada-Hong Kong tax treaty. **Such persons should consult their own tax advisers with respect to the requirements and timelines applicable to obtaining such non-resident withholding tax reductions.**

#### *Non-CCASS Non-Resident Shareholder*

A Non-Resident Shareholder that is entitled to a reduction in the rate of withholding tax will be required to furnish our Company with certain documentation in support of such reduced withholding rate. Generally, in order to qualify for reduced non-resident withholding taxes, due to an applicable income tax treaty, the non-resident recipient must establish their entitlement to such tax reductions by providing the applicable Canada Revenue Agency Form NR301, NR302 and/or NR303 to our Company.

#### *CCASS Non-Resident Shareholder*

For Non-Resident Shareholders who hold the Shares through CCASS, our Company is not able to ascertain the identities, shareholding percentage and tax residences of these Non-Resident Shareholders due to the inherent characteristics of CCASS. In addition, it is our understanding that CCASS will not be able to provide any supporting documentation in respect of the beneficial holders of the Shares that are on deposit with CCASS and accordingly, such Non-Resident Shareholders will not be entitled to a reduction of the withholding tax at source. However, they may be entitled to obtain a refund from the Canadian taxing authority for any excess amount that may be withheld and remitted.

Applications for non-resident withholding tax refunds for dividends received by Non-Resident Shareholders (“**applicants**”) from our Company must be made within 2 years of the end of the calendar year in which the withheld amount is remitted to the Receiver General of Canada. This application should be made by submitting Canada Revenue Agency Form NR7-R. If the applicant previously received Canada Revenue Agency Form NR4B Supplementary from our Company, the applicant should complete Form NR7-R, including the “Certification” section, and attach copy 3 of Form NR4B Supplementary. If the applicant did not previously receive Form NR4B Supplementary from our Company, the applicant should complete Form NR7-R, including the “Certification” section, and forward the completed Form NR7-R to our Company to have our Company complete the “Certificate of Tax Withheld” section. Completed Form NR7-R, and copy 3 of Form NR4B Supplementary, if applicable, should be mailed to the Canada Revenue Agency, International Taxation Office, 875 Heron Road, Ottawa, Ontario, Canada K1A 1A8.

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CCASS Non-Resident Shareholders who believe that they are entitled to a reduction of withholding tax on dividend payments made by our Company will need to apply to Canada Revenue Agency directly on their own behalf to obtain a refund of any such excess taxes withheld and remitted to the Canada Revenue Agency. Generally, such holders need to submit a completed and signed Canada Revenue Agency Form NR7-R together with a monthly investment statement issued to them by their brokers and any other documentation and information that the Canada Revenue Agency may request in order to reflect their identities as the beneficial owners and the numbers of Shares in our Company held by them.

**Shareholders should however be aware that the above procedures do not prevail over any applicable Canadian law or tax treaty between Canada and Hong Kong and Shareholders remain subject to tax in Canada on dividends distributed by our Company in accordance with Canadian laws and any applicable tax treaty. Shareholders should consult their own tax adviser with respect to the requirements, procedures, timelines and cost involved in obtain such refunds.**

### **Disposition of Shares**

A Non-Resident Shareholder will not be subject to tax under the ITA in respect of any capital gain realized by such Shareholder on a disposition of Shares unless the Shares constitute “taxable Canadian property” (as defined in the ITA) of the Non-Resident Shareholder at the time of disposition, and the Non-Resident Shareholder is not entitled to relief under an applicable income tax treaty or convention. As long as the Shares are listed on a designated stock exchange for the purposes of the ITA (which currently includes the Stock Exchange) at the time of disposition, the Shares generally will not constitute taxable Canadian property of a Non-Resident Shareholder, unless at any time during the 60 month period immediately preceding the disposition: (a) the Non-Resident Shareholder, persons with whom the Non-Resident Shareholder did not deal at arm’s length, or the Non-Resident Shareholder together with all such persons, owned 25% or more of the issued shares of any class in the capital of our Company; and (b) more than 50% of the fair market value of the Shares was derived directly or indirectly from one or any combination of: (i) real or immovable property situated in Canada; (ii) Canadian resource properties; (iii) timber resource properties; and (iv) options in respect of, or interests in, or for civil law rights in, property described in any of (i) to (iii) above, whether or not the property exists. Furthermore, in certain circumstances where property was exchanged for or converted into Shares on a tax-deferred basis, the Shares may be deemed to be “taxable Canadian property.” As our Company’s assets and business activities are comprised primarily of natural gas and light oil properties located in Canada, it is likely that the conditions set out in (b) above would be met. As such, where the conditions in (a) above are met for a particular holder, it is likely the Shares will constitute taxable Canadian property for Canadian tax purposes to that particular holder.

If the Shares constitute “taxable Canadian property” and no relief is available under an applicable income tax treaty or convention, then a Non-Resident Shareholder who is an individual and realizes a capital gain on the disposition of Shares in a particular taxation year will generally be subject to tax in Canada on such capital gain at graduated marginal tax rates based on the

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aggregate amount of income and gains on which such Non-Resident Shareholder may be subject to tax in Canada in that particular year. The highest marginal rate of tax payable on the capital gain is 24.42%. A capital gain realized by a Non-Resident Shareholder that is a corporation will generally be subject to a tax in Canada at the rate of 12.5%. **The ITA contains various rules relating to the computation of capital gains and capital losses and the carrying forward and back of losses to offset capital gains realized by a taxpayer that are not discussed herein. Non-Resident Shareholders whose Shares may constitute taxable Canadian property should consult their own tax advisers.**

### SHAREHOLDER PROTECTION MATTERS

Under Rule 19.05(1)(b) of the Listing Rules, the Stock Exchange may refuse a listing of securities by an issuer if the Stock Exchange is not satisfied that the overseas issuer is incorporated or otherwise established in a jurisdiction where the standards of shareholder protection are at least equivalent to those provided in Hong Kong. The Joint Policy Statement states that for the purpose of determining whether an overseas company demonstrates acceptable shareholder protection standards, the Stock Exchange ordinarily expects an overseas applicant to demonstrate appropriate shareholder protection standards conforming to the key shareholder protection standards as set out in the Joint Policy Statement.

The Stock Exchange has accepted our Company's application for listing on the Stock Exchange on the basis that, with respect to most of the key shareholder protection standards as set out in the Joint Policy Statement, the standards of shareholder protection afforded to shareholders of companies incorporated in Alberta, taken as a whole, are, in all material respects, at least equivalent to, or broadly commensurate with, standards of shareholder protection afforded to shareholders of companies incorporated in Hong Kong.

Not all shareholder protections afforded to shareholders of companies incorporated in Alberta are at least equivalent to those afforded to shareholders of companies incorporated in Hong Kong.

### Material Shareholder Protection Matters

With respect to some of the key shareholder protection standards as set out in the Joint Policy Statement, shareholder protections afforded to shareholders of companies incorporated in Alberta are not at least equivalent to those afforded to shareholders of companies incorporated in Hong Kong. In respect of those matters, our Company is satisfied that such items are broadly commensurate with those protections afforded to shareholders of companies incorporated in Hong Kong on the grounds that there are nevertheless material shareholder protections in place in respect of such items.

### Variation of Class Rights

The Joint Policy Statement requirement is that a super-majority vote of members is required to approve changes to the rights attached to any class of shares of an overseas company (vote by members of that class). The Joint Policy Statement requires a super-majority vote to mean at least a

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two-thirds majority where an overseas company has a low quorum requirement (e.g. two members). When an overseas company's threshold for deciding the variation of class rights is a simple majority only (50% plus 1 vote), these matters must be decided by a significantly higher quorum. Alteration of class rights requires a special separate resolution by shareholders of that class under section 176 of the ABCA, as well as a special resolution of all shareholders pursuant to section 173 of the ABCA. The threshold for a special resolution in Canada is a two-thirds majority and therefore is equivalent to the two-thirds majority required for a Hong Kong incorporated public company. However, as under the Joint Policy Statement, the ABCA requires an affirmative vote of more than a simple majority in order to approve a variation of class rights. There is no specific legislative right in Alberta to petition the court in relation to a variation of class rights by special resolution. However, minority shareholders do have the ability to challenge an improper variation that is oppressive through the Alberta courts through statutory and common law oppression remedies.

### **Voluntary Winding Up**

The Joint Policy Statement requires that a super-majority vote of members is required to approve the voluntary winding up of an overseas company. The Joint Policy Statement requires a super-majority vote to mean at least a two-thirds majority where an overseas company has a low quorum requirement (e.g. two members). When an overseas company's threshold for deciding the voluntary winding up of a company is a simple majority only (50% plus 1 vote), these matters must be decided by a significantly higher quorum. The ABCA has different resolution requirements for voluntary dissolution and liquidation. A company may voluntarily dissolve by passing a special resolution. However, before a company can voluntarily dissolve, it must have no assets and either no liabilities, or liabilities which have been fully assumed by its parent company. These provisions provide protection for shareholders in that all the company's assets will have to be distributed out before dissolution. Liquidation of a company in Alberta requires a special resolution.

### **Notice of a Special Resolution**

The Joint Policy Statement requirement is that an overseas company must give its members reasonable written notice of its general meetings. The ABCA specifies the notice of the time and place of a meeting of shareholders shall be sent not less than 21 days and not more than 50 days before the meeting: (a) to each shareholder entitled to vote at the meeting; (b) to each director; and (c) to the auditor of the corporation. The notice period requirement of our Company under Alberta law is at least equivalent, or broadly commensurate, to that afforded to shareholders of companies incorporated in Hong Kong.

### **Changes to Constitutional Documents**

Changes to our Articles' authorized share structure, name, special rights and restrictions attaching to shares and corporate powers all require approval by a special resolution, while amendments to its By-Laws only requires approval by an ordinary resolution. The ABCA specifies

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a two-thirds majority for special resolutions. We have amended our By-Laws to provide that any amendments to the By-Laws may only be made by way of a special resolution requiring a two-thirds majority.

### **Reduction of Share Capital**

Under the ABCA, a company can reduce its share capital by special resolution (a two-thirds majority vote), unlike the Companies Ordinance, which requires both special resolution and consent of the court. Except where authorized by a court order, under the ABCA a company may not reduce its share capital if there are reasonable grounds for believing that: (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realizable value of its assets would thereby be less than the aggregate of its liabilities and stated capital of all classes.

### **Redemption of Shares**

The Companies Ordinance requires that a company may only redeem its shares out of distributable profits or fresh proceeds from a new issue of shares or out of capital in accordance with the requirements therein. The primary restriction on redemption of shares for an Alberta company is that redemption is not permitted if there are reasonable grounds for believing that the company is, or would after the reduction be, unable to pay its liabilities as they become due or the realizable value of the company's assets would thereby be less than the aggregate of its liabilities and the amount that would be required to pay the holders of shares that have a right to be paid, on a redemption or liquidation, rateably with or prior to the holders of the shares to be purchased or redeemed.

### **Distribution of Assets**

The Companies Ordinance requires that a Hong Kong incorporated public company may be allowed to make such distribution out of realized profits and if out of assets, the remaining net assets must not be less than the aggregate of its called up share capital plus undistributable reserves. The primary restriction on an Alberta company's ability to pay dividends is that: (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realizable value of its assets would thereby be less than the aggregate of its liabilities and stated capital of all classes.

There is no requirement that dividends have to be paid out of profits, as is the case required under the Companies Ordinance, although an Alberta company does have protections where such distributions would reduce the share capital of the company.

### **Appointment of Directors**

The Listing Rules require that all director appointments are voted on individually. There is no statutory requirement for directors to be elected individually under the ABCA. We have amended our By-Laws to ensure that Directors are voted for on an individual basis in accordance with the requirements under the Listing Rules.

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Our Company has also adopted a majority voting policy for the election of our Directors. Please refer to the section headed “Summary of the Articles and By-Laws of our Company and Alberta Corporation Laws” at page V-11 of Appendix V to this Prospectus.

Appendix 3 to the Listing Rules states that the articles of association or equivalent document must conform with the provisions set out in that appendix (the “**Articles Requirements**”). Our By-Laws, equivalent to the articles of association, do not comply with certain Articles Requirements. Our Company has applied for , and the Stock Exchange has granted our Company, waivers from strict compliance with the certain Articles Requirements and Rules 13.38 and 13.44 of the Listing Rules. Where an Articles Requirement may not strictly be met but is covered by a broadly commensurate provision in our By-Laws, the ABCA and/or other applicable Canadian laws, rules or regulations, our Company has not applied for a waiver from strict compliance in these cases. Further information about the waivers from strict compliance with the relevant Listing Rules are set out in the section headed “Waivers from Compliance with the Listing Rules” in this Prospectus.

### **OTHER MATTERS**

The following matters are addressed in significantly divergent manners as between Alberta and Hong Kong laws, and as such it is not possible for our Company or the Sole Sponsor to state or conclude on objective grounds that they are truly comparable.

#### **Loans to Directors**

The Companies Ordinance requires that subject to the prohibitions and exceptions provided therein, a company may make loans, including quasi-loans and credit transactions, to a director without the prescribed approval of shareholders. Under the ABCA, there is no prohibition on giving financial assistance to directors, although disclosure is mandated under the ABCA except under limited circumstances. Under the ABCA, full details of any loans to directors must be disclosed to a company’s shareholders.

#### **Financial Assistance**

The Companies Ordinance requires that subject to exceptions provided therein, it is not lawful for a company to give financial assistance to a person for the acquisition of its own shares must be clearly stated. Financial assistance is defined under the ABCA to mean a loan, guarantee or otherwise. Under the ABCA, there is no prohibition on giving financial assistance to a person who is acquiring or proposing to acquire shares of a company. Instead, the ABCA requires disclosure of financial assistance for this purpose. Under section 45 of the ABCA, a company is required to disclose to its shareholders all financial assistance which it has given to shareholders or directors of the company or an associate of such person unless the provision of such financial assistance: (a) is the company’s ordinary business; (b) is provided to repay expenditures incurred on behalf of the company; (c) is provided to a subsidiary of the company or a holding body corporate of the company; (d) is provided to employees of the company for the purpose of purchasing or erecting

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living accommodations or pursuant to a plan for the purchase of securities of the company to be held by a trustee; or (e) is provided and all shareholders of the company have unanimously consented to such assistance.

### **Payment to Directors for Compensation for Loss of Office or Retirement from Office**

The Companies Ordinance requires that any payment to a director or past director of an overseas company as compensation for loss of office or retirement from office needs to be approved by and disclosed to members of the company. Under the ABCA, subject to the articles, by-laws or any unanimous shareholder agreement of a company, the directors of a company may fix the remuneration of the directors, officers and employees of a company. This remuneration is required to be disclosed in prescribed form. Canadian takeover bid rules prohibit the payment of a collateral benefit to any person in connection with a bid for control of a company. Any payment by a bidder to a director or officer upon a change of control as compensation for loss of office where that payment was not previously approved by the board and the compensation committee could constitute a collateral benefit and would be prohibited. We have amended our By-Laws to ensure that payments by directors for loss of office or retirement from office are in accordance with the requirements under the Companies Ordinance.

### **Individual Members to Approve an Increase in Members' Liability**

The Joint Policy Statement requires that there should not be any alteration in an overseas company's constitutional documents to increase an existing member's liability to the company unless such increase is agreed by such member in writing. Under the ABCA, a limited company incorporated in Alberta may convert to an unlimited liability company through obtaining at least a two-thirds majority vote of shareholders who voted at a meeting in person or by proxy or a resolution signed by all the shareholders entitled to vote on that resolution. Upon conversion, the shareholders of the unlimited liability company are liable for the debts and liabilities of the company whether those debts and liabilities arose before or after the conversion. We have amended our By-Laws to ensure that increase in Shareholders' liability is in accordance with the requirement under the Joint Policy Statement.

### **Circumstances under which Minority Shareholders may be Bought Out or may be Required to be Bought Out after a Successful Takeover**

Under the Companies Ordinance, minority shareholders of a Hong Kong-incorporated company may be compulsorily brought out or may require an offeror to buy out their interests on the same terms if the offeror acquires 90% of the issued shares in a successful takeover. Under the relevant Canadian laws and regulations, compulsory acquisitions can be achieved without shareholders' approval to permit a bidder to acquire the target's shares that have not been tendered in a take-over bid made for all the shares of the class to which the bid relates if, within a prescribed period (usually 120 days after the date of a take-over bid), the bid is accepted by the holders of at least 90% of the shares of that class (other than held by the offeror and its associates and affiliates).

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Other than the foregoing, there is currently no provision under Canadian laws and regulations similar to the compulsory acquisition regime under the Companies Ordinance that would otherwise allow an offeror in a successful takeover to buy out the minority shareholders on the same terms.

### **NOTIFIABLE AND CONNECTED TRANSACTIONS**

#### **Notifiable Transactions**

Under the ABCA, certain transactions require notifications to, and approval by, a company's shareholders. These transactions include any amendments to the articles, amalgamations, plans of arrangement, disposal of all or substantially all of a company's assets, continuances, dissolutions and liquidations.

Canadian securities law also prescribes disclosure requirements with respect to notifiable transactions. However, as our Company is not a reporting issuer in any of the jurisdictions in Canada, the Canadian securities law regime with respect to notifiable transactions does not currently apply to us.

#### **Connected Party Transactions**

The ABCA requires directors to disclose their interests in material contracts and transactions and subject to certain exceptions, abstain from voting on such matters. Although Canadian securities law imposes a comprehensive disclosure and shareholder approval regime with respect to connected and related party transactions, our Company is not a reporting issuer in any of the jurisdictions in Canada and, as such, the Canadian securities law regime with respect to connected party transactions does not apply to us.

### **REPORTING REQUIREMENTS**

#### **Reporting Requirements as Reporting Insider in Canada**

Under Alberta securities laws, an insider must file insider reports with the ASC electronically in respect of a reporting issuer if the insider is a reporting insider of the reporting issuer. Generally, a person or company that has beneficial ownership of, or control or direction over, directly or indirectly, securities of a company carrying more than 10% of the voting rights attached to all the company's outstanding voting securities, a director or a chief executive officer, chief financial officer or chief operating officer of the company, or an individual responsible for a principal business unit, division or function of the company, would be considered a reporting insider of the company. A reporting insider must file an insider report in respect of the company (once the company has become a reporting issuer) within 10 days of becoming a reporting insider disclosing his, her or its beneficial ownership of, or control or direction over, whether direct or indirect, securities of the company, and interest in, or right or obligation associated with, a related financial instrument involving a security of the company. Subsequent to that, a reporting insider must within 5 days file an insider report disclosing any change in his, her or its beneficial ownership of, or

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control or direction over, whether direct or indirect, securities of the company, and interest in, or right or obligation associated with, a related financial instrument involving a security of the company.

### **Reporting Requirements as Reporting Issuer in Canada**

If and when our Company becomes a reporting issuer in one or more provinces or territories in Canada (including Alberta), we will have to set up a profile on the System for Electronic Document Analysis and Retrieval for filing of our disclosure documents. We will have to comply with the continuous disclosure requirements imposed by Canadian securities legislation, most notably, NI 51-102. NI 51-102 sets out disclosure obligations applicable to a reporting issuer with respect to annual and interim financial statements, management's discussion and analysis, annual information form, material change reports, business acquisition report, proxy solicitation and information circulars, filing of constating documents, material contracts and report of voting results. A reporting issuer will also be subject to NI 51-101, which shows the level of disclosure required in oil and gas reports. Furthermore, a reporting issuer will need to comply with National Instrument 58-101 *Disclosure of Corporate Governance Practices*, which set outs the disclosure obligation with respect to corporate governance policies in a reporting issuer's management information circular. National Instrument 52-110 *Audit Committees* will also be applicable to a reporting issuer's composition of audit committee and the level of independence of its board of directors.

### **CERTAIN CANADIAN SECURITIES LAW RESTRICTIONS AND STEPS TO ENFORCE RESALE RESTRICTION**

All of our Common Shares (including all Class B Shares and Class C Shares converted into Common Shares) that are issued and outstanding prior to the Listing (the "**Pre-IPO Shares**") were issued by us in reliance upon exemptions from the prospectus and registration requirements under Alberta securities laws and the securities laws of the other provinces of Canada and other jurisdictions in which Common Shares were placed. Under Alberta securities laws, resales by purchasers who purchased Common Shares under Alberta private placement exemptions are deemed to be "distributions", and therefore the resale itself is required to be qualified by a prospectus or be completed pursuant to a prospectus exemption. To ensure compliance with these requirements under the applicable Canadian securities law, the share certificates issued in the private placements by our Company prior to the Listing (save for some limited exceptions) include a legend with respect to this resale restriction (the "**Legend**"). The form of share certificates issued in these prior private placements are of a type customary for a Canadian private company and are different in form than the form of certificate that we will use upon the effectiveness of the Listing. Save for our Controlling Shareholders who have provided lock-up undertakings of their Shares (details of which are disclosed in the section headed "Underwriting" in this Prospectus), none of the holders of the Pre-IPO Shares are subject to any contractual lock-up restricting them from selling their Shares following the Listing.

This regulatory resale restriction will remain in place for four months after we become a "reporting issuer" (i.e. a public reporting company) in at least one province or territory in Canada (unless we become a reporting issuer as a result of filing a prospectus with a Canadian securities

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regulator and obtaining a receipt therefrom, in which case the resale restriction would cease immediately upon us becoming a reporting issuer). We will not automatically become a reporting issuer in Canada on the Listing Date. Instead, we will apply to become a reporting issuer in Alberta by way of an application to the ASC, to have us deemed to be a reporting issuer or, alternatively, through the filing and clearing with the ASC of a prospectus. We intend to apply to the ASC to be deemed to be a reporting issuer within one month after the Listing Date, on the understanding that the earliest date on which the ASC would grant an order deeming us to be a reporting issuer would be the date that is two months after the Listing Date. This is expected to result in restrictions on trading of all Pre-IPO Shares for approximately six months following the Listing (the “**Restricted Period**”) (save for certain limited trading of the Pre-IPO Shares permitted in Canada on an exempt basis under Alberta securities laws, as described below).

The other rights that attach to the Pre-IPO Shares, such as the right to vote or the right to distributions or dividends, are not affected during the Restricted Period.

As an Alberta corporation, we are subject to Alberta and Canadian securities laws. To ensure that the above resale restrictions are effective under Alberta securities laws, we plan to take the following steps to ensure that the Pre-IPO Shares cannot be traded, other than in exempt transactions, until the end of the Restricted Period will have expired, upon which the resale restriction and the Legend attaching to the share certificates for the Pre-IPO Shares (“**Old Share Certificates**”) will no longer apply:

- (a) We will instruct our Principal Share Registrar and Hong Kong Share Registrar to ensure that all Pre-IPO Shares will remain on the Principal Share Register and will not be entered onto the Hong Kong Share Register until the Restricted Period has lapsed.
- (b) On the basis that we will become a “reporting issuer” in Alberta approximately two months after the Listing Date, the holders of the Pre-IPO Shares will not be issued the new share certificates (“**New Share Certificates**”) until the Restricted Period has lapsed. The New Share Certificates, when issued, will be in the same form as the share certificates for the Common Shares to be issued upon Listing and the Pre-IPO Shares will be eligible to be traded on the Stock Exchange.
- (c) At the end of the Restricted Period, we will send holders of the Pre-IPO Shares a letter of transmittal requesting the return of the Old Share Certificates to the Principal Share Registrar for safekeeping or destruction. Upon the issue of any New Share Certificates to holders of Pre-IPO Shares following the expiry of the Restricted Period, the Principal Share Registrar will mark the Old Share Certificates for such Pre-IPO Shares as cancelled on the Principal Share Register.

Notwithstanding the foregoing, holders of Pre-IPO Shares will be able to transfer such shares pursuant to transactions that are exempt from the prospectus requirements of Canadian securities laws. Common examples of exempt transactions include a sale by a Pre-IPO Share holder to a purchaser who meets certain financial criteria, or in a transaction whose value exceeds C\$150,000 if the purchaser is not an individual.

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In the event that a holder of Pre-IPO Shares intends to execute an exempt transfer, we and our Principal Share Registrar will require reasonable evidence that the transaction is being made on an exempt basis before we authorize a transfer to be registered, and will not permit a transfer which may result in such Pre-IPO Shares being traded on the Stock Exchange. Share certificates representing any Pre-IPO Shares that are transferred in an exempt transaction will continue to bear the Legend, as described above.

We intend to follow the procedures described above for all holders of Pre-IPO Shares including those held by Shareholders outside Canada. There is a slight possibility that a Shareholder outside Canada that holds Pre-IPO Shares subject to the resale restrictions (including a Shareholder who acquired Shares pursuant to an exempt resale) may attempt to sell its Pre-IPO Shares to a non-Canadian purchaser on a non-exempt basis within the Restricted Period. Such a holder might take the view that Canadian securities law resale restrictions do not apply to such a transaction, or that the Canadian securities regulators do not have jurisdiction to regulate such transfers. This could lead to a dispute or potential litigation in Alberta or elsewhere requiring us to register a transfer on a non-exempt basis, or which may result in us paying damages to such a holder to compensate it for its inability to sell its Pre-IPO Shares during the Restricted Period. Although we believe that the likelihood of any such a dispute is low and that the risk of a court finding in favor of such a holder is even lower, there remains a small risk that a court may require us to permit such transfers to be made.

No questions or concerns were raised by any holders of the Pre-IPO Shares at the Annual and Special Meeting, and, as at the Latest Practicable Date, no questions or concerns have been raised with our Company since the date of the Annual and Special Meeting.

### **EXEMPTIVE RELIEF FROM PROSPECTUS REQUIREMENT**

As advised by our Canadian Legal Advisers, no regulatory approval in Canada is required to permit us to be listed on the Stock Exchange. However, in order to facilitate the Listing, we have applied for, and the ASC has granted our Company, exemptive relief from the requirement to file a prospectus in Alberta to qualify the distribution of the Offer Shares pursuant to the Global Offering (other than Offer Shares sold to investors in Canada) including any Shares issued pursuant to the exercise of the Over-Allotment Option. As part of this exemptive relief, one or more existing Shareholders may lend some of their Shares to the Stabilization Manager to allow the Stabilization Manager to satisfy over-allocations in the Global Offering, since such Shares are otherwise presently subject to resale restrictions pursuant to Alberta securities laws. In connection with our exemptive relief application, we intend to apply to the ASC, within one month after completion of the Listing, to become a reporting issuer in Alberta.

Please also refer to the section headed “Underwriting — Canadian Securities Law” for details of the resale restrictions on the Offer Shares.

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### ONGOING INVESTOR EDUCATION

If we become aware of any material legal or regulatory development which may affect the information contained in this section, we will update the relevant contents on our Company's website and issue a voluntary announcement.

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*In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:*

**MANAGEMENT PRESENCE**

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. As our principal place of business, our principal business operations and all our senior management are based in Calgary, Alberta, Canada, we do not and, for the foreseeable future, will not have a sufficient management presence in Hong Kong for the purposes of satisfying the requirement under Rule 8.12 of the Listing Rules. We have therefore applied for, and the Stock Exchange has granted us a waiver from strict compliance with Rule 8.12 of the Listing Rules subject to the following measurements put in place:

- (a) we have appointed Mr. Bo, our President, Chairman of the Board, Chief Executive Officer and executive Director and Ms. Chau Hing Ling, our joint company secretary who is ordinarily resident in Hong Kong, as the two authorized representatives of our Company pursuant to Rules 2.11 and 3.05 of the Listing Rules, and who will act as our principal communication channels with the Stock Exchange at all times. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange, readily contactable by telephone, facsimile or e-mail and is authorized to communicate on our behalf with the Stock Exchange;
- (b) each of the authorized representatives has the means to contact the Directors promptly at all times as and when the Stock Exchange wishes to contact the Directors for any matter. We have provided the address, office and mobile phone numbers, facsimile number and e-mail address of each of our Directors and joint company secretaries to the Stock Exchange;
- (c) each Director has confirmed that he possesses valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange in Hong Kong within a reasonable period of time, upon the request of the Stock Exchange;
- (d) we have, in compliance and in accordance with Rule 3A.19 of the Listing Rules, appointed Changjiang Corporate Finance (HK) Limited as our compliance adviser to act as an additional channel of communication between ourselves and the Stock Exchange; and
- (e) we will inform the Stock Exchange promptly in respect of any change in our authorized representatives and the compliance adviser.

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**COMPANY SECRETARY**

Rule 8.17 of the Listing Rules provides that an issuer must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. Rule 3.28 of the Listing Rules provides that an issuer must appoint as its company secretary an individual who, by virtue of his or her academic or professional qualifications is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

We have appointed Mr. Bennett Ka-Ying Wong (“**Mr. Wong**”), who is not a resident in Hong Kong, as the company secretary of our Company since July 2015. We believe that having regard to Mr. Wong’s knowledge and past experience in handling corporate matters, he has a thorough understanding of our operations and our Board, and is able to perform his duties as our company secretary. Please refer to the section headed “Directors and Senior Management” in the Prospectus for further details of Mr. Wong’s qualifications.

However, Mr. Wong does not possess full qualifications as required under Rule 3.28 of the Listing Rules and as he has not previously had personal experience of the Hong Kong regulatory system, he may not be able to fulfil the requirements under Rule 3.28 of the Listing Rules. As such, we have appointed Ms. Chau Hing Ling (“**Ms. Chau**”) to act as a joint company secretary and to provide joint company secretarial support and assistance to Mr. Wong so as to enable Mr. Wong to acquire the relevant experience as required under Rule 3.28 of the Listing Rules and to duly discharge the functions of a company secretary. While Mr. Wong has not previously had personal experience of the Hong Kong regulatory system, he will be assisted and have the resources and expertise of Ms. Chau as a joint company secretary.

Ms. Chau has over 15 years of experience in the company secretarial field and has been a fellow member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries since May 2013. Accordingly, Ms. Chau satisfies the requirements of a company secretary as stipulated under Rule 3.28 of the Listing Rules.

In light of the above, we have applied for, and the Stock Exchange has granted us a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules for an initial period of three years from the date of the Proposed Listing and the following arrangements have been made to satisfy the requirements:

- (a) we propose to engage Ms. Chau as a joint company secretary for a minimum period of three years commencing from the Listing Date. During such period of engagement, Ms. Chau will work closely with Mr. Wong and ensure that she will be available at all times to provide assistance to Mr. Wong for his discharge of duty as a company secretary as described above, including but not limited to communicating regularly with Mr. Wong on matters relating to corporate governance, the Listing Rules, as well as the applicable Hong Kong laws and regulations which are relevant to us. We will further ensure that Mr. Wong will receive the relevant training and support to enable him to be familiar with

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the Listing Rules and the responsibilities of a company secretary as required under the Listing Rules. Given the joint company secretaries are not employees of our Company and are external service providers, they may contact Ms. Jun Xiang, the Interim Chief Financial Officer of our Company, for matters relating to our Company as and when they require;

- (b) furthermore, pursuant to Rule 3.29 of the Listing Rules, each of Mr. Wong and Ms. Chau will attend in each financial year no less than 15 hours of relevant professional training courses to familiarize themselves with the requirements of the Listing Rules and other Hong Kong regulatory requirements;
- (c) upon expiry of the three-year period, we will re-evaluate the qualifications and experience of Mr. Wong and determine whether he satisfies the requirements as stipulated under Rules 3.28 and 8.17 of the Listing Rules;
- (d) if Ms. Chau ceases to provide assistance to Mr. Wong, the waiver will be revoked by the Stock Exchange with immediate effect; and
- (e) at the end of the three-year period as mentioned above, the Stock Exchange will revisit the situation. We shall then demonstrate to the Stock Exchange's satisfaction that Mr. Wong, having had the benefit of the assistance of Ms. Chau for three years, would have acquired the relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver would not be necessary.

**BASIC CONDITIONS IN RELATION TO QUALIFICATIONS FOR LISTING**

Pursuant to Rule 8.05 of the Listing Rules, a new applicant must satisfy either the profit test Rule 8.05(1) or the market capitalization/revenue/cash flow test in Rule 8.05(2) or the market capitalization/revenue test in Rule 8.05(3) of the Listing Rules. Pursuant to Rule 8.05B of the Listing Rules, the Stock Exchange may vary or waive the profit or other financial standards requirement in Rule 8.05 of the Listing Rules in respect of, among others, mineral companies to which the provisions of Chapter 18 of the Listing Rules apply.

Pursuant to Rule 18.04 of the Listing Rules, if a Mineral Company (as defined under Chapter 18 of the Listing Rules) is unable to satisfy either the profit test in Rule 8.05(1), the market capitalization/revenue/cash flow test in Rule 8.05(2), or the market capitalization/revenue test in Rule 8.05(3) of the Listing Rules, it may still apply to be listed if it can establish to the Stock Exchange's satisfaction that its directors and senior management, taken together, have sufficient experience relevant to the exploration and/or extraction activity that the Mineral Company is pursuing. Individuals relied on must have a minimum of five years relevant industry experience. Details of the relevant experience must be disclosed in the listing document of the new applicant.

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We have a management team consisting of an executive Director and the management with significant experience in the natural gas and oil industry. Our core technical team (the “**Core Technical Team**”) comprises Mr. Bo, Mr. Pingzai Wang (the Senior Vice President of Exploration), Mr. Binyou Dai (the Vice President of Engineering), Ms. Jun Xiang (the Interim Chief Financial Officer) and Mr. Lei Song (the Production Engineer) who have approximately 11, 28, 24, 5 and 5 years of experience in exploration and extraction and the natural gas and oil industry respectively. Please refer to the section headed “Directors and Senior Management” in this Prospectus for further details of experience of the Core Technical Team. Together with each other’s expertise in the natural and gas industry, the Core Technical Team is experienced in exploration, production, operation and project management and is responsible for formulating and implementing our three-year development plan. In this regard, we believe that our executive Director and senior management, taken together, have sufficient experience that is specifically relevant to the exploration and/or extraction activity that we are pursuing.

The Stock Exchange’s Guidance Letter HKEx-GL22-10 also sets out the pre-conditions for a waiver from the financial standards requirements for new applicant Mineral Companies under Rule 18.04 of the Listing Rules.

We confirm that our inability to satisfy either the profit test in Rule 8.05(1)(a), the market capitalization/revenue/cash flow test in Rule 8.05(2) or the market capitalization/revenue test in Rule 8.05(3) of the Listing Rules is due to the fact that throughout the Track Record Period, we have been in a pre-production, exploration and/or development phase with regard to the large amount of Junior Assets we have acquired and accumulated. Our production activities have been operating in a mere 2.9% of our net acreage of land on a small and limited scale. We also consider that we are able to demonstrate a clear path to commercial production with our three-year development plan which is fully disclosed in the section headed “Business — Three-year Development Plan” in this Prospectus.

In light of the above, we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the profit or other financial standard requirements contained in Rule 8.05(1)(a) of the Listing Rules in reliance on Rule 18.04 of the Listing Rules.

#### **INSPECTION OF LEGISLATION AND REGULATIONS**

Rule 19.10(6) of the Listing Rules provides that an overseas issuer must offer for inspection a copy of any statutes or regulations which are relevant to the summary of the regulatory provisions of the jurisdiction in which the overseas issuer is incorporated. In our case these include, among others, the ABCA, the Securities Act, the UPPVP Act, ICA and the ITA. Copies of these statutes and regulations are lengthy and it would be difficult to deliver copies to Hong Kong in physical format. In addition, such copies can be readily accessed via the internet. For further details about how to access copies of this legislation via the internet, please refer to the section headed

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“Appendix VII — Documents Delivered to the Registrar of Companies and Available for Inspection” to this Prospectus. As such, we have sought, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 19.10(6) of the Listing Rules.

**BY-LAWS AND CHAPTER 13 OF THE LISTING RULES**

Appendix 3 to the Listing Rules states that the articles of association or equivalent document must conform with the provisions set out in that appendix (the “**Articles Requirements**”). Our By-Laws, equivalent to the articles of association, do not comply with certain Articles Requirements. In many cases an Articles Requirement may not strictly be met but is covered by a broadly commensurate provision in our By-Laws, the ABCA and/or other applicable Canadian laws, rules or regulations and we have not applied for a waiver from strict compliance in these cases. We have applied for, and the Stock Exchange has granted us, waivers from strict compliance with the following Articles Requirements and Rules 13.38 and 13.44 of the Listing Rules. Further information about our By-Laws are set out in the section headed “Appendix V — Summary of the Articles and By-Laws of Our Company and Alberta Corporation Laws” to this Prospectus.

*By-Laws*

**As Regards Directors**

Paragraph 4(1) of Appendix 3 to the Listing Rules requires that any director prohibited from voting because of his interest in a material transaction shall not be counted in the quorum present at the meeting. This requirement is not consistent with Canadian corporate law or practice, in which a director prohibited from voting would still be counted in the quorum for the meeting. We believe that strict compliance with this rule may result in situations where we will be unable to approve matters put to the Board. Shareholder rights will not be prejudiced in that Shareholder protection is available from three sources: (i) the disclosure requirements under our By-Laws and the ABCA will provide information about the extent of the interest of each Director in a transaction or contract; (ii) the general overriding duty that Directors are required to act honestly and in good faith with a view to the best interests of our Company; and (iii) a transaction or contract where a Director has a material interest may be void or voidable if it is not fair and reasonable to our Company at the time it was entered into.

Paragraph 4(4) of Appendix 3 to the Listing Rules requires that the minimum length of the period during which notice to the issuer of the intention to propose a person for election as a director and during which notice to the issuer by such person of his willingness to be elected may be given, will be at least seven days. This is inconsistent with Canadian corporate practice and we believe that it may be perceived by Shareholders to be detrimental to the fundamental right of shareholders in Canada to nominate directors at meetings without notice to the company.

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Paragraph 4(5) of Appendix 3 to the Listing Rules requires that the period for lodgment of the notices referred to in Paragraph 4(4) of Appendix 3 to the Listing Rules will commence no earlier than the day after the dispatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting. We have sought a waiver from this provision for the reasons described in the discussion of paragraph 4(4) of Appendix 3 to the Listing Rules above.

**As Regards Accounts**

Paragraph 5 of Appendix 3 to the Listing Rules requires that a copy of either: (i) the directors' report, accompanied by the balance sheet (including every document required by law to be annexed thereto) and the profit and loss account or income and expenditure account; or (ii) the summary financial report shall, at least 21 days before the date of the general meeting, be delivered or sent by post to the registered address of every member. There is no equivalent provision in our By-Laws, although under the ABCA annual meeting notices of an Alberta incorporated company must be sent at least 21 days and no more than 50 days before the date of the annual general meeting. Our existing shareholder communications follow market practice in Alberta and provide a commensurate standard of shareholder protection.

**As Regards Rights**

Paragraph 6(2) of Appendix 3 to the Listing Rules requires that the quorum for a separate class meeting (other than an adjourned meeting) to consider a variation of the rights of any class of shares shall be the holders of at least one-third of the issued shares of the class. We sought a waiver from strict compliance with the requirement in paragraph 6(2) of Appendix 3 to the Listing Rules on the basis that such a quorum requirement is uncommon in Canada. Under Alberta law, a quorum of shareholders is present at a meeting of shareholders, irrespective of the number of persons actually present at the meeting, if the holder or holders of a majority of the shares entitled to vote at the meeting are present in person or represented by proxy, unless the by-laws otherwise provide. There are no provisions in our By-Laws which provide a specific quorum requirement for meetings of separate classes of shareholder. Our By-Laws provide that the quorum for a shareholders' meeting, including a meeting of any class of shareholders, is two or more persons holding no less than 5% of the issued Shares carrying the right to vote at such meeting. We believe that the ABCA and our By-laws provide a sufficient level of shareholder protection.

**As Regards Non-Voting or Restricted Voting Shares**

Paragraph 10(1) of Appendix 3 to the Listing Rules states that where the capital of the issuer includes shares which do not carry voting rights, the words "non-voting" must appear in the designation of such shares. Although our By-Laws do not contain such a requirement, we have undertaken to the Stock Exchange to comply with such requirement.

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Paragraph 10(2) of Appendix 3 to the Listing Rules states that where the capital of the issuer includes shares with different voting rights, the designation of each class of shares, other than those with the most favorable voting rights, must include the words “restricted voting” or “limited voting”. Although our By-Laws do not contain such a requirement, we have undertaken to the Stock Exchange to comply with such requirement.

**As Regards Proxies**

Paragraph 11(1) of Appendix 3 to the Listing Rules states that where provision is made in our By-Laws as to the form of proxy, this must be worded so as not to preclude the use of a two-way form. Our By-Laws do not contain such requirement as the ABCA and Canadian securities laws preclude the use of two-way voting for the appointment of an auditor and the election of directors. The form of proxy that we provide to Shareholders must comply with, and conform to Part 9 of NI 51-102. Specifically, subsection 9.4(6) of NI 51-102 states that a form of proxy sent to security holders of a reporting issuer must provide an option for the security holder to specify that the securities registered in the name of the security holder must be voted or withheld from voting in respect of the appointment of an auditor or the election of directors.

*Appointment of Auditors*

Pursuant to our By-Laws, our Shareholders shall, by ordinary resolution, at each annual general meeting, appoint an auditor to audit the accounts of our Company to hold office until the close of the next annual general meeting. If our Company does not put forward a proposed resolution for the appointment of auditors for our Shareholders to vote on at an annual general meeting and therefore an auditor is not appointed at a general meeting, the incumbent auditor continues in office until the auditor’s successor is appointed. Under the terms of reference of our audit and risk committee, the audit and risk committee will determine on an annual basis the appointment and reappointment of the auditor and put it to our Shareholders for approval at each annual general meeting.

Given the preclusion of the use of two-way voting for appointment of auditors under the ABCA and Canadian securities law, at our Company’s annual general meeting, our Shareholders can only vote “for” or “withheld from voting” in respect of appointment of auditors. The majority voting policy for election of our Directors adopted by our Company as disclosed at below and page V-11 of Appendix V to this Prospectus does not apply to appointment of auditors. The reason is that if the majority voting policy applies to the appointment of auditors, a newly elected auditor whose appointment is not approved by a majority vote (i.e. the “for” votes are less than the “withheld” votes) will be forced to resign and a vacancy will thus be created. Furthermore, under the applicable Canadian corporate law, the majority voting policy cannot bind outside parties like the auditors and the auditors are under no obligations to abide to the majority voting policy implemented by our Company. This is a standard corporate practice as adopted by other public

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companies in Canada and strikes a balance that, while allowing shareholders to express their objection, a corporation will not be bereft of an auditor as required under the ABCA. In the opinion of the Canadian Legal Advisers, this approach is consistent with Canadian corporate law.

*Election of Directors*

Pursuant to our By-Laws, our Shareholders are to elect Directors by ordinary resolution at the first meeting of the Shareholders and at each succeeding annual general meeting at which an election of Directors is required, provided that each Director must be elected by a separate resolution and multiple Directors may not be elected pursuant to the same resolution. The elected Directors are to hold office for a term expiring not later than the close of the next annual general meeting of Shareholders following the election. A Director not elected for an expressly stated term ceases to hold office at the close of the first annual general meeting of Shareholders following the Director's election. If Directors are not elected at a meeting of Shareholders, the incumbent Directors continue in office until their respective successors are elected.

Given the preclusion of the use of two-way voting for the election of directors under the ABCA and Canadian securities laws, our Company has adopted a majority voting policy to all meetings (i.e. both contested and uncontested) for the election of our Directors. The Canadian Legal Advisers do not consider Director nominees to be "outside parties", especially considering the fact that they voluntarily put themselves up for nomination to become Directors and insiders of our Company, while an auditor will remain an outside arm's length adviser to our Company. Pursuant to the majority voting policy, each Director must be elected individually (rather than as a slate) by a majority (50% plus one vote) of the votes cast (i.e., more votes "for" than votes "withheld") with respect to his or her election. If a Director nominee is not elected by at least a majority of the votes cast with respect to his or her election, he or she must immediately tender his or her resignation to the Board. A "withheld" vote will be considered to be an "against" vote for the purpose of the election of Directors on the application of the majority voting policy. Please refer to the section headed "Summary of the Articles and By-Laws of our Company and Alberta Corporation Laws" at page V-11 of Appendix V to this Prospectus for details of election of Directors and the majority voting policy. In the opinion of the Canadian Legal Advisers, this approach is consistent with Canadian corporate law.

*Removal of Auditors and Directors*

Pursuant to section 109 and section 165 of the ABCA, directors and auditors can also be respectively removed if more than 50% of the votes cast, in person or by proxy, at a special meeting of our Shareholders are in favour of such removal (Shareholders will have the option to vote "for" or "against" such a resolution to remove a Director or an auditor at the meeting). We believe these arrangements provide a sufficient level of shareholder protection.

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Under the ABCA, Shareholders who hold in aggregate at least 5% of our issued Shares carrying the right to vote at general meetings may requisition a special meeting of Shareholders. If our Directors do not, within 21 days after the date on which the requisition is received by our Company, send notice of a special meeting, any registered or beneficial holder of Shares who signed the requisition may call the special meeting.

*Shareholders' Protection*

We have also established an audit and risk committee (which comprises only our independent non-executive Directors) and a nomination committee (the majority of which are independent non-executive Directors) which will determine and make recommendations on, with delegated responsibilities and in compliance with the requirements of the Listing Rules and on an annual basis, the appointment of auditors and directors. Each of the independent non-executive Directors is also subject to re-election by the Shareholders in each annual general meeting.

Details of the recommendations of the audit and risk committee and the nomination committee, together with their bases, for the appointment of auditors and directors will be set out in the circular to be despatched to the Shareholders for each annual general meeting.

The Canadian Legal Advisers have advised that the applicability of the majority voting policy in uncontested elections of directors is consistent with the standard practice for public companies in Canada and the policy is adopted by virtually all Canadian publicly listed companies in uncontested elections of directors. In the case of our Company, in order to safeguard our Shareholders' protection and to satisfy the requirements of the Listing Rules, our Company decides to extend the applicability of the majority voting policy to contested elections of Directors and to require the appointment of auditors to be "pre-approved" by our audit and risk committee. Accordingly, our Company considers that the current proposed arrangement, as compared to the standard practice adopted by other public companies in Canada, is a step forward in terms of shareholders' protection and as a whole should meet the key shareholders protection standards specified under the Listing Rules and the Joint Policy Statement. The Canadian Legal Advisers also consider that the additional safeguards provided in the current proposed arrangement will not provide a lesser degree of shareholders' protection as compared with the standard practice adopted by other public companies in Canada.

Furthermore, where the number of the "withheld" votes exceeds that of the "for" votes of the elected auditors which gives rise to concerns of our Directors regarding the appropriateness of such auditors' appointment, our Directors will, upon consulting our audit and risk committee, call a special meeting of our Shareholders and propose ordinary resolutions to our Shareholders to consider removing the elected auditors and appointing replacement auditors in its stead for the remainder of its term. Our Company considers that this arrangement will allow our Shareholders to express their objection to the appointment of the auditors, and at the same time ensure that our Company will not be bereft of auditors. We will send a circular proposing the removal of the elected auditors (including their written representations) and appointment of the replacement

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auditors to our Shareholders at least 10 business days and at least 21 (but not more than 50) clear calendar days before the special meeting in accordance with Rule 13.88 of the Listing Rules and the ABCA. The elected auditors will be allowed to attend and make written and/or verbal representations to our Shareholders at the special meeting prior to the voting in relation to their removal.

As a whole, our Company and the Canadian Legal Advisers are of the view that the aforesaid arrangements in the appointment of auditors and election of Directors and their removals will provide sufficient safeguards for shareholder protection.

*Rules 13.38 and 13.44*

The waivers granted by the Stock Exchange described above in relation to Appendix 3 to the Listing Rules also cover certain provisions contained in Chapter 13 of the Listing Rules that overlap with the Articles Requirements contained in Appendix 3 to the Listing Rules, including, *inter alia*, Rules 13.38 and 13.44 of the Listing Rules, as set out below:

- Rule 13.38 of the Listing Rules which would require us to send, with the notice convening a meeting of holders of listed securities to all persons entitled to vote at the meeting, proxy forms with provision for two-way voting on any resolutions intended to be proposed at a meeting, on the basis that in the case of the election of directors, or the appointment of auditors, the proxy forms will state that the shareholder is only able either to vote for the resolution or abstain from voting, consistent with the ABCA and all applicable Canadian securities law.
- Rule 13.44 of the Listing Rules which would, subject to exceptions, require that a director of the issuer will not vote on any board resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest nor will he be counted in the quorum present at the meeting, as we believe that strict compliance with this Listing Rule may result in situations where we will be unable to approve matters put to the Board. The Directors are subject to disclosure obligations under the ABCA and our By-Laws.

Further details of our By-Laws are set out in the section headed “Appendix V — Summary of the Articles and By-Laws of Our Company and Alberta Corporation Laws” to this Prospectus.

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**WAIVER FROM STRICT COMPLIANCE WITH RULE 4.04(1) OF THE LISTING RULES  
AND EXEMPTION FROM STRICT COMPLIANCE WITH SECTION 342(1)(b) IN  
RELATION TO PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE  
THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS  
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Rule 4.04(1) of the Listing Rules requires a listing applicant to include in the prospectus the consolidated results of the listing group in respect of each of the three financial years immediately preceding the issue of the prospectus or such shorter period as may be acceptable to the Stock Exchange.

Section 342(1)(b) of the CO provides that, subject to section 342A of the CO, it shall not be lawful for any person to issue, circulate or distribute in Hong Kong any prospectus offering for subscription or purchase shares in a company incorporated outside Hong Kong unless, among other things, the prospectus states the matters specified in Part I of the Third Schedule to the CO and sets out the reports specified in Part II of the Third Schedule to the CO.

Paragraph 27 of Part I of the Third Schedule to the CO (“**Paragraph 27**”) requires the listing applicant to include in the prospectus a statement as to, among others, the gross trading income or sales turnover (as may be appropriate) of the listing applicant during each of the three financial year immediately preceding the issue of the prospectus, including an explanation of the method used for the computation of such income or turnover, and a reasonable break-down between the more important trading activities.

Paragraph 31 of Part II of the Third Schedule to the CO (“**Paragraph 31**”) requires the listing applicant to include in the prospectus a report by its auditors with respect to, among others, its profits and losses and assets and liabilities of the listing applicant in respect of each of the three financial years immediately preceding the issue of the prospectus.

Pursuant to section 342A of the CO, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the CO if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

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**WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND  
EXEMPTION FROM COMPLIANCE WITH THE COMPANIES  
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

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We have adopted December 31 as our financial year end date. This Prospectus contains the audited financial results of our Company for the three years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, but does not include the financial results of our Company in respect of the full year immediately preceding the proposed date of issue of this Prospectus, being the full year ended December 31, 2016, as required under Rule 4.04(1), Paragraph 27 and Paragraph 31 as the strict compliance with the requirements thereunder would be unduly burdensome and the waiver and exemption thereof would not prejudice the interest of the investing public for the following reasons:

- (a) there would not be sufficient time for us and the Joint Reporting Accountants to complete the audit work on the financial information for the full year ended December 31, 2016 for inclusion in this Prospectus, which shall be issued on or about February 28, 2017. If the financial information is required to be audited up to December 31, 2016, we and the Joint Reporting Accountants would have to undertake a considerable amount of work, costs and expenses to prepare, update and finalise the Accountants' Report and the relevant sections of this Prospectus will also need to be updated to cover such additional period within a short period of time;
- (b) our Directors are of the view that the benefits of such additional work to be done by the Joint Reporting Accountants to the potential investors would not justify the additional amount of work, costs and expenses as (i) the Accountants' Report covering the three years ended December 31, 2015 and the nine-month period ended September 30, 2016, together with the loss estimate of our Company for the year ended December 31, 2016 as set out in Appendix III to this Prospectus (which complies with Rules 11.17 to 11.19 of the Listing Rules) already provide potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record and earnings trend of our Company; and (ii) all information that is necessary for the potential investors to make an informed assessment of the activities, assets and liabilities, financial position, management and prospect of our Company has been included in this Prospectus; and
- (c) the Sponsor and our Directors confirmed that they have performed sufficient due diligence to ensure that, up to the date of this Prospectus, there has been no material adverse change in our financial and trading positions or prospects since September 30, 2016 and there is no event since September 30, 2016 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this Prospectus, the loss estimate of our Company for the year ended December 31, 2016 as included in Appendix III to this Prospectus and the section headed "Financial Information" in this Prospectus and other parts of this Prospectus.

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**WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND  
EXEMPTION FROM COMPLIANCE WITH THE COMPANIES  
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

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In light of the above, we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 4.04(1) of the Listing Rules, by permitting the non-inclusion of the financial results of our Company for the full year ended December 31, 2016, subject to the following conditions:

- (a) our Company must list on the Stock Exchange within three months after the latest year end, i.e. on or before March 31, 2017;
- (b) our Company has obtained a certificate of exemption from the SFC on strict compliance with section 342(1)(b) of the CO in relation to Paragraph 27 and Paragraph 31 (the “**Ordinance Requirements**”);
- (c) a loss estimate for the year ended December 31, 2016 (which must comply with Rules 11.17 to 11.19 of the Listing Rules) is included in this Prospectus;
- (d) a Directors’ statement is included in this Prospectus that there is no material adverse change to its financial and trading positions or prospect with specific reference to the trading results from the end of the stub period to the latest financial year end; and
- (e) we shall publish our results announcement for the financial year ended December 31, 2016 no later than March 31, 2017 in compliance with Rule 13.49(1)(ii) of the Listing Rules.

We have also applied for, and the SFC has granted us, a certificate of exemption from strict compliance with the Ordinance Requirements by permitting the non-inclusion of the financial results of our Company for the full year ended December 31, 2016, on the ground that strict compliance with the Ordinance Requirements would be unduly burdensome for our Company as there would not be sufficient time for us to prepare the full year financial statements for the year ended December 31, 2016 and for the Joint Reporting Accountants to complete the audit thereon prior to the issue of this Prospectus, and the exemption will not prejudice the interest of the investing public on the conditions that:

- (a) this Prospectus shall be issued on or about February 28, 2017;
- (b) our Company must list on the Stock Exchange within three months after the latest year end, i.e. on or before March 31, 2017; and
- (c) the particulars of the exemption shall be set out in this Prospectus.

We have also included a loss estimate (which complies with Rules 11.17 to 11.19 of the Listing Rules) for the financial year ended December 31, 2016 in Appendix III to this Prospectus.

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**WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND  
EXEMPTION FROM COMPLIANCE WITH THE COMPANIES  
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

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Our Directors further confirmed:

- (a) that all information necessary for the public to make an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Company has been included in this Prospectus and that, as such, the waiver granted by the Stock Exchange and the exemption granted by the SFC from strict compliance with Rule 4.04(1) of the Listing Rules and the Ordinance Requirements, respectively, will not prejudice the interests of the investing public; and
- (b) that our Company will comply with Rules 13.46(2) and 13.49(1) of the Listing Rules in respect of the publication of annual results and annual report for the year ended December 31, 2016.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This Prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) for the purpose of providing information with regards to the Company. The Directors, having made all reasonable enquiries, confirm that the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

### **INFORMATION ON THE GLOBAL OFFERING**

The Hong Kong Offer Shares are offered solely on the basis of the information contained and the representations made in this Prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this Prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other person involved in the Global Offering. Neither the delivery of this Prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this Prospectus or imply that the information contained in this Prospectus is correct as at any date subsequent to the date of this Prospectus.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-Allotment Option).

No part of the share capital of our Company is listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

### **STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING**

Further details of the structure and conditions of the Global Offering, including details of the Over-Allotment Option, are set out under the section headed "Structure of the Global Offering" in this Prospectus.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **PROCEDURE FOR APPLICATION FOR THE HONG KONG OFFER SHARES**

The procedure for applying for the Hong Kong Offer Shares is set out in the section headed “How to Apply for Hong Kong Offer Shares” in this Prospectus and in the relevant Application Forms.

### **UNDERWRITING**

This Prospectus is published solely in connection with the Hong Kong Public Offering, which is part of the Global Offering. The Global Offering comprises the International Offering and the Hong Kong Public Offering.

The Hong Kong Public Offering is fully underwritten by the Offering Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters pursuant to the International Underwriting Agreement to be entered into by our Company and the International Underwriters, among other parties. Further information relating to the underwriting arrangements is set out in the section headed “Underwriting” in this Prospectus.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasized that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, employees, agents or advisers or any other persons or parties involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of Shares.

### **DETERMINATION OF THE OFFER PRICE**

The Offer Shares are being offered at the Offer Price which is expected to be determined by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or about Friday, March 3, 2017, or such later time as may be agreed by the Joint Global Coordinators (for themselves and on behalf of the Underwriters), and our Company, but in any event not later than Wednesday, March 8, 2017. If the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach agreement on the Offer Price by Wednesday, March 8, 2017, the Global Offering will not proceed.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **HONG KONG REGISTER OF MEMBERS AND STAMP DUTY**

Our Principal Share Register will be maintained by the Principal Share Registrar, Computershare Trust Company of Canada, in Alberta and our Hong Kong Share Register will be maintained by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Dealings in the Shares registered on our Hong Kong Share Register will be subject to Hong Kong stamp duty.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

### **RESTRICTIONS ON THE USE OF THIS PROSPECTUS**

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of the Offer Shares to, confirm he/she is aware of the restrictions or offers for the Offer Shares described in this Prospectus.

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this Prospectus in any jurisdiction other than Hong Kong. Accordingly, this Prospectus must not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this Prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

### **LANGUAGE**

If there is any inconsistency between this Prospectus and the Chinese translation of this Prospectus, this Prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities included in this Prospectus and for which no official English translation exists are unofficial translations for your reference only.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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### ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### DIRECTORS

#### Executive Director

<u>Name</u>	<u>Residential address</u>	<u>Nationality</u>
Mr. Le Bo (伯樂)	54 Ascot Crescent SW Calgary, Alberta Canada T3H 0T9	Canadian

#### Non-executive Director

<u>Name</u>	<u>Residential address</u>	<u>Nationality</u>
Mr. Yuan Jing (景元)	No. 4115, Xi An Road Chang Chun City, Ji Lin Province China	Chinese

#### Independent Non-executive Directors

<u>Name</u>	<u>Residential address</u>	<u>Nationality</u>
Mr. Richard Dale Orman	302 3204 Rideau Pl SW Calgary, Alberta Canada T2S 1Z2	Canadian
Mr. Bryan Daniel Pinney	902, 8th Avenue SE Calgary, Alberta Canada T2G 0M3	Canadian
Mr. Peter David Robertson	1308 Frontenac Avenue SW Calgary, Alberta Canada T2T 1B8	Canadian

For further information on the Directors, please refer to the section headed “Directors and Senior Management” in this Prospectus.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### PARTIES INVOLVED IN THE GLOBAL OFFERING

**Sole Sponsor**

**Changjiang Corporate Finance (HK) Limited**

Suite 1901, 19/F, Cosco Tower

183 Queen's Road Central

Hong Kong

*(a licensed corporation to conduct type 6 (advising on corporate finance) regulated activities under the SFO)*

**Joint Global Coordinators, Joint  
Bookrunners and Joint Lead  
Managers**

**Changjiang Securities Brokerage (HK) Limited**

Suite 1908, 19/F, Cosco Tower

183 Queen's Road Central

Hong Kong

*(a licensed corporation to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 5 (advising in futures contracts) regulated activities under the SFO)*

**CCB International Capital Limited**

12/F, CCB Tower

3 Connaught Road Central

Central, Hong Kong

*(a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO)*

**CIMB Securities Limited**

25/F, Gloucester Tower

The Landmark

15 Queen's Road Central

Hong Kong

*(a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO)*

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### Legal advisers to our Company

*As to Hong Kong law*

**King & Wood Mallesons**  
13th Floor, Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Central, Hong Kong

*As to Canadian law*

**Gowling WLG (Canada) LLP**  
Suite 1600, 421-7th Avenue SW  
Calgary, Alberta  
T2P 4K9  
Canada

### Legal advisers to the Sole Sponsor and the Underwriters

*As to Hong Kong law*

**Locke Lord**  
21/F, Bank of China Tower  
1 Garden Road  
Central, Hong Kong

*As to Canadian law*

**Burstall Winger Zammit LLP**  
Suite 1600, Dome Tower  
333-7th Avenue  
Calgary, Alberta  
T2P 2Z1  
Canada

### Joint Reporting Accountants

**KPMG LLP**  
3100-205 5th Avenue SW  
Calgary, Alberta T2P 4B9  
Canada

**KPMG**  
8th Floor  
Prince's Building  
10 Chater Road  
Central  
Hong Kong

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**DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

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**Competent Person**

**GLJ Petroleum Consultants Ltd.**  
4100, 400–3rd Avenue SW  
Calgary, Alberta  
T20 4H2  
Canada

**Industry Consultant**

**Frost & Sullivan (Singapore) Pte Ltd**  
100 Beach Road  
#29–01/11 Shaw Tower  
Singapore 189702

**Receiving bank**

**Industrial and Commercial Bank of China (Asia)  
Limited**  
33/F, ICBC Tower  
3 Garden Road  
Central  
Hong Kong

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## CORPORATE INFORMATION

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<b>Principal place of business and Headquarters</b>	2717, 308–4th Avenue SW Calgary, Alberta T2P 0H7 Canada
<b>Registered office</b>	Suite 1600, 421–7th Avenue SW Calgary, Alberta T2P 4K9 Canada
<b>Principal place of business in Hong Kong</b>	Room 1901, 19/F Lee Garden One 33 Hysan Avenue, Causeway Bay Hong Kong
<b>Website of our Company</b>	<a href="http://www.persta.ca">http://www.persta.ca</a> <i>(information on our website does not form part of this Prospectus)</i>
<b>Joint company secretaries</b>	Ms. Chau Hing Ling (周慶齡) Room 1901, 19/F Lee Garden One 33 Hysan Avenue, Causeway Bay Hong Kong  Mr. Bennett Ka-Ying Wong (黃嘉瀛) Suite 1600, 421–7th Avenue SW Calgary, Alberta T2P 4K9 Canada
<b>Authorized representatives</b>	Mr. Le Bo (伯樂) 344, 222 Riverfront Avenue SW Calgary, Alberta T2P 4V9 Canada  Ms. Chau Hing Ling (周慶齡) Room 1901, 19/F Lee Garden One 33 Hysan Avenue, Causeway Bay Hong Kong

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## CORPORATE INFORMATION

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<b>Audit and Risk Committee</b>	Mr. Richard Dale Orman Mr. Bryan Daniel Pinney ( <i>Chairman</i> ) Mr. Peter David Robertson
<b>Nomination Committee</b>	Mr. Le Bo (伯樂) ( <i>Chairman</i> ) Mr. Bryan Daniel Pinney Mr. Peter David Robertson
<b>Remuneration Committee</b>	Mr. Le Bo (伯樂) Mr. Richard Dale Orman ( <i>Chairman</i> ) Mr. Bryan Daniel Pinney
<b>Principal Share Registrar and Transfer Office</b>	Computershare Trust Company of Canada Suite 600, 530-8th Avenue SW Calgary Alberta T2P 3S8 Canada
<b>Hong Kong Share Registrar</b>	Computershare Hong Kong Investor Services Limited Shops 1712–1716 17th Floor, Hopewell Centre 183 Queen’s Road East Wanchai Hong Kong
<b>Compliance adviser</b>	Changjiang Corporate Finance (HK) Limited Suite 1901, 19/F, Cosco Tower 183 Queen’s Road Central Central, Hong Kong
<b>Principal bankers</b>	National Bank of Canada 311–6 Avenue SW, Suite 1800 Calgary, AB T2P 3H2

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## INDUSTRY OVERVIEW

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*The information presented in this section is, including certain facts, statistics and data, derived from various official government publications and other publications from the Industry Report, which was commissioned by us, unless otherwise indicated. We believe that these sources are appropriate for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information that would qualify, contradict or have a material impact on such information since the date of the Industry Report. The information has not been independently verified by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives, or any other person involved in the Global Offering and no representation is given as to its accuracy. As such, investors are cautioned not to place any undue reliance on the information and statistics set forth in this section and elsewhere in this document.*

### SOURCE OF INFORMATION

We have commissioned F&S, an independent market researcher and consultant, to conduct a study and an analysis of and to report on the Natural Gas and Oil Industry in Canada for a fee of US\$108,000. F&S is a global consulting company founded in 1961 in New York and has over 40 offices worldwide with more than 2,000 industry consultants, market research and technology analysts and economists. F&S's services include, among others, technology research, independent market research, economic research, customer research, corporate best practices advising and customer research.

We have included certain information from the Industry Report in this Prospectus because we believe such information facilitates an understanding of the Natural Gas and Oil Industry in Canada for prospective investors. The methodology used by F&S in gathering the relevant market data in compiling the Industry Report included secondary research and primary interviews. Secondary research involves information integration of data and publication from publicly available resources, including official data and market research on industry and enterprise information issued by our chief competitors. Primary interviews were conducted with industry participants such as service companies, associations, trade bodies and relevant institutions to obtain objective and factual data and document predictions. F&S considered the source of information reliable because they have validated and crosschecked all data through various sources including primary discussions and also through their own proprietary research methodology. In addition, the impact of key macro-economic scenarios and possible future industry trends were factored into while forecasting the data. It must be noted that forecasts are subject to variations in the future.

# INDUSTRY OVERVIEW

## OVERVIEW OF THE GLOBAL NATURAL GAS AND OIL INDUSTRY

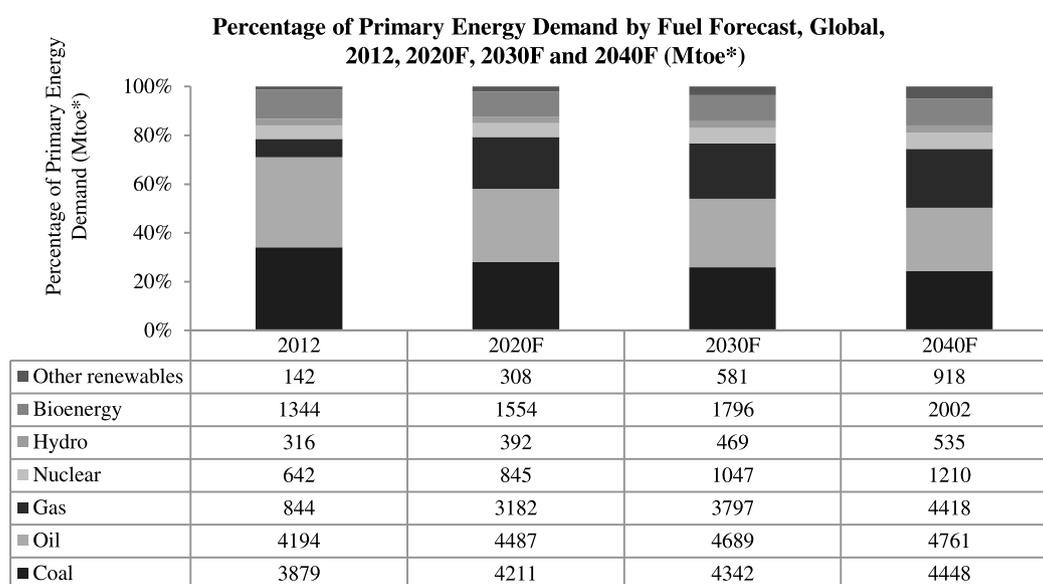
### 1 Introduction to Natural Gas and Oil

Natural gas is a cleaner<sup>1</sup> burning fossil fuel, with 30.0% less carbon than oil and as much as 60% less carbon than coal. Substituting natural gas for other fossil fuels can reduce emissions and contribute to a cleaner environment. Leading applications/uses of natural gas include, among others, power generation, heating, transportation and for industrial processing such as for the manufacture of fertilizers, petrochemicals and extraction process of oil from oil sands.

Natural gas is forecast to play a significant role in the power generation mix by 2040. According to the World Energy Outlook (WEO) 2014, its role in the primary energy mix is projected to increase from approximately 7.0% in 2012 to approximately 24.0% by 2040.

Oil is used as transportation fuel, fuel oils for heating and electricity generation, for making asphalt and other oil-derived materials. The demand for oil from the transportation sector is forecast to increase while demand from the power generation sector is expected to decline.

**Exhibit 1: Percentage of Global Primary Energy Demand by Fuel Forecast (Mtoe)**



*Note:* Other renewables include wind, solar PV, concentrated solar power (CSP), geothermal, and marine.

\* Million tonnes of oil equivalent

*Source:* World Energy Outlook (WEO) 2014, Frost & Sullivan

<sup>1</sup> Canadian Energy Research Institute.

# INDUSTRY OVERVIEW

## 1.1 Industry Value Chain

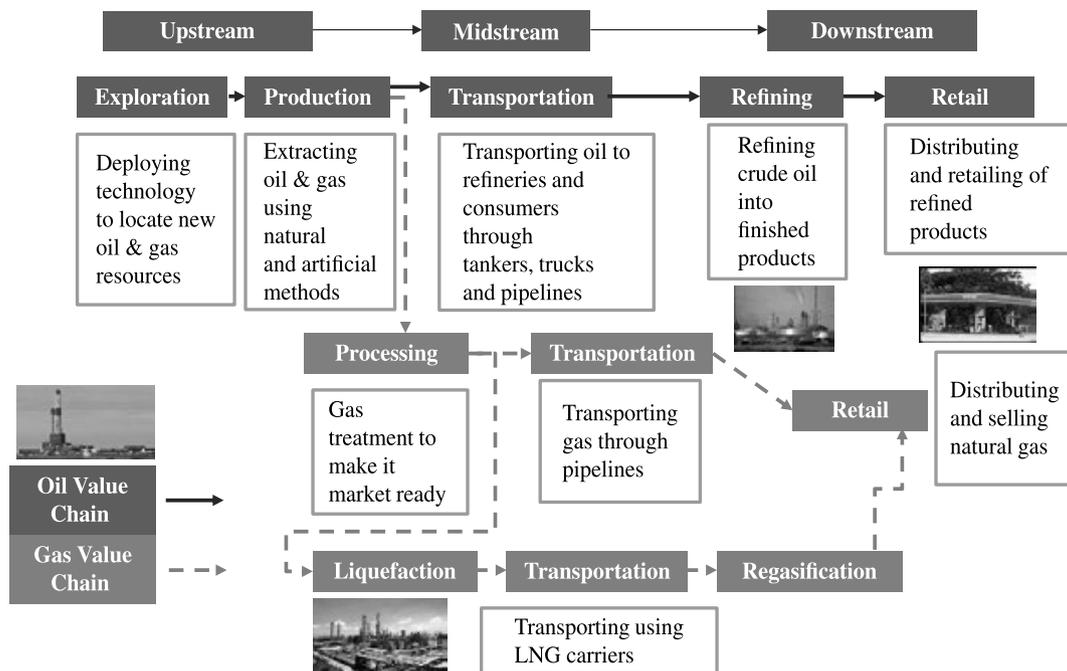
The upstream natural gas and oil industry is involved in the exploration and production (extraction) of oil or natural gas from onshore or offshore oil or natural gas fields. This phase is common for both, the natural gas and oil value chains.

The midstream natural gas industry involves natural gas processing and liquefaction facilities whereas the midstream oil industry involves storage and transportation of oil.

The downstream natural gas industry involves the distribution of natural gas to end-users. Natural gas can be transported either in a gaseous or liquid state, in the form of LNG. Liquefaction and regasification are thereby exclusive to the natural gas value chain. The downstream oil industry involves refining of crude oil into refined petroleum products, and retail and distribution to end-users.

Global best practices show that it is generally more economical to transport natural gas through pipelines for distances shorter than 2,500 km while natural gas can be transported in the form of LNG and through natural gas carriers for distances more than 2,500 km.

**Exhibit 2: Natural Gas & Oil Value Chain**



Source: Frost & Sullivan

As at 2015, conventional natural gas and oil refer to gas and oil that can be produced using traditional methods of drilling and extraction without any need for special techniques or technologies.

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## INDUSTRY OVERVIEW

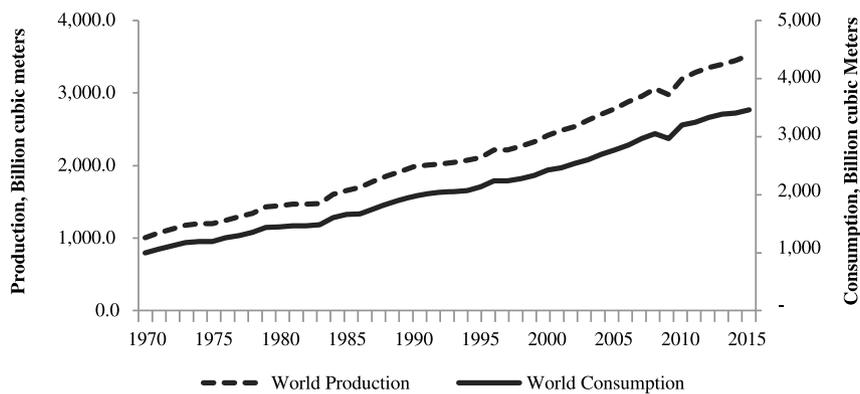
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Unconventional gas and oil refer to gas and oil that need specialized drilling and production techniques. For example, horizontal drilling is a new technology for extracting shale oil or gas. This is an improvement over conventional drilling and allows for the development of fields that could not be accessed by regular drilling techniques.

### 1.2 Global Natural Gas Production and Consumption

The global natural gas production increased at a CAGR of 2.9% from 992.0 bcm in 1970 to 3,539.0 bcm in 2015.<sup>2</sup> In comparison, the global natural gas consumption increased at a CAGR of 2.9% from 979.0 bcm in 1970 to 3,469.0 bcm in 2015.

**Exhibit 3: Global Natural Gas Production & Consumption, 1970–2015 (bcm)**



Source: BP Statistical Review of World Energy June 2016

In 2015, the top five natural gas producing countries in the world were US, Russia, Iran, Qatar and Canada. Canada has consistently been in the top five natural gas producing countries since 2011.

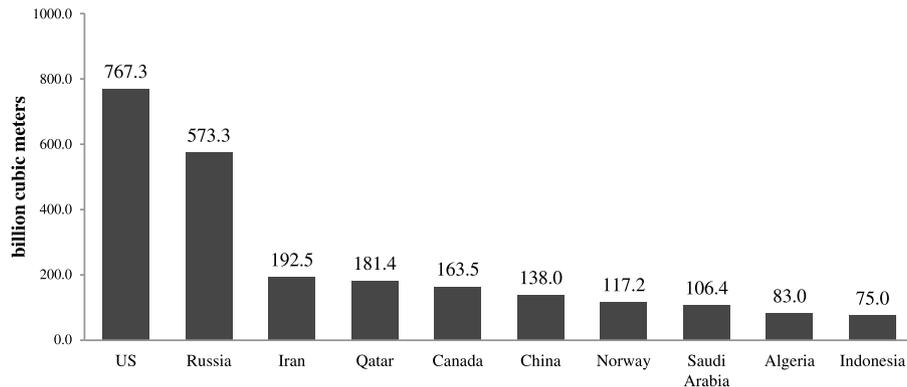
In 2015, the US was the leader in natural gas production at 767.3 bcm, accounting for 22.0% share of the global natural gas production, followed by Russia and Iran with a share of 16.1% and 5.4% respectively<sup>2</sup>. Canada's natural gas production share fell from third in 2010, with a global share of 5.0%, to fifth in 2015, with a global share of 4.6%. The reason for Canada's decline can be attributed to the fact that during 2010–2015, natural gas production in Iran and Qatar increased by 26.3% and 38.3% respectively.

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<sup>2</sup> BP Statistical Review of World Energy June 2016.

## INDUSTRY OVERVIEW

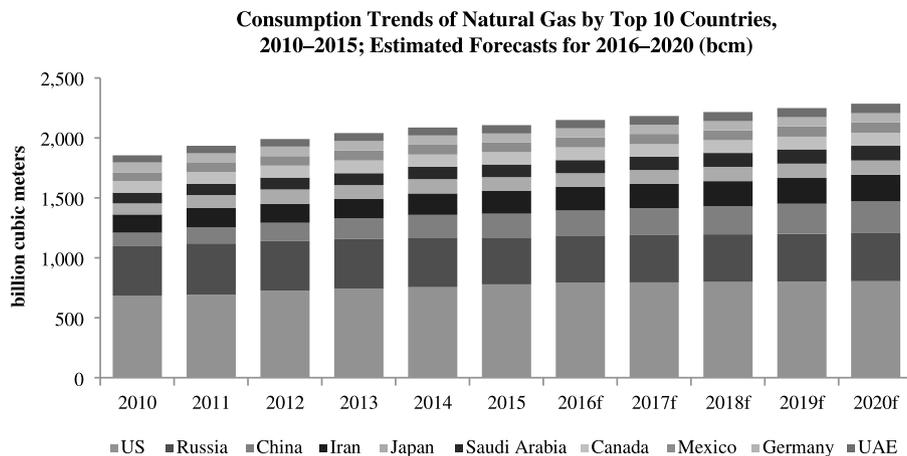
**Exhibit 4: Top 10 Natural Gas Producing Countries, 2015 (bcm)**



Source: BP Statistical Review of World Energy June 2016

In 2015, the top 10 countries for natural gas consumption cumulatively accounted for 60.8% of the global natural gas consumption. The US was the leader with 22.8% of global natural gas consumption at 778.0 bcm followed by Russia with a global share of 11.2% based on natural gas consumption of 391.5 bcm. Natural gas consumption in the US is expected to grow to 805.1 bcm in 2020 at a CAGR of 0.7% from 2015 levels. In comparison, Russia's natural gas consumption is forecasted to grow to 399.4 bcm in 2020 at a CAGR of 0.4% from 2015 levels. China is expected to record a CAGR of 6.1% from 2015 to 2020 to reach 265.3 bcm.

**Exhibit 5: Natural Gas Consumption Trends (bcm)**



Source: US Energy Information Administration; BP Statistical Review of World Energy June 2016; Frost & Sullivan analysis

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## INDUSTRY OVERVIEW

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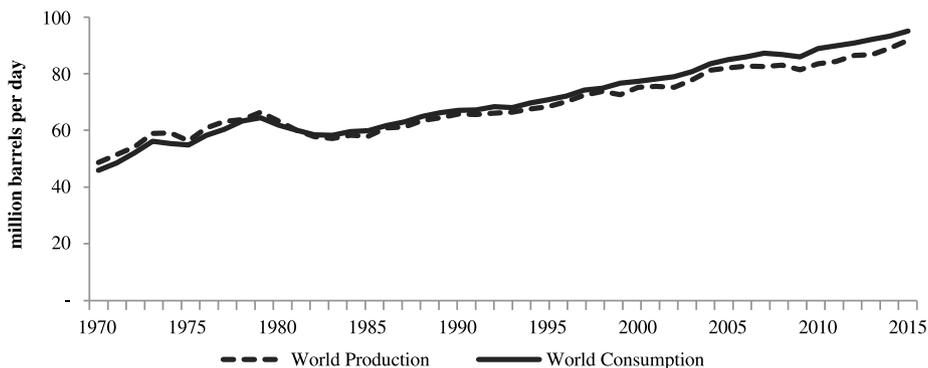
Natural gas consumption is facilitated by the corresponding increase in LNG trade. The global LNG market<sup>3</sup> is poised for high growth with several liquefaction and regasification projects in construction or proposal stage. LNG supply is likely to grow at 7.8% between 2013 and 2020 with Asian markets expected to remain the largest destination for LNG supplies. LNG is forecasted to become the dominant form of traded gas by 2035.

Natural gas power projects are increasingly considered as a complementary and bridging resource towards a dominant renewable energy power scenario. It is easier and quicker to implement than nuclear power projects and is a much cleaner resource than fossil fuels such as coal and oil.

### 1.3 Oil Production and Consumption

The global oil production increased at a CAGR of 1.4% from 48.1 MMbbls/d in 1970 to 91.7 MMbbls/d in 2015.<sup>4</sup> In comparison, the global oil consumption increased at a CAGR of 1.7% from 45.2 MMbbls/d in 1970 to 95.0 MMbbls/d in 2015. A large part of the difference between consumption and production is attributed to the use of alternative options such as biofuels, oil made from coal and other non-conventional sources, that are not included in the world production and consumption data sourced from the BP Statistical Review of World Energy June 2016 report.

**Exhibit 6: Global Oil Production and Consumption Trends, 1970–2015 (MMbpd)**



Source: BP Statistical Review of World Energy June 2016

### 1.4 Global Pricing Trends of Natural Gas and Oil

#### 1.4.1 Natural gas prices

Traditionally, LNG buyers in the Asia-Pacific region have paid the highest price for natural gas. As LNG trade picks up, there is increasing availability of natural gas from various supplying countries, which may reduce prices. Natural gas pricing contracts are

<sup>3</sup> BP Energy Outlook 2035.

<sup>4</sup> BP Statistical Review of World Energy June 2016.

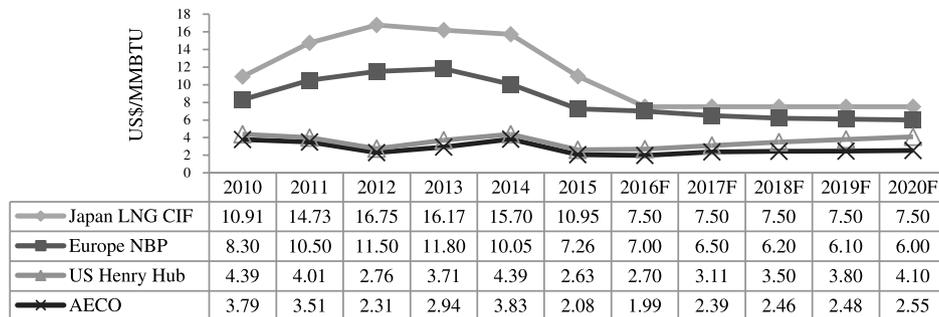
## INDUSTRY OVERVIEW

oil-linked and expected to decrease in line with declining oil prices. Natural gas prices are set to dip slightly in North America and Europe. However, with LNG exports from North America destined for Europe and Asia, the natural gas prices in North America as compared to prices in 2013 are likely to gradually increase beyond 2020, with LNG exports boosting demand. European prices are expected to decrease slightly in the short-term and stabilize. Japan's natural gas prices are forecasted to drop as nuclear plants come online, resulting in weaker demand. However, in longer-term (post-2020) Japanese investment in natural gas plants should provide support to keep prices high.

Given the declining oil prices, investment in natural gas production assets is considered to be a better option.

US Henry Hub or AECO is most relevant to the Company's operations. As shown in Exhibit 7, there is price gap between US Henry Hub/AECO and Japanese LNG/Europe NBP; as such, the Company may benefit from potential price upside in the global natural gas market.

**Exhibit 7: Natural Gas Prices, 2010–2020F (US\$/MMBtu)**



*Note:* 1 MMBtu of natural gas = 1 Giga Joule (GJ) equivalent approximately

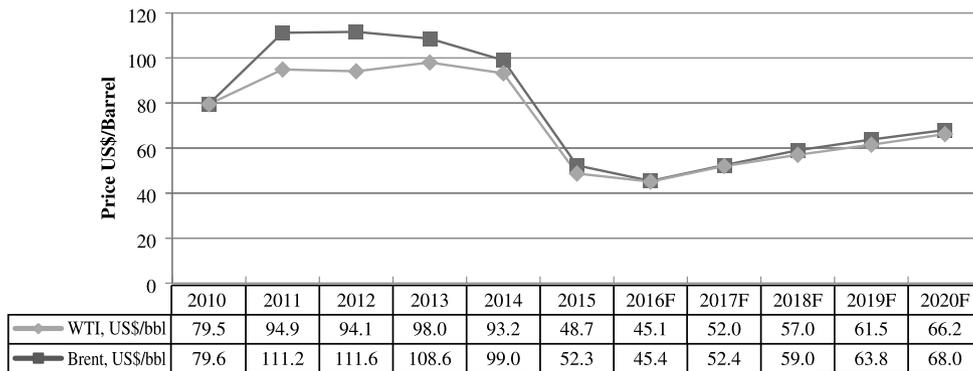
*Source:* US Energy Information Administration, Alberta Energy Regulator and Frost & Sullivan

### 1.4.2 Oil Prices

Due to the current supply glut, reducing global demand and the reluctance of oil producing nations to cut production, the oil prices started declining post-2013 onwards. In 2015, oil prices plunged sharply to reach US\$52.3/Bbl for Brent and US\$48.7/Bbl for WTI. As at July 11, 2016, Brent was priced at US\$44.04/Bbl, while WTI was traded at US\$44.73/Bbl. Oil prices are expected to increase gradually to US\$68.0/Bbl for Brent and US\$66.2/Bbl for WTI by 2020. Decline in production and modest growth in demand for oil are likely to drive the recovery. While recovery to peak prices of US\$100/Bbl of oil may be difficult; in the long-term, prices are projected to be around US\$75.0–80.0/Bbl as per Frost & Sullivan estimates.

## INDUSTRY OVERVIEW

**Exhibit 8: Oil Prices, 2010–2020F (US\$/Bbl)**



*Source: US Energy Information Administration*

## 2 Canada & Alberta Natural Gas and Oil Industry

### 2.1 Overview of Canada's Natural Gas and Oil Industry

Canada has abundant natural gas reserves, with enough to support current levels of natural gas production for 100 years. Canada is the fourth largest exporter of natural gas accounting for 7.8% of the global natural gas exports.

Canada is a politically stable country and investment in the Canadian natural gas and oil projects should be considered from a long-term perspective and likely to carry a lower risk when compared to investment in emerging economies.

#### 2.1.1 Contribution to GDP by the natural gas and oil industry in Canada

The GDP of Canada was C\$2.0 trillion in 2015 and expected to increase to C\$2.6 Trillion by 2020.

**Exhibit 9: Canada's Total GDP, C\$ Billion**

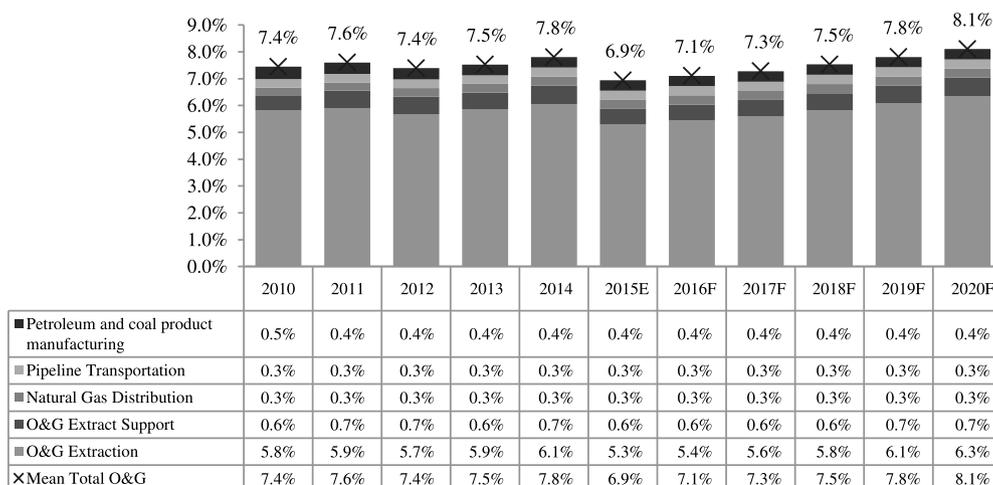
2010	2011	2012	2013	2014	2015	2016F	2017F	2018F	2019F	2020F
2,096	2,165	2,206	2,255	2,311	2,024	2,374	2,431	2,488	2,541	2,592

*Source: Bank of Canada; Statistics Canada; World Bank; IMF; Frost & Sullivan Analysis*

From 2010 to 2015, Canadian natural gas and oil industry's share of GDP ranged between 7.4% and 7.8%.

## INDUSTRY OVERVIEW

**Exhibit 10: Canada's Natural Gas and Oil Share GDP  
(C\$ billion, 2014 real currency), 2010–2020F**



*Source: Bank of Canada; Statistics Canada; World Bank; IMF; Frost & Sullivan Analysis*

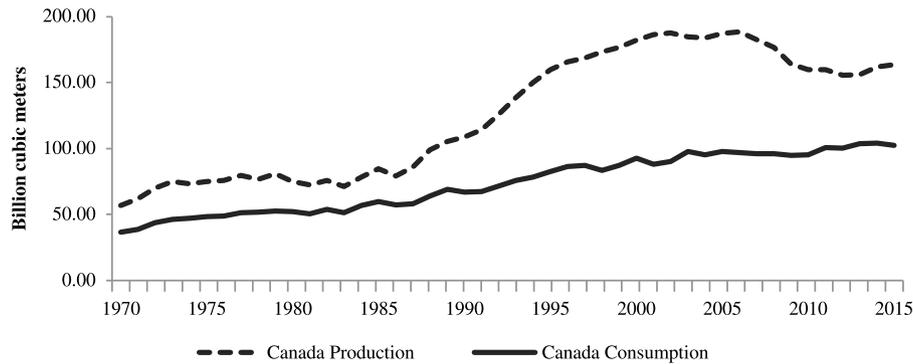
The share of the natural gas and oil industry to GDP is likely to fall to 7.1% in 2016 and gradually rise to 8.1% by 2020. The fall in 2016 is expected due to improved industrial activity compared with 2015.

Canada's natural gas and oil industry offers considerable economic benefits to its citizens and is the largest private sector investor in the country. According to the Canadian Association of Petroleum Producers, this sector contributed an estimated C\$17.0 billion to government revenues in 2015 in the form of royalty payments, land payments and income taxes. The natural gas and oil industry also generates direct and indirect employment to more than 450,000 people across the country.

Canada's natural gas production increased at a CAGR of 2.4% from 57.0 bcm in 1970 to 163.5 bcm in 2015. In comparison, Canada's natural gas consumption increased at a CAGR of 2.3% from 36.0 bcm in 1970 to 102.5 bcm in 2015.

## INDUSTRY OVERVIEW

**Exhibit 11: Canada’s Natural Gas Production and Consumption, 1970–2015 (bcm)**



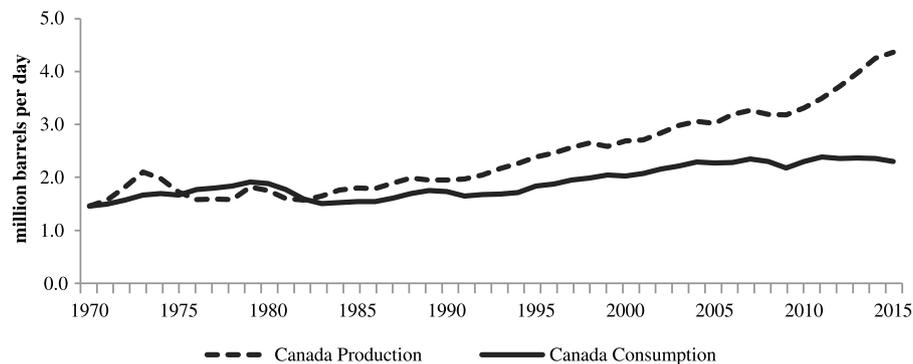
*Note:* 1 trillion cubic meters = 1,000 billion cubic meters.

*Source:* BP Statistical Review of World Energy June 2016

From 1990 to 2010, Canada’s natural gas industry benefitted from the exports to the US market. However from 2011 to 2015, increasing US shale gas production and competitive US natural gas pricing have impacted Canada’s natural gas exports to the US.

Canada’s oil production increased at a CAGR of 2.5% from 1.5 MMbpd in 1970 to 4.4 MMbpd in 2015. In comparison, Canada’s oil consumption increased at a CAGR of 1.0% from 1.5 MMbpd in 1970 to 2.3 MMbpd in 2015. The excess production has made Canada one of the top five net oil exporters.

**Exhibit 12: Canada’s Oil Production and Consumption, 1970–2015 (MMbpd)**



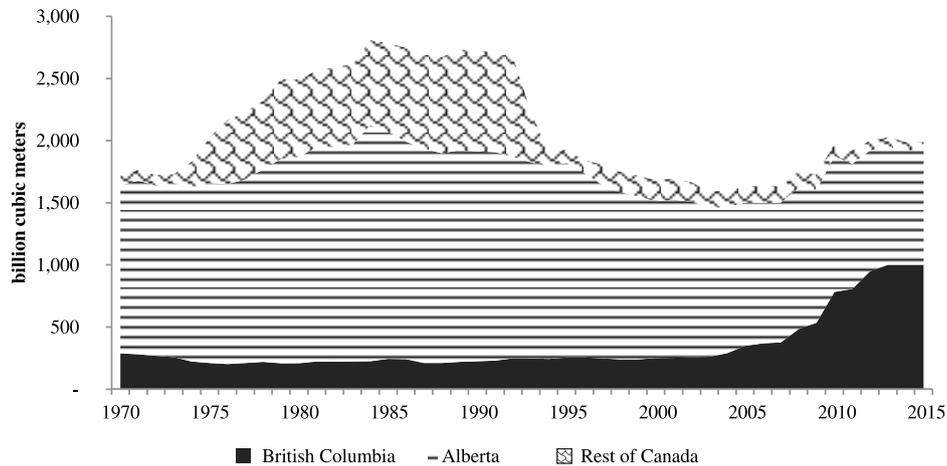
*Source:* BP Statistical Review of World Energy June 2016

## INDUSTRY OVERVIEW

### 2.1.2 Overview of Canada's natural gas resources development

Canada's total natural gas reserves dropped significantly from 2,732 bcm in 1989 to 1,898 bcm in 1994 due to the use of the reserves in all other regions excluding Alberta and British Columbia. In 2004, the reserves further dropped to a low of 1,593 bcm. However, it has since gradually risen to 1,987 bcm in 2015, primarily due to the identification of new/additional reserves in British Columbia.

**Exhibit 13: Canada's Natural Gas Reserves, 1970–2015 (bcm)**



*Note:* Rest of Canada — Main Territory, Saskatchewan, Ontario, New Brunswick and East Coast Offshore.

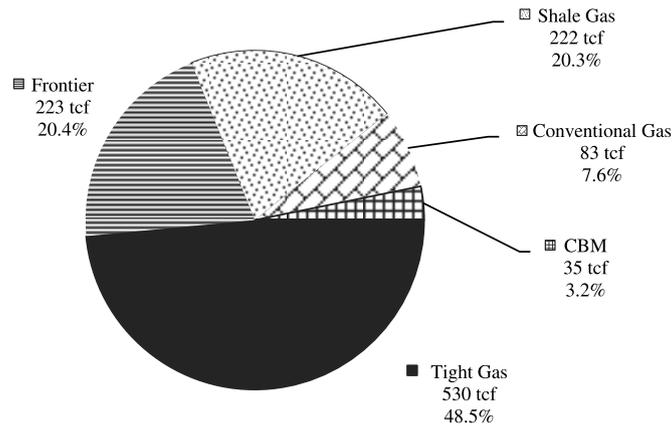
*Source:* Canadian Association of Petroleum Producers and BP Statistical Review of World Energy June 2016

After 2013, British Columbia overtook Alberta in natural gas reserves. As at 2015, Alberta's natural gas reserves were 46.0%, British Columbia was 50.2% and the rest of Canada was 3.8%.

As shown in Exhibit 14, 48.5% (530 tcf) of the natural gas reserves are from Tight Gas resources. Frontier and Shale Gas, each has a share of approximately 20.0% in reserves, amounting to around approximately 222 tcf each.

## INDUSTRY OVERVIEW

**Exhibit 14: Canada's Natural Gas Reserves by Resources, 2015**

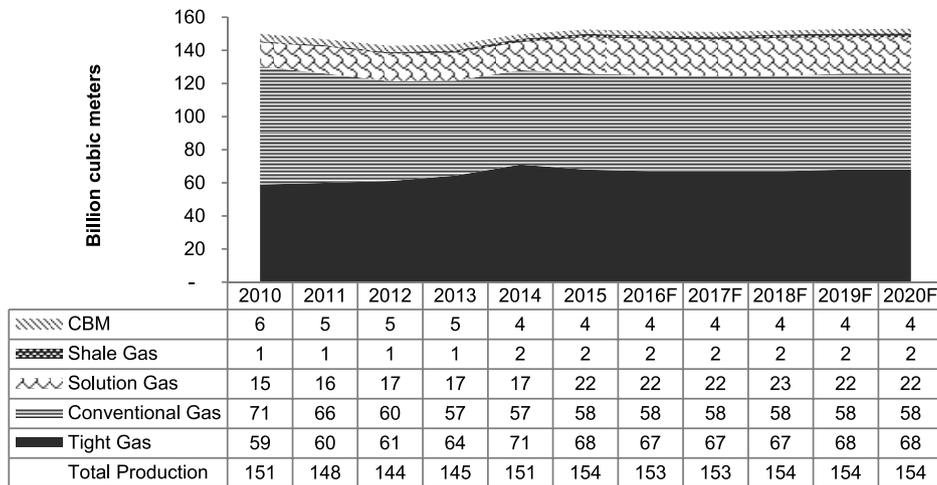


*Note:* Conventional Gas excludes Tight Gas.

*Source:* Canadian Gas Association and National Energy Board

Exhibit 15 indicates that Tight Gas has overtaken Conventional Gas from 2012 onwards within the marketable production mix of Canada. In 2015, Tight Gas had an estimated share of 44.2% of the total marketable production at 68 bcm.

**Exhibit 15: Canada's Natural Gas Marketable Production, 2010–2020F (bcm)**



*Note:* Conventional Gas excludes Tight Gas.

*Source:* Canadian Association of Petroleum Producers and Frost & Sullivan

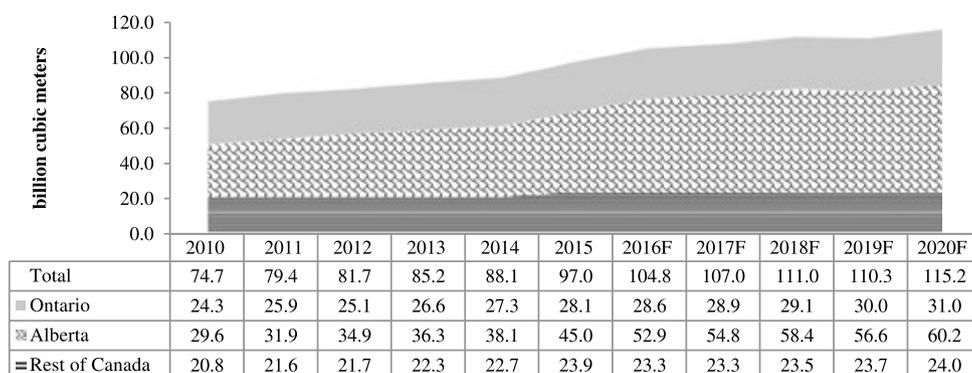
## INDUSTRY OVERVIEW

By 2020, the total marketable production of natural gas is projected to be at the same levels as at 2015 due to the demand constraints shown by China and low oil prices.

### 2.1.3 Natural Gas Consumption by Region

The major markets for natural gas in Canada are Alberta and Ontario. In 2015, Alberta's share was 46.4% with a consumption of 45.0 bcm and is forecast to increase to 52.9 bcm in 2016 and further by 58.4 bcm in 2018. By 2020, Alberta's share is anticipated to grow to 52.3% with a consumption of 60.2 bcm. Alberta's demand for natural gas is expected to surge in 2016 due to growing demand from the oil sands sector and for power generation.

**Exhibit 16: Canada's Natural Gas Consumption by Region, 2010–2020F (bcm)**



*Note:* Rest of Canada — Nova Scotia, New Brunswick, Quebec, Manitoba, Saskatchewan and British Columbia, NWT & Yukon.

*Source:* Canadian Association of Petroleum Producers and Frost & Sullivan

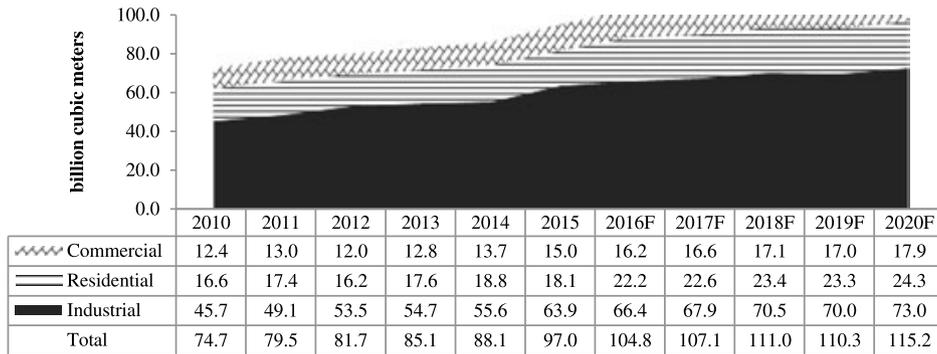
### 2.1.4 Natural Gas Demand Trends (2010 to 2015; Estimated Forecast to 2020)

As highlighted in Exhibit 17, Canada's natural gas consumption grew by a CAGR of 5.4% from 74.7 bcm in 2010 to 97.0 bcm in 2015. Natural gas consumption is forecasted to grow to 115.2 bcm in 2020 at a CAGR of 3.5% with 2015 as the base year owing to expected improvements in industrial consumption.

Between 2010 and 2015, few industries such as fertilizer manufacturing, recycling facilities, livestock, mining (precious metals) and heavy truck manufacturing exhibited strong revenue growth. Traditionally, natural gas and electricity have been common types of heating energy used in Canadian residential homes during winter. Besides home heating, natural gas is also used for heating water and fueling large appliances such as stoves, clothes dryers, and barbecues.

## INDUSTRY OVERVIEW

**Exhibit 17: Canada's Natural Gas Consumption by Type, 2010–2020F (bcm)**



*Note:*

- Commercial customers include those engaged in wholesale or retail trade, governments, institutions, office buildings.
- Residential customers use natural gas for domestic purposes, including space heating, water heating, cooking in a residential dwelling unit.
- Industrial customers are engaged in a process that creates or changes raw or unfinished materials into another form or product. Includes firm, interruptible and buy/sell agreements.

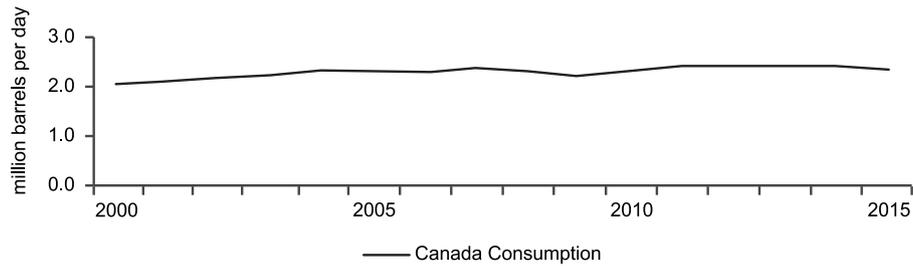
*Source: Statistics Canada; Bank of Canada; IMF; Frost & Sullivan Analysis*

Currently, the Canadian natural gas trade relies on pipeline transportation in North America. There are about 510,000 km<sup>5</sup> of natural gas pipelines that deliver natural gas to customers in Canada. In addition, Canada imports LNG from Trinidad and Tobago, and Qatar.

**Oil Reserves and Consumption:** Canada has total of 171.8 billion Bbls reserves. These are mainly concentrated in Alberta and makes up 98.0% of the total oil reserves in Canada. In terms of oil consumption, Western Canada region has the highest oil consumption in the country.

<sup>5</sup> Report of the dialogues on Canada's natural gas industry, *Canadian Natural Gas*, April 2013.

**Exhibit 18: Canada's Crude Oil Consumption, 2000–2015, MMbpd**



Source: *BP Statistical Review of World Energy June 2016*

## 2.2 Overview of Alberta's Natural Gas & Oil Industry

### 2.2.1 Alberta's Natural Gas & Oil Industry

The natural gas and oil industry is an extremely important revenue contributor to the economy of Alberta. The government obtains royalties and taxes from the natural gas and oil industry activities. The industry creates jobs and benefits the local communities. Alberta registered the highest average annual economic growth in Canada from 1994 to 2015, fueled by abundant natural resources, a diverse economy and government commitment to supporting innovation and entrepreneurship. Alberta is one of the premier destinations in Canada that has retained its appeal as a place to settle down and invest.

Alberta offers a highly competitive business<sup>6</sup> environment with attractive incentives such as:

- No provincial retail sales tax, no provincial capital taxes, no payroll taxes, no machinery and equipment taxes, and the lowest gasoline tax among Canadian provinces.
- Attractive combined federal and provincial corporate tax rates in the country at 27%.

Natural gas and oil is one of the strongest industrial sectors in Alberta. The Annual Survey of Petroleum Executives ranks Alberta among the top five most attractive large petroleum jurisdictions in the world. The other four are Texas, United Arab Emirates, Qatar and Kuwait.

Alberta has abundant natural gas resources that include conventional natural gas, unconventional coal bed methane and shale gas. Reserves<sup>7</sup> of conventional natural gas currently stand at 29 tcf and 2.4 tcf from coalbed methane. The province estimates the remaining ultimate potential of marketable conventional natural gas to be at 74 tcf.

<sup>6</sup> Canadian Trade Commissioner Service.

<sup>7</sup> Alberta Energy Regulator

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## INDUSTRY OVERVIEW

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Current production of natural gas in Alberta is approximately 4 tcf that is transported to both Canadian and US markets. The province has an extensive pipelines network and storage infrastructure for the transportation of natural gas.

The province's marketable natural gas production, including CBM, was approximately 3.8 tcf in 2015. Only 30.0% of natural gas produced is consumed within Alberta; with the remaining 70.0% is exported to other provinces of Canada and the US.

Alberta's residential and commercial sectors account for 17.0% of the province's marketable natural gas consumed in Alberta for home and business heating. The remaining 83.0% of natural gas consumed in Alberta is used by the industrial, electricity generation, transportation, and other sectors. Natural gas is also an essential raw material for the province's oil sands and electric power generation industries.

The oil sands industry is vital to Alberta. However, declining oil prices have put a big question mark on the sustainability of the oil sands industry in the province.

To date, Canada does not have operational LNG export facilities. However, as of March 2015, 20<sup>8</sup> proposed LNG export facilities in Canada have entered the regulatory review process — at least 16 of them in British Columbia and one in Nova Scotia.

With North America becoming self-sufficient in natural gas, there is an opportunity for Canada to capitalize on its LNG export potential. The Government of Canada is working closely with British Columbia and other provinces to support the development of a robust LNG industry in the country.

The local province regulations encourage investments into natural gas assets by giving royalty credits. In Alberta, royalties for natural gas are set by a sliding scale formula containing separate elements that account for market price and well production. As of September 30, 2016, the royalty rate for natural gas ranges from 5–36%. The Government of Alberta finalized the new Royalty Framework during April 2016. All petroleum products from wells drilled after January 1, 2017 will have an initial royalty rate of 5%. This royalty rate will continue until the cumulative revenue from the well reaches a threshold value known as C\*. The value of C\* is calculated for new wells based on the well's true vertical depth, total lateral length and total proppant placed. After C\* is reached, royalties are based on price and depending on the monthly production of the well can be rate dependant as well.

The Alberta government established a royalty incentive plan called 'Horizontal Oil New Well Royalty Reduction' — wells that came on production on or after May 1, 2010 will enjoy a deducted royalty rate of 5%. However, this royalty rate will be subject to a cap based on either 12 production months, 50,000 barrels of oil production including

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<sup>8</sup> "A Citizen's Guide to LNG" from the Resource Works Society

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## INDUSTRY OVERVIEW

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equivalents for oil wells, or 500MMcf of gas production including equivalents for gas wells, whichever is reached first. These credits are given to E&P companies that drill in the region, valid till December 2018 and are likely to be extended.

Alberta has an extremely attractive royalty regime for natural gas production. Under the current system, the royalty rates for natural gas can vary from 5% to 36% depending on the quantity and conditions of natural gas production.

There are over 8,600 equipment and service firms based in Alberta catering to the natural gas and oil industry and employing around 110,000 people. Some of the world's largest natural gas and oil service companies such as Schlumberger, Weatherford, Halliburton and Baker Hughes have a presence in the province. The presence of many service providers increases competition, with natural gas and oil producers able to get competitive rates. This keeps the natural gas and oil production activities cost effective.

The natural gas fields in Alberta have an extended economic lifespan of 25 to 30 years which is an attractive feature for investments.

Natural gas producing wells have declined from 131,963 in 2010 to 123,023 in 2015. The number of producing wells is likely to increase slightly to 170,800 by 2020. Decline in the number of wells is likely to result in a corresponding decline of natural gas produced compared to 2010 levels.

### 2.2.2 Royalty Framework

Approximately, 80.0% of the natural gas produced in Alberta is on Crown land. The lands are leased to natural gas companies that pay a royalty to the Government on the amount of natural gas produced. Alberta offers a very attractive royalty regime for natural gas producers.

In the previous royalty regime, the overall royalty rate varied from 5% to 36% sliding scale depending on the natural gas component. Please see Exhibit 19 for details.

#### **Exhibit 19: Natural Gas Royalty in Alberta, 2015**

Natural Gas Component	Royalty Rate
Methane	5% to 36% sliding scale
Ethane	5% to 36% sliding scale
Propane	30% fixed rate
Butane	30% fixed rate

*Source: Alberta Government*

The Government of Alberta finalized the new Royalty Framework during April 2016. Starting January 1, 2017, crude oil, natural gas liquids and natural gas production will have a flat royalty rate of 5%, until cumulative revenue from a well is equal to the

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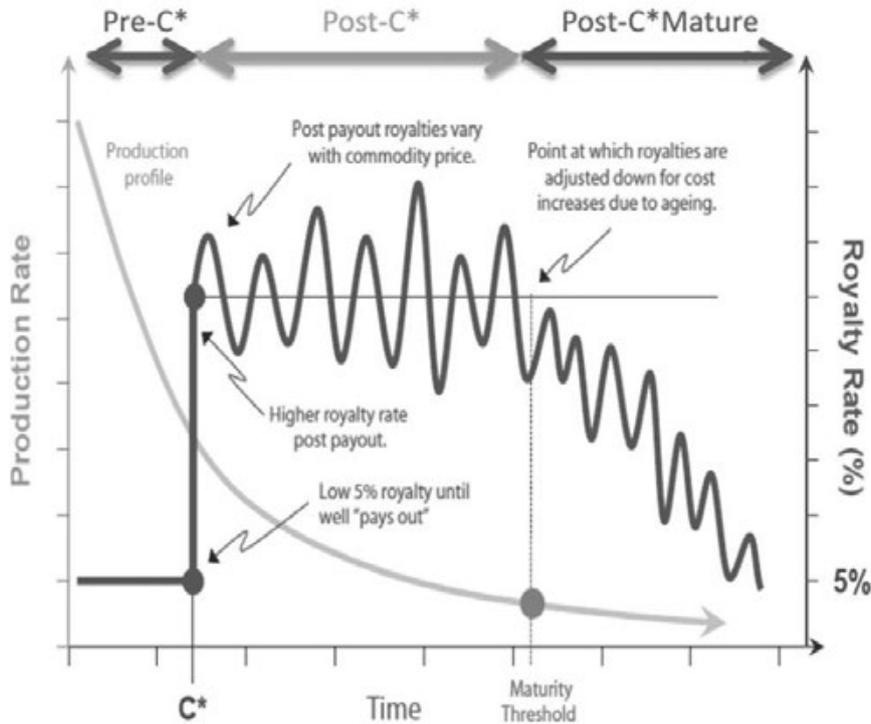
## INDUSTRY OVERVIEW

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drilling and completion costs. After that pay-out, royalties will be energy price-sensitive and reflect expected returns over the life of the well. The new Royalty Framework removes economic distortions and provides incentives for companies to lower their operating costs, helping to spur innovation in the sector.

According to Alberta Government's announcement on July 12, 2016, early access to the new framework is optional and will be application-based. As part of their application to opt in, early companies will need to prove their activity is above and beyond what was already planned. Any wells previously started will stay under the old royalty system. In other words, for wells drilled before 2017, the existing rates will remain in effect until 2026; however, wells drilled after July 13, 2016 may be applicable under the new royalty framework if the well represents additional capital investment and would not otherwise be drilled.

**Exhibit 19A: Royalty Rates Structure Over the Lifecycle of a Well**



*Image Source: Alberta Government*

As per the new royalty framework, a company will pay a flat royalty of 5% on a well's early production until the well's revenue, from all hydrocarbon products, equals C\*. Afterwards, the company will pay higher royalty rates that vary depending on the resource and market prices. Royalty rates will drop to match declining production rates when the well reaches a Maturity Threshold.

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## INDUSTRY OVERVIEW

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The C\* of a well is calculated as follows:

1. For Wells with TVD  $\leq$  2000 meters

$$C^*(\$) = 1,170*(TVD-249)+800*TLL+0.6*TVD*TPP$$

2. For wells with TVD  $>$  2000 meters

$$C^*(\$) = 1,170*(TVD-249)+3,120*(TVD-2000)+800*TLL+0.6*TVD*TPP$$

### Exhibit 19B: TPP, TVD and TLL for C\* Calculations

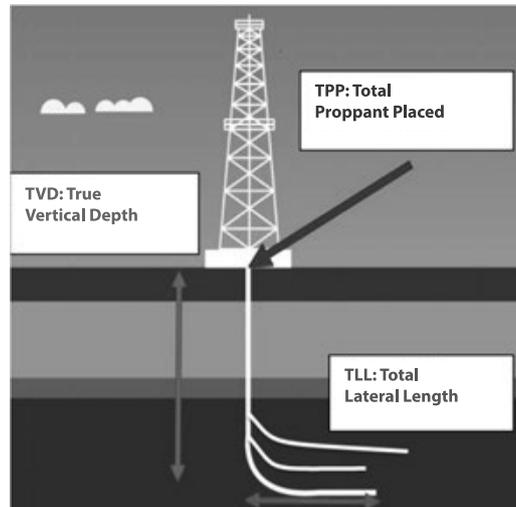


Image Source: Alberta Government

The calculation of C\* is the same for all wells, regardless of what hydrocarbon the well produces. When a company drills a well, the well's true vertical depth (TVD), total lateral length (TLL) and total proppant placed (TPP) are entered into the Drilling and Completion Cost Allowance formula to calculate the C\* value for the well. The formula for wells deeper than 2000 meters reflect the higher complexity and the higher cost per meter to drill a deep well.

#### 2.2.3 Current and Projected Natural Gas Production (2010–2015; Forecasts to 2020)

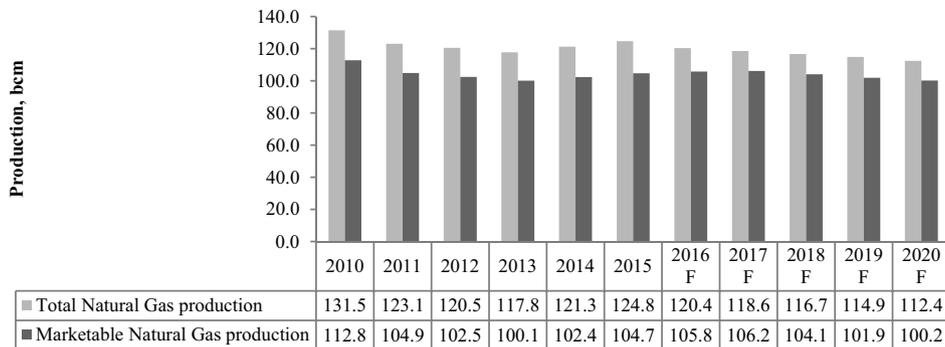
The natural gas production in Alberta was 124.8 bcm in 2015 compared with approximately 131.5 bcm in 2010. The overall decline is expected to continue, with natural gas production projected to reach nearly 112.4 bcm by 2020. Of the total production, a part of it is flared or vented, and hence, the marketable natural gas production is lower. The marketable natural gas production was 104.7 bcm in 2015 and

## INDUSTRY OVERVIEW

expected to reduce to approximately 100.2 bcm by 2020. The decline in Alberta's marketable natural gas production is most likely expected due to the following main reasons:

- Maturing gas fields in Alberta where production has already reached its peak and output is likely to decline during the forecast period.
- Expected closure of few unprofitable existing production sites that would impact throughput and overall production in the province.

**Exhibit 20: Total Natural Gas Production and Marketable Natural Gas Production, Alberta (bcm) 2010–2015 (Actuals), 2016–2020 (Forecasts)**



*Source: Canadian Association of Petroleum Producers and Frost & Sullivan*

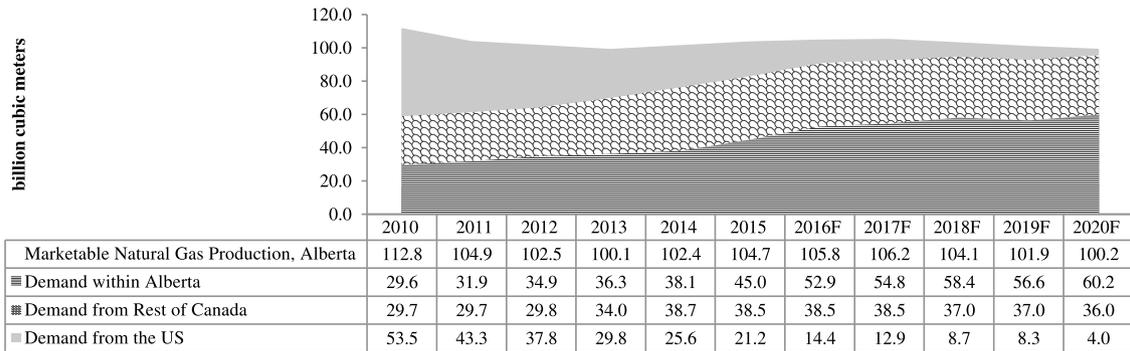
Based on annual gas production estimates by the Company, its production is forecast to increase from 0.364 bcm (12,876 MMcf) in 2017 to 0.387 bcm (13,674 MMcf) in 2018 and 0.460 bcm (16,249 MMcf) in 2019. This translates to 0.34%, 0.37% and 0.45% in 2017, 2018 and 2019 respectively as a percentage to Alberta's marketable natural gas production estimates.

### 2.2.4 Target Markets' Demand Including Canada and US (2010–2015)

In 2015, domestic demand (within Alberta) was a major market for Alberta's marketable natural gas production contributing around 43.0% of the demand. Demand from the US market accounted for nearly 20.2% of the marketable natural gas production in Alberta and the remaining 36.8% was supplied to other provinces in Canada.

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**Exhibit 20A: Demand for Alberta’s Marketable Natural Gas Production (in bcm) from Rest of Canada and US, 2010-2015 (Actuals), 2016-2020 (Forecasts)**



*Note:* Rest of Canada — Nova Scotia, New Brunswick, Quebec, Manitoba, Saskatchewan and British Columbia, NWT & Yukon.

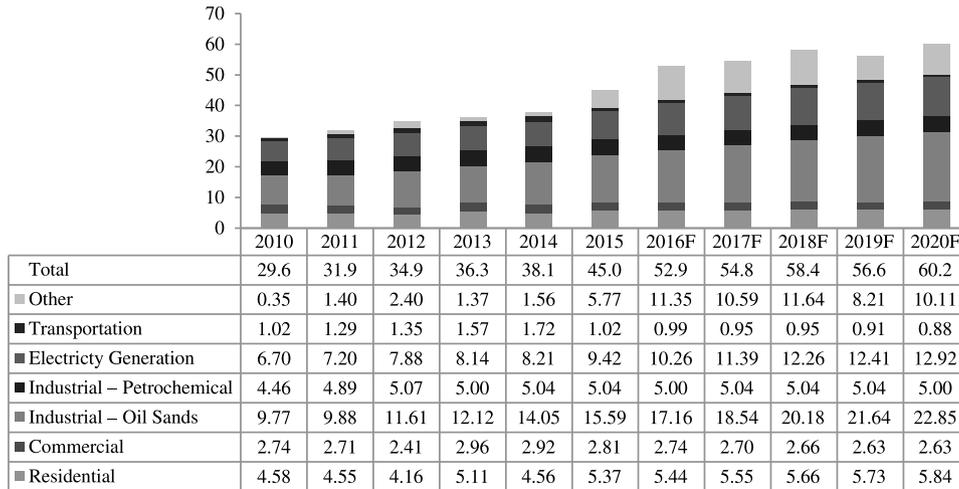
*Source:* Canadian Association of Petroleum Producers, Alberta Energy Regulator and Frost & Sullivan

Alberta’s natural gas export to the US market has declined by 16.9% CAGR from 2010 to 2015 and is expected to decline further during the forecast period as gas from the Marcellus and Utica Shale in the US finds its way into the US domestic market replacing the gas supplied by Alberta.

Although decrease in demand in the export market may increase competition in domestic markets, it may have little impact on the demand of Alberta’s natural gas since the demand within Canada is growing gradually. The major domestic uses of natural gas in Alberta are for crude oil production (from oil sands) and electricity generation, which are expected to grow at an annual average of 5.0% and 3.0% respectively. The oil sands are expected to be the primary source of demand for Alberta’s natural gas production, offsetting some of the demand loss in export markets. In addition to this, demand for natural gas is expected to rise due to the likely switch from coal to gas as a fuel for the province’s electricity generation as a result of Government of Alberta’s Climate Leadership Plan and pre-existing federal regulations. Therefore, it is expected that the total consumption of natural gas in Alberta is likely to increase to 60.2 bcm by 2020.

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**Exhibit 21: Domestic Demand for Alberta’s Natural Gas by End-User Segments (bcm) 2010–2015 (Actual), 2016–2020 (Forecast)**

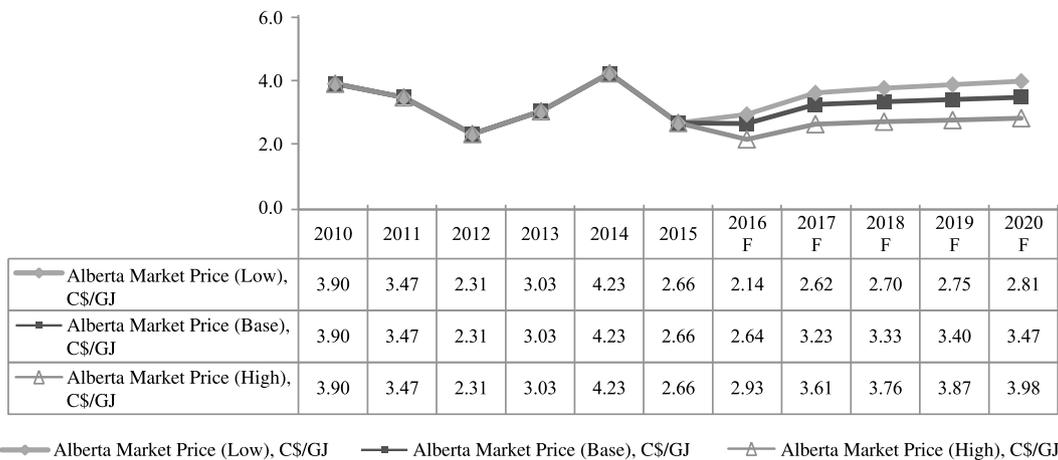


Note: ‘Other’ includes non-energy use such as feedstock for petrochemicals.

Source: Frost & Sullivan

### 2.2.5 Natural Gas Pricing in Alberta

**Exhibit 22: Alberta’s Natural Gas Prices, 2010-2015; Forecasts 2016 to 2020 (C\$/GJ)**



—◆— Alberta Market Price (Low), C\$/GJ    —■— Alberta Market Price (Base), C\$/GJ    —△— Alberta Market Price (High), C\$/GJ

Source: Alberta Energy Regulator

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## INDUSTRY OVERVIEW

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The natural gas market is open and competitive with prices influenced by many variables throughout North America. These include<sup>10</sup> natural gas supply and demand, natural gas production and exploration activity, natural gas reserves in place, natural gas storage capacities and activities, weather, availability and pricing of competing energy sources and market participants' opinion of future trends in any of these or other variables.

Since end of August 2016, prices are exhibiting an increasing trend. Natural gas prices are expected to rise gradually from 2017 to reach C\$3.47 per GJ (in the base case scenario) by 2020. Compared with the Japan LNG, the Henry Hub and Europe Gas prices, Alberta's natural gas prices are lower. The lower pricing compared to global gas prices gives scope for increase in gas prices in Alberta. Increase in global LNG trade is driving globalization of natural gas prices.

### *2.2.6 Alberta's Natural Gas Industry Outlook*

Natural gas demand (including indirect effect from electricity growth) in Canada is influenced primarily by the growth rate of the economy in Canada and US. Currently, natural gas provides 11.0% of Canada's electricity generation. Due to its scalability, it can be effectively deployed along with the wind and solar power farms across the country.

Most of the increase in North American natural gas requirements comes from the displacement of coal in the power sector and oil in the transportation sector. Besides, the global push for energy efficiency is a significant moderating influence on residential and commercial demand for natural gas and electricity.

Canadian natural gas producers, apart from having growing customer demand in North America, have opportunities to target the large Asia LNG markets such as Japan, South Korea and China. The proposed LNG projects in Canada are to be driven by the growing natural gas production.

At the end of 2015, the North American natural gas market was widely viewed as oversupplied. Alberta's natural gas faces increasing competition from Marcellus gas-producing areas that are closer to markets in Central Canada, as well as the US Northeast and Midwest.

However, loss of natural gas demand in export markets will be offset by increasing demand within Alberta because they are widely used for crude oil production (from oil sands) and electricity generation. As a result, demand is likely to expand for new natural gas production.

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<sup>10</sup> As indicated by Government of Alberta.

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## INDUSTRY OVERVIEW

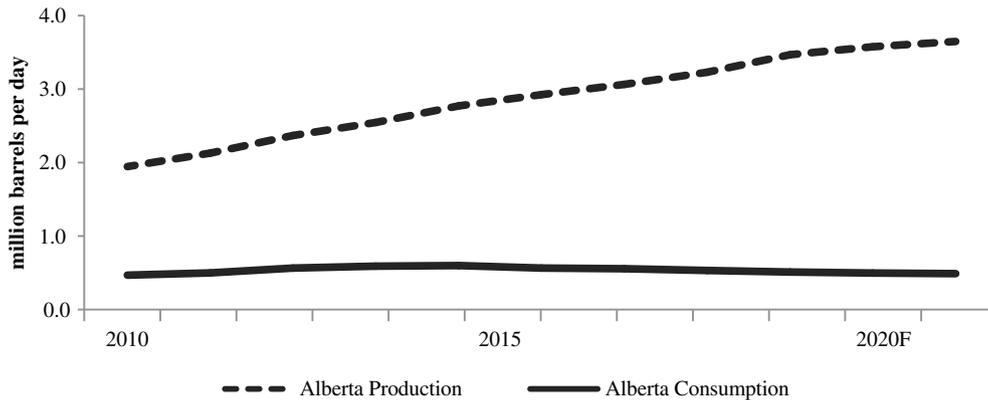
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Depressed natural gas and oil prices are resulting in a reduction in investment capital further, leading to producers lowering costs of production and focusing new drilling efforts on the most economically-viable prospects. In other words, investment in times of low prices focuses on high-grade<sup>11</sup> resources. Companies with access to high-grade conventional resources are likely to be able to raise capital for increasing production.

### 2.2.7 Alberta's Oil Production and Consumption

Alberta has the biggest oil sands deposits in Canada producing 2.9 million bbls/d from the oil sands in 2015. Alberta's oil production increased at a CAGR of 8.5% from 2010 to 2015. Most of the crude oil produced in Alberta is exported to the rest of Canada or the US. Of the production that remains in the province, most is converted into transportation fuels at refineries in Alberta.

**Exhibit 23: Alberta's Oil Production and Consumption, 2010–2020F (MMbpd)**



Source: Canadian Association of Petroleum producers, National Energy Board, Alberta Energy Regulator

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<sup>11</sup> High-grade or high quality resources are those where the quality of the reservoir is good and the impurities in the oil and gas are at a minimum. They also involve low risk of development and a definitive return on investment. However, there are no quantitative metrics to define high grade/quality assets.

### 3 The Competitive Landscape

Alberta is the energy province of Canada and had the largest natural gas and oil reserves in the country till 2012. However, British Columbia overtook Alberta's position as the leading province of natural gas reserves in 2013. Alberta provides ample opportunities for companies involved in the extraction and processing of natural gas and oil resources and leading companies in the Canadian natural gas and oil sector have a strong presence in Alberta.

The natural gas and oil companies operating in Canada can be classified as follows:

- i. large natural gas and oil company — quarterly production averaging over 200,000 Boe/d;
- ii. intermediate natural gas and oil company — quarterly production averaging between 10,000 Boe/d and 200,000 Boe/d;
- iii. junior natural gas and oil company — quarterly production averaging between 500 Boe/d and 10,000 Boe/d; or
- iv. emerging natural gas and oil company — quarterly production averaging less than 500 Boe/d.

Persta can be classified as a junior natural gas and oil company. For junior companies, it is important to focus on costs and efficiencies, especially during periods of low natural gas and oil prices. Minimizing operating costs for extracting resources is necessary. Junior companies operating on conventional oil fields having a higher ratio of natural gas in the company production portfolio are likely better equipped to compete in low natural gas and oil prices scenarios.

Large natural gas and oil companies are likely better prepared to weather the low oil price situation as they have access to a substantial capital base. However, even for these companies, costs and efficiencies do matter.

Integrated oil companies have more revenue streams than pure play production companies. However, pure play production companies can stay focused on production to become more efficient and cost effective.

#### **3.1 Key Market Participants in the Alberta Region, Canada**

Alberta is home to over 2,000 natural gas and oil producing companies. The table below presents production and reserves data of selected natural gas and oil companies in Alberta, Canada.

## INDUSTRY OVERVIEW

**Exhibit 24: Selected<sup>12</sup> Natural Gas & Oil Companies Operating in Alberta, by Production Volume/Reserves in Canada, as at December 31, 2015**

<u>Company</u>	<u>Oil production in Canada</u> (bbl/day)	<u>Estimated percentage contribution to Canada's total oil production</u> (bbl/day)	<u>Natural gas production in Canada</u> (MMcf/day)	<u>Estimated contribution to Canada's total natural gas production</u> (MMcf/day)	<u>Proven and probable reserves in Canada, 2015</u> (MMboe)
Suncor Energy Inc	577,800	13.18%	N/A	N/A	7,600
Encana Corp	28,400	0.65%	971	6.15%	1,321 <sup>13</sup>
Canadian Natural Resources Ltd <sup>14</sup>	522,893	11.92%	1,663	10.53%	8,634
Husky Energy Inc	174,200	3.97%	514	3.25%	2,994
Cenovus Energy Inc	206,947	4.72%	441	2.79%	3,836
Bonavista Energy Corp	23,111	0.53%	337	2.13%	406
Birchcliff Energy Ltd	5,380	0.12%	201	1.27%	573
Tourmaline Oil Corp	19,755	0.45%	808	5.11%	207
Others	<u>2,826,514</u>	<u>64.46%</u>	<u>10,873.7</u>	<u>68.77%</u>	
<b>Total</b>	<b><u>4,385,000</u></b>	<b><u>100%</u></b>	<b><u>15,800</u></b>	<b><u>100%</u></b>	

Sources: Company Presentations, BP Statistical Outlook

Others include Persta. Persta's gas production during 2015 was 10.4 MMcf/day giving it a market share of about 0.07% of Canada's total gas production during 2015. Persta's oil production during 2015 was 138 barrels per day giving Persta a market share of 0.0032% of Canada's total oil production.

Junior or intermediate natural gas producers such as Persta that have access to high-quality conventional resources and low cost of production may be able to compete with large producers and remain profitable.

For high-quality conventional resources, Persta had shot 3D seismic data to define drilling targets, and drilled and commercially produced liquid-rich natural gas. Furthermore, the Group has secured access to sufficient pipeline transmission to deliver natural gas to market.

<sup>12</sup> The companies shown here operate in Alberta and are among the top oil & gas producers in Canada

<sup>13</sup> Value shows Encana's proven reserves.

<sup>14</sup> Data consists of North America production.

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## INDUSTRY OVERVIEW

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For low production cost, Persta's lands are located close to the third party processing facilities and regional gathering systems, which enables Persta to benefit from lower transportation cost. Moreover, Persta enjoys a lower fixed cost per product unit due to a large volume of production. In addition, Persta's natural gas is sweet natural gas, which reduces the cost of gas gathering and processing.

### ***3.2 Cost of Production Advantages For Persta***

The natural gas and oil industry is a cyclical industry and follows boom and bust cycles. With the increase in oil supplies leading to a glut-like situation, oil prices in North America have reduced to US\$44.04/Bbl (Brent as on 11/7/2016). Natural gas prices in North America have remained low at around US\$2.63/MMbtu (Henry Hub) in 2015.

Weaker natural gas and oil prices drive the need for producers to be efficient and cut production costs to tide over the duration of lower selling prices. Natural gas from conventional sources is cheaper to produce compared to unconventional sources as there is no need for special equipment or techniques for natural gas extraction.

At selling prices below US\$2/MMbtu, pressure increases on the producers to lower costs of production. It is not easy to halt production as considerable investments have already been made bringing the projects into production. Unless costs are brought down, the producers may have to sell at a loss. Lowering production costs and increasing efficiencies are two fundamental ways to make such projects more competitive in challenging times.

Companies such as Persta producing more natural gas from high-quality assets are expected to have the competitive advantage of lower production costs per Boe extracted.

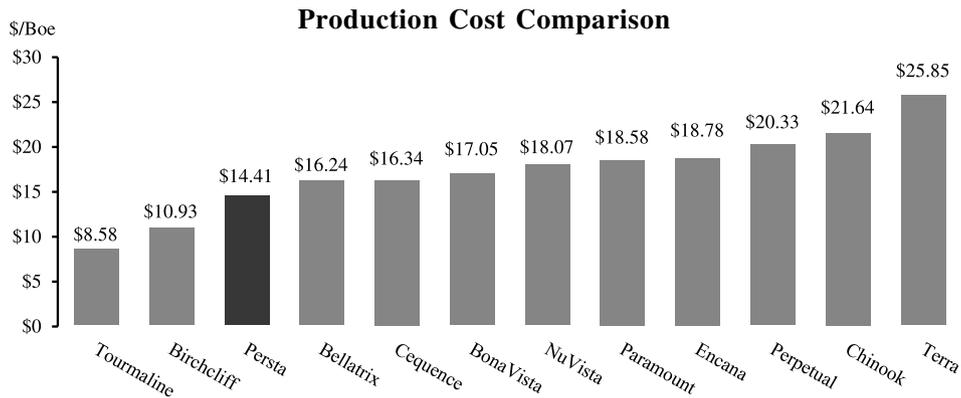
For the nine months ended September 30, 2016, Persta's production portfolio was 98.2% natural gas (including NGLs and condensate) and 1.8% light oil. This is a favorable portfolio with more natural gas in the production mix.

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**Exhibit 25: Production Cost<sup>15</sup> Comparison (2015), C\$/Boe**



Source: Frost & Sullivan analysis, company reports

Persta compares very favorably among its peer group and is able to maintain its production<sup>16</sup> costs less than C\$14.41/Boe.

For natural gas production, Persta is able to produce one Boe at C\$5.05. On September 19, 2016, the price of natural gas at C\$2.57/MMBTU<sup>17</sup> or C\$16.66 per Boe, Persta can generate a positive cash flow of C\$11.61 for every Boe of natural gas produced.

In conclusion, Persta's continued success is underscored by its:

- (i) access to the high-quality conventional natural gas resource base located in Alberta, the energy province of Canada; and
- (ii) ability to maintain a low cost of production.

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<sup>15</sup> The companies listed here are oil & gas exploration and production companies operating in Alberta. Most of these companies are listed. The selection here covers a wide range of production costs from lowest to highest ranges in comparison to Persta.

<sup>16</sup> Production Cost = Royalty + Operating Costs + Transportation + G&A Expenses + Interest Expense

<sup>17</sup> 1MMBTU = 0.1543 Boe

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## INDUSTRY OVERVIEW

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### APPENDIX

This report uses Canadian Dollars as the base currency for all estimations and forecasts. The table below (Exhibit 26) provides the historical trends between Canadian Dollars and US Dollars from 2008 to 2016 for reference.

#### Historical Trends showing Canadian dollars against US dollars

**Exhibit 26: Historical Trends between Canadian dollars and US Dollars, 2008–2016**

<u>Year</u>	<u>C\$</u>	<u>US\$</u>
2008	1.00	0.944173
2009	1.00	0.880059
2010	1.00	0.970701
2011	1.00	1.011464
2012	1.00	1.000230
2013	1.00	0.971164
2014	1.00	0.905912
2015	1.00	0.782992
2016	1.00	0.755748

*Source: Yearly average historical rate referred from usforex.com as seen on 28th November, 2016*

### LAWS AND REGULATIONS RELATING TO THE CANADIAN NATURAL GAS AND OIL INDUSTRY

#### Overview

The oil and gas industry is subject to extensive controls and regulations. In Alberta, provincial legislation and regulations govern land tenure, royalties, production practices and rates, environmental protection, the prevention of waste and other matters. Federal legislation and regulations may also apply. It is not expected that any of these controls and regulations will affect our operations in a manner materially different than they would affect other natural gas and oil producers of similar size. The relevant controls and regulations should be considered carefully by our prospective investors. Outlined below are some of the more significant aspects of the legislation and regulations governing the Canadian oil and gas industry. All current legislation is a matter of public record and we are unable to predict what additional legislation or amendments may be enacted.

The Alberta Department of Energy is responsible for developing policy and managing the development of Alberta's oil, natural gas and other mineral resources, including overseeing land tenure, royalty and other fiscal systems. The AER is an independent quasi-judicial agency of the Government of Alberta that regulates oil and gas activities in the province, with a mandate to provide for the safe, efficient, orderly and environmentally responsible development of the province's energy resources. The AEP administers complementary environmental policies in the province. In particular, the AEP's central mandate is the protection and management of the environment and water resources, as well as certain other related matters such as waste management and climate change, pursuant to several statutory regimes and instruments, such as the EPEA and the Water Act.

#### Approval Processes

In Alberta, approvals, licences and permits for the exploration, development, operation, abandonment and reclamation of crude oil and natural gas wells may be provided by various levels and branches of the Alberta and Canadian government, but primarily the AER pursuant to various statutes, including the OGCA, the Water Act, the EPEA and others.

A licence is required to commence to drill a well, undertake any operations preparatory or incidental to drilling of a well, or continue any drilling, producing or injecting operations. Only a working interest participant that is entitled to produce oil, gas or crude bitumen from the well, or to drill or operate the well for other authorized purposes may apply for or hold a licence for a well. Depending on the proposed activity, a project proponent may be required to notify local residents, First Nations, occupants, other affected companies or local authorities, so those parties can fully understand the potential impact of the project.

### **Obtaining Mineral Rights and Leases**

In Alberta, the Crown owns 81% of the crude oil and natural gas rights. The remaining 19% are either freehold mineral rights owned by individuals and companies, and by the federal government on behalf of the First Nations or National Parks. A project proponent must first acquire a lease, licence or permit from the owner of the mineral rights before it will be permitted to drill for crude oil and natural gas. The Alberta Department of Energy grants the right to explore for and develop the Crown energy and mineral resources in the province. A PNG Licence or Crown Lease gives the company the right to drill for and recover the crude oil and natural gas granted by the PNG Licence or Crown Lease. In return for the right to develop crude oil and natural gas resources, payments flow back to the province or the private landowner in the form of the initial lease consideration, and rental and royalty payments. Further, private owners of mineral rights are taxed by the province on the production of crude oil and natural gas from their holdings.

Subject to certain exceptions, in order to acquire crude oil and natural gas rights, a company must be registered, incorporated or contained in the Alberta, as required by the Mines and Minerals Act. Rights to explore, drill for and produce crude oil and natural gas that are owned by the Crown are acquired by entering into a lease or licence issued under the Mines and Minerals Act. There are two ways to acquire a Crown Lease or PNG Licence. The first way is transfer of an existing PNG Licence or Crown Lease negotiated between private parties. The second is through a public sale. The Alberta Department of Energy issues leases and licences through an auction process held approximately every two weeks. Project proponents may submit requests to Alberta Energy to include the mineral rights for certain lands in a sale

Crown Leases are issued for an initial five year term, which can be continued as to all or any portion which the Minister of Energy may determine. PNG Licences are issued for an initial term of between two and five years, which can be extended for an intermediate five year term, and later continued indefinitely, in a similar manner as Crown Leases. The Mines and Minerals Act requires that exploration or development activities be undertaken according to prescribed levels of evaluation or production.

Freehold crude oil and natural gas rights are negotiated directly with the mineral rights owner. Crude oil and natural gas leases on First Nations' lands can be obtained through a public tender process, responding to a proposal process, or direct negotiations with the First Nations. All leases on reserve lands must be approved by both the applicable First Nation and IOGC.

In addition to obtaining mineral rights, to access the crude oil and natural gas it is necessary to gain surface access on either privately owned or Crown occupied land. A project proponent is not permitted to enter onto land in order to conduct operations without having first obtained the consent of the owner and the occupant of the surface, or having become entitled to right of entry by reason of an order of the Surface Rights Board. In the event the project proponent is unable to negotiate a surface lease with the owner of the land, it may apply to the Surface Rights Board for relief. The Surface Rights Board has the authority to grant rights of entry, and assist landowners and developers to resolve disputes about said rights of entry, related compensation, negotiation and recovery of rental payments, damages and reviews of compliance or past decisions.

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To gain entry into Crown occupied lands in Alberta, a project proponent must negotiate rights of entry into Crown land with the Crown. This is facilitated through the AER. A project proponent may also enter into a road usage agreement with the licence holder of an existing road. If an agreement cannot be reached with a licence holder for use of the road, the project proponent may ask the AER to consider the request for use of the road and to assist with resolution of the dispute through mediation or by issuing an order regarding usage of the road if the road is licensed for energy resource activities, or the AEP if the road is licensed for other purposes. To gain surface access to First Nations' lands, a project proponent must apply for access, and both the applicable First Nations and IOGC must approve surface leases and rights of way.

### **Rights and Obligations of Holders of Crude Oil and Natural Gas Rights**

Companies obtaining the right to explore for and develop Crown resources are subject to numerous rights and obligations attached to the licences and leases issued and imposed by various applicable statutory regimes. Tenure holders must meet all regulatory requirements.

### **Pricing and Marketing**

#### *Oil*

In Canada, producers of oil negotiate sales contracts directly with oil purchasers, with a competitive open market setting the price of oil. The price depends in part on oil quality, prices of competing fuels, distance to market, the value of refined products and the supply/demand balance. Oil exports may be made pursuant to export contracts with terms not exceeding one year in the case of light crude, and not exceeding two years in the case of heavy crude, provided that an order approving any such export has been obtained from the NEB. Any oil export to be made pursuant to a contract of longer duration (to a maximum of 25 years) requires an exporter to obtain an export licence from the NEB and the issuance of such a licence requires a public hearing and the approval of the Governor in Council. The Governor in Council is effectively the Governor General acting on the advice of the Federal Cabinet. The NEB is currently undergoing a consultation process to update the current regulations governing the issuance of export licences. The updating process is necessary to meet the criteria set out in the Jobs, Growth and Long-Term Prosperity Act of Canada. In this transitory period, the NEB has issued, and is currently following an "Interim Memorandum of Guidance concerning Oil and Gas Export Applications and Gas Import Applications under Part VI of the National Energy Board Act".

#### *Natural Gas*

In Canada, the price of natural gas results from transactions between buyers and sellers in an open, transparent market environment. Natural gas exported from Canada is subject to regulation by the NEB and the Government of Canada. Exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts must continue to meet certain other criteria prescribed by the NEB and the Government of Canada. Natural gas (other than propane, butane and ethane) exports for a term of less than two years or for a term of two to 20 years (in quantities of not more than 30,000 m<sup>3</sup>/day) must be made pursuant to an NEB order. Any natural gas export to be made

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pursuant to a contract of longer duration (to a maximum of 40 years) or for a larger quantity requires an exporter to obtain an export licence from the NEB and the issuance of such licence requires the approval of the Governor in Council acting on the advice of the Federal Cabinet of the Government of Canada and the NEB. The price received by the Company depends, in part, on the prices of competing natural gas and other substitute fuels, access to downstream transportation, distance to markets, length of the contract term, weather conditions, the supply and demand balance and other contractual terms.

The Government of Alberta also regulates the volume of natural gas which may be removed from the province for consumption elsewhere based on such factors as availability of reserves, transportation arrangements and market considerations.

### **The North American Free Trade Agreement**

On January 1, 1994, the North American Free Trade Agreement (“NAFTA”) among the governments of Canada, the U.S. and Mexico became effective. The NAFTA carries forward most of the material energy terms contained in the Canada-U.S. Free Trade Agreement. In the context of energy resources, Canada continues to remain free to determine whether exports to the U.S. or Mexico will be allowed, provided that the restrictions are justified under certain provisions of the General Agreement on Tariffs and Trade then only if the export restrictions do not: (i) reduce the proportion of energy resources exported relative to the total supply of the energy resource (based upon the proportion prevailing in the most recent 36-month period); (ii) impose an export price higher than the domestic price; and (iii) disrupt normal channels of supply. All three countries are prohibited from imposing minimum export or import price requirements.

The NAFTA prohibits discriminatory border restrictions and export taxes. The NAFTA also contemplates clearer disciplines on regulators to ensure fair implementation of any regulatory changes, to minimize disruption of contractual arrangements and to avoid undue influence with pricing, marketing and distribution arrangements, all of which are important for Canadian natural gas and oil exports.

### **Trans Pacific Partnership**

On October 5, 2015, Canada entered into the Trans-Pacific Partnership (“TPP”), a regional trade agreement, with eleven other countries. The TPP is broad in scope and affects many industries and commodities. With respect to crude oil, currently NAFTA rules of origin do not allow for the use of non-NAFTA originating diluent, and consequentially Canadian heavy crude oil exports to the United States may not be eligible for duty-free treatment. The TPP rules of origin applicable to Canadian crude oil exports will apply to a certain volume of diluent (although the volume is yet to be determined), and therefore a greater volume of crude oil exports to the United States will not be subject to this duty. We note that the TPP has not been ratified and currently is not in effect.

### Royalties and Incentives

In addition to federal regulation, each Canadian province has legislation and regulations which govern royalties, production rates and other matters. The royalty regime is a significant factor in the profitability of crude oil, natural gas, and NGLs production. Royalties payable on production from lands other than Crown lands are determined by negotiation between the mineral freehold owner and the lessee, although production from such lands is subject to certain provincial taxes and royalties. Royalties from production on Crown lands are determined by governmental regulation and are generally calculated as a percentage of the value of gross production. The rate of royalties payable generally depends in part on prescribed reference prices, well productivity, geographical location, field discovery date, method of recovery and the type or quality of the natural gas and crude oil product produced. Other royalties and royalty-like interests are, from time to time, carved out of the working interest owner's interest. These are often referred to as overriding royalties, gross overriding royalties, net profits interests or net carried interests. Producers of natural gas and oil from Crown lands in Alberta are also required to make annual rental payments, currently at a rate of C\$3.50 per hectare.

Royalty rates for conventional oil are set by a single sliding rate formula which is applied monthly and incorporates separate variables to account for production rates and market prices. Royalty rates for conventional oil range from 0% to 40%, and rate caps are set at C\$140/Bbl.

Royalty rates for natural gas are similarly determined using a single sliding rate formula incorporating separate variables to account for production rates and market prices. Royalty rates for natural gas range from 5% to 36%, and rate caps are set at C\$15/GJ.

Occasionally, the Alberta government creates incentive programs, which often provide for royalty rate reductions, royalty holidays or royalty tax credits. Such programs are generally introduced when commodity prices are low to encourage exploration and development activity by improving earnings and cash flow within the industry.

Further, the Government of Alberta finalized the new Modernized Royalty Framework (“**MRF**”) in April 2016. The MRF creates a single royalty structure for crude oils, liquids and natural gas, including the same royalty rate. By eliminating different treatments for different hydrocarbons, the MRF seeks to reduce exploration risk by allowing producers to assess development opportunities based on markets instead of well classifications.

Starting January 1, 2017, crude oil, natural gas liquids and natural gas production will have a flat royalty rate of 5%. Payout will occur when the total revenues from a well equal the Drilling and Completion Cost Allowance (not the actual drilling costs), regardless of the type of hydrocarbon produced. Afterwards, the company will pay higher royalty rates that vary depending on the resource and market prices. Royalty rates will drop to match declining production rates when the well reaches a Maturity Threshold.

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According to Alberta Government's announcement on July 12, 2016, early access to the new framework is optional and will be application-based. As part of their application to opt in, early companies will need to prove their activity is above and beyond what was already planned.

Wells spud before July 13, 2016 will continue to operate under the existing royalty framework until December 31, 2026. Wells spud during the early election period (July 13, 2016 to December 31, 2016) that did not elect to opt in early to the MRF or did not meet the criteria will continue to operate under the existing royalty framework until December 31, 2026. Wells spud between July 13, 2016 and December 31, 2016 may be eligible for the MRF if the well represents additional capital investment and it can be demonstrated the well would not otherwise be drilled in 2016. Any wells previously started will stay under the old royalty system. In other words, for wells drilled before 2017, the existing rates will remain in effect until 2026; however, wells drilled after July 13, 2016 may be applicable under the MRF if the well represents additional capital investment and would not otherwise be drilled.

All wells drilled before 2017 will qualify for and continue to benefit from the current Natural Gas Deep Drilling Program and Emerging Research & Technology Initiative, which expire at the end of November 2016 and June 2018, respectively.

On February 1, 2016, the Alberta government announced the Petrochemicals Diversification Program, a 10-year royalty credit program that will award up to a total of C\$500 million of royalty credits to new petrochemical facilities. The intention of the program is to incentivize the construction of new petrochemical facilities in Alberta, in particular methane and propane upgrading facilities. Petrochemical facilities do not pay royalties, but earned royalty credits can be traded to an oil or natural gas producer, which can in turn use the credits to reduce its royalty payments.

### **Rights Reversions**

Alberta has included in its leases a clause that provides for the reversion to the Crown of mineral rights below the deepest productive geological formation at the conclusion of the primary term. Alberta also has a policy of "shallow rights reversion" which provides for the reversion to the Crown of mineral rights above the top of the shallowest productive geological formation at the time of continuation of a Crown Lease or PNG Licence. For Crown Leases or PNG Licences issued subsequent to January 1, 2009, shallow rights reversion will be applied at the conclusion of the primary term of the lease or licence. The application of shallow rights reversion to Crown Leases or PNG Licences that were issued prior to January 1, 2009 has been indefinitely suspended by the Crown.

### **Liability Management Rating Program**

In Alberta, the AER implements the Licensee Liability Rating Program ("**AB LLR Program**"). The AB LLR Program is a liability management program governing most conventional upstream oil and gas wells, facilities and pipelines. The OGCA establishes an orphan fund ("**Orphan Fund**") to pay the costs to suspend, abandon, remediate and reclaim a well, facility or

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pipeline included in the AB LLR Program if a licensee or working interest participant (“WIP”) becomes defunct. The Orphan Fund is funded by licensees in the AB LLR Program through a levy administered by the AER. The AB LLR Program is designed to minimize the risk to the Orphan Fund posed by unfunded liability of licensees and prevent the taxpayers of Alberta from incurring costs to suspend, abandon, remediate and reclaim wells, facilities or pipelines. The AB LLR Program requires a licensee whose deemed liabilities exceed its deemed assets to provide the AER with a security deposit to cover the potentially unfunded cost of remediation and reclamation obligations. The ratio of deemed liabilities to deemed assets is assessed once each month and failure to post the required security deposit may result in the initiation of enforcement action by the AER.

Effective May 1, 2013, the AER implemented important changes to the AB LLR Program that resulted in a significant increase in the number of oil and gas companies in Alberta that are required to post security. Some of the important changes include:

- a 25% increase to the prescribed average reclamation cost for each individual well or facility (which will increase a licensee’s deemed liabilities);
- a C\$7,000 increase to facility abandonment cost parameters for each well equivalent (which will increase a licensee’s deemed liabilities);
- a decrease in the industry average netback from a five-year to a three-year average (which will affect the calculation of a licensee’s deemed assets, as the reduction from five to three years means the average will be more sensitive to price changes); and
- a change to the present value and salvage factor, increasing to 1.0 for all active facilities from the current 0.75 for active wells and 0.50 for active facilities (which will increase a licensee’s deemed liabilities).

The changes to the AB LLR Program, the implementation of which was completed in August 2015, stem from concern that the previous regime significantly underestimated the environmental liabilities of licensees.

### **Inactive Well Compliance Program**

On July 4, 2014, the AER introduced the inactive well compliance program (the “IWCP”) to address the growing inventory of inactive wells in Alberta and to increase the AER’s surveillance and compliance efforts under Directive 013: Suspension Requirements for Wells (“**Directive 013**”). The IWCP applies to all inactive wells that are noncompliant with Directive 013 as at April 1, 2015. The objective is to bring all inactive noncompliant wells under the IWCP into compliance with the requirements of Directive 013 within 5 years. Commencing on April 1, 2015, each licensee was required to bring 20% of its inactive wells into compliance every year, either by reactivating or suspending the wells in accordance with Directive 013 or by abandoning them in accordance with Directive 020: Well Abandonment.

### **Environmental Regulation**

Companies operating in the natural gas and oil industry are subject to environmental regulation pursuant to local, provincial and federal legislation. Environmental legislation provides for restrictions and prohibitions on releases or emissions of various substances produced in association with certain natural gas and oil industry operations and can affect the location and operation of wells and facilities and the extent to which exploration and development is permitted. In addition, legislation requires that well and facilities sites be abandoned and reclaimed to the satisfaction of provincial authorities. A breach of such legislation may result in the imposition of fines or the issuance of clean-up orders. Under the EPEA, changes in these regulations have had an incremental effect on the cost of conducting operations in Alberta.

In addition, the EPEA sets out the requirements for the satisfactory abandonment and reclamation of well, pipeline and facility sites. Applicable environmental laws may also impose remediation obligations upon certain responsible persons with respect to a property designated as a contaminated site. Responsible persons may include persons responsible for the substance causing the contamination, persons who caused the release of the substance, and any past or present owner, operator, tenant or other person in charge, management or control of the site. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of requisite licences and authorizations, civil liability for pollution damage, and the imposition of material fines and penalties.

Pursuant to the Jobs, Growth and Long-Term Prosperity Act of Canada, the Government of Canada amended or repealed several pieces of federal environmental legislation and in addition, created a new federal environment assessment regime. The changes to the environmental legislation under the Prosperity Act are intended to provide for more efficient and timely environmental assessments of projects that previously had been subject to overlapping legislative jurisdiction.

In December 2008, the Government of Alberta released a new land policy for surface land in Alberta, the ALUF. The ALUF sets out an approach to manage public and private land use and natural resource development in a manner that is consistent with the long-term economic, environmental and social goals of the province. It calls for the development of region-specific land use plans in order to manage the combined impacts of existing and future land use within a specific region and the incorporation of a cumulative effects management approach into such plans.

The ALSA was proclaimed in force in Alberta on October 1, 2009 and provides the legislative authority for the Government of Alberta to implement the policies contained in the ALUF. Regional plans established pursuant to the ALSA will be deemed to be legislative instruments equivalent to regulations and will be binding on the Government of Alberta and provincial regulators, including those governing the oil and gas industry. In the event of a conflict or inconsistency between a regional plan and another regulation, regulatory instrument or statutory consent, the regional plan will prevail. However, if there is a conflict between a regional plan and another statute, the statute will prevail. Further, the ALSA requires local governments, provincial departments, agencies and administrative bodies or tribunals to review their regulatory instruments and make any appropriate changes to ensure that they comply with an adopted regional plan. The ALSA also contemplates the

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amendment or extinguishment of previously issued statutory consents such as regulatory permits, leases, licences, approvals and authorizations for the purpose of achieving or maintaining an objective or policy resulting from the implementation of a regional plan. Among the measures to support the goals of the regional plans contained in the ALSA are conservation easements, which can be granted for the protection, conservation and enhancement of land, and conservation directives, which are explicit declarations contained in a regional plan to set aside specified lands in order to protect, conserve, manage and enhance the environment.

To date, the Government of Alberta has approved two regional plans, in the Lower Athabasca and South Saskatchewan regions. The regional plans have included the establishment of conservation areas within those regions that restrict the acquisition of mineral rights after the plan comes into effect. Our Company does not have any lands in these regions, but as regional plans for other regions are approved it may impact our Company's operations.

Our Company is committed to meeting its responsibilities to protect the environment wherever it operates and anticipates making increased expenditures of both a capital and expense nature, as a result of the increasingly stringent laws relating to the protection of the environment. Our Company's internal procedures are designed to ensure that the environmental aspects of new developments are taken into account prior to proceeding. Our Company believes that it is reasonably likely that the trend towards stricter standards in environmental legislation and regulation will continue.

### **Climate Change Regulation**

#### *International*

In December 2002, the Government of Canada ratified the Kyoto Protocol (the "**Kyoto Protocol**"), which required a reduction in GHG emissions by signatory countries between 2008 and 2012. The Kyoto Protocol officially came into force on February 16, 2005, but Canada formally withdrew from the Kyoto Protocol on December 12, 2011.

In anticipation of the expiry of the Kyoto Protocol in 2012, government leaders and representatives from approximately 170 countries met in Copenhagen, Denmark in December 2009 to attempt to negotiate a successor to the Kyoto Protocol. The resulting Copenhagen Accord was a broad political consensus rather than a binding international treaty like the Kyoto Protocol. The Copenhagen Accord did not establish binding GHG emissions reduction targets and was not been endorsed by all participating countries. However, in response to the Copenhagen Accord, the Government of Canada indicated that it will seek to achieve a 17% reduction in GHG emissions from 2005 levels by 2020, in line with the reduction commitment made by the United States.

Further international meetings were held in Cancun, Mexico in December 2010, Durban, South Africa in December 2011, and Paris, France in December 2015, which resulted in the Paris Agreement. As part of the Paris Agreement the Government of Canada further committed to reducing GHG emissions by 30% below 2005 levels by 2030.

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### *Federal*

Currently, Canada's action on climate change is through a four part approach that seeks to balance environmental and economic concerns:

- **Actions to Reduce Canada's GHG Emissions:** Canada has pledged, as part of the December 12, 2015 Paris Agreement, to lower greenhouse gas development to limit the global temperature rise to under 2016.
- **Help Canadians Adapt to a Changing Climate:** since 2006, the Government of Canada has invested C\$235 million in domestic adaptation initiatives to improve the understanding of climate change and help Canadians plan for climate impacts.
- **Continental Action:** The United States–Canada Clean Energy Dialogue is a collaboration intended to develop clean energy science and technology.
- **Leadership in International Climate Change Efforts:** The Government of Canada is encouraged by international progress towards a new, fair and effective international climate change agreement that includes commitments from all major emitters. Canada has delivered on its fast-start financing commitment by providing C\$1.2 billion over 2010–2013 to support projects in over 60 developing countries, and in November 2014, pledged C\$300 million to the Green Climate Fund in support of further climate change action in developing countries.

### **Alberta**

Alberta enacted the CCEMA on July 1, 2007, amending it through the Climate Change and Emissions Management Amendment Act, which received royal assent on November 4, 2008. The CCEMA is based on an emissions intensity approach similar to the Updated Action Plan and aims for a 50% reduction from 1990 emissions relative to GDP by 2020.

Alberta facilities emitting more than 100,000 tonnes of GHGs per year must comply with the CCEMA. Similar to the Updated Action Plan, the CCEMA and the associated SGER make a distinction between “Established Facilities” and “New Facilities”. Established Facilities are defined as facilities that completed their first year of commercial operation prior to January 1, 2000 or that have completed eight or more years of commercial operation. Established Facilities are required to reduce their emissions intensity to 88% of their baseline for 2008 and subsequent years, with their baseline being established by the average of the ratio of the total annual emissions to production for the years 2003 to 2005. New Facilities are defined as facilities that completed their first year of commercial operation on December 31, 2000 or a subsequent year and have completed less than eight years of commercial operation, or are designated as New Facilities in accordance with SGER. New Facilities are required to reduce their emissions intensity by 2% of baseline in the fourth year of commercial operation, 4% of baseline in the fifth year, 6% of baseline in the sixth year, 8% of baseline in the seventh year and 10% of baseline in the eighth year. The CCEMA does not contain any provision for continuous annual improvements in emissions intensity reductions

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## LAWS AND REGULATIONS

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beyond those stated above, however pursuant to a recent announcement from the Government of Alberta, by 2016 emissions intensity must be reduced to up to 85% of baseline, and by 2017 emissions intensity must be reduced to up to 80% of baseline.

Under the CCEMA, regulated emitters can meet their emissions intensity targets by contributing to the Climate Change and Emissions Management Fund at a current rate of C\$15 per tonne of CO<sub>2</sub>, although pursuant to a recent announcement from the Government of Alberta this rate will increase to C\$20 per tonne in 2016 and C\$30 per tonne in 2017. Emissions credits can be purchased from regulated emitters that have reduced their emissions below the 100,000-tonne threshold or non-regulated emitters that have generated emissions offsets through activities that result in emissions reductions in accordance with established protocols published by the Government of Alberta.

Further, the Government of Alberta has expanded the scope of carbon pricing in Alberta. Beginning in January 2017 all economic sectors will be subject to a C\$20/tonne carbon price, that will increase to C\$30/tonne on January 1, 2018, and escalate annually thereafter.

The Government of Alberta has also announced plans to reduce methane emissions from oil and gas operations by 45 per cent by 2025. This will be accomplished by applying new emissions design standards to new facilities, and developing a voluntary joint initiative among industry, environmental groups and indigenous groups on methane reduction and verification that will take action on venting and fugitive emissions from existing facilities, including enhanced measurement and reporting requirements for new and existing facilities. Regulated mandatory standards will become effective in 2020, and will be implemented by the AER, Alberta Energy and AEP.

On December 2, 2010, the Government of Alberta passed the Carbon Capture and Storage Statutes Amendment Act, 2010, which deemed the pore space underlying all land in Alberta to be, and to have always been, the property of the Crown and provided for the assumption of long-term liability for carbon sequestration projects by the Crown, subject to the satisfaction of certain conditions.

### **OTHER RELEVANT LAWS AND REGULATIONS**

#### **Employment Laws and Regulations**

Employer obligations in Alberta are established, regulated and adjudicated by various workplace statutes and regulations. We are subject to the Alberta Employment Standards Code which establishes certain minimum standards applicable to all employees, such as overtime, holidays, parental leaves. Human rights prohibitions such as discrimination based on gender, age or physical disability are regulated by the Human Rights Act. Personal employee information which may be collected, used or disclosed by us is subject to the PIPA. This act requires an employer to assign an individual to establish and administer privacy policies in a company which are compliant with the PIPA. We must safeguard personal information. Workplace injuries are subject to the Worker's Compensation Act, which establishes a statutory insurance scheme and mandates all employers to contribute premiums to a government-sponsored fund to compensate workers that are

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## LAWS AND REGULATIONS

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injured due to occupational illness or injury. All employers are subject to the Labor Relations Code which sets out the process by which an employee may join a union and then have the union enter into collective bargaining on behalf of all employees with the company. As at the Latest Practicable Date, our Company does not have any union employees.

### **Overseas Ownership Restrictions**

Under the Mines and Minerals Act, to be eligible to be a lessee of a Crown Lease or PNG Licence, a company must be registered under the Companies Act, registered, incorporated or continued under the ABCA, incorporated or continued under the Bank Act (Canada), a railway company incorporated under an Act of Canada, a loan or trust company, an insurer licensed under the Insurance Act, or approved by the Minister. Therefore, any ownership by overseas companies or entities of Crown Leases or PNG Licences must be made indirectly through whole or part ownership of an eligible company. Please also refer to the sections headed “Risk Factors — Risks Relating to the Alberta Natural Gas and Oil Industry — Ownership of all permits, leases, licences and approvals, including our Crown Leases and PNG Licences, is subject to federal, provincial and local laws and regulations and may be unable to be obtained or renewed or may be cancelled” and “Key Canadian Legal and Regulatory Matters — Certain Canadian Overseas Ownership Restrictions” in this Prospectus for further information on applicable overseas ownership restrictions.

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## CORPORATE STRUCTURE AND HISTORY

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### HISTORY AND DEVELOPMENT

#### Introduction

Our Company was incorporated as a corporation in Alberta, Canada on March 11, 2005 under the ABCA. Our Company has principally engaged in natural gas and crude oil exploration and production, with a focus on natural gas since its inception to present. We are focused on long-term growth through exploration, development, production and acquisition in WCSB.

Our Company was founded by Mr. Bo who currently acts as our executive Director, President, Chairman of our Board and Chief Executive Officer, and Mr. Jing, who currently acts as our non-executive Director, with a mutual aim to establish a natural gas and oil exploration development company based in Calgary. The source of funds for founding our Company by Mr. Bo and Mr. Jing was from their respective personal financial resources, for Mr. Bo from his personal savings in Canada whereas for Mr. Jing from borrowing funds in Canada. Mr. Jing's borrowing was obtained without any security over our Company's assets and was fully repaid. For more information about the background and relevant industry experience of our founders, please refer to the section headed "Directors and Senior Management" in this Prospectus.

In January 2007, we made our first acquisition of land for natural gas and crude oil exploration and production. During the first decade since incorporation, we acquired our first 6,400 acres of land in the Alberta Foothills in WCSB. Our Company then shot 3D seismic data to define drilling targets and drilled and commercially produced liquids-rich natural gas from our first deep well in WCSB in December 2008. Since then our natural gas and oil production rate has organically grown and reached approximately 3,363 Boe/d of average production in the first nine months of 2016. The exit production of 2016 is 4,500 Boe/d. While focusing on developing our key assets, we continued to expand our land inventory, drilled more wells and put more wells into production. As at the Latest Practicable Date, our Company held PNG rights in approximately 114,528 net acres of land in WCSB which we intend to explore and develop through a multi-year drilling location inventory. With our three-year development plan, we aim to increase our production from the first nine months of 2016 of an average production rate of approximately 3,363 Boe/d in the first nine months of 2016 to approximately 5,448 Boe/d based on Proved plus Probable Reserves and as additional 2,389 Boe/d based on Best Estimate Unrisked Contingent Resources in 2019.

#### Key Milestones

Our key business development milestones are set out below:

- |      |  |
|------|--|
| 2006 | <ul style="list-style-type: none"><li>evaluated prospective properties in WCSB by undertaking G&amp;G studies and field scouting, and targeted the Alberta Foothills as one of the core areas with deep gas play potential</li></ul> |
| 2007 | <ul style="list-style-type: none"><li>began our first acquisition of land for natural gas and crude oil exploration and production in January 2007</li></ul>   |

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## CORPORATE STRUCTURE AND HISTORY

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- began 3D seismic acquisition of a broad area of 31,630 acres in May 2007
  - discovered significant liquids-rich natural gas resources through our first exploration well known as “Moosebar” (which was subsequently known as “Wilrich”) in October 2007
- 2008
- conducted geological and geophysical studies for light oil resources in January 2008
  - drilled our first liquids-rich natural gas horizontal well in July 2008 targeted in the Wilrich formation in Basing, which achieved a production rate of 800 Boe/d in December 2008
  - acquired a total of approximately 4,480 net acres of land with PNG rights in 2008
- 2009
- drilled our second Wilrich liquids-rich natural gas horizontal well in Basing in August 2009 and commenced production in December 2009
  - acquired a total of approximately 3,200 net acres of land with PNG rights in 2009
- 2010
- drilled our first Mountain-park liquids-rich natural gas horizontal well in Basing in July 2010 and commenced production in December 2010
  - acquired a total of approximately 12,480 net acres of land with PNG rights in 2010
- 2011
- drilled our first light oil well in Dawson in Peace River in February 2011 and brought the well online with 150 Bbl/d of production in April 2011
  - drilled our second light oil well in Dawson in September 2011 and brought the well online with 150 Bbl/d of production in October 2011
  - acquired a total of approximately 2,400 net acres of land with PNG rights in 2011
- 2012
- shot 3D seismic over Dawson lands and drilled our third light oil well 02-35 in August 2012 and brought the well online with 180 Bbl/d of production in September 2012
  - acquired a total of approximately 56,320 net acres of land with PNG rights in 2012

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## CORPORATE STRUCTURE AND HISTORY

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- 2013
  - drilled our third Wilrich liquids-rich natural gas horizontal well in Basing and brought the well online for production in November 2013
  - acquired a total of approximately 5,920 net acres of land with PNG rights in 2013
- 2014
  - drilled our fourth Wilrich liquids-rich natural gas horizontal well in Basing, and brought the well online for production in September 2014
  - acquired a total of approximately 10,880 net acres of land with PNG rights in 2014
- 2015
  - acquired a total of approximately 76,960 net acres of land with PNG rights in 2015
- 2016
  - acquired a total of approximately 8,640 net acres of land with PNG rights in 2016
  - reached a daily production rate of approximately 3,363 Boe/d in the first nine months of 2016

We have established a three-year development plan to drill 13 wells in Basing in the Alberta Foothills areas from 2017 to 2019 to increase our production from approximately 3,363 Boe/d averaged in the first nine months of 2016 to approximately 5,448 Boe/d based on Proved plus Probable Reserves and an additional 2,389 Boe/d based on Best Estimated Unrisked Contingent Resources in 2019.

### OUR CONTROLLING SHAREHOLDERS

#### Mr. Bo

Mr. Bo is one of our founders and our executive Director, President, Chairman of the Board and Chief Executive Officer. Upon the incorporation of our Company on March 11, 2005, Mr. Bo and Mr. Jing respectively subscribed for 100 and 900 Class A Shares at a subscription price of C\$0.01 per share, equivalent to approximately 10% and 90% of the then issued Class A Shares of our Company, respectively.

Pursuant to a declaration of trust dated March 22, 2005 made between Mr. Bo as the beneficial shareholder and Mr. Jing as the trustee, Mr. Jing declared that he held 401 Class A Shares out of the 900 Class A Shares in trust for Mr. Bo.

On July 1, 2006, our Company issued 499 Class B Shares to Mr. Bo at a price of C\$0.01 per share, equivalent to 100% of the total issued Class B Shares of our Company.

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## CORPORATE STRUCTURE AND HISTORY

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Pursuant to a transfer and power of attorney made by Mr. Jing on July 2, 2006, Mr. Jing transferred to Mr. Bo the 401 Class A Shares held by him in trust for Mr. Bo. Our Company was then held as to approximately 50.1% of the total issued Class A Shares by Mr. Bo.

On December 28, 2011, for personal tax planning purposes Mr. Bo transferred 501 Class A Shares and 499 Class B Shares to 164 Co (the entire issued Class A shares of which are held by The Bo Family Trust) for nominal consideration. Our Company was then held as to approximately 50.1% of the total issued Class A Shares by 164 Co till and prior to the Reorganization.

Upon Mr. Bo transferring 501 Class A and 499 Class B Shares held by him in our Company to 164 Co, 164 Co issued 1,000 class D voting preferred shares in 164 Co to Mr. Bo pursuant to a Section 85 rollover. The fair market value of 1,000 class D voting preferred shares issued to Mr. Bo in the share capital of 164 Co on the rollover was determined to be C\$1,000,000.

Mr. Bo was further issued 220,000 Class B Shares on April 15, 2014 at a price of C\$0.90 per share.

### **Ms. Hou**

Ms. Hou is the spouse of Mr. Bo and was issued 220,000 Class B Shares on April 15, 2014 at a price of C\$0.90 per share. Ms. Hou is deemed to be a Controlling Shareholder by virtue of her being the spouse of Mr. Bo.

### **The Bo Family Trust**

The Bo Family Trust was set up in December 2011 as a discretionary trust for the benefit of Mr. Bo's family members. The trustees of The Bo Family Trust are Mr. Bo and Ms. Hou. The beneficiaries of The Bo Family Trust are Mr. Bo, Ms. Hou and their family members. 10 class A voting shares of 164 Co, being all issued class A shares of 164 Co, are held by The Bo Family Trust, representing 0.99% of the total voting rights of 164 Co. 1,000 class D voting preferred shares of 164 Co, being all issued class D shares of 164 Co, are held by Mr. Bo, representing approximately 99.01% of the total voting rights of 164 Co.

### **Mr. Jing**

Mr. Jing is one of the founders of our Company and our non-executive Director. Upon the incorporation of our Company on March 11, 2005, Mr. Bo and Mr. Jing respectively subscribed for 100 and 900 Class A Shares at a subscription price of C\$0.01 per share, equivalent to approximately 10% and 90% of the then issued Class A Shares of our Company, respectively.

Pursuant to a declaration of trust dated March 22, 2005 made between JLHY as the beneficial shareholder and Mr. Jing as the trustee, Mr. Jing declared that he held 499 Class A Shares out of the 900 Class A Shares in trust for JLHY.

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## CORPORATE STRUCTURE AND HISTORY

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Pursuant to a transfer and power of attorney made by Mr. Jing on July 2, 2006, Mr. Jing transferred to JLHY the 499 Class A Shares held by him in trust for JLHY. Our Company was then held as to approximately 49.9% of its total issued Class A Shares by JLHY.

### **JLHY**

JLHY was established in Jilin Province in the PRC on January 29, 1996. Mr. Jing is the president and legal representative of JLHY. As at the Latest Practicable Date, JLHY is held as to 60% by Mr. Jing, and 40% by Guang Jing, brother of Mr. Jing. The scope of business of JLHY includes, amongst others, the sale and purchase of building materials, metal hardware and electrical and mechanical equipment.

On July 1, 2006, our Company issued 8,501 Class C Shares to JLHY at a price of C\$0.01 per share, equivalent to 100% of the total issued Class C Shares of our Company.

Pursuant to a transfer and power of attorney made by Mr. Jing on July 2, 2006, Mr. Jing transferred to JLHY the 499 Class A Shares held by him in trust for JLHY. Our Company was then held as to approximately 49.9% of its total issued Class A Shares by JLHY.

Pursuant to a share repurchase agreement with JLHY dated December 3, 2014, our Company repurchased from JLHY 1,661,766.8 Class C Shares for C\$3,323,533.60 at C\$2 per share for JLHY's reducing its shareholding in our Company.

Pursuant to a share repurchase agreement with JLHY dated February 6, 2015, our Company repurchased from JLHY 250,000 Class C Shares for C\$500,000 at a C\$2 per share for JLHY's reducing its shareholding in our Company.

Pursuant to a share repurchase agreement with JLHY dated October 28, 2015, JLHY transferred to an Independent Third Party transferee 111,112 Class C Shares for C\$100,000.80 at C\$0.9 per share.

### **Liyuan**

Liyuan was established in Jilin Province in the PRC on December 25, 2008. As at the Latest Practicable Date, Liyuan is owned as to 98%, 1% and 1% by JLHY, Zhou Li Mei and Jing Yue Li, sister of Mr. Jing, respectively. Zhou Li Mei is also the director and legal representative of Liyuan. The scope of business of Liyuan includes, amongst others, sales of metal hardware, steel materials and building materials.

Pursuant to a declaration of trust effective as at April 14, 2014 (the "**April 2014 Trust**") made between Liyuan as the beneficial shareholder and JLHY as the trustee, JLHY declared that it held 11,707,514 Class C Shares in trust for Liyuan, out of 35,126,054 Class C Shares issued by our Company to JLHY on April 14, 2014 for partial discharge of our Company's indebtedness and obligation for an advanced loan of C\$56,201,687 made by JLHY. The April 2014 Trust was terminated on December 18, 2015 when JLHY ceased to be a registered shareholder of our Company pursuant to the Reorganization.

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## CORPORATE STRUCTURE AND HISTORY

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Pursuant to a declaration of trust effective as at December 18, 2015 (the “**December 2015 Trust**”) made between Liyuan as the beneficial shareholder and JLHY as the trustee, JLHY declared that it held 45,276,931 common shares of Aspen in trust for Liyuan, out of 83,490,560 common shares issued by Aspen to JLHY on December 18, 2015 in exchange for all our Shares held by JLHY. As confirmed by JLHY and Liyuan, the December 2015 Trust was made between Liyuan and JLHY for their own commercial reasons.

Pursuant to a share transfer agreement made by JLHY and Liyuan on April 29, 2016, JLHY transferred to Liyuan 45,276,931 common shares of Aspen held by it in trust for Liyuan and Liyuan became the registered shareholder holding 45,276,931 common shares of Aspen (the “**Liyuan Share Transfer**”).

Due to an inadvertent error in the entry of the register of members of Aspen, and in order to rectify the aforesaid error, Liyuan and 164 Co entered into a share transfer agreement on April 29, 2016 pursuant to which Liyuan transferred to 164 Co 27,406,749 common shares of Aspen for a deemed value of C\$18,016,904 (the “**164 Co Share Transfer**”). Upon completion of the Liyuan Share Transfer and the 164 Co Share Transfer, Aspen was held as to approximately 41.09%, 39.69% and 19.22% by JLHY, 164 Co and Liyuan, respectively.

### **164 Co**

164 Co was incorporated in Alberta, Canada on December 23, 2011. Upon its incorporation, 10 class A voting shares of 164 Co, representing all the then issued shares of 164 Co, were held by The Bo Family Trust. Upon Mr. Bo transferring 501 Class A and 499 Class B Shares held by him to 164 Co on December 28, 2011, 1,000 class D voting preferred shares in 164 Co were issued to and held by Mr. Bo pursuant to a Section 85 rollover. The voting rights of 164 Co were then held as to approximately 99.01% by Mr. Bo and approximately 0.99% by The Bo Family Trust respectively.

### **Aspen**

As part of the Reorganization, Aspen was incorporated in Alberta, Canada on November 20, 2015 with an authorized share capital of an unlimited number of common shares and preferred shares, of which one common share was issued to each of JLHY and 164 Co upon its incorporation.

As part of the Reorganization and on December 18, 2015, JLHY, Mr. Bo, Mr. Jing, 164 Co and Aspen (the “**Parties**”) signed the Unanimous Shareholders Agreement pursuant to which they confirmed, among other things, the Parties had acted in concert as to previous voting in the shareholders’ and board meetings of our Company and the Parties further confirmed that they will act in concert as to voting in the shareholders’ and board meetings of our Company and/or Aspen. Further, on April 29, 2016, the Parties and Liyuan entered into the First Supplemental Unanimous Shareholders Agreement to supplement the Unanimous Shareholders Agreement. Aspen was further issued 0.8 Class C Share on February 25, 2016 at a price of C\$1.28.

## CORPORATE STRUCTURE AND HISTORY

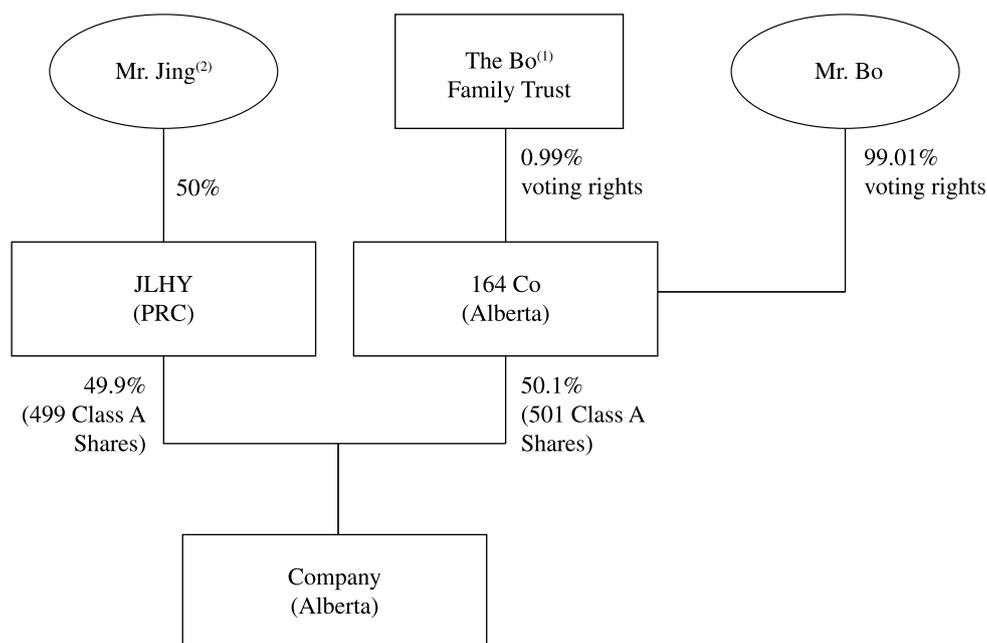
Upon completion of the Reorganization and as at the Latest Practicable Date, JLHY, Mr. Bo, Ms. Hou, Mr. Jing, 164 Co, Liyuan and Aspen became and are currently a group of our Controlling Shareholders acting in concert. For details of the Unanimous Shareholders Agreement and the First Supplemental Unanimous Shareholders Agreement, please refer to the section headed “Relationship with Controlling Shareholders” in this Prospectus.

### CORPORATE STRUCTURE

Prior to the Reorganization, our Company’s issued shares consisted of Class A voting Shares, Class B non-voting Shares and Class C non-voting Shares. Class B Shares were issued and allotted to the Directors, then employees and consultants of our Company at the time of issue and their respective spouses (the “**Employees**”), whereas Class C Shares were issued and allotted to Independent Third Parties.

Our shareholding structure prior to the Reorganization is set out as follows:

#### For Class A Shares (voting)



*Notes:*

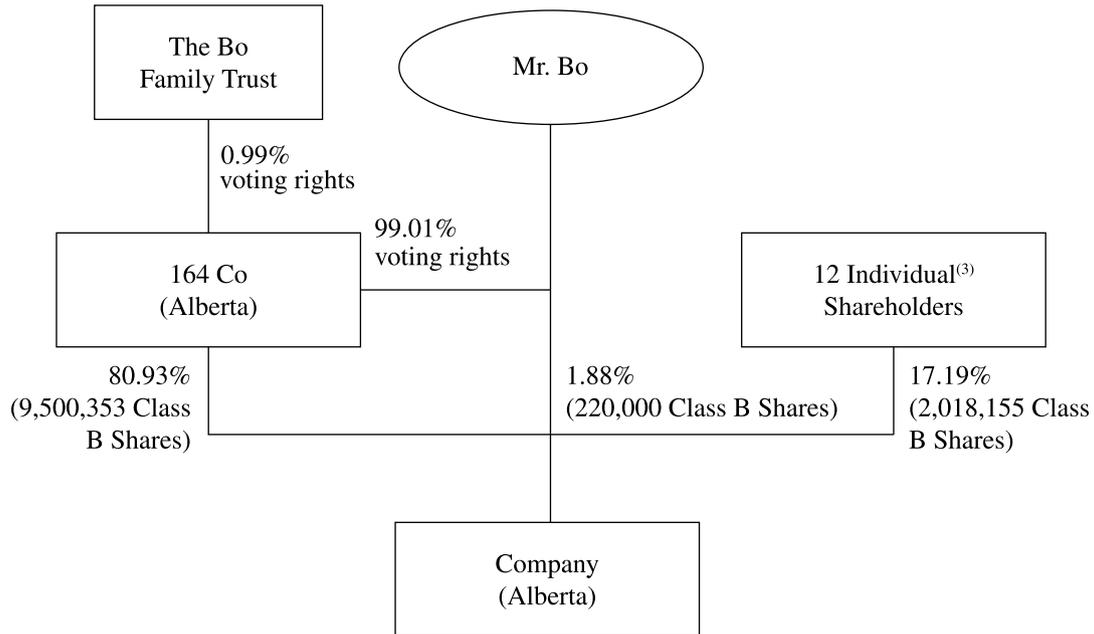
- (1) The 10 class A voting shares of 164 Co are held by The Bo Family Trust.

Mr. Bo also holds 1,000 class D voting preferred shares in 164 Co. These shares were issued pursuant to a Section 85 rollover wherein Mr. Bo transferred 501 Class A and 499 Class B Shares held by him in our Company to 164 Co on December 28, 2011. The fair market value of 1,000 class D voting preferred shares issued to Mr. Bo in the capital of 164 Co on the rollover was determined to be C\$1,000,000.

- (2) Prior to the Reorganization, JLHY was held as to 50% by Mr. Jing and as to 50% by his family members, none of whom held more than 10% of the equity interest in JLHY.

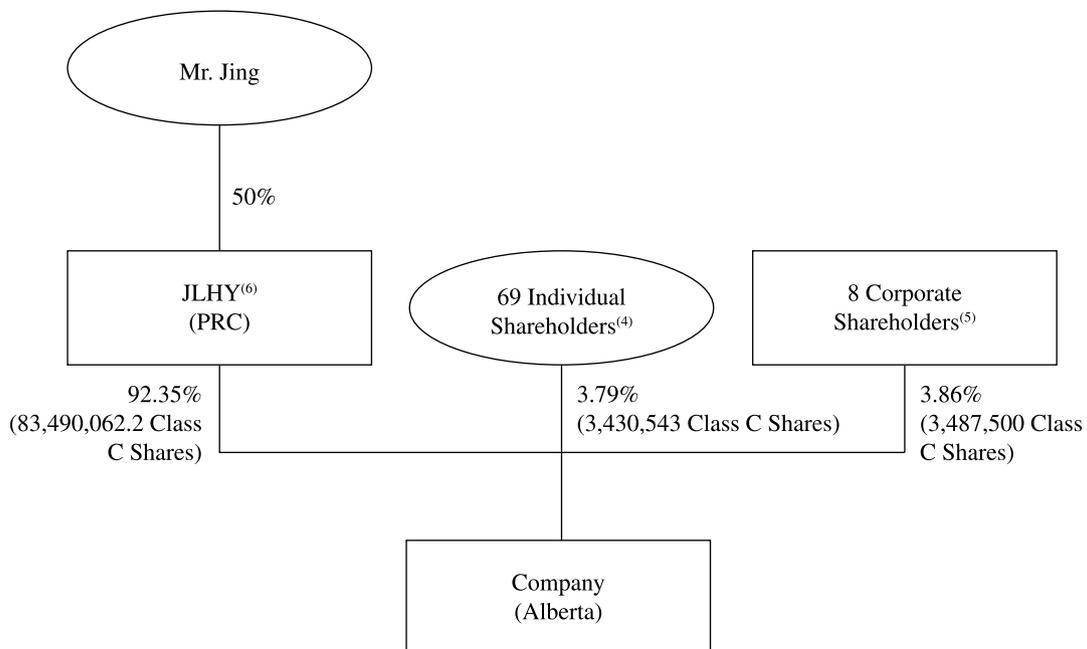
## CORPORATE STRUCTURE AND HISTORY

### For Class B Shares (non-voting)



- (3) The 12 individuals, save for Ms. Hou, holding 220,000 Class B Shares equivalent to approximately 1.88% of the then issued Class B Shares, are Independent Third Parties and, together with Mr. Bo, are Employees.

### For Class C Shares (non-voting)



- (4) The 69 individual Shareholders are Independent Third Parties.
- (5) The 8 corporate Shareholders are Independent Third Parties.

## CORPORATE STRUCTURE AND HISTORY

- (6) JLHY held 28,494,567.1 Class C Shares on trust for Liyuan pursuant to the April 2014 Trust and after the split of 1 Class C Share into 2.43387 Class C Shares on April 14, 2014.

### CHANGES IN SHAREHOLDING STRUCTURE

During the Track Record Period and as at the Latest Practicable Date, there have been various changes in our shareholding structure as a result of issues, splits and repurchases of Shares.

The following shows the significant shareholding changes during the Track Record Period:

Date	Shareholder	Number & Type of Shares Issued/ Repurchased	Consideration & basis of Consideration	Completion Date	Reason for Issue/Share Split/ Repurchase
April 14, 2014	164 Co	3,902,895 Class B Shares were issued	C\$6,244,632 at a deemed price of C\$1.60 per share	April 14, 2014	Pursuant to a shareholder resolution dated April 14, 2014 to discharge and satisfy our Company's indebtedness and obligations for advanced loans of C\$6,244,632 made by 164 Co
April 14, 2014	164 Co	3,903,394 Class B Shares were split into 9,500,353 Class B Shares	on the basis of each 1 Class B Share being changed into 2.43387 Class B Shares	April 14, 2014	Pursuant to a shareholder resolution dated April 14, 2014 to effect a split of the issued and outstanding 3,903,394 Class B Shares held by 164 Co
April 14, 2014	JLHY	35,126,054 Class C Shares were issued	C\$56,201,687 at C\$1.60 per share at a deemed price of C\$1.60 per share	April 14, 2014	Pursuant to a shareholder resolution dated April 14, 2014 to discharge and satisfy our Company's indebtedness and obligations for advanced loans of C\$56,201,687 made by JLHY
April 14, 2014	JLHY	35,134,555 Class C Shares were split into 85,512,941 Class C Shares	on the basis of each 1 Class C Share being split into 2.43387 Class C Shares	April 14, 2014	Pursuant to a shareholder resolution dated April 14, 2014 to effect a split of the issued and outstanding 35,134,555 Class C Shares held by JLHY
April 15, 2014	Mr. Pingzai Wang	220,000 Class B Shares were issued	C\$198,000 at C\$0.90 per share for employee benefit and partial settlement of employee loan	April 15, 2014	Pursuant to a subscription agreement dated April 15, 2014 for employee benefit

## CORPORATE STRUCTURE AND HISTORY

<u>Date</u>	<u>Shareholder</u>	<u>Number &amp; Type of Shares Issued/ Repurchased</u>	<u>Consideration &amp; basis of Consideration</u>	<u>Completion Date</u>	<u>Reason for Issue/Share Split/ Repurchase</u>
April 15, 2014	Mr. Bo	220,000 Class B Shares were issued	C\$198,000 at C\$0.90 per share for employee benefit and partial settlement of employee loan	April 15, 2014	Pursuant to a subscription agreement dated April 15, 2014 for employee benefit
April 15, 2014	Mr. Binyou Dai	220,000 Class B Shares were issued	C\$198,000 at C\$0.90 per share for employee benefit and partial settlement of employee loan	April 15, 2014	Pursuant to a subscription agreement dated April 15, 2014 for employee benefit
April 15, 2014	Ms. Hou	220,000 Class B Shares were issued	C\$198,000 at C\$0.90 per share as employee benefit and partial settlement of employee loan	April 15, 2014	Pursuant to a subscription agreement dated April 15, 2014 for employee benefit
April 15, 2014	6 Independent Third Party subscribers	1,116,155 Class B Shares were issued	C\$1,004,539 at C\$0.90 per share for employee benefit and partial settlement of employee loan	April 15, 2014	Pursuant to 6 subscription agreements all dated April 15, 2014 for employee benefit
April 15, 2014	3 Independent Third Party subscribers	242,000 Class B Shares were issued	C\$290,400 at C\$1.20 per share for consultant benefit	April 15, 2014	Pursuant to 3 subscription agreements all dated April 15, 2014 for consultant benefit
	Mr. Lei Song, our Production Engineer	42,000 Class B Shares were issued	C\$50,400 at C\$1.20 per share for employee benefit	April 15, 2014	Pursuant to a subscription agreement dated April 15, 2014 for employee benefit
April 15, 2014	43 Independent Third Party subscribers	2,709,375 Class C Shares were issued	C\$4,335,000 at C\$1.60 per share at the then fair market value	April 15, 2014	Pursuant to 43 subscription agreements all dated April 15, 2014 for Company's private equity financing
July 16, 2014	One Independent Third Party Shareholder, a resigning consultant	42,000 Class B Shares were repurchased by our Company	C\$50,400 at C\$1.20 per share at the then fair market value	July 16, 2014	Pursuant to a share repurchase agreement dated July 16, 2014 due to resignation of consultant
September 30, 2014	32 Independent Third Party subscribers	872,500 Class C Shares were issued	C\$1,745,000 at C\$2 per share at the then fair market value	September 30, 2014	Pursuant to 32 subscription agreements all dated September 30, 2014 for Company's private equity financing

## CORPORATE STRUCTURE AND HISTORY

<u>Date</u>	<u>Shareholder</u>	<u>Number &amp; Type of Shares Issued/ Repurchased</u>	<u>Consideration &amp; basis of Consideration</u>	<u>Completion Date</u>	<u>Reason for Issue/Share Split/ Repurchase</u>
October 23, 2014	One Independent Third Party subscriber	2,500,000 Class C Shares were issued	C\$5,000,000 at C\$2 per share at the then fair market value	October 23, 2014	Pursuant to a subscription agreement dated October 23, 2014 for Company's private equity financing
November 20, 2014	3 Independent Third Party subscribers	500,056 Class C Shares were issued	C\$1,000,112 at C\$2 per share at the then fair market value	November 20, 2014	Pursuant to 3 subscription agreements all dated November 20, 2014 for Company's private equity financing
December 3, 2014	JLHY	1,661,766.8 Class C Shares were repurchased by our Company	C\$3,323,533.60 at C\$2 per share at the then fair market value	December 3, 2014	Pursuant to a share repurchase agreement with JLHY dated December 3, 2014 for JLHY's reducing its shareholding in the Company
February 6, 2015	2 Independent Third Party corporate subscribers	250,000 Class C Shares were issued	C\$500,000 at C\$2 per share at the then fair market value	February 6, 2015	Pursuant to 2 subscription agreements both dated February 5, 2015 for Company's private equity financing
February 6, 2015	JLHY	250,000 Class C Shares were repurchased by our Company	C\$500,000 at a C\$2 per share at the then fair market value	February 6, 2015	Pursuant to a share repurchase agreement with JLHY dated February 6, 2015 for JLHY's reducing its shareholding in the Company
October 14, 2015	One Independent Third Party Shareholder	25,000 Class C Shares were repurchased by our Company	C\$50,000 at C\$2 per share at the then fair market value	October 14, 2015	Pursuant to a share repurchase agreement dated October 14, 2015 for Company's private equity financing
October 28, 2015	One Independent Third Party transferee	111,112 Class C Shares were transferred by JLHY	C\$100,000.80 at C\$0.9 per share as agreed consideration	October 28, 2015	Pursuant to a share repurchase agreement dated October 28, 2015 for share transfer
December 16, 2015	One Independent Third Party subscriber	1,100,000 Class C Shares were issued	C\$1,980,000 at C\$1.80 per share at the then fair market value	December 16, 2015	Pursuant to a subscription agreement dated December 16, 2015 for Company's private equity financing
December 18, 2015	Aspen	499 Class A Shares were transferred by JLHY to Aspen	As part of the Reorganization at fair market value	December 18, 2015	As part of the Reorganization
December 18, 2015	Aspen	501 Class A Shares were transferred by 164 Co to Aspen	As part of the Reorganization at fair market value	December 18, 2015	As part of the Reorganization

## CORPORATE STRUCTURE AND HISTORY

<u>Date</u>	<u>Shareholder</u>	<u>Number &amp; Type of Shares Issued/ Repurchased</u>	<u>Consideration &amp; basis of Consideration</u>	<u>Completion Date</u>	<u>Reason for Issue/Share Split/ Repurchase</u>
December 18, 2015	Aspen	9,500,353 Class B Shares were transferred by 164 Co to Aspen	As part of the Reorganization at fair market value	December 18, 2015	As part of the Reorganization
December 18, 2015	Aspen	83,490,062.2 Class C Shares were transferred by JLHY to Aspen	As part of the Reorganization at fair market value	December 18, 2015	As part of the Reorganization
January 6, 2016	9 Independent Third Party subscribers	A total of 630,315 Class C Shares were issued	A total of C\$1,260,630 at C\$2 per share at the then fair market value	January 6, 2016	Pursuant to 9 subscription agreements all dated January 6, 2016 for Company's private equity financing
January 6, 2016	Mr. Jing, our non-executive Director	213,666 Class C Shares were issued	A total of C\$427,332 at C\$2 per share at the then fair market value	January 6, 2016	Pursuant to a subscription agreement dated January 6, 2016 for Company's private equity financing
January 18, 2016	2 Independent Third Party subscribers	A total of 81,665 Class B Shares were issued	C\$97,998 at C\$1.20 per share for employee benefit	January 18, 2016	Pursuant to 2 subscription agreements both dated January 18, 2016 for employee benefit
February 24, 2016	One Independent Third Party subscriber	40,000 Class B Shares were issued	C\$36,000 at C\$0.90 per share for employee benefit	February 24, 2016	Pursuant to a subscription agreement dated February 24, 2016 for employee benefit
February 24, 2016	Jun Xiang, our Interim Chief Financial Officer	100,000 Class B Shares were issued	C\$120,000 at C\$1.20 per share for employee benefit	February 24, 2016	Pursuant to a subscription agreement dated February 24, 2016 for employee benefit
February 24, 2016	One Independent Third Party subscribers	40,000 Class B Shares were issued	C\$48,000 at C\$1.20 per share for employee benefit	February 24, 2016	Pursuant to a subscription agreement dated February 24, 2016 for employee benefit
February 25, 2016	Aspen	0.8 Class C Share was issued	C\$1.28 at C\$1.60 per share for purchase by Aspen of remainder fractional Share	February 25, 2016	Pursuant to a subscription agreement dated February 25, 2016

The subscription agreements for Class B Shares and Class C Shares contain no special right terms except for the resale restriction under Alberta securities law (details of which are disclosed in the section headed “Key Canadian Legal and Regulatory Matters — Certain Canadian Securities Law Restrictions and Steps to Enforce Resale Restriction”). Save as disclosed above, all the

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## CORPORATE STRUCTURE AND HISTORY

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subscribers are Independent Third Parties. None of the above subscriptions are pre-IPO investments of our Company. The net proceeds of the share issuances listed above were applied as working capital of our Company.

Please refer to the sections headed “A. Further Information About Our Company — 2. Changes in Share Capital of Our Company” and “B. Further Information About Our Business — 1. Summary of Material Contracts” in the section headed “Appendix VI — Statutory and General Information” to this Prospectus for details of each of the share subscriptions, share transfers and share repurchases and their respective agreements within the two years immediately preceding the date of this Prospectus.

### REORGANIZATION

For the purpose of the Listing, our Company has undergone Reorganization which consists of the following major steps:

#### **1. Incorporation of Aspen**

On November 20, 2015, Aspen was incorporated in Alberta, Canada with an authorized share capital of an unlimited number of common shares and preferred shares, of which one common share was issued by Aspen to each of JLHY and 164 Co.

#### **2. Signing of the Unanimous Shareholders Agreement**

On December 18, 2015, JLHY, 164 Co, Mr. Bo, Mr. Jing and Aspen signed the Unanimous Shareholders Agreement, pursuant to which 164 Co, JLHY, Mr. Bo and Mr. Jing (the “**Parties**”) confirmed, among other things, the Parties had acted in concert as to previous votings and there was no dispute as to previous voting in the shareholders’ and board meetings of our Company and the Parties and Aspen further confirmed that they will act in concert as to voting in the shareholders’ and board meetings of our Company and/or Aspen from the date of signing of the Unanimous Shareholders Agreement and during the term of the Unanimous Shareholders Agreement. If the Parties and Aspen are unable to reach an agreement after full negotiation and consultation, the views of 164 Co and Mr. Bo shall prevail.

#### **3. Transfer of our Company’s Shares from JLHY and 164 Co to Aspen and Issuance of New Shares in Aspen to JLHY and 164 Co**

On December 18, 2015, Aspen acquired from JLHY 499 Class A Shares and 83,490,062.2 Class C Shares (for JLHY and under instructions of Liyuan) at fair market value and the consideration of which was satisfied by way of issue and allotment by Aspen to JLHY 83,490,560 common shares of Aspen. On the same date, Aspen acquired from 164 Co 501 Class A Shares and 9,500,353 Class B Shares at fair market value and the consideration of which was satisfied by way of issue and allotment by Aspen to 164 Co of 9,500,853 common

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## CORPORATE STRUCTURE AND HISTORY

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shares of Aspen. The April 2014 Trust was thus terminated. Further, pursuant to the December 2015 Trust, JLHY declared that it held 45,276,931 common shares of Aspen in trust for Liyuan.

#### **4. Signing of the First Supplemental Unanimous Shareholders Agreement**

On April 29, 2016, JLHY, Liyuan, 164 Co, Mr. Bo, Mr. Jing and Aspen entered into the First Supplemental Unanimous Shareholders Agreement supplemental to the Unanimous Shareholders Agreement, pursuant to which Liyuan was included as a party thereto, and pursuant to which JLHY, Liyuan, 164 Co, Mr. Bo and Mr. Jing (the “**Parties**”) confirmed, among other things, (i) the Parties’ shareholding in Aspen; (ii) the Parties had acted in concert as to previous votings and there was no dispute as to previous voting in the shareholders’ and board meetings of our Company; and (iii) the Parties will act in concert as to voting in the shareholders’ and board meetings of our Company and/or Aspen from the date of the Unanimous Shareholders Agreement.

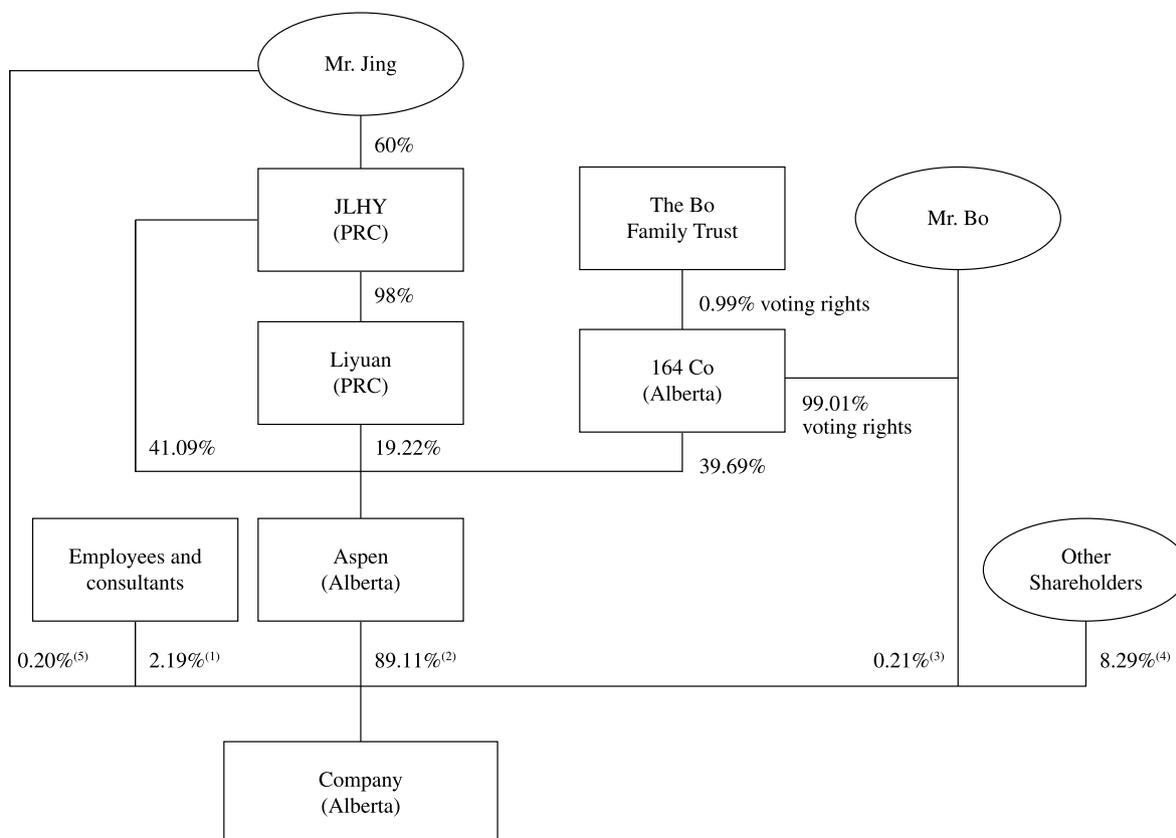
#### **5. Conversion of Class B Shares and Class C Shares into Common Shares and Share Split**

On February 5, 2016, our Company issued the Information Circular, form of proxy and notice of shareholders’ meeting to approve the re-designation of Class A Shares and the conversion of Class B and Class C Shares. On February 26, 2016, at the Annual and Special Meeting, our then Shareholders approved, among others, re-designation of Class A Shares as Common Shares, conversion of all Class B and Class C Shares for Common Shares on a 1:1 basis, and a share split of the issued and outstanding shares of our Company on the basis of every one Common Share for two Common Shares. The aforesaid re-designation and share conversion and the 1 for 2 share split were completed on April 29, 2016.

All the relevant regulatory requirements and approval under Canadian laws for the Reorganization have been complied with and obtained.

## CORPORATE STRUCTURE AND HISTORY

The following chart shows our shareholding structure immediately upon completion of the Reorganization and the share subscriptions in our Company completed since the commencement of the Reorganization but before the commencement of the Global Offering:



*Notes:*

- (1) These represent the former Class B Shareholders (excluding Mr. Bo) who previously held 2,279,820 Class B Shares prior to the share conversion and share split, now hold 4,559,640 Common Shares after the share conversion and share split as part of the Reorganization. Among these Shareholders include Ms. Hou, the spouse of Mr. Bo, who held 440,000 Common Shares (representing approximately 0.21% of all the issued Shares).
- (2) Aspen, which previously held 1,000 Class A Shares, 9,500,353 Class B Shares and 83,490,063 Class C Shares of our Company prior to the share conversion and share split, now holds 185,982,832 Common Shares after the share conversion and share split as part of the Reorganization.
- (3) Mr. Bo, who previously held 220,000 Class B Shares of our Company prior to the share conversion and share split, now holds 440,000 Common Shares after the share conversion and share split as part of the Reorganization.
- (4) These represent the former Class C Shareholders (excluding Mr. Jing) who previously held 8,648,358 Class C Shares of our Company prior to the share conversion and share split, who now hold 17,296,716 Common Shares after the share conversion and share split as part of the Reorganization.
- (5) Mr. Jing, who previously held 213,666 Class C Shares of our Company prior to the share conversion and share split, now holds 427,332 Common Shares after the share conversion and share split as part of the Reorganization.

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## CORPORATE STRUCTURE AND HISTORY

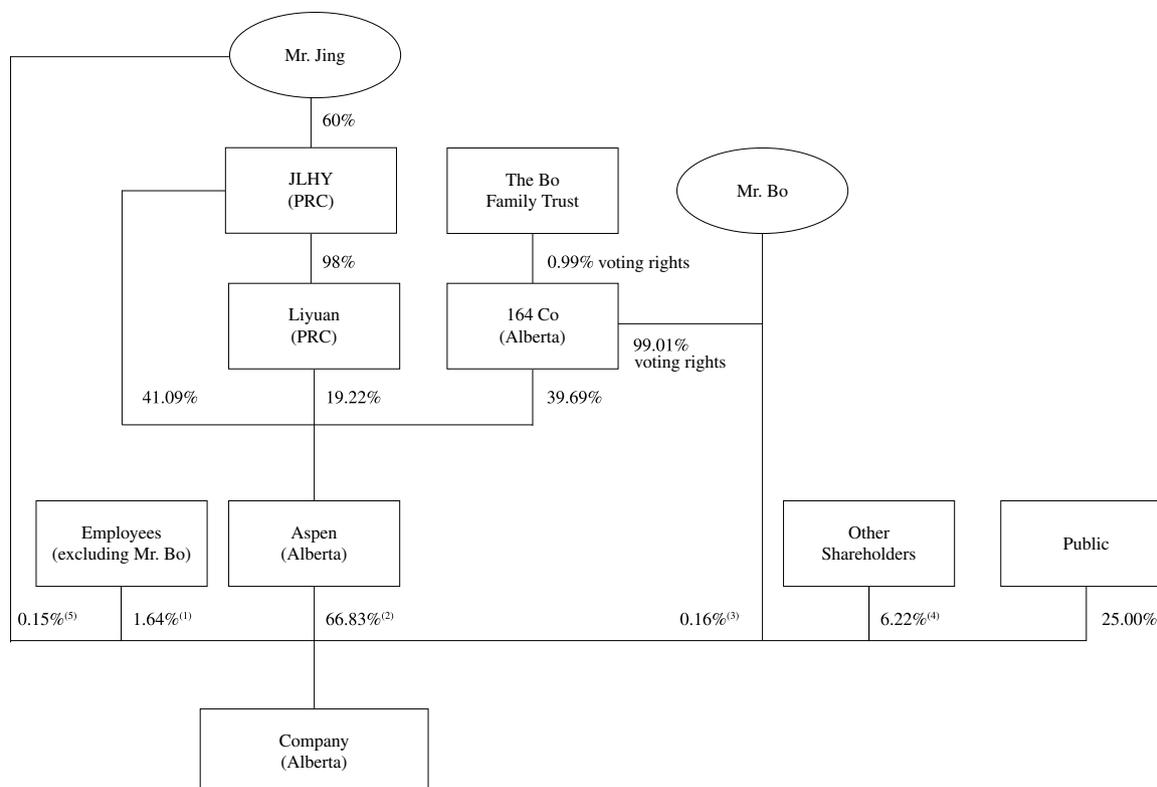
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The table below shows the breakdown of the holders of the Common Shares of our Company after completion of the Reorganization and the share subscriptions in our Company since the commencement of the Reorganization but before the commencement of the Global Offering.

<u>Shareholder</u>	<u>Number of Shares held</u>	<u>Approximate percentage in our issued Shares as at the Latest Practicable Date</u>
<b>Aspen</b>	185,982,832	89.11%
	185,982,832	89.11%
<b>Employees</b>		
Mr. Bo	440,000	0.21%
Ms. Hou	440,000	0.21%
Binyou Dai	440,000	0.21%
Pingzai Wang	440,000	0.21%
Jun Xiang	200,000	0.10%
Lei Song	84,000	0.04%
Other 10 Employees	2,955,640	1.42%
	4,999,640	2.40%
<b>Other Shareholders</b>		
Mr. Jing	427,332	0.20%
Other 87 Shareholders	17,296,716	8.29%
	17,724,048	8.49%
	<u>208,706,520</u>	<u>100%</u>

## CORPORATE STRUCTURE AND HISTORY

The following chart shows our shareholding immediately after completion of the Global Offering (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option):



*Notes:*

- (1) Employees, excluding Mr. Bo, hold 4,559,640 Common Shares of our Company, equivalent to approximately 1.64% of our issued Common Shares. Among these Shareholders include Ms. Hou, the spouse of Mr. Bo, who holds 440,000 Common Shares (representing approximately 0.16% of all the issued Shares).
- (2) Aspen holds 185,982,832 Common Shares of our Company, equivalent to approximately 66.83% of our issued Common Shares.
- (3) Mr. Bo holds 440,000 Common Shares of our Company, equivalent to approximately 0.16% of our issued Common Shares.
- (4) Other Shareholders, excluding Mr. Jing, hold 17,296,716 Common Shares of our Company, equivalent to approximately 6.22% of our issued Common Shares. None of the Other Shareholders hold more than 5% equity interest of our Company.
- (5) Mr. Jing holds 427,332 Common Shares of our Company, equivalent to approximately 0.15% of our issued Common Shares.

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## BUSINESS

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### OVERVIEW

Our Company is based in Alberta, Canada and is principally engaged in natural gas and crude oil exploration and production, with a focus on natural gas. We focus on long-term growth through acquisition, exploration, development and production in WCSB.

We commenced operations in March 2005 with the objective of building a successful Canadian natural gas and crude oil exploration, development and production company with a long-term business strategy. We acquired our first 6,400 net acres of land in WCSB in January 2007 known as the Alberta Foothills and drilled and commercially produced liquids-rich natural gas from our first deep well in this area in December 2008. Since then, our natural gas and oil production rate has organically grown and reached approximately 3,363 Boe/d of average production in the first nine months of 2016. The exit production of 2016 is 4,500 Boe/d. As at the Latest Practicable Date, we held 114,528 net acres of land in WCSB which we intend to explore through drilling in locations listed in our Company's multi-year inventory.

Presently, we have three core areas:

- Alberta Foothills, which includes natural gas properties in the five areas of Basing, Voyager, Kaydee, Columbia and Stolberg. Basing is partially developed whilst Voyager, Kaydee, Columbia and Stolberg are undeveloped;
- Deep Basin Devonian, which includes undeveloped natural gas properties in Hanlan-Peco in West Alberta; and
- Peace River, which includes light oil properties in the key area of Dawson which is partially developed.

As at September 30, 2016, as estimated by GLJ, we held a total of 77 drilling locations, with five assigned to Proved, Probable and Possible Reserves, eight assigned to Contingent Resources and 64 assigned to Prospective Resources. GLJ estimated our Company holds gross Proved Reserves of 12,099 Mboe (approximately 5.4% of which is crude oil, condensate and other NGLs with the remaining 94.6% being natural gas) with an assessed net present value (post-tax, discounted at 10% and based on GLJ's forecast prices) of approximately C\$119.4 million, gross Proved plus Probable Reserves of 17,666 Mboe (approximately 5.4% of which is crude oil, condensate and other NGLs, with the remaining 94.6% being natural gas), gross Proved plus Probable plus Possible Reserves of 22,562 Mboe (approximately 5.4% of which is crude oil, condensate and other NGLs, with the remaining 94.6% being natural gas), gross Best Estimate Unrisked Contingent Resources of 10,396 Mboe (approximately 4.9% of which is condensate and other NGLs, with the remaining 95.1% being natural gas), and gross Best Estimate Unrisked Prospective Resources of 67,526 Mboe (approximately 7.0% of which is crude oil, condensate and other NGLs, with the remaining 93.0% being natural gas). Please refer to the Competent Person's Report as set out in Appendix IV to this Prospectus for more information.

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## BUSINESS

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As at the Latest Practicable Date, we have five wells in production and one other well that had been voluntarily and temporarily shut-in in Basing, and we have two wells in production and another one well that had been voluntarily and temporarily shut-in in Dawson.

Our long-term business strategy is to increase shareholder value by continuing to exploit and develop our natural gas and oil asset base in the three core exploration and production areas to increase our reserves, production and cash flow.

The map below shows the locations of our three core areas for growth in Alberta, Canada.

### Our Three Core Areas for Growth



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## BUSINESS

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We believe that we have a number of key strengths that will help us execute our long-term business strategies, which include:

- economics and quality of resource base;
- size of resources within our Company's acreage land position;
- location of resources and market access;
- holding sole operating control and land ownership; and
- an experienced management and technical team with a strong industry track record.

Our Company has established the viability of our certain oil and gas assets in WCSB and is in the early stage of a three-year development plan. We focus on:

- developing our inventory of liquids-rich resources by drilling exploration and development wells in our projects; and
- establishing further opportunities to maximize value for our shareholders.

We aim to increase our gas and oil production rate from the first nine months of 2016 with an average production rate of 3,363 Boe/d to approximately 5,448 Boe/d based on Proved plus Probable Reserves and an additional 2,389 Boe/d based on Best Estimate Unrisked Contingent Resources in 2019.

### **OUR KEY STRENGTHS**

We believe that the following strengths will contribute to our growth and differentiate us from our competitors:

#### **Economics and Quality of Resource Base**

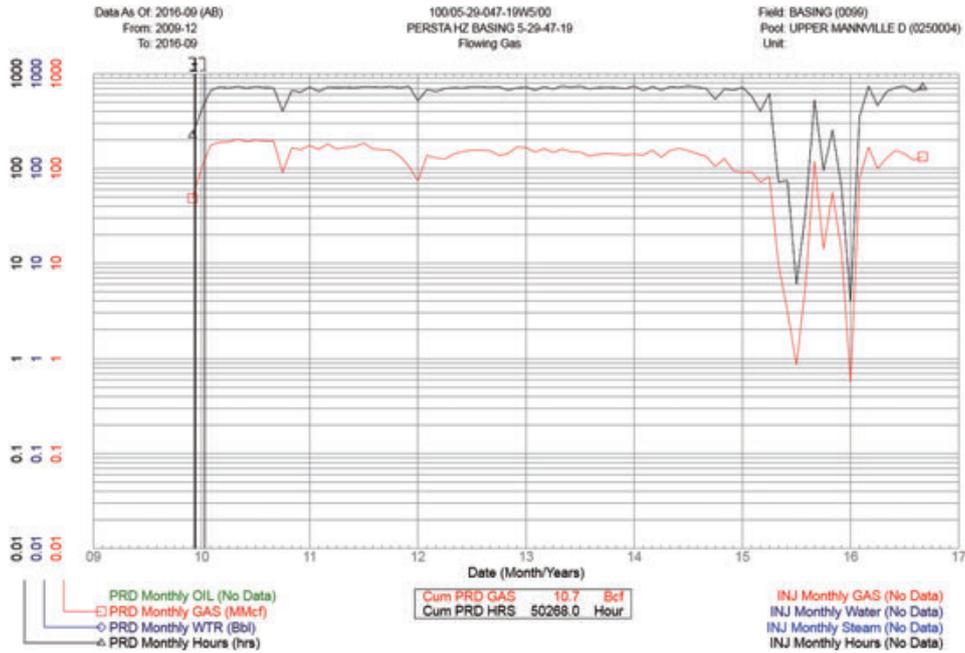
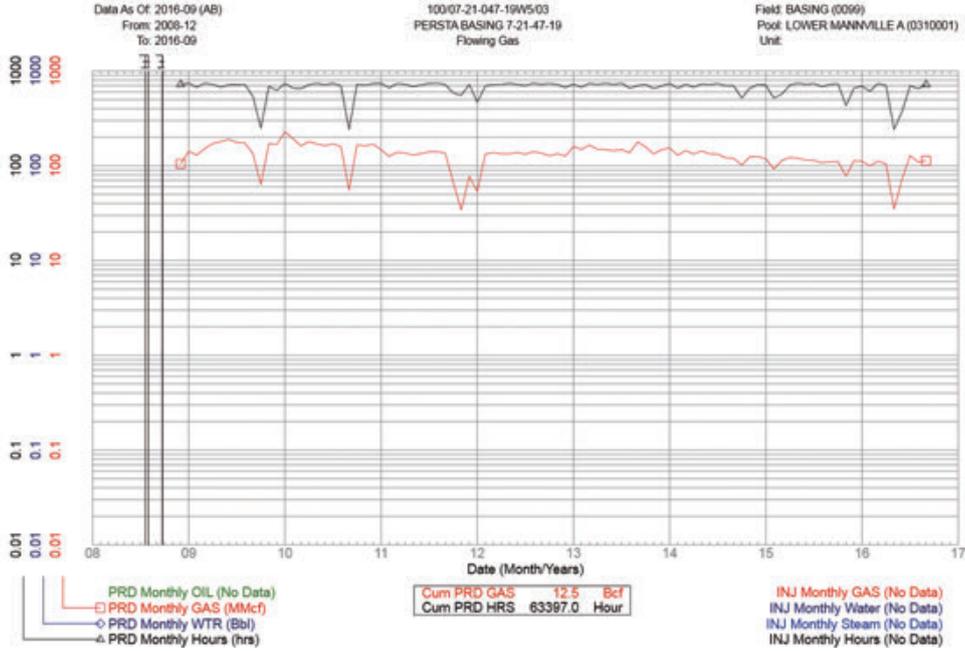
The formation in WCSB, known as the Spirit River Group (which includes formations known as Wilrich and Mountain Park), is a resource play located in Western Canada in respect of natural gas and oil. Spirit River Group is our primary development target for natural gas in the Alberta Foothills.

Our wells in Basing in the Alberta Foothills have exhibited economic features with high production rates and low decline rates.

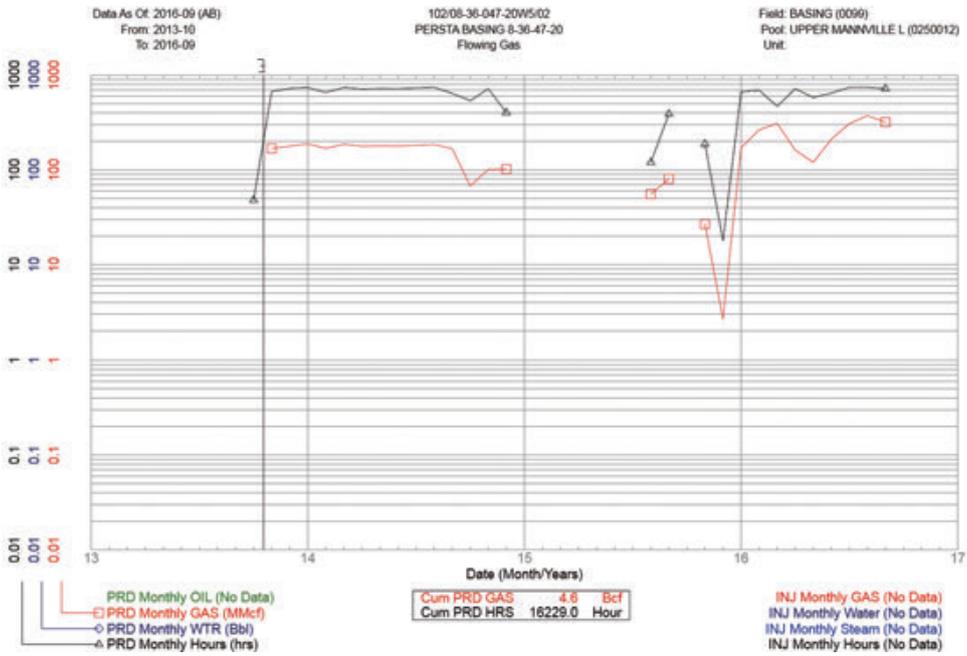
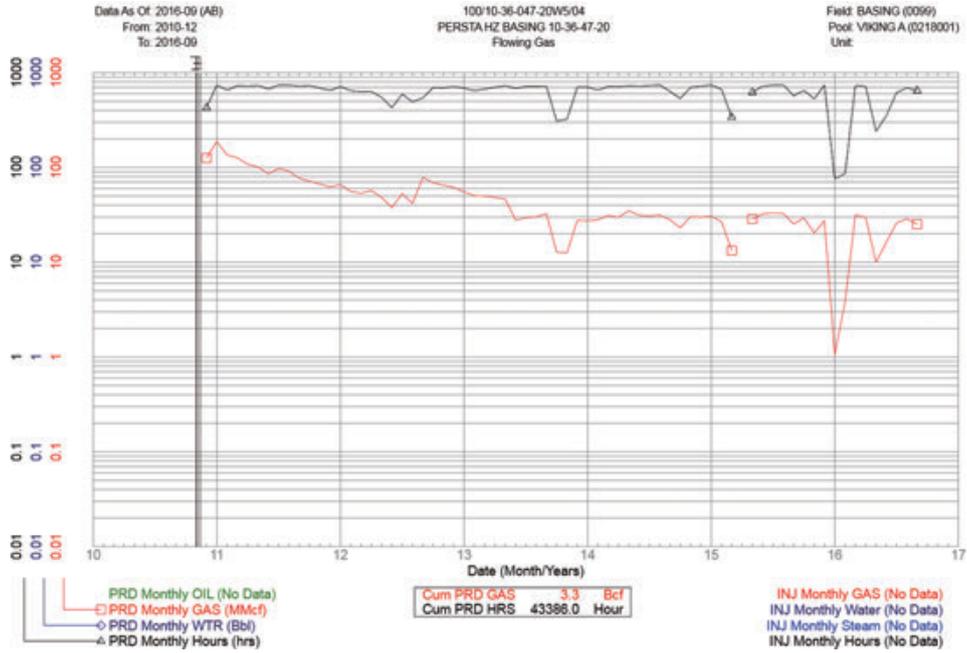
Our production of natural gas in the Alberta Foothills area commenced in December 2008. As at September 30, 2016, we cumulatively produced approximately 34.2 Bcf of sweet natural gas and approximately 289,332 Bbls of condensate and NGLs. The diagrams below show the trends of our natural gas production from our five producing wells in Basing from December 2008 to September 2016.

# BUSINESS

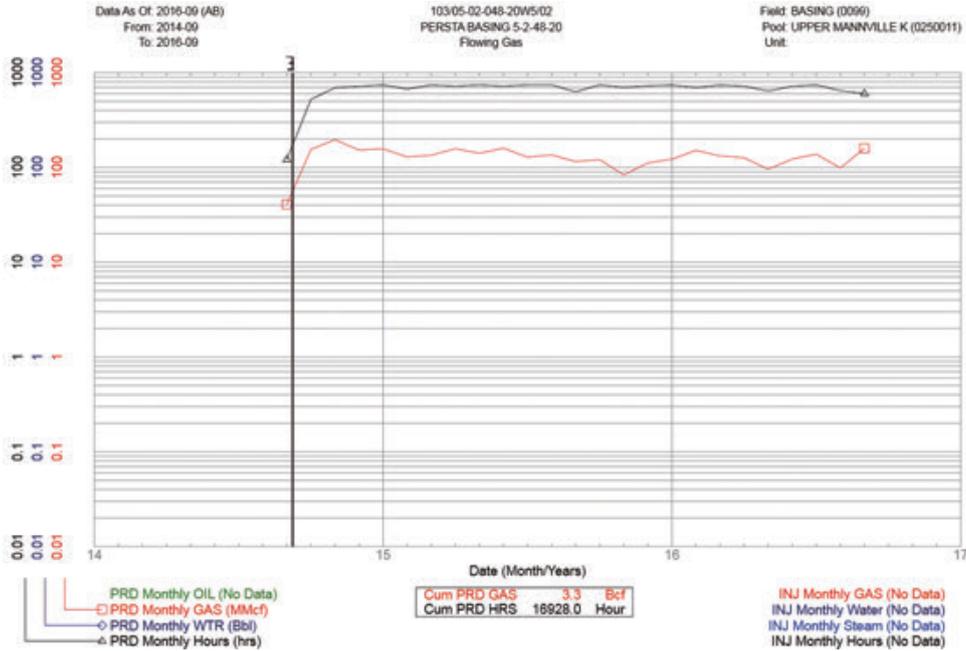
## Trend of Our Five Gas Wells' Production from December 2008 to September 2016



# BUSINESS



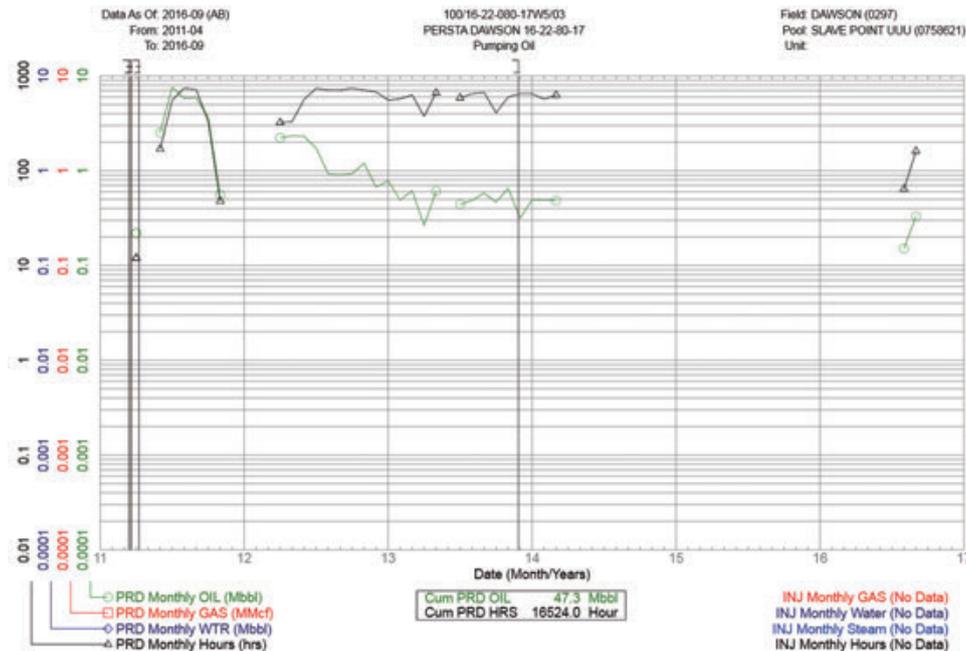
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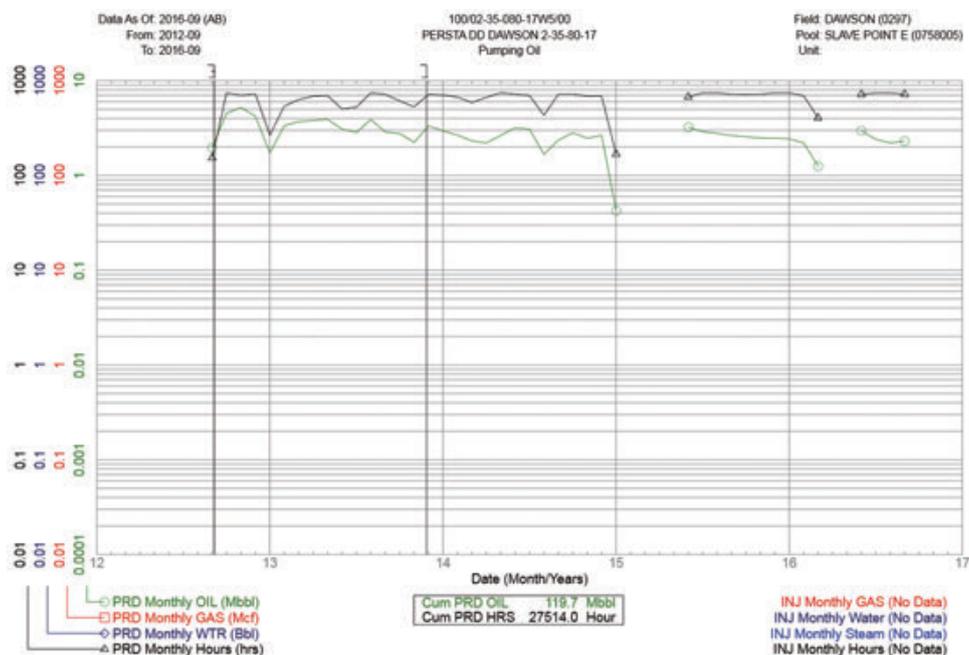


Our light oil production in Dawson in Peace River has cumulatively produced approximately 201,928 Bbls of light oil as at September 30, 2016.

The diagrams below show the trends of our light oil production from two producing wells in Dawson from April 2011 to September 2016.

### Trend of Our Two Light Oil Wells' Production from April 2011 to September 2016





### Size of Resources within Our Company's Acreage Land Position

As at the Latest Practicable Date, we controlled 114,528 net acres of land (being approximately 111,168 net acres of undeveloped land).

We developed a multi-year location inventory which outlines proposed drilling locations for our undeveloped land in WCSB which we intend to explore. According to the Competent Person's Report, as at September 30, 2016, we held a total of 77 drilling locations whereby five locations have been assigned to Proved plus Probable Reserves, eight to Contingent Resources, and 64 to Prospective Resources. As at September 30, 2016, GLJ has estimated that we hold gross Proved Reserves of 12,099 Mboe (approximately 5.4% of which is crude oil, condensate and other NGLs, with the remaining 94.6% being natural gas), gross Proved plus Probable Reserves of 17,666 Mboe (approximately 5.4% of which is crude oil, condensate and other NGLs, with the remaining 94.6% being natural gas) with an assessed net present value (post-tax, discounted at 10% and based on GLJ's forecast prices) of approximately C\$119.4 million, gross Proved plus Probable plus Possible Reserves of 22,562 Mboe (approximately 5.4% of which is crude oil, condensate and other NGLs, with the remaining 94.6% being natural gas), gross Best Estimate Unrisked Contingent Resources of 10,396 Mboe (approximately 4.9% of which is crude oil, condensate and other NGLs, with the remaining 95.1% being natural gas), and gross Best Estimate Unrisked Prospective Resources of 67,526 Mboe (approximately 7.0% of which is crude oil, condensate and other NGLs, with the remaining 93.0% being natural gas).

## BUSINESS

The table below shows the data of Reserves and Resources as at September 30, 2016 based on GLJ's price forecast effective on October 1, 2016:

Reserve Data	Total		Producing Wells			Drilling Locations			Post-tax NPV 10%*
	Gross	Net	No. of Producing Wells	Gross	Net	No. of Drilling Locations Inventory***	Gross	Net	
	(Mboe)	(Mboe)		(Mboe)	(Mboe)	(as at Latest Practicable Date)	(Mboe)	(Mboe)	(C\$ Millions)
Proved (1P)**	12,099	10,294	7	5,333	4,419	4	6,766	5,875	87.4
Proved + Probable (2P)**	17,666	14,680	7	7,444	6,073	5	10,222	8,607	119.4
Proved + Probable + Possible (3P)**	22,562	18,430	7	9,581	7,727	5	12,981	10,703	
Contingent Resources**									
(Unrisked Best Estimate)	10,396	9,061				8	10,396	9,061	
Prospective Resources**									
(Unrisked Best Estimate)	67,526****	58,486****				64****	67,526****	58,486****	

\* This represents future net revenue, after additions for cost recovery and deductions for value-added taxes, royalties, future capital costs and operating expenses have been made. Future net revenue is presented after deduction of income taxes and has been discounted at an annual rate of 10% (which is shown to indicate the effect of time on the value of money) to determine its net present value. Future net revenue presented in this Prospectus should not be construed as being the fair market value of our Company's properties. The expected capital is accounted for in determining the post-tax NPV10% in two ways. Firstly, the capital is included as an expense which is discounted annually and reduces the net cash flow accordingly. Secondly, the development capital increases the unused tax deduction for our Company. For further information on the bases and assumptions used in determining future net revenue and post-tax NPV 10%, please see page IV-71 of the Competent Person's Report in Appendix IV to this Prospectus. For risks associated with the net present values, please see the section headed "Risk Factors — The reserves and resources data, volumes and present value calculations as presented in this Prospectus are only estimates and actual results may differ" in this Prospectus.

\*\* As at September 30, 2016, GLJ estimated our Company holds gross Proved Reserves of 12,099 Mboe (approximately 5.4% of which is crude oil, condensate and other NGLs, with the remaining 94.6% being natural gas), gross Proved plus Probable Reserves of 17,666 Mboe (approximately 5.4% of which is crude oil, condensate and other NGLs, with the remaining 94.6% being natural gas), gross Proved plus Probable plus Possible Reserves of 22,562 Mboe (approximately 5.4% of which is crude oil, condensate and other NGLs, with the remaining 94.6% being natural gas), gross Best Estimate Unrisked Contingent Resources of 10,396 Mboe (approximately 4.9% of which is condensate and other NGLs, with the remaining 95.1% being natural gas), and gross Best Estimate Unrisked Prospective Resources of 67,526 Mboe (approximately 7.0% of which is crude oil, condensate and other NGLs, with the remaining 93.0% being natural gas). Please refer to the Competent Person's Report as set out in Appendix IV to this Prospectus for more information.

\*\*\* As at the Latest Practicable Date, a total of 77 drilling locations are held by our Company. 5 drilling locations have been assigned to Proved, Probable and Possible Reserves (which include 4 locations assigned to Proved Reserves and 1 location assigned to Probable and Possible Reserves only). 8 drilling locations have been assigned to Contingent Resources. 64 drilling locations have been assigned to Prospective Resources.

\*\*\*\* 1 Crown Lease in Dawson has expired in November 2016 (with 4 prospective drilling locations and 599 Mbbls of gross Best Estimated Unrisked prospective Resources assigned by GLJ as at September 30, 2016). Our Company directly wrote off C\$100,000 of E&E assets as a result of the aforesaid Crown Lease expiry for the nine months ended 30 September 2016 because they were considered not to have further prospective value. Therefore its expiration will not have further financial impact on our Company.

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## BUSINESS

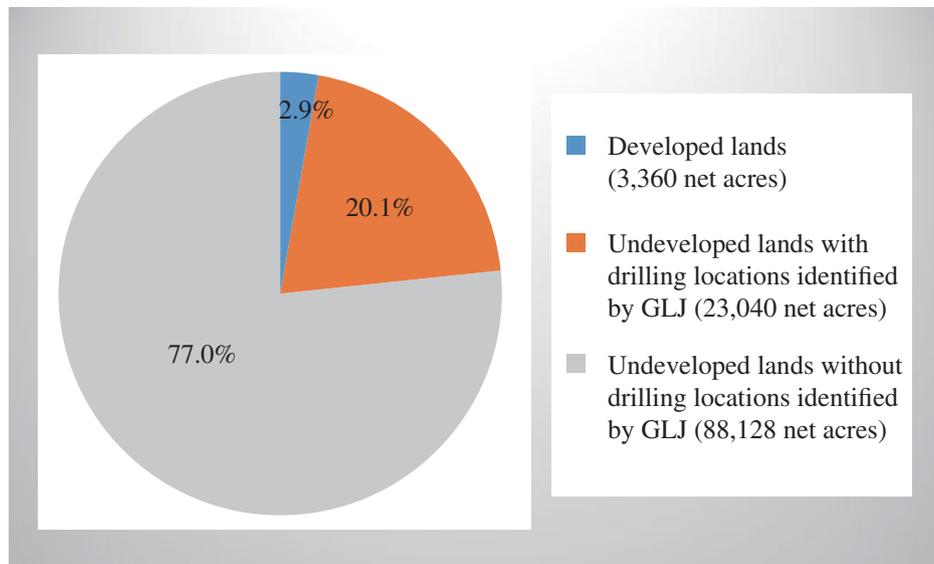
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The reporting standard adopted by GLJ in evaluating our Company's Reserves and Resources was in accordance with the Resources and Reserves definitions, standards and procedures contained in PRMS published by the Society of Petroleum Engineers as modified by Chapter 18 of the Listing Rules. The Competent Person's Report in Appendix IV to this Prospectus uses GLJ (2016-10) pricing assumptions and royalty regulations as of September 30, 2016, being the effective date of the Competent Person's Report.

The four undeveloped locations assigned Proved Reserves are all drilling locations which target the Wilrich formation and immediately offset currently producing Wilrich wells. According to GLJ, Proved undeveloped Reserves are warranted as the Wilrich formation has been mapped to show geological continuity where these drilling locations will be situated and the locations are robustly economic based on Reserves estimates and current market conditions. The single Notikewin location in Basing assigned Reserves immediately offsets a producing well. However, according to GLJ, it does not meet the economic hurdles to be classified as Proved Reserves, and is therefore only considered to be Probable Reserves. GLJ has confirmed that the methodology utilized is consistent with that utilized by other oil and gas companies in Alberta.

The chart below shows our net land acreage position as at the Latest Practicable Date, being a total of 114,528 net acres of land. Of this amount, 2.9% or 3,360 net acres comprise developed land, 20.1% or 23,040 net acres comprise undeveloped land with drilling locations identified by GLJ and 77.0% or 88,128 net acres comprise undeveloped land without drilling locations identified by GLJ.

### Our Land Position as at the Latest Practicable Date

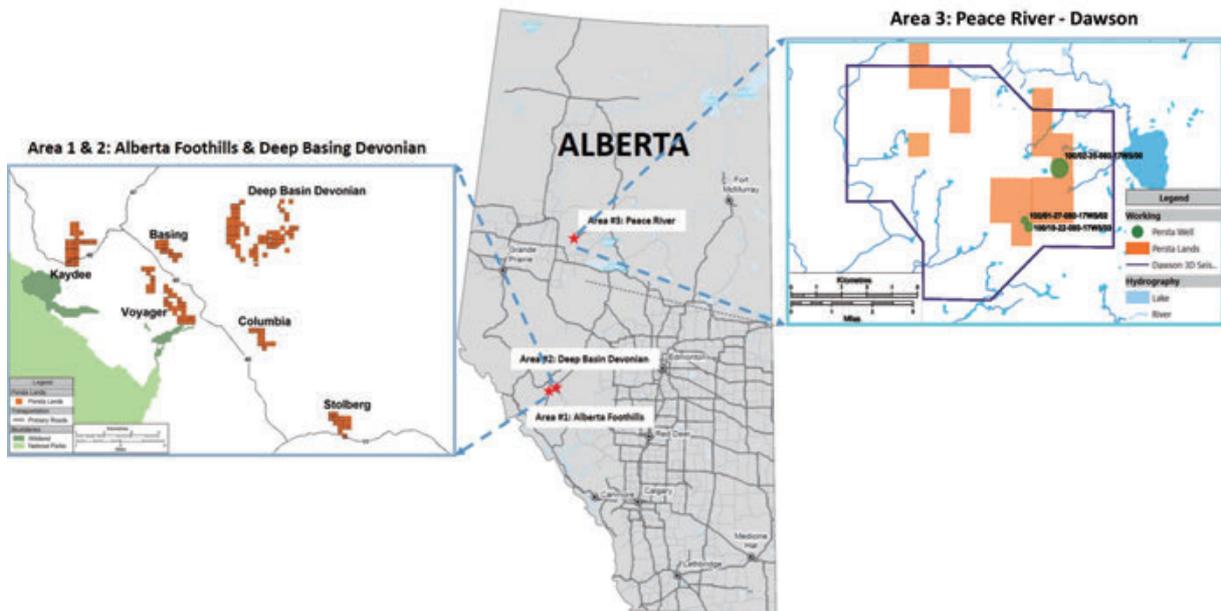


As we continue to operate in our three core areas, we will continue to expand our land position and update our multi-year drilling locations in our inventory to the extent we consider necessary.

### Location of Resources and Market Access

All lands controlled by us are subject to Crown Leases or PNG Licences, which has a well-established and competitive royalty framework and land tenure system. The diagrams below show the geographical locations of land controlled by us and subject to Crown Leases and PNG Licences.

#### Geographical Locations of Our PNG Licences and Crown Leases

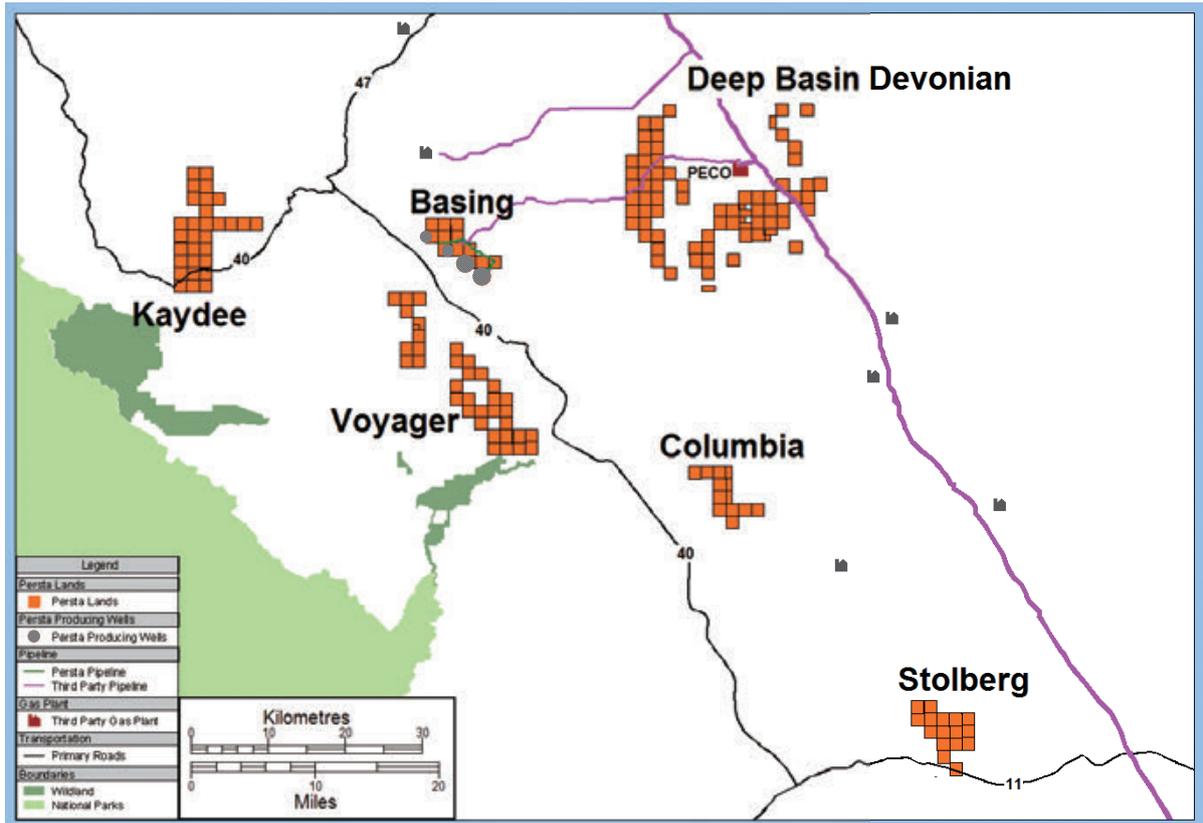


We have predominantly year-round access to our lands. Alberta Provincial Highway 40 provides year-round access to our Alberta Foothills core areas. We have also obtained leases or access rights in respect of some private access roads to drill, complete and produce from our wells, and maintain these roads for year-round use. The closest Canadian National Railway station is around 20km north of the Alberta Foothills, which we may use for transportation of our oil and NGLs, if required in the future.

Our lands are close to the third party processing facilities and regional gathering systems for sweet natural gas, oil and other NGLs. These facilities include the NGTL System that provides transportation capacity for our natural gas. Our gas gathering system has access to the ConocoPhillips Peco Plant. The NGTL System connects to major North America gas consumption markets including Eastern Canada, Northeast USA, Midwestern USA, Pacific Northwest and California, and has the ability to support potential NGL exports to the Asian market.

The map below shows the location of the NGTL System and nearby third party processing plants including the ConocoPhillips Peco Plant, as compared to our core areas of Alberta Foothills and Deep Basin Devonian.

**Our Alberta Foothills & Deep Basin Devonian Natural Gas Projects & Nearby Third Party Processing Facilities and the NGTL System**



**Holding Sole Operating Control and Land Ownership**

Other than the Stolberg JV and Viking JV, we own 100% working interests in our natural gas and oil assets. We have sole operating control over our assets, which enables us to independently implement strategies to optimize well performance and provides flexibility for us to directly adjust our operations when necessary, in order to take advantage of various market opportunities or to respond to changing market conditions.

We were in control of approximately 114,528 net acres of land as at the Latest Practicable Date. Please refer to the paragraph headed “Joint Ventures” of this section for more information about our joint ventures.

### **An Experienced Management and Technical Team with Strong Industry Track Record**

We have assembled an experienced management and technical team with specialized expertise in resource play identification, capture, development and production. The team has a track record of organically growing production, acquiring reserves and generating funds from our operations, in particular with respect to horizontal well drilling, completions and constructing gathering and processing facilities.

Our management team has extensive experience in the natural gas and oil industry generally and in Western Canada. Mr. Bo, our President and Chief Executive Officer, oversees our management and operations and has over 11 years of experience in the oil and gas industry in Alberta. Mr. Pingzai Wang, our Senior Vice President, Exploration, has over 28 years of experience in the natural gas and oil industry (with over 10 years of experience in Alberta), especially in exploration project management. Mr. Binyou Dai has over 24 years of experience in facilities development, production, operations and project management in the natural gas and oil industry (with over 11 years of experience in Alberta). Ms. Jun Xiang, our Interim Chief Financial Officer, has over 5 years of financial management experience in the natural gas and oil industry. Mr. Lei Song, our Production Engineer, has over 5 years of working experience in the natural gas and oil industry. For more information about our management team, please refer to the section headed “Directors and Senior Management” in this Prospectus.

### **OUR STRATEGIES**

We believe that we can maintain our competitiveness and growth and increase shareholder value by implementing the following strategies:

#### **Enhancing the Value of Our Natural Gas and Oil Assets through Increased Operational Efficiency, Effective Well Placement and Field Development**

We will seek to optimize the value of our existing natural gas and oil assets through efficient field development, drilling and completion by adopting the following measures:

- minimizing total drilling capital cost per meter by optimizing well placement locations and applying the most efficient well design to each drilling area, conducting G&G studies and leveraging on our past operational experience in our core areas;
- pursuing commercial arrangements with third parties to sell and deliver our natural gas and oil or in relation to infrastructure projects to enhance our operational efficiency; and
- applying our experience from our ten-year operations in WCSB and the completion of our six wells in Basing in the Alberta Foothills and three wells in Dawson in Peace River, to the development of our other projects.

We intend to evolve our multi-year drilling location inventory and well design to enhance the value of our natural gas and oil assets.

**Upgrading Our Reserves by Drilling and Developing Our Undeveloped Land Position**

We intend to explore our undeveloped land position of 111,168 net acres to upgrade our Resources to Reserves by drilling and developing our 77 drilling locations, as estimated by GLJ. We have developed a multi-year drilling location inventory and intend to continue to convert our Contingent and Prospective Resources in our undeveloped land into Reserves, and to migrate Possible Reserves into Proved plus Probable Reserves, by ongoing development of our assets, including additional development drilling and construction of surface facilities. As at September 30, 2016, we have accumulated net Proved Reserves of 10,294 Mboe and net Proved Plus Probable Reserves of 14,680 Mboe, and 18,430 Mboe of net Proved plus Probable plus Possible Reserves, as estimated by GLJ. We will primarily develop low-risk and high-potential locations as identified by 3D seismic data, especially in the Basing area in the Alberta Foothills, to provide a solid platform of predictable cash flow with a long reserve life and stable production rates. We also intend to carry out additional exploration drilling in our undeveloped land, including in the areas of Kaydee, Voyager, Stolberg and Columbia in the Alberta Foothills, Deep Basin Devonian and Peace River, to increase our resource base and maximize our Reserves.

**Improving Our Drilling and Completion Techniques**

We intend to adopt and employ improved drilling and well completion techniques in our natural gas and oil assets. These techniques are based on our experience in WCSB in which we have identified and developed drilling and completion technologies suitable for the areas where we drill. We also intend to continue improving our drilling and well completion techniques through our operations and observing and monitoring other operators in the regions which we operate. We intend to continue improving our drilling and well completion techniques to increase production rates and EUR per well through the implementation of techniques such as horizontal drilling and multi-stage completion as well as lowering our drilling and production costs.

**Pursuing Potential Acquisition Opportunities with Significant Value Appreciation**

We intend to evaluate and selectively pursue value-adding land and other asset acquisition opportunities that meet our strategic and financial objectives. Our potential acquisition targets include:

- land surrounding our existing lands which exhibit similar geological and geophysical characteristics which could lead to a significant expansion in recoverable resources to provide additional drilling locations and resources value; and
- highly prospective assets which may be profitable and commercially developable with relatively low threshold costs of acquisition and development. This would take into account potential efficiencies by using our existing marketing and transportation arrangements or infrastructure.

As at the Latest Practicable Date, we had not identified any potential acquisition target.

### **Exploration Drilling for New Pool Discoveries**

We intend to look for potential opportunities to maximize long-term growth through exploration drilling for new pool discoveries, including in the Mississippian and Devonian formations. We believe exploration drilling opportunities exist in the Alberta Foothills, Deep Basin Devonian and Peace River core areas based on the fundamental G&G study results and, if such opportunities are ultimately successful, they could extend our resource base for future development and production growth.

### **OUR PRODUCTS**

Our main products sold during the Track Record Period and as at the Latest Practicable Date were: (i) natural gas; (ii) crude oil; (iii) NGLs; and (iv) condensate. Our products do not have a product life cycle nor are they subject to seasonality. There was no significant change in our product mix during the Track Record Period.

Our products during the Track Record Period comprised:

#### **1. Natural gas**



Our sweet natural gas contains no hydrogen sulfide and approximately 90% methane.

#### **2. Crude oil**



Our sweet crude oil is light sweet crude oil with API gravity  $\geq 37$  and sulfur  $\leq 0.42\%$  by weight.

#### **3. NGLs**



Our NGLs are a by-product of natural gas from the gas plant and contain elements including ethane, propane, butane and natural gasoline.

#### **4. Condensate**



Our condensate comprises light liquid hydrocarbons recovered from natural gas at the well site and gas plant. Our condensate contains 0% hydrogen sulfide.

## BUSINESS

The following table shows information regarding our revenue, sales volume, average selling price and price range of natural gas, crude oil, NGLs and condensate for the periods indicated.

	For the year ended December 31			For the nine months ended September 30
	2013	2014	2015	2016
<b>Natural gas</b>				
Revenue (C\$)	15,211,467	26,795,211	13,683,194	12,711,794
Sales volume (Mcf)	4,202,855	5,697,904	3,788,831	5,183,384
Average selling price (C\$/Mcf)	3.62	4.70	3.61	2.45
Price range (C\$/Mcf)	1.90–4.56	2.97–28.59 <sup>Note 1</sup>	2.63–3.95	0.44–3.51 <sup>Note 2</sup>
<b>Crude oil</b>				
Revenue (C\$)	4,637,508	3,496,316	958,940	758,908
Sales volume (Bbl)	50,453	37,395	19,536	16,098
Average selling price (C\$/Bbl)	91.92	93.50	49.09	47.14
Price range (C\$/Bbl)	72.1–104.2	53.8–106.1	45.2–69.9	32.74–56.59
<b>NGLs</b>				
Revenue (C\$)	705,368	683,336	195,697	207,508
Sales volume (Bbl)	14,646	13,386	10,885	11,752
Average selling price (C\$/Bbl)	48.16	51.05	17.98	17.66
Price range (C\$/Bbl)	37.5–55.3	39.1–66.7	7.8–20.6	13.73–18.74
<b>Condensate</b>				
Revenue (C\$)	2,942,706	1,449,004	1,241,767	1,473,045
Sales volume (Bbl)	30,534	16,296	20,090	29,736
Average selling price (C\$/Bbl)	96.37	88.92	61.81	49.54
Price range (C\$/Bbl)	75.5–110.1	52.0–112.5	42.2–70.6	30.80–65.56

*Notes:*

1. This includes the exceptional price of C\$28.59/Mcf which only occurred once on February 6, 2014. If this price was to be excluded, the price range would be C\$2.97/Mcf–C\$9.07/Mcf.
2. This includes the exceptional price of C\$0.44/Mcf which only occurred once on May 9, 2016 due to the sudden drop in gas demand following the reduction in oil production from oil sands in connection with the massive wildfire in Alberta on that date. If this short term price drop (which has no material impact on the operations and the financial results of our Company for the nine months ended September 30, 2016) was to be excluded, the price range would be C\$0.93/Mcf – C\$3.51/Mcf.

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## BUSINESS

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The upper or lower price ranges reflect the highest and lowest price recorded on any one single trading day during the period indicated. The upper range of the price of natural gas has increased from C\$4.56/Mcf in 2013 to C\$28.59/Mcf in 2014. The material increase in the upper price range was due to the higher sales price recorded in February 2014 in light of the dramatic increase in natural gas demand under the extreme cold weather during the winter of 2013 to 2014 and the average selling price of natural gas for the year of 2014 was C\$4.7/Mcf. The price of crude oil had decreased from the range of C\$53.8/Bbl–C\$106.1/Bbl in 2014 to the range of C\$45.2/Bbl–C\$69.9/Bbl in 2015 and further to the range of C\$32.74/Bbl–C\$56.59/Bbl for the nine months ended September 30, 2016. The price of NGLs had decreased from the range of C\$39.1/Bbl–C\$66.7/Bbl in 2014 to the range of C\$7.8/Bbl–C\$20.6/Bbl in 2015 and further to the range of C\$13.73/Bbl–C\$18.74/Bbl for the nine months ended September 30, 2016. The price of condensate had decreased from the range of C\$52.0/Bbl–C\$112.50/Bbl in 2014 to the range of C\$42.2/Bbl–C\$70.6/Bbl in 2015 and further to the range of C\$30.80/Bbl–C\$65.56/Bbl for the nine months ended September 30, 2016. The foregoing decreases in the price ranges of NGLs and condensate were due to the decrease in market prices, as we sold these products at prices benchmarked to monthly average of WTI commodity price.

According to GLJ's price forecast effective October 1, 2016, AECO/NIT Spot gas price may increase from approximately C\$2.95/MMBtu\* in the fourth quarter of 2016 to approximately C\$3.21/MMBtu\* in 2019, the price for crude oil (NYMEX WTI) may increase from approximately C\$64/Bbl in the fourth quarter of 2016 to approximately C\$76.36/Bbl in 2019, and the price for condensate may increase from approximately C\$63.0/Bbl in the fourth quarter of 2016 to approximately C\$75.5/Bbl in 2019. Please refer to page IV-49 of the Competent Person's Report in Appendix IV to this Prospectus for GLJ's price forecast as at October 1, 2016.

Please refer to the section headed "Financial Information" in this Prospectus for more information about the trends in our revenue and sales volume. Please also refer to the section headed "Risk Factors — Risks Relating to the Alberta Natural Gas and Oil Industry — Revenue and results of operations are sensitive to changes in natural gas and oil prices and general economic conditions" in this Prospectus.

### OUR KEY ASSETS

Our major assets and operations are concentrated in Western Canada with three core areas:

- Alberta Foothills liquids-rich natural gas properties;
- Deep Basin Devonian natural gas properties; and
- Peace River light oil properties.

\* 1 Mcf = 1.08 MMBtu according to GLJ's forecast in Appendix IV to this Prospectus

### **The Alberta Foothills**

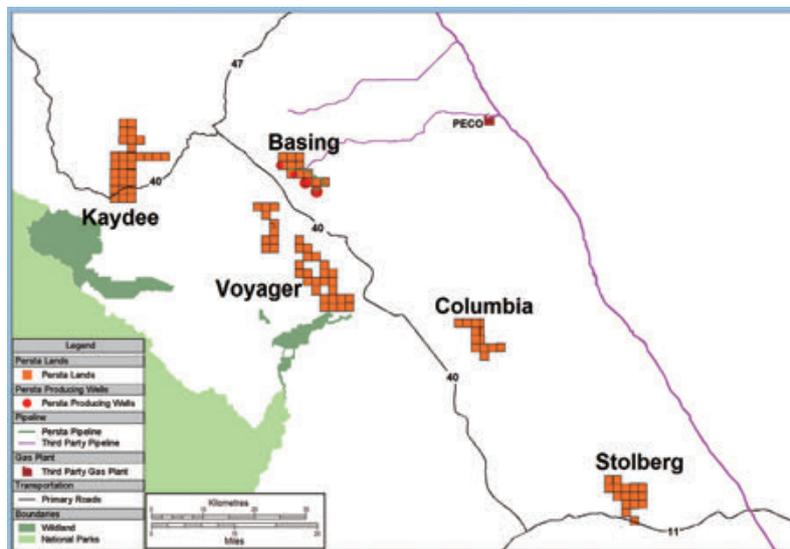
The Alberta Foothills is located approximately 230 km south west of Edmonton, Alberta. Our primarily targeted reservoirs in the Alberta Foothills area are within the lower Cretaceous, Wilrich and Mountain-park formations of Spirit River Group.

The Alberta Foothills asset consists of lands with PNG rights covering 67,008 net acres as at the Latest Practicable Date, with five areas namely: Basing, Voyager, Kaydee, Columbia and Stolberg. Basing is partially developed, whilst Voyager, Kaydee, Columbia and Stolberg are undeveloped. There are five liquids-rich natural gas wells in production in Basing with an average production rate of approximately 20.0 MMcf/d and approximately 184 Bbls/d of condensate and NGLs in the first nine months of 2016, and there is one other producing well that was voluntarily and temporarily shut-in due to economic limit considerations in order to maintain our operating cash flow and to preserve our ability to realize the full economic potential of the wells in light of the changes in gas prices. As at September 30, 2016, the gross Proved Reserves, Proved plus Probable Reserves and Proved plus Probable plus Possible Reserves had been estimated to be 12,030 Mboe, 17,567 Mboe and 22,427 Mboe, respectively. There are 71 potential drilling locations targeting a multi-zone stacked sandstone reservoir in the Wilrich and Mountain Park formations of Spirit River Group as estimated by GLJ. Other than the Stolberg JV and Viking JV, we own a 100% working interest in the PNG Licences and Crown Leases covering the Alberta Foothills area.

The map below shows our land position and wells, major pipeline and road locations within the Alberta Foothills, one of our core areas.

### **Our Primary Liquids-rich Natural Gas Areas for Growth — Basing, Voyager, Kaydee, Columbia and Stolberg in the Alberta Foothills**

#### **Our Alberta Foothills Project Map**



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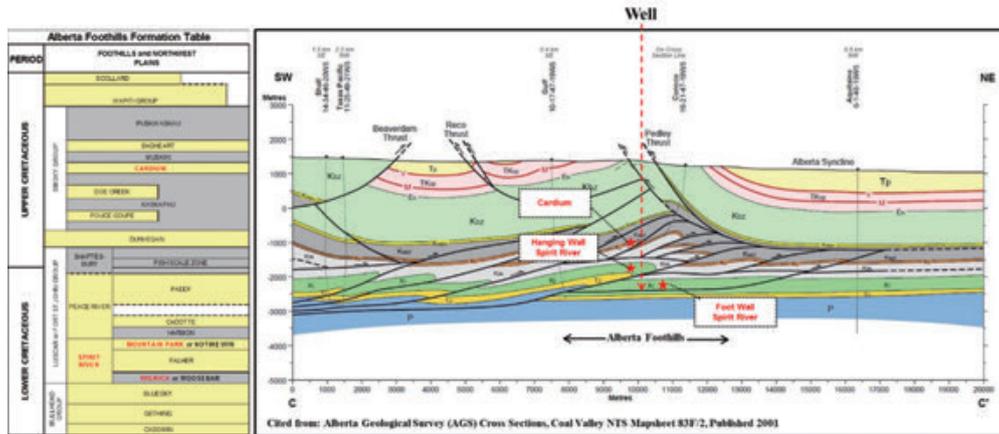
## BUSINESS

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*Note:* The shaded small squares in the map depict the land controlled by our Company, in the five areas of Basing, Voyager, Kaydee, Columbia and Stolberg, within the Alberta Foothills. PECO refers to a nearby third party processing plant.

The map below shows a typical cross section of a multi-zone stacked sandstone reservoir in the Alberta Foothills showing multiple layers of formation. Our primarily targeted reservoirs are within the lower Cretaceous, Wilrich and Mountain Park formations of Spirit River Group.

### Alberta Foothills Formation Table and Cross Section Map



We commenced productions from our first well in the Wilrich formation of Basing in Alberta in December 2008. Since then, we have drilled and added another five deep gas wells in Basing and acquired more lands. Observations and findings from seismic data show that the quality and characteristics of assets in those areas are potentially similar to those in Basing. Furthermore, those areas have been estimated to contain a natural gas accumulation presence by offsetting wells. According to GLJ, as at September 30, 2016, a total of 71 drilling locations have been assigned Reserves or Resources, with five drilling locations assigned to gross Proved Reserves of 38,617 MMcf natural gas and 329 Mbbbl NGLs, gross Proved plus Probable Reserves of 58,344 MMcf natural gas and 497 Mbbbl NGLs, and gross Proved plus Probable plus Possible Reserves of 74,094 MMcf natural gas and 633 Mbbbl NGLs in Basing, eight drilling locations assigned to gross Best Estimate Unrisked Contingent Resources of 59,342 MMcf natural gas and 506 Mbbbl NGLs in Basing, and 58 drilling locations which have been assigned to gross Best Estimate Unrisked Prospective Resources of 380 Bcf natural gas and 3,243 Mbbbl NGLs in the areas of Voyager and Kaydee.

We acquired a total of 8,448 net acres of land in Stolberg from April 2014 to February 2015. Four sections of such land are owned as to 30% by our Company and 70% by our joint venture partner pursuant to the Stolberg JV. Please refer to the paragraph headed "Joint Ventures" of this section for more information about our joint ventures.

As at the Latest Practicable Date, our Company was in control of approximately 68,800 gross acres (or 67,008 net acres) of land in the Alberta Foothills.

## BUSINESS

### *Production Facilities*

As at the Latest Practicable Date, we built five multi-well sites with full surface production facilities, including two compressors leased from an independent third party supplier, two dehydration units with a total design capacity of 40–50 MMcf/d and approximately 15 km gas gathering pipeline.

The table below shows the well number, production date, initial flow rate, flow rate and accumulated production as at September 30, 2016, reserve life, well status and recovery method of our wells in Basing:

<u>UWID</u>	<u>Production date</u>	<u>Initial flow rate</u>	<u>Flow rate on September 30, 2016</u>	<u>Accumulated production as at September 30, 2016</u>	<u>Remaining 2P reserve life (Years) as at September 30, 2016</u> <i>(Note 1)</i>	<u>Well status as at September 30, 2016</u>	<u>Recovery method</u>
100/07-21-047-19W5/03	December 2008	3.5 MMcf/d	3.5 MMcf/d	12.5 Bcf of sweet natural gas and 106,625 Bbls of condensate and NGLs	24.4	Producing	Drilling
100/05-29-047-19W5/00	December 2009	5.2 MMcf/d	4.1 MMcf/d	10.7 Bcf of natural gas and 91,271 Bbls of condensate and NGLs	38.5	Producing	Drilling
100/10-36-047-20W5/04	December 2010	7.1 MMcf/d	0.9 MMcf/d	3.3 Bcf of natural gas and 28,149 Bbls of condensate and NGLs	20.2	Producing	Drilling
100/16-29-047-19W5/00 <i>(Note 2)</i>	January 2012	0.6 MMcf/d	0	0.02 Bcf of natural gas	N/A	Shut-in	Drilling
102/08-36-047-20W5/02	November 2013	6.0 MMcf/d	8.8 MMcf/d	4.6 Bcf of natural gas and 39,238 Bbls of condensate and NGLs	16.2	Producing	Drilling
103/05-02-048-20W5/02	September 2014	8.1 MMcf/d	7.4 MMcf/d	3.3 Bcf of natural gas and 28,149 Bbls of condensate and NGLs	25.5	Producing	Drilling

*Note 1:* Reserve life is based on GLJ's current economic forecast utilizing Proved plus Probable Reserves. Please refer to page IV-133 – IV-134 of the Competent Person's Report in Appendix IV to this Prospectus for more information.

*Note 2:* GLJ has not assigned any Reserves to this well due to economic limit considerations.

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We have entered into tie-in agreements and a gas handling agreement with ConocoPhillips, an Independent Third Party, to tie-in our natural gas from Basing into its pipeline and to use its gas plant to process the natural gas. We have also entered into road usage agreements with third party private road owners for our Company to access well sites in this area.

Other than third party gas plants, rented pipeline and rented compressors and private access roads, all facilities used by our Company in Basing are owned by us.

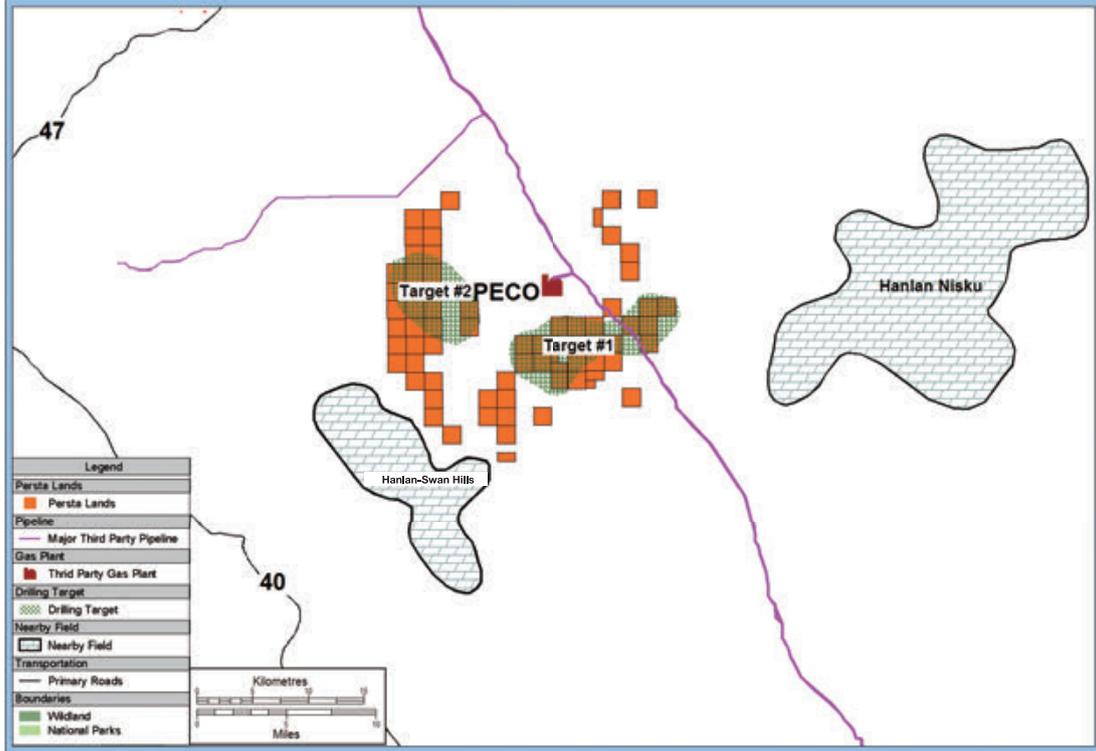
### **Major terms of the gas compressor equipment rental agreement**

As at the Latest Practicable Date, we entered into two gas compressor equipment rental agreements (“**Compressor Rental Agreements**”) with a third party lessor (“**Lessor**”) in 2012 and 2013 respectively for the lease of the two gas compressors to our Company. Rental fees are charged at C\$12,650 per month for a minimum term of 60 months for one compressor, and C\$22,000 per month for a minimum term of 36 months for the other compressor and are payable monthly upon receipt of invoice. The Compressor Rental Agreements will be continuing on a month-to-month basis upon expiration of the minimum term, and a party may terminate the Compressor Rental Agreement by giving to the other party a thirty (30) days’ prior written notice.

### **Deep Basin Devonian**

Deep Basin Devonian is located approximately 200 km west of Edmonton, Alberta. The Deep Basin Devonian natural gas assets consist of approximately 44,320 net acres of land with PNG rights in an area known as Hanlan-Peco. Although GLJ has not assigned any Reserves or Resources to Hanlan-Peco and the area is undeveloped, our management team identified two natural gas targets based on seismic interpretation and information gathered from nearby producing wells. We own a 100% working interest in our PNG Licences and Crown Leases in this area. The map below shows the locations of our two natural gas targets in Hanlan-Peco in Deep Basin Devonian.

**Our Natural Gas Targets in Hanlan-Peco in the Deep Basin Devonian Area**



We believe that the Devonian target within Deep Basin has shown natural gas and oil reserve potential as demonstrated by nearby producing wells, with 240 Bcf of natural gas produced from one nearby single well in this area as at December 31, 2015. Regional Devonian potential has also been revealed by nearby developed fields owned by other operators such as Hanlan-Swan Hills which cumulatively produced a total of 1,260 Bcf of natural gas from 19 wells and Hanlan-Nisku which cumulatively produced a total of 1,410 Bcf of natural gas plus 157 MMbbl of oil from 46 wells as at December 31, 2015.

*Production Facilities*

As at the Latest Practicable Date, we did not have any surface facilities in Deep Basin Devonian, but we have access to the major pipelines in this area.

**Peace River**

As at the Latest Practicable Date, the Peace River light oil assets consist of approximately 3,200 net acres of land in Dawson with PNG rights, and is partially developed. There are two light oil wells in production in Dawson with a production rate of 126 Bbls/d as at September 30, 2016. There is one other producing well which was voluntarily and temporarily shut-in due to economic limit considerations in order to maintain our operating cash flow and to preserve our ability to realize the full economic potential of the wells in light of the changes in oil prices. As at September 30, 2016, the gross Proved Reserves, Proved plus Probable Reserves and Proved plus Probable plus

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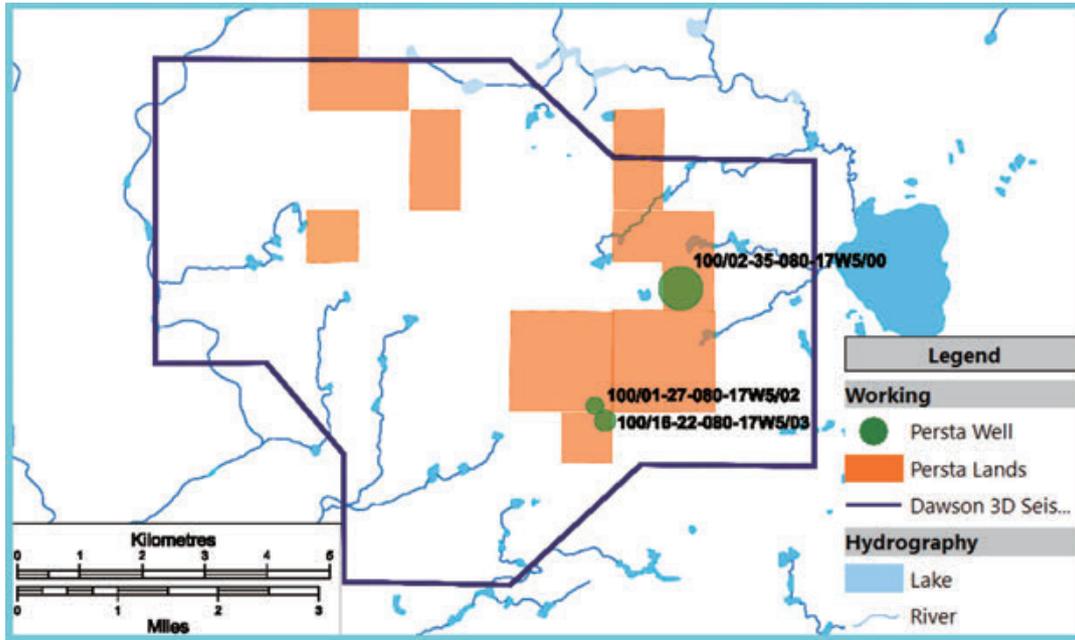
## BUSINESS

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Possible Reserves are estimated to be approximately 69,000 Bbl, 99,000 Bbl and 135,000 Bbl, respectively. As at the Latest Practicable Date, there are 6 drilling locations with an estimated 899 Mbbbls of gross Best Estimate Unrisked Prospective Resources identified by 3D seismic data as estimated by GLJ.

The map below shows the location of our PNG Licences and Crown Leases in Peace River.

### Our Light Oil Area for Growth in Dawson in the Peace River Area

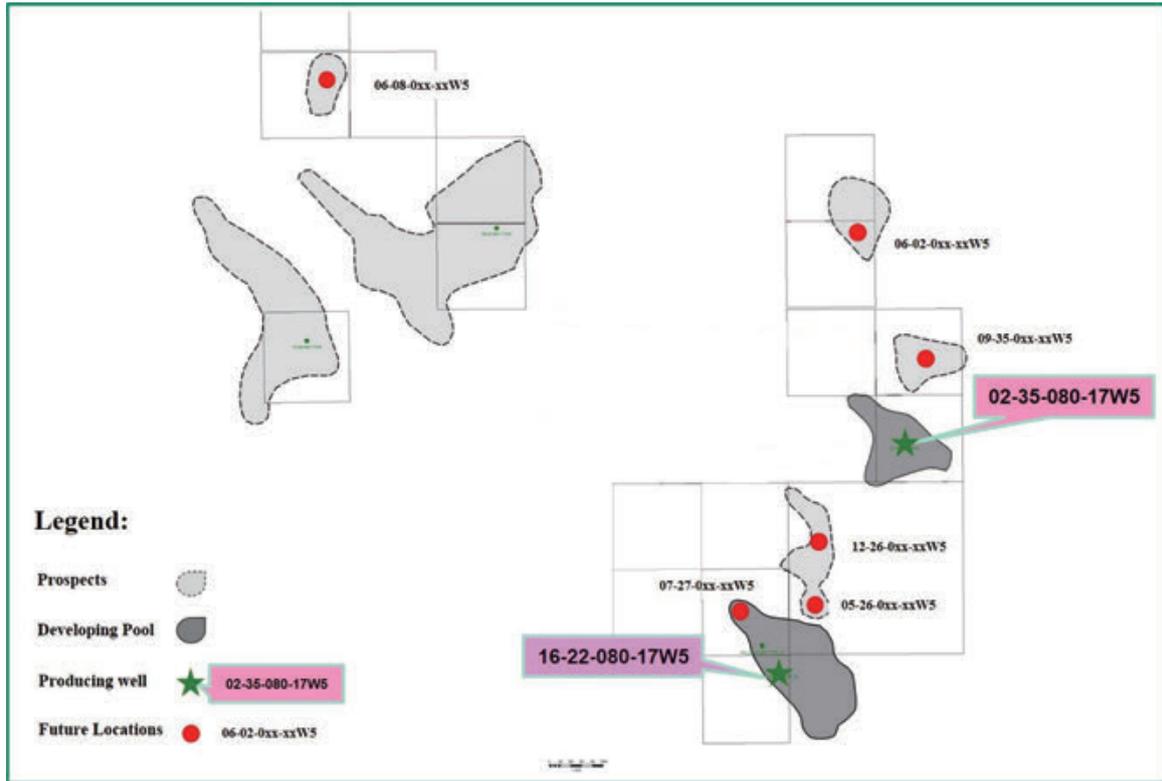


The Peace River light oil properties at Dawson are located approximately 50-60 km east of Peace River, Alberta. As at the Latest Practicable Date, we held 3,200 net acres of lands under Crown Leases or PNG Licences in this area and 6 drilling locations in Dawson as identified by GLJ.

As at September 30, 2016, there were two wells in production and one other producing well which was voluntarily and temporarily shut-in.

The map below shows the location of our two producing wells which have been assigned Reserves as well as 6 prospective drilling locations in Dawson as identified by GLJ. Please refer to the Competent Person's Report in Appendix IV to this Prospectus for more information.

Our Producing Wells and Drilling Locations in Dawson in Peace River



*Production Facilities*

As at the Latest Practicable Date, we installed three well sites including surface production facilities approximately 4 km of field roads and 0.5 km of pipeline. The designed capacities for each of our three wells in Peace River is approximately 250 Bbl/d. One of our wells had been subject to a Maximum Rate Limitation (“MRL”) of 8.5 m<sup>3</sup>/d immediately before the grant of the Good Production Practice (GPP) status by the AER in February 2013. Since February 2013 and up to the Latest Practicable Date, production from the aforesaid well is no longer subject to any maximum rate and accordingly we may produce without any permitted production volume. The other two wells are subject to a MRL of 8.5 m<sup>3</sup>/d as at April 2016. As advised by our Canadian Legal Advisers, we complied with all Canadian laws and regulations and local authority requirements in relation to the permitted production volume applicable to our oil wells. We entered into a master road usage agreement with a third party (the “**Road Usage Agreement**”) for our access to its private roads in this area.

The table below shows the well number, production date, initial flow rate, flow rate and accumulated production as at September 30, 2016, reserve life, well status and recovery method of our wells in Dawson.

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## BUSINESS

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UWID	Production Date	Initial flow rate	Flow rate on September 30, 2016	Accumulated production as at September 30, 2016	Remaining 2P reserve life (Years) as at September 30, 2016 <i>(Note 1)</i>	Well Status as at September 30, 2016	Recovery method
100/16-22-080-17W5/03 <i>(Note 2)</i>	April 2011	438 Bbl/d	49 Bbl/d	47,250 Bbl of light oil	11.7	Producing	Drilling
100/01-27-080-17W5/02 <i>(Note 3)</i>	October 2011	375 Bbl/d	0	34,425 Bbl of light oil	N/A	Shut-in	Drilling
100/02-35-080-17W5/00	September 2012	305 Bbl/d	77 Bbl/d	119,740 Bbl of light oil	16.5	Producing	Drilling

*Note 1:* Reserve life is based on GLJ's current economic forecast utilizing Proved plus Probable Reserves. Please refer to page IV-248 of the Competent Person's Report in Appendix IV to this Prospectus for more information.

*Note 2:* According to GLJ, this well resumed production in September 2016 at higher forecast future oil prices with a remaining 2P reserve life.

*Note 3:* According to GLJ, this well has not been assigned any Reserves as it is considered to be uneconomic to resume production due to economic limit considerations as resuming production will result in negative cumulative before tax cash flow.

### Junior Assets

As disclosed above, as at the Latest Practicable Date, a total of 77 drilling locations have been assigned to Reserves and Resources. These drilling locations together with certain undeveloped land of our Company (which has no Reserves or Resources assigned by GLJ yet) are considered by our Company as Junior Assets, being oil and gas assets yet to be developed.

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## BUSINESS

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Below is the table summarising the Junior Assets in each of the three core areas:

<u>Location</u>	<u>Junior Assets</u>		
	<u>Nature</u>	<u>Area</u>	<u>Details</u>
Alberta Foothills	Liquid rich natural gas assets	Basing	<ul style="list-style-type: none"> <li>● A total of 7,040 net acres of undeveloped land. Of this amount, 3,200 net acres of undeveloped land with drilling locations identified by GLJ.</li> <li>● 5 drilling locations assigned to gross Proved Reserves of 38,617 MMcf natural gas and 329 Mbbbl NGLs, gross Proved plus Probable Reserves of 58,344 MMcf natural gas and 497 Mbbbl NGLs, and gross Proved plus Probable plus Possible Reserves of 74,094 MMcf natural gas and 633 Mbbbl NGLs</li> <li>● 8 drilling locations assigned to gross Best Estimate Unrisked Contingent Resources of 59,342 MMcf natural gas and 506 Mbbbl NGLs</li> </ul>
		Voyager and Kaydee	<ul style="list-style-type: none"> <li>● A total of 41,600 net acres of undeveloped land. Of this amount, 17,920 net acres of undeveloped land with drilling locations identified by GLJ.</li> <li>● 58 drilling locations assigned to gross Best Estimate Unrisked Prospective Resources of 380 Bcf natural gas and 3,243 Mbbbl NGLs</li> </ul>
		Stolberg	<ul style="list-style-type: none"> <li>● A total of 8,448 net acres of undeveloped land</li> <li>● No Reserves or Resources were assigned by GLJ</li> </ul>

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**BUSINESS**

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<u>Location</u>	<u>Junior Assets</u>		
	<u>Nature</u>	<u>Area</u>	<u>Details</u>
		Columbia	<ul style="list-style-type: none"> <li>• A total of 7,360 net acres of undeveloped land</li> <li>• No Reserves or Resources were assigned by GLJ</li> </ul>
Peace River	Light oil assets	Dawson	<ul style="list-style-type: none"> <li>• A total of 2,400 net acres of undeveloped land. Of this amount, 1,920 net acres of undeveloped land with drilling locations identified by GLJ.</li> <li>• 6 drilling locations with an estimated 899 Mbbls of gross Best Estimate Unrisked Prospective Resources</li> </ul>
Deep Basin Devonian	Natural gas assets	Hanlan-Peco	<ul style="list-style-type: none"> <li>• A total of 44,320 net acres of undeveloped land</li> <li>• No Reserves or Resources were assigned by GLJ</li> <li>• Two natural gas targets were identified by our Company based on seismic interpretation and information gathered from nearby producing wells</li> </ul>

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## BUSINESS

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### OUR DEVELOPMENT

Our management team is focused on improving our drilling and completion techniques. We have assembled an experienced management and technical team with specialized expertise in resource play identification, capture, development and production. We continuously evaluate our drilling results and monitor the results of other operators to improve our operating practices and implement various drilling and completion techniques such as horizontal drilling and multi-stage completion. Our Company expects that our drilling and completion techniques will continue to evolve. We believe that this continued evolution has the potential to significantly enhance our Company's ultimate reserve recovery, deliverability, production and rate of return on invested capital.

In respect of the timeline of our operations by main stages, please refer to the section headed "Corporate Structure and History — Key Milestones" in this Prospectus for details.

#### Our Operational Activities:

	<u>For the year ended December 31,</u>			<u>For the nine months ended September 30,</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Number of wells drilled in aggregate:				
— Natural gas	1	1	0	0
— Crude oil	0	0	0	0
Number of producing wells in aggregate:				
— Natural gas	5	6	5	5
— Crude oil	4	3	1	2

During the Track Record Period, two new horizontal wells in Basing in the Alberta Foothills commenced production for natural gas in November 2013 and September 2014 respectively without fracture stimulation.

### THREE-YEAR DEVELOPMENT PLAN

Our Proved, Probable and Possible Reserves, Contingent Resources and Prospective Resources are located within Basing, Voyager and Kaydee in the Alberta Foothills and within Dawson in Peace River, encompassing approximately 54,400 net acres of land and estimated by GLJ to hold 77 drilling locations.

We acquired the PNG Licences and Crown Leases in Basing in the Alberta Foothills between 2006 and 2016. We plan to initially develop our natural gas assets in Basing as part of our three-year development plan in addition to constructing certain facilities to support future increases in production and to lower production cost in the long run.

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We also intend to explore and develop our Resources in Voyager and Kaydee in the Alberta Foothills and Dawson in Peace River into Reserves and also our undeveloped lands in Stolberg, Columbia and Deep Basin Devonian.

Our three-year development plan aims to increase our current production from an average production of approximately 3,363 Boe/d in the first nine months of 2016 to approximately 5,448 Boe/d based on Proved plus Probable Reserves and an additional 2,389 Boe/d based on Best Estimate Unrisked Contingent Resources in 2019.

According to our three-year development plan, we intend to focus on drilling a total of 13 drilling locations in Basing in the Alberta Foothills area. These 13 drilling locations represent 100% of Proved plus Probable Reserves and Best Estimate Contingent Resources by GLJ.

The table below shows our three-year development plan by number of drilling locations in Basing in the Alberta Foothills.

### **Our Company's Three Year Development Plan by Number\***

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Total</u>
Alberta Foothills — Basing	<u>3</u>	<u>2</u>	<u>8</u>	<u>13</u>
Total number of wells to be drilled	<u><u>3</u></u>	<u><u>2</u></u>	<u><u>8</u></u>	<u><u>13</u></u>

\* Key assumptions in determining the drilling location and number in the above are based on those adopted by GLJ. Please refer to the Competent Person's Report in Appendix IV to this Prospectus for more information.

Details of the timeline for drilling, completion and tie-in for commercial production for each drilling location are set out below:

Year	No.	Drilling Location	Area	Well Type	Activity	Start	Complete	2017			2018			2019			
								Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
2017	1	XX008-21-047-19W5W1R	Alberta Foothills (Basin)	Gas	Drilling Completion Tie-in	2017-03-10 2017-04-05 2017-04-10	2017-04-03 2017-04-09 2017-04-21										
	2	XX114-29-047-19W5W1R	Alberta Foothills (Basin)	Gas	Drilling Completion Tie-in	2017-03-10 2017-04-05 2017-04-10	2017-04-03 2017-04-09 2017-04-21										
	3	XX002-36-047-20W5W1R	Alberta Foothills (Basin)	Gas	Drilling Completion Tie-in	2017-04-03 2017-04-27 2017-05-01	2017-04-26 2017-05-01 2017-05-14										
2018	1	XX114-02-048-20W5W1R	Alberta Foothills (Basin)	Gas	Drilling Completion Tie-in	2018-01-02 2018-01-27 2018-02-01	2018-01-26 2018-01-31 2018-02-11										
	2	XX002-36-047-20W5W1R	Alberta Foothills (Basin)	Gas	Drilling Completion Tie-in	2018-01-28 2018-02-22 2018-02-27	2018-02-21 2018-02-26 2018-03-10										
2019	1	XXXX-32-047-19W5W1R	Alberta Foothills (Basin)	Gas	Drilling Completion Tie-in	2019-06-17 2019-07-14 2019-07-20	2019-07-13 2019-07-18 2019-08-04										
	2	XXXX-06-048-19W5W1R	Alberta Foothills (Basin)	Gas	Drilling Completion Tie-in	2019-07-19 2019-08-17 2019-08-23	2019-08-15 2019-08-22 2019-09-06										
	3	XXXX-01-048-20W5W1R	Alberta Foothills (Basin)	Gas	Drilling Completion Tie-in	2019-06-25 2019-07-21 2019-07-26	2019-07-20 2019-07-25 2019-08-11										
	4	X1XX-11-048-20W5W1R	Alberta Foothills (Basin)	Gas	Drilling Completion Tie-in	2019-07-21 2019-08-17 2019-08-22	2019-08-16 2019-08-21 2019-09-08										
	5	X2XX-11-048-20W5W1R	Alberta Foothills (Basin)	Gas	Drilling Completion Tie-in	2019-06-17 2019-07-14 2019-07-20	2019-07-13 2019-07-18 2019-08-04										
	6	XXXX-12-048-20W5W1R	Alberta Foothills (Basin)	Gas	Drilling Completion Tie-in	2019-07-19 2019-08-17 2019-08-23	2019-08-15 2019-08-22 2019-09-06										
	7	XX002-02-048-20W5W1R	Alberta Foothills (Basin)	Gas	Drilling Completion Tie-in	2019-06-25 2019-07-21 2019-07-26	2019-07-20 2019-07-25 2019-08-11										
	8	XXXX-02-048-20W5W1R	Alberta Foothills (Basin)	Gas	Drilling Completion Tie-in	2019-07-21 2019-08-17 2019-08-22	2019-08-16 2019-08-21 2019-09-08										

Note 1: RIG-1, RIG-2, RIG-3 and RIG-4 stand for Rig No.1, Rig No.2, Rig No.3 and Rig No.4 respectively.

Note 2: Rig Numbers are shown in each year to show the demand of rigs and drilling crews, and the drilling workflow.

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Our development plan schedules, production ramp-ups and assumptions for the Alberta Foothills have been reviewed by GLJ, who has given its opinion as to the credibility and validity of the aforementioned aspects based on GLJ's industry experience.

### **Development Status of the 2017 Drilling Locations**

We intend to drill a total of three wells in the Alberta Foothills. As at the Latest Practicable Date, geological and geophysical studies combined with 3D seismic mapping, drilling location proposal, preparation of drilling programs for the three drilling locations for 2017 have already been completed.

The three gas wells in Basing are located at the two existing wellsites with producing well(s). One wellsite was built for the drilling of one new well, whilst the other wellsite needs to be extended for the drilling of the other two wells and currently the lease extension application is in process. There are also existing access roads for the three gas wells in Basing.

Well licences for the three wells to be drilled in 2017 have been received from AER.

Two rigs will be deployed for the drilling of the three wells, each operated by a separate drilling crew. We expect that the drilling for each well will take not more than 30 days, and thereafter, completion and tie-in activities will be performed to prepare the wells for commercial production.

### **Development Plan for the 2018 and 2019 Drilling Locations**

We intend to drill two and eight wells in the Alberta Foothills in 2018 and 2019 respectively. As at the Latest Practicable Date, geological and geophysical studies combined with 3D seismic mapping, drilling location proposal for the ten wells have already been completed.

The two wells to be drilled in 2018 are located at two existing wellsites with existing access roads. The eight wells to be drilled in 2019 will be located at new wellsites which have not been built yet.

As per AER's requirement, a well licence application must be submitted with a survey plan which should not be more than one year old from the date on which it is certified. Therefore, a well licence is generally applied for a drilling location planned to be drilled within one year from the date of the application. Given the well licence only has a one year valid period before expiry, meaning that once a well licence has been issued, the related well must be spudded within one year otherwise the well licence will expire and be cancelled. In this regard, well licence applications for the two wells in 2018 and the eight wells in 2019 will be submitted in late 2017 and late 2018 respectively. Based on our past experience that, as we had submitted the required documentation with the applications, we were always able to obtain the well licences in order to proceed with the drilling of our wells, we are of the view that we are able to obtain the well licences for these wells as we are holding the related PNG licences. Our Canadian Legal Advisers confirm that the well

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licence application is an administrative procedure, and there is no material legal impediment for our Company to obtain the well licences for the drilling locations under our three-year development plan<sup>(Note)</sup>. It normally takes one week for well licence renewal or new application.

One rig will be deployed for the drilling of the two wells in 2018. When the first one has been drilled, the rig and its crew will be relocated to drill the second well.

Four rigs will be used for the drilling of the eight wells in 2019, each operated by a separate drilling crew. We expect that the drilling for each well will take no more than 30 days, and thereafter, completion and tie-in activities will be performed to prepare the wells for commercial production.

A chart summarising the development status of the 2017–2019 drilling locations as at the Latest Practicable Date is set out below:

Year of Drilling	No.	Drilling Location	Well Type	Stages/Activities of Development										Expiry Date of PNG Licence/ Crown Lease
				3D Seismic	Location Proposed	Drilling Program	Access Road (Note 1)	Well Site	Well Licence (Note 2)	Drilling	Completion (Note 3)	Tie-in (Note 4)		
2017	1	XX/08-21-047-19W5/WILR	Gas	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Not Start	Not Start	Not Start	Indefinite <sup>(Note 5)</sup>
	2	XX/14-29-047-19W5/WILR	Gas	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Not Start	Not Start	Not Start	Indefinite <sup>(Note 5)</sup>
	3	XX/02-36-047-20W5/WILR	Gas	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Not Start	Not Start	Not Start	Indefinite <sup>(Note 5)</sup>
2018	1	XX/11-02-048-20W5/WILR	Gas	Completed	Completed	Completed	Completed	Not Start	Not Start	Not Start	Not Start	Not Start	Not Start	Indefinite <sup>(Note 5)</sup>
	2	XX/02-36-047-20W5/NOT	Gas	Completed	Completed	Completed	Completed	Not Start	Not Start	Not Start	Not Start	Not Start	Not Start	Indefinite <sup>(Note 5)</sup>
2019	1	XX/XX-32-047-19W5/WILR	Gas	Completed	Completed	Not Start	Not Start	Not Start	Not Start	Not Start	Not Start	Not Start	Not Start	March 20, 2018
	2	XX/XX-06-048-19W5/WILR	Gas	Completed	Completed	Not Start	Not Start	Not Start	Not Start	Not Start	Not Start	Not Start	Not Start	March 20, 2018
	3	XX/XX-01-048-20W5/WLR	Gas	Completed	Completed	Not Start	Not Start	Not Start	Not Start	Not Start	Not Start	Not Start	Not Start	Indefinite <sup>(Note 5)</sup>
	4	X1/XX-11-048-20W5/WLR	Gas	Completed	Completed	Not Start	Not Start	Not Start	Not Start	Not Start	Not Start	Not Start	Not Start	January 11, 2018
	5	X2/XX-11-048-20W5/WLR	Gas	Completed	Completed	Not Start	Not Start	Not Start	Not Start	Not Start	Not Start	Not Start	Not Start	January 11, 2018
	6	XX/XX-12-048-20W5/WILR	Gas	Completed	Completed	Not Start	Not Start	Not Start	Not Start	Not Start	Not Start	Not Start	Not Start	January 11, 2018
	7	XX/05-02-048-20W5/NOT	Gas	Completed	Completed	Not Start	Not Start	Not Start	Not Start	Not Start	Not Start	Not Start	Not Start	Indefinite <sup>(Note 5)</sup>
	8	XX/XX-02-048-20W5/NOT	Gas	Completed	Completed	Not Start	Not Start	Not Start	Not Start	Not Start	Not Start	Not Start	Not Start	Indefinite <sup>(Note 5)</sup>

*Note 1:* All year 2017 drilling locations are located at existing producing well sites and with existing access roads.

*Note 2:* It normally takes one week for a new well license application or a well licence renewal.

*Note 3:* Completion will be done after drilling.

*Note 4:* Tie-in will be done after completion and the well will then be ready for producing.

*Note 5:* “Indefinite” is a term adopted in Alberta land system pursuant to section 15 of the Petroleum and Natural Gas Tenure Regulation of the Mines and Minerals Act. An indefinite expiry date of a lease/licence means the lease/licence will have an indefinite term until the related well becomes non-productive. The indefinite term relates to 2 PNG Licences covering a total of 8 of our drilling locations in 2017, 2018 and 2019 which had initially expired on January 11, 2017 and were renewed with an indefinite expiry date.

*Note:* The Competent Person is unable to provide its view on whether (a) the well license application is an administrative procedure; and (b) there is any material legal impediment for our Company to obtain the well license for the wells under the three-year development plan as these matters are out of their scope. Though the well license application process is beyond the scope of its expertise of assessment and evaluation of natural gas and oil reserves and resources, based on its observation, the Competent Person believes the well licence application is an administrative procedure and foresees no material legal impediment for our Company to obtain the well licenses for the drilling locations under our three-year development plan.

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**Production Forecast**

**Our Company's 2017–2019 Year Production Forecast by Volume\***

		<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2019 (Best Estimated Unrisked Contingency)**</b>
		<b>(2P)</b>	<b>(2P)</b>	<b>(2P)</b>	
Alberta Foothills	Natural gas (Mcf/d)	35,276	37,464	30,884	13,635
	Liquid (NGLs/ Condensate) (Bbls/d)	301	319	263	116
Peace River	Light oil (Bbls/d)	65	49	37	
<b>Total Production (Boe/d)</b>		<b>6,245</b>	<b>6,612</b>	<b>5,448</b>	<b>2,389</b>

\* Key assumptions in determining the production forecasts by volume in the above are based on those adopted by GLJ. Please refer to page IV-127 – IV-129 and IV-246 of the Competent Person's Report in Appendix IV to this Prospectus for more information. The above production forecast includes the current producing wells.

\*\* Production forecast of all new drilling locations in 2019 is based on Best Estimate Unrisked Contingent Resources as stated at page IV-142 of the Competent Person's Report. If based on Best Estimate Risked Contingent Resources to reflect a chance of development, a factor of 80% shall be applied to the production forecast.

The annual production forecast of each drilling location is based on the average daily production rate of each drilling location provided by GLJ and the forecast production days of each drilling location. A breakdown of the annual production volume forecast of each existing well and new drilling locations for 2017 to 2019 are set out below:

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Year of Drilling	No.	Drilling Location	Area	Well Type	2017 Annual Production Forecast					2018 Annual Production Forecast					2019 Annual Production Forecast					Estimated		Risk of payback period and Reserves/Resources Life
					Producing Days	Annual Gas (MMcf)	Annual Liquids (Bbl)	Annual Total (BOE)	Producing Days	Annual Gas (MMcf)	Annual Liquids (Bbl)	Annual Total (BOE)	Producing Days	Annual Gas (MMcf)	Annual Liquids (Bbl)	Annual Total (BOE)	Annual Gas (MMcf)	Annual Liquids (Bbl)	Annual Total (BOE)	Payout Period (Year)	2P Reserves/Resources Life (Years)	
Existing Wells	1	00/07-21-047-19W5/3	Alberta Foothills-Basing	Gas	365	1,125	9,589	197,016,667	365	959	8,176	167,985	365	818	6,972	143,238	1.8	24.4	Low			
	2	00/05-29-047-19W5/0	Alberta Foothills-Basing	Gas	365	1,336	11,388	233,977,277	365	1,203	10,258	210,765	365	1,084	9,244	189,919	1.5	38.5	Low			
	3	02/08-36-047-20W5/2	Alberta Foothills-Basing	Gas	365	2,963	25,263	519,047,115	365	2,179	18,578	381,692	365	1,602	13,660	280,658	1.4	16.2	Low			
	4	00/10-36-047-20W5/4	Alberta Foothills-Basing	Gas	365	272	2,319	47,639,54	365	224	1,911	39,263	365	187	1,597	32,804	4.8	20.2	Low			
	5	03/05-02-048-20W5/2	Alberta Foothills-Basing	Gas	365	1,190	10,146	208,462,94	365	1,019	8,693	178,600	365	873	7,445	152,958	1.9	25.5	Low			
	6	00/16-22-080-17W5/3	Peace River-Dawson	Oil	365	3,650	3,650	3,650	365	3,285	3,285	3,285	365	2,555	2,555	2,555	0.8	11.7	Low			
	7	00/02-35-080-17W5/0	Peace River-Dawson	Oil	365	20,075	20,075	20,075	365	14,600	14,600	14,600	365	10,950	10,950	10,950	0.6	16.5	Low			
2017	1	XX08-21-047-19W5/WILR	Alberta Foothills-Basing	Gas	253	2,341	19,960	410,084	365	2,163	18,441	378,878	365	1,825	15,562	319,728	0.9	42.5	Low			
	2	XX14-29-047-19W5/WILR	Alberta Foothills-Basing	Gas	253	2,308	19,676	404,265	365	2,070	17,650	362,636	365	1,697	14,472	297,347	0.9	36.0	Low			
	3	XX02-36-047-20W5/WILR	Alberta Foothills-Basing	Gas	232	1,343	11,450	235,256	365	1,349	11,500	236,279	365	1,125	9,595	197,145	1.2	33.9	Low			
2018	1	XX11-02-048-20W5/WILR	Alberta Foothills-Basing	Gas					323	1,459	12,440	255,591	365	1,340	11,429	234,809	0.7	35.0	Low			
	2	XX02-36-047-20W5/NOT	Alberta Foothills-Basing	Gas					296	1,050	8,954	183,972	365	721	6,147	126,293	2	35.5	Low			
2019	1	XXXX-32-047-19W5/WILR	Alberta Foothills-Basing	Gas									149	691	5,895	121,113	1.9	27.1	Medium			
	2	XXXX-06-048-19W5/WILR	Alberta Foothills-Basing	Gas									116	557	4,753	97,645	1.9	28.0	Medium			
	3	XXXX-01-048-20W5/WILR	Alberta Foothills-Basing	Gas									142	694	5,917	121,561	1.9	29.3	Medium			
	4	X1XX-11-048-20W5/WILR	Alberta Foothills-Basing	Gas									114	557	4,753	97,645	1.9	27.9	Medium			
	5	X2XX-11-048-20W5/WILR	Alberta Foothills-Basing	Gas									149	692	5,901	121,241	1.9	27.9	Medium			
	6	XXXX-12-048-20W5/WILR	Alberta Foothills-Basing	Gas									116	556	4,743	97,453	1.9	26.5	Medium			
	7	XX05-02-048-20W5/NOT	Alberta Foothills-Basing	Gas									142	614	5,238	107,621	4.1	38.5	Medium			
	8	XXXX-02-048-20W5/NOT	Alberta Foothills-Basing	Gas									114	614	5,238	107,621	4.1	38.5	Medium			

Note 1: Annual Liquids means NGLs and Condensate for gas wells.

Note 2: Annual production is based on GLJ's Report effective on September 30, 2016.

Note 3: Production forecast of all new drilling locations in 2019 is based on Best Estimate Unrisked Contingent Resources in the Competent Person's Report. If based on Best Estimated Risked Contingent Resources to reflect a chance of development, a factor of 80% shall be applied to the production forecast.

Note 4: Estimated payout period and Reserves/Resources Life of each drilling location is provided by GLJ. GLJ utilized Proved plus Probable Reserves, product price and market forecasts, current royalty regime, and actual operating cost data in determining the payout period for all new drilling locations in 2017 and 2018, GLJ utilized Best Estimate Unrisked Contingent Resources, product price and market forecasts, current royalty regime and actual operating cost data in determining the payout period for all new drilling locations in 2019.

Note 5: The payout period of the existing wells (No. 1 to No. 7) are calculated based on our Company's unaudited management accounts.

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According to the Industry Consultant, demand for natural gas is likely to expand for new natural gas production in Alberta due to rising demand of electricity generation, and crude oil production from oil sands. Based on annual gas production estimates by our Company, our production is forecast to increase from 0.364 bcm (12,876 MMcf) in 2017 to 0.387 bcm (13,674 MMcf) in 2018 and 0.460 bcm (16,249 MMcf) in 2019. This translates to 0.34%, 0.37% and 0.45% in 2017, 2018 and 2019 respectively as a percentage to Alberta's marketable natural gas production estimates. Accordingly, our Company expects that there will be sufficient market demand for the increased production volume following the implementation of our three-year development plan.

### Capital Expenditure

Our expected capital expenditure budget for drilling, well completion and tie-in costs and for potential land acquisition in 2017, 2018 and 2019 in Basing in the Alberta Foothills is set out in the table below:

<u>Locations/Capital Expenditure</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Total</u>
Drilling, completion and tie-ins costs	C\$18.0 million	C\$12.0 million	C\$59.2 million	C\$89.2 million
Land acquisition and geology & geophysics evaluation	C\$1.5 million	—	C\$2.0 million	C\$3.5 million
<b>Total number of wells to be drilled</b>	<b><u>3</u></b>	<b><u>2</u></b>	<b><u>8</u></b>	<b><u>13</u></b>
<b>Total capital expenditure</b>	<b>C\$19.5 million</b>	<b>C\$12.0 million</b>	<b>C\$61.2 million</b>	<b>C\$92.7 million</b>

*Notes:*

- (1) The above costs for drilling completion and tie-ins are based on individual well costs adopted by GLJ. Please refer to page IV-145 of the Competent Person's Report in Appendix IV to this Prospectus for more information.
- (2) The total capital expenditure estimates of C\$92.7 million for future development were provided to GLJ by our Company. The key factors in the projection of the expected capital expenditure are based on third parties quotes including rig costs, directional drilling costs, mud costs, cementing costs and optional fracturing costs for which vendor quotes were not provided. GLJ has considered that these estimates are reasonable based on the supporting vendor's cost estimates and GLJ's non-confidential files, which include publicly available data from third party programs including Geo Scout, AccuMap and geoLogic. These programs provide information such as drilling times, sand tonnage, number of fracturing stages, and occasionally drilling and completion costs for wells.

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We intend to apply approximately 52.6% (which amounts to C\$18 million) of the net proceeds of the Global Offering (assuming an Offer Price of HK\$3.40 per Share, being the mid-point of the estimated Offer Price range) and our existing working capital to fund the expected capital expenditure of approximately C\$19.5 million for our development of 3 wells in 2017. We expect to finance the capital expenditure of approximately C\$73.2 million for our development of 2 wells in 2018 and 8 wells in 2019 with the following sources of funding:

- (i) approximately 38.4% of the net proceeds of the Global Offering of approximately C\$13.0 million (assuming an Offer Price of HK\$3.40 per Share, being the mid-point of the estimated Offer Price range).
- (ii) net cash inflow generated from our operating activities of approximately C\$56.3 million, which includes<sup>(Note 1)</sup>:
  - the cash inflow generated from our sales revenue for the years ending 31 December 2018 and 2019 of approximately C\$96.5 million;
  - the cash outflow from our royalty, operating cost for the years ending 31 December 2018 and 2019 of approximately C\$32.6 million;
  - the cash outflow from our Company's general and administrative cost of approximately C\$7.3 million; and
  - the cash outflow from our finance expenses of approximately C\$0.2 million.
- (iii) new bank borrowings which will be approximately C\$8.0 million.

Given that the new bank borrowings is of a limited scale as compared to the amount of operating cash inflow generated from our producing wells, we believe that our track record of fundraising on a standalone basis (as detailed in the section headed "Relationship with Controlling Shareholders — Financial Independence" in this Prospectus) has demonstrated our ability to obtain new financing from Independent Third Parties on a standalone basis. Based on the above, our Company considers that there will be sufficient funding to finance our development of the 10 wells and bring them to the stage of commercial production by the end of 2019, and no further fundraising exercise or bank borrowings of considerable scale will be required.

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*Note 1:* Our Company made estimates based on the Competent Person's Report prepared by GLJ, an independent reservoir firm based in Canada, for estimates of production volumes, prices, operational cost, royalty rates and capital expenditures. The estimates are not expected to be significantly different from actual results.

**Alberta Foothills*****Basing***

Our interests in the Basing area in the Alberta Foothills include PNG Licences covering 9,600 net acres and are located within WCSB, approximately 230 km southwest of Edmonton, Alberta. According to our three-year development plan, Basing is expected to be capable of producing up to approximately 6,180 Boe/d in year 2017, approximately 6,563 Boe/d in year 2018 of natural gas, NGLs and condensate based on Proved plus Probable Reserves production forecast, and approximately 5,411 Boe/d in year 2019 of natural gas, NGLs and condensate based on Proved plus Probable Reserves production forecast and an additional 2,389 Boe/d of natural gas, NGLs and condensate based on Best Estimate Unrisked Contingent Resources production forecast. The average 2P reserve life is approximately 30 years. Multiple well pairs will be drilled from individual well pads to reduce surface disturbance. In the Competent Person's Report, Basing has been assigned an estimated 17,567 Mboe of gross Proved plus Probable Reserves and 10,396 Mboe of gross Best Estimate Unrisked Contingent Resources. Please refer to the Competent Person's Report in Appendix IV to this Prospectus for more information.

In 2007, we drilled our first exploration well in Basing in order to assess the resource potential of the site. At the Latest Practicable Date, we have five wells in production, and the other one well had been voluntarily and temporarily shut-in due to economic limit considerations. We intend to further drill three wells in 2017, two wells in 2018 and eight wells in 2019. We intend to drill a total of 13 wells in the next three years with a focus on the Wilrich and Mountain-Park formations, in areas which have the same or similar geological characteristics as our current producing reservoir. After completion of these wells, they can be tied-in to our Company's existing gas gathering system to begin producing natural gas and liquids.

In the Basing area, approximately C\$18.0 million will be allocated to drilling, completion and tie-ins in 2017, and approximately C\$12.0 million and C\$59.2 million will be allocated to drilling, completion and tie-ins in 2018 and 2019, respectively.

**Voyager and Kaydee**

Our interests in the Voyager and Kaydee areas in the Alberta Foothills cover approximately 22,400 and approximately 19,200 net acres respectively as at the Latest Practicable Date and are located within the WCSB region, approximately 76 km southwest of Edson, Alberta. The Voyager and Kaydee areas benefit from some similar geological characteristics, and according to the Competent Person's Report, the Voyager and Kaydee areas have been assigned an estimated 69,571 Mboe of gross Best Estimate Unrisked Prospective Resources. Please refer to the Competent Person's Report set out in Appendix IV to this Prospectus for more information.

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The Spirit River Group which consists of the Wilrich and Mountain Park formations is the main producing target formation, similar to Basing. The geological characteristics including its formation thickness, naturally fractured reservoir and structure style as displayed by 3D seismic data and the nearby wells is very similar to the geological and geophysical characteristics in Basing.

We have no immediate plans to drill wells in Voyager and Kaydee areas in the next three years but will conduct further exploration activities with a view to upgrade the Resources into Reserves in the area.

### **Peace River**

#### *Dawson*

Our interests in Dawson cover 3,200 net acres at the Latest Practicable Date and is located within the WCSB region, approximately 45 km northwest of Peace River, Alberta. Dawson has been assigned an estimated 69 Mbbls of Proved Reserves, 99 Mbbls of Proved plus Probable Reserves, 135 Mbbls of Proved plus Probable plus Possible and 899 Mbbls of gross Best Estimate Unrisked Prospective Resources by the Competent Person. Please refer to the Competent Person's Report set out in Appendix IV to this Prospectus for more information.

As at the Latest Practicable Date, we had two wells in production and one well that had been voluntarily and temporarily shut-in due to economic limit considerations. A total of 6 locations have been assigned as prospective drilling locations by GLJ. We can resume production of the shut-in wells in Dawson at any time at no incremental cost, subject to the recovery of the market price for oil. We have no immediate plans to drill wells in the next three years but will conduct further exploration activities with a view to upgrade the Resources into Reserves in the area.

### **Production and Operating Costs**

As stated in the Competent Person's Report, the unit cash operating cost of our natural gas and oil operations is estimated at C\$4.75/Boe and C\$15.17/Boe between 2017 and 2019, respectively. For more information regarding our operating costs, please refer to the section headed "Financial Information — Statements of Profit or Loss and Other Comprehensive Income — Production Costs and Total Cash Operating Costs" in this Prospectus.

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The tables below show a summary and breakdown of our Company's actual operating costs between 2013 and 2016 and the forecast operating costs between 2017 and 2019 for our projects:

### Natural Gas, NGL and Condensate

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016<sup>1</sup></b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<i>C\$/Boe</i>	<i>C\$/Boe</i>	<i>C\$/Boe</i>	<i>C\$/Boe</i>	<i>C\$/Boe</i>	<i>C\$/Boe</i>	<i>C\$/Boe</i>
Fixed	0.51	0.85	0.92	0.54	0.72	0.72	0.72
Variable	0.47	0.58	0.38	0.34	0.45	0.45	0.45
Transportation	<u>3.86</u>	<u>3.59</u>	<u>3.75</u>	<u>3.81</u>	<u>3.57</u>	<u>3.57</u>	<u>3.57</u>
Total operating cost	<u><u>4.84</u></u>	<u><u>5.02</u></u>	<u><u>5.05</u></u>	<u><u>4.69</u></u>	<u><u>4.74</u></u>	<u><u>4.74</u></u>	<u><u>4.74</u></u>
	<b>Actual</b>				<b>Forecast</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016<sup>1</sup></b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>C\$/Boe</i>	<i>C\$/Boe</i>	<i>C\$/Boe</i>	<i>C\$/Boe</i>	<i>C\$/Boe</i>	<i>C\$/Boe</i>	<i>C\$/Boe</i>
Workforce employment	0.79	0.75	0.80	0.66	0.74	0.74	0.74
Consumables	0.57	0.50	0.48	0.49	0.49	0.49	0.49
Fuel, electricity, water and other services	2.16	2.51	2.44	2.02	2.28	2.28	2.28
Environmental protection and monitoring	0.09	0.08	0.13	0.10	0.09	0.09	0.09
Product marketing and transport	1.22	1.15	1.05	1.25	1.09	1.09	1.09
Non-income taxes, royalties and other governmental charges	<u>0.01</u>	<u>0.03</u>	<u>0.15</u>	<u>0.17</u>	<u>0.05</u>	<u>0.05</u>	<u>0.05</u>
Total operating cost <sup>(Note)</sup>	<u><u>4.84</u></u>	<u><u>5.02</u></u>	<u><u>5.05</u></u>	<u><u>4.69</u></u>	<u><u>4.74</u></u>	<u><u>4.74</u></u>	<u><u>4.74</u></u>

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### Crude Oil

	2013	2014	2015	2016 <sup>1</sup>	2017	2018	2019
	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast
	C\$/Bbl	C\$/Bbl	C\$/Bbl	C\$/Bbl	C\$/Bbl	C\$/Bbl	C\$/Bbl
Fixed	3.16	2.90	3.51	4.01	2.59	2.59	2.59
Variable	12.98	4.79	3.47	3.54	4.87	4.87	4.87
Transportation	12.60	9.51	7.96	4.63	7.71	7.71	7.71
Total operating cost	<u>28.74</u>	<u>17.20</u>	<u>14.94</u>	<u>12.18</u>	<u>15.17</u>	<u>15.17</u>	<u>15.17</u>
	Actual				Forecast		
	2013	2014	2015	2016 <sup>1</sup>	2017	2018	2019
	C\$/Bbl	C\$/Bbl	C\$/Bbl	C\$/Bbl	C\$/Bbl	C\$/Bbl	C\$/Bbl
Workforce employment	2.59	2.37	2.34	2.16	1.69	1.69	1.69
Consumables	5.57	4.69	1.07	0.70	3.04	3.04	3.04
Fuel, electricity, water and other services	7.81	0.63	2.64	2.11	2.98	2.98	2.98
Environmental protection and monitoring	0.15	—	—	—	0.05	0.05	0.05
Product marketing and transport	12.60	9.51	7.96	4.63	7.29	7.29	7.29
Non-income taxes, royalties and other governmental charges	0.02	—	0.93	2.58	0.12	0.12	0.12
Total operating cost <sup>2</sup>	<u>28.74</u>	<u>17.20</u>	<u>14.94</u>	<u>12.18</u>	<u>15.17</u>	<u>15.17</u>	<u>15.17</u>

*Notes:*

1. Based on audited figures from January to September 2016 and unaudited figures from October to December 2016.
2. The following items which are required under Rule 18.03(3) of the Listing Rules are not applicable to our operating costs for the following reasons:
  - (1) on and off-site administration: we engage Independent Third Party contractors and consultants to supply services for a majority of our operations, including inspection and maintenance, pressure vessel integrity management, supplies of packaged equipment and facilities operation. Costs associated with the engagement of contractors and consultants are included in the costs associated with workforce employment.
  - (2) transportation of workforce: we engage Independent Third Party contractors and consultants to supply services for a majority of our operations, including drilling and well completion consulting, seismic data, geological and geophysics consulting, engineering and design, regulation and environmental consulting, inspection and maintenance, pressure vessel integrity management, supplies of packaged equipment and facilities operation. These contractors and consultants are responsible for their own transportation costs and, accordingly, estimate of cash operating cost associated with transportation of workforce is not applicable.
  - (3) contingency allowances: we maintain various insurance policies for our operations. They include (i) insurance on our properties and equipment, including wells, gas gathering stations, pipelines, well site and wellhead equipment, and other machinery and supplies; (ii) workers compensation board insurance for our on-site workers; (iii) insurance for drilling and completion operation, including re-drilling, seepage and pollution; (iv) general workplace injury insurance; and (v) excess liability insurance. In

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this regard, we believe that our level of insurance is sufficient to cover additional costs in the event of unforeseen circumstances which may occur in our operations and therefore no contingency allowance is required to be made.

Our forecast operating costs may differ from the actual future operating costs due to numerous factors, including the factors described in the section headed “Risk Factors” in this Prospectus. In addition, you should also refer to the section headed “Forward-looking Statements” in this Prospectus for the risks of placing undue reliance on any forward-looking information.

The actual operating costs between 2013 and 2016 and the forecast operating costs between 2017 and 2019 with details on their breakdown are shown on a per Boe/Bbl basis in the tables above and are based on the following:

- (i) costs estimates in the Competent Person’s Report which is based on the number of producing wells and the production forecast of our three-year development plan; and
- (ii) an analysis of our actual operating costs between 2013 and 2016.

Based on GLJ’s forecast selling prices and operating costs, we expect that our producing assets will be self-sufficient in working capital and funding for our cash flow once production has commenced.

During the Track Record Period, operating costs mainly consisted of: (i) fuel, electricity, water and other services; (ii) product marketing and transport; (iii) consumables; (iv) workforce employment; (v) environmental protection and monitoring; and (vi) non-income taxes and other governmental charges. For more information regarding our operating costs, please refer to the section headed “Financial Information — Operating Costs” in this Prospectus.

During the Track Record Period, the amount of expenditure on exploration and evaluation assets for the years ended December 31, 2013, 2014, and 2015 and for the nine months ended September 30, 2016 were approximately C\$0.6 million, C\$6.0 million, C\$3.9 million and C\$0.8 million, respectively. For more information regarding our exploration expenses and how they were accounted for in our financial statements, please refer to the section headed “Financial Information — Exploration and Evaluation Assets” in this Prospectus.

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The following sensitivity analysis shows the impact of hypothetical fluctuations in the actual average selling price and the forecast average selling price (including market sales and contract sales) of our natural gas on our revenue for illustration purpose only. Fluctuations are assumed to be C\$2/Mcf, C\$3/Mcf, C\$4/Mcf, C\$5/Mcf and C\$6/Mcf, which correspond to the historical natural gas price of Canadian Gas Price Reporter during the Track Record Period and the forecast natural gas price during the forecast period.

	Year ended December 31,				Year ending December 31,		
	2013	2014	2015	2016	2017	2018	2019
	Actual				Forecast		
					2P	2P	2P plus Best Estimate Unrisked Contingency*
Volume (Mcf)	4,202,855	5,697,904	3,788,831	7,388,370	12,875,375	13,674,360	16,249,800
Actual Average Selling price/ Forecast Average Selling price (C\$/Mcf)	3.62	4.70	3.61	2.70 <sup>***</sup>	3.17 <sup>**</sup>	3.19 <sup>**</sup>	3.46 <sup>**</sup>
Revenue (C\$'000)	15,211	26,795	13,683	19,982 <sup>***</sup>	40,815	43,621	56,224
	Increase/ (decrease) in revenue						
C\$/Mcf	C\$'000						
2.0	(6,809)	(15,384)	(6,100)	(5,205)	(15,064)	(16,272)	(23,725)
3.0	(2,606)	(9,686)	(2,311)	2,183	(2,189)	(2,598)	(7,475)
4.0	1,597	(3,989)	1,478	9,571	10,687	11,076	8,775
5.0	5,800	1,709	5,266	16,960	23,562	24,751	25,025
6.0	10,003	7,407	9,055	24,348	36,437	38,425	41,274

\* For illustration only

\*\* Based on GLJ report. For details, please refer to page IV-79 of Appendix IV to this Prospectus.

\*\*\* Based on audited figures from January to September 2016 and unaudited figures from October to December 2016.

Sales of natural gas was the major business segment and accounted for the majority of our revenue, royalties and operating costs. In the below analysis, our Company illustrates the breakeven analysis with respect to selling price and sales volume of natural gas with respect to our Company's net profit during the Track Record Period as well as the forecast period of 2017 to 2019 based on the Development Plan.

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### Breakeven analysis with respect to net profit

	Year ended December 31,				Year ending December 31,		
	2013	2014	2015	2016***	2017	2018	2019
	Actual				Forecast		
					2P	2P	2P plus Best Estimate Unrisked Contingency*
Volume (Mcf)	4,202,855	5,697,904	3,788,831	7,388,374	12,875,375	13,674,360	16,249,800
Actual Average Selling price/ Forecast Average Selling price (C\$/Mcf)	3.62	4.7	3.61	2.70	3.17**	3.19**	3.46**
	C\$/Mcf	C\$/Mcf	C\$/Mcf	C\$/Mcf	C\$/Mcf	C\$/Mcf	C\$/Mcf
Breakeven selling price	3.77	4.18	4.27	3.03	2.10	2.01	2.01 <sup>(1)</sup>
	Mcf	Mcf	Mcf	Mcf	Mcf	Mcf	Mcf
Breakeven sales volume	4,383,411	5,059,633	4,476,859	8,284,372	8,538,264	8,628,254	9,454,266 <sup>(2)</sup>
	%	%	%	%	%	%	%
Breakeven sales volume as a % of the total natural gas production volume	104.3	88.8	118.2	112.1	66.3	63.1	58.2 <sup>(3)</sup>

\* For illustration only

\*\* Based on GLJ report. For details, please refer to page IV-79 of Appendix IV to this Prospectus.

\*\*\* Based on audited figures from January to September 2016 and unaudited figures from October to December 2016.

*Notes:*

- (1) For 2019, if the Best Estimate Unrisked Contingency production volume is not included, the breakeven selling price is C\$2.24/Mcf.
- (2) For 2019, if the Best Estimate Unrisked Contingency production volume is not included, the breakeven sales volume is 7,302,099 Mcf.
- (3) For 2019, if the Best Estimate Unrisked Contingency production volume is not included, the breakeven sales volume as a % of the total natural gas production volume is 64.8%.

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The following table sets forth the actual/forecast selling price and market price for illustration:

	Year ended December 31,			2016	Year ending December 31,			
	2013	2014	2015	Q1-Q3	2016 Q4	2017	2018	2019
Actual/forecast average selling price (C\$/Mcf)	3.62	4.70	3.61	2.45	3.30	3.17	3.19	3.46
— Forward sales price (C\$/Mcf)	3.73	4.07	3.95	3.10	3.24	—	—	—
— Realized price (C\$/Mcf)**	3.53	5.02	2.43	1.70	3.35	—	—	—
Actual/forecast market price* (C\$/Mcf)	3.23	4.57	2.74	2.01	3.34	3.24	3.24	3.46

\* Actual average market price from 2013 to 2016 was the AECO same day spot price averaged over the period; Forecast average market price from 2017 to 2019 is the AECO/NIT Spot gas price based on GLJ's forecast in Appendix IV (1 Mcf=1.08 MMBtu)

\*\* The average realised price represents the average price of natural gas sales excluding the sales derived from forward sales.

### Gas Processing Capacity, Transportation Support and Resources

We have highlighted below gas processing capacity, transportation support and resources for our implementation of our three-year development plan.

#### (a) Gas Processing

During the Track Record Period, we engaged ConocoPhillips for processing our untreated natural gas with its Peco Plant ready to be sold. We have a firm gas processing capacity contract for 8 MMcf/d at the Peco Plant until February 2019. ConocoPhillips has provided us with the following Peco Plant processing capacity forecast potentially available to us.

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Below is the table setting out our Company's available gas processing capacity:

<b>Year</b>	<b>Production Forecast (Note 1) (A)</b>	<b>Assigned Capacity at Peco Plant (Note 2) (B)</b>	<b>Forecast Available Capacity at Peco Plant (Note 3) (C)</b>	<b>Assigned Plus Forecast Available Capacity/ Production Forecast (B+C)/A</b>
2017	35.3 MMcf/d	8.0 MMcf/d	37.8 MMcf/d	130%
2018	37.5 MMcf/d	8.0 MMcf/d	41.5 MMcf/d	132%
2019	44.5 MMcf/d	8.0 MMcf/d	41.5 MMcf/d	110%

*Note 1:* Production forecast is extracted from our three-year development plan based on 2P Reserves for 2017 and 2018, and on aggregating 2P Reserves and Best Estimate Unrisked Contingent Resources for 2019 for illustration only.

*Note 2:* Our Company expects to renew its engagement with ConocoPhillips on similar terms after the expiry of its existing contract in February 2019.

*Note 3:* Given the past and present available capacity at Peco plant was provided at similar prices, upon reasonable enquiry, our Directors are of the view that the forecast available capacity at Peco plant will also be provided at similar prices as that currently assigned.

Apart from the Peco Plant, if required, we may engage another gas processing plant operated by an Independent Third Party located at 12 km north of our Company's producing locations in Basing. To the best knowledge of our management, as at September 30, 2016, the plant was operating at approximately 36% of its design capacity at approximately 400 MMcf/d. In light of this, our Company believes that there is sufficient gas processing capacity available for our increased production volume following the implementation of our three-year development plan.

### **(b) Transportation**

#### *Natural Gas and NGLs*

During the Track Record Period, we engaged NGTL for transportation of our natural gas, including both Firm Transportation-Receipt (FT-R) and Interruptible Transportation Receipt (IT-R). As the average gas transportation demand will be 35.3 MMcf/d and 37.5 MMcf/d in 2017 and 2018 respectively based on Proved plus Probable Reserves, and 44.5 MMcf/d in 2019 based on Proved plus Probable Reserves and Best Estimate Unrisked Contingent Resources under our Company's three-year development plan, we have been assigned FT-R service in NGTL for 18.6 MMcf/d and 65.0 MMcf/d on average for 2017 and 2018 respectively and 110.0 MMcf/d for 2019. NGTL will also provide IT-R service to our Company.

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Below is the table setting out our Company's available transportation capacity:

<u>Year</u>	<u>Production Forecast (Note 1)</u>	<u>Assigned FT-R Service in NGTL</u>	<u>Expected available FT-R service from other third parties and IT-R service from NGTL (Note 2)</u>	<u>Total Transportation Capacity Available</u>
2017	35.3 MMcf/d	18.6 MMcf/d	>20 MMcf/d	>38.6 MMcf/d
2018	37.5 MMcf/d	65.0 MMcf/d	Not Required	65.0 MMcf/d
2019	44.5 MMcf/d	110.0 MMcf/d	Not Required	110.0 MMcf/d

*Notes:*

1. Production forecast is extracted from our three-year development plan based on 2P Reserves for 2017 and 2018, and on aggregating 2P Reserves and Best Estimate Unrisked Contingent Resources for 2019 for illustration only.
2. The expected available FT-R service from other third parties, as well as the expected IT-R service from NGTL, if necessary, will make up for the shortage in transportation capacity in 2017. This is based on our past experience, including that from January to November 2016, the monthly average and highest FT-R service we received from other third parties were 9.7 MMcf/d and 17.8 MMcf/d respectively. In 2017 we intend to carry on the same arrangement to cover the shortage which will be further covered by some expected available IT-R service from NGTL based on 100% IT-R service provided by NGTL before its Short Term Operational Plan (“STOP”) commenced in December 2014 and the improving IT-R service along with the progress of the STOP as well as its Monthly Outage Forecast covering for a period of up to the end 2017.

Our estimate on the expected available NGTL IT-R is based on our historical records of IT-R service usage as well as NGTL's information on transportation capacity and demand in our core operating areas. The expected availability of IT-R service provided by NGTL is subject to the demand for transportation capacity of gas producers and NGTL supply-demand flexibility. NGTL System is a pipeline system which has many hundreds of receipt, delivery, extraction locations. As noted in NGTL's publication, the NGTL System is “*dynamic and unpredictable throughput dictated primarily by gas consumption and export, dynamic and unpredictable supply sourced from gas producers, interconnects and commercial storage locations, and dynamic and unpredictable system linepack dictated by interconnects and NGTL supply-demand flexibility*”. Accordingly, the Industry Consultant and the Competent Person are unable to provide its view on the IT-R forecast in 2017.

In light of the above, our Company believes that there is sufficient transportation capacity for our production volume following the implementation of our three-year development plan.

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### *Crude Oil and Condensate*

During the Track Record Period, our Company has entered into written agreements with VNW and Springburn for engaging them to truck out the condensate and crude oil and then be sold in the Alberta market. The term of these agreements will be renewed and extended automatically. Besides, there are also many transportation providers in Alberta and our Company is able to get alternatives from the local market.

In light of the above, our Company believes that there is sufficient transportation capacity for our production volume following the implementation of our three-year development plan.

### **(c) *Labor, Equipment, Contractor and Utilities***

During the Track Record Period, our Company has been engaging Independent Third Party contractors and consultants to supply services for a majority of our operations, including amongst others, drilling and well completion consulting, inspection and maintenance, pressure vessel integrity management, supplies of packaged equipment and facilities operation.

Our production facilities need limited utility supplies from external providers. Equipment such as compressors, pump jacks and field generators are driven by gas engines mainly using the sweet natural gas produced by us as fuel gas. Our operations only require limited amount of water and we normally drill local water wells to meet our operational demands or with support from alternative suppliers of electricity and water at market rates if we do not have sufficient electricity and water to support our operations. Our operations have not been interrupted by any shortage of electricity, water or fuel and gas supply during the Track Record Period.

According to our three-year development plan, the main demand on labor and equipment will be drilling rigs, drilling and completion crews, workers and equipment for tie-ins. Our Company will use two rigs, one rig and four rigs in 2017, 2018 and 2019 respectively for drilling the wells. Based on the industry experience and to the best knowledge of our management, there is an excess supply of rigs available in Western Canada which are available at our Company's expense, and each of the rigs will be operated by a team of drilling crew, engineers and consultants from the local labor market. In this regard, our Company is able to get the requisite rigs and equipment, workers, engineers and consultants to carry out the drilling, completion and tie-ins activities.

As at the Latest Practicable Date, we have a total of 10 full time employees working in our management, engineering, accounting and human resources divisions. We also engage Independent Third Party contractors and consultants to supply services for a majority of our operations. We are of the view that the number of employees is currently sufficient for our operations.

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In view of the above, we believe that we have the sufficient support and resources for implementing our three-year development plan. Further details regarding gas processing, transportation, labour, equipment, contractors and utilities are fully disclosed in the section headed “Business — Operations, Transportation, Our Suppliers and Contractors, Utilities and Employees and Employee Relations” of this Prospectus.

### **Possible adjustment to our three-year development plan**

It is the current plan of our Company that we shall continue to implement our three-year development plan under the current natural gas price and GLJ future forecast natural gas price.

However, in the unlikely event that the natural gas price falls back and stays below C\$2.04/Mcf (our average breakeven price, with respect to our net profit including of the Best Estimate Unrisked Contingent production volume in 2019, for the years ending December 31, 2017, 2018 and 2019) for a long period of time than our management now anticipates, our Company may defer the drilling of some drilling locations or temporarily shut-in the producing wells which will be uneconomic to remain in production. Whilst this may adversely affect the level of production and thus our future income, this will help our Company to minimize our capital expenditure and the impact on our cash flow during the low price period in order to reserve our financial resources for resumption of full scale development when the market price improves.

## **RESERVES AND RESOURCES EVALUATION**

### **Independent Report**

We engaged the Competent Person, an Independent Third Party, to prepare the Competent Person’s Report as set out in Appendix IV to this Prospectus, which is an independent assessment and evaluation of our natural gas and oil reserves and resources effective as at September 30, 2016. Specifically, GLJ evaluated our assets at Basing, Voyager and Kaydee in the Alberta Foothills and at Dawson in Peace River. GLJ also evaluated our assets in Stolberg in the Alberta Foothills, Hanlan-Peco in Deep Basin Devonian, although GLJ has not assigned any Reserves or Resources to these areas at this time. In the Competent Person’s Report, GLJ adopted the current royalty regime as certain aspects of the new royalty framework were not made public until after the effective date of the report. Since September 30, 2016, being the effective date of the Competent Person’s Report, 1 Crown Lease in Dawson covering approximately 640 net acres of land has expired in November 2016. Our Company confirms that no other material changes have occurred in relation to our Reserves and Resources since September 30, 2016.

GLJ is a private Canadian company established in 1972, which provides independent energy resource engineering and geological consulting services. GLJ is permitted to practice engineering and geoscience by APEGA and its services include economic evaluations, technical studies, advice and opinions.

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## BUSINESS

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The information set forth below relating to our Reserves and Resources constitutes forward-looking information which is subject to certain risks and uncertainties. Please refer to the sections headed “Forward-Looking Statements” and “Risk Factors” in this Prospectus.

### **Reserve Disclosure**

Under the Competent Person’s Report, Reserves are those quantities of crude oil and natural gas anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as at the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.

### **Resources Disclosure**

Under the Competent Person’s Report, Contingent Resources are those quantities of crude oil and natural gas estimated, as at a given date, to be potentially recoverable from known accumulations but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity.

Under the Competent Person’s Report, Prospective Resources are those quantities of crude oil and natural gas estimated, as at a given date, to be potentially recoverable from undiscovered accumulations by the application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

Under the Competent Person’s Report, the estimates of the Resources are both risked and unrisked. Contingent Resources have been adjusted for risk based on the chance of development. Prospective Resources have been adjusted for risk based on the chance of discovery and the chance of development. Also, best estimate is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability (P50) that the quantities actually recovered will equal or exceed the best estimate.

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The following sensitivity analysis provided by the Competent Person illustrates the impact of commodity prices and exchange rate on the NPV of our Reserves based on low, best and high estimates:

		<u>Proved Producing</u>	<u>Total Proved</u>	<u>Total Proved Plus Probable</u>
		(in C\$M)	(in C\$M)	(in C\$M)
GLJ (2016–10)	Before Tax (10%)	\$50,640	\$91,081	\$132,990
	After Tax (10%)	\$50,640	\$87,420	\$119,370
	After Tax (15%)	\$44,812	\$73,337	\$99,057
	After Tax (20%)	\$40,348	\$62,999	\$84,529
WTI + C\$10	Before Tax (10%)	\$52,340	\$94,257	\$137,330
	After Tax (10%)	\$52,340	\$89,996	\$122,674
	After Tax (15%)	\$46,336	\$75,679	\$101,944
	After Tax (20%)	\$41,737	\$65,160	\$87,119
WTI – C\$10	Before Tax (10%)	\$48,859	\$87,819	\$128,539
	After Tax (10%)	\$48,859	\$84,728	\$115,922
	After Tax (15%)	\$43,210	\$70,877	\$96,017
	After Tax (20%)	\$38,886	\$60,725	\$81,785
AECO + C\$1	Before Tax (10%)	\$67,033	\$114,092	\$161,531
	After Tax (10%)	\$67,033	\$105,242	\$140,481
	After Tax (15%)	\$59,270	\$87,956	\$115,313
	After Tax (20%)	\$53,360	\$75,358	\$97,517
AECO – C\$1	Before Tax (10%)	\$32,553	\$47,177	\$72,817
	After Tax (10%)	\$32,553	\$47,177	\$70,881
	After Tax (15%)	\$28,802	\$37,266	\$55,489
	After Tax (20%)	\$25,914	\$30,152	\$44,608
FX + C\$0.05	Before Tax (10%)	\$46,633	\$82,749	\$121,569
	After Tax (10%)	\$46,633	\$80,597	\$110,581
	After Tax (15%)	\$41,303	\$67,300	\$91,549
	After Tax (20%)	\$37,210	\$57,545	\$77,902
FX – C\$0.05	Before Tax (10%)	\$55,029	\$100,263	\$145,563
	After Tax (10%)	\$55,029	\$94,763	\$128,892
	After Tax (15%)	\$48,651	\$79,799	\$107,125
	After Tax (20%)	\$43,779	\$68,827	\$91,610
HH + C\$1	Before Tax (10%)	\$66,229	\$123,753	\$177,367
	After Tax (10%)	\$66,229	\$113,114	\$152,839
	After Tax (15%)	\$58,536	\$96,075	\$127,699
	After Tax (20%)	\$52,679	\$83,594	\$109,858
HH – C\$1	Before Tax (10%)	\$33,528	\$54,802	\$84,188
	After Tax (10%)	\$33,528	\$54,802	\$80,815
	After Tax (15%)	\$29,697	\$44,540	\$65,360
	After Tax (20%)	\$26,745	\$37,119	\$54,311

*Note:* WTI — NYMEX West Texas Intermediate Near Month Contract; AECO — AECO/NIT Spot; FX — Exchange Rate; HH — NYMEX Henry Hub Near Month Contract

**Key Assumptions**

The schedules, production ramp-ups and assumptions of our three-year development plan for Basing in the Alberta Foothills core area have been reviewed by GLJ, who has given its opinion as to the credibility and validity of these plans based on its industry experience.

For the assumptions used in our three-year development plan and the assessment and evaluation of our natural gas and oil reserves and resources, please refer to the Competent Person's Report in Appendix IV to this Prospectus.

**WORKFLOW AND PRODUCTION**

Our Company's oil and gas projects acquired during the Crown Land auction process will generally go through the following processes: (1) evaluation; (2) acquisition; (3) exploration; (4) development; (5) production; and (6) marketing and delivery.

**Evaluation**

Once the Crown advertises parcels of Crown Land for sale by public auction, we evaluate a pre-selected area to determine if we wish to make a bid to acquire the land. Evaluation involves trading in 2D or 3D seismic data and conducting geological and geophysical studies, field scouting and environmental assessment. It usually takes 2 to 3 months for us to evaluate the parcel of Crown Land advertised.

**Acquisition**

The Government of Alberta currently advertises Crown Land for sale by public auction twice a month and interested parties are welcome to bid during these auctions. Crown Land is usually advertised for sale by public auction 8 weeks before the bidding date. After we have evaluated the potential of Crown Land for sale, we may place a bid during the auction, taking into account our view of demand for the land from other potential bidders and the historical bidding prices for the adjacent areas. To maintain the confidentiality of our bid and in accordance with common industry practice in the oil and gas industry in Alberta, we may appoint a broker to bid for the land on trust for our Company as beneficiary. Alternatively, we may use our name to bid for the land as well. In the case where a broker has been engaged, legal title to the acquired land and to the Crown Lease can be transferred from the broker to our Company at any time prior to the submission of a well licence application by us to the AER. From successful bidding to the holding of legal title, it may take one to two days. We may also acquire other oil and gas assets through private sale and the process is generally similar except that there is no public auction.

**Exploration**

After the acquisition of Crown Land, our Company will begin to commence trade in or shoot further seismic data from a third party seismic data provider. Shooting seismic data can take between 2 to 3 months to complete, whilst trading in seismic data usually takes between 2 to 4 weeks to acquire.

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Seismic data must be processed using technical software by a third party geophysicist engaged by us in order to interpret and assess the subsurface structure or other subsurface information. Seismic processing usually takes between 2 to 3 weeks or may be longer depending on the size of the project.

After seismic processing, we will interpret the processed seismic volume in order to map and to propose potential drilling locations. Based on our prior experience, seismic interpretation usually takes between 4 to 8 weeks, depending on the size of the area involved.

Our geologist will conduct a geological and geophysical study combined with seismic mapping to propose drilling locations in the area. After a drilling location has been proposed, our engineer will commence preparing a drilling program which includes details of the drilling plan and preparation of the surface lands package. A drilling program normally takes between 2 to 4 weeks to complete whilst a surface lands package usually requires 3 to 6 months to complete.

Once the surface lands package has been prepared, we must apply to AER for a well licence. A well licence application usually takes one week to process, assuming there are no objections or requisitions from AER.

Well site construction usually takes between 3 to 4 weeks. As well site construction progresses, we may run a bidding process to select potential service providers to provide drilling and ancillary services. The bidding process normally runs for 1 to 2 weeks. After the service providers are selected and engaged, our Company will commence the drilling of wells. Based on our prior experience, drilling a well in the Alberta Foothills usually takes between 40 to 70 days whilst drilling a well in the Peace River light oil area usually takes between 10 to 30 days.

After the drilling rig has been released, the well needs to be completed which usually involves testing the well and preparing for extraction and production. Based on our prior experience, completing a well in the Alberta Foothills usually takes 1 to 3 weeks. Completing a well in the Peace River light oil area usually takes 3 to 6 days, depending on whether any stimulation including fracturing is required to improve the flow of hydrocarbons.

### **Development and Production**

Based on the result of the exploration well, one or more delineation wells could be drilled to evaluate the size of the reservoir in order to make further plans for development. The commencement of the development stage is subject to the success of exploration.

The development stage comprises all activities and processes required to develop discovered oil or gas fields, including geology, geophysics, reservoir and production engineering, infrastructure development, development wells design and construction, completion design, surface facilities, and economics and risk assessment. Once a development well has been completed, it must be connected or tied-in to production or pipeline facilities to allow for production. Based on our Company's prior experience, tie-in of a well in the Alberta Foothills usually takes between 4 to 8 weeks whilst tie-in

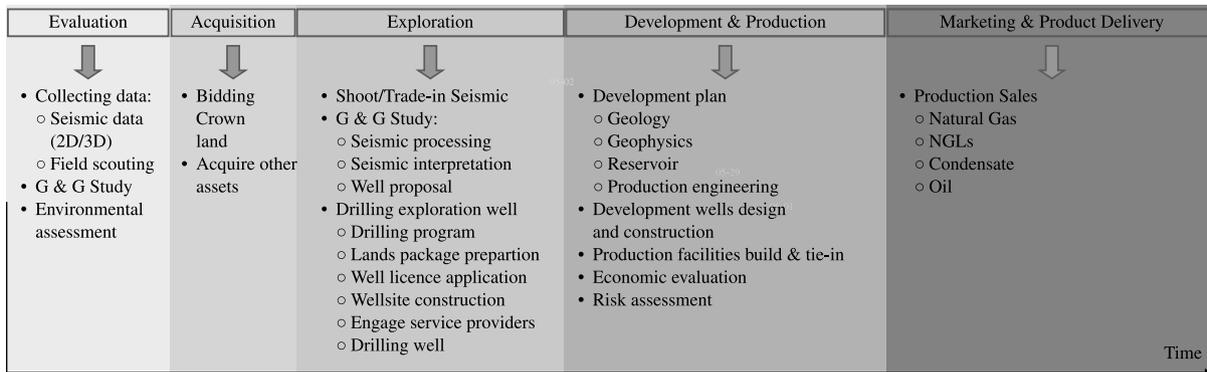
## BUSINESS

of a well in the Peace River area usually takes between 2 to 4 weeks. These timeframes are dependent on the proximity of established pipelines or production facilities to the wells. We usually engage contractors to supply these services to us.

### Marketing and Product Delivery

Following tie-in of a well, natural gas and oil is then produced and can usually be promptly delivered to our customers, subject to marketing arrangements and the terms of our Company’s sale and purchase agreements. Our natural gas, NGLs, condensate and oil products are considered duly delivered upon delivery of our products into the major pipelines. We engage contractors and other transportation service providers to transport our products.

Set out below is a flow chart explaining our Company’s workflow and production.



Due to the nature of our natural gas and oil production business, we were not required to maintain any inventory for our operations during the Track Record Period. Our products are delivered into the pipelines to our customers once they are produced and processed.

### OPERATIONS

Set out below is a description of our Company’s gathering and processing operations for natural gas, NGLs, condensate and oil.

#### Gas Gathering Systems

The natural gas from the wellheads is initially collected at the well sites and then transported to third party gas processing plants through our gas gathering systems. At the well sites, raw natural gas from the wellhead is choked and reheated in line heaters, and then flows through a 3-phase separator for the separation and metering of the natural gas, condensate and produced water respectively. Thereafter, the produced water is stored in on-site tankage and trucked out for disposal. The condensate is either stored in on-site tankage for trucking out or re-injected into the stream of gas which flows down to the compressor and dehydration station for gas compression and a further step of water removal. Gas compression at the well site is normally not required in the

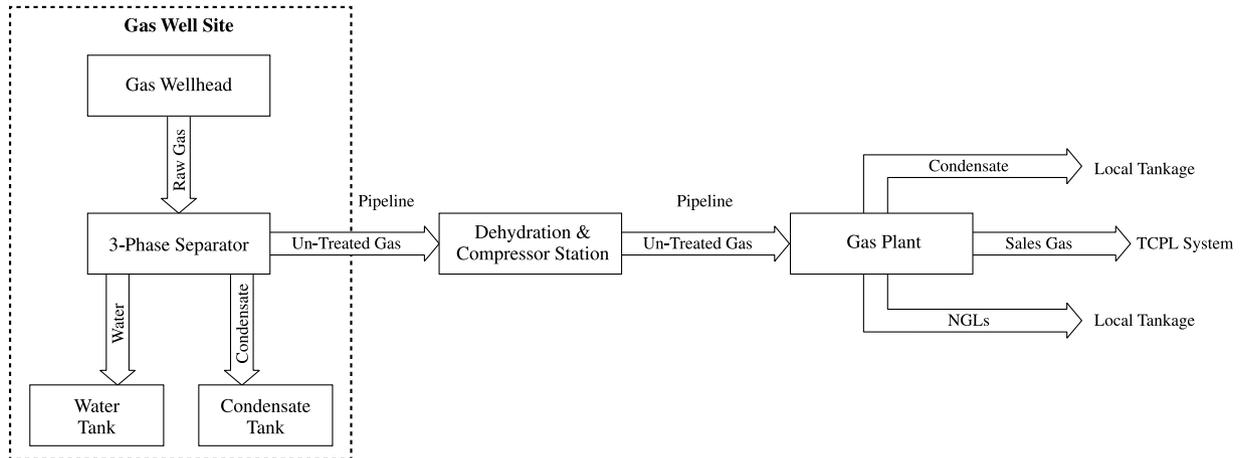
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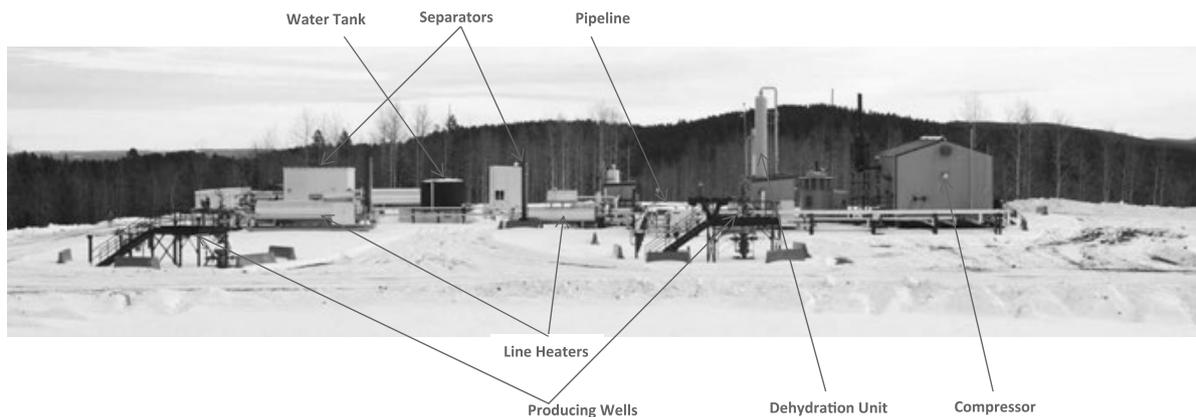
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first few years from initial production since the wellhead pressure is sufficiently high. The gas leaving the station is then collected by gas gathering pipelines and transported to third party gas processing plants for further processing.

Set out below is a simplified flowchart outlining the above gas gathering system:



### Our Gas Gathering System:



### Gas Processing

Our natural gas produced from the Alberta Foothills is sweet natural gas and contains 0% hydrogen sulfide ( $H_2S$ ) and less than 2% carbon dioxide ( $CO_2$ ). Our untreated natural gas flows through our gas gathering systems into the shallow-cut facilities owned by ConocoPhillips in their Peco Plant, where entrained water and NGLs will be removed and retrieved from the untreated natural gas. NGLs include propane ( $C_3H_8$ ) and higher molecular weight hydrocarbons. Once treated, our natural gas ready to be sold to our customers will be predominantly made up of methane ( $CH_4$ ) and ethane ( $C_2H_6$ ), residual volumes of propane and butane/iso-butanes, and less than  $65 \text{ mg/m}^3$  of

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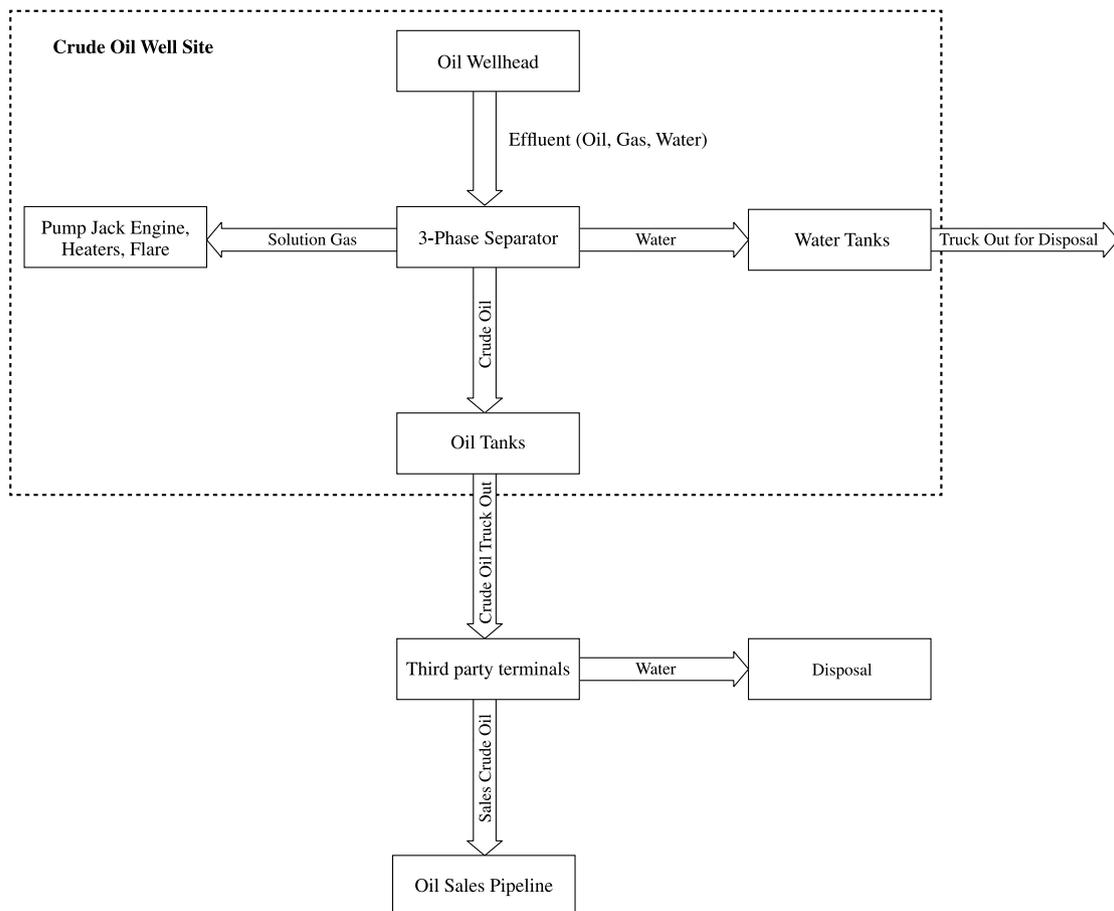
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water. At this stage, the natural gas we sell has a hydrocarbon dew point of  $-10^{\circ}\text{C}$  or lower and will be sent to the NGTL System for delivery to our customers. NGLs removed from the raw gas are stored in the pressurized NGLs storage tanks before transmission to customers.

### Crude Oil Gathering and Processing Systems

Our crude oil product produced in Dawson in the Peace River area is a blend of light sweet crude oil containing sulfur less than 0.42% by weight and has an API gravity of between 37 and 42. Our crude oil pumped from the oil wellheads flow through a 3-phase separator for the separation and metering of oil, water and gas respectively. The crude oil and water will be stored in the tanks at the well sites, and the crude oil will be trucked out for further processing, whereas the produced water is trucked out for disposal. Our crude oil is trucked out to third party terminals where the BS&W in crude oil is removed to be 0.5% or lower. Next, our crude oil will be pumped into the third party pipeline system to deliver our crude oil to our customers. The solution gas collected from our wellsite separator is used as the fuel gas for our wellsite pump jack engines and heaters. Any unused solution gas will be flared on our well site in compliance with the relevant laws and regulations in Canada.

Set out below is a simplified flowchart of the crude oil gathering and processing by our Company:



**TRANSPORTATION**

The Alberta Foothills and Deep Basin Devonian are located in the service area of the NGTL System. The NGTL System consists of more than 32,000 km of natural gas pipeline, associated compressors and other facilities located in Alberta and Northeastern British Columbia. During the Track Record Period and up to the Latest Practicable Date, notwithstanding as disclosed below we have not experienced any shortage of transportation capacity of our natural gas and crude oil, NGLs and condensate.

Due to the ongoing maintenance and repairs of pipelines and other facilities of the NGTL System, NGTL may announce Short Term Operational Plan (“**STOP**”) for near term outage plans and the Monthly Outage Forecast for longer term outage plans in relation to the NGTL System. The outage plans since December 2014 has affected the short-term delivery capability of the Basing area. The delivery capability of interruptible transportation receipt (IT-R) has fluctuated from approximately 100% to 0%, whereas the firm transportation receipt (FT-R) has fluctuated from approximately 100% to 82%. IT-R has gradually been improved to 50% and 100% in part of August 2016. However, the outage plans did not have a material adverse impact on our operations and financial conditions as we had voluntarily shut-in production from one gas well due to economic limit considerations and decreased the production volume from other gas wells due to the decreasing natural gas price, and we were able to get additional temporary FT-R service transferred from other third-party producers in the NGTL System, such that we did not experience any shortage of transportation capacity for our natural gas product. We are of the view that, apart from our existing assignments of IT-R and FT-R services from NGTL, we would continue to be able to get additional FT-R service transferred from other third party producers in the NGTL System to satisfy our future needs. We believe that, based on the longer term outage plans and the transportation commitments from NGTL and other third party producers, our Company is able to secure sufficient transportation capacity for our development plan.

**Natural Gas and NGLs**

We predominantly use the NGTL System to transport our natural gas. As at the Latest Practicable Date, the NGTL System was transporting approximately 10 Bcf of natural gas per day to the Canadian Mainline system and a transcontinental pipeline network that carries natural gas from Alberta to North America and interconnecting markets. In November 2015, NGTL, the operator of the NGTL System, announced that it will spend C\$570 million to expand the NGTL System to be completed by 2018.

As our plan to secure sufficient access to pipeline transmission, in 2013, we entered into a Firm Transportation Receipt (FT-R) Service Agreement for natural gas transportation capacity of 8 MMcf/d with NGTL at Dismal Creek as the receipt point. This agreement has since been extended to October 31, 2021 and may be further extended. In September 2015, our Company entered into a Project and Expenditure Authorization with NGTL (the “**PEA**”) increasing the contracted transportation capacity under FT-R service by 102 MMcf/d to a total of 110 MMcf/d. As stipulated in the First Amendment to the PEA entered into in July 2016, NGTL also plans to

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construct and put a new metering station into service at South Dismal Creek for us by the third quarter of 2018. The Metering Station will be constructed at the cost of NGTL to provide our Company with contracted FT-R service of 102 MMcf/d.

In August 2016, our Company also entered into an agreement with ConocoPhillips under which we were assigned additional 7.24 MMcf/d permanent FT-R Service from September 2016 to August 2018 and additional 3.4 MMcf/d permanent FT-R Service from September 2016 to April 2018.

During the Track Record Period, we also arranged for transfers of FT-R service available from other producers including ConocoPhillips on a month to month basis to accommodate our production schedule. The monthly basis FT-R services transferred from other producers were assigned free of charge or at very low costs by these other producers and provided by NGTL at lower transportation fees as compared to IT-R services under their standard terms. The average assigned monthly basis FT-R from January to December 2016 is 9.4 MMcf/d. We will carry on these arrangements in the future if necessary.

The table below shows the amount of FT-R service respectively assigned by NGTL and ConocoPhillips in 2016, 2017, 2018 and 2019:

	<u>January 2016 to August 2016</u>	<u>September 2016 to April 2018</u>	<u>May 2018 to July 2018</u>	<u>August 2018</u>	<u>September 2018 to December 2019</u>
FT-R from ConocoPhillips (MMcf/d) <sup>1</sup>	—	10.6	7.2	7.2	—
FT-R with NGTL (MMcf/d) <sup>2</sup>	8.0	8.0	8.0	110.0	110.0

*Notes:*

1. Short-Term FT-R transferred from ConocoPhillips. This includes 7.24 MMcf/d from September 2016 to August 2018 and 3.4 MMcf/d from September 2016 to April 2018.
2. Long-Term FT-R executed with NGTL. This includes 8 MMcf/d up to October 2021 and 102 MMcf/d from July 2018 to June 2026.

In summary, we have been assigned 18.6 MMcf/d, 18.6 MMcf/d and 65.0 MMcf/d FT-R Service on average in Q4 2016 and the full years of 2017 and 2018 respectively and 110.0 MMcf/d in 2019, and we believe that we have secured access to sufficient pipeline transportation capacity for our natural gas through the NGTL System for the foreseeable future.

Our NGLs are produced when our untreated natural gas is processed in Peco Plant, which is owned by ConocoPhillips. NGLs removed from the untreated natural gas are stored in pressurized NGLs storage tanks at Peco Plant. During the Track Record Period all of our NGLs produced during the processing of our untreated natural gas at Peco Plant was sold to ConocoPhillips. To the best knowledge of our management, ConocoPhillips uses third-party pipelines to transport the NGLs to their customers.

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### Crude Oil and Condensate

Our condensate and crude oil have been trucked out by VNW and Springburn, respectively, both being Independent Third Parties. Once trucked out, the crude oil and condensate will enter into the third party pipeline system and be sold in the Alberta market. If possible, our Company will notify the transporters two months in advance to deliver oil to their pipelines.

During the Track Record Period and as at the Latest Practicable Date, we entered into separate transportation services agreements with VNW and Springburn for their services of transporting and trucking out our condensate and crude oil in Basing and Dawson respectively (“**Transportation Agreements**”). As advised by our Canadian Legal Advisers, the Transportation Agreements are legally binding and enforceable under Canadian laws. The Transportation Agreements generally contain the following material terms:

Compensation	When the services have been successfully performed by the transporter, we will pay the transporter the service fees within 3 months from the date of the invoice.
Term	An initial term commencing on December 11, 2015 until December 31, 2016 (“ <b>Initial Term</b> ”); provided that the Transportation Agreements will be automatically renewed and extended to December 31, 2017, unless either party gives notice of termination to the other in writing at least 10 days prior to the end of the Initial Term or the Transportation Agreements are terminated in accordance with the termination clauses therein. In principle, we will arrange the transporter to perform the services as possible in our respective fields, however we have the right to engage other contractors to perform the same assignments.
Termination	We have the right to terminate the Transportation Agreements if the transporter is not able to provide enough trucks and/or qualified drivers to perform the services or the transporter is unable to provide the service safely and on schedule.
Liability Insurance	The transporter will obtain and maintain in force general liability insurance during the term of the Transportation Agreements.

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### Indemnity

The transporter will defend, indemnify and hold us harmless from and against any claims, lawsuits, losses, damages, assessments, penalties, costs or expenses, including reasonable attorneys' fees and litigation costs, arising out of any breach of the Transportation Agreements by the transporter or the negligent performance by the transporter of its services thereunder. We shall defend, indemnify and hold the transporter harmless from and against any claims, lawsuits, losses, damages, assessments, penalties, costs or expenses, including reasonable attorney's fees and litigation costs, arising out of any breach of the Transportation Agreements by our Company or the negligent performance by us of our services hereunder.

We plan to continue entering into additional long-term transportation arrangements with pipeline and third-party midstream operators and third-party transporters to ensure we have sufficient access to transportation infrastructure over the longer term. According to the production forecast by GLJ, our total daily condensate and NGLs production volume in the Alberta Foothills is expected to increase to approximately 263 Bbl/d based on Proved plus Probable Reserves and an additional 116 Bbl/d based on Best Estimate Unrisked Contingent Resources by 2019. Please refer to the Competent Person's Report in Appendix IV to this Prospectus for more information. We believe that we will continue to have access to sufficient transmission infrastructure as we ramp up production since the existing transportation capacity of our third party transporter can be increased by increasing the frequency of their trucking out services.

### Road Usage

We have already entered into various road usage agreements for the use of private roads to access our well sites. While there may not be alternative roads available at comparable charges for access to our well sites, we believe that the risk under which we may not be able to access to our well sites is remote. In case where an agreement cannot be reached with the licence holders for the use of such roads in the future, we can ask the AER to consider the request for use of roads to access our well sites. Please refer to the section headed "Laws and Regulations — Obtaining Mineral Rights and Leases" of this Prospectus for more information.

#### *Major terms of the road usage agreements*

As at the Latest Practicable Date, we entered into various road usage agreements ("**Road Usage Agreements**") with third party providers for access to our sites. As advised by our Canadian Legal Advisers, the Road Usage Agreements are legally binding and enforceable under Canadian laws. These Road Usage Agreements are effective from the date of execution and remain in effect for as long as the user requires the use of the roads unless otherwise terminated upon a thirty (30) days' prior written notice given by either party to the other. If categorized by the number of wells, the road usage fees generally range from approximately C\$650/km to C\$800/km for each initial well and approximately C\$325/km to C\$400/km for each subsequent well. If categorized by the specific road rate, the road usage fees generally range from approximately C\$350/km to C\$450/km

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per month for well construction, completion and pipelining works, and C\$350/km per month for maintenance and well production works. The road usage fees are payable within thirty (30) days of the invoice date or our receipt of the invoice. We have maintained automobile liability and comprehensive general liability insurance.

The amount of road usage fee incurred during the Track Record Period was approximately C\$8,112.01, C\$17,529.84, C\$39,838.10 and C\$38,625.27 for the year ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, respectively.

### OUR SUPPLIERS AND CONTRACTORS

We engage Independent Third Party contractors and consultants to supply services for a majority of our operations, including drilling and well completion consulting, seismic data, geological and geophysics consulting, engineering and design, regulation and environmental consulting, inspection and maintenance, pressure vessel integrity management, supplies of packaged equipment and facilities operation. As at December 31, 2013, 2014 and 2015 and September 30, 2016, we engaged a total of 210, 194, 105 and 77 contractors respectively, and incurred total contracting fees of C\$16.4 million, C\$17.0 million, C\$5.9 million and C\$5.2 million, respectively. All contractors engaged by us are Independent Third Parties. We require our contractors and consultants to obtain all licences and permits necessary to conduct their activities.

The table below sets out the breakdown of the number of our contractors for each type of activity during the Track Record Period.

<u>Type of Activity</u>	<u>Number of Contractors</u>			
	<u>For the year ended December 31</u>			<u>For the nine</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>months ended</u>
				<u>September 30</u>
				<u>2016</u>
Evaluation	4	4	3	2
Acquisition (Land acquisition)	0	1	1	—
Exploration	1	2	3	—
Development	151	138	55	13
Production	51	46	39	60
Marketing and delivery	3	3	4	2
<b>Total</b>	<b><u>210</u></b>	<b><u>194</u></b>	<b><u>105</u></b>	<b><u>77</u></b>

We typically procure materials, equipment and services from our suppliers and contractors through obtaining quotations, placing purchase orders or via a bidding process. We may use an open bidding process when procuring well-drilling services for major projects. We consider cost, work quality, track record, proposed delivery schedule, and most importantly, technical expertise in our supplier and contractor selection process. We also conduct detailed due diligence on service

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providers such as reviewing their qualifications, track record and necessary licences, permits and approvals for their operations. We usually do not enter into long-term supply contracts with our suppliers, given the availability of similar service providers in the industry on similar terms. We continuously monitor our contractors, suppliers and consultants to ensure compliance with their contracts.

We require our contractors to confirm in their quotations and proposals that they possess appropriate qualifications in their contracted tasks and will comply with operational and safety requirements and laws. In addition, we require our contractors to undertake appropriate safety measures.

We did not experience any material delays, quality issues or safety issues with our suppliers or contractors during the Track Record Period. Should any of our existing suppliers or contractors be unable or unwilling to continue providing their services to us, we believe that we would be able to identify replacement service providers or contractors on a timely basis and enter into services contracts with them on commercially reasonable terms without significantly affecting our business operations.

For the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, the aggregate purchases from our five largest suppliers amounted to approximately C\$6.1 million, C\$6.8 million, C\$4.1 million and C\$3.7 million, respectively, representing approximately 40.0%, 33.7%, 56.1% and 49.6% of our total purchases, respectively. Purchases from our largest supplier accounted for approximately 11.4%, 9.7%, 28.2% and 25.5%, respectively, of our total purchases for the same periods.

Set out below is a breakdown of our total purchases by major suppliers during the Track Record Period:

### For the year ended December 31, 2013

Rank	Supplier	C\$'000	% of total purchases	Products/services purchased	Business of relationship with our Group commenced since	Length of relationship
1	A	1,741	11.4%	Drilling equipment and services	2007	9
2	ConocoPhillips	1,691	11.1%	Gas processing	2009	7
3	B	1,370	9.0%	Drilling mud services	2013	2
4	C	672	4.4%	Directional services & drilling bits	2008	8
5	NGTL	633	4.1%	Gas transportation	2008	8
Five largest suppliers combined		<u>6,107</u>	<u>40.0%</u>			

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**For the year ended December 31, 2014**

<u>Rank</u>	<u>Supplier</u>	<u>C\$'000</u>	<u>% of total purchases</u>	<u>Products/services purchased</u>	<u>Business of relationship with our Group commenced since</u>	<u>Length of relationship</u>
1	ConocoPhillips	1,959	9.7%	Gas processing	2009	7
2	D	1,743	8.6%	Drilling equipment and services	2013	2
3	E	1,208	5.9%	Drilling mud services	2011	5
4	F	1,160	5.7%	Casing & pipeline	2010	6
5	NGTL	<u>768</u>	<u>3.8%</u>	Gas transportation	2008	8
Five largest suppliers combined		<u>6,838</u>	<u>33.7%</u>			

**For the year ended December 31, 2015**

<u>Rank</u>	<u>Supplier</u>	<u>C\$'000</u>	<u>% of total purchases</u>	<u>Products/services purchased</u>	<u>Business of relationship with our Group commenced since</u>	<u>Length of relationship</u>
1	ConocoPhillips	2,078	28.2%	Gas processing	2009	7
2	NGTL	650	8.8%	Gas transportation	2008	8
3	G	514	7.0%	Office rental	2010	6
4	Johnson & Herbert Construction Inc.	470	6.4%	Well construction service	2009	7
5	Ironline Compression Limited Partnership	<u>416</u>	<u>5.6%</u>	Compressor service	2012	4
Five largest suppliers combined		<u>4,128</u>	<u>56.0%</u>			

**For the nine months ended September 30, 2016**

<u>Rank</u>	<u>Supplier</u>	<u>C\$'000</u>	<u>% of total purchases</u>	<u>Products/services purchased</u>	<u>Business of relationship with our Group commenced since</u>	<u>Length of relationship</u>
1	ConocoPhillips	1,927	25.5%	Gas processing	2009	7
2	NGTL	832	11.0%	Gas transportation	2008	8
3	G	437	5.8%	Office rental	2010	6
4	Ironline Compression Limited Partnership	327	4.3%	Compressor service	2012	4
5	Midwest Surveys Inc.	<u>226</u>	<u>3.0%</u>	Predrilling service	2007	9
Five largest suppliers combined		<u>3,749</u>	<u>49.6%</u>			

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We have entered into a number of contracts with our contractors and suppliers during the Track Record Period the majority of which are purchase orders. As advised by our Canadian Legal Advisers, the purchase orders that we entered into with our contractors and suppliers up to the Latest Practicable Date are legally binding and enforceable under Canadian laws and generally include the following material terms:

Duration	For purchase of goods: usually a one-off transaction. For purchase of services: one year or continuing until terminated.
Extension	The order will be extended for a period of twelve months from the date of commencement or the date of successful field performance testing (as relevant).
Price	Negotiated between the parties.
Payment date	Before shipment to 30 days after shipment, within 3 months of the invoice date or the invoice date, as the case may be.
Termination	We may terminate at any time but we will be liable for goods or services that have been provided up to date.
Indemnity	Supplier indemnifies us against all claims arising out of intellectual property infringement and violation of law in connection with the goods or services supplied, as the case may be.
Warranties	Supplier warrants the goods or services supplied are, among others, of good quality and free from fault in design.
Insurance	Supplier must carry appropriate insurance and require each of its subcontractors to carry appropriate insurance.

For other supply contracts that are not in the form of purchase orders, the material terms are generally as follows:

Duration	One year, or continuing until terminated by purchaser.
Renewal	If the contract is not continuing, the contract may be renewed by both parties.
Price	Negotiated between the parties on a monthly or hourly rate basis for service contracts.
Payment date	Within 30 days after receipt of invoice.

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Termination	We may terminate if the contractor fails to perform, or performs unsatisfactorily in certain cases.
Liability and indemnity	<p>The extent of liabilities and indemnities of each party depend on the relevant breach or non-performance, for example:</p> <p>(a) for well and facilities operation contracts, in the event of the contractor's gross negligence or wilful misconduct, the contractor will be liable and shall indemnify us against all the claims or losses arising from the gross negligence or wilful misconduct; and</p> <p>(b) for other contracts, the party in breach will be liable and indemnify the other party against all claims or losses arising from the breach.</p>
Insurance	Contractor must carry appropriate insurance. The required insurance coverage usually includes workers' compensation insurance, employer's liability insurance and comprehensive general liability insurance.

As at the Latest Practicable Date, to the best knowledge of our Directors, none of our Directors, their close associates, or any Shareholders holding more than 5% of the total issued Shares held any interest in any of our five largest suppliers for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016. All of our five largest suppliers during the Track Record Period are Independent Third Parties.

### SALES AND MARKETING

During the Track Record Period, we sold natural gas, crude oil, NGLs and condensate to our customers in Canada. We directly negotiate with potential customers before we enter into sales contracts with them, and hence we can choose the terms and price in line with industry standards. We can make direct sales of natural gas, NGLs and condensate, and oil to our customers in addition to using the marketing services provided by a third party service provider as described below to arrange these sales for us.

We have engaged Phoenix Energy Marketing Consultants Inc., an Independent Third Party, to provide natural gas, crude oil and NGLs marketing services to us since February 2013. The marketing services provided to us include:

- evaluation and selection of creditworthy purchasers and establishing purchase contracts;
- attending marketing and operations meetings;

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- periodic marketing intelligence on plant and/or transport outages; and
- providing recommendations in enhancing marketing services.

Under the marketing services agreement with Phoenix Energy Marketing Consultants Inc., it must optimize our Company's gas transport requests by researching alternative delivery arrangements. The agreement may be terminated by either party on two (2) months' written notice and our third party service provider is paid a fixed monthly service fee for their services.

Other than Macquarie Energy, all our current customers were introduced by Phoenix Energy Marketing Consultants Inc.

### Customers

For the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, our revenue contributed by our top five customers was approximately C\$23.5 million, C\$32.4 million, C\$16.0 million and C\$14.9 million respectively, representing approximately 99.9%, 100%, 99.2% and 98.4% of our total revenue respectively. All top five customers are gas and oil trading companies or are involved in gas and oil trading. The length of our business relationship with our top five customers ranges from 1 to 9 years.

For the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, our revenue contributed by our largest customer was approximately C\$14.5 million, C\$26.7 million, C\$11.6 million and C\$8.6 million respectively, representing approximately 61.7%, 82.5%, 72.2% and 56.9% of our total revenue respectively.

Set out below is a breakdown of our revenue by major customers during the Track Record Period:

#### For the year ended December 31, 2013

Rank	Customer	C\$'000	% of total revenue	Products sold	Business of relationship with our Group commenced since	Length of relationship
1	A	14,490	61.7%	Natural Gas	2007	9
2	PetroLama	4,638	19.7%	Crude Oil	2011	5
3	ConocoPhillips	3,322	14.1%	Condensate & NGLs	2010	6
4	B	736	3.1%	Natural Gas	2010	5
5	C	295	1.3%	Condensate	2009	7
Five largest customers combined		23,481	99.9%			

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### For the year ended December 31, 2014

Rank	Customer	C\$'000	% of total revenue	Products sold	Business of relationship with our Group commenced since	Length of relationship
1	A	26,749	82.5%	Natural Gas	2007	9
2	PetroLama	3,496	10.8%	Crude Oil	2011	5
3	ConocoPhillips	1,278	3.9%	Condensate & NGLs	2010	6
4	C	901	2.8%	Natural Gas	2009	7

Four largest customers combined 32,424 100.0%

### For the year ended December 31, 2015

Rank	Customer	C\$'000	% of total revenue	Products sold	Business of relationship with our Group commenced since	Length of relationship
1	Macquarie Energy	11,616	72.2%	Natural Gas	2015	1
2	A	1,940	12.1%	Natural Gas	2007	9
3	ConocoPhillips	1,207	7.5%	Condensate & NGLs	2010	6
4	PetroLama	959	6.0%	Crude Oil	2011	5
5	C	232	1.4%	Condensate	2009	7

Five largest customers combined 15,954 99.2%

### For the nine months ended September 30, 2016

Rank	Customer	C\$'000	% of total revenue	Products sold	Business of relationship with our Group commenced since	Length of relationship
1	Macquarie Energy	8,622	56.9%	Natural Gas	2015	1
2	D	4,089	27.0%	Natural Gas	2015	1
3	ConocoPhillips	1,259	8.3%	Condensate & NGLs	2010	6
4	E	521	3.4%	Crude oil	2016	1
5	C	422	2.8%	Condensate	2009	7

Five largest customers combined 14,913 98.4%

We believe our existing business relationship with our customers and the quality and potential of our Reserves have demonstrated to potential customers our ability to provide a steady supply to target customers.

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We have never incurred any bad debts in relation to the sale and purchase of our products with our customers. We do not have any rebate, advertising, sale incentive, promotion or discount arrangements with our customers.

As natural gas, crude oil, NGLs and condensate are fungible products with well-established markets and numerous purchasers, should any of the top five customers terminate their business relationship with us, we are of the view that we would be able to identify alternative customers on a timely basis and enter into sale and purchase agreements with them on commercially reasonable terms without significantly affecting our business operations.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any difficulty with our customers for the sales of our products.

During the Track Record Period, each of Mr. Peter David Robertson and Mr. Bryan Daniel Pinney, our independent non-executive Directors, respectively held a certain number of shares in one of our five largest customers for the year ended December 31, 2013, which amounted to approximately less than 0.02% of the outstanding shares of such customer. Save as disclosed above, as at the Latest Practicable Date, to the best knowledge of our Directors, none of our Directors, their close associates, or any Shareholders holding more than 5% of the total issued Shares of our Company held any interest in any of our five largest customers for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016. All of our five largest customers during the Track Record Period are Independent Third Parties.

ConocoPhillips, one of our top five customers, was also one of our top five suppliers during the Track Record Period. Sales to ConocoPhillips attributed to approximately 14.1%, 3.9%, 7.5% and 8.3%, respectively, of our total revenue for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016. Purchases from ConocoPhillips attributed to approximately 11.1%, 9.7%, 28.2% and 25.5%, respectively, of our total purchases for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016. Products sold to ConocoPhillips mainly include NGLs and condensate. Services supplied by ConocoPhillips mainly include the processing of the natural gas produced from our well sites. The by-products of gas processing including NGLs and condensate were sold to ConocoPhillips. Our sales of products to ConocoPhillips less our purchases from ConocoPhillips were approximately C\$1.6 million, C\$(0.7) million, C\$(0.9) million and C\$(0.7) million for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, respectively.

### **Pricing Model**

We have entered into a number of sales agreements with our customers, based on the General Terms and Conditions of the GasEDI Base Contract for Sale and Purchase of Natural Gas as published by GasEDI on August 31, 2005 (“**GasEDI Contract and Terms**”), which is commonly used in the industry for sales of natural gas and is common market practice in Alberta. The spot price of natural gas is usually by reference to the Canadian Gas Price Reporter or the Gas Daily Mid Point.

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We have also entered into sales agreements for the sale of our crude oil, condensate and NGLs. The reference price for crude oil, condensate and other NGLs is typically tied to WTI.

### Natural Gas Sales Agreements

We sell all of our natural gas to our customers with reference to the GasEDI Contract and Terms. The cover page of the GasEDI Contract and Terms allows parties to select different options for some of the standard terms and conditions in the GasEDI Contract and Terms, which usually relate to pricing, risk, termination and force majeure, among others. We negotiate with our customers in selecting the options for our GasEDI Contract and Terms. As advised by our Canadian Legal Advisers, the GasEDI Contracts and Terms that we entered into with our customers up to the Latest Practicable Date are legally binding and enforceable under Canadian laws.

Unless otherwise specified and other than our natural gas sales agreement with Macquarie Energy, the natural gas sales agreements that we entered into provide the following material terms based on the GasEDI Contract and Terms:

Price	The GasEDI Contract and Terms allows parties to choose between (i) the spot price as published by the Canadian Gas Price Reporter and (ii) the Gas Daily Mid Point.
Payment method	Wire transfer.
Payment date	Within 10 Business Days upon receipt of invoice.
Duration and termination	Continuing unless terminated by either party with 30 days' notice but the GasEDI Contract and Terms remains in effect for outstanding transactions.
Volume	A volume of natural gas equal to the daily contract quantity.
Risk	Risk passes to the purchaser at the delivery point.
Breach of contract and damages amount	The difference between the contract price and the price paid/received under a replacement transaction or the gas price published by the Canadian Gas Price Reporter or the Gas Daily Mid Point.
Force majeure	The GasEDI Contract and Terms allow parties to choose the events of force majeure. Depending on the delivery point, events of force majeure usually include an event that prevents delivery or receipt of the natural gas by interruption, curtailment, or pro-rationing by a transporter, compliance with a court order, laws or regulations, and acts of God.

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**Indemnity**                      The seller will indemnify the buyer against all losses, liabilities and claims, arising from claims of title, personal injury or property damages from the gas or other charges that attached to the gas before title passes to the buyer. The buyer will indemnify the seller against all claims arising from payment, personal injury or property damage from the gas or other charges attached to the gas after the title passes to the buyer.

During the Track Record Period and as at the Latest Practicable Date, we were not in material breach of any of our natural gas sales agreements and natural gas sales agreements.

### **Natural Gas Sales Arrangement**

#### ***Sales Arrangement***

From 2013 to 2014, we entered into commodity swap transactions with a commercial bank in Canada. All commodity swap and hedge arrangements with the foregoing commercial bank in Canada had been terminated as at December 31, 2014. We do not intend to engage in hedging arrangements in the near future and are of the view that the current sales arrangement as described below is appropriate for our needs.

During 2013 and 2014, with a view to protect downward movements in the price of natural gas, we entered into one-year sales agreements with a company who is involved in gas and oil trading to sell our natural gas over the year after at a specified price and volume.

Since 2015, we also have entered into natural gas forward sales agreements with Macquarie Energy based on the GasEDI Contract and Terms. Each sales agreement establishes a fixed selling price against a fixed daily volume, which was determined with reference to the then production forecasts of our Proved developed producing Reserves, for each of the years ended/ending December 31, 2015, 2016, 2017 and 2018 in order to protect against downward movements in the price of natural gas. For the year ended December 31, 2015 and the nine months ended September 30, 2016, the sales volume under the sales arrangements with Macquarie Energy were 9,260 GJ/d and 11,659 GJ/d, respectively, and the weighted average forward selling prices were C\$3.44/GJ and C\$2.70/GJ, respectively. The weighted average forward selling prices for Q4 2016, 2017 and 2018 under all existing sales agreements with Macquarie Energy as at December 31, 2016 will be at C\$2.83/GJ, C\$2.78/GJ and C\$2.66/GJ, respectively, which are determined with reference to the forecast of future AECO prices for gas sales and delivery. However, we may receive less revenue than selling the natural gas at the spot price if the spot price of natural gas becomes higher than the price fixed by our sales agreements. We deliver natural gas to Macquarie Energy according to the terms of the sales agreements. The agreements entered for the years 2016, 2017 and 2018 will expire on December 31, 2016, 2017 and 2018, respectively, being the end date of the delivery period for each agreement. There are no renewal clauses in these agreements. During the Track Record Period, we performed our obligations under these agreements without any material default on or breach of any terms in the sales agreements.

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The sales value accounted for 29.6%, 23.9%, 72.2% and 56.9% of our total revenue from crude oil and natural gas sales to the abovementioned gas and oil trading company and Macquarie Energy for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, respectively. All sales to Macquarie Energy during the year ended December 31, 2015 and the nine months ended September 30, 2016, which amounted to C\$11.6 million and C\$8.6 million respectively, were made pursuant to the aforesaid sales arrangement. For the year ended December 31, 2015 and the nine months ended September 30, 2016, the sales volume under the sales arrangements with Macquarie Energy amounted to approximately 77.6% and 50.2% of our total sales volume, respectively.

We may enter into new forward sales agreements against our daily production volume for various time intervals. For instance, we entered into forward sales agreements with Macquarie Energy against our daily production volume on a monthly basis from July 1, 2016 up to December 9, 2016. Between July 1, 2016 and September 30, 2016, we also entered into a forward sales agreement with Macquarie Energy for the year ending December 31, 2017 at a selling price of C\$3.0/GJ against our daily production volume of approximately 1,000 GJ/d. It is estimated that under this forward sales agreement, the sales volume to be delivered will amount to approximately 2.5% of our 2017 gas production forecast and the revenue generated will amount to C\$1.1 million for the year ending December 31, 2017.

Since October 31, 2016 and up to December 9, 2016, we also entered into further forward sales agreements with Macquarie Energy for the year ending December 31, 2017 at a weighted average selling price of C\$3.0/GJ against our daily production volume of approximately 6,000 GJ/d.

Based on the existing sales arrangements with Macquarie Energy as at December 31, 2016, it is estimated that the annual sales volume to be delivered under the sales arrangements with Macquarie Energy will amount to approximately 45.4%, 38.2% and 19.7% of our actual gas production for the three months ended December 31, 2016 and the gas production forecast for each of the years ending December 31, 2017 and 2018 based on 2P, respectively, following the implementation of our three-year development plan. Based on the existing sales arrangements with Macquarie Energy as at December 31, 2016, the revenue that will be generated for Q4 2016, 2017 and 2018 under the natural gas forward sales agreements with Macquarie Energy will amount to approximately C\$3.2 million, C\$15.6 million and C\$8.1 million, respectively.

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The table below summarizes the daily production volume, the total amount of sales volume under all of our existing sales arrangements with Macquarie Energy as at December 31, 2016 as a percentage to the total actual gas production/gas production forecast (based on 2P) and the total amount of such revenue for the three months ended December 31, 2016 and each of the years ending December 31, 2017 and 2018:

	<u>Q4 2016</u>	<u>2017</u>	<u>2018</u>
Daily volume	12,411 GJ/d*	15,400 GJ/d	8,400 GJ/d
% of sales volume	45.4	38.2	19.7
Revenue	C\$3.2 million	C\$15.6 million	C\$8.1 million
Average selling price	C\$2.83/GJ	C\$2.78/GJ	C\$2.66/GJ

\* *Weighted average*

We selected Macquarie Energy as our counterparty of these sales agreements as it is a reputable and well-capitalized institution in Canada. Based on the expertise of our management and our constant monitoring of other market information and news, we choose the most appropriate natural gas price and decide on the quantity of daily production volume to be covered by the sales arrangement transaction, before entering into these sales agreements. We also consider a lock-in price, payment and other terms of the agreement and the time frame for the sales arrangement to be instituted. We will then enter into one to two-year sales arrangements to manage the risks associated with a downside movement in natural gas prices. All natural gas sales arrangement transactions must first be discussed between and agreed by our management.

A sales arrangement is entered into to cover a reasonable portion of our daily natural gas production volume. Our management and executive Director takes into account factors including annual natural gas production and the demand for natural gas in North America, forward curve rates of natural gas prices, expected investments into drilling each year and the production derived from such investments and tax and government policies, among others. Our sales arrangement transactions are restricted to cover a reasonable period, usually up to one year and also focus on protection against downside risk. Our management team also holds frequent meetings to review trends in natural gas prices and the effectiveness of our sales arrangements. Our sales arrangements are usually terminated automatically when the term of the sales agreement expires, usually one year after the date of the relevant agreement.

### **Crude Oil Sales Agreement**

During the Track Record Period and as at the Latest Practicable Date, we sold all of our crude oil to our customer, PetroLama, under the terms of a wellhead purchase agreement which was subsequently assigned to Secure Energy Services with effect from June 2016 following the acquisition of PetroLama's certain assets by Secure Energy Services. The agreement incorporates by reference BP's General Terms and Conditions (Form C-7032 November 2009) ("**BP's General**

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**Terms**”). BP’s General Terms are commonly used as a base contract for crude oil sales in Alberta. As advised by our Canadian Legal Advisers, the wellhead purchase agreement and BP’s General Terms are legally binding and enforceable under Canadian Laws.

The wellhead purchase agreement for the sale of crude oil includes the following material terms:

Base Price	With reference to the monthly average NYMEX WTI, less the industry standard (MSW) blended stream differential index, less PetroLama’s monthly crude oil marketing and service charge. PetroLama has the right to adjust the base price with reference to the WTI price, foreign exchange rate, and WTI stream differential for crude oil for significant differences between volumes forecasted and actual deliveries. To the best knowledge of our management, the primary consideration for PetroLama when deciding whether to exercise the right to adjust the base price is the overall financial impact of the differences on PetroLama’s overall pool for the month concerned. The same base price adjustment is applicable to unforecasted volumes if there is no forecasted volume. There had been no adjustment to the base price exercised by PetroLama due to the differences of up to 50% between volumes forecasted and actual deliveries pursuant to the wellhead purchase agreement during the Track Record Period and up to the Latest Practicable Date.
Payment date	25th day of the month following the delivery month.
Duration and termination	Continuing unless terminated by either party with one month’s written notice.
Volume	Ranges from approximately 200 to 500 m <sup>3</sup> per month.
Risk	Risk passes to the purchaser at delivery point.
Force majeure	Neither party will be liable when failure to deliver or delay is due to force majeure. Events of force majeure include acts of God, accident or breakage to machinery or equipment, compliance with orders or requests of the government, and imposition of requirements or conditions by government.
Indemnity	Each party will indemnify the other party against claims, demands and causes of action for personal injury, for loss of or damage to property, or for violations of law resulting from the wilful or negligent acts or omissions of the indemnifying party in connection with the performance of the agreement.

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If the delivered products do not meet any quality specification, the seller will indemnify the buyer against all costs, dangers, losses, claims, liabilities and other expenses incurred by the buyer as a direct result of the delivery of non-conforming products.

### Sales of Condensate and other NGLs

During the Track Record Period, our Company has entered into the following agreements for the sale of condensate and other NGLs:

1 Gas Handling Agreement with ConocoPhillips

We and ConocoPhillips entered into a new gas handling agreement in March 2016 (the “**Gas Handling Agreement**”) pursuant to which we deliver to the facility owned and controlled by ConocoPhillips (the “**Facility**”) gas and all associated substances (the “**Producer Inlet Substances**”) for ConocoPhillips’ handling as our supplier. ConocoPhillips shall deliver to us the treated gas, NGLs and condensate (the “**Producer Outlet Substances**”). The material terms in relation to the purchase of gas handling services from ConocoPhillips are set out below:

Price	Firm handling charge: approximately C\$0.44/Mcf for 8 MMcf/d Non-firm handling charge: approximately C\$0.43/Mcf
Payment date	ConocoPhillips shall bill us on or before the 30th day of each month for the payable charges incurred in the preceding month. We shall pay all bills payable within 30 days after receiving them.
Duration and termination	Termination effective from February 2019 unless otherwise agreed in writing.
Volume	8 MMcf/d for firm handling charge; additional volume available at non-firm handling charge
Specifications	All Producer Inlet Substances delivered shall be of a kind, quality and composition and at a temperature and pressure within the design and operating parameters of the Facility, and free of substances in quantities that may obstruct, damage or be detrimental to the operation of the Facility.

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Force majeure                      If an event of force majeure prevents a party from fulfilling any obligations, that obligation will be suspended during the event of force majeure. A party prevented from fulfilling any obligation by the force majeure shall promptly give the other party notice of the force majeure and the affected obligations.

Indemnity                              ConocoPhillips and its related persons shall not be liable to us or our related persons for any losses or liabilities suffered or incurred resulting from or arising out of any act or omission of ConocoPhillips and its related persons in the handling of Producer Inlet Substances except where such losses and liabilities are a direct result of or are directly attributable to the gross negligence or wilful misconduct of ConocoPhillips or its related persons.

ConocoPhillips shall deliver to us the treated gas, NGLs and condensate (the “**Producer Outlet Substances**”).

We also sell our NGLs and condensate to ConocoPhillips in accordance with the Gas Handling Agreement, the material terms pertaining to which are set out below:

Price                                      For NGLs and condensate, the sale price of each of the foregoing products is calculated with reference to the buyer’s realized market price, less relevant deductions and charges.

Payment date                          On or around the 25th day of the month following the month of delivery.

Duration and termination              Termination effective from February 2019 unless otherwise agreed in writing.

Allocation                                The volume of Outlet Substances shall be determined by ConocoPhillips each month in a manner consistent with the Allocation Procedure and based on analysis and measured volumes of Producer Inlet Substances. We have the right to examine at all reasonable times the records of ConocoPhillips relating to our share of Outlet Substances.

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Volume	All NGLs mix of our outlet substances.
Risk	Risk passes to the purchaser at the Facility.
Force majeure	If an event of force majeure prevents a party from fulfilling any obligations, that obligation will be suspended during the event of force majeure. An event of force majeure means an occurrence beyond the reasonable control of a party which has not been caused by the party's negligence and which the party was unable to prevent or provide against by the exercise of reasonable diligence at a reasonable cost.
Indemnity	Seller will indemnify the buyer from all actions, claims and demands made by any person, firm or corporation who has, or who claims to have an interest in the sale products. Buyer will fully indemnify the seller from all claims, demands, loss or damage caused or attributable to the sale products or their transportation, handling or care following the point of purchase.

### 2 Condensate Purchase Agreement

We also sell our condensate to a third party customer in various terminals. The agreement incorporates general terms and conditions of our third party customer. The purchase agreement for the sale of condensate to our third party customer includes the following material terms:

Price	The price is calculated with reference to either (i) the daily settlement prices of the NYMEX near month light sweet crude oil contract, the NGX and Net Energy trade month WTI index prices at Edmonton, Alberta, the Enbridge MSW WADF and the Enbridge Condensate WADF; or (ii) posting by companies such as BP and Flint Hill for Western Canada Condensate and the NetThruPut's monthly trade posting for Condensate at Edmonton.
Payment method	Wire transfer.
Payment date	On or before the 25th of the month following the month of delivery.
Duration and termination	Continuing unless terminated by either party with 30 days' written notice.
Volume	Ranges from approximately 200 to 400 m <sup>3</sup> per month.

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### Product Returns and Warranty

All of our top five customers are involved in natural gas and crude and oil trading. Our products must meet the quality specifications of our pipeline providers before entering the pipeline systems and due to the nature of our products themselves, product returns and warranties are generally not applicable. Accordingly, we do not accept any return of our products nor do we accept any warranty claims after our products have been transported to the pipeline systems or trucked out which is the time when the associated risks are passed to our customers. During the Track Record Period and up to the Latest Practicable Date, we had not: (i) incurred any expenses as a result of return of any of our products or warranty claims; and (ii) received any material complaints or product liability claims from our customers.

### JOINT VENTURES

We have entered into two joint ventures in the Viking and Stolberg areas respectively.

#### Viking JV

We have participated in the joint venture development of our joint venture partner's PNG Licence in Viking, Alberta. Under the Viking JV, we spudded a test well ("Test Well") in February 2006 and the cost of the well was borne as to 50% each by our joint venture partner and us. We also developed the PNG Licence in return for 50% of the working interest of the PNG Licence held by our joint venture partner. We receive the revenues from the Viking JV and share costs and any losses proportionate to the percentage of our respective working interest. For the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, we received total revenue of approximately C\$16,371, C\$16,310, C\$11,408 and C\$5,658, respectively, from the Viking JV.

The Viking JV contains the following material terms:

Test Well

We will earn the following interests in the lands:

- (a) 100% of our joint venture partners' working interest prior to any earnings under the Viking JV agreement (its working interest being 50%), in the Test Well spacing unit; and
- (b) 50% of our joint venture partners' working interest (its working interest being 50%) in the balance of the agreed lands, excluding the Test Well spacing unit.

Operating procedure

Our joint venture partner will be the initial operator under the incorporated 1990 Canadian Association of Petroleum Landmen ("CAPL") Operating Procedure, during the drilling of the Test Well, subject to certain revisions and elections.

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The parties' initial working interests in the Test Well drilling spacing unit under the 1990 CAPL Operating Procedure earned under the Viking JV agreement are as follows:

- (a) Before payout: Our joint venture partner retains overriding royalty in the Test Well drilling spacing unit of 2% and 50% working interest; and us, 50% of the working interest.
- (b) After payout: Our joint venture partner retains 75% of the working interest in the Test Well drill spacing unit; and us 25% of the working interest.

Area of mutual interest      There will be an area of mutual interest encompassing lands within one mile of the boundaries of the joint venture lands and will expire one year from the rig release date of the Test Well. If the parties agree to mutually acquire an interest in such an area, then our joint venture partner and us will acquire 75% and 25% of the interest in the area, respectively.

### **Stolberg JV**

We hold a 30% working interest in four sections of land in Stolberg in the Alberta Foothills. The remaining 70% working interest is held by our joint venture partner. We receive the revenues from the Stolberg JV and share costs and any losses proportionate to the percentage of our respective working interests. No fees are payable by us to our joint venture partner and vice versa. We have not received any revenue from the Stolberg JV during the Track Record Period. We acquired our interest in this land for the purpose of obtaining geological and geophysical information of nearby areas. No well has been drilled in this area as at the Latest Practicable Date.

The Stolberg JV Agreement contains the following material terms:

Title      We represent that the lands are encumbered by the applicable lessor royalty and that it has complied with terms of the relevant grant of its interest in the lands to the extent necessary to keep them in full force as of January 25, 2011.

Interest earned      Our joint venture partner earned and we assigned an undivided 70% working interest in our licence and lands as of January 25, 2011. The licence and lands are recognized as joint lands.

If our joint venture partner proposes the drilling of a well on our licence before such well information is available publicly, it will provide said well information to allow us to make an informed decision on participation in drilling.

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Operation procedure and operator	Our joint venture partner is appointed as the initial operator and acts as operator under the 2007 CAPL Operating Procedure as of January 25, 2011, subject to certain revisions and elections.
Insurance	Pursuant to the elections under the 2007 CAPL Operating Procedure, both the joint venture partner and the Company must obtain and maintain for its sole account and expense, operator's extra expense insurance covering the parties' proportionate share of costs to regain control of a well and pollution liability, the costs of such insurance are borne solely by each party.

### QUALITY CONTROL AND CONTROL MEASURES

Our products are natural gas, crude oil, condensate and other NGLs which are raw materials. These products must meet the quality specifications specified by third party pipeline providers before they can enter into the pipeline system for transportation.

Our crude oil must meet the quality specifications of the relevant third party pipeline. The main requirements under the specifications of the relevant third party pipeline include density, moisture and contaminant content and a maximum hydrogen sulphur requirement.

Quality control of these products is achieved by using a series of processing facilities either owned by us or by third parties to ensure all of our oil and gas products comply with the pipeline standards set forth by NGTL for natural gas and a third party pipeline provider for crude oil respectively before entering the pipeline system.

Our selection criteria and process for the engagement of suppliers, contractors and consultants is set out in the section "Suppliers and Contractors", in addition to our ongoing monitoring of their services and work to ensure quality control. This is set out further in the paragraph headed "Occupational Health and Safety" in this section. We did not engage any subcontractors during the Track Record Period.

### UTILITIES

Our production facilities only rely on limited external utility supplies. Our equipment such as compressors, pump jacks and field generators are driven by gas engines mainly using the sweet natural gas produced by us as fuel gas. There is also a limited requirement for the use of water for our operations, and we normally drill water wells locally to meet our operational demands. Alternative suppliers of electricity and water are available to support our operational needs at market rates if we do not have sufficient electricity and water to support our operations. Accordingly, we have not entered into any utility contracts at competitive prices. During the Track Record Period, our operations had not been interrupted by any shortages of electricity, water or fuel and gas supply.

**MARKET AND COMPETITION**

The natural gas and oil industry in which our Company operates is highly competitive. According to the Industry Consultant, Alberta contains one of the largest natural gas and oil reserves in Canada and is home to over 2,000 natural gas and oil producing companies. As a junior natural gas and oil company, our competitors include some large and integrated natural gas and oil companies with access to a substantial capital base and more revenue streams, as well as numerous other intermediate, junior and emerging natural gas and oil companies in Alberta. Alberta's natural gas export to the US market has declined by 16.9% CAGR from 2010–2015 and is expected to decline further during the forecast period as gas from the Marcellus and Utica Shale in the US finds its way into the US domestic market replacing the gas supplied by Alberta. Although decrease in demand in the export market may increase competition in domestic markets, it may have little impact on the demand of Alberta's natural gas since the demand within Canada is growing gradually. The major domestic uses of natural gas in Alberta are for crude oil production (from oil sands) and electricity generation, which are expected to grow at an annual average of 5.0% and 3.0%, respectively. The oil sands are expected to be the primary source of demand for Alberta's natural gas production, offsetting some of the demand loss in export markets. In addition to this, demand for natural gas is expected to rise due to the likely switch from coal to gas as a fuel for the province's electricity generation as a result of Government of Alberta's Climate Leadership Plan and pre-existing federal regulations. Therefore, it is expected that the total consumption of natural gas in Alberta is likely to increase to 60.2 bcm by 2020.

We compete with our competitors for the acquisition, exploration, production and development of natural gas and oil reserves and for skilled personnel, equipment and capital to operate and finance such activities. The large and integrated natural gas and oil companies, with more financial resources, would be better prepared to weather low natural gas and oil prices as well as being able to spend more to evaluate and bid for properties and recruit skilled personnel than our financial or human resources permit. Ultimately, we need to focus on costs and efficiencies, especially during periods of low natural gas and oil prices, and our key to competing with the large producers will depend on our access to high-quality conventional natural gas resources and our ability to maintain low costs of production. Please refer to the sections headed "Industry Overview" and "Business — Our Key Strengths" in this Prospectus for details of the competitive landscape and our key strengths.

**ENVIRONMENTAL PROTECTION, LAND REHABILITATION AND SOCIAL MATTERS****Environmental Protection**

Our operations in Alberta are subject to a variety of Canadian provincial and federal environmental protection laws and regulations, all of which are subject to governmental review and revision from time to time. For further details, please see the section headed “Laws and Regulations” in this Prospectus. The Canadian government may adopt stricter standards and other new changes to environmental protection laws and regulations, which could have a material adverse effect on our financial condition and results of operations. For a discussion of this risk, please refer to the paragraph headed “Risk Factors — Risks relating to the Alberta Natural Gas and Oil Industry — Our business operations are subject to and may be adversely affected by present and any future laws and regulations and substantial changes to those regulations” in this Prospectus.

Costs of compliance with environmental laws and regulations for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016 were approximately C\$146,000, C\$239,000, C\$82,000 and C\$90,000, respectively. Based on our experience and the current environmental regulatory environment, we expect that the estimated costs of compliance with environmental laws and regulations for the years ending December 31, 2016, 2017 and 2018 will be approximately C\$120,000, C\$180,000 and C\$180,000, respectively.

We have implemented various measures to address environmental issues arising in our operations and to minimize the impact of our operations on the environment. We have formulated detailed environmental protection policies and procedures to cover every major step in our operations. We have set up an emergency response team and developed emergency response plans. We work closely with local authorities, emergency services and our communities in order to respond efficiently to any environmental incident should it arise. The environmental measures that are being implemented, or will be implemented upon the launch of our operations, include without limitation:

*Waste Water Management*

For our gas and oil production activities, we have in place effective produced water management practices. Produced water coming out from the wellheads along with the gas or oil contain elevated levels of dissolved ions (salts), hydrocarbons, and trace elements. Discharge of any produced water would be harmful to the surrounding environment. We have implemented produced water management procedures for the collection and storage of the produced water with on-site water tankage. The produced water in the water tanks will be trucked out for disposal to third parties authorized by the local governmental authority.

*Noise Control*

We have implemented various measures to reduce the noise level in our well site operations, such as use of mufflers, noise and vibration dampening and absorbing materials, and isolation and enclosure of noisy equipment. During the Track Record Period, we also engaged a third party

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service provider to conduct noise impact assessments for the compressors at our facility locations. The results of these assessments indicated that the predicted cumulative sound levels from our facilities were within the daytime and night-time permissible sound levels requirements of the AER and the Alberta Utilities Commission. Based on these assessments, the AER issued to us facility licences permitting us to operate our facilities. We will continue to implement and conduct the aforesaid noise control measures and noise impact assessments in our future well site operations. Furthermore, personal protection equipment is also required to be used by our operating personnel at all times.

The Liability Management Rating (“**LMR**”) is the ratio of a licensee’s eligible deemed assets to its deemed liabilities under the various liability management programs implemented by the AER. The LMR released by the Government of Alberta on February 4, 2017 showed that our Company had a LMR of 51.61 as compared to the industry average of 4.45. The LMR assessment is designed to assess a licensee’s ability to address its suspension, abandonment, remediation and reclamation liabilities. If our LMR is lower than 1.0, we may be required by the AER to pay a security deposit to cover the cost of compliance. We intend to continue implementing our control measures to ensure that we continue to meet our environmental compliance obligations, including monitoring our LMR. Further details about the liability management program are set out in the section headed “Laws and Regulations — Laws and Regulations Relating to the Canadian Natural Gas and Oil Industry — Liability Management Rating Program” in this Prospectus.

### **Compliance**

As advised by our Canadian Legal Advisers, we are not in any material breach of any relevant Canadian laws and regulations regarding our environmental protection compliance, including those in relation to waste water management and noise control, that would have adversely affected our operations during the Track Record Period and up to the Latest Practicable Date. As at the Latest Practicable Date, we were not subject to any environmental protection or safety claims, lawsuits, penalties or administrative sanctions, and we believe that our environmental management policy and systems do not have any material weaknesses or deficiencies and are adequate for us to comply with national and local environmental protection regulations.

### **Land Rehabilitation**

Pursuant to the relevant Canadian laws and regulations, we are responsible for the rehabilitation of any well sites damaged by our drilling activities, and are required to submit an environmental site assessment report to the AER for approval when applying for our PNG Licence and Crown Lease. Before commencing drilling activities, we are required to obtain approval of our environmental site assessment reports before the overall development plan can be submitted to the local authority for approval. The filing must demonstrate that the site conforms to applicable environmental standards. Once we obtain the approval from the AER, the local environmental protection agency supervises our compliance with environmental protection laws and regulations and conducts inspections of our sites from time to time.

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During the Track Record Period and as at the Latest Practicable Date, our Company has not reclaimed and restored any well site. We have not made provision for land rehabilitation and restoration costs. Any provisional amount of rehabilitation costs (if any) will depend on the area of land that we utilized and will be determined by the costs for future rehabilitation works that a third party may be required to perform, including material costs and labor costs. Environmental site assessment reports are one basis of cost estimation for the reclamation of surface soil and underground.

We confirm that there has been no material environmental concern from the local community and we have had a good relationship with the local community. As advised by our Canadian Legal Advisers, we are not aware of any material breach of the relevant Canadian laws and regulations in relation to natural gas and oil resources and land rehabilitation.

### **Social and Local Community Concern**

We respect the history, heritage and culture of the First Nations communities in the Alberta Foothills, Deep Basin Devonian and Peace River regions and seek to engage and consult with stakeholders in these regions.

Prior to the launch of any site development, we will consult stakeholders, including members of the public, regulatory bodies and local and aboriginal communities who are, or may be, affected by the proposed exploration and/or development activities. We will seek to ensure that a transparent and respectful relationship is built and maintained with neighbours and relevant stakeholders. We confirm that they are not aware of any concerns of local communities which are relevant and material to our business operations.

During the Track Record Period and up to the Latest Practicable Date, in dealing with Canadian laws and regulations and practices which are relevant and material to our business operations, we maintained regular contact with the local government authorities to keep abreast of the local government practices in enforcing and interpreting the laws and regulations applicable to our business operations.

Regarding local community concerns, during the Track Record Period and up to the Latest Practicable Date, we had not received any historical or current non-compliance notices and/or other documented regulatory directives, in relation to the development of our sites in the Alberta Foothills, Deep Basin Devonian and Peace River areas, which is relevant and material to our business operations. We are not aware of any concerns of local governments and communities on the development of our sites in the Alberta Foothills, Deep Basin Devonian and Peace River areas, which are relevant and material to our business operations.

During the Track Record Period and up to the Latest Practicable Date, we had not received any notices in relation to any actual or potential impacts of non-governmental organizations on the sustainability of our sites in the Alberta Foothills, Deep Basin Devonian and Peace River which is relevant to and material to our business operations.

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### OCCUPATIONAL HEALTH AND SAFETY

We operate in a responsible manner to ensure the health and safety of our employees, third-party contractors and the communities in which we operate. We are committed to meeting applicable legal requirements and where possible seek to implement leading international industry standards in our operations. Our commitment to occupational health and safety extends to the members of our management who report directly to our Board.

We are subject to Alberta health and safety laws and regulations including the OHSA, the OHSR and the OHSC. The OHSA sets standards to protect and promote the health and safety of workers throughout Alberta. The OHSR addresses the requirements related to government policy and administrative matters. The OHSC specifies all the mandatory technical standards and safety rules that employers and workers have to comply with to fulfil their obligations. The OHSC covers areas such as general safety, noise, chemical hazards and first aid.

The OHSA, the OHSR and the OHSC are enforced by occupational health and safety officers from the workplace, health and safety section of the Alberta Department of Employment and Immigration. No enforcement action had been taken by the occupational health and safety officers against our Company during the Track Record Period and up to the Latest Practicable Date.

We have adopted operational occupational health and safety policies, which contain guidelines with respect to occupational safety, covering drilling and completions, well servicing, transportation of dangerous goods, procedures for handling chemicals and explosive materials and emergency plans. Our site operators are required to be properly licensed, and our safety management employees are certified by the relevant safety regulatory authorities. We have implemented a system to monitor and record employee occupational health and safety statistics. To avoid any potential accident in the course of our operations, we have implemented certain safety measures and adopted a corporate emergency response plan. In particular we will conduct trainings for our operational staff on occupational safety.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material accidents in the course of our operations nor any accidents related to the health or safety of our employees or contractors and we had not received any claims for personal or property damage by our employees nor paid any compensation as a result.

As advised by our Canadian Legal Advisers, we are not aware of any material breach of the relevant occupational health and safety laws and regulations applicable to our business in material respects.

### INSURANCE

We maintain insurance coverage on our properties and equipment, including wells, gas gathering stations, pipelines, well site and wellhead equipment, and other machinery and supplies. We maintain property damage insurance, insurance for workers compensation for on-site operator's extra expenses such as limited redrilling, seepage and pollution expenses and third party liability

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insurance, workplace injury insurance for our operations and insurance for commercial general liability, excess liability, workers' compensation liability and office content liability. We also maintain directors' and officers' liability insurance for our Directors and officers. We will continue to review and assess our risk portfolio and make necessary and appropriate adjustments to our insurance policies. Based on our knowledge of insurance practices within the oil and gas industry in Alberta, we believe that our level of insurance is adequate and comparable to that maintained by comparable oil and gas companies in Alberta. In addition, we shall procure construction insurance policies consistent with industry practice for our interests in case we engage in any major construction projects. We did not make any material claim under our insurance policies during the Track Record Period.

### EMPLOYEES AND EMPLOYEE RELATIONS

As at December 31, 2013, 2014 and 2015 and September 30, 2016, we had a total of 7, 8, 9 and 10 full-time employees, respectively. All of our employees are located in Canada. The relationship and cooperation between our management team and employees has been positive and is expected to remain positive in the future. There has not been any incidence of work strikes or labor disputes which have had an adverse impact on our operations. There are no labor unions associated with our Company's employees.

As at the Latest Practicable Date, there were 10 full time employees employed by our Company and 3 consultants were engaged to work at the Calgary head office. None of the employees are union employees.

The functional distribution of our Company's employees as at the Latest Practicable Date was as follows:

<u>Division</u>	<u>Number of employees</u>	<u>Percentage of total employees</u>
Management	4	40%
Engineering	2	20%
Accounting	3	30%
Human resources	<u>1</u>	<u>10%</u>
Total	<u><u>10</u></u>	<u><u>100%</u></u>

For the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, our total staff costs (including share-based compensation) were approximately C\$1.2 million, C\$2.9 million, C\$1.2 million and C\$1.2 million, respectively, which accounted for approximately 5.1%, 9.1%, 7.3% and 7.8% of our revenue, respectively.

Our employees are employed under employment contracts which set out, among other things, their job scope and remuneration. We have not engaged any employment agent. Further details of their employment terms are set out in our employee handbook. We determine our employees' salaries based on their job nature, scope of duty, and individual performance. We also provide

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reimbursements, allowances for site visits and a discretionary annual bonus for our employees. We also provide employees with welfare benefits in accordance with the applicable laws and our internal policies. We issued Class B Shares to our employees and consultants which resulted in share-based compensation during the Track Record Period. Please refer to the section headed “Financial Information — Statements of Profit or Loss and Other Comprehensive Income — Shared-based Compensation” in this Prospectus for more details.

We consider our employees to be one of our key competitive advantages in the oil and gas industry in Alberta. We are committed to providing regular on-the-job training to our employees. We generally sponsor all training programs related to an employee’s role to ensure the development of talented and motivated employees to contribute to the continuing performance and growth of our business. Investing in the career development of our employees has been a priority in our human resources development plan.

We are in compliance with the statutory requirements in relation to retirement and employment insurance contributions. Subject to very few exceptions, every person over the age of 18 who works in Canada, as well as each employer, must contribute to the employment insurance (“EI”) program and to the Canada Pension Plan (“CPP”). Each employee must pay half of the required contributions for CPP and each employer pays the remaining half. Each employee and employer pays their respective portion of the EI premiums. For the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, our retirement benefits contributions amounted to approximately C\$16,000, C\$20,000, C\$24,000 and C\$25,000, respectively.

Our success depends largely on certain key personnel. We have also maintained full time employees’ total and permanent disability insurance through a group benefits program provided by a reputable insurer.

We have complied with all laws, regulations and requirements relating to our employees during the Track Record Period. During the Track Record Period, we did not encounter any material difficulties in recruiting and retaining our employees and we have not experienced any material interruption to our operations as a result of labor disputes. We also review annually the compensation packages of our management and other key employees to ensure their compensation remains competitive in the market. We have also established internal procedures and designated responsible personnel to ensure our ongoing compliance.

## PROPERTIES

As at the Latest Practicable Date, we or our brokers (who hold the legal title of certain leased lands on our behalf) are the registered holders of all leased lands and own facilities on those leased lands for the development of our oil and gas assets. We also lease our office premises in Calgary. Please refer to the section headed “Appendix VI — Statutory and General Information — B. Further Information About Our Business — 4. Properties” to this Prospectus for more details about our properties.

**Licences and Permits**

We are required by laws and regulations in Alberta to obtain a number of licences, permits and approvals from the relevant authorities to conduct natural gas and crude oil exploration and production activities in Western Canada. During the Track Record Period and up to the Latest Practicable Date, we have obtained all key licences, permits and approvals necessary for the respective development stages of our core areas in the Alberta Foothills and Peace River, including PNG Licences.

*PNG Licences and Crown Leases*

Alberta provides a system through which mineral rights owned by the Crown (i.e. public land owned by the Government of Alberta), which include PNG Licences and Crown Leases, are sold and administered under the Mines and Minerals Act and its regulations. The public offering process is referred to as “sales” or “land sales”, although there is no sale per se as the Government of Alberta retains title to its minerals. The public offering process provides the right to extract the minerals associated with a particular piece of land for a set term, in exchange for which a third party must make a bonus payment, a one-time fee of C\$625, an annual rental fee and royalties on any minerals that are recovered.

During the initial term of a PNG Licence or Crown Lease, an annual rental expense equal to C\$3.50 per hectare, or a minimum amount of C\$50.00, is payable. The average monthly rental expense of our PNG Licences and Crown Leases was approximately C\$11,501, C\$11,489, C\$10,880 and C\$20,666 for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, respectively.

*Summary of our PNG Licences and Crown Leases*

As at the Latest Practicable Date, other than the Viking JV and Stolberg JV, our Company had a 100% working interest in PNG Licences and was the registered licensee or lessee of 62 PNG Licences and Crown Leases in Alberta, Canada, of which 36 PNG Licences and 5 Crown Leases related to the Alberta Foothills and 17 Crown Leases related to Peace River and 4 PNG Licences related to Deep Basin Devonian.

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The following table shows the number of our PNG Licences and Crown Leases, the number of sections and the amount of hectares corresponding to each area as at the Latest Practicable Date:

Property	PNG Licences	Crown Leases	Land Section		Land Area			
			Gross	Net	Gross		Net	
					Acres	Hectares	Acres	Hectares
<b>Alberta Foothills</b>	<b>36</b>	<b>5</b>	<b>108</b>	<b>105</b>	<b>68,800</b>	<b>27,520</b>	<b>67,008</b>	<b>26,803</b>
Basing	8	3	15	15	9,600	3,840	9,600	3,840
Voyager	21	0	35	35	22,400	8,960	22,400	8,960
Kaydee	3	0	30	30	19,200	7,680	19,200	7,680
Stolberg	3	2	16	13	10,240	4,096	8,448	3,379
Colombia	1	0	12	12	7,360	2,944	7,360	2,944
<b>Peace River</b>	<b>0</b>	<b>17</b>	<b>5</b>	<b>5</b>	<b>3,200</b>	<b>1,280</b>	<b>3,200</b>	<b>1,280</b>
Dawson	0	17	5	5	3,200	1,280	3,200	1,280
<b>Deep Basin Devonian</b>	<b>4</b>	<b>0</b>	<b>69</b>	<b>69</b>	<b>44,320</b>	<b>17,728</b>	<b>44,320</b>	<b>17,728</b>
<b>Total</b>	<b>40</b>	<b>22</b>	<b>182</b>	<b>179</b>	<b>116,320</b>	<b>46,528</b>	<b>114,528</b>	<b>45,811</b>

*Note:* 1 Section = 256 Ha

Please refer to the paragraph headed “Our Key Assets” in this section for a summary of the geographical locations of each of our PNG Licences and Crown Leases. For more information about our PNG Licences and Crown Leases, please refer to the section headed “Appendix VI — Statutory and General Information — 4. Properties — (b) PNG Licences and Crown Leases” to this Prospectus.

### *Key Terms of PNG Licences and Crown Leases*

We acquired all our PNG Licences and Crown Leases from the Government of Alberta in accordance with applicable regulations and procedures. Our PNG Licences have an initial term of either 4 years or 5 years, depending on the region in which the lands are located. Once a well has been drilled on an area covered by the relevant PNG Licence, we may validate the PNG Licence for an intermediate term of another 5 years. Our Crown Leases have an initial term of 5 years. We plan to continue our PNG Licences and Crown Leases that are in their initial terms before they reach the end of such term. As advised by our Canadian Legal Advisers, there are no facts or circumstances that would call into question the validity or enforceability of any of our PNG Licences and Crown Leases and our Company has complied with all relevant requirements relating to our PNG Licences and Crown Leases.

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The following are the key common terms of our PNG Licences and Crown Licences in Alberta:

- the licensee or lessee has an exclusive right to recover the leased substances within the location. In the case of the PNG Licence or Crown Lease, the leased substance is natural gas and crude oil;
- the licensee or lessee is obligated to pay such yearly rentals and royalties as prescribed by the Mines and Minerals Act;
- the licensee or lessee is obligated to comply with the Mines and Minerals Act and other applicable laws and regulations; and
- the licensee or lessee is required to indemnify the Crown against all claims brought against the Crown by reason of any acts or omissions of the licensee or lessee in respect of its rights or duties.

### *Renewal of our PNG Licences and Crown Leases*

When a PNG Licence or a Crown Lease reaches the end of its primary term, our Company can renew the PNG Licence or Crown Lease if we can show that the land to which the relevant PNG Licence or Crown Lease related is productive of natural gas and/or crude oil. Crown Lease and PNG Licence continuations are subject to the specific terms of the Crown Lease or PNG Licence, and the provisions of the Mines and Minerals Act.

Based on our past experience, it generally takes up to one year to renew our PNG Licences and Crown Leases. When considering whether to approve a renewal application, Alberta Energy may consider factors such as the level of drilling activities completed before the renewal application, the capability of well production, and restrictions and delay caused by any extreme weather conditions.

Our decision whether to renew or relinquish the PNG Licence or Crown Lease is primarily based on our estimate of the prospective value of the subject land. Generally, we will initially conduct an assessment and evaluation which include seismic interpretation, G&G studies and review of the recent nearby drilling activities on the upcoming expiry lands. Once we decide to renew, we will prepare the geological discussion and renewal application package. We will submit the renewal application package within three months before expiry date. For instance, our PNG Licences and Crown Leases in relation to a total of 480 acres of land in Dawson in Peace River were renewed in March 2016. As at the Latest Practicable Date, we submitted applications and obtained approval to extend the 4 PNG Licences which expired in January 2017 to March 31, 2017. For the remaining PNG Licences and Crown Leases which will expire in 2017, they are still under our Company's internal assessment and evaluation. Our Canadian Legal Advisers have advised us that there will be no material legal impediment for us in renewing our PNG Licences and Crown Leases.

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The table below shows the number of our Company's PNG Licences and Crown Leases for our existing wells, drilling locations assigned by GLJ and undeveloped land that will expire in 2017, 2018 and 2019 and thereafter respectively.

Year of Expiration	PNG Licences and Crown Leases for Existing Wells		PNG Licences and Crown Leases for Drilling Locations Assigned by GLJ		PNG Licences and Crown Leases for Undeveloped Land Not Assigned any Drilling Locations by GLJ	
	PNG Licences	Crown Leases	PNG Licences	Crown Leases	PNG Licences	Crown Leases
2017	0	2	1 <sup>1</sup>	2	4 <sup>1</sup>	5
2018	0	0	4 <sup>2</sup>	2	3	3
2019 and thereafter (including indefinite term)	2	1	13 <sup>3</sup>	0	13	7
Total	2	3	18	4	20	15

*Notes:*

1. Our Company submitted applications and obtained approvals to extend the terms of our Company's lease of these lands to March 31, 2017. None of these leases cover any of the 13 drilling locations under the three-year development plan. Our Company will be required to perform certain exploration and evaluation activities during the three months ending March 31, 2017.
2. 3 of these PNG Licences cover 5 of our drilling locations in 2019 under our three-year development plan. We will submit the renewal application package within three months before expiry date. Our Canadian Legal Advisers have advised us that there will be no material legal impediment for us in renewing our PNG Licences.
3. 2 of these PNG Licences cover 5 of our drilling locations in 2017 & 2018 and 3 of our drilling locations in 2019 under our three-year development plan, which have indefinite terms until the related well becomes non-productive. The indefinite term relates to the aforesaid 2 PNG Licences covering a total of 8 of our drilling locations in 2017, 2018 and 2019 which had initially expired on January 11, 2017 and were renewed with an indefinite expiry date.

During the Track Record Period, we also decided not to pursue the renewal application further and to relinquish certain PNG Licences and Crown Leases of our undeveloped assets, as they were still in early exploration stages and considered by our Company not to have further prospective value after having conducted seismic interpretation, G&G studies and evaluation. For instance, regarding a total of 6,400 acres of land in Otter and a total of 48,640 acres of land in Cadotte, both in Peace River, despite these lands being located within the Peace River Arch fringing reef complex area which our management considered to hold some development potential, based on our subsequent G&G study and evaluation, there were lots of uncertainties in terms of subsurface geology and prospect as only few of very scarce 2D seismic lines lay across these lands. Given their associated high exploration risk and having further considered the Competent Person's evaluation that no future prospective value can be assigned to these lands at this early exploration

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stage, our management was of the view that these properties were not in our priority for conducting further exploration and development activities on these lands. Therefore we decided not to pursue the renewal application further and to relinquish those PNG Licences in relation to the 6,400 acres of land in Otter and the 48,640 acres of land in Cadotte after receiving responses from Alberta Energy in June 2016 and in August 2016 respectively that these lands did not meet the required level of drilling activities for renewal. We incurred impairment losses as a result.

The write-offs for E&E assets amounted to C\$362,804, C\$1,786,080, C\$2,363,231 and C\$812,452 for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, respectively. Our PNG Licences in relation to a total of 3,840 acres of land in Kaydee in the Alberta Foothills expired in January 2016 and a write-off of C\$339,114 was recognized during the nine months ended September 30, 2016 in this regard. Our PNG Licences in relation to a total of 6,400 acres of land in Otter in Peace River expired in May 2016 and a write-off of C\$108,412 was recognized during the nine months ended September 30, 2016 in this regard. Our PNG Licences in relation to a total of 48,640 acres of land in Cadotte in Peace River expired in July 2016 and its associated E&E assets of C\$262,391, which was written-off during the nine months ended September 30, 2016 in this regard after we decided to relinquish this PNG Licence in August 2016 as disclosed above. Our Company also directly wrote off C\$100,000 of E&E assets for the nine months ended September 30, 2016 as a result of the expiry of 1 Crown Lease in Dawson in November 2016 because they were considered to have no further prospective value. In addition, included within our E&E assets are lands totalling C\$2,247,609 which were due to expire on January 1, 2017. Subsequent to September 30, 2016, our Company submitted applications and obtained approvals to extend the terms of our Company's lease of these lands to March 31, 2017. None of these leases cover any of the 13 drilling locations under our three-year development plan. Our Company will be required to perform certain exploration and evaluation activities during the three months ending March 31, 2017. In this regard, our Company has performed certain exploration and evaluation activities, including seismic interpretation, geology and geophysics study, reservoir study and environmental assessment. According to our latest communication with the Alberta Department of Energy, we are requested to spud a validation well before March 31, 2017 in order to obtain extension of the term of these leases. Our Company is planning to spud the well before March 31, 2017. Once the validation well has been drilled to the target formation, a well completion report and a validation request will be submitted to Alberta Department of Energy to obtain the extension. Our Company is of the view that we will be able to fulfil the conditions for extension in order to obtain successful extension of the leases of these lands. In such circumstance, our Company needs not to write-off the exploration and evaluation assets totalling C\$2,247,609 during the three months ending March 31, 2017 assuming no other factors or conditions exist. We do not expect any other significant impairment for our remaining Junior Assets for the three months ended December 31, 2016. Our Company believes that this is in line with the common practice of other natural gas and oil companies in Alberta. Our Company may acquire these expired PNG Licences and Crown Leases in the future. The expiry of the PNG Licences and Crown Leases in relation to these lands had no impact on our development plan or reserve base.

In respect of the Drilling Locations, our Company has been able to successfully renew their respective Licences historically.

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### *Encumbrances in relation to our PNG Licences and Crown Leases*

As at the Latest Practicable Date, certain of our PNG Licences had been subject to security interests granted by our Company to Macquarie Bank to secure our Company's obligations under the Macquarie Bank Credit Agreement. Please refer to the section headed "Financial Information — Indebtedness — Bank Loan" in this Prospectus for more information.

### **Other Licences**

In addition to obtaining Crown Leases or PNG Licences, we are required to obtain well licences for drilling new oil, gas or water wells, and facility licences for operating our facilities. A pipeline licence is also required to construct and operate a new pipeline, change the parameters of existing pipelines or construct pipeline installations. These will be applied as part of our three-year development plan.

No party may drill or produce from a well, construct or operate a facility, or construct or operate a pipeline unless it has a related well licence, facility licence and pipeline licence issued by the AER to do so. As per AER's requirement, a well license application must be submitted with a survey plan which should not be more than one year old from the date on which it is certified. Issuance may be refused, or granted subject to any conditions, restrictions and stipulations as determined in the reasonable discretion of the AER. This would occur where the AER has reasonable grounds to believe that: (i) there has been a contravention of any law, rule or regulation or rules under its jurisdiction in respect of the operations of the holder; (ii) the holder ceases to meet the eligibility requirements for holding the well licence; or (iii) where the party has contravened or failed to comply with an order of the AER, or has an outstanding debt to the AER or to the account of the orphan fund in respect of suspension, abandonment or reclamation costs, and the AER has made a declaration setting out the nature of the contravention, failure to comply or failure to pay. Despite the aforesaid, our management confirms that as we have submitted the required documentation with the applications, we have always been able to obtain the well licences for our drilling locations. Our Canadian Legal Advisers confirm that the well licence application is an administrative procedure.

Once a well licence has been issued, the project must commence work within one year, otherwise the well licence will expire and be cancelled. If the project has not commenced work within one year, the well licence may be extended, but this is evaluated on a case by case basis and is at the discretion of the AER. Where projects have not started work, the well licence will not normally be extended beyond two years from the date of issuance. Once the project has commenced work, the well licences do not expire and do not need to be renewed.

As at the Latest Practicable Date, we held a total of 9 well licences, 2 facility licences and 3 pipeline licences. All of these licences will not expire until we cease operations and abandon these licences.

## **INTELLECTUAL PROPERTY AND KNOW-HOW**

### **Technology and Know-How**

We believe our strong commitment to improving operational and technical excellence is an important factor in our success. The industry in which we operate is characterized by intense competition and one key differentiating factor is our ability to identify the best Reserves and apply the appropriate technology to cost-efficiently extract reserves on a cost-efficient basis. Our Chief Executive Officer, Mr. Bo, has more than 10 years of experience managing and developing our Company. Mr. Pingzai Wang, our Senior Vice President, Exploration, has over 28 years of experience in the natural gas and oil industry generally and over 10 years of experience in North America. Mr. Binyou Dai, our Vice President, Engineering, has over 24 years of experience in the natural gas and oil industry generally and over 11 years of experience in North America. Mr. Lei Song, our Production Engineer, has 5 years of working experience in the natural gas and oil industry in North America. Collectively this team and other essential members of our Company provide the foundation for our technical expertise and continued growth. For more information about our management team, please refer to the section headed “Directors and Senior Management” in this Prospectus.

We have focused our technology and know-how on the following major areas:

- having devoted over 10 years to the acquisition of geological and geophysical data that is essential to understanding our Reserves and surrounding areas;
- employing a number of tools to help complete our geological understanding including West Canadian Database Software and geology and geophysics and reservoir engineering software; and
- improving well design and decreasing operating costs by applying the most efficient well design to each drilling area.

### **Other Intellectual Property**

We use operating practices that we believe are of significant value in developing our business. In particular, we believe that our drilling, completion and production techniques related to multi-stage completion and horizontal drilling, integration of infrastructure and other aspects of our business have to date provided us with a competitive advantage among other factors. These have in large been developed by our engineers, technicians and independent contractors in the course of their work.

As at the Latest Practicable Date, we held 2 registered trademarks in Hong Kong and had registered 3 domain names which are material to our business. We also applied for four trademark registrations bearing our name “PERSTA” (both text and design marks) with the Canadian Intellectual Property Office, which is still under review. Siepmann-Werke GmbH & CO. KG. (“**Siepmann**”), an Independent Third Party, is the registered owner of certain Canadian trademark

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## BUSINESS

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registrations bearing the name of “PERSTA” (both text and design marks) for, amongst other goods and services, die-forged and/or welded valves, pipelines and water level indicators. We have received Siepmann’s consent to our abovementioned applications’ registration for use in association with the goods and services in relation to crude oil, natural gas, liquefied petroleum gas and natural gas liquids, and we have executed an agreement with Siepmann that the trademarks to be registered by us can coexist in the Canadian marketplace with their trademark registrations without causing confusion to the goods and services provided by the parties in the Canadian marketplace.

Please refer to the section headed “Appendix VI — Statutory and General Information — B. Further Information About Our Business — 2. Intellectual Property Rights” to this Prospectus for more information on our intellectual property rights.

We recognize the importance of protecting and enforcing our intellectual property rights. We believe that we have taken all reasonable measures to prevent any infringement of our intellectual property rights. We are currently not aware of any pending or threatened claims against us relating to any alleged infringement by us of any intellectual property rights owned by third parties. Our letters of appointment, consulting agreements and key business contracts contain confidentiality provisions to protect our confidential information.

During the Track Record Period and up to the Latest Practicable Date, there had not been any disputes nor incident of material infringement involving our intellectual property rights.

### **INTERNAL CONTROL AND RISK MANAGEMENT**

We have implemented a series of measures to manage the risks that we face in our operations. We are going to appoint an external internal control consultant who reports directly to our Audit and Risk Committee to perform regular review on the internal control systems over financial reporting. Our management team actively monitors and promptly reacts to changes in the industry’s laws and regulations that impact our operations. Each of our financial management, production and human resources team members regularly report to our management with respect to any compliance issues. We have also engaged external legal counsel to handle our various legal and regulatory matters regarding our operations.

### **LEGAL PROCEEDINGS, COMPLIANCE AND REGULATORY MATTERS**

#### **Legal Proceedings**

Our Directors confirm to the best of their knowledge that, during the Track Record Period and up to the Latest Practicable Date, there was no legal, arbitral or administrative proceedings pending or threatened against us or our Directors that could individually or in the aggregate, have a material effect on our business, financial condition or results of operations and there was no legal claim or proceeding that may have an influence on our rights to exploration.

**Compliance and Regulatory Matters**

With the exception of the Viking JV and Stolberg JV, we hold a 100% working interest in the mineral rights for all our PNG Licences and Crown Leases. However, it is possible for the Crown to grant different mineral rights over a given parcel of land in separate geological horizons. It is not uncommon to have rights to specific geological horizons granted to different parties on different dates. As a result, the different rights of different parties on the same parcel of land can see conflicts arise as a result of competing interests. Where this occurs, the parties may work together to negotiate a compromise that maximizes recovery for both parties. Where such a compromise is unattainable the authority of one of a number of administrative bodies such as the AER or the Surface Rights Board will be determinative while the ultimate result will be decided by the nature and particular characteristics of the conflict. The ultimate result of such conflicts cannot therefore be predicted in advance but may include the temporary suspension of the ability of a party to pursue its mineral rights.

We rely on the Government of Alberta's departments, boards and agencies as the mechanism to monitor and protect our reserves and resources. We monitor all land and resource postings to protect our resources and reserves. As at the Latest Practicable Date, we did not anticipate any issues with any third parties with rights over different geographical horizons of our PNG Licences and Crown Leases.

We confirm that we have complied with all applicable material laws and regulations during the Track Record Period and up to the Latest Practicable Date.

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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis with our audited financial information, including the notes thereto, as at and for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016 included in the Accountants' Report set out in Appendix I to this Prospectus. The financial information as set out in the Accountants' Report has been prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB").*

*The following discussion and analysis and other parts of the Prospectus contain forward looking statements that reflect our current views with respect to future events and financial performance that involve risks, uncertainties and changes in circumstances. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the sections headed "Forward-Looking Statements" and "Risk Factors" in the Prospectus.*

### OVERVIEW

Our Company is based in Calgary and is principally engaged in natural gas and crude oil exploration and production, with a focus on natural gas. We focus on long-term growth through acquisition, exploration, development and production in WCSB.

We commenced operations in March 2005 with the objective of building a successful Canadian natural gas and crude oil exploration, development and production company with a long-term business strategy. We acquired our first 6,400 net acres of land in an area in WCSB in January 2007 known as the Alberta Foothills and drilled and commercially produced liquids-rich natural gas from our first deep well in this area in December 2008. Since then, our natural gas and oil production rate has organically grown and reached approximately 3,363 Boe/d of average production in the first nine months of 2016. The exit production of 2016 is 4,500 Boe/d. As at the Latest Practicable Date, we held 114,528 net acres of land in WCSB which we intend to explore through drilling in locations listed in our Company's multi-year inventory.

Presently, we have three core areas:

- Alberta Foothills, which includes natural gas properties in the five areas of Basing, Voyager, Kaydee, Columbia and Stolberg. Basing is partially developed whilst Voyager, Kaydee, Columbia and Stolberg are undeveloped;
- Deep Basin Devonian, which includes undeveloped natural gas properties in Hanlan-Peco in West Alberta; and
- Peace River, which includes light oil properties in the Dawson area which is partially developed.

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As at September 30, 2016, as estimated by GLJ, we held a total of 77 drilling locations, with five assigned to Proved, Probable plus Possible Reserves, eight assigned to Contingent Resources and 64 assigned to Prospective Resources. GLJ estimated our Company holds gross Proved Reserves of 12,099 Mboe (approximately 5.4% of which is crude oil, condensate and other NGLs with the remaining 94.6% being natural gas), gross Proved plus Probable Reserves of 17,666 Mboe (approximately 5.4% of which is crude oil, condensate and other NGLs, with the remaining 94.6% being natural gas), gross Proved plus Probable plus Possible Reserves of 22,562 Mboe (approximately 5.4% of which is crude oil, condensate and other NGLs, with the remaining 94.6% being natural gas), gross Best Estimate Unrisked Contingent Resources of 10,396 Mboe (approximately 4.9% of which is condensate and other NGLs, with the remaining 95.1% being natural gas), and gross Best Estimate Unrisked Prospective Resources of 67,526 Mboe (approximately 7.0% of which is crude oil, condensate and other NGLs, with the remaining 93.0% being natural gas). Please refer to the Competent Person's Report as set out in Appendix IV to this Prospectus for more information.

As at the Latest Practicable Date, we have five wells in production and one other well that had been voluntarily and temporarily shut-in in Basing, and we have two wells in production and another one well that had been voluntarily and temporarily shut-in in Dawson.

### THREE-YEAR DEVELOPMENT PLAN

Our Company's Proved, Probable and Possible Reserves, Contingent Resources and Prospective Resources are located within Basing, Voyager and Kaydee in the Alberta Foothills and within Dawson in Peace River, encompassing approximately 54,400 net acres of land and estimated by GLJ to hold approximately 77 drilling locations.

We acquired the PNG Licences for Basing, Voyager and Kaydee in the Alberta Foothills and for Dawson in Peace River between 2006 and 2016. We plan to initially develop our natural gas assets in Basing as part of our three-year development plan in addition to constructing certain facilities to support future increases in production and to lower production cost in the long run.

We also intend to explore and develop our Resources in Voyager and Kaydee in the Alberta Foothills and Dawson in Peace River into Reserves and also our undeveloped lands in Stolberg, Columbia and Deep Basin Devonian.

We have established a three-year development plan to increase our current production from an average production of 3,363 Boe/d in the first nine months of 2016 to approximately 5,448 Boe/d based on Proved plus Probable Reserve and an additional 2,389 Boe/d based on Best Estimate Unrisked Contingent Resources in 2019.

According to our three-year development plan, we intend to focus on drilling a total of 13 well locations in Basing in the Alberta Foothills. These 13 drilling locations represent 100% of Proved plus Probable Reserves and Best Estimate Contingent Resources by GLJ.

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The table below shows our three-year development plan by number of drilling locations in Basing in the Alberta Foothills.

### Our Company's Three Year Development Plan by Drilling Location and Number\*

	2017	2018	2019	Total
Alberta Foothills — Basing	3	2	8	13
Total number of wells to be drilled	3	2	8	13

\* Key assumptions in determining the drilling location and the number in the above are based on those adopted by GLJ. Please refer to the Competent Person's Report in Appendix IV to this Prospectus for more information.

Based on the production forecast by GLJ, an average production volume forecast for 2017 to 2018 is as below:

### Our Company's 2017–2019 Year Production Forecast by Volume\*

		2017 (2P)	2018 (2P)	2019 (2P)	2019 (Best Estimated Unrisked Contingency)**
Alberta Foothills	Natural Gas (Mcf/d)	35,276	37,464	30,884	13,635
	Liquid (NGLs/ Condensate) (Bbls/d)	301	319	263	116
Peace River	Light Oil (Bbls/d)	65	49	37	
Production (Boe/d)		6,245	6,612	5,448	2,389

\* Key assumptions in determining the drilling location and the production forecasts for above individual well are based on those adopted by GLJ. Please refer to the Competent Person's Report in Appendix IV to this Prospectus for more information.

\*\* Production forecast of all new drilling locations in 2019 is based on best estimated unrisked Contingent Resources in the Competent Person's Report. If based on best estimated risked Contingent Resources to reflect a chance of development, a factor of 80% shall be applied to the production forecast.

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### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

#### Revenue Recognition

Revenue from the sales of crude oil and natural gas is recognized when title to the products passes to the purchasers based on volumes delivered at contracted delivery points and prices and are recorded gross of transportation charges incurred by our Company. The costs associated with the delivery, including transportation and production-based royalty expenses, are recognized in the same period in which the related revenue is earned and recorded.

#### Derivative Financial Instruments

Our Company may utilize financial and non-financial derivatives, such as commodity sales contracts requiring physical delivery, to manage the price risk attributable to the anticipated sales of crude oil and natural gas production and foreign exchange exposures. Our Company does not enter into derivative financial instruments for trading or speculative purposes.

Our Company considers all of these transactions to be economic hedges; however, they have not been designated as hedges for accounting purposes. As a result, all derivative contracts are classified as fair value through profit or loss and are recorded on the statements of financial position at fair value, with changes in the fair value recognized in net income. The fair values of these derivative instruments are based on an estimate of the amounts that would have been received or paid to settle these instruments prior to maturity given future market prices and other relevant factors.

#### Exploration and Evaluation (“E&E”) Assets

Exploration and evaluation (“E&E”) assets includes costs capitalized by our Company in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting mineral resources are demonstrable. Costs incurred before our Company has obtained the legal rights to explore an area are expensed.

E&E assets are initially capitalized as intangible assets and are not amortized. E&E assets are assessed for impairment when facts and circumstances indicate that the carrying amount may exceed the recoverable amount. An impairment loss is then recognized in profit or loss and separately disclosed.

Once the technical feasibility and commercial viability of the extraction of resources in an area of interest are demonstrable based on technical data available to support the possible recovery of reserves, E&E assets attributable to that area are assessed for impairment with any impairment loss recognized in profit or loss. The remaining carrying value of the relevant E&E assets are then reclassified as development and production assets within property, plant and equipment.

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For divestitures of E&E assets, a gain or loss is recognized in profit or loss for the difference between the net disposal proceeds and the carrying amount of the asset. Exchanges of properties are measured at fair value, unless the transaction lacks commercial substance or fair value cannot be reliably measured. Where the exchange is measured at fair value, a gain or loss is recognized in profit or loss.

### *Property, Plant and Equipment (“PPE”)*

Property, plant and equipment (“PPE”) of our Company consists of development and production assets and office fixture and equipment.

Development and production assets are carried at cost less accumulated depletion, depreciation, amortization and impairment losses. The cost of a development and production asset includes the initial purchase price and directly attributable expenditures to develop, construct and complete an asset. These costs include property acquisitions, development drilling, completion, gathering and infrastructure, asset retirement costs and transfers from E&E assets. Any costs directly attributable to bringing the asset to the location and condition necessary to operate as intended by management, and which result in an identifiable future benefit, are capitalized. Improvements that increase the capacity or extend the useful lives of related assets are also capitalized.

For divestitures of properties, a gain or loss is recognized in profit or loss for the difference between the net disposal proceeds and the carrying amount of the asset. Exchanges of properties are measured at fair value, unless the transaction lacks commercial substance or fair value cannot be reliably measured. Where the exchange is measured at fair value, a gain or loss is recognized in profit or loss.

### *Impairments*

Development and production assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed the recoverable amount. For the purposes of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “**cash-generating unit**” or “**CGU**”).

The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposals (“**FVLCD**”).

Value in use is estimated by consideration of the following:

- (i) net present value of the proved plus probable reserves using a pre-tax discount rate as determined by management’s estimate; and
- (ii) management’s estimate of net present value of additional asset development not included in (i) above, using a pre-tax discount rate.

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FVLCD is estimated by consideration of the following:

- (i) net present value of proved plus probable reserves using a pre-tax discount rate as determined by management's estimate;
- (ii) management's estimate of fair value of undeveloped land;
- (iii) a review of the values indicated by the metrics of recent market transactions of similar assets within the oil and gas industry; and
- (iv) management's estimate of additional fair value from asset development not included in (i) above.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the statements of profit or loss and other comprehensive income.

### **Depletion and Depreciation**

Depletion of development and production assets is provided using the unit-of-production method based on production volumes before royalties in relation to total estimated proved plus probable reserves as determined annually by independent reservoir engineers using future prices and costs. Natural gas reserves and production are converted at the energy equivalent of six Mcf to one barrel of oil.

Calculations for depletion and depreciation are based on total capitalized costs plus estimated future development costs of proved plus probable reserves.

Depreciation of other assets is provided for on a 20%–100% declining balance basis.

### **Decommissioning Liability**

Our Company records a liability for the legal obligation associated with the retirement of long-lived tangible assets at the time the liability is incurred, normally when a long-lived tangible asset is purchased or developed, discounted to its present value using a risk-free interest rate. On recognition of the liability there is a corresponding increase in the carrying amount of the related asset known as the decommissioning liability cost, which is depleted on a unit-of-production basis over the life of the estimated proved plus probable reserves, before royalties. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to profit or loss in the period. The decommissioning liability obligation can also increase or decrease due to changes in estimates of timing of cash flow, changes in the original estimated undiscounted cost or changes in the discount rate. The decommissioning liability obligation is re-measured at each reporting date using the risk-free rate in effect at that time and the changes in fair value are capitalized as property, plant and equipment. Actual costs incurred upon settlement of the obligations are charged against the liability.

### SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

#### **Demand and Price of Natural Gas and Crude Oil in Canada**

Our ability to achieve profitability depends largely on the demand for and price of natural gas and crude oil in Canada.

Our revenue and results of operations are substantially dependent on the prevailing prices of natural gas and oil which are unstable and subject to fluctuation. Fluctuations in natural gas or oil prices could have an adverse effect on our operations and financial condition and the value and amount of our reserves. Natural gas prices are influenced primarily by factors within North America, including North American supply and demand, economic performance, weather conditions and availability and pricing of alternative fuel sources. Crude oil prices are mainly driven by a few factors which include the supply from the Organization of Petroleum Exporting Countries (OPEC) and the supply from outside the OPEC, global crude oil demand and crude oil inventories. Furthermore, crude oil prices also react to a variety of geopolitical and economic events as well. In addition, the marketability of the production depends upon the availability, capacity and destinations of gathering systems, pipelines, and other transportation infrastructure, approval and regulation of federal and provincial infrastructure projects, effect of federal and provincial regulation on such production and general economic conditions. All of these factors are beyond our control. Adverse changes in general economic and market conditions could also negatively impact demand for natural gas and oil, production cost, results of financing efforts, fluctuations in interest rates, market competition, labor market supplies, timing and extent of capital expenditures or credit risk and counterparty risk.

Decrease in natural gas and oil prices typically results in a reduction of our Company's net production revenue and may change the economics of producing from some wells, which could result in a reduction in the volume of our Company's production. We have temporarily shut-in two producing oil wells in 2015 due to economic limit considerations. Any substantial declines in the prices of crude oil or natural gas could also result in delay or cancellation of existing or future drilling, development or construction programs or the curtailment of production. All of these factors could result in a material decrease in our net production revenue, cash flows and profitability and have a material adverse effect on our operations, financial condition and proved reserves and the level of expenditures for the development of its natural gas and oil reserves, causing a reduction in its oil and gas acquisition and development activities. In addition, bank borrowings available to us will in part be determined by our borrowing base. A sustained material decline in prices from historical average prices could further reduce such borrowing base, therefore reducing the bank credit available and could require that a portion of our bank debt be repaid.

Natural gas and oil prices are expected to remain volatile for the near future because of market uncertainties over the supply and the demand of these commodities due to the current state of the world economies. Volatile natural gas and oil prices make it difficult to estimate the value of producing properties for acquisitions and often cause disruption in the market for natural gas and

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oil producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

We mainly sell our natural gas, natural gas related products (NGLs and condensate) and crude oil products to gas and oil trading companies or companies involved in gas and oil trading. The selling price of our natural gas benchmarks to Canadian Gas Price Reporter, which is also known as Alberta Energy Company natural gas price (“**AECO natural gas price**”), while the natural gas related products and crude oil products benchmark to monthly average of WTI commodity price. During the Track Record Period, we also entered into sales agreements to sell our natural gas over a time period at a specified price and volume. The sales value accounted for 29.6%, 23.9%, 72.2% and 52.0% of our total revenue from crude oil and natural gas sales for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, respectively. Therefore, the sales of remaining production which accounted for 70.4%, 76.1%, 27.8% and 48.0% of our total revenue from crude oil and natural gas sales for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, respectively, were sensitive to the respective market price movements.

The table below shows the average market prices and average sales prices for our natural gas, crude oil, NGLs and condensate and the average realized sales price and forward sales price for our natural gas during the Track Record Period.

	Year ended December 31			Nine months ended September 30
	2013	2014	2015	2016
<b>Natural gas</b>				
Average market price (C\$ per Mcf) <sup>(Note 1)</sup>	3.23	4.57	2.74	2.01
Average realized price (C\$ per Mcf) <sup>(Note 2)</sup>	3.53	5.02	2.43	1.70
Average forward sales price (C\$ per Mcf) <sup>(Note 3)</sup>	3.73	4.07	3.95	3.10
Average sales price (C\$ per Mcf) <sup>(Note 4)</sup>	3.62	4.70	3.61	2.45
<b>Crude oil</b>				
Average market price (C\$ per Bbl) <sup>(Note 5)</sup>	100.88	102.71	62.29	41.34
Average sales price (C\$ per Bbl) <sup>(Note 4)</sup>	91.92	93.50	49.09	47.14
<b>NGLs</b>				
Average market price (C\$ per Bbl) <sup>(Note 5)</sup>	53.85	57.37	21.62	20.44
Average sales price (C\$ per Bbl) <sup>(Note 4)</sup>	48.16	51.05	17.98	17.66
<b>Condensate</b>				
Average market price (C\$ per Bbl) <sup>(Note 5)</sup>	104.70	102.44	60.42	53.54
Average sales price (C\$ per Bbl) <sup>(Note 4)</sup>	96.37	88.92	61.81	49.54

Notes:

- (1) The average market price was the AECO same day spot price averaged over the period.

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- (2) The average realised price represents the average price of natural gas sales excluding the sales derived from forward sales.
- (3) The average forward sales price was the price agreed in the forward sales agreements to sell our Company's natural gas at a specified price and volume.
- (4) The average sales price was the weighted average price calculated by our Company.
- (5) The average market price was the average WTI daily settlement price of the near month contract over the period price.

Our average sales price of natural gas consisted the weighted average of the average realized price and the average forward sales price of natural gas. The average realized price represents the average price of natural gas sales excluding the sales derived from forward sales. Our average realized price of natural gas fluctuated from C\$3.53 per Mcf in 2013 to C\$5.02 per Mcf in 2014, and further to C\$2.43 per Mcf in 2015 and C\$1.70 per Mcf in the first nine months of 2016, mainly due to market price movement.

Our average sales price of crude oil fluctuated from C\$91.92 per Bbl in 2013 to C\$93.50 per Bbl in 2014, and further to C\$49.09 per Bbl in 2015 and further to C\$47.14 per Bbl for the nine months ended September 30, 2016, mainly due to market price movement.

Our average sales price of NGLs fluctuated from C\$48.16 per Bbl in 2013 to C\$51.05 per Bbl in 2014, and further to C\$17.98 per Bbl in 2015 and further to C\$17.66 per Bbl for the nine months ended September 30, 2016 while condensate decreased from C\$96.37 per Bbl in 2013 to C\$88.92 per Bbl in 2014, and further to C\$61.81 per Bbl in 2015 and further to C\$49.54 per Bbl for the nine months ended September 30, 2016, mainly due to market price movement.

We sold our natural gas benchmarked to AECO natural gas price and our crude oil and NGLs and condensate benchmarked to monthly average WTI commodity price. Our Company also entered into forward sales agreements to sell our natural gas over a time period at a specified price and volume. Since we used the weighted average to calculate the average sales prices, the volatilities in price and volume sold in each month led to the average sales price of crude oil, NGLs and condensate was lower than the average market price for the years ended December 31, 2013, 2014, 2015 and for the nine months ended September 30, 2016 and the average realized price of natural gas was lower than the average market price for the years ended December 31, 2015 and the nine months ended September 30, 2016.

For more information, please see the section headed "Industry Overview — Overview of the Global Natural Gas and Oil Industry". The outlook for natural gas, crude oil, NGLs and condensate prices is also one of the key factors impacting our reserve estimates and future investment plans, which in turn affect our expected production volumes and sales revenue for future periods.

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### **Project Development and Production Volume**

During the Track Record Period, production volume is affected by our Company's land acquisition and retention, seismic data study, drilling technique, natural resources price forecast and development plan.

There are three phases in the operations including the exploration phase, development phase and production phase. During the exploration phase, we conducted G&G study combined with seismic mapping to propose drilling locations which might generate natural gas and crude oil prospects on the undeveloped land we have acquired. As at September 30, 2016, as estimated by GLJ, our land held 77 drilling locations.

During the development and production phases, our production volume largely depended on our drilling and production schedule. As at January 1, 2013, our Company initially had 4 drilled natural gas wells. In 2013, one new natural gas well was drilled and turned into production. There are 5, 6, 5 and 5 producing wells as at December 31, 2013, 2014, 2015 and September 30, 2016, respectively. Accordingly, the production volume of natural gas fluctuated from 4,202,855 Mcf in 2013 to 5,697,904 Mcf in 2014, to 3,788,831 Mcf in 2015 and 5,183,384 Mcf in the first nine months of 2016. NGLs and condensate are the by-products from the production of natural gas. The production volume of NGLs and condensate fluctuated from 45,180 Bbl in 2013 to 29,682 Bbl in 2014, to 30,975 Bbl in 2015 and to 41,488 Bbl for the nine months ended September 30, 2016.

The price forecasts by management directly affect the production volume of our Company. Producing wells may be shut in due to economic limit considerations and production plan may be delayed or scaled down if management concluded an adverse price forecasts on the natural resources. During the Track Record Period, the number of wells of crude oil in production decreased from 4 in 2013 to 3 as at December 31, 2014 and further to 1 as at December 31, 2015 mainly due to economic limit considerations. Our production volume of crude oil decreased from 50,453 Bbl in 2013 to 37,395 Bbl in 2014 and further to 19,536 Bbl in 2015, mainly due to the decreasing number of wells in production during the Track Record Period.

During the Track Record Period, our total production volume were 796,109 Boe, 1,016,727 Boe, 681,983 Boe and 921,484 Boe, respectively.

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The table below shows the number of producing wells and production volume for our natural gas, crude oil, NGLs and condensate during the Track Record Period:

	Year Ended December 31			Nine months ended September 30
	2013	2014	2015	2016
	<b>Natural Gas</b>			
Producing wells	5	6	5	5
Production volume (Mcf)	4,202,855	5,697,904	3,788,831	5,183,384
<b>Crude oil</b>				
Producing wells	4	3	1	2
Production volume (Bbl)	50,453	37,395	19,536	16,098
<b>NGLs and Condensate (by-product of natural gas)</b>				
Producing wells	5	6	5	5
Production volume (Bbl)	45,180	29,682	30,975	41,488

We intend to explore our undeveloped land position of 111,168 net acres to upgrade our Resources to Reserves by drilling and developing our 77 drilling locations as estimated by GLJ. According to our Company's three-year development plan, our Company intends to focus on drilling a total of 13 drilling locations in Basing in the Alberta Foothills area.

Please refer to the section headed "Business — Three-year Development Plan" for more information on our three-year development plan.

### **Uncertainty of Reserve Estimates and Testing for Impairment**

We prepare reserve estimates for each of our crude oil and natural gas resources areas with the help of our independent technical expert and include natural gas, crude oil and NGLs that our Competent Persons' Reports provide reserve estimates for each property at least annually and issue a report thereon. Proved Reserves are those quantities that by analysis of geoscience and engineering data can be estimated with reasonable certainty to be commercially recoverable from a given date forward and under defined economic conditions, operating methods and government regulations. Probable Reserves are those additional reserves that analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves. Our independent technical expert prepared the reserve estimates based on judgments and decisions based on available geological, geophysical, engineering and economic data, including, but not limited to, current production estimates, prices and economic

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conditions. In addition to the primary economic assumptions, our reserve estimates are based on assumptions, including that geological and engineering estimates which have inherent uncertainties, the effects of regulation by governmental agencies such as initial production rates, production decline rates, ultimate recovery of reserves and contingent resources, historical production in the area and similar producing areas, timing and amount of capital expenditures, marketability of production, current and estimated future commodity prices, our ability to transport our product to various markets, production cost, abandonment and salvage values and royalties and other government levies that may be imposed over the productive life of the reserves. Therefore, reserve estimates may increase or decrease as a result of market conditions, future operations, changes in regulations, or actual reservoir performance. In addition, as in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering and geoscience data.

The reserve estimates are important to us for making future development and production plans and estimating our expected recovery of production cost incurred and future gas revenue. Under IFRS, we accounted for the depletion of developed and producing asset based on the unit-of-production method for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016. We apply the unit-of-production method based mainly on proved and probable reserves as at December 31, 2013, 2014 and 2015 and September 30, 2016. Thus, changes in proved and probable reserves will affect unit-of-production depletion relating to developed and producing asset recorded in our financial statements. A reduction in proved and probable reserves will increase depletion charges for developed and producing asset, assuming constant production levels, and will reduce our profit accordingly. The reserve estimates are also an important element in our testing for impairment. The most significant cause of the annual revision of the estimated reserves tends to be changes in the technical maturity of reserves resulting from new information becoming available from exploration, development and producing well and changes in commodity price.

### **DESCRIPTION OF CERTAIN STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS**

The following table sets forth our statements of profit or loss and other comprehensive income during the Track Record Period which has been extracted from the Accountants' Report of our Company set out in Appendix I to the Prospectus. The section should be read together with our Statements of Profit or Loss and Other Comprehensive Income and relevant notes to the Accountants' Report.

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### STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended December 31			Nine months ended September 30	
	2013	2014	2015	2015	2016
	C\$'000	C\$'000	C\$'000	C\$'000	C\$'000
				(unaudited)	
Revenue from crude oil and natural gas sales	23,497	32,424	16,080	12,320	15,151
Royalties	(3,715)	(5,295)	(1,072)	(1,639)	(1,103)
<b>Net Revenue</b>	19,782	27,129	15,008	10,681	14,048
Operating costs	(5,056)	(5,556)	(3,636)	(2,752)	(4,468)
General and administrative cost	(2,858)	(3,135)	(2,330)	(1,609)	(2,030)
Depletion and depreciation	(9,374)	(6,977)	(4,596)	(3,486)	(5,513)
Impairment losses and write-offs on exploration and evaluation assets	(363)	(1,786)	(2,364)	(2,359)	(812)
Impairment losses and write-offs on property, plant and equipment	(196)	(1,629)	(750)	(750)	—
Share-based compensation	—	(1,511)	—	—	(221)
Transaction costs	—	—	(542)	(61)	(2,260)
<b>Profit/(loss) from operations</b>	1,935	6,535	790	(336)	(1,256)
Other income	—	—	—	—	7
Finance expenses	(2,673)	(3,163)	(3,275)	(2,448)	(2,393)
Realized gain/(loss) on financial derivative instruments	84	(370)	—	—	—
<b>(Loss)/profit before income taxes</b>	(654)	3,002	(2,485)	(2,784)	(3,642)
Income taxes	—	—	—	—	—
<b>(Loss)/profit and total comprehensive income for the year/period</b>	<u>(654)</u>	<u>3,002</u>	<u>(2,485)</u>	<u>(2,784)</u>	<u>(3,642)</u>

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### Revenue

The following table shows the breakdown of our revenue before royalties by types of natural resources and their respective percentage of the total revenue during the Track Record Period:

	Year ended December 31						Nine months ended September 30			
	2013		2014		2015		2015		2016	
	C\$'000	%	C\$'000	%	C\$'000	%	C\$'000	%	C\$'000	%
							(unaudited)			
Natural gas	15,211	64.7	26,795	82.6	13,683	85.1	10,670	86.6	12,712	83.9
Crude oil	4,638	19.7	3,496	10.8	959	6.0	578	4.7	759	5.0
NGLs and condensate	3,648	15.6	2,133	6.6	1,438	8.9	1,072	8.7	1,680	11.1
Total revenue	23,497	100	32,424	100	16,080	100	12,320	100	15,151	100

Our revenue was derived from sales of: (i) natural gas; (ii) crude oil; and (iii) NGLs and condensate.

### *Sales of Natural Gas*

During the Track Record Period, our Company sold natural gas to customers which were gas and oil trading companies or companies who are involved in gas and oil trading. For the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, our revenue from the sales of natural gas amounted to C\$15,211,467, C\$26,795,211, C\$13,683,194 and C\$12,711,794 respectively, representing 64.7%, 82.6%, 85.1% and 83.9% of the total revenue.

The revenue derived from our sales of natural gas was mainly subject to the average sales price and the sales volume of natural gas. During the Track Record Period, the sales volume of natural gas was 4,202,855 Mcf in 2013, 5,697,904 Mcf in 2014, 3,788,831 Mcf in 2015 and 5,183,384 Mcf in the first nine months of 2016. The sales volume of our natural gas was subject to the development projects in the Alberta Foothills.

During the Track Record Period, we also entered into forward sales contract to sell our natural gas at a specified price of C\$3.73 per Mcf, C\$4.07 per Mcf, C\$3.95 per Mcf and C\$3.10 per Mcf in 2013, 2014 and 2015 and the first nine months of 2016 respectively. Our Company sold the remaining gas to the market at market price corresponding to the time at which it was sold. The average realized price of our natural gas was highly sensitive to Canadian Gas Price Reporter, with a premium to the Canadian Gas Price Reporter due to higher heat value of the gas our Company produced. During the Track Record Period, the average realized price of natural gas was C\$3.53 per Mcf in 2013, C\$5.02 per Mcf in 2014 and C\$2.43 per Mcf in 2015 and C\$1.70 per Mcf in the first nine months of 2016. Our average sales price of natural gas consisted of the weighted average of

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the average realized price and the forward sales price of natural gas and amounted to C\$3.62 per Mcf, C\$4.70 per Mcf, C\$3.61 per Mcf and C\$2.45 per Mcf in 2013, 2014 and 2015 and the first nine months of 2016 respectively.

The following table shows the sales volume and average sales price of our natural gas during the Track Record Period:

	<u>Sales volume</u>	<u>Average sales price</u>
	Mcf	C\$/Mcf
Year ended December 31, 2013	4,202,855	3.62
Year ended December 31, 2014	5,697,904	4.70
Year ended December 31, 2015	3,788,831	3.61
Nine months ended September 30, 2016	5,183,384	2.45

### *Sales of Crude Oil*

During the Track Record Period, our Company sold crude oil to a customer which was a trading company in Canada. For the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, our revenue from the sales of crude oil amounted to C\$4,637,508, C\$3,496,316, C\$958,940 and C\$758,908 respectively, representing 19.7%, 10.8%, 6.0% and 5.0% of the total revenue.

The revenue derived from our sales of crude oil was mainly subject to the average sales price and the sales volume of crude oil. During the Track Record Period, the sales volume of crude oil was 50,453 Bbl in 2013, 37,395 Bbl in 2014 and 19,536 Bbl in 2015 and 16,098 Bbl for the nine months ended September 30, 2016. The sales volume of our crude oil was subject to the projects in Peace River.

The average sales price of our crude oil was highly sensitive to WTI crude oil price. The average sales price of crude oil was C\$91.92 per Bbl in 2013, C\$93.5 per Bbl in 2014, C\$49.09 per Bbl in 2015 and C\$47.14 per Bbl in the first nine months of 2016.

The following table shows the sales volume and average sales price of our crude oil during the Track Record Period:

	<u>Sales volume</u>	<u>Average sales price</u>
	Bbl	C\$/Bbl
Year ended December 31, 2013	50,453	91.92
Year ended December 31, 2014	37,395	93.50
Year ended December 31, 2015	19,536	49.09
Nine months ended September 30, 2016	16,098	47.14

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### *Sales of NGLs and Condensate*

During the Track Record Period, our Company sold NGLs and condensate to customers which were oil and gas trading companies in Canada. For the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, our revenue from the sales of NGLs and condensate amounted to C\$3,648,074, C\$2,132,340 and C\$1,437,464 and C\$1,680,553 respectively, representing 15.6%, 6.6% and 8.9% and 11.1% of the total revenue.

The revenue derived from our sales of NGLs and condensate was mainly affected by the average sales price and sales volume of such products. During the Track Record Period, the sales volume of NGLs and condensate was 45,180 Bbl in 2013, 29,682 Bbl in 2014, 30,975 Bbl in 2015 and 41,488 Bbl in the first nine months of 2016. The sales volume of our NGLs and condensate was subject to the development projects in the Alberta Foothills.

Both of the average sales price of our NGLs and condensate were highly sensitive to WTI commodity price. The average sales price of our NGLs was C\$48.16 per Bbl in 2013, C\$51.05 per Bbl in 2014, C\$17.98 per Bbl in 2015 and C\$17.66 per Bbl in the first nine months of 2016. The average sales price of our condensate was C\$96.37 per Bbl in 2013, C\$88.92 per Bbl in 2014, C\$61.81 per Bbl in 2015 and C\$49.54 per Bbl in the first nine months of 2016.

The following table shows the sales volume and average sales price of our NGLs and condensate during the Track Record Period:

	<u>Sales volume</u>	<u>Average sales price</u>
	<b>Bbl</b>	<b>C\$/Bbl</b>
Year ended December 31, 2013	45,180	80.74
Year ended December 31, 2014	29,682	71.84
Year ended December 31, 2015	30,975	46.41
Nine months ended September 30, 2016	41,488	40.51

### **Production Costs and Total Cash Operating Costs**

The production costs and total cash operating costs of our Company include royalties and operating costs as set out in the Accountants' Report in the Appendix I to the Prospectus.

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### *Royalties*

	Year ended December 31			Nine months ended September 30	
	2013	2014	2015	2015	2016
	C\$'000	C\$'000	C\$'000	C\$'000	C\$'000
Natural gas, NGLs and condensate	2,979	4,074	757	1,438	894
Crude oil	736	1,221	315	201	209
	3,715	5,295	1,072	1,639	1,103

For the years ended December 31, 2013, 2014 and 2015 and for the nine months ended September 30, 2016, royalties paid for natural gas, NGLs and condensate amounted to C\$2,979,358, C\$4,073,678, C\$756,895 and C\$893,715, representing 80.2%, 76.9%, 70.6% and 81.0% of the total royalties paid, respectively.

For the years ended December 31, 2013, 2014 and 2015 and for the nine months ended September 30, 2016, royalties paid for crude oil amounted to C\$736,032, C\$1,220,972, C\$314,803 and C\$209,232, representing 19.8%, 23.1%, 29.4% and 19.0% of the total royalties paid, respectively.

Alberta requires royalties to be paid on the production of natural resources from lands for which it owns the mineral rights. In Alberta, royalties are mainly subject to royalty rate and royalty base, which are set by a sliding scale formula containing separate elements that account for market price and well production.

During the Track Record Period, our Company's royalty rate for natural gas ranged from 5% to 33.01%, the royalty rate for NGLs (propane and butane) was 30% and the royalty rate for condensate was 40%. Our Company's royalty rate for natural gas was also influenced by the Natural Gas Deep Drilling Program ("NGDDP") under which the government would grant royalty incentives to natural gas well with a true vertical depth of greater than 2,000 meters.

During the Track Record Period, our Company's royalty rate for crude oil ranged from 0% to 40%.

### **Operating Costs**

During the Track Record Period, the operating costs mainly consisted of: (i) fuel, electricity, water and other services; (ii) product marketing and transport; (iii) consumables; (iv) workforce employment; (v) environmental protection and monitoring; and (vi) non-income taxes and other governmental charges.

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The following table shows the breakdown of operating cost during the Track Record Period:

	Year ended December 31			Nine months ended September 30	
	2013	2014	2015	2015	2016
	C\$'000	C\$'000	C\$'000	C\$'000	C\$'000
				(unaudited)	
<b>Natural gas, NGLs and condensate</b>					
Workforce employment	589	739	531	396	609
Consumables	426	489	315	232	447
Fuel, electricity, water and other services	1,613	2,462	1,618	1,177	1,810
Environmental protection and monitoring	64	76	86	68	90
Product marketing and transport	911	1,124	693	534	1,113
Non-income taxes and other governmental charges	3	23	102	134	207
Sub-total	3,606	4,913	3,345	2,541	4,276
Average operating cost (C\$ per Boe) for natural gas, NGLs and condensate	4.84	5.02	5.05	4.82	4.72
<b>Crude oil</b>					
Workforce employment	131	89	46	39	35
Consumables	281	176	21	19	7
Fuel, electricity, water and other services	394	23	52	26	35
Environmental protection and monitoring	7	—	—	—	—
Product marketing and transport	636	355	154	97	72
Non-income taxes and other governmental charges	1	—	18	30	43
Sub-total	1,450	643	291	211	192
Average operating cost (C\$ per Bbl) for crude oil	28.74	17.20	14.94	17.66	11.92
Total	5,056	5,556	3,636	2,752	4,468
Average operating cost (C\$ per Boe)	6.35	5.46	5.33	5.11	4.85

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For the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, operating cost amounted to C\$5,055,775, C\$5,556,029, C\$3,636,433 and C\$4,468,369 respectively. During the Track Record Period, most of the revenue was generated from the sales of natural gas, NGLs and condensate. As a result, the operating cost from the natural gas related business accounted for 71.3%, 88.4%, 92.0% and 95.7% of the total costs for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016 respectively whereas the operating cost from the crude oil related business accounted for 28.7%, 11.6%, 8.0% and 4.3% respectively. The average operating cost per Boe for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016 were C\$6.35, C\$5.46, C\$5.33 and C\$4.85 respectively.

### *Natural Gas, NGLs and Condensate*

For the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, the operating cost spent for the natural gas, NGLs and condensate business amounted to C\$3,605,887, C\$4,912,795, C\$3,344,602 and C\$4,276,494, representing 71.3%, 88.4%, 92.0% and 95.7% of the total operating costs, respectively. During the Track Record Period, the operating costs from the natural gas, NGLs and condensate related business mainly consisted of: (i) fuel, electricity, water and other services, which accounted for 44.7%, 50.1%, 48.4% and 42.3% of the operating cost from the natural gas, NGLs and condensate business; (ii) product marketing and transport, which accounted for 25.3%, 22.9%, 20.7% and 26.0% of the operating cost from the natural gas, NGLs and condensate business; and (iii) consumables, which accounted for 11.8%, 10.0%, 9.4% and 10.5% of the operating cost from natural gas, NGLs and condensate business. The average operating cost per Boe in the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016 were C\$4.84, C\$5.02, C\$5.05 and C\$4.72 respectively.

### *Crude Oil*

For the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, the operating costs spent for the crude oil related business amounted to C\$1,449,888, C\$643,234, C\$291,831 and C\$191,875, representing 28.7%, 11.6%, 8.0% and 4.3% of the total operating costs in years 2013, 2014 and 2015 and the nine months ended September 30, 2016 respectively. During the Track Record Period, the operating costs from crude oil related business mainly consisted of: (i) product marketing and transport, which accounted for 43.8%, 55.2%, 52.9% and 37.5% of the operating cost from the crude oil business; (ii) consumables, which accounted for 19.4%, 27.4%, 7.2% and 3.5% of the operating cost from the crude oil business; and (iii) fuel, electricity, water and other services, which accounted for 27.2%, 3.6%, 17.9% and 18.2% of the operating cost from the crude oil business. The average operating cost per Bbl for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016 were C\$28.74, C\$17.20, C\$14.94 and C\$11.92 respectively.

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### General and Administrative Cost

The following table shows the breakdown of general and administrative cost during the Track Record Period:

	Year ended December 31			Nine months ended September 30	
	2013	2014	2015	2015	2016
	C\$'000	C\$'000	C\$'000	C\$'000	C\$'000
				(unaudited)	
Staff costs	1,209	1,547	1,171	729	961
Accounting, legal and consulting fees	521	684	268	200	241
Office rent	494	423	480	351	393
Others	634	481	411	329	435
<b>Total general and administrative cost</b>	<b>2,858</b>	<b>3,135</b>	<b>2,330</b>	<b>1,609</b>	<b>2,030</b>

For the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, the general and administrative cost amounted to C\$2,857,929, C\$3,135,459, C\$2,330,164 and C\$2,029,788 respectively. During the Track Record Period, the general and administrative cost mainly consisted of staff costs, accounting, legal and consulting fees, office rent and others. Others mainly included office supplies, insurance and travel & accommodation, etc.

During the Track Record Period, the staff costs (excluding share-based compensation) were C\$1,209,449, C\$1,547,193, C\$1,171,435 and C\$960,848 respectively, representing 42.3%, 49.3%, 50.3% and 47.3% of the total general and administrative cost for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016.

During the Track Record Period, the accounting, legal and consulting fees were C\$520,502, C\$684,236, C\$267,604 and C\$241,439 respectively, representing 18.2%, 21.8%, 11.5% and 11.9% of the total general and administrative cost for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016. The accounting, legal and consulting fees mainly include expenses spent on: (i) one-off IFRS transition fee; (ii) annual audit fee; (iii) lawyer's fee for all legal related matters; and (iv) reserve evaluation and reporting fees. The listing fees were reclassified as transaction cost and separately disclosed.

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### Finance Expenses

The following table shows the breakdown of the finance expenses during the Track Record Period:

	Year ended December 31			Nine months ended September 30	
	2013	2014	2015	2015	2016
	C\$'000	C\$'000	C\$'000	C\$'000	C\$'000
Interest expense and financing cost	2,637	3,071	2,937	2,195	2,143
Amortization of debt issuance costs	—	70	318	238	236
Accretion expense	36	22	20	15	14
<b>Total finance expenses</b>	<b>2,673</b>	<b>3,163</b>	<b>3,275</b>	<b>2,448</b>	<b>2,393</b>

For the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, finance expenses amounted to C\$2,673,373, C\$3,162,897, C\$3,275,010 and C\$2,393,129 respectively. During the Track Record Period, the finance expenses consisted of interest expense on bank debt, interest expense on loan from a private lender, interest expense on loan from employees and contractors, financing cost, amortization of debt issuance costs and accretion expense.

Interest expenses represented the payment of interest for the loans which are used for the addition of new well sites, the purchase of land and the property, plant and equipment.

IAS 23 requires the capitalisation of borrowing costs as part of the cost of qualifying assets, one that necessarily take a substantial period of time to get ready for their intended use or sale. Our Company considers that requirements of IAS 23 do not override the exception in paragraph 9 of IFRS 6 that allows an entity to choose either expensing or capitalising each type of E&E expenditure. This is because IFRS 6 defines “E&E expenditure” as expenditure incurred in connection with E&E activities, which definition is broad enough to cover the related financing of such activities. In addition, our Company notes that during the Track Record Period, it usually took 45 to 60 days to drill a new well, so short that our Company is of the view that there were no asset which would take substantial period of time (a period well in excess of six months) to complete or get ready for its intended use. Accordingly, our Company chose to expense, instead of capitalising, our finance expenses in relation to acquisition of PPE and E&E assets during the Track Record Period in line with our accounting policy.

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Amortization of debt issuance costs represented legal fees, commissions and commitment fees, which are incurred due to closing of the credit and term facility arrangement in year 2014. These costs were capitalized against the bank loan account and then amortized as a debt issuance costs account.

The accretion expense was an expense recognized when updating the present value of the decommissioning provision discounted at a discount rate applied. For details of decommissioning liabilities, please refer to Note 13 in the Accountants' Report set out in Appendix I to this Prospectus.

### Depletion and Depreciation

The following table shows the breakdown of the depletion and depreciation expenses during the Track Record Period:

	Year ended December 31			Nine months ended September 30	
	2013	2014	2015	2015	2016
	C\$'000	C\$'000	C\$'000	C\$'000	C\$'000
				(unaudited)	
Depletion	9,349	6,948	4,570	3,468	5,507
Depreciation	25	29	26	18	6
Total depletion and depreciation	9,374	6,977	4,596	3,486	5,513

### *Depletion*

For the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, depletion expense amounted to C\$9,348,728, C\$6,947,993, C\$4,570,467 and C\$5,506,655 respectively. During the Track Record Period, depletion expense comprised the depletion of developed and producing assets.

Depletion is calculated using depletion base and depletion ratio. Depletion base depended on net book value of developed and producing assets at the end of the year and future development cost, while depletion ratio depended on production volume for the year and total proved and probable reserves at the beginning of the year.

### *Depreciation*

For the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, depreciation expense amounted to C\$24,969, C\$28,794, C\$25,636 and C\$6,383 respectively. During the Track Record Period, depreciation expense comprised the depreciation of office fixed assets, such as office furniture, office equipment, vehicles, computer hardware and computer software.

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### **Impairment Losses and Write-offs**

For the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, impairment losses and write-offs amounted to C\$558,780, C\$3,414,583, C\$3,113,202 and C\$812,452 respectively.

An impairment loss is recognized in the profit and loss account if the carrying amounts of the development and production assets exceed its estimated recoverable amount. During the Track Record Period, the fluctuation of impairment losses and write-offs was mainly due to the decline in forecasted price of our crude oil and natural gas resources and the expiry of certain Crown Leases and not renewing the leases of certain undeveloped assets as they were considered not to have further prospective value and PNG Licences.

### **Share-based Compensation**

For the year ended December 31, 2014, share-based compensation amounted to C\$1,510,908. During the year ended December 31, 2014, our Company issued Class B Shares to employees and consultants to settle the employees' loan; and issued Class B Shares to employees and consultants for cash proceeds. The deemed price of Class B Shares issued was higher than the actual price, which resulted in share-based compensation of C\$1,510,908.

For the nine months ended September 30, 2016, share-based compensation amounted to C\$221,332. During the nine months ended September 30, 2016, our Company issued Class B Shares to employees for cash proceeds. The deemed price of Class B Shares issued was higher than the actual price, which resulted in share-based compensation of C\$221,332.

For details of employees' loan, please refer to Notes 12 and 14 in the Accountants' Report set out in Appendix I to this Prospectus.

### **Transaction Costs**

During the year ended December 31, 2015, we incurred transaction costs of C\$542,081 due to the preparation of the pending Stock Exchange listing. For the nine months ended September 30, 2016, we incurred transaction costs of C\$2,260,123 attributable to the preparation of the application for Listing.

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### Realized Gain/(loss) on Financial Derivative Instruments

The following table shows the details of financial derivative instruments entered into during the Track Record Period:

Instrument	Term	Forward Sales Price	Reference	Quantity	Realized gain/(loss)
		C\$		GJ/day	C\$
<b>December 31, 2013</b>					
Swap	April 1, 2013 to October 31, 2013	3.26	C\$ AECO	1,000	84,085
<b>December 31, 2014</b>					
Swap	January 1, 2014 to December 31, 2014	4.03	C\$ AECO	4,500	(370,801)

Realized gain/(loss) on financial derivative instruments consisted of swaps with terms April 1, 2013 to October 31, 2013 and January 1, 2014 to December 31, 2014.

During the Track Record Period, our swaps were denominated in C\$. The fair value of financial derivative contracts and swaps was derived from quoted prices received from financial institutions and was based on published forward price curves as at the measurement date, using the remaining contracted natural gas volumes. For the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, the realized gain/(loss) on financial derivative amounted to C\$84,085, C\$(370,801), C\$nil and C\$nil respectively.

During the Track Record Period, the fluctuation of realized gain or loss on financial derivative was mainly attributable to the difference between the forward sales price at the time of entrance and the subsequent movement of AECO market price at the time of settlement and therefore the resulting difference in fair value of financial derivatives between the time periods.

### REVIEW OF HISTORICAL OPERATING RESULTS

#### For the Nine Months Ended September 30, 2016 Compared with the Nine Months Ended September 30, 2015

##### *Revenue*

Our revenue increased by 23.0% from C\$12,319,780 for the nine months ended September 30, 2015 to C\$15,151,255 for the nine months ended September 30, 2016. The increase primarily reflected the increase of sales in both natural gas, crude oil and NGLs and condensate.

##### *Sales of Natural Gas*

Our revenue generated from the sales of natural gas business increased by 19.1% from C\$10,669,099 for the nine months ended September 30, 2015 to C\$12,711,794 for the nine months ended September 30, 2016. The increase in revenue was mainly due to the increase in the sales

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volume by 71.8% of natural gas from 3,017,496 Mcf for the nine months ended September 30, 2015 to 5,183,384 Mcf for the nine months ended September 30, 2016, partially offset by the decrease in average sales price of natural gas by 30.8% from C\$3.54/Mcf to C\$2.45/Mcf.

### *Sales of Crude Oil*

Our revenue generated from the sales of crude oil increased by 31.0% from C\$579,129 for the nine months ended September 30, 2015 to C\$758,908 for the nine months ended September 30, 2016. The increase in revenue was mainly due to the increase in the sales volume of crude oil from 11,941 Bbl for the nine months ended September 30, 2015 to 16,098 Bbl for the nine months ended September 30, 2016, partially offset by the decrease in average sales price of crude oil by 2.8% from C\$48.50/Bbl to C\$47.14/Bbl.

### *Sales of NGLs and Condensate*

Our revenue generated from the sales of NGLs and condensate increased by 56.8% from C\$1,071,552 for the nine months ended September 30, 2015 to C\$1,680,553 for the nine months ended September 30, 2016. The increase in revenue was mainly due to the increase in the sales volume of NGLs and condensate from 23,924 Bbl for the nine months ended September 30, 2015 to 41,488 Bbl for the nine months ended September 30, 2016. The increase was mainly due to higher demand for NGLs, which is an important input in petrochemical processing.

### *Royalties*

For the nine months ended September 30, 2015 and 2016, royalties decreased by 32.7% from C\$1,639,001 to C\$1,102,947. Our Company's royalty rate went down from 13.3% for the nine months ended September 30, 2015 to 7.3% for the nine months ended September 30, 2016.

### *Operating Cost*

For the nine months ended September 30, 2015 and 2016, operating costs increased by 62.4% from C\$2,752,298 to C\$4,468,369, which was, mainly due to the increase in production volumes of natural gas, crude oil and NGLs and condensate.

### *Natural Gas, NGLs and Condensate*

For the nine months ended September 30, 2015 and 2016, the operating cost for the natural gas, NGLs and condensate related business increased by 68.3% from C\$2,541,418 to C\$4,276,494, which was, mainly due to the increase in production volume of natural gas and NGLs.

### *Crude Oil*

For the nine months ended September 30, 2015 and 2016, the operating cost for the crude oil related business slightly decreased by 9.0% from C\$210,880 to C\$191,875, which was mainly due to the slight decrease in the product marketing and transport cost.

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### *General and Administrative Cost*

For the nine months ended September 30, 2015 and 2016, general and administrative cost increased by 26.1% from C\$1,609,116 to C\$2,029,788, which was mainly due to an increase in staff costs. The staff costs (excluding share-based compensation) increased by 31.8% from C\$729,266 for the nine months ended September 30, 2015 to C\$960,848 for the nine months ended September 30, 2016. The increase is mainly due to the increase in the number of staff and appointment of independent non-executive Directors.

### *Finance Expenses*

For the nine months ended September 30, 2015 and 2016, finance expenses decreased slightly by 2.3% from C\$2,448,416 to C\$2,393,129.

### *Depletion and Depreciation*

For the nine months ended September 30, 2015 and 2016, depletion and depreciation expense increased by 58.2% from C\$3,485,693 for the nine months ended September 30, 2015 to C\$5,513,038 for the nine months ended September 30, 2016, which was mainly due to the increase in production volumes of natural gas in the Alberta Foothills.

#### *Depletion*

For the Alberta Foothills, production volumes increased more than the increase in the total Proved plus Probable Reserves, causing the depletion ratio to decrease from 2.7% to 2.1%.

For Peace River, production volumes increased more than the increase in the total Proved plus Probable Reserves, causing the depletion ratio to decrease from 11.4% to 7.1%.

#### *Depreciation*

For the nine months ended September 30, 2015 and 2016, the depreciation expense decreased by 64.8% from C\$18,110 to C\$6,383, which was mainly due to some fixed assets having fully depreciated.

### *Impairment Losses and Write-offs*

The impairment losses and write-offs decreased by approximately 73.9% from C\$3,108,690 for the nine months ended September 30, 2015 to C\$812,452 for the nine months ended September 30, 2016. The impairment losses and write-offs for the nine months ended September 30, 2015 and September 30, 2016 comprised direct write-offs of exploration and evaluation costs primarily related to exploration lands held by our Company which were allowed to expire in Kaydee in the Alberta Foothills and Otter in Peace River. There were no indicators of impairment to property, plant and equipment identified for our Basing and Dawson cash generating units at either September 30, 2016.

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### *Income Taxes*

For the nine months ended September 30, 2015 and 2016, there were no income taxes paid, which was mainly due to our Company having approximately C\$116.0 million, C\$115.0 million and C\$112.0 million of tax pools for deductions as at December 31, 2014 and 2015 and September 30, 2016, respectively.

### *Net Loss*

As a result of the abovementioned reasons, we recorded a net loss of C\$2,784,233 for the nine months ended September 30, 2015 and a net loss of C\$3,642,293 for the nine months ended September 30, 2016.

### **For the Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014**

### *Revenue*

Our revenue decreased by 50.4% from C\$32,423,867 for the year ended December 31, 2014 to C\$16,079,598 for the year ended December 31, 2015. The decrease primarily reflected the decrease of sales in both natural gas and crude oil.

### *Sales of Natural Gas*

Our revenue generated from the sales of natural gas business decreased by 48.9% from C\$26,795,211 for the year ended December 31, 2014 to C\$13,683,194 for the year ended December 31, 2015. The decrease in revenue compared to the same period in 2014 was mainly due to the decrease of the average sales price of natural gas from C\$4.7/Mcf in 2014 to C\$3.61/Mcf in 2015. At the same time, our Company shut in production from one gas well from January 2015 to August 2015 due to economic limit considerations and decreased the production volume from other gas wells due to the decreasing natural gas price and therefore the production volume decreased from 2014 to 2015.

### *Sales of Crude Oil*

Our revenue generated from the sales of crude oil business decreased by 72.6% from C\$3,496,316 for the year ended December 31, 2014 to C\$958,940 for the year ended December 31, 2015. The decrease in revenue compared to the same period in 2014 was mainly due to the decrease of the average sales price of crude oil from C\$93.50/Bbl in 2014 to C\$49.09/Bbl in 2015. At the same time, our Company shut in production from two crude oil wells in year 2015, which together with the natural decline of the existing well, decreased the production volume from 2014 to 2015.

### *Sales of NGLs and Condensate*

Our revenue generated from the sales of NGLs and condensate business decreased by 32.6% from C\$2,132,340 for the year ended December 31, 2014 to C\$1,437,464 for the year ended December 31, 2015. The decrease in revenue compared to the same period in 2014 was mainly due

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to the decline in sales price of NGLs from C\$51.05/Bbl in 2014 to C\$17.98/Bbl in 2015 and condensate from C\$88.92/Bbl in 2014 to C\$61.81/Bbl in 2015. The decrease was mainly due to lower NGLs and condensate demand, which are important inputs in petrochemical processing. With the decrease in oil prices, the petrochemical processing plants slowed down their production and therefore the market demand for NGLs and condensate dropped and price decreased in 2015.

### ***Royalties***

For the years ended December 31, 2014 and 2015, royalties decreased by 79.8% from C\$5,294,650 to C\$1,071,698, which was mainly due to the decreased production volume from 1,016,727 Boe in 2014 to 681,983 Boe in 2015. Therefore, our Company's royalty rate went down from 16.3% in 2014 to 6.7% in 2015. To a lesser extent, refunds totalling C\$815,970 from NGDDP under which the government would grant royalty incentives to natural gas well with a true vertical depth greater than 2,000 metres also attributes to the decrease in royalty.

### ***Operating Cost***

For the years ended December 31, 2014 and 2015, operating costs decreased by 34.5% from C\$5,556,029 to C\$3,636,433, which was, mainly due to the decrease in operating costs of natural gas, NGLs and condensate.

### ***Natural Gas, NGLs and Condensate***

For the years ended December 31, 2014 and 2015, the operating cost for the natural gas, NGLs and condensate related business decreased by 31.9% from C\$4,912,795 to C\$3,344,602, which was, mainly due to the shut-in of one well in Alberta Foothills from January 2015 to August 2015 and hence reducing production volume due to the decreasing price of natural gas.

### ***Crude Oil***

For the years ended December 31, 2014 and 2015, the operating cost for the crude oil related business decreased by 54.6% from C\$643,234 to C\$291,831, which was mainly due to: (i) the declining production volume of crude oil, largely due to the shut in of production from three of the producing crude oil wells in Peace River in 2015; and (ii) the lower service cost from the oil service provider due to the decreasing oil price.

### ***General and Administrative Cost***

For the years ended December 31, 2014 and 2015, general and administrative cost decreased by 25.7% from C\$3,135,459 to C\$2,330,164, which was, mainly due to a decrease in staff costs.

The staff costs (excluding share-based compensation) decreased by 24.3% from C\$1,547,193 in the year ended December 31, 2014 to C\$1,171,435 in the year ended December 31, 2015. The decrease is due to the layoff of an engineer and capitalization of C\$798,070 of payroll from general and administrative cost to E&E and development and production assets.

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### *Finance Expenses*

For the years ended December 31, 2014 and 2015, finance expenses increased by 3.5% from C\$3,162,897 to C\$3,275,010, which was mainly due to the amortization of debt issue costs increasing from 2 months amortized amount of C\$70,000 in the year ended December 31, 2014 to 12 months amortized amount of C\$317,613 in the year ended December 31, 2015. The capitalized debt issue costs include legal fees, commissions and fees commitment involved in the commencement of the credit facility arrangement with Macquarie Bank in 2014.

### *Depletion and Depreciation*

For the years ended December 31, 2014 and 2015, depletion and depreciation expense decreased by 34.1% from C\$6,976,787 in the year ended December 31, 2014 to C\$4,596,103 in the year ended December 31, 2015, which was mainly due to the decrease in production volumes of natural gas in the Alberta Foothills and without new wells put into production.

#### *Depletion*

For Alberta Foothills, production volumes decreased more than the decrease of the total proved and probable reserves causing the depletion ratio to decrease from 4.7% to 3.5%. To a lesser extent, the lower depletion base in the Alberta Foothills was also attributable to the decrease in depletion which was mainly due to the suspension of new drilling in 2015 together with depletion and the impairment loss in 2014 which decreased the net book value of developed and producing assets.

For Peace River, production volumes decreased more than the decrease in the total Proved plus Probable Reserves, causing the depletion ratio to decrease from 17.0% to 10.7%. To a lesser extent, the lower depletion base in Peace River was also attributable to a decrease in depletion which was mainly due to the suspension of new drilling in 2015, together with depletion and impairment loss in 2014 which decreased the net book value of developed and producing assets.

#### *Depreciation*

For the years ended December 31, 2014 and 2015, the depreciation expense decreased by 11.0% from C\$28,794 to C\$25,636, which was mainly due to some fixed assets having fully depreciated.

### *Impairment Losses and Write-offs*

The impairment losses and write-offs decreased approximately 8.8% from C\$3,414,583 for the year ended December 31, 2014 to C\$3,113,202 for the year ended December 31, 2015. The 2014 impairment losses and write-offs comprised direct write-offs of exploration and evaluation costs totalling C\$1,786,080 which primarily related to exploration lands held by our Company which were allowed to expire and an impairment loss totalling C\$1,628,503 relating to our Dawson cash generating unit primarily as a result of decreasing commodity prices. The 2015 impairment losses and write-offs comprised direct write-offs of exploration and evaluation costs totalling C\$2,363,231 which primarily related to exploration lands held by our Company which were allowed to expire

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and a direct write-off of property, plant and equipment totalling C\$541,966 and an impairment loss totalling C\$208,005 relating to our Dawson cash generating unit primarily as a result of further decreasing commodity prices.

### ***Realized gain/(loss) on Financial Derivative Instruments***

For the years ended December 31, 2014 and 2015, realized loss on financial derivative instruments changed from C\$370,801 to C\$nil, as we did not enter into any financial derivative instruments in 2015.

### ***Income Taxes***

For the years ended December 31, 2014 and 2015, there were no income taxes paid, which was mainly due to our Company having approximately C\$116 million and C\$115 million of tax pools for deductions as at December 31, 2014 and 2015, respectively.

### ***Net Profit/Loss***

We recorded a net profit of C\$3,001,753 for the year ended December 31, 2014 and a net loss of C\$2,485,093 for the year ended December 31, 2015 mainly due to the decrease in revenue.

## **For the Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013**

### ***Revenue***

Our revenue increased by 38.0% from C\$23,497,049 for the year 2013 to C\$32,423,867 for the year 2014. The increase primarily reflected the increase in revenue from the sales of natural gas.

### ***Sales of Natural Gas***

Our revenue generated from the sales of natural gas business increased by 76.2% from C\$15,211,467 for the year 2013 to C\$26,795,211 for the year 2014. The increase in revenue compared to the same period in 2013 was mainly due to the increase of the average sales price of natural gas from C\$3.62/Mcf for the year ended December 31, 2013 to C\$4.7/Mcf for the year ended December 31, 2014. At the same time, our Company put two new wells into production in November 2013 and September 2014 and therefore increased the production volume from 2013 to 2014.

### ***Sales of Crude Oil***

Our revenue generated from the sales of crude oil business decreased by 24.6% from C\$4,637,508 for the year 2013 to C\$3,496,316 for the year 2014. The decrease in revenue compared to the same period in 2013 was mainly due to: (i) the decrease in production volumes as a result of our Company suspending production from one well in Peace River in June 2013 due to negative anticipation of the market environment of crude oil by the Company's management; and (ii) the natural decline of existing wells.

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### *Sales of NGLs and Condensate*

Our revenue generated from the sales of NGLs and condensate decreased by 41.5% from C\$3,648,074 for 2013 to C\$2,132,340 for 2014. The decrease in revenue was mainly due to the decline in sales volume of NGLs and condensate from 45,180 Bbl for 2013 to 29,682 Bbl for 2014. The decrease was due to the reallocation of products in the gas processing plant, which was an offset to the sales volume of our NGLs by an amount equal to the overallocated volume of NGLs by the gas processor due to the allocation error of the gas processor during the years from 2010 to 2013.

### *Royalties*

For the years 2013 and 2014, royalties increased by 42.5% from C\$3,715,390 to C\$5,294,650, which was mainly due to increased production volume from 796,109 Boe in 2013 to 1,016,727 Boe in 2014. Our Company's effective royalty rate went up from 15.8% in 2013 to 16.3% in 2014. The increase was due to expiry of royalty holiday of oil wells and the higher increase in gas price and gas production volume as compared with the decrease in royalty due to NGDDP incentive credit on natural gas wells and the decrease in crude oil production in the Dawson area.

### *Operating Cost*

Our operating cost increased by 9.9% from C\$5,055,775 for the year ended December 31, 2013 to C\$5,556,029 for the year ended December 31, 2014. The increase primarily reflected the increase in operating cost of natural gas, NGLs and condensate due to an increase of production volumes.

### *Natural Gas, NGLs and Condensate*

For the years ended December 31, 2013 and 2014, the operating cost for the natural gas, NGLs and condensate related business increased by 36.2% from C\$3,605,887 to C\$4,912,795, which was mainly due to a new well commencing production in September 2014 and hence brought up the operating cost of natural gas, NGLs and condensate with new production volume from 2013 to 2014.

### *Crude Oil*

For the years ended December 31, 2013 and 2014, the operating cost for the crude oil related business decreased by 55.6% from C\$1,449,888 to C\$643,234, which was mainly due to: (i) the declining production volume of crude oil after our Company decided to shut-in one of the crude oil producing wells in Peace River in June 2013; and (ii) an increase on the lower service cost from the oil service provider due to decreasing oil prices.

### *General and Administrative Cost*

For the years ended December 31, 2013 and 2014, general and administrative cost increased by 9.7% from C\$2,857,929 to C\$3,135,459, which was mainly due to an increase in headcount, one-off IFRS transition fees and legal fees for legal related matters.

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The staff costs (excluding share-based compensation) increased by 27.9% from C\$1,209,449 in the year ended December 31, 2013 to C\$1,547,193 in the year ended December 31, 2014. The increase primarily reflected the addition of two new full time employees hired, including one executive during the year ended December 31, 2014.

The accounting, legal and consulting fees increased by 31.5% from C\$520,502 in the year ended December 31, 2013 to C\$684,236 in the year ended December 31, 2014. The increase primarily reflected: (i) annual audit and one-off IFRS transition fee; (ii) legal fees in connection with the conversion of the shareholder, employee and contractor's loans into common shares in 2014; and (iii) an increase in reserve evaluation and reporting fees.

### *Finance Expenses*

For the years ended December 31, 2013 and 2014, finance expenses increased by 18.3% from C\$2,673,373 to C\$3,162,897, which was mainly due to the increase in the interest bearing loan amount and the effective interest rate of the new long term bank loan in 2014 being higher than the effective interest rates on loans outstanding during 2013.

Please refer to the section headed "Financial Information — Indebtedness" for more information on the loan amount and the effective interest rate.

### *Depletion and Depreciation*

For the years ended December 31, 2013 and 2014, depletion and depreciation expense decreased by 25.6% from C\$9,373,697 to C\$6,976,787, which was mainly due to the decrease in depletion in Alberta Foothills.

#### *Depletion*

For the years ended December 31, 2013 and 2014, depletion expense decreased by 25.7% from C\$9,348,728 to C\$6,947,993, which was mainly due to the depletion incurred in Alberta Foothills.

For the Alberta Foothills, production volumes increased less than the increase of the total proved and probable reserves, causing the depletion ratio to decrease from 6.5% to 4.7%. The increase of the total Proved and Probable Reserves in the Alberta Foothills was mainly due to a new well being put into production in September 2014. To a lesser extent, for Peace River, production volume decreased more than the total Proved and Probable Reserves, causing the depletion ratio to decrease from 18.8% to 17.0%. Also, the depletion base in Peace River also decreased from 2013 to 2014 which was mainly due to the suspension of new drilling in 2014, together with the depletion and impairment loss that decreased the net book value of developed and producing assets.

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### *Depreciation*

For the years ended December 31, 2013 and 2014, the depreciation expense increased by 15.3% from C\$24,969 to C\$28,794, which was mainly due to the depreciation of the newly purchased fixed assets during the period.

### *Impairment Losses and Write-offs*

For the years ended December 31, 2013 and 2014, impairment losses and write-offs increased by 511% from C\$558,780 to C\$3,414,583, which was mainly due to: (i) declines in forecasted natural gas prices and forecasted crude oil prices in 2014 and certain E&E assets being determined to be non-recoverable due to the decision to suspend certain exploration activities in Peace River; and (ii) expiry of the certain licence rights of our lands in the Alberta Foothills.

### *Realized Gain/(loss) on Financial Derivative Instruments*

For the years ended December 31, 2013 and 2014, we recognized a gain on financial derivative instruments of C\$84,085 and a loss of C\$370,801 respectively. A gain of C\$84,085 is recorded for the year ended December 31, 2013 which was mainly due to the subsequent movement of AECO natural gas price down at the time of settlement compared with the forward sales price at the time of entrance during the year ended December 31, 2013. A loss of C\$370,801 was recorded in 2014 mainly due to the subsequent movement of AECO market price up at the time of settlement compared with the forward sales price at the time of entrance.

### *Income Taxes*

For the years ended December 31, 2013 and 2014, there were no income taxes paid, which was mainly due to our Company having approximately C\$114 million and C\$116 million of tax pools for deduction as at December 31, 2013 and 2014, respectively.

### *Net Loss/Profit*

We recorded a net loss of C\$653,810 for the year ended December 31, 2013 and a net profit of C\$3,001,753 for the year ended December 31, 2014 mainly due to the increase in revenue.

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### DISCUSSION OF STATEMENTS OF FINANCIAL POSITION ITEMS

#### Net Current Assets and Liabilities

The below table shows our current assets and current liabilities as at the dates indicated:

	As at December 31,			As at September 30,	As at December 31,
	2013	2014	2015	2016	2016
	C\$'000	C\$'000	C\$'000	C\$'000	C\$'000 (unaudited)
<b>Current assets</b>					
Cash and cash equivalents	—	4,975	5,413	3,215	3,966
Accounts receivable	2,864	4,526	2,298	3,688	3,228
Prepaid expenses and deposits	450	713	1,459	1,096	1,385
	<u>3,314</u>	<u>10,214</u>	<u>9,170</u>	<u>7,999</u>	<u>8,579</u>
<b>Current liabilities</b>					
Bank indebtedness	1,832	—	—	—	—
Bank loan	30,350	—	—	—	—
Shareholder's loan	69,419	—	—	—	—
Accounts payable and accrued liabilities	6,315	5,700	2,247	2,727	3,457
Other debt	9,277	—	—	—	—
	<u>117,193</u>	<u>5,700</u>	<u>2,247</u>	<u>2,727</u>	<u>3,457</u>
<b>Net current (liabilities)/assets</b>	<u>(113,879)</u>	<u>4,514</u>	<u>6,923</u>	<u>5,272</u>	<u>5,122</u>

Our Company had a net current liabilities position of C\$113,879,030 and a net current asset position of C\$4,514,170 as at December 31, 2013 and 2014 respectively. The change in net current assets position was mainly attributable to: (i) an increase in cash and cash equivalents of C\$4,974,910; (ii) an increase in accounts receivable of C\$1,661,793; (iii) a repayment in bank indebtedness of C\$1,831,820; (iv) a decrease in C\$30,350,000 of the short-term bank loan; (v) a capitalization of shareholder's loan of C\$69,418,658; and (vi) a decrease in other debt of C\$9,277,000.

As at December 31, 2014 and December 31, 2015, our Company recorded a net current asset position of C\$4,514,170 and C\$6,922,943 respectively. The change in net current assets position was mainly due to: (i) an increase in prepaid expenses and deposits of C\$745,293; (ii) an increase in cash and cash equivalent of C\$438,563; and (iii) a decrease in accounts payable and accrued liabilities of C\$3,453,231.

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Our Company had a net current asset position of C\$6,922,943 as at December 31, 2015 and a net current asset position of C\$5,271,986 as at September 30, 2016. The change in net current asset position was mainly attributable to the decrease in cash and cash equivalents from C\$5,413,473 as at December 31, 2015 to C\$3,215,362 as at September 30, 2016.

Our Company had a net current asset position of C\$5,271,986 as at September 30, 2016 and a net current asset position of C\$5,122,178 as at December 31, 2016, being the latest practicable date of ascertaining the net current asset position. The change in net current asset position was mainly attributable to the increase in account payable and accrual liabilities due to the increase in accrual expenses for listing fees.

### **Cash and Cash Equivalents**

Our cash and cash equivalents increased from C\$nil as at December 31, 2013 to C\$4,974,910 as at December 31, 2014, which was mainly due to the change of bank loan arrangement.

In 2010, our Company entered into a bank loan arrangement that all cash received in the Company's chequing account would be directly drawn to repay the bank loan, therefore the chequing account balance as at December 31, 2013 was nil and all outstanding cheques were recorded into the bank indebtedness account. In October 2014, our Company terminated this arrangement and replaced with new bank loans. With such change, the chequing account balance at the end of 2014 was C\$4,974,820.

Our cash and cash equivalents increased by 8.8% from C\$4,974,910 as at December 31, 2014 to C\$5,413,473 as at December 31, 2015, which was mainly contributed by the cash reservation for paying the expenses of development plans for the year ending December 31, 2016.

Our cash and cash equivalents decreased by 40.6% from C\$5,413,473 as at December 31, 2015 to C\$3,215,362 as at September 30, 2016, which was mainly due to the repayment of bank loans.

### **Accounts Receivable**

The accounts receivable amounts represented trade receivables from our customers for the sales of our crude oil and natural gas products and other receivables. Turnover days of trade receivables were calculated based on average trade receivables net of impairment divided by revenue during the year and multiplied by 365 days.

Accounts receivable increased by 58.0% from C\$2,864,269 as at December 31, 2013 to C\$4,526,062 as at December 31, 2014. The increase in accounts receivable was mainly due to a NGDDP refund of C\$1,607,077 being receivable from the Government of Alberta in the year 2014. Our trade debtors' turnover days decreased from 35 days as at December 31, 2013 to 30 days as at December 31, 2014, which was due to increase of revenue from sales of natural gas, natural gas related products (NGLs and condensate) and crude oil products.

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Accounts receivable decreased by 49.2% from C\$4,526,062 as at December 31, 2014 to C\$2,297,748 as at December 31, 2015. The decrease in accounts receivables was mainly due to the NGDDP refund received during the year ended December 31, 2015 reduced to C\$815,970 compared with that of C\$1,607,077 in 2014. To a lesser extent, the decrease in revenue in December 2015 compared to December 2014 also causing the decrease in accounts receivable. The balance of the accounts receivable at month end is usually the accrual of the current month sales revenue, therefore the ending balance of accounts receivable as at December 31, 2015 was lower than that of December 31, 2014. The decrease in revenue in December 2015 compared to December 2014 was mainly due to: (i) the drop down of market price of our crude oil and natural gas in December 2015 compared to December 2014; and (ii) the decrease in total sales volume resulted from the shut-in of two of the crude oil producing wells in Peace River in 2015. Due to the decrease of revenue in 2015, our trade debtors' turnover days increased from 30 days as at December 31, 2014 to 45 days as at December 31, 2015.

Accounts receivable increased by 60.5% from C\$2,297,748 as at December 31, 2015 to C\$3,687,670 as at September 30, 2016. The increase in accounts receivable was mainly due to the increase in amount due from JLHY, resulting from the proceeds of issuance of Shares of our Company to certain individual investors, in which JLHY received the proceeds of C\$1,135,925 on behalf of our Company. The amount due from JLHY will be settled before Listing. Our trade debtors' turnover days decreased from 45 days as at December 31, 2015 to 34 days as at September 30, 2016.

As at October 31, 2016, approximately C\$2,381,025, or 99.4% of the account receivable outstanding at September 30, 2016 was collected.

As at December 31, 2013, 2014 and 2015 and September 30, 2016, the ageing analysis and turnover days of trade receivables is as follows:

	As at December 31			As at September 30
	2013	2014	2015	2016
	C\$'000	C\$'000	C\$'000	C\$'000
Within 1 month	2,671	2,607	1,312	2,381
1 to 2 months	—	—	—	—
2 to 3 months	—	51	—	—
Over 3 months	<u>1</u>	<u>—</u>	<u>14</u>	<u>14</u>
Total	<u>2,672</u>	<u>2,658</u>	<u>1,326</u>	<u>2,395</u>
Turnover days of trade receivables	<u>35</u>	<u>30</u>	<u>45</u>	<u>34</u>

During the Track Record Period, our trade receivables were mostly within 1 month. The sales of our crude oil and natural gas products are accrued in arrear and settled generally on the 25th of calendar day each month following the month in which sales accrued. During the Track Record

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Period, the trade receivables exceeded 1 month was mainly due to the adjustment to the by-products sales revenue from our NGLs and condensate. Our customers buy our natural gas, NGLs and condensate via pipelines, from a pool with other producers' products that are transported and mixed together. Subsequent adjustment of sales would be made if there was discrepancy between the actual and estimate delivered volume of NGLs and condensate.

### Accounts Payable and Accrued Liabilities

The following table shows the breakdown of accounts payable and accrued liabilities for the periods indicated:

	As at December 31			As at September 30
	2013	2014	2015	2016
	C\$'000	C\$'000	C\$'000	C\$'000
Trade payables	5,719	2,902	884	579
Accrued liabilities	478	2,158	701	1,520
Other payables	118	640	662	628
 Total	 6,315	 5,700	 2,247	 2,727

Our accounts payable and accrued liabilities consisted of unpaid invoices for developing the newly drilled well and other payables. Turnover days of trade payables and accrued liabilities represented the average trade payables and accrued liabilities divided by revenue during the year and multiplied by 365 days.

Our accounts payable and accrued liabilities decreased by 9.7% from C\$6,315,150 as at December 31, 2013 to C\$5,699,959 as at December 31, 2014. The decrease in accounts payable and accrued liabilities was primarily due to the newly drilled well put into production in November 2013, leaving unpaid invoices causing the accounts payable and accrued liabilities balance at the end of year 2013. Whilst the newly added well during the year ended December 31, 2014 was put into production in September, most of the invoices had been settled by the end of the year ended December 31, 2014. Our turnover days of trade payables and accrued liabilities decreased from 70 days as at December 31, 2013 to 63 days as at December 31, 2014, which was due to an increase of revenue from sales of natural gas, natural gas related products (NGL and condensate) and crude oil products.

Our accounts payable and accrued liabilities decreased by 60.6% from C\$5,699,959 as at December 31, 2014 to C\$2,246,728 as at December 31, 2015. The decrease in accounts payable and accrued liabilities was primarily due to the fact our Company did not drill any new well in 2015 and the accounts payable and accrued liabilities as at December 31, 2015 only consisted of operating costs payable to vendors. Due to the decrease of revenue in 2015, our turnover days of trade payable increased from 63 days in 2014 to 75 days as at December 2015.

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Our accounts payable and accrued liabilities increased by 21.4% from C\$2,246,728 as at December 31, 2015 to C\$2,726,654 as at September 30, 2016. The increase in accounts payable and accrued liabilities was mainly due to the increase in the accrued transaction costs and expenses.

As at October 31, 2016, approximately C\$1,980,961, or 72.7% of the accounts payable and accrued liabilities outstanding at September 30, 2016 was settled.

As at December 31, 2013, 2014 and 2015 and September 30, 2016, the ageing analysis and turnover days of trade payables and accrued liabilities is as follows:

	As at December 31			As at September 30
	2013	2014	2015	2016
	C\$'000	C\$'000	C\$'000	C\$'000
Within 1 month	1,439	2,019	1,252	1,644
1 to 3 months	4,087	1,616	333	444
Over 3 months but within 6 months	671	1,425	—	11
<b>Total</b>	<b>6,197</b>	<b>5,060</b>	<b>1,585</b>	<b>2,099</b>
 Turnover days of trade payables and accrued liabilities	 70	 63	 75	 33

The trade payables and accrued liabilities consisted of unpaid invoices from developing drilling wells and operating process.

### Prepaid Expenses and Deposits

As at December 31, 2013, 2014 and 2015 and September 30, 2016, prepaid expenses and deposits amounted to C\$449,329, C\$713,157, C\$1,458,450 and C\$1,095,608 respectively. The fluctuation of deposits was mainly due to the change in the required royalty deposits imposed by the government.

The incremental amount from December 31, 2013 to December 31, 2014 was C\$263,828, which was mainly due to the royalty deposit for the newly drilled well in November 2013.

The incremental amount from December 31, 2014 to December 31, 2015 was C\$745,293, which was mainly due to the royalty deposit for the newly drilled well in September 2014 and the listing expense prepayment in year 2015.

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The prepaid expenses and deposits decreased by 24.9% from C\$1,458,450 as at December 31, 2015 to C\$1,095,608 as at September 30, 2016. The decrease amount was C\$362,842, which was due to the increase in the deferred financing costs, offset by the decrease of the royalty deposit for the nine months ended September 30, 2016.

### E&E Assets

As at December 31, 2013, 2014 and 2015, and September 30, 2016 the breakdown of E&E assets by CGU is as follows:

	As at December 31			As at September 30
	2013	2014	2015	2016
	C\$'000	C\$'000	C\$'000	C\$'000
CGU Alberta Foothills & Deep Basin Devonian	8,194	11,764	13,500	13,933
CGU Peace River	1,241	1,276	920	450
 Total	 9,435	 13,040	 14,420	 14,383

During the Track Record Period, E&E assets consisted of undeveloped lands and unevaluated drilling and completion costs on our Company's exploration projects which were pending the determination of proven or probable reserves. Transfers were made to property, plant and equipment as the technical feasibility and commercial viability of the extraction of proved or probable reserves were demonstrated. E&E assets were expensed due to non-economic drilling and completion activities and lease expiries.

Our E&E assets increased from C\$9,435,054 as at December 31, 2013 to C\$13,040,540 as at December 31, 2014 and C\$14,419,800 as at December 31, 2015 and decreased to C\$14,383,237 as at September 30, 2016. The increase from December 31, 2013 to December 31, 2014 was mainly due to our Company's newly leased land of 2,432 hectares in 2013 and 6,366 hectares in 2014, all of which have a 5-year initial term. The increase from December 31, 2014 to December 31, 2015 was mainly due to our Company's newly leased land of 30,016 hectares of land in Alberta Foothills in year 2015, all of which have a 4 to 5 year initial term.

Included within our E&E assets are lands totalling C\$2,247,609 which were due to expire on January 1, 2017. Subsequent to September 30, 2016, our Company submitted applications and obtained approvals to extend the terms of our Company's lease of these lands to March 31, 2017. Our Company will be required to perform certain exploration and evaluation activities during the three months ending March 31, 2017.

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### Property, Plant and Equipment

During the Track Record Period, property, plant and equipment consisted of the developed and producing assets in relation to property acquisitions, development drilling, completion, gathering and infrastructure, asset retirement costs and transfers from E&E. The developed and producing assets are carried at cost less accumulated depletion, depreciation, amortization and impairment losses.

As at December 31, 2013, 2014 and 2015 and September 30, 2016, the breakdown of property, plant and equipment is as follows.

	As at December 31			As at September 30
	2013	2014	2015	2016
	C\$'000	C\$'000	C\$'000	C\$'000
CGU Alberta Foothills & Deep Basin Devonian	73,972	78,518	74,557	68,618
CGU Peace River	5,776	3,218	2,332	2,004
Office	100	88	68	75
<b>Total</b>	<b>79,848</b>	<b>81,824</b>	<b>76,957</b>	<b>70,697</b>

Our property, plant and equipment changed from C\$79,847,950 as at December 31, 2013 to C\$81,823,556 as at December 31, 2014 and C\$76,957,111 as at December 31, 2015 and C\$70,696,817 as at September 30, 2016. The increase by 2.5% from 2013 to 2014 was mainly due to the capital expenditure for the new drilled well is more than depletion of PPE in the year 2014.

Our property, plant and equipment decreased by 5.9% from C\$81,823,556 as at December 31, 2014 to C\$76,957,111 as at December 31, 2015 mainly due to no new well being drilled in the year ended December 31, 2015 so a lower amount of drilling and completion cost was capitalized to property, plant and equipment during the year ended December 31, 2015 and the impairment loss and land expiry decreased the net book value of the Peace River CGU in year 2015.

Our property, plant and equipment decreased by 8.1% from C\$76,957,111 as at December 31, 2015 to C\$70,696,817 as at September 30, 2016. The slight decrease was due to the provision of depletion and depreciation which reduced the net book value for the nine months ended September 30, 2016. Besides that, during the first half year of 2016, we received a cash payment of C\$1,100,000 from a supplier in relation to remedial work for various capital related activities in the year ended December 31, 2013 and as such the recovery has been recorded as a reduction in property, plant and equipment.

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There were no impairment indicators identified as at September 30, 2016. Management had identified impairment triggers as at September 30, 2015 and performed impairment tests. During the nine months ended September 30, 2015, our Company recorded an impairment loss of C\$208,005 and a direct write-off of property, plant and equipment of C\$541,966.

Please refer to the section headed “Financial Information — Liquidity and Capital Resources — Capital Expenditure” for more information on capital expenditure.

### LIQUIDITY AND CAPITAL RESOURCES

#### Liquidity

During the Track Record Period, our Company’s principal sources of liquidity and capital resources were generally cash flows from operating activities and financing activities. Our Company’s principal use of liquidity and capital resources were mainly for the drilling of new production wells and purchase of undeveloped land. The following table shows our cash flows during the Track Record Period:

	Year ended December 31			Nine months ended September 30,	
	2013	2014	2015	2015	2016
	C\$’000	C\$’000	C\$’000	C\$’000 (unaudited)	C\$’000
<b>Cash flows</b>					
<b>Net cash generated from operating activities</b>	8,692	14,919	5,363	4,282	3,885
<b>Net cash (used in)/generated from investing activities</b>	(8,980)	(18,208)	(5,374)	(4,808)	245
<b>Net cash generated from/ (used in) financing activities</b>	288	8,264	449	(1,565)	(6,328)
<b>Net increase/(decrease) in cash and cash equivalents</b>	—	4,975	438	(2,091)	(2,198)
<b>Cash and cash equivalents at the beginning of the year/ period</b>	—	—	4,975	4,975	5,413
<b>Cash and cash equivalents at the end of the year/period</b>	—	4,975	5,413	2,884	3,215

#### Net Cash Generated from Operating Activities

Our cash flows generated from operating activities primarily consisted of net earnings, the effect of changes in working capital such as accounts receivable, prepaid expense, account payable and accrued liabilities and adjustment for non-cash income and expenses.

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We had net cash generated from operating activities of C\$8,692,092 for the year ended December 31, 2013, which was primarily attributable to: (i) loss before income tax of C\$653,810; and (ii) adjustment for certain non-cash expenses of C\$9,968,201 mainly including depletion and depreciation of C\$9,373,697 and impairment of C\$558,780.

We had net cash generated from operating activities of C\$14,919,400 for the year ended December 31, 2014, which was primarily attributable to: (i) profit before income tax of C\$3,001,753; and (ii) adjustment for certain non-cash expenses of C\$11,994,433 mainly including depletion and depreciation of C\$6,976,787, share-based compensation of C\$1,510,908 and impairment of C\$3,414,583.

We had net cash generated from operating activities of C\$5,363,600 for the year ended December 31, 2015, which was primarily attributable to: (i) loss before income tax of C\$2,485,093; and (ii) adjustment for certain non-cash expenses of C\$8,047,321 mainly including depletion and depreciation of C\$4,596,103 and impairment of C\$3,113,202.

We had net cash generated from operating activities of C\$3,884,767 for the nine months ended September 30, 2016, which was attributable to (i) loss before income tax of C\$3,642,293; and (ii) adjustment for certain non-cash expenses including depletion and depreciation of C\$6,797,390.

### **Net Cash (Used in)/generated from Investing Activities**

The major cash outflows from investing activities during the Track Record Period were mainly due to our capital expenditures on property, plant and equipment and E&E assets.

Funds used in investing activities for the year ended December 31, 2013 were C\$8,979,922. The amount was mainly attributable to expenditures on property, plant and equipment of C\$8,305,761 and E&E assets of C\$674,161.

Funds used in investing activities for the year ended December 31, 2014 were C\$18,208,328. The amount was mainly attributable to expenditures on property, plant and equipment of C\$12,875,521 and E&E assets of C\$5,332,807.

Funds used in investing activities for the year ended December 31, 2015 were C\$5,374,055. The amount was mainly attributable to expenditures on property, plant and equipment of C\$1,064,893 and E&E assets of C\$4,309,162.

Funds generated from investing activities for the nine months ended September 30, 2016 were C\$245,159. The amount was mainly attributable to recovery of expenditure on property, plant and equipment of C\$1,100,000, offset by the expenditure on E&E assets of C\$831,544.

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### **Net Cash Generated from/(used in) Financing Activities**

Our financing activities during the Track Record Period mainly comprised of proceeds from share issuance, proceeds from bank loan, repurchase shares and repayment of loans.

Net cash generated from financing activities was C\$287,830 for the year ended December 31, 2013. The amount was mainly attributable to net proceeds from bank loan of C\$7,489,620, and partially offset by: (i) the payment for bank indebtedness of C\$401,790; and (ii) the repayment of loans for C\$6,800,000.

Net cash generated from financing activities was C\$8,263,838 for the year ended December 31, 2014. The amount was mainly attributable to: (i) net proceeds from share issuance of C\$12,747,511; (ii) proceeds from bank loan of C\$47,121,480 and (iii) proceeds from other debt of C\$823,500 and partially offset by (i) the repayment of loans of C\$45,952,898; (ii) the payment for bank indebtedness of C\$1,831,820; (iii) debt issuance costs of C\$1,270,000; and (iv) the repurchase of shares of C\$3,373,935.

Net cash generated from financing activities was C\$449,018 for the year ended December 31, 2015. The amount was mainly attributable to: (i) net proceeds from share issuance of C\$3,032,037; and (ii) proceeds from bank loan of C\$2,500,000 and partially offset by the repayment of loans of C\$4,041,345.

Net cash used in financing activities was C\$6,328,037 for the nine months ended September 30, 2016. The amount was mainly attributable to the repayment of bank loans of C\$6,278,093.

### **Capital Expenditures**

Our capital expenditures primarily consisted of the addition of exploration and evaluation assets and property, plant and equipment to increase our operating efficiency and excavation capacity. During the Track Record Period, our capital expenditures were principally funded by cash flows generated from the operation as well as our borrowings and equity issuance.

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The following table shows our Company's capital expenditures during the Track Record Period:

	Year ended December 31			Nine months ended September 30
	2013	2014	2015	2016
	C\$'000	C\$'000	C\$'000	C\$'000
<b>PPE</b>				
Well site	9,654	9,466	210	278
Facilities and equipment	684	219	—	—
Office	<u>40</u>	<u>16</u>	<u>7</u>	<u>12</u>
Sub-total	<u>10,378</u>	<u>9,701</u>	<u>217</u>	<u>290</u>
<b>E&amp;E Assets</b>				
Undeveloped lands	540	4,855	1,986	120
General and administrative costs capitalized	—	—	799	331
Unevaluated drilling and completion costs	69	1,186	1,092	325
Unevaluated seismic data	<u>—</u>	<u>2</u>	<u>—</u>	<u>—</u>
Sub-total	<u>609</u>	<u>6,043</u>	<u>3,877</u>	<u>776</u>
Total	<u>10,987</u>	<u>15,744</u>	<u>4,094</u>	<u>1,066</u>

The capital expenditures were C\$10,987,318, C\$15,744,302 and C\$4,094,147 for the years ended December 31, 2013, 2014 and 2015 and C\$1,065,884 for the nine months ended September 30, 2016.

Our Company has adopted IFRS "full cost method", under which capital expenditure in relation to the exploration and evaluation of our Junior Assets are not expensed in our Company's statements of profit or loss and other comprehensive income but capitalized as E&E assets in its statements of financial position. Our E&E assets, which consist of undeveloped lands and unevaluated drilling and completion costs on our exploration projects which were pending the determination of proven or probable reserves as capitalized by our Company. Transfers are made to or from property, plant and equipment as proven or probable reserves are determined.

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For the year ended December 31, 2013, the capital expenditures on PPE was mainly attributable to: (i) capital expenditures on well sites of C\$9,653,646 in Alberta Foothills, which was due to the new well put into production in November 2013; and (ii) capital expenditures on facilities and equipment of C\$683,504 in the Alberta Foothills and Peace River. Capital expenditures on E&E assets related to the purchase of land of C\$539,878 primarily in Alberta Foothills for 2,432 hectares of newly leased land.

For the year ended December 31, 2014, capital expenditures on PPE was mainly attributable to: (i) capital expenditures on well site of C\$9,466,037 in Alberta Foothills, which was due to the new well put into production in September 2014; and (ii) the purchase of facilities and equipment of C\$218,604 in the Alberta Foothills and Peace River. Capital expenditures on E&E assets were due to: (i) the purchase of land of C\$4,855,306 in the Alberta Foothills for 6,366 hectares of newly leased land; and (ii) an increase in unevaluated drilling and completion costs of C\$1,186,128 resulting from well site construction in the Alberta Foothills.

For the year ended December 31, 2015, capital expenditures on PPE was mainly attributable to installation of equipment of C\$210,343 on well site in Peace River, and an increase in E&E due to: (i) purchase of land of C\$1,985,903 in Alberta Foothills; and (ii) an increase in unevaluated drilling and completion costs of C\$1,092,539 resulted from well site construction in Alberta Foothills.

For the nine months ended September 30, 2016, capital expenditures recovery on PPE was mainly attributable to the receipt from a supplier of C\$1,100,000 resulting from remedial work for various capital related activities, and an increase in E&E assets due to an increase in capitalized general and administrative costs.

### **Net Current (Liabilities)/Assets Position**

During the Track Record Period, our net current asset position was improving. We recorded a net current liabilities of C\$113,879,030 as at December 31, 2013 and a net current assets of C\$4,514,170, C\$6,922,943 and C\$5,271,986, as at December 31, 2014 and 2015 and September 30, 2016 respectively.

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### Working Capital Statement

We expect to be able to finance 125% of our working capital requirement for the 12 months following the date of this Prospectus as follows:

- i. estimated cash inflow generated from the Company's sales revenues of C\$48.5 million<sup>(Note 1)</sup>; and
- ii. estimated cash inflow of C\$38.1 million to be received by our Company from the Global Offering (assuming an Offer Price of HK\$3.40 per Share, being the mid-point of the estimated price range)<sup>(Note 2)</sup>.

We expect to use our working capital for the 12 months following the date of this Prospectus mainly for:

- i. estimated finance expenses of C\$1.1 million;
- ii. estimated cash outflow used in our operating activities of C\$18.9 million<sup>(Note 1)</sup>;
- iii. estimated capital expenditure for the drilling of the wells of C\$25.5 million<sup>(Note 1)</sup>; and
- iv. repayment of the borrowing of C\$28.0 million.

Based on the above factors, the Directors are of the opinion that expected cash flows to be generated from operations, proceeds from bank loans, the estimated cash inflow from the Global Offering and opening cash on hand will be adequate to support currently planned business operations, commitments and other contractual obligations for at least the next 12 months from the date of this Prospectus and we have sufficient working capital for 125% of our present requirements, that is for at least the next 12 months from the date of this Prospectus.

### Commitments

In October 2011, our Company entered into a lease for our office premise for a term starting October 2011 to December 2017. The average cost of the lease is approximately C\$41,000 per month. Office premise lease costs include an estimate of our Company's share of production cost for its office premises for the duration of the lease term. Our Company entered into a firm service transportation agreement commencing from November 1, 2013 to October 31, 2026 (the firm service fee varies and is subject to review by the counter-party on an annual basis). Our Company

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*Note 1:* Our Company made estimates based on the Competent Person's Report prepared by GLJ, an independent reservoir firm based in Canada, for estimates of production volumes, prices, operational cost, royalty rates and capital expenditures. The estimates are not expected to be significantly different from actual results.

*Note 2:* Transaction costs of approximately C\$3.9 million has been incurred in 2015 and 2016. In the coming 12 months, the gross proceeds to be received by our Company from the Global Offering is approximately C\$40.6 million and the estimated transactions costs to be incurred is approximately C\$2.5 million. Without taking into account the transaction costs incurred in 2015 and 2016, the estimated cash inflow to be received by our Company in the coming 12 months is approximately C\$38.1 million.

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entered into lease agreements for two compressors; the lease of the first compressor runs from September 8, 2012 to September 7, 2017 requiring monthly lease payment of C\$12,650 and the lease of the second compressor runs from August 12, 2013 to August 11, 2016 with a monthly lease payment of C\$22,000. The amounts represented below for the transportation service commitment fee<sup>note 5</sup> is based on management's best estimate:

	As at December 31			As at September 30
	2013	2014	2015	2016
	C\$'000	C\$'000	C\$'000	C\$'000
<b>Office premise lease</b>				
Less than 1 year	504	511	587	587
1-3 years	1,098	1,108	587	147
4-5 years	521	—	—	—
<b>Total</b>	<b>2,123</b>	<b>1,619</b>	<b>1,174</b>	<b>734</b>
<b>Transportation firm service</b>				
Less than 1 year	484	431	483	1,157 <sup>Note 1</sup>
1-3 years	967	842	967	15,927 <sup>Note 2</sup>
4-5 years	967	820	967	12,881 <sup>Note 3</sup>
After 5 years	1,330	752	363	23,161 <sup>Note 4</sup>
<b>Total</b>	<b>3,748</b>	<b>2,845</b>	<b>2,780</b>	<b>53,126</b>
<b>Lease of compressors</b>				
Less than 1 year	416	416	314	127
1-3 years	833	418	104	—
4-5 years	—	—	—	—
<b>Total</b>	<b>1,249</b>	<b>834</b>	<b>418</b>	<b>127</b>

*Notes:*

1. The amount represents the transportation service commitment fee up to September 30, 2017.
2. The amount represents the transportation service commitment fee for the three-year period from October 1, 2017 to September 30, 2020.

As the average gas transportation demand will be 35.3 MMcf/d and 37.5 MMcf/d in 2017 and 2018 respectively based on Proved plus Probable Reserves, and 44.5 MMcf/d in 2019 based on Proved plus Probable Reserves and Best Estimate Unrisked Contingent Resources under our Company's three-year development plan, we have been assigned FT-R service in NGTL for 18.6 MMcf/d, 65.0 MMcf/d on average for 2017 and 2018 respectively and 110.0 MMcf/d for 2019. Based on management's best estimate, the transportation service commitment fee in respect of the excess assigned FT-R service in NGTL amounts to nil, C\$1.5 million and C\$3.7 million for 2017, 2018 and 2019, respectively. Based on our experience that we have been able to arrange for transfers of FT-R service available from other producers to accommodate our production schedule, we are of the view that if we do not have sufficient production to fill up the assigned transportation capacity, we will be able to transfer these excess capacity to other third-party producers in the

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NGTL System. Please refer to the sections headed “Business — Three-year Development Plan — Gas Processing Capacity, Transportation Support and Resources — (b) Transportation” and “Business — Transportation” in this Prospectus for details.

3. The amount represents the transportation service commitment fee for the two-year period from October 1, 2020 to September 30, 2022.
4. The amount represents the transportation service commitment fee from October 1, 2022 onwards.
5. The transportation service commitment fee is the sum of the monthly tariff during the period. The monthly tariff is calculated based on the contract volume and the rate schedule under FT-R service.

During the Track Record Period, our Company also entered into the following fixed price physical commodity contracts to forward sell natural gas:

<u>Commodity</u>	<u>Term</u>	<u>Quantity</u>	<u>Price</u> (C\$)
Natural gas	January 1, 2016 to December 31, 2016	1,000 GJ/day	\$2.92 per GJ
Natural gas	January 1, 2016 to December 31, 2016	1,000 GJ/day	\$2.94 per GJ
Natural gas	January 1, 2016 to December 31, 2016	3,500 GJ/day	\$2.95 per GJ
Natural gas	January 1, 2016 to December 31, 2016	1,000 GJ/day	\$3.03 per GJ
Natural gas	January 1, 2016 to December 31, 2016	1,000 GJ/day	\$3.05 per GJ
Natural gas	March 1, 2016 to December 31, 2016	900 GJ/day	\$1.88 per GJ
Natural gas	October 1, 2016 to October 31, 2016	1,000 GJ/day	\$2.59 per GJ
Natural gas	October 1, 2016 to October 31, 2016	1,000 GJ/day	\$2.54 per GJ
Natural gas	October 1, 2016 to October 31, 2016	2,000 GJ/day	\$2.53 per GJ
Natural gas	October 1, 2016 to October 31, 2016	2,000 GJ/day	\$2.58 per GJ
Natural gas	November 1, 2016 to November 30, 2016	3,000 GJ/day	\$3.02 per GJ
Natural gas	December 1, 2016 to December 31, 2016	2,000 GJ/day	\$3.06 per GJ
Natural gas	December 1, 2016 to December 31, 2016	1,000 GJ/day	\$3.21 per GJ
Natural gas	January 1, 2017 to December 31, 2017	1,000 GJ/day	\$2.80 per GJ
Natural gas	January 1, 2017 to December 31, 2017	1,000 GJ/day	\$2.82 per GJ
Natural gas	January 1, 2017 to December 31, 2017	1,000 GJ/day	\$2.63 per GJ
Natural gas	January 1, 2017 to December 31, 2017	1,000 GJ/day	\$2.54 per GJ
Natural gas	January 1, 2017 to December 31, 2017	4,400 GJ/day	\$2.51 per GJ
Natural gas	January 1, 2017 to December 31, 2017	1,000 GJ/day	\$3.00 per GJ
Natural gas	January 1, 2017 to December 31, 2017	2,000 GJ/day	\$2.97 per GJ
Natural gas	January 1, 2017 to December 31, 2017	1,000 GJ/day	\$3.03 per GJ
Natural gas	January 1, 2017 to December 31, 2017	2,000 GJ/day	\$2.94 per GJ
Natural gas	January 1, 2017 to December 31, 2017	1,000 GJ/day	\$3.10 per GJ
Natural gas	January 1, 2018 to December 31, 2018	1,000 GJ/day	\$2.79 per GJ
Natural gas	January 1, 2018 to December 31, 2018	1,000 GJ/day	\$2.66 per GJ
Natural gas	January 1, 2018 to December 31, 2018	6,400 GJ/day	\$2.64 per GJ

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### INDEBTEDNESS

The following table shows our borrowings and other loans as at the dates indicated:

	As at December 31,			As at September 30,	As at December 31,
	2013	2014	2015	2016	2016
	C\$'000	C\$'000	C\$'000	C\$'000	C\$'000 (unaudited)
Secured:					
Bank borrowings	30,350	47,121	45,580	39,302	35,622
Bank indebtedness	1,832	—	—	—	—
Non-secured:					
Shareholder's loan	69,418	—	—	—	—
 Total bank loan and shareholder's loan	<u>101,600</u>	<u>47,121</u>	<u>45,580</u>	<u>39,302</u>	<u>35,622</u>
 Other debt:					
Loan due to private lender	8,000	—	—	—	—
Amounts due to employees	1,277	—	—	—	—
 Total other debts	<u>9,277</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
 Borrowings repayables:					
On demand or within one year	110,877	—	—	—	
More than one year but not exceeding two years	—	—	—	—	
More than two years but not exceeding five years	—	47,121	45,580	39,302	
 Total borrowings	<u>110,877</u>	<u>47,121</u>	<u>45,580</u>	<u>39,302</u>	
 Effective interest rates (per annum)	<u>2.4%</u>	<u>6.8%</u>	<u>6.6%</u>	<u>6.5%</u>	

As at December 31, 2013, 2014 and 2015 and September 30, 2016 our total borrowings amounted to C\$110,877,478, C\$47,121,480, C\$45,580,135 and C\$39,302,042 respectively.

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At the close of business on December 31, 2016, being the latest practicable date for the purpose of this indebtedness statement, our total borrowings were C\$35,622,328 and a letter of credit totaling C\$558,000 was outstanding. As at December 31, 2016, being the latest practicable date for the purpose of this indebtedness statement, our total utilized banking facilities amounted to C\$36,180,328 and total unutilized banking facilities amounted to C\$13,819,672.

As at December 31, 2016, our total borrowings decreased by 21.8% from C\$45,580,135 as at December 31, 2015 to C\$35,622,328 as at December 31, 2016.

### **Bank Indebtedness**

Our bank indebtedness decreased from C\$1,831,820 as at December 31, 2013 to C\$nil as at December 31, 2014 and remained as C\$nil as at December 31, 2015 and September 30, 2016 and December 31, 2016.

Bank indebtedness is a specific account according to the loan arrangement our Company entered in 2013. According to the arrangement, all unpaid cheques are recorded into the bank indebtedness account. In October 2014, our Company terminated such arrangement. With such change, bank indebtedness decreased to nil as at December 31, 2014.

### **Bank Loan**

Our bank borrowings are denominated in C\$. During the Track Record Period, our bank borrowings generally contain terms and conditions that were customary for commercial bank loans. Our total bank borrowings increased from C\$30,350,000 as at December 31, 2013 to C\$47,121,480 as at December 31, 2014 and then decreased to C\$45,580,135 as at December 31, 2015 and to C\$39,302,042 as at September 30, 2016 and to C\$35,622,328 as at December 31, 2016.

Secured bank borrowings increased by C\$16,771,480 from December 31, 2013 to December 31, 2014 which was due to an increased total credit facility of the new bank loans obtained comparing to the old bank loan agreement. The increase in borrowings was used to repay the high interest loan from private lender and aligned with our Company's development strategy. Secured bank borrowings decreased by C\$1,541,345 from C\$47,121,480 as at December 31, 2014 to C\$45,580,135 as at December 31, 2015 and to C\$39,302,042 as at September 30, 2016 and to C\$35,622,328 as at December 31, 2016 which was due to repayment of principal.

In 2014, our Company decided to repay the entire short-term loan and changed for long-term credit facility for the purpose of long-term development strategy. The long-term credit facility, granted by Macquarie Bank, consists of a C\$100,000,000 revolving facility and a C\$100,000,000 term facility. With respect to the term facility, it comprises Tranche A to a maximum of C\$10,000,000 which can be used for Lender approved drilling, completion and acquisition of surface equipment and Tranche B to a maximum of C\$90,000,000 for additional Lender approved future development plans. The Tranche A term facility expired during the nine months ended September 30, 2016. The Tranche B term facility expires on October 19, 2017. No amount was outstanding under the term facility as at December 31, 2014, 2015 and September 30, 2016. Advances under the long-term credit facility bore interest at a variable rate of interest per annum equal to the greater of: (i) the Canadian Dealer Offered Rate (CDOR); and (ii) 1%, plus a margin of

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## FINANCIAL INFORMATION

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(i) in the case of the revolving facility, 5.5%, and (ii) in the case of the term facility, 7.0%. As at December 31, 2014, we had drawn down C\$47,121,480 under the revolving facility, bearing an effective interest rate of 6.773%, and C\$nil under the term facility.

All principal amounts outstanding under the facility are due on maturity being October 20, 2018. The available level of credit is subject to a semi-annual review by the lender to be completed by March 1 and September 1 of any given year. The credit facility and the borrowing base may be adjusted by the lender for changes in reserves, commodity prices and other factors. A decrease in the borrowing base could result in a reduction of the credit facility. If the credit facility is reduced, our Company has 60 days to pay any shortfall irrespective of the maturity date of the credit facility, or pledge additional collateral to the lender in an amount sufficient to cover, in lender's sole opinion, such borrowing base shortfall. Our Company is required to meet certain financial based covenants under the terms of this facility as follows: (1) maintain a working capital ratio (the ratio of current assets to current liabilities) of greater than 1 to 1; (2) maintain a debt coverage ratio (the ratio of total debt to net operating cash flow, as defined in the facility agreement) of less than 4 to 1 (reducing to 3 to 1 commencing January 1, 2016); (3) maintain an interest coverage ratio (the ratio of net operating cash flow, as defined in the facility agreement, to interest expenses) of greater than 4 to 1; and (4) maintain an adjusted present value ratio (reserve based) of greater than 1.7 to 1 (increasing to 2.0 to 1 commencing January 1, 2016). In addition, our Company cannot exceed a maximum of general and administrative expenses equal to 11% of net operating cash flows, as defined in the facility agreement, unless funded through advances of equity (the "G&A cap"). As at December 31, 2014 and 2015 and September 30, 2016, our Company was in compliance with all covenants and terms under the facility. On December 22, 2016, our Company obtained a one-time increase to the G&A cap for the three month period ended December 31, 2016 whereby general and administrative expenses could exceed the 11% of net operating cash flows to a maximum of C\$200,000. All terms included in the covenants and terms described above are as defined by the lender.

The long-term credit facility was secured by, among other things: (i) a security interest over all present and after-acquired real and personal property (including our major producing natural gas and oil reserves) and a fixed charge against certain of our PNG Licences granted by our Company; and (ii) a limited recourse guarantee and a share pledge provided by Aspen, our Controlling Shareholder (which will be released prior to the Listing). Please refer to the section headed "Relationship with Controlling Shareholders — Independence from Controlling Shareholders — Financial Independence" for further details of the security provided by Aspen.

The credit facility also contains certain covenants, including financial covenants related to our working capital, debt coverage, interest coverage and present value. It is also an event of default under the credit facility if a change of control occurs which is not consented by the lender. A change of control is determined in the facility to mean that: (i) any person, other than the Controlling Shareholders, acquires (directly or indirectly) more than 35% of the total issued shares of our Company or the power to elect a majority of the Directors; or (ii) any of Mr. Bo or Mr. Pingzai Wang ceases to be a Director or an officer of our Company.

As at December 31, 2015, we had drawn down C\$45,580,135 under the revolving facility, bearing an effective interest rate of 6.6%, and C\$nil under the term facility.

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## FINANCIAL INFORMATION

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As at September 30, 2016, we had drawn down C\$39,302,042 under the revolving facility, bearing an effective interest rate of 6.5%, and C\$nil under the term facility. Our Company intends to reduce our bank borrowings throughout the year in accordance with our working capital requirements and development plan in order to lower our overall financial costs.

### **Shareholder's Loan and Loans from Employees and Contractors**

As at December 31, 2013, our shareholder's loan was C\$69,418,658. The shareholder's loan has been fully converted to common shares during the year ended December 31, 2014. The shareholder's loan was due to JLHY and was unsecured and non-interest bearing and due on demand. Our Company then converted C\$56,201,687 of the loan outstanding to JLHY through issuing Class C Shares to JLHY. The remaining balance owed to JLHY of C\$6,652,339 was repaid in cash during the year 2014. To settle the C\$6,244,632 assigned to 164 Co, our Company issued Class B Shares during the year ended December 31, 2014.

Below is the reconciliation of the amount of shareholder's loan converted to Common Shares and/or repaid by cash.

	<u>C\$</u>
Shareholder's loan from JLHY	63,174,026
Shareholder's loan from 164 Co	<u>6,244,632</u>
Total Shareholder's loan	<u><u>69,418,658</u></u>
Repayment of Shareholder's loan	69,418,658
Issue Class B Shares to 164 Co	(6,244,632)
Issue Class C Shares to JLHY	(56,201,687)
Cash repayment to JLHY	(6,652,339)
Offset against other receivable	<u>(320,000)</u>
Total balance as at 31 December 2014	<u><u>—</u></u>

The loans from employees and contractors of C\$1,277,000 were also converted to Class B shares during the year ended December 31, 2014.

### **Loan from Private Lender**

To align with our Company's long-term development strategies and lower the financing cost, the loan from private lender of C\$8,000,000 was repaid in full during the year ended December 31, 2014.

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## FINANCIAL INFORMATION

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The weighted average interest rates of short-term bank borrowings were 5.50%, 4.8% and 0% and 0% for the years ended December 31, 2013, 2014 and 2015 and nine months ended September 30, 2016, respectively. The weighted average interest rates of long-term bank borrowings were 0%, 6.773% and 6.6% and 6.5% for the years 2013, 2014 and 2015 and nine months ended September 30, 2016, respectively. For other borrowings, the weighted average interest rates were 12.4%, 13.0% and 0% and 0% for the years ended December 31, 2013, 2014 and 2015 and nine months ended September 30, 2016, respectively.

Our Directors have confirmed that we have not experienced difficulties in meeting obligations and historically we have been able to repay or refinance our bank borrowings as and when they have fallen due. As at the Latest Practicable Date, our Directors have confirmed that we have no breach of the existing financial covenants during the Track Record Period.

### Decommissioning Liabilities

During the Track Record Period, the decommissioning obligations were estimated based on our 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.

The following reconciles our Company's decommissioning liabilities:

	<u>As at December 31,</u>			<u>As at September 30,</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
	C\$'000	C\$'000	C\$'000	C\$'000
Balance, beginning of the year/period	1,397	1,366	1,617	1,765
Change in estimate	(277)	108	128	63
Liabilities incurred	210	121	—	—
Accretion expense	<u>36</u>	<u>22</u>	<u>20</u>	<u>14</u>
Balance, end of the year/period	<u><u>1,366</u></u>	<u><u>1,617</u></u>	<u><u>1,765</u></u>	<u><u>1,842</u></u>

Our decommissioning liabilities increased from C\$1,366,299 as at December 31, 2013 to C\$1,616,614 as at December 31, 2014. The increase from 2013 to 2014 was mainly due to the addition of one well. Our decommissioning liabilities increased from C\$1,616,614 as at December 31, 2014 to C\$1,764,990 as at December 31, 2015. The increase from 2014 to 2015 was mainly due to the increase in the estimated costs to abandon and reclaim the petroleum and natural gas assets. Our decommissioning liabilities increased from C\$1,764,990 as at December 31, 2015 to C\$1,841,816 as at September 30, 2016. The increase was mainly due to the increase in the estimated costs to abandon and reclaim the natural gas and crude oil assets.

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## FINANCIAL INFORMATION

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### Contingent Liabilities

As at the Latest Practicable Date, we had no material contingent liabilities.

### Off-balance Sheet Transactions

As at the Latest Practicable Date, save for the operating lease commitments and physical commodity contracts as disclosed in the sub-section headed “Commitments” in this section to this Prospectus, our Company had not entered into any material off-balance sheet transactions or arrangements.

## FINANCIAL RISK

### Credit Risk

Credit risk is the risk of financial loss to our Company if a customer or counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from our Company’s receivables from purchasers of our Company’s crude oil and natural gas, joint venture partners and the counterparties to financial derivative contracts. As at December 31, 2013, 2014 and 2015 and September 30, 2016, the accounts receivable consisted of C\$2,671,816, C\$2,657,939 and C\$1,326,217 and C\$2,395,462 respectively due from purchasers of the crude oil and natural gas and C\$192,453, C\$1,868,123 and C\$971,531 and C\$1,292,208 respectively of other receivables. As at December 31, 2013, 2014 and 2015 and September 30, 2016, 69.4%, 81.5% and 74.9% and 74.3% of trade receivables was due from our largest customer respectively, and 88.7%, 99.9% and 82.3% and 94.4% of trade receivables was due from our three largest customers respectively.

The carrying amount of accounts receivable and cash balances in excess of guaranteed minimum amounts represents the maximum credit exposure. Our Company did not have any material allowance for doubtful accounts as at December 31, 2013, 2014 and 2015 and September 30, 2016, nor was it required to write-off any material receivables during the years ended December 31, 2013, 2014 and 2015 and September 30, 2016. There were no material financial assets that our Company considered past due and at risk of collection. As at December 31, 2013, 2014 and 2015 and September 30, 2016, C\$2,671,473, C\$2,657,816 and C\$1,311,734 and C\$2,381,025 respectively of the trade receivables were less than 90 days old.

### Interest Risk

As at December 31, 2013, 2014 and 2015 and September 30, 2016, our Company was exposed to changes in interest rates with respect to its bank loans. As at December 31, 2013, 2014 and 2015 and September 30, 2016, a one percent change in the prevailing interest rate for its bank loans would result in an estimated C\$303,500, C\$471,000 and C\$455,800 and C\$393,020 change to its annual income. As at December 31, 2013, 2014 and 2015 and September 30, 2016, our Company had no interest rate swap contracts in place.

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## FINANCIAL INFORMATION

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### Market Risk

Market risk changes in market metrics, such as commodity prices, foreign exchange rates and interest rates will affect our Company's valuation of financial instruments, the debt levels of our 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 is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. In years 2013 and 2014, our Company utilized commodity contracts as a risk management technique to mitigate exposure to commodity price volatility. The following table shows the financial derivatives entered into during the years 2013 and 2014:

<u>Instrument</u>	<u>Term</u>	<u>Price</u>	<u>Reference</u>	<u>Quantity</u>	<u>Realized gain/(loss)</u>
		C\$		GJ/d	C\$
<b>December 31, 2013</b>					
Swap	April 1, 2013 to October 31, 2013	3.26	C\$ AECO	1,000	84,085
<b>December 31, 2014</b>					
Swap	January 1, 2014 to December 31, 2014	4.03	C\$ AECO	4,500	(370,801)

Our Company did not enter into any financial derivatives during the year ended December 31, 2015 and the nine months ended September 30, 2016.

### SENSITIVITY ANALYSIS AND RISK EXPOSURE MANAGEMENT

Sales of natural gas was the major business segment and accounted for the majority of our revenue. In the below sensitivity analyses, our Company illustrates the hypothetical fluctuations impact on financial performance using the major external factors affecting our net profit. The factors are: (i) sales volume of our natural gas sales; and (ii) average selling price of our natural gas sales.

#### Sales Volume

The following sensitivity analysis illustrates impacts of hypothetical fluctuations in sales volume to the market of natural gas on our net profit. Fluctuations in our sales volume to the market are hypothetically assumed to be 30%, 60%, and 90%, which are determined by reference to historical change in our sales volume to the market during the Track Record Period.

## FINANCIAL INFORMATION

	Year ended December 31,			Nine months ended September 30,
	2013	2014	2015	2016
	Increase in net profit	Increase in net profit	Increase in net profit	Increase in net profit
<b>Increase in sales volume</b>				
30%	4,558,977	8,038,511	4,104,958	3,813,600
60%	9,117,954	16,077,023	8,209,916	7,627,200
90%	13,676,931	24,115,534	12,314,875	11,440,800
	Decrease in net profit	Decrease in net profit	Decrease in net profit	Decrease in net profit
(30%)	(4,558,977)	(8,038,511)	(4,104,958)	(3,813,600)
(60%)	(9,117,954)	(16,077,023)	(8,209,916)	(7,627,200)
(90%)	(13,676,931)	(24,115,534)	(12,314,875)	(11,440,800)

For illustrative purposes of breakeven analysis only, for the years ended December 31, 2013 and 2015 and the nine months ended September 30, 2016, if the sales volume of our natural gas were increased by 4.3% and 18.2% and 28.7%, respectively, our net profit would become breakeven. For the year ended December 31, 2014, if the sales volume of our natural gas decreased by 11.2%, our net profit would become breakeven.

### Average Selling Price

The following sensitivity analysis illustrates the impacts of hypothetical fluctuations in average selling price of our natural gas on our net profit. Fluctuations are assumed that the average selling price would be C\$3, C\$4, C\$5 and C\$6, which correspond to the historical natural gas price of Canadian Gas Price Reporter during the Track Record Period.

	Year ended December 31,			Nine months ended September 30,
	2013	2014	2015	2016
	Increase/ (decrease) in net profit	Increase/ (decrease) in net profit	Increase/ (decrease) in net profit	Increase/ (decrease) in net profit
<b>C\$/Mcf</b>				
3.00	(2,588,025)	(9,701,326)	(2,316,701)	2,838,152
4.00	1,614,830	(4,003,422)	1,472,130	8,021,536
5.00	5,817,685	1,694,482	5,260,961	13,204,920
6.00	10,020,540	7,392,386	9,049,792	18,388,304

## FINANCIAL INFORMATION

For illustrative purposes of breakeven analysis only, for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, if the average selling price of our natural gas was C\$3.77, C\$4.18, C\$4.27 and C\$3.16 respectively, our net profit would become breakeven.

In order to protect ourselves against downward movements in the price of natural gas, we have entered into forward sales agreements against a fixed daily production volume for various time intervals with Macquarie Energy. Our maximum potential exposure under any sales agreement is the amount equal to the differences in the fixed price under the sales agreement and the average spot price. For more information about our sales agreements, please refer to the section headed “Business — Sales and Marketing — Natural Gas Sales Arrangement” in this Prospectus.

### KEY FINANCIAL RATIOS

The following table shows our key financial ratios during the Track Record Period:

	Formula	As at December 31,			As at September 30,
		2013	2014	2015	2016
Current ratio	current assets/current liabilities	0.03x	1.79x	4.08x	2.93x
Quick ratio	(current assets — inventories)/current liabilities	0.03x	1.79x	4.08x	2.93x
Return on assets	(loss)/profit and total comprehensive income for the year/period/total assets x 100%	-0.7%	2.9%	-2.5%	-3.9%
Return on equity	(loss)/profit and total comprehensive income for the year/period attributable to owners of the Company/total equity x 100%	2.5%	5.8%	-4.8%	-7.3%
Gearing ratio	total debt/total equity x 100%	-427.1%	90.9%	87.9%	78.8%

### Current Ratio and Quick Ratio

Our current ratio, calculated by dividing current assets by current liabilities, was 0.03x, 1.79x and 4.08x and 2.93x as at December 31, 2013, 2014 and 2015 and September 30, 2016 respectively. Our quick ratio, calculated by dividing current assets after subtraction of inventories by current liabilities, was 0.03x, 1.79x and 4.08x and 2.93x as at December 31, 2013, 2014 and 2015 and September 30, 2016 respectively. The increase in our current ratio and quick ratio from 2013 to 2015 was due to the replacement of the entire short term loan and changed for long-term credit facility for the purpose of long-term development strategy. The decrease in our current ratio and quick ratio for the nine months ended September 30, 2016 was due to the reduction of cash.

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## FINANCIAL INFORMATION

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### Return on Assets

Return on assets is (loss)/profit and total comprehensive income for the year divided by total assets at the year end. Our return on assets was  $-0.7%$ ,  $2.9%$  and  $-2.5%$  and  $-3.9%$  for the years 2013, 2014 and 2015 and for the nine months ended September 30, 2016 respectively. The fluctuation in our return on assets from 2013 to 2014 was due to the fluctuation of the net profit.

We recorded a loss and total comprehensive income of C\$653,810 for the year 2013, a profit and total comprehensive income of C\$3,001,753 for the year 2014 and a loss and total comprehensive income of C\$2,485,093 for the year 2015 and a loss and total comprehensive income of C\$3,642,293 for the nine months ended September 30, 2016.

### Return on Equity

Return on equity is (loss)/profit and total comprehensive income attributable to owners of our Company for the year divided by total equity at the year end. Our return on equity was  $2.5%$ ,  $5.8%$  and  $-4.8%$  and  $-7.3%$  for the years 2013, 2014 and 2015 and the nine months ended September 30, 2016 respectively. The increase in return on equity from  $2.5%$  as at December 31, 2013 to  $5.8%$  as at December 31, 2014 was due to the turnaround from a loss and total comprehensive income attributable to owners of our Company amounting to C\$653,810 for the year 2013 to a profit and total comprehensive income attributable to owners of our Company amounting to C\$3,001,753 for the year 2014. The decrease in return on equity from  $5.8%$  as at December 31, 2014 to  $-4.8%$  as at December 31, 2015 was due to the turnaround from a profit and total comprehensive income attributable to owners of our Company amounting to C\$3,001,753 for the year 2014 to a loss and total comprehensive income attributable to owners of our Company amounting to C\$2,485,093 for the year 2015 and a loss and total comprehensive income of C\$3,642,293 for the nine months ended September 30, 2016.

### Gearing Ratio

Gearing ratio represents total debt as a percentage of total equity. Total debt represents bank indebtedness, bank loan, Shareholder's loan and other debts as at December 31, 2013, 2014 and 2015 and September 30, 2016. Our gearing ratio was  $-427.1%$ ,  $90.9%$  and  $87.9%$  and  $78.8%$  as at December 31, 2013, 2014 and 2015 and September 30, 2016 respectively. The improvement in our gearing ratio from  $-427.1%$  as at December 31, 2013 to  $90.9%$  as at December 31, 2014 was due to the capitalization of the shareholders' loan and the employees' loans by the issue of Class B and Class C non-voting common shares in the year 2014. The gearing ratio as at December 31, 2014 was  $90.9%$  and as at December 31, 2015 was  $87.9%$  and the slight decrease was due to proceeds from new share issuance which increased total equity meanwhile repayment of bank loan which decreased total debt. The decrease in gearing ratio for the nine months ended September 30, 2016 was due to the repayment of bank loans.

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## **FINANCIAL INFORMATION**

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### **DIVIDEND**

Our Board may declare dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the ABCA. In addition, our Directors may from time to time pay such interim dividends as appear to our Board to be justified by our profits, or special dividends of such amounts and on such dates as they think fit. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends will be at the absolute discretion of the Board.

Our Company did not declare or pay any dividends during the Track Record Period. We do not have a fixed dividend payout ratio.

### **DISTRIBUTABLE RESERVES**

Our Company did not have any distributable reserves as at September 30, 2016.

### **LISTING EXPENSES**

Legal, professional and other fees, together with the SFC transaction levy and Stock Exchange trading fee were incurred with respect to the Listing. Based on the midpoint of the indicative price range set out in the Prospectus, the total listing fee borne by us amounted to approximately C\$6.4 million, of which approximately C\$2.4 million is expected to be capitalized after the Listing in 2017. The remaining amount includes approximately C\$4.0 million, of which approximately C\$0.5 million was charged to profit and loss in 2015, approximately C\$2.3 million was charged to profit and loss for the nine months ended September 30, 2016, C\$0.7 million was estimated to be charged to profit and loss for the three months ended December 31, 2016 and C\$0.5 million will be charged to profit and loss for the year ending December 31, 2017.

### **NO ADDITIONAL DISCLOSURE REQUIRED UNDER LISTING RULES**

Our Directors confirm that as at the Latest Practicable Date, there has been no circumstance that would give rise to the disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules had the Shares been listed on the Stock Exchange.

### **NO MATERIAL ADVERSE CHANGE**

Our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our financial and trading conditions or prospect since September 30, 2016 and there is no event since September 30, 2016, including the three months ended December 31, 2016 which would materially affect the information shown in the Accountant's Report set out in Appendix I to this Prospectus.

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## FINANCIAL INFORMATION

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### LOSS ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2016

Our Directors estimate that, on the bases set out in Appendix III to this Prospectus, and in the absence of unforeseen circumstances, the estimated loss attributable to owners of our Company for the year ended December 31, 2016 as follows:

Estimated loss attributable to owners of  
our Company<sup>(1)</sup> ..... not more than C\$2.5 million

Unaudited pro forma estimated loss per Share of  
our Company<sup>(2)</sup> ..... not more than C\$0.009

*Notes:*

- (1) The loss estimate, for which our Directors are solely responsible for, has been prepared by them based on the audited results of our Company for the nine months ended September 30, 2016 and the unaudited results based on the management accounts of our Company for the three months ended December 31, 2016. The loss estimate has been prepared on a basis consistent in all material respects with the accounting policies normally adopted by the Company as set out in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus.
- (2) The calculation of the unaudited pro forma estimated loss per Share is based on the estimated results for the year ended December 31, 2016 attributable to owners of the Company and a total of 278,174,636 shares. The calculation of the estimated loss per Share does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option.

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please refer to the section headed "Appendix II — Unaudited Pro Forma Financial Information" to this Prospectus for details.

### KPMG LLP AS A FIRM OF ACCOUNTANTS ACCEPTABLE TO THE STOCK EXCHANGE UNDER RULE 19.20(2) OF THE LISTING RULES

Rule 19.20 of the Listing Rules provides that the annual accounts of an overseas issuer must be audited by a person, firm or company who must be a practising accountant of good standing. Such person, firm or company must also be independent of the overseas issuer to the same extent as that required of an auditor under the Companies Ordinance and in accordance with the statements on independence issued by the International Federation of Accountants and, if the overseas issuer's primary listing is or is to be on the Stock Exchange, must be either:

- (a) qualified under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong, the "PAO") for appointment as an auditor of a company; or
- (b) a firm of accountants acceptable to the Stock Exchange which has an international name and reputation and is a member of a recognized body of accountants.

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## FINANCIAL INFORMATION

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KPMG LLP, *Chartered Professional Accountants, Calgary, Canada*, has been the auditor of our Company since 2012. The statutory financial statements of our Company for the Track Record Period were prepared in accordance with IFRS issued by the International Accounting Standards Board. These statutory financial statements were audited by KPMG LLP. KPMG LLP will continue to serve as the auditor of our Company until the next annual meeting of the Shareholders.

Our Company considers that KPMG LLP is a firm of accountants acceptable to the Stock Exchange in accordance with the requirements of Rule 19.20(2) of the Listing Rules on the basis that:

- (a) both KPMG LLP and KPMG, *Certified Public Accountants, Hong Kong*, are member firms of KPMG International Cooperative. KPMG LLP is a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative;
- (b) KPMG LLP's chartered professional accountants ("CPA's") are governed by the professional standards promulgated by the various provincial CPA institutes across Canada and CPA Canada. CPA Canada is the national organization established to support a unified Canadian accounting profession. CPA Canada supports a number of independent boards and oversight councils. The boards establish and maintain standards on accounting and auditing to serve the public interest. The oversight councils appoint board members and oversee and provide input into the boards' activities to ensure that the process for setting standards functions properly;
- (c) KPMG LLP is registered with, among others, the Canadian Public Accountability Board in Canada and the Public Company Accounting Oversight Board in the United States and is subject to their inspections. KPMG LLP is subject to the independent oversight of the Canadian Public Accountability Board, being the regulatory body in Alberta. Alberta is itself a signatory to the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information.
- (d) KPMG LLP has confirmed that they are independent with respect to our Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and the International Ethics Standards Board for Accountants.

Our Company will prepare our annual accounts in accordance with IFRS. The annual accounts will be audited under International Standards on Auditing as issued by the International Auditing and Assurance Standards Board ("**IAASB**").

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### OUR CONTROLLING SHAREHOLDERS

Immediately upon completion of the Global Offering (without taking into account any Shares to be allocated and issued upon the exercise of the Over-Allotment Option), 164 Co, JLHY, Mr. Bo, Mr. Jing, Liyuan, Aspen and Ms. Hou (being spouse of Mr. Bo) will become a group of our Controlling Shareholders acting in concert and will jointly hold approximately 67.30% of the total number of issued Shares of our Company. For details regarding the shareholding interest of our Controlling Shareholders, please refer to the section headed “Substantial Shareholders” in this Prospectus.

Our Controlling Shareholders have confirmed that none of them and their respective associates is interested in any business which competes or is likely to compete, directly or indirectly with the business of our Company.

Among our Controlling Shareholders, Mr. Bo is the executive Director and Mr. Jing is the non-executive Director. For further details, please refer to the section headed “Directors and Senior Management” in this Prospectus.

### Unanimous Shareholders Agreement

On December 18, 2015, 164 Co, JLHY, Mr. Bo, Mr. Jing and Aspen entered into the Unanimous Shareholders Agreement, pursuant to which they confirmed, among other things, the existence of 164 Co, JLHY, Mr. Bo and Mr. Jing’s acting in concert arrangements in the past, in which 164 Co, JLHY, Mr. Bo and Mr. Jing had acted in concert as to previous votings in the shareholders’ and board meetings of our Company and there was no prior dispute between 164 Co, JLHY, Mr. Bo and Mr. Jing in relation to previous votings in various shareholders’ meetings and board meetings of our Company and had not encountered any material disputes.

Furthermore, 164 Co, JLHY, Mr. Bo, Mr. Jing and Aspen confirmed in the Unanimous Shareholders Agreement that they will act in concert as to voting in the shareholders’ and board meetings of our Company and/or Aspen. If they are not able to reach an agreement after full communication and consultation, the views of 164 Co and Mr. Bo shall prevail and JLHY, Mr. Jing and Aspen shall consent to the views of 164 Co and Mr. Bo. The Unanimous Shareholders Agreement may be terminated by all the parties thereunder in writing.

### First Supplemental Unanimous Shareholders Agreement

On April 29, 2016, JLHY, Liyuan, 164 Co, Mr. Bo, Mr. Jing and Aspen entered into the First Supplemental Unanimous Shareholders Agreement supplemental to the Unanimous Shareholders Agreement pursuant to which Liyuan was included as a party thereto, and pursuant to which JLHY, Liyuan, 164 Co, Mr. Bo and Mr. Jing (the “Parties”) confirmed, among other things, (i) the Parties’ shareholding in Aspen; (ii) the Parties had acted in concert as to previous votings and there was no dispute as to previous voting in the shareholders’ and board meetings of our Company and; (iii) the Parties will act in concert as to voting in the shareholders’ and board meetings of our Company and/or Aspen from the date of the Unanimous Shareholders Agreement.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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For details of our Controlling Shareholders, please refer to the sections headed “Corporate Structure and History — Our Controlling Shareholders” and “Directors and Senior Management” in this Prospectus.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that our Company is capable of carrying on our business and is operationally and financially independent from our Controlling Shareholders and their close associates after Listing for the following reasons:

#### Management Independence

Our management and operational decisions are made by our Board and management. Our Board comprises one executive Director, one non-executive Director and three independent non-executive Directors. Although Mr. Bo and Mr. Jing hold directorships in our Company, we consider that our Board and management will function independently from our Controlling Shareholders because:

- (a) each Director is aware of his fiduciary duties and obligations as a Director which require, amongst others, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interests. Please refer to the section headed “Directors and Senior Management — Directors’ Conflicts of Interests” for details of such obligations;
- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant meeting of our Board in respect of such transactions though he/they may be counted in the quorum. Our Company has also adopted certain corporate governance measures to avoid any potential conflict of interest between our Company and our Controlling Shareholders, details of which are set out in the paragraph headed “Corporate Governance Measures” in this section;
- (c) with three independent non-executive Directors out of a total of five Directors in our Board, there will be a sufficiently robust and independent voice within our Board to counter-balance any situation involving a conflict of interest and protect the interests of our independent Shareholders; and
- (d) all our management members are independent from our Controlling Shareholders. They have substantial experience in the industry we are engaged in and have served our Company for a period of time during which they have undertaken management supervisory responsibilities in our business and demonstrated their capability of discharging their duties independently from our Controlling Shareholders.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### **Operational Independence**

Our Company operates our business independently. During the Track Record Period, our Company had in place the following arrangements:

- (a) we have established our own organizational structure comprising individual departments, each with specific areas of responsibilities;
- (b) we have not shared our operational resources, such as suppliers, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their associates;
- (c) we are not reliant on trademarks, know-how and other intellectual property rights owned by our Controlling Shareholders;
- (d) we are the holder of all relevant licences material to the operation of our business and have sufficient equipment and employees to operate our business independently;
- (e) we have our own administrative and internal control procedures and corporate governance infrastructure; and
- (f) all properties used as our principal place of business and office premises are leased from Independent Third Parties by us.

Based on the above-mentioned arrangements, our Directors are of the view that our Company will be able to operate independently from our Controlling Shareholders.

### **Financial Independence**

We have an independent financial and accounting system and make financial decisions according to our own business needs. Our Company has our own finance department with a team of independent financial staff to handle our Company's finance operations independently, and our Company does not share any finance functions and resources with our Controlling Shareholders.

During the Track Record Period, we had a shareholder's loan due to JLHY, one of our Controlling Shareholders. The shareholder's loan due to JLHY has been fully repaid as at the Latest Practicable Date. For more information about the shareholder's loan, please refer to the sections headed "Financial Information — Shareholder's Loan and Loans from Employees and Contractors" in this Prospectus and Note 12 (Bank and Other Debts) of the Accountants' Report set out in Appendix I to this Prospectus.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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In support of the general working capital of our Company, during the Track Record Period, our Company obtained a banking facility from Macquarie Bank under the Macquarie Bank Credit Agreement. The long-term credit facility, granted by Macquarie Bank, consists of a maximum of C\$100,000,000 revolving facility and a maximum of C\$100,000,000 term facility. The available level of credit is subject to a periodic review by the bank and may be adjusted for changes in reserves, commodity prices and other factors. Advances under the long-term credit facility bore interest at a variable rate of interest per annum equal to the greater of (i) the Canadian Dealer Offered Rate and (ii) 1%, plus a margin of (a) in the case of the revolving facility, 5.5%, and (b) in the case of the term facility, 7.0%.

The credit facility granted under the Macquarie Bank Credit Agreement are secured, amongst others, by our Company having further created a fixed charge against certain of our PNG Licences in favor of Macquarie Bank and by a limited recourse guarantee and a share pledge provided by our Controlling Shareholder, Aspen, in respect of the Class A Shares in the share capital of our Company held by Aspen (the “**Aspen Security**”). It also imposes certain events triggering a default, amongst others, if Mr. Bo or Mr. Pingzai Wang ceases to be a Director or an officer of our Company. For more information about the financing of our Company, please refer to the section headed “Financial Information — Indebtedness — Bank Loan” in this Prospectus.

The Aspen Security was provided in favor of Macquarie Bank simply to secure financing on more favorable terms and did not compromise our ability to operate financially independently of our Controlling Shareholders and was released prior to the Listing. The release of the Aspen Security will not result in material changes in the interest rate and the amount of unutilised banking facility granted under the Macquarie Bank Credit Agreement.

Notwithstanding the above arrangement, our Board believes that our Company is able to operate financially independently of our Controlling Shareholders for the following reasons:

- (1) *A track record of fundraising on a stand-alone basis without any credit support from our Controlling Shareholders*

Our Company was able to, and intends to continue to, secure bank facilities from banks and other financial institutions without any credit support, guarantees or security from our Controlling Shareholders. Historically, our Company has had strong bank support on a stand-alone basis. During the Track Record Period, credit facilities were also made available to our Company by a commercial bank and a private lender of C\$30 million and C\$8 million respectively as at December 31, 2013, all Independent Third Parties, on a stand-alone basis without any security, guarantee or credit support by our Controlling Shareholders. In addition, before entering into the Macquarie Bank Credit Agreement, our Company had also negotiated with another commercial bank for a similar long-term credit facility, to be made available without provision of any security, guarantee or credit support by our Controlling Shareholders. Our Company did not

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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proceed to obtain the loan from that commercial bank as we considered the terms offered by that bank to be less favorable than those offered by Macquarie Bank. For more information regarding the bank loan, please refer to the section headed “Financial Information — Indebtedness — Bank Loan” of this Prospectus.

After the creation of the Aspen Security under the Macquarie Bank Credit Agreement, we have entered into a term sheet with a Canadian-listed financial institution, an Independent Third Party. Upon satisfactory completion of due diligence review of our business and financial performance, this financial institution provided our Company a legally binding commitment letter pursuant to which the financial institution will provide to our Company a term loan facility, in an aggregate sum of C\$45 million (the “**New Facility**”) (which will comprise a Tranche A to a maximum of C\$30 million at an interest rate of 9% per annum for a term of 36 months and a Tranche B of C\$15 million at an interest rate of 12% for a term of 84 months) which will be secured by a first charge over our Company’s all current and after-acquired personal property. The term loan facility will also contain certain covenants, including financial covenants related to our working capital, debt coverage and AER Licensee Liability Rating. The New Facility is being considered by our Company as one of the financing options. In any event, the New Facility will be made available to our Company on the basis of our own creditworthiness on a stand-alone basis, without any credit or security support from any of our Controlling Shareholders, which can then be used for the full repayment and discharge of our obligations under the Macquarie Bank Credit Agreement. This reflects our business performance and financial position and outlook continued to be steady and growing in the right direction. This further clearly demonstrates that our Company is able to operate financially independently from our Controlling Shareholders, including Aspen, by obtaining new financing from Independent Third Parties on a standalone basis.

(2) *Strong financial position after Listing*

We are strongly of the view that we, at and after Listing, will be in a strong financial position and be financially independent from the Controlling Shareholders. Given that we are a mineral company with assets in development and production, the Directors believe the status of our Company as a public company after Listing and the ability of our three-year development plan to produce significant future cash flows and profits will enhance our ability to raise funds through the debt and equity capital markets as well as by way of project financing, all on a standalone basis, if necessary.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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(3) *Viability of our business without the financial support of the Controlling Shareholders*

Our business will be viable without the financial support by its Controlling Shareholders. Upon Listing, our Company, solely funded by the net proceeds of the Global Offering and without the need for further debt or equity financing, will have sufficient financial resources to commence the first stage of our three-year development plan and put the first 3 new wells into production in early 2017. It is expected these 3 new wells will generate positive cash flow once they are put into production in early 2017, which will enable our Company to reduce our bank borrowings in accordance with our working capital requirements and development plan. As our Company can finance a significant portion of our three-year development plan by the net proceeds of the Global Offering and the operating cash inflow generated from our producing wells, we strongly believe that we will not have to rely on further equity fundraising exercise or bank borrowings of considerable scale to finance the further development of the wells and bring them to the stage of commercial production. It is also well noted that the Directors are able to make the working capital statement set out in the section headed “Financial Information” in the prospectus without reliance on any financing, security or other form of financial support from the Controlling Shareholders.

As at the Latest Practicable Date, (i) we did not have any outstanding loans or borrowings from any of our Controlling Shareholders or any of their respective associates; and (ii) there were no bank borrowings for which any of our Controlling Shareholders has provided personal guarantee. As such, our Company is satisfied with our capability to carry on our business financially independently of our Controlling Shareholders. Our Directors further confirm that we will not rely on our Controlling Shareholders for financing after the Listing as we expect that our working capital will be funded by our operating income and bank borrowings.

### **DEED OF NON-COMPETITION**

In order to avoid any future competition between our Company and our Controlling Shareholders, each of our Controlling Shareholders has executed the Deed of Non-competition with our Company (for our Company itself and for the benefit and on behalf of our subsidiaries) on January 17, 2017. Pursuant to the Deed of Non-competition, each of our Controlling Shareholders has irrevocably and unconditionally undertaken to our Company that, during the period that the Deed of Non-competition remains effective, (i) he/it/she shall not, and shall procure that his/its/her associates (except through his/its/her interests in our Company) shall not, directly or indirectly, develop, acquire, participate, hold any right or interest in or invest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the business engaged by our Company from time to time in Alberta, Canada or any other area in which our Company carries on business; and (ii) support any person, company or entity that is not part of our Company to engage in any business which is in competition with or is likely to be in competition with the existing or future business carried on by our Company.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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Each of the Controlling Shareholders further undertakes to and covenants with our Company (for our Company itself and for the benefit and on behalf of our subsidiaries) that if he/it/she or his/its/her associates other than our Company is offered or becomes aware of any business opportunity directly or indirectly to engage or become interested in the business of our Company, he/it/she shall (and he/it/she shall procure his/its/her close associates to) notify our Company in writing and our Company shall have a right of first refusal to take up such business opportunity. Our Company shall, within 30 days after receipt of the written notice (or such longer period if our Company is required to complete any approval procedures as set out under the Listing Rules from time to time), notify our Controlling Shareholders as to whether our Company will exercise the right of first refusal or not. Each of our Controlling Shareholders undertakes to and covenants with our Company that he/it/she or his/its/her close associates may only take up such business opportunity if our Company has decided not to exercise the right of first refusal.

Our Company shall only exercise the right of first refusal upon the approval of all our independent non-executive Directors (who shall not have any interest in such opportunity). Our relevant Controlling Shareholders and our other conflicting Directors (if any) shall abstain from participating in and voting at, though he/they may be counted as quorum, all meetings of the Board where there is a conflict of interest or potential conflict of interest (including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal).

The Deed of Non-competition is conditional upon the fulfilment of the following conditions:

- (i) the Listing Committee granting the approval for the listing of, and permission to deal in, our Shares; and
- (ii) the fulfilment of the conditions precedent under the Underwriting Agreements (including waiver of any conditions precedent by the Underwriters, if applicable) and the Underwriting Agreements not having been terminated.

If any of such conditions is not fulfilled on or before the date agreed between the Underwriters and our Company or the Underwriters and our Company have agreed to terminate the Underwriting Agreements thereafter, the Deed of Non-competition shall become null and void and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate when (i) a Controlling Shareholder, whether individually or taken together with his/its/her associates, ceases to be interested in 30% (or such other figure as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the issued Shares; or (ii) the Shares cease to be listed and traded on the Stock Exchange (except for temporary trading halts or suspension of trading of our Shares on the Stock Exchange due to any reason).

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act in the best interests of our Company and our Shareholders as a whole.

To avoid and manage potential conflicts of interest arising from the possible competing business of our Controlling Shareholders and to safeguard the interests of our independent Shareholders, our Company will implement the following measures:

- (a) our Controlling Shareholders will make an annual confirmation as to compliance with his/its undertaking under the Deed of Non-competition for inclusion in the annual report of our Company;
- (b) our Board is committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independence element on our Board which can effectively exercise independent judgment. Our Company has appointed three independent non-executive Directors. Our Directors believe that our independent non-executive Directors are of sufficient calibre, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide impartial and professional advice to protect the interests of our minority Shareholders. For further details of our independent non-executive Directors, please refer to the section headed “Directors and Senior Management” of this Prospectus;
- (c) our Company has appointed Changjiang Corporate Finance (HK) Limited as its compliance adviser, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and internal controls. For further details in relation to the appointment of compliance adviser, please refer to the paragraph headed “Directors and Senior Management — Compliance Adviser” in this Prospectus;
- (d) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (e) our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) compliance with the Deed of Non-competition; and (ii) all the decisions taken in relation to whether to pursue new opportunities under the Deed of Non-competition; and
- (f) pursuant to the Code of Corporate Governance, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at the costs of our Company.

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## **RELATIONSHIP WITH CONTROLLING SHAREHOLDERS**

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Our Company is expected to comply with the Code of Corporate Governance which sets out principles of good corporate governance in relation to, among others, Directors, the chief executive, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communication with our Shareholders. Our Company will state in our interim and annual reports whether we have complied with such code, and (if applicable) will provide details of, and reasons for, any deviation therefrom in the corporate governance reports attached to our annual reports and interim reports.

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## SHARE CAPITAL

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### SHARE CAPITAL

We are authorized to issue an unlimited number of Common Shares and Preferred Shares. All issued Shares in our Company comprise fully paid Common Shares with no par value. No Preferred Shares are issued or outstanding as at the Latest Practicable Date.

Details of our Company's Common Shares issued and to be issued immediately following completion of the Global Offering are as follows:

	<u>Number of Common Shares</u>
<i>Fully paid Common Shares in issue as at the date of this Prospectus</i>	208,706,520
<i>Fully paid Common Shares to be issued pursuant to the Global Offering, assuming no exercise of the Over-Allotment Option</i>	<u>69,580,000</u>
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<i>Fully paid Common Shares immediately following completion of the Global Offering, assuming no exercise of the Over-Allotment Option</i>	278,286,520
<i>Fully paid Common Shares to be issued upon the full exercise of the Over-Allotment Option</i>	10,437,000

Save as disclosed in this Prospectus, no share or loan capital of our Company is under any option or is agreed conditionally or unconditionally to be put under any option.

### Assumptions

The above table assumes the Global Offering has become unconditional and the issue of Common Shares pursuant thereto is made as described herein. It does not take into account Common Shares which may be allotted and issued or bought back by our Company under the general mandates for the allotment and issue or buyback of Common Shares granted to our Directors as referred to below or otherwise.

### MINIMUM PUBLIC FLOAT

The minimum level of public float to be maintained by our Company at all times after Listing under the Listing Rules is 25% of our total issued Common Shares from time to time.

### RANKING

The Offer Shares and the Common Shares that may be issued pursuant to the Over-Allotment Option will rank *pari passu* in all respects with all Common Shares in issue or to be issued as mentioned herein, and will be entitled to all dividends or other distributions declared, made or paid after the date of this Prospectus.

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## SHARE CAPITAL

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### GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Common Shares upon exercise of any subscription warrants issued by our Company or pursuant to the exercise of any options which might be granted under any option scheme(s) or any scrip dividend scheme or an issue of Common Shares in lieu of the whole or part of a dividend in accordance with the Articles or a specific authority granted by our Shareholders, Common Shares or securities or options convertible into Common Shares and to make and grant offers and agreements which would or might require Common Shares to be allotted with a total number not exceeding the sum of:

- 20% of the total number of Common Shares in issue immediately following completion of the Global Offering (excluding Common Shares which may be issued under the Over-Allotment Option); and
- the total number of Common Shares repurchased by our Company, if any, under the general mandate to repurchase referred to below.

This general mandate will remain in effect until:

- the conclusion of our next annual general meeting;
- the expiration of the period within which our next annual general meeting is required by the Articles or the By-Laws or any applicable law to be held; or
- the revocation or variation by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to the section headed “Appendix VI — Statutory and General Information — A. Further Information about Our Company — 3. Resolutions of Our Shareholders” to this Prospectus.

### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all our Company’s powers to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, Common Shares with a total number not exceeding 10% of the total number of Common Shares in issue immediately following completion of the Global Offering (without taking into account the Common Shares which may be allotted and issued under the Over-Allotment Option).

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## SHARE CAPITAL

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The general mandate to repurchase Common Shares will remain in effect until:

- the conclusion of our next annual general meeting;
- the expiration of the period within which our next annual general meeting is required by the Articles or the By-Laws or any applicable law to be held; or
- the revocation or variation by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this Repurchase Mandate, please refer to the section headed “Appendix VI — Statutory and General Information — A. Further Information about Our Company — 4. Repurchase of Our Own Shares” to this Prospectus.

### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

Pursuant to the ABCA, the Articles and the By-Laws, our Company may from time to time reduce our share capital or vary the rights attached to any class of shares by our Shareholders passing a special resolution. For further details, please refer to the section headed “Appendix V — Summary of the Articles and By-Laws of Our Company and Alberta Corporation Laws” to this Prospectus.

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## SUBSTANTIAL SHAREHOLDERS

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### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering (without taking into account any Common Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option), the following persons/entities will have interests or short positions in our Shares or underlying Common Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are directly or indirectly interested in 10% or more of the Common Shares in issue carrying rights to vote at general meetings of our Company:

<u>Name of Shareholder</u>	<u>Capacity/ Nature of Interest</u>	<u>Number of Common Shares held <sup>(Note 9)</sup></u>	<u>Approximate percentage of shareholding interests of our Company</u>
Aspen <sup>(Note 1)</sup>	Beneficial owner and parties acting in concert	187,290,164 (L)	67.30%
Mr. Jing <sup>(Notes 1, 2 and 3)</sup>	Beneficial owner, interest in controlled corporation and parties acting in concert	187,290,164 (L)	67.30%
JLHY <sup>(Notes 1 and 3)</sup>	Interest in controlled corporation and parties acting in concert	187,290,164 (L)	67.30%
Mr. Bo <sup>(Notes 1, 4 and 6)</sup>	Beneficial owner, interest of spouse, interest in controlled corporation and parties acting in concert	187,290,164 (L)	67.30%
Ms. Hou <sup>(Note 5)</sup>	Beneficial owner, interest of spouse and parties acting in concert	187,290,164 (L)	67.30%
164 Co <sup>(Notes 1 and 6)</sup>	Interest in controlled corporation and parties acting in concert	187,290,164 (L)	67.30%
Liyuan <sup>(Note 7)</sup>	Interest in controlled corporation and parties acting in concert	187,290,164 (L)	67.30%
Guang Jing <sup>(Note 8)</sup>	Interest in controlled corporation	187,290,164 (L)	67.30%

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## SUBSTANTIAL SHAREHOLDERS

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*Notes:*

1. Aspen holds 185,982,832 Common Shares and is owned as to approximately 41.09%, 39.69% and 19.22% by JLHY, 164 Co and Liyuan respectively. Pursuant to the Unanimous Shareholders Agreement and the First Supplemental Unanimous Shareholders Agreement, Aspen, Mr. Jing, JLHY, Mr. Bo, 164 Co and Liyuan became parties acting in concert and therefore Aspen is deemed to be interested in all the Common Shares in which Mr. Jing and Mr. Bo are interested in under the SFO, which in aggregate represent approximately 67.30% of the total number of our issued Common Shares.

2. Mr. Jing holds 427,332 Common Shares, equivalent to approximately 0.15% of our total issued Common Shares. Mr. Jing is also interested in 60% of the equity interest in JLHY.

Pursuant to the Unanimous Shareholders Agreement and the First Supplemental Unanimous Shareholders Agreement, Mr. Jing is deemed to be interested in the Common Shares in which Aspen, JLHY, Mr. Bo, 164 Co and Liyuan are interested in under the SFO, which in aggregate represent approximately 67.30% of the total number of our issued Common Shares.

3. JLHY is held as to 60% by Mr. Jing and 40% by Guang Jing, Mr. Jing's brother. Pursuant to the Unanimous Shareholders Agreement and the First Supplemental Unanimous Shareholders Agreement, JLHY is deemed to be interested in all the Common Shares in which Aspen, Mr. Jing, Mr. Bo, 164 Co and Liyuan are interested in under the SFO, which in aggregate represent approximately 67.30% of the total number of our issued Common Shares.

4. Mr. Bo holds 440,000 Common Shares, equivalent to approximately 0.16% of our total issued Common Shares. He is the spouse of Ms. Hou and is therefore deemed to be interested in 440,000 Common Shares held by Ms. Hou under the SFO. Mr. Bo is one of the trustees of The Bo Family Trust.

Mr. Bo also holds 1,000 class D voting preferred shares in 164 Co, representing approximately 99.01% of the voting rights of 164 Co.

Pursuant to the Unanimous Shareholders Agreement and the First Supplemental Unanimous Shareholders Agreement, Mr. Bo is deemed to be interested in all the Common Shares in which Aspen, Mr. Jing, JLHY, 164 Co and Liyuan are interested in under the SFO, which in aggregate represent approximately 67.30% of the total number of our issued Common Shares.

5. Ms. Hou holds 440,000 Common Shares and is one of the trustees of The Bo Family Trust. She is the spouse of Mr. Bo and is therefore deemed to be interested in all the Common Shares in which Mr. Bo is interested in under the SFO.

6. Mr. Bo holds 1,000 class D voting preferred shares in 164 Co, representing approximately 99.01% voting rights of 164 Co.

Pursuant to the Unanimous Shareholders Agreement and the First Supplemental Unanimous Shareholders Agreement, 164 Co is deemed to be interested in all the Common Shares in which Aspen, Mr. Jing, JLHY, Mr. Bo and Liyuan are interested in under the SFO, which in aggregate represent approximately 67.30% of the total number of our issued Common Shares.

7. Liyuan is owned as to approximately 98%, 1% and 1% by JLHY, Zhou Li Mei and Jing Yue Li respectively. In addition, pursuant to the Unanimous Shareholders Agreement and the First Supplemental Unanimous Shareholders Agreement, Liyuan is deemed to be interested in all the Common Shares in which Aspen, Mr. Jing, JLHY, Mr. Bo and 164 Co are interested in under the SFO, which in aggregate represent approximately 67.30% of the total number of our issued Common Shares.

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## SUBSTANTIAL SHAREHOLDERS

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8. Guang Jing holds 40% of the equity interest in JLHY and is therefore deemed to be interested in all the Common Shares in which JLHY is interested in under the SFO.
9. The Letter “L” denotes the person’s or entity’s long position in our Common Shares.

Save as disclosed above, our Directors are not aware of any persons who will, immediately following completion of the Global Offering, have interests or short positions in the Common Shares or underlying Common Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are directly or indirectly interested in 10% or more of the Common Shares in issue carrying rights to vote at general meetings of our Company.

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## DIRECTORS AND SENIOR MANAGEMENT

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### GENERAL

Our corporate management structure consists of our Board and our senior management.

Our Board currently consists of 5 Directors, comprising 1 executive Director, 1 non-executive Director and 3 independent non-executive Directors and is the primary decision-making body of our Company, setting fundamental business strategies and policies for the management and operation of our business and monitoring their implementation.

Our senior management directly manages the day-to-day operations of our Company and implement the business strategies devised by our Directors.

Save as disclosed in this Prospectus, none of our Directors have any other existing directorships in any listed companies.

### DIRECTORS

The table below shows certain information of our Directors:

<u>Name</u>	<u>Age</u>	<u>Present position and office</u>	<u>Appointment date</u>	<u>Responsibilities</u>	<u>Year joined</u>	<u>Number of years of experience in the oil, gas and energy industry</u>	<u>Experience focus in the field</u>	<u>Type of natural resources</u>
Mr. Bo	36	President, Chairman of our Board, Chief Executive Officer and executive Director	March 11, 2005	Strategic management of our Company; serves on the remuneration and nomination committees	2005	11	Strategic planning and operations	Natural gas and oil
Mr. Jing	57	Non-executive Director	March 11, 2005	Advising on business development	2005	18	Strategic planning	Natural gas, oil, mines and minerals
Mr. Richard Dale Orman	67	Independent non-executive Director	February 26, 2016	Serves on audit and remuneration committees; responsible for overseeing the management independently	2016	40	Ministerial planning and financing, oil and gas exploration	Natural gas and oil, mines and minerals
Mr. Bryan Daniel Pinney	64	Independent non-executive Director	February 26, 2016	Serves on audit, remuneration and nomination committees; overseeing the management independently	2016	30	Financial auditing, valuation and advising companies	Energy and natural resources
Mr. Peter David Robertson	64	Independent non-executive Director	February 26, 2016	Serves on audit and nomination committees; overseeing the management independently	2016	31	Finance	Natural gas and oil

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## DIRECTORS AND SENIOR MANAGEMENT

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### Executive Director

**Mr. Le Bo (伯樂)**, aged 36, is the executive Director, President and Chief Executive Officer of our Company, the Chairman of our Board, the Chairman of the nomination committee and a member of the remuneration committee of the Board, and is one of our Controlling Shareholders. Mr. Bo has over 11 years of experience in the natural gas and oil industry. Mr Bo worked at Fairmont Hotels & Resorts and Suncor Energy Inc. as an independent contractor. Mr Bo is the co-founder of our Company in 2005 and held the positions of the President and Chief Executive Officer since March 11, 2005. Since the founding of our Company, Mr. Bo has worked together with the management to formulate and implement all our natural gas and oil exploration projects and the development plan of our Company in the strategic level. Mr. Bo is primarily responsible for our Company's overall development and growth strategies, and supervision of key management issues.

Mr. Bo obtained his Bachelor of Applied Information Systems Technology from the Southern Alberta Institute of Technology in September 2003 and his Master of Business Administration degree from the China University of Petroleum (中國石油大學) in June 2015.

During the three years immediately preceding the Latest Practicable Date, Mr. Bo has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

### Non-Executive Director

**Mr. Yuan Jing (景元)**, aged 57, is a non-executive Director and is one of our Controlling Directors. Mr. Jing is primarily responsible for advising on business development matters. Mr. Jing has been appointed to our Board since 2005.

Mr. Jing has more than 20 years of experience in business. Mr. Jing is currently the chairman of the board of directors of JLHY since his appointment in 1996. Further, Mr. Jing has been appointed as the President and CEO of Jie Fang Road School (解放大路學校) since 1994. Since completing secondary education, Mr. Jing spent 12 years working as a bank clerk in the local branches of Industrial and Commercial Bank of China in Jilin Province, China, during 1981 to 1985 and 1985 to 1993, respectively.

Mr. Jing has served as the legal representative of the following companies: Shanghai Da Jia Wen Hua Chuan Buo Limited (上海大家文化傳播有限公司) since 2006; E Lun Chun Zi Zhi Qu Hong Yuan Kuang Ye Limited (鄂倫春自治旗弘原礦業有限公司) since 2012; Ji Lin Sheng Neng Yuan Kai Fa Limited (吉林省能源開發有限責任公司) since 1998; Sun Wu Xian Hong Yuan Mu Ye Limited (孫吳縣弘原鋁業有限公司) since 2008; Xi An Shi Ao Hua Investments Limited (西安市澳華投資有限公司) since 2000; Ji Lin Sheng Hong Yuan Jing Mao Group Limited (吉林省弘原經貿集團有限公司) since 1999; and Ji Lin Sheng Hong Yuan Jing Mao Group Limited Yuan Dong Yi Shu Guan (吉林省弘原經貿集團有限公司遠東藝術館) since 1999.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Jing confirmed that E Lun Chun Zi Zhi Qu Hong Yuan Kuang Ye Limited (鄂倫春自治旗弘原礦業有限公司) is principally engaged in the business of molybdenum minerals production and is not in competition with the existing business of our Company. Mr. Jing also confirmed that Ji Lin Sheng Neng Yuan Kai Fa Limited (吉林省能源開發有限責任公司) is principally engaged in the business of natural gas and oil wells maintenance services and is not in competition with the existing business of our Company.

Mr. Jing acted as the legal representative and chairman of the board of directors of the following companies: Ji Lin Sheng Ao Hua Jing Mao Limited (吉林省澳華經貿有限責任公司) from January 23, 2003; Ji Ling Sheng Chang Chun Ren Fang Shi Pin Shui Chan Jing Xiao Chu (吉林省長春人防食品水產經銷處) from April 28, 1992; and Ji Lin Sheng Ao Hua Zhi Ye Lan Qiu Ju Le Bu Limited (吉林省澳華職業籃球俱樂部有限公司) from May 18, 1999. However, the aforesaid companies had not participated in annual inspections pursuant to the relevant PRC requirements, as such, Mr. Jing's term ceased when the business licence of each of the aforesaid companies was revoked by the competent company registration authority in September 2003, October 2005, and November 2007 respectively. Mr. Jing confirmed that the competent company registration authority has not imposed any administrative penalty on Mr. Jing personally and he has not been subject to any relevant claims as a result of the revocation of the business licences of the aforesaid companies.

During the three years immediately preceding the Latest Practicable Date, Mr. Jing has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

### **Independent Non-Executive Directors**

**Mr. Richard Dale Orman**, aged 67, is an independent non-executive Director, the Chairman of the remuneration committee and a member of the audit and risk committee of our Board. Mr. Orman is currently a senior counsel of the Canadian Strategy Group which provides government relations consultation in Canada.

Mr. Orman has over 40 years of experience in the oil and natural gas and energy industry. Mr. Orman was an Executive Assistant to Minister of Mines and Minerals of the Government of Alberta from 1972 to 1975 and a Special Assistant to Minister of Energy and Natural Resources of the Government of Alberta in 1976. From 1989 to 1992, Mr. Orman was the Minister of Energy of the Government of Alberta, responsible for overseeing, among others, Alberta Department of Energy and Alberta Petroleum Marketing Commission. As the Minister of Energy, Mr. Orman served as a delegate to the Organization of the Petroleum Exporting Countries, the United States Interstate Oil and Gas Compact Commission, and the South West Energy Council. Mr. Orman served as the Chairman and CEO of Kappa Energy Inc., an international energy exploration company, from 1994 to 1998, and as a director of Vanguard Oil Corp. from 1998 to 2001. From 2003 to 2005, Mr. Orman was the executive vice chairman of Exceed Energy Inc., which was listed on the Toronto Stock Exchange. From 2007 to 2011, Mr. Orman was a lead director and a director of Daylight Energy Ltd, which was listed on the Toronto Stock Exchange. Further, Mr. Orman is a director of WesCan Energy Corporation, a company listed on the TSX Venture Exchange (CVE: WCE) and principally engaged in oil and gas production and exploration in Canada and the US with its major

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## DIRECTORS AND SENIOR MANAGEMENT

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assets of light to medium oil-based products located in central Alberta and Saskatchewan, Canada. Mr. Orman also served as chief executive officer and director of NOR Energy AS, an oil and gas exploration company with its major assets located in the North Sea, Tanzania, Australia and Czech Republic, until 2011. Mr. Orman is also a shareholder of PLM Consultants Ltd, a Calgary based advisory services company established in 1981.

Mr. Orman obtained his Bachelor of Arts from the Eastern Washington University in December 1971.

Save as disclosed above, during the three years immediately preceding the Latest Practicable Date, Mr. Orman has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

**Mr. Bryan Daniel Pinney**, aged 64, is an independent non-executive Director, the Chairman of the audit and risk committee and a member of each of the remuneration and nomination committees of our Board. Mr. Pinney was appointed to the Board of Governors of Mount Royal University in May 2009 and designated Chair in September 2014 and also a director of North American Energy Partners Inc, a company listed on the Toronto Stock Exchange and New York Stock Exchange (TSE & NYSE: NOA) since May 13, 2015.

Mr. Pinney has more than 30 years of experience in financial auditing, valuation and advising companies in energy and natural resources. Mr. Pinney was Deloitte's Calgary Managing Partner from 2002 through 2007 and served as the National Managing Partner of Audit & Assurance from 2007 to 2011, and retired after being Vice Chairman at Deloitte from 2011 to 2015. Prior to joining Deloitte, Mr. Pinney was a partner of Andersen LLP from 1986 and the Calgary Managing Partner from 1991 through May 2002 and a member of the Board of Partners. Mr. Pinney was also a member of the ASC's Financial Advisory Committee, which advises the ASC's chief accountant on financial accounting and disclosure matters.

Mr. Pinney obtained a Bachelor of Arts in Business Administration from The University of Western Ontario in June 1975 and also completed the Directors Education Program offered by the Institute of Corporate Directors in Canada in April 2012. Mr. Pinney has been a Chartered Accountant since December 1978, a Fellow of the Chartered Accountant of Alberta since January 2009 and a Chartered Business Valuator of Canada since December 1990.

Save as disclosed above, during the three years immediately preceding the Latest Practicable Date, Mr. Pinney has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

**Mr. Peter David Robertson**, aged 64, is an independent non-executive Director and a member of each of the audit and nomination committees of our Board.

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## DIRECTORS AND SENIOR MANAGEMENT

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Prior to joining our Company, Mr. Robertson worked at Pembina Pipeline Corporation (NYSE: PBA, TSX: PPL), a company listed on the New York Stock Exchange and the Toronto Stock Exchange, and its predecessors from 1985 to 2014. From 1985 to 1991, Mr. Robertson was the Accounting Manager before he was promoted to Controller in 1991 until 2000. From 2000 to 2013, Mr. Robertson was the Vice President, Finance and Chief Financial Officer. Mr. Robertson served as the Senior Vice President and Chief Financial Officer from 2013 to 2014.

Mr. Robertson graduated from Hermitage Academy, Helensburgh, Scotland in 1970, after which he entered into a 5 year Chartered Accountant program at the Institute of Chartered Accountants of Scotland. Mr. Robertson has been a Chartered Accountant of Scotland since November 1975 and a Chartered Accountant of Alberta since April 1980. He has been a holder of the Institute of Corporate Directors, Director designation in Canada since 2015.

Save as disclosed above, during the three years immediately preceding the Latest Practicable Date, Mr. Robertson has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

### SENIOR MANAGEMENT

The table below shows certain information of our senior management.

<u>Name</u>	<u>Age</u>	<u>Present position and office</u>	<u>Appointment date</u>	<u>Responsibilities</u>	<u>Year joined</u>	<u>Number of years of experience in the oil, gas and energy industry</u>	<u>Experience focus in the field</u>	<u>Type of natural resources</u>
Mr. Pingzai Wang (王平在)	50	Senior Vice President, Exploration	April 2008	Exploration	2006	28	Exploration, engineering and production	Natural gas and oil
Mr. Binyou Dai (代斌友)	47	Vice President, Engineering	March 2014	Engineering and production	2009	24	Exploration, engineering and production	Natural gas and oil
Ms. Jun Xiang (向隽)	35	Interim Chief Financial Officer	July 2016	Financial management	2015	5	Finance and strategic planning	Natural gas and oil
Mr. Lei Song (宋磊)	33	Production Engineer	May 2014	Engineering and production	2014	5	Exploration, engineering and production	Natural gas and oil

#### Mr. Pingzai Wang

**Mr. Pingzai Wang (王平在)**, aged 50, is the Senior Vice President, Exploration in charge of exploration activities of our Company. Mr. Wang joined our Company in October 2006 and served as Vice President, Exploration of our Company since April 2008. Mr. Wang has been involved in the natural gas and oil exploration projects since joining our Company.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Wang has over 28 years of experience in the natural gas and oil industry. He began his professional career in various oil and gas operations of China National Petroleum Corporation (“CNPC”) in 1988 and has been the Senior Engineer since 1998. Mr. Wang was the Geologist, Chief Geologist and Exploration Manager of Daqing Exploration Company of Daqing Oilfield Company Limited (大慶油田有限責任公司), a subsidiary of CNPC for the period from July 1988 to June 2002. Mr. Wang is experienced in energy exploration activities and was involved in several major energy exploration and development projects, including oil and gas projects in Hailar Basin (Inner Mongolia, China), Tarim Basin (Xinjiang, China) and Indonesian projects (South Sumatra, Java and Irian Jaya, etc.) from 1988 to 2006 during his employment under CNPC. His expertise in exploration seismic interpretation and prospects generation through his experience in CNPC has contributed substantially to the growth of our Company.

Mr. Wang obtained his Bachelor of Engineering degree in Petroleum Geology in July 1988 from Daqing Petroleum Institute (大慶石油學院) (now known as Northeast Petroleum University (東北石油大學)). Mr. Wang has been a Professional Geoscientist of APEGA since August 2013.

As at the Latest Practicable Date, Mr. Wang held 440,000 Common Shares, which will represent 0.16% of the total issued Shares upon completion of the Global Offering (assuming the Over-Allotment Option is not exercised).

### **Mr. Binyou Dai**

**Mr. Binyou Dai** (代斌友), aged 47, joined our Company in June 2009 and was appointed as our Company’s Vice President, Engineering on March 31, 2014. Mr. Dai has over 24 years of experience in working in the natural gas and oil industry and has been involved in our natural gas and oil engineering and facilities development since joining our Company.

Prior to joining our Company, Mr. Dai worked as a mechanical engineer for Wood Group Mustang, an engineering, procurement and construction management company, and was involved in the engineering and design of oil and gas projects in Canada, from May 2005 to May 2009. Mr. Dai has worked at CNPC since 1992 and was a Senior Engineer since December 2003 to February 2005. Mr. Dai has been involved in the development and upgrading of oil and gas facilities from engineering, construction to commissioning and start-up, project management in various projects in Sudan, Kuwait and China during his time at CNPC.

Mr. Dai obtained his Bachelor of Engineering degree in Petroleum Engineering in July 1992 from Daqing Petroleum Institute (大慶石油學院) (now known as Northeast Petroleum University (東北石油大學)) and his Masters of Engineering at the University of Calgary in November 2008. Mr. Dai has been a Professional Engineer of APEGA since March 2009, a Professional Engineer of the Association of Professional Engineers and Geoscientists of British Columbia since April 2009 and a Professional Engineer of the Association of Professional Engineers and Geoscientists of Saskatchewan since May 2009.

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## DIRECTORS AND SENIOR MANAGEMENT

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As at the Latest Practicable Date, Mr. Dai held 440,000 Common Shares, which will represent 0.16% of the total issued Shares upon completion of the Global Offering (assuming the Over-Allotment Option is not exercised).

### **Ms. Jun Xiang**

**Ms. Jun Xiang** (向隽), aged 35, is our Interim Chief Financial Officer. Ms. Xiang joined us in November 2015 and had been responsible for financial management of our Company.

Ms. Xiang has over 5 years of experience in the oil and gas industry providing financial management and accounting services for mineral companies in Canada and the PRC. After joining our Company, Ms. Xiang has taken the responsibilities of financial reporting and analysis and hence been deeply involved in the natural gas exploration and production from a financial perspective.

During the period between February 2013 and November 2015, Ms. Xiang was the Financial Manager at Huadian Natural Gas Canada Limited, a subsidiary of China Huadian Corporation (中國華電集團公司), participating in a LNG project in the Pacific Northwest, as well as the Senior Corporate Accountant at Grande Cache Coal LLP. During her tenure with Huadian Natural Gas Canada Limited, Ms. Xiang was responsible for all the financial management, reporting and analysis for the company's proportionate share in the upstream production (95% natural gas) in Northeast British Columbia, Canada. Ms. Xiang also worked at PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合伙)) and Deloitte & Touche Financial Advisory Services Limited Beijing Branch (德勤諮詢(上海)有限公司北京分公司) from August 2006 to February 2013, and had participated in auditing, financial management consulting projects and financial due diligence services for major domestic and overseas oil and gas companies.

Ms. Xiang obtained her Bachelor of Economics degree in International Economics and Trade from the University of International Business and Economics (對外經濟貿易大學) in July 2003 and her Master of Economics degree from Beijing University of Posts and Telecommunications (北京郵電大學) in April 2006.

Ms. Xiang has been a non-practising member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since August 2015, a fellow member of the Association of Chartered Certified Accountants since January 2014, a Chartered Professional Accountant of Alberta since July 2015 and a Certified General Accountant of Canada since June 2011.

As at the Latest Practicable Date, Ms. Xiang held 200,000 Common Shares, which will represent 0.07% of the total issued Shares upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

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## DIRECTORS AND SENIOR MANAGEMENT

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### Mr. Lei Song

**Mr. Lei Song** (宋磊), aged 33, joined our Company as a Production Engineer in May 2014 and has been involved in the monitoring and evaluation of our production and formulation of development plans of our Company. Mr. Song has 5 years of working experience in the natural gas and oil industry.

Prior to joining our Group, Mr. Song worked as a process engineer for CH2M Hill Energy Canada, Ltd. from August 2012 to April 2014 and was responsible in reviewing and conducting analysis for the production facilities and evaluating process performance in oil and gas projects. He worked as a field walk down specialist in Suncor Energy Inc. (TSX: SU, NYSE: SU), a company listed on the Toronto Stock Exchange and the New York Stock Exchange, from September 2011 to August 2012 and was involved in production and operation data analysis to optimise process and equipment operating conditions in natural gas and oil field. During the period from January 2011 to September 2011, he worked as a research assistant focusing on thermal solvent recovery at the oil sands development and research division of Imperial Oil Limited (TSX: IMO), a company listed on the Toronto Stock Exchange.

Mr. Song obtained his Bachelor of Science degree in Chemical Engineering and Processing and his Master of Science degree in Chemical Processing at the China University of Petroleum (中國石油大學) in June 2005 and June 2008, respectively. He also obtained his Master of Science in Chemical Engineering at the University of Calgary in June 2012. Mr. Song has been a Professional Engineer of APEGA since April 2015.

As at the Latest Practicable Date, Mr. Song held 84,000 Common Shares, which will represent 0.03% of the total issued Shares upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

### CORPORATE MANAGEMENT

Our corporate management structure consists of our Board and our senior management. Our Board is the primary decision-making body of our Company, setting fundamental business strategies and policies for the management and operation of our business and monitoring their implementation. The role of our Board is primarily supervisory and strategic. Mr. Bo, the executive Director, serves as the President and Chief Executive Officer of our Company and is primarily responsible for our Company's overall development and growth strategies, and supervision of key management issues. The remaining Directors are non-executive and do not take part in the day-to-day operations of our Company, which reinforces the supervisory function of our Board.

Our senior management directly manages the day-to-day operations of our Company and implements the business strategies devised by our Directors, and is subject to the oversight of our Board. As disclosed above, we have a core technical team comprising of Mr. Bo and our senior management namely Mr. Pingzai Wang (the Vice President of Exploration), Mr. Binyou Dai (the

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## DIRECTORS AND SENIOR MANAGEMENT

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Vice President of Engineering), Ms. Jun Xiang (the interim Chief Financial Officer) and Mr. Lei Song (the Production Engineer) who have approximately 11, 28, 24, 5 and 5 years of experience respectively in exploration and extraction and the natural gas and oil industry.

To enhance our operational efficiency, our executive Director, Mr. Bo, presides management liaison meetings at regular intervals with our senior management to share our operation information, develop strategies for our exploration projects and development plan, as well as discuss our management direction, and to give clear directions and to monitor their execution. We believe these meetings serve as an effective channel of communication between our Board and our senior management and facilitate timely and flexible responses to major changes in our business and operation environment.

Given that Mr. Bo, apart from having been directly involved and primarily responsible for our Company's overall development and growth strategies, as the Chairman of our Board, he also provides leadership for our Board to ensure our Board works effectively and performs its responsibilities so that all key and appropriate issues are discussed in a timely manner, we are of the view that though our current management structure, working collaboratively, have the sufficient capacity and experience in the natural gas and oil industry that is specifically relevant to the exploration and/or extraction activities that our Company is pursuing, and to run our Company effectively, including implementing our three-year development plan.

Our Company will from time to time review our corporate management structure and consider making changes to our corporate management structure to complement our corporate strategy, including appointing and/or nominating suitable candidates recommended by our nomination committee to join our Board and senior management when our operations expand in the future to serve our operational and management needs.

### JOINT COMPANY SECRETARIES

**Mr. Bennett Ka-Ying Wong (黃嘉瀛)**, aged 42, is the Canadian Corporate Secretary of our Company and has been our Company's sole corporate secretary since July 2015. Mr. Wong has been a partner in the Corporate Finance and M&A Group of the law firm of Gowling WLG (Canada) LLP (formerly Gowling Lafleur Henderson LLP) since January 2011. From January 2004 to December 2010, Mr. Wong was an associate with the law firm of Gowling Lafleur Henderson LLP. Mr. Wong has acted as the legal counsel to our Company since September 2011.

Mr. Wong obtained a Master of Laws degree in February 2008 from Osgoode Hall Law School of York University in Canada, a Certificate of Qualification by the National Committee on Accreditation in May 2001 after completing his studies at the University of British Columbia Faculty of Law, a Juris Doctor degree in May 1999 from Western New England College (now known as Western New England University) School of Law, and a Bachelor of Arts degree in August 1996 from the University of Wisconsin-Madison. He is admitted to practice law in Alberta, British Columbia, New York and the District of Columbia.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Ms. Chau Hing Ling** (周慶齡), aged 42, was appointed as a joint company secretary of our Company in April 2016. She joined Vistra Corporate Services (HK) Limited (“**Vistra**”) since June 2013 and now serves as a director of corporate services of Vistra, where she leads a team of professional staff to provide a full range of corporate services and listed company secretary services. Prior to joining Vistra Corporate Services (HK) Limited, she was an associate director of Corporate Services of an international corporate services provider.

Ms. Chau has over 15 years of experience in the corporate services industry. She is currently the company secretary of Keen Ocean International Holding Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (SEHK: 8070) and Rici Healthcare Holdings Limited, a Main Board listed company in Hong Kong (SEHK: 1526) and the joint company secretary of COFCO Meat Holdings Limited, a Main Board listed company in Hong Kong (SEHK: 1610) and Guangdong Kanghua Healthcare Co., Ltd., a Main Board listed company in Hong Kong (SEHK: 3689), respectively. Ms. Chau received a Master of Laws degree majoring in corporate and financial law from The University of Hong Kong in November 2007. She has been a fellow member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries since May 2013.

### AUDIT AND RISK COMMITTEE

We have established an audit and risk committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Code of Corporate Governance.

The primary duties of our audit and risk committee include examining independently the financial positions of our Company, overseeing our Company’s financial controls, internal control and risk management systems, the audit process and proposals of internal management, communicating independently with, monitoring and verifying the work of internal audit and external auditors and determining on the appointment of auditors on an annual basis.

The current members of our audit and risk committee are Mr. Richard Dale Orman, Mr. Bryan Daniel Pinney and Mr. Peter David Robertson, our independent non-executive Directors with Mr. Pinney as the chairman. Our Board has determined that Mr. Pinney possesses the appropriate professional qualifications and financial expertise for the purposes of compliance with the Listing Rules.

### REMUNERATION COMMITTEE

We have established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Code of Corporate Governance.

The primary duties of our remuneration committee are to recommend our Board on the remuneration policy and structure for our Directors and management and on the establishment of a formal and transparent procedure for developing remuneration policy, to review and approve the

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## DIRECTORS AND SENIOR MANAGEMENT

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management's remuneration proposals with reference to our Board's corporate goals and objectives, and to make recommendations to our Board on the remuneration packages of our executive Directors and management.

The current members of our remuneration committee are Mr. Bo, Mr. Richard Dale Orman and Mr. Bryan Daniel Pinney with Mr. Orman our independent non-executive Director as the chairman.

### NOMINATION COMMITTEE

We have established a nomination committee with written terms of reference in compliance with the Code of Corporate Governance.

The primary duties of the nomination committee are to review the structure, size and composition of our Board at least annually and make recommendations on any changes to our Board to complement our Company's corporate strategy, to make recommendations on the appointment of Directors on an annual basis, to make recommendation to our Board regarding candidates to fill vacancies on our Board and/or in the management, and to assess the independence of the independent non-executive Directors.

The current members of our nomination committee are Mr. Bo, Mr. Bryan Daniel Pinney and Mr. Peter David Robertson, with Mr. Bo as the chairman.

### COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We place high value on our corporate governance practice and our Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of our Shareholders. Our Board has adopted a code on corporate governance with reference to the code provisions of the Code of Corporate Governance. Our Board will also review and monitor the practices of our Company from time to time with an aim to maintain and improve high standards of corporate governance practices. We will comply with the code provisions of the Code of Corporate Governance after the Listing, except for the deviation set out below:

#### **Provision A.2.1**

Provision A.2.1 of the Code of Corporate Governance provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing.

Mr. Bo is the Chairman of our Board and our Chief Executive Officer. Although this deviates from the practice under provision A.2.1 of the Code of Corporate Governance, where it provides that the two positions should be held by two different individuals, as Mr. Bo has considerable experience in the enterprise operation and management of our Company, our Board believes that it is in the best interest of our Company and the Shareholders as a whole to continue to have Mr. Bo as Chairman of our Board so that our Board can benefit from his experience and his capability in leading our Board in the long term development of our

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## DIRECTORS AND SENIOR MANAGEMENT

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Company. From a corporate governance point of view, the decisions of our Board are made collectively by way of voting and therefore the Chairman should not be able to monopolize the decision making of our Board. Our Board considers that the balance of power between our Board and our management can still be maintained under the current structure. Our Board shall review the structure from time to time to ensure appropriate action be taken should the need arise.

Save as disclosed above, our Directors consider that, as at the Latest Practicable Date, our Company has fully complied with the applicable code provisions as set out in the Code of Corporate Governance.

### MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong, normally meaning that at least two of the issuer's executive Directors must be ordinarily resident in Hong Kong. We currently have no executive directors residing in Hong Kong. Since our principal operations are located in Canada, we do not and, for the foreseeable future, will not have a sufficient management presence in Hong Kong. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, subject to the conditions that, among other things, we maintain certain arrangements to maintain effective communication between the Stock Exchange and us. Please refer to the section headed "Waivers from strict compliance with the Listing Rules — Management Presence" in this Prospectus for more information.

### DIRECTORS' CONFLICTS OF INTERESTS

Our Directors are subject to obligations as directors of a listed company under Rule 3.08 of the Listing Rules to avoid actual and potential conflicts of interest and duty and to disclose fully and fairly their interests in contracts with our Company. Similarly, our Directors are subject to requirements under the ABCA to disclose in writing to our Company certain interests in actual or proposed material contracts or transactions. A Director required to disclose interests as noted above shall not vote on any resolution to approve the contract or transaction subject to certain exceptions. Under the ABCA, if a director or officer fails to comply with the requirements to disclose their interests or abstain from voting as described above, subject to certain exemptions, a court may set aside the material contract or material transaction on any terms that it thinks fit, or require the director or officer to account to the company for any profit or gain realized on it, or both.

In light of the above legal and regulatory requirements, section 7.01 of the By-Laws provides that, if a Director is party to, or is a director or officer of or has a material interest in any person who is a party to, a material contract or proposed material contract with our Company or subsidiary thereof, the Director must disclose his interest and the relevant contract or transaction must be referred to our Board for approval, regardless of whether the contract is one that, in the ordinary course of our Company's business, would not require approval by our Board or Shareholders. In addition, the Directors are subject to re-election at every annual general meeting. Shareholders

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## DIRECTORS AND SENIOR MANAGEMENT

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entitled to vote at the annual general meeting for the election of Directors will elect a Board consisting of at least the minimum number of Directors set under the Articles and all the Directors shall cease to hold office immediately before such election, but are eligible for re-election at such meeting. For further information about the laws and other procedures our Directors are subject to regarding conflict of interest, please refer to the sections headed “Appendix V — Summary of the Articles and By-Laws of Our Company and Alberta Corporation Laws — Summary of Key Alberta Corporate Laws, Our Articles and By-laws — Disclosure of Directors’ Interests and — Restrictions on Directors’ Voting” to this Prospectus.

### COMPENSATION OF OUR DIRECTORS

The remuneration that our executive Director received (including fees, salaries, discretionary bonus, contributions to defined contribution benefit plans, housing and other allowances, and other benefits in kind) for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016 were C\$402,356, C\$740,426, C\$432,480 and C\$296,378, respectively.

The aggregate amount of fees, salaries, discretionary bonus, defined contribution benefit plans, housing and other allowances, share-based compensation, and other benefits in kind paid to our five highest paid individuals of our Company, including our Directors, during each of the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016 were approximately C\$1.1 million, C\$2.5 million, C\$1.4 million and C\$1.0 million, respectively.

We have not paid any remuneration to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016. Further, none of our Directors had waived any remuneration during the same period.

Save as disclosed above, no other payments have been paid or are payable in respect of the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, by us to our Directors.

Remuneration and benefits in kind equivalent to approximately C\$640,000 and C\$680,000 in aggregate are expected to be paid and granted to our Directors by us in respect of the financial year ended December 31, 2016 and the financial year ending December 31, 2017 under arrangements in force at the date of this Prospectus.

After the Listing, our remuneration committee will review and make recommendations to the Board regarding the remuneration and compensation packages of our Directors and management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and the performance of our Company. Each of our independent non-executive Directors is entitled to participate in the Phantom Unit Plan for payment as part of their remuneration, details of which are disclosed in the section headed “Appendix VI — Statutory and General Information — D. Phantom Unit Plan” to this Prospectus.

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## DIRECTORS AND SENIOR MANAGEMENT

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### COMPLIANCE ADVISER

We have appointed Changjiang Corporate Finance (HK) Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to advise us in the following circumstances in accordance with Rule 3A.23 of the Listing Rules:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this Prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate or other information in this Prospectus; and
- (d) where the Stock Exchange makes an inquiry of us of unusual movements in the price or trading volume of our listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of the appointment will commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

### INTERNAL CONTROLS

We, in conjunction with the appointed independent internal control consultant, conducted a review of our internal controls in February 2016. A number of recommendations were proposed by our independent internal control consultant and we have remedied all such issues.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

Please refer to the section headed “Business — Our Strategies” for a detailed description of our future plans.

### USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$197.2 million (assuming an Offer Price of HK\$3.40 per Share, being the mid-point of the estimated Offer Price range), after deducting the underwriting fees and commissions and estimated expenses payable by us in relation to the Global Offering.

We intend to use the net proceeds we will receive from the Global Offering for the following purposes:

- approximately 91% of the net proceeds (approximately HK\$179.5 million, assuming an Offer Price of HK\$3.40 per Share, being the mid-point of the indicative Offer Price range) will be used for the development of our Alberta Foothills gas assets and Peace River oil assets out of which we intend to allocate as follows:
  - drilling of 3 natural gas wells in Basing in 2017. . . . . approximately 52.6%;
  - drilling of 10 natural gas wells in Basing in 2018 and 2019. . . . . approximately 38.4%;
- approximately 9% of the net proceeds (approximately HK\$17.7 million, assuming an Offer Price of HK\$3.40 per Share, being the mid-point of the indicative Offer Price range) will be used for working capital and general corporate purposes.

If the Offer Price is determined at HK\$3.80 per Share, being the high-end of the indicative Offer Price range, the net proceeds to our Company would increase by approximately HK\$27.8 million. If the Offer Price is determined HK\$3.00 per Share, being the low-end of the indicative Offer Price range, the net proceeds to our Company would decrease by HK\$27.8 million. We will increase or decrease the allocation of the net proceeds to the above purposes (other than for the drilling of 3 natural gas wells in Basing in 2017) on a pro rata basis.

Assuming that Over-Allotment Option is exercised in full, the additional net proceeds to be received by us are estimated to be approximately HK\$39.7 million, HK\$35.5 million and HK\$31.3 million, respectively (based on the maximum indicative Offer Price of HK\$3.80 per Offer Share, HK\$3.40 per Offer Share, being the mid-point of the indicative Offer Price range and the minimum indicative Offer Price of HK\$3.00 per Offer Share, respectively). We intend to apply the additional amount of the net proceeds to the above purposes on a pro rata basis.

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above they will be placed in short term demand deposits and/or money market instruments.

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## UNDERWRITING

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### HONG KONG UNDERWRITERS

#### **Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers**

Changjiang Securities Brokerage (HK) Limited

CCB International Capital Limited

CIMB Securities Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### **Hong Kong Public Offering**

##### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to initially offer 6,958,000 Shares for subscription by members of the public in Hong Kong on and subject to the terms and conditions of this Prospectus and the Application Forms.

Subject to, among other conditions, the granting of the approval for the listing of, and permission to deal in, all the Shares in issue and any Shares to be issued as mentioned in this Prospectus (including the Shares to be issued pursuant to the Over-Allotment Option) by the Listing Committee and certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally, but not jointly, agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this Prospectus, the Application Forms and the Hong Kong Underwriting Agreement. In addition, the Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been executed, becoming, and continuing to be, unconditional and not having been terminated.

##### *Grounds for Termination*

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. If at any time prior to 8:00 a.m. on Listing Date:

- (a) there develops, occurs, exists or comes into force:
  - (i) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, Canada, United States or any of the jurisdictions in which our Company operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to our Company (each a “**Relevant Jurisdiction**”); or

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## UNDERWRITING

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- (ii) any change or development involving a prospective change or development, or any event or series of events likely to result in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets, forward markets, commodity markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a fluctuation of the Hong Kong dollars, Canadian dollars and/or the Renminbi against any foreign currencies) in or affecting any Relevant Jurisdiction; or
- (iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, labor disputes, strikes, lock-outs, fire, explosion, flooding, snowstorms, civil commotion, riots, public disorder, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption in transportation and operations, outbreak of diseases or epidemics including, but not limited to, SARS, swine or avian flu, H5N1, H1N1, H1N7, H7N9 and such related/mutated forms, economic sanction, withdraw of trading privileges, cancellation of trade treaties in whatever form) in or directly or indirectly affecting any Relevant Jurisdiction; or
- (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or
- (v) any moratorium, suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Singapore Stock Exchange, the Tokyo Stock Exchange or the Toronto Stock Exchange; or
- (vi) any general moratorium on commercial banking activities in any Relevant Jurisdiction or any disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or
- (vii) (A) any change or prospective change in exchange controls, currency exchange rates or foreign investment regulations, or (B) any change or prospective change in Taxation (as defined in the Hong Kong Underwriting Agreement) in any Relevant Jurisdiction adversely affecting an investment in the Shares; or

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## UNDERWRITING

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- (viii) the issue or requirement to issue by our Company of a supplemental or amendment to this Prospectus, Application Forms or other documents in connection with the offer and sale of the Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the opinion of the Joint Global Coordinators, adversely affect the marketing for or implementation of the Global Offering; or
- (ix) any litigation or claim being threatened or instigated against our Company or any Director; or
- (x) any change in the development plan of our Company (as described in this Prospectus); or
- (xi) any loss or damage sustained by our Company (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xii) any Governmental Authority (as defined in the Hong Kong Underwriting Agreement) in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against our Company or any Director; or
- (xiii) any Director or senior management (as named in this Prospectus) vacating his/her office, or any of them being charged with an indictable offence or prohibited by operation of laws or otherwise disqualified from taking part in the management of a company or the commencement by any Governmental Authority of any action against any Director or senior management (as named in this Prospectus) in his/her capacity as such or an announcement by any Governmental Authority that it intends to take any such action; or
- (xiv) any demand by creditors for repayment of indebtedness or any indebtedness becoming repayable before its stated maturity or a petition being presented for the winding-up or liquidation of our Company making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of our Company or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or anything analogous thereto occurs in respect of our Company; or
- (xv) a prohibition on our Company for whatever reason from offering, allotting or selling the Shares (including the Over-allotment Option Shares) pursuant to the terms of the Global Offering;

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## UNDERWRITING

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and which, in any such case individually or in the aggregate, in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters:

- (A) is or will be materially adverse to, or materially and prejudicially affects, the assets, liabilities, business, general affairs, management, shareholder's equity, profit, losses, results of operations, position or condition (financial or otherwise), or prospects of our Company; or
  - (B) has or will have or may have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares and/or has made or is likely to make or will make it impracticable or inadvisable or incapable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or
  - (C) makes or will make or may make it impracticable or inadvisable or incapable to proceed with the Hong Kong Public Offering or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by the Offer Documents; or
  - (D) would have the effect of making a part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (b) there has come to the notice of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:
- (i) that any statement contained in this Prospectus, the Application Forms, the Formal Notice (and, in each case, all amendments or supplements thereto) (the "**Hong Kong Offer Documents**"), the Post Hearing Information Pack and/or any notices, announcements, advertisements, communications issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incomplete, incorrect or misleading in any material respect or any forecasts, estimate, expressions of opinion, intention or expectation expressed in the Hong Kong Offer Documents, the Post Hearing Information Pack and/or any notices, announcements, advertisements, communications so issued or used are not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or

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## UNDERWRITING

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- (ii) any contravention by our Company or any Director of any law which in the sole opinion of the Joint Global Coordinators (i) has or will have or may have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for, or (ii) has made or is likely to make or will make it impracticable or inadvisable or incapable, for any material part of the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented as envisaged, or to proceed with the Global Offering; or
- (iii) non-compliance of this Prospectus (or any other documents used in connection with the contemplated subscription of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law; or
- (iv) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the Prospectus, not having been disclosed in the Prospectus, constitutes a material omission therefrom; or
- (v) either (A) there has been a material breach of any of the warranties or provisions of the Hong Kong Underwriting Agreement by our Company or the Controlling Shareholders or (B) any of the warranties is (or would when repeated be) untrue, incorrect, incomplete or misleading in any material respect; or
- (vi) any event, act or omission which gives or is likely to give rise to any liability of our Company or the Controlling Shareholders pursuant to the indemnities given by our Company or the Controlling Shareholders under the Hong Kong Underwriting Agreement; or
- (vii) any breach of any of the obligations of our Company or the Controlling Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
- (viii) any experts as disclosed in the Hong Kong Offer Documents has withdrawn or subject to withdraw its consent to being named in any of the Hong Kong Offer Documents or to the issue of any of the Hong Kong Offer Documents; or
- (ix) any material adverse change or material prospective adverse change or development involving a prospective material adverse change in the assets, business, general affairs, management, shareholder's equity, profits, losses, properties, results of operations, in the position or condition (financial or otherwise) or prospects of our Company; or
- (x) our Company has withdrawn this Prospectus or the Global Offering,

then the Joint Global Coordinators may (for themselves and on behalf of the Hong Kong Underwriters), in their sole and absolute discretion and upon giving notice in writing to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

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## UNDERWRITING

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### *Lock-up Undertakings to the Hong Kong Underwriters*

#### *Undertakings by our Company*

Our Company has undertaken with each of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) that, and each of the Controlling Shareholders has further undertaken with each of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) to procure that:

- (a) except for the issue of the Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option) or as otherwise with the Joint Global Coordinators' prior written consent and unless in compliance with the Listing Rules, our Company will not at any time during the period commencing on the date by reference to which disclosures of the shareholdings of the Controlling Shareholders are made in this Prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"):
  - (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of the share capital, debt capital or other securities of our Company or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable); or
  - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital, debt capital or other securities or interest therein as described in paragraph (i) above; or
  - (iii) enter into any transaction with the same economic effect as any transaction described in paragraph (i) or (ii) above; or
  - (iv) offer to or agree to or announce any intention to effect any transaction described in paragraph (i), (ii) or (iii) above,

whether any of the foregoing transactions described in paragraph (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise; and

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## UNDERWRITING

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- (b) in the event of our Company entering into or agreeing to enter into any of the foregoing transactions in respect of any Share or other securities of our Company or any interest therein by virtue of the aforesaid exceptions or during the six-month period commencing from the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), it will take all reasonable steps to ensure that such action will not create a disorderly or false market in any of the Shares or other securities of our Company.

### *Undertakings by the Controlling Shareholders*

Each of the Controlling Shareholders has jointly and severally undertaken to each of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) that:

- (a) it/he/she will not, and will procure that the relevant registered holder(s) and its/his/her associates and companies controlled by it/him/her and any nominee or trustee holding in trust for it/him/her will not, without the Joint Global Coordinators’ prior written consent and unless in compliance with the Listing Rules, at any time during the First Six-Month Period:
- (i) offer, accept subscription for, sell, pledge, mortgage, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital, debt capital or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or interest therein) beneficially owned by it as at the Listing Date;
  - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the share capital, debt capital or other securities of our Company or any interest therein as described in (i) above;
  - (iii) enter into any transaction with the same economic effect as any transaction referred to in paragraph (i) or (ii) above; or
  - (iv) offer to or agree to or announce any intention to effect any transaction referred to in paragraph (i), (ii) or (iii) above;

whether any of the foregoing transactions described in paragraph (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise;

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## UNDERWRITING

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- (b) it/he/she will not, and will procure that the relevant registered holder(s) and its/his/her associates and companies controlled by its/his/her and any nominee or trustee holding in trust for it/him/her will not, at any time during the Second Six-Month Period, enter into any of the foregoing transactions specified in paragraph (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he/she will cease to be a controlling shareholder (as such term is defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be, or regarded as, controlling shareholders (as such term is defined in the Listing Rules) of our Company;
- (i) until expiry of the Second Six-Month Period, in the event that it/he/she enters into any such transactions or offer agrees or contracts to or publicly announces an intention to enter into any of the transactions specified in paragraph (a)(i), (ii) or (iii) above by virtue of the aforesaid exceptions, it/he/she will take all reasonable steps to ensure that such action not create a disorderly or false market in the Shares or other securities of our Company; and
- (ii) comply with the requirements of Rule 10.07(1) and Notes (1), (2) and (3) to Rule 10.07(2) of the Listing Rules, to procure that our Company will comply with the requirements under Note (3) of Rule 10.07(2) of the Listing Rules, and comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it/him/her or by the registered holder controlled by it/him/her and its/his/her close associates and companies controlled by it/him/her of any Shares or other securities of our Company.

Each of the Controlling Shareholders has further jointly and severally undertaken to the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) that at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling twelve (12) months from the Listing Date, it will:

- (A) when it/he/she pledges or charges any Shares or other securities or interests in the securities of our Company in respect of which it/he/she is the beneficial owner, immediately inform our Company, the Sole Sponsor, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Stock Exchange in writing of any such pledges or charges together with the number of Shares or other securities of our Company and nature of interest so pledged or charged; and
- (B) when it/he/she receives any indication, whether verbal or written, from any such pledgee or chargee that any of the pledged or charged Shares or securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Sole Sponsor, the Joint Global Coordinators (for themselves and on behalf of all the Hong Kong Underwriters) and the Stock Exchange in writing of any such indication.

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## UNDERWRITING

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Our Company has undertaken to the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), and each of the Controlling Shareholders has jointly and severally undertaken to the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) that it/he/she will procure our Company to, inform the Stock Exchange as soon as our Company has been informed of the matters mentioned in paragraph (A) or (B), and to make a public disclosure of such matters as soon as possible thereafter in accordance with the Listing Rules.

### *Lock-up Undertakings to the Stock Exchange*

#### *Undertakings by our Company*

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement to such an issue by our Company within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except in certain circumstances permitted by Rule 10.08(1) to (5) of the Listing Rules.

#### *Undertakings by the Controlling Shareholders*

Pursuant to Rule 10.07(1) of the Listing Rules, the Controlling Shareholders, jointly and severally undertake to each of our Company and the Stock Exchange that, save as permitted under the Listing Rules:

- (i) in the period commencing on the date by reference to which disclosure of his/her/its shareholding is made in this Prospectus and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), he/she/it shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown in this Prospectus to be the beneficial owner; and
- (ii) in the period of six months commencing on the date which the First Six-Month Period expires, he/she/it shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

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## UNDERWRITING

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The Controlling Shareholders further jointly and severally undertake to each of our Company and the Stock Exchange that within the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in the Prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will:

- (i) when he/she/it pledges or charges any Shares beneficially owned by him/her/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of Shares so pledged or charged; and
- (ii) when he/she/it receives indications, either verbal or written, from any pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company in writing of such indications.

Our Company shall inform the Stock Exchange as soon as we have been informed of any of the matters referred to above (if any) by the Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by the Controlling Shareholders.

### **International Offering**

In connection with the International Offering, it is expected that our Company, will enter into the International Underwriting Agreement with, *inter alia*, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions, severally agree to subscribe or buy or procure subscribers or purchasers for the International Offer Shares being offered pursuant to the International Offering.

Our Company is expected to grant to the Joint Global Coordinators the Over-Allotment Option, exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days from the date of the last day of lodging applications under the Hong Kong Public Offering to require our Company to allot and issue up to an aggregate of 10,437,000 additional Shares, representing 15% of the initial Offer Shares in aggregate, at the same price per Share under the International Offering to cover, among other things, over-allocations in the International Offering, if any, and/or the obligations of the Stabilizing Manager to return Shares which it may borrow under the Stock Borrowing Agreement.

### **Indemnity**

Our Company has agreed to indemnify the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

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## UNDERWRITING

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### **Commissions and Expenses**

The Hong Kong Underwriters will, and the International Underwriters are expected to, receive a commission of 3.0% of the total Offer Price for all the Offer Shares (including the Shares to be issued pursuant to the Over-Allotment Option) underwritten by them, out of which they shall pay any sub-underwriting commissions. The Joint Global Coordinators may also receive an additional incentive fee of 0.5% of the total Offer Price for all the Offer Shares (including the Shares to be issued pursuant to the Over-Allotment Option). Our Company will also pay for all expenses in connection with any exercise of the Over-Allotment Option or over-allocations in the International Offering.

The underwriting commission and incentive fee, listing fees, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees together with printing and other expenses relating to the Global Offering, assuming an Offer Price of HK\$3.40 (being the mid-point of the indicative Offer Price range and assuming the Over-Allotment Option is not exercised), are estimated to amount to HK\$36.5 million or C\$6.0 million in total, and are payable by our Company.

### **SOLE SPONSOR'S AND UNDERWRITERS' INTERESTS IN OUR COMPANY**

The Sole Sponsor will receive a sponsor fee. The Joint Global Coordinators, the Joint Bookrunners the Joint Lead Managers and other Underwriters will receive an underwriting commission and/or incentive fee. Particulars of such underwriting commission and expenses are set out in the section headed “Underwriting — Underwriting Arrangements and Expenses — Commissions and Expenses” above.

Our Company has appointed Changjiang Corporate Finance (HK) Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first financial year commencing after such Listing Date, or until the agreement is terminated, whichever is earlier.

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of our Company nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in our Company nor any interest in the Global Offering.

### **SOLE SPONSOR'S INDEPENDENCE**

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

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## UNDERWRITING

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### MINIMUM PUBLIC FLOAT

The Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

### ACTIVITIES BY SYNDICATE MEMBERS

The Underwriters of the Global Offering (the “**Syndicate Members**”) and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own accounts and for the account of others. In relation to the Shares, other activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with other buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over-the-counter or listing derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on the Stock Exchange) which have as their underlying assets our Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of other securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and these will also result in hedging activity in the Shares in most cases.

All these activities may occur both during and after the end of the stabilizing period described in the section headed “Structure of the Global Offering — Stabilization” in this Prospectus. These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares, and the volatility of the Share price, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

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## UNDERWRITING

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- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

### CANADIAN SECURITIES LAW

Under the securities laws of Alberta, offerings of securities, including to subscribers outside Alberta, are required to be made pursuant to a prospectus filed in accordance with Alberta securities laws, or pursuant to an exemption from such prospectus requirement. The Offer Shares are not qualified for distribution by a prospectus filed in Alberta or any other province of Canada. We have applied for and been granted an exemptive relief from the requirement to file a prospectus in Alberta to qualify the distribution of the Offer Shares pursuant to the Global Offering.

The Offer Shares have not been qualified for distribution in any jurisdiction in Canada, and may not be offered or sold, directly or indirectly, in Canada or to any resident of Canada in connection with the Global Offering, except pursuant to an exemption from the Prospectus requirements of applicable Canadian securities laws, and in compliance with, or pursuant to exemptions from, the dealer registration requirements of such laws.

In addition, resale of the Offer Shares in Canada or to Canadian residents are also subject to restrictions under the securities laws of the provinces and territories of Canada. Offer Shares, including Offer Shares sold in the Hong Kong Public Offering and in the International Offering outside Canada, may not be resold in Canada or to any resident of Canada, directly or indirectly, during the four months period commencing with the completion of the Global Offering, except pursuant to an exemption from the prospectus requirements of applicable Canadian securities laws, and in compliance with, or pursuant to exemptions from, the dealer registration requirements of such laws.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

The Global Offering comprises the International Offering and the Hong Kong Public Offering. A total of initially 69,580,000 Offer Shares will be made available under the Global Offering, of which 62,622,000 International Offer Shares (subject to reallocation and the Over-Allotment Option), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and private investors under the International Offering. The remaining 6,958,000 Hong Kong Offer Shares (subject to reallocation), representing 10% of the Offer Shares, will initially be offered to members of the public in Hong Kong under the Hong Kong Public Offering. The Hong Kong Public Offering is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Underwriters have severally agreed to underwrite the Hong Kong Offer Shares under the terms of the Hong Kong Underwriting Agreement. The International Underwriters will severally underwrite the International Offer Shares pursuant to the terms of the International Underwriting Agreement. Further details of the underwriting are set out in the section headed “Underwriting” in this Prospectus.

Investors may apply for the Offers Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Offering, but may not do both.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the section headed “Structure of the Global Offering — Pricing and Allocation” below.

### PRICING AND ALLOCATION

#### Offer Price

The Offer Price will be not more than HK\$3.80 per Offer Share and is expected to be not less than HK\$3.00 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this Prospectus.

#### Price Payable on Application

Applicants under the Hong Kong Public Offering must pay, on application, the maximum indicative Offer Price of HK\$3.80 per Hong Kong Offer Share plus 1.0% brokerage, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$3,838.29 per board lot of 1,000 Shares. Each Application Form includes a table showing the exact amount payable on certain multiples of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$3.80, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest.

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## STRUCTURE OF THE GLOBAL OFFERING

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Please see the section headed “How to Apply for the Hong Kong Offer Shares — 13. Refund of Application Monies” in this Prospectus.

### **Determining the Offer Price**

The International Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the International Offering. Prospective investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Friday, March 3, 2017 and in any event, no later than Wednesday, March 8, 2017.

**If, for any reason, our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Wednesday, March 8, 2017, the Global Offering will not proceed and will lapse.**

### **Reduction in Offer Price Range and/or Number of Offer Shares**

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) considers it appropriate and together with the consent of our Company, the indicative Offer Price range and/or the number of Offer Shares may be reduced below that stated in this Prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be made by our Company on the websites of our Company at [www.persta.ca](http://www.persta.ca) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” in this Prospectus and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range

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## STRUCTURE OF THE GLOBAL OFFERING

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indicated in this Prospectus. If the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Hong Kong Public Offering will be entitled to withdraw their applications, unless positive confirmations from the applicants to proceed are received.

**Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.**

### **Allocation**

The Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

Allocation of the Offer Shares pursuant to the International Offering will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole.

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

### **Announcement of Final Offer Price and Basis of Allocations**

The applicable final Offer Price, the level of indications of interest in the International Offering and the basis of allocations of the Hong Kong Offer Shares are expected to be announced on Thursday, March 9, 2017 on the websites of our Company at [www.persta.ca](http://www.persta.ca) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

Results of allocations in the Hong Kong Public Offering, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Hong Kong Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms, or by giving **electronic application instructions** to HKSCC via CCASS or to the designated **White Form eIPO** Service Provider through the **White Form eIPO** Service at

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## STRUCTURE OF THE GLOBAL OFFERING

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[www.eipo.com.hk](http://www.eipo.com.hk), will be made available through a variety of channels as described in the section headed “How to Apply for the Hong Kong Offer Shares — 11. Publication of Results” in this Prospectus.

### CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Hong Kong Public Offering will be conditional upon, among other things:

- the Listing Committee granting the approval for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus (including the Shares to be issued pursuant to the Over-Allotment Option);
- the Offer Price having been duly agreed on or before the Price Determination Date;
- the execution and delivery of the International Underwriting Agreement on or before the Price Determination Date; and
- the obligations of the Underwriters under each of the International Underwriting Agreement and the Hong Kong Underwriting Agreement becoming, and continuing to be, unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than 30 days after the date of this Prospectus.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms. If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be announced by our Company on the websites of our Company at [www.persta.ca](http://www.persta.ca) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for the Hong Kong Offer Shares — 13. Refund of Application Monies” in this Prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

**Share certificates for the Offer Shares are expected to be issued on Thursday, March 9, 2017 but will only become valid certificates of title at 8:00 a.m. on Friday, March 10, 2017, provided that (i) the Global Offering has become unconditional in all respects and (ii) the**

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## STRUCTURE OF THE GLOBAL OFFERING

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**right of termination as described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” in this Prospectus has not been exercised.**

### THE HONG KONG PUBLIC OFFERING

#### Number of Shares Initially Offered

Our Company is initially offering 6,958,000 new Shares at the Offer Price, representing 10% of the 69,580,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offering will represent 10% of the total number of Shares in issue after completion of the Global Offering. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Hong Kong Public Offering is subject to the conditions as set out in the section headed “Structure of the Global Offering — Conditions of the Hong Kong Public Offering” above.

#### Allocation

For allocation purposes only, the Hong Kong Offer Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering) will be divided equally into two pools (subject to adjustment of odd lot size). Pool A will comprise 3,479,000 Hong Kong Offer Shares and Pool B will comprise 3,479,000 Hong Kong Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for the Hong Kong Offer Shares with a total amount (excluding brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If the Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus of the Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Hong Kong Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 3,479,000 Hong Kong Offer Shares (being 50% of the initial number of Hong Kong Offer Shares).

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## STRUCTURE OF THE GLOBAL OFFERING

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### **Reallocation**

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Shares initially available under the Hong Kong Public Offering, the total number of Shares available under the Hong Kong Public Offering will be increased to 20,874,000, 27,832,000 and 34,790,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Shares initially available under the Global Offering. In such cases, the number of Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate.

If the Hong Kong Offer Shares are not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

### **Applications**

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering. References in this Prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

## **THE INTERNATIONAL OFFERING**

### **Number of Offer Shares Offered**

Our Company is initially offering 62,622,000 new Shares for subscription at the Offer Price under the International Offering, representing 90% of the Offer Shares under the Global Offering, subject to adjustment as mentioned in the section headed "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation" above. The International Offering is subject to the Hong Kong Public Offering being unconditional.

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## STRUCTURE OF THE GLOBAL OFFERING

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### Allocation

Pursuant to the International Offering, the International Underwriters will conditionally place the Shares with institutional and professional investors and other investors expected to have a sizeable demand for the Shares in Hong Kong. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the section headed “Structure of the Global Offering — Pricing and Allocation” above and based on a number of factors, including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares after Listing.

Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole.

### OVER-ALLOTMENT OPTION

Our Company intends to grant the Over-Allotment Option to the International Underwriters, exercisable at the discretion of the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) within 30 days from the last day for the lodging of applications under the Hong Kong Public Offering. Pursuant to the Over-Allotment Option, the Joint Global Coordinators will have the right to require us to allot and issue up to an aggregate of 10,437,000 additional Shares representing in aggregate 15% of the initial Offer Shares, at the Offer Price, to cover over-allocations in the International Offering, if any, and/or the obligations of the Joint Stabilizing Manager to return Shares which it may borrow under the Stock Borrowing Agreement. If the Over-Allotment Option is exercised in full, assuming an Offer Price of HK\$3.40 (being the mid-point of the Offer Price range of HK\$3.00 and HK\$3.80), our Company would receive additional net proceeds (after deducting commission and expenses attributable to the exercise of the Over-Allotment Option) of HK\$35.5 million. A public announcement will be made in the event that the Over-Allotment Option is exercised.

### STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allotments in connection with the Global Offering, the Stabilizing Manager may choose to borrow, whether on its own or through its affiliates, up to 10,437,000 Shares from Aspen pursuant to the Stock Borrowing Agreement, or acquire Shares from other sources, including exercising the Over-Allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price. The Stock Borrowing Agreement (if entered into) will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement with Aspen will only be effected by the Stabilizing Manager or any person acting for it for settlement of over-allocations in the International Offering and covering any short position prior to the exercise of the Over-Allotment Option;

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## STRUCTURE OF THE GLOBAL OFFERING

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- the maximum number of Shares borrowed from under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-Allotment Option, i.e. 10,437,000 Shares;
- the same number of Shares so borrowed must be returned to Aspen or its nominees on or before the third Business Day following the earlier of (i) the last day on which the Over-Allotment Option may be exercised, or (ii) the day on which the Over-Allotment Option is exercised in full;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- no payment will be made to Aspen by the Stabilizing Manager or any person acting for it in relation to such stock borrowing arrangement.

As part of the exemptive relief that our Company has applied for and been granted from the ASC, one or more existing Shareholders may lend some of their Shares to the Stabilizing Manager to allow the Stabilizing Manager to satisfy over-allocations in the Global Offering, since such Shares are otherwise presently subject to resale restrictions pursuant to Alberta securities laws. As required by the exemptive relief, the Stock Borrowing Agreement shall provide that the share certificates evidencing the Shares to be returned to Aspen shall have the original trading restriction legend applied to them. Please refer to the section headed “Key Canadian Legal and Regulatory Matters — Certain Canadian Securities Law Restrictions and Steps to Enforce Resale Restriction” in this Prospectus.

### STABILIZATION AND OVER-ALLOTMENT

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The

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## STRUCTURE OF THE GLOBAL OFFERING

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number of Shares that may be over-allocated will not exceed the number of Shares that may be issued under the Over-Allotment Option, namely, 10,437,000 Shares, which is 15% of the Shares initially available under the Global Offering.

Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the shares pursuant to the Over-Allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilizing Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilizing Manager may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the last Business Day immediately before the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by taking of any stabilizing action; and
- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilizing period.

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## **STRUCTURE OF THE GLOBAL OFFERING**

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In connection with the Global Offering, the Joint Global Coordinators may over-allocate up to and not more than an aggregate of 10,437,000 additional Shares and cover such over-allocations by exercising the Over-Allotment Option, which will be exercisable by the Joint Global Coordinators on behalf of the International Underwriters (at the discretion of the Joint Global Coordinators), or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the International Offering, the Stabilizing Manager may borrow up to 10,437,000 Shares from Aspen, equivalent to the maximum number of Shares to be issued on full exercise of the Over-Allotment Option, under the Stock Borrowing Agreement.

### **SHARES WILL BE ELIGIBLE FOR CCASS**

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### **DEALING ARRANGEMENTS**

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, March 10, 2017, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, March 10, 2017. The Shares will be traded in board lots of 1,000 Shares each under the stock code 3395.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** Service at [www.eipo.com.hk](http://www.eipo.com.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act);
- are not a legal or natural person of the PRC; and
- are not a resident of Canada.

If you apply online through the **White Form eIPO** Service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** Service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company;
- a Director or chief executive officer of our Company;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

### 3. APPLYING FOR HONG KONG OFFER SHARES

#### Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online via the **White Form eIPO** Service at [www.eipo.com.hk](http://www.eipo.com.hk).

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a Prospectus during normal business hours between 9:00 a.m. and 5:00 p.m. from Tuesday, February 28, 2017 to Thursday, March 2, 2017 and between 9:00 a.m. and 12:00 noon on Friday, March 3, 2017 from:

- (i) any of the following offices of the Hong Kong Underwriters:
  - (a) **Changjiang Securities Brokerage (HK) Limited**  
Suite 1908, 19/F, Cosco Tower  
183 Queen's Road Central  
Hong Kong

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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(b) **CCB International Capital Limited**

12/F, CCB Tower  
3 Connaught Road Central  
Central, Hong Kong

(c) **CIMB Securities Limited**

25/F, Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

- (ii) any of the following branches of Industrial and Commercial Bank of China (Asia) Limited, the receiving bank for the Hong Kong Public Offering:

<u>District</u>	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Central Branch	1/F., 9 Queen's Road Central, Hong Kong
	Causeway Bay Branch	Shop A on G/F, 1/F, Hennessy Apartments, 488 & 490 Hennessy Road, Hong Kong
	North Point Branch	G/F, 436–438 King's Road, North Point, Hong Kong
Kowloon	Mongkok Branch	G/F, Belgian Bank Building, 721–725 Nathan Road, Mongkok, Kowloon
	Kwun Tong Branch	Shop 5 & 6, 1/F, Crocodile Center, 79 Hoi Yuen Road, Kwun Tong, Kowloon
New Territories	Tsuen Wan Castle Peak Road Branch	G/F, 423–427 Castle Peak Road, Tsuen Wan
	Shatin Branch	Shop 22J, Level 3, Shatin Centre, New Territories

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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You can collect a **YELLOW** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Tuesday, February 28, 2017 until 12:00 noon on Friday, March 3, 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

### **Time for Lodging Application Forms**

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to ICBC (Asia) Nominee Limited — PERSTA Public Offer for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Tuesday, February 28, 2016 from 9:00 a.m. to 5:00 p.m.
- Wednesday, March 1, 2017 from 9:00 a.m. to 5:00 p.m.
- Thursday, March 2, 2017 from 9:00 a.m. to 5:00 p.m.
- Friday, March 3, 2017 from 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, March 3, 2017, the last application day or such later time as described in the section headed “How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Applications Lists” below.

#### **4. TERMS AND CONDITIONS OF AN APPLICATION**

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** Service at [www.eipo.com.hk](http://www.eipo.com.hk), among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles and the By-Laws;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the ABCA and its regulations, the Articles and the By-Laws;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this Prospectus and in the Application Form and agree to be bound by them;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (iv) confirm that you have received and read this Prospectus and have only relied on the information and representations contained in this Prospectus in making your application and will not rely on any other information or representations except those in any supplement to this Prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this Prospectus;
- (vi) agree that none of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this Prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to our Company, the Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this Prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) represent that you are not a resident of Canada;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (xiv) acknowledge that the Hong Kong Offer Shares may not be resold in Canada or to any resident of Canada, directly or indirectly, during the four month period commencing with the completion of the Global Offering, except pursuant to an exemption from the prospectus requirements of applicable Canadian securities laws, and in compliance with, or pursuant to exemptions from, the dealer registration requirements of such laws;
- (xv) warrant that the information you have provided is true and accurate;
- (xvi) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xvii) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or our agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "Personal Collection" section in the Prospectus to collect the share certificate(s) and/or refund cheque(s) in person;
- (xviii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xix) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xx) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (xxi) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### **Additional Instructions for Yellow Application Form**

You may refer to the Yellow Application Form for details.

## **5. APPLYING THROUGH WHITE FORM eIPO SERVICE**

### **General**

Individuals who meet the criteria in the section headed “2. Who can Apply” above, may apply through the **White Form eIPO** Service for the Offer Shares to be allotted and registered in their own names through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

Detailed instructions for application through the **White Form eIPO** Service are on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk). If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk), you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this Prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** Service.

### **Time for Submitting Applications under the White Form eIPO**

You may submit your application to the **White Form eIPO** Service Provider at [www.eipo.com.hk](http://www.eipo.com.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, February 28, 2017 until 11:30 a.m. on Friday, March 3, 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, March 3, 2017 or such later time under the section headed “How to Apply for Hong Kong Offer Shares — 10. Effects of Bad Weather on the Opening of the Applications Lists” below.

### **No Multiple Applications**

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** Service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** Service or by any other means, all of your applications are liable to be rejected.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this Prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “Persta Resources Inc.” **White Form eIPO** application submitted via the website at [www.eipo.com.hk](http://www.eipo.com.hk) to support the funding of “Source of Dong Jiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

## 6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

### General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979-7888 or through the CCASS Internet System at <https://ip.ccass.com> (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**

Customer Service Center  
1/F, One & Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

and complete an input request form.

You can also collect a Prospectus from this address.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and the Hong Kong Share Registrar.

### **Giving Electronic Application Instructions to HKSCC via CCASS**

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this Prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
  - represents that you are not a resident of Canada, and that you acknowledge that the Hong Kong Offer Shares may not be resold in Canada or to any resident of Canada, directly or indirectly, during the four month period commencing with the completion of the Global Offering, except pursuant to an exemption from the prospectus requirements of applicable Canadian securities laws, and in compliance with, or pursuant to exemptions from, the dealer registration requirements of such laws;
  - (if the electronic application instruction are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that our Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this Prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this Prospectus and have relied only on the information and representations in this Prospectus in causing the application to be made, save as set out in any supplement to this Prospectus;
- agree that none of our Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this Prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, the Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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or public holiday in Hong Kong), except by means of one of the procedures referred to in this Prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this Prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for ourselves and for the benefit of each Shareholder (and so that our Company will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the ABCA and its regulations, the Articles and the By-Laws; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

### **Effect of Giving Electronic Application Instructions to HKSCC via CCASS**

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, the SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, the SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this Prospectus.

### Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Tuesday, February 28, 2017 from 9:00 a.m. to 8:30 p.m. <sup>(1)</sup>
- Wednesday, March 1, 2017 from 8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
- Thursday, March 2, 2017 from 8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
- Friday, March 3, 2017 from 8:00 a.m. <sup>(1)</sup> to 12:00 noon

*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, February 28, 2017 until 12:00 noon on Friday, March 3, 2017 (24 hours daily, except on Saturday and Sunday and the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, March 3, 2017, the last application day or such later time as described in the section headed “How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists” below.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this Prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

## 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** Service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** Service will be allotted any Hong Kong Offer Shares.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, March 3, 2017.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** Service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

*"Unlisted company" means a company with no equity securities listed on the Stock Exchange.*

*"Statutory control" means you:*

- *control the composition of the board of directors of the company;*
- *control more than half of the voting power of the company; or*
- *hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).*

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, the SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** Service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering — Pricing and Allocation” in this Prospectus.

### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, March 3, 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, March 3, 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this Prospectus, an announcement will be made in such event.

### 11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, March 9, 2017 on the websites of our Company at [www.persta.ca](http://www.persta.ca) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the websites of our Company at [www.persta.ca](http://www.persta.ca) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m. on Thursday, March 9, 2017;
- from the designated results of allocations website at [www.iporeresults.com.hk](http://www.iporeresults.com.hk) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, March 9, 2017 to 12:00 midnight on Wednesday, March 15, 2017;
- by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, March 9, 2017 to Sunday, March 12, 2017;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, March 9, 2017 to Saturday, March 11, 2017 at all the receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this Prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus.

If any supplement to this Prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If our Company or our agents exercise their discretion to reject your application:**

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- your **electronic application instructions** through the **White Form eIPO** Service are not completed in accordance with the instructions, terms and conditions on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk);
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believes that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$3.80 per Offer Share (excluding brokerage, the SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this Prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, the SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, March 9, 2017.

### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, the SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Thursday, March 9, 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, March 10, 2017 provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” in this Prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

### **Personal Collection**

#### **(i) *If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Hong Kong Share Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, March 9, 2017 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, March 9, 2017, by ordinary post and at your own risk.

**(ii) *If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, March 9, 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, March 9, 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS Investor Participant)*

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the section headed "How to Apply for Hong Kong Offer Shares — 11. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, March 9, 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

**(iii) *If you apply through the White Form eIPO Service***

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Hong Kong Share Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, March 9, 2017, or such other date as notified by the Company in the newspapers as the date of despatch/collection of share certificates/e-Refund payment instructions/refund cheques.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, March 9, 2017 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

**(iv) *If you apply via Electronic Application Instructions to HKSCC***

*Allocation of Hong Kong Offer Shares*

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

*Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, March 9, 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the section headed "How to Apply for Hong Kong Offer Shares — 11. Publication of Results" above on Thursday, March 9, 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, March 9, 2017 or such other date as determined by HKSCC or HKSCC Nominees.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCCs “An Operating Guide for Investor Participants” in effect from time to time) on Thursday, March 9, 2017. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, the SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, March 9, 2017.

### 15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

*The following is the text of a report, prepared for the purpose of incorporation in this Prospectus, received from the Company's Joint Reporting Accountants, KPMG LLP, Chartered Professional Accountants, Calgary, Canada, and KPMG, Certified Public Accountants, Hong Kong.*



KPMG LLP  
3100-205 5th Avenue SW  
Calgary, Alberta T2P 4B9  
Canada

KPMG  
8th Floor  
Prince's Building  
10 Chater Road  
Central  
Hong Kong

February 28, 2017

The Directors  
Persta Resources Inc.  
Changjiang Corporate Finance (HK) Limited

Dear Sirs,

## **INTRODUCTION**

We set out below our report on the financial information relating to Persta Resources Inc. (the "Company") comprising the statements of financial position as at December 31, 2013, 2014 and 2015 and September 30, 2016 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows, for each of the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (the "Financial Information"), for inclusion in the Prospectus of the Company dated February 28, 2017 (the "Prospectus").

The Company was incorporated in Canada on March 11, 2005 with limited liability under the Business Corporations Act (Alberta). Details of the corporate structure are explained in the section headed "Corporate Structure and History" in the Prospectus.

The Company has adopted December 31 as its financial year end date. During the Relevant Periods, the statutory financial statements of the Company were prepared in accordance with Canadian generally accepted accounting principles issued by the Canadian Accounting Standards Board or International Financial Reporting Standards ("IFRSs") issued by the International

Accounting Standards Board (“IASB”). These statutory financial statements of the Company were audited by KPMG LLP, Chartered Professional Accountants registered in Calgary, Canada (“KPMG Calgary”).

The directors of the Company have prepared the financial statements for the Relevant Periods (the “Underlying Financial Statements”) in accordance with IFRSs issued by the IASB. The Underlying Financial Statements for each of the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016 were audited by KPMG Calgary in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the “IAASB”).

The Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

#### **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION**

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with IFRSs issued by the IASB and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

#### **REPORTING ACCOUNTANTS' RESPONSIBILITY**

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline “Prospectuses and the Reporting Accountant” (Statement 3.340) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). We have not audited any financial statements of the Company in respect of any period subsequent to September 30, 2016.

#### **OPINION**

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Company as at December 31, 2013, 2014 and 2015 and September 30, 2016 and of the Company's financial performance and cash flows for the Relevant Periods then ended.

**CORRESPONDING FINANCIAL INFORMATION**

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Company comprising the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the nine months ended September 30, 2015, together with the notes thereon (the “Corresponding Financial Information”), for which the directors are responsible, in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the IAASB.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

## A FINANCIAL INFORMATION OF THE COMPANY

## 1 Statements of profit or loss and other comprehensive income

Section B Note	Year ended December 31,			Nine months ended September 30,		
	2013	2014	2015	2015	2016	
	C\$	C\$	C\$	C\$	C\$	
	(Unaudited)					
Revenue from crude oil and natural gas sales	15	23,497,049	32,423,867	16,079,598	12,319,780	15,151,255
Royalties		<u>(3,715,390)</u>	<u>(5,294,650)</u>	<u>(1,071,698)</u>	<u>(1,639,001)</u>	<u>(1,102,947)</u>
<b>Net revenue</b>		19,781,659	27,129,217	15,007,900	10,680,779	14,048,308
Operating costs		(5,055,775)	(5,556,029)	(3,636,433)	(2,752,298)	(4,468,369)
General and administrative costs		(2,857,929)	(3,135,459)	(2,330,164)	(1,609,116)	(2,029,788)
Depletion and depreciation	8	(9,373,697)	(6,976,787)	(4,596,103)	(3,485,693)	(5,513,038)
Impairment loss and write-offs on exploration and evaluation assets	7	(362,804)	(1,786,080)	(2,363,231)	(2,358,719)	(812,452)
Impairment losses and write-offs on property, plant and equipment	8, 17	(195,976)	(1,628,503)	(749,971)	(749,971)	—
Share-based compensation	14	—	(1,510,908)	—	—	(221,332)
Transaction costs	25	—	—	(542,081)	(60,799)	(2,260,123)
<b>Profit/(loss) from operations</b>		1,935,478	6,535,451	789,917	(335,817)	(1,256,794)
Other income		—	—	—	—	7,630
Finance expenses	16	(2,673,373)	(3,162,897)	(3,275,010)	(2,448,416)	(2,393,129)
Realized gain/(loss) on financial derivative instruments	24	<u>84,085</u>	<u>(370,801)</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>(Loss)/profit before income taxes</b>	18	(653,810)	3,001,753	(2,485,093)	(2,784,233)	(3,642,293)
Income taxes	19	—	—	—	—	—
<b>(Loss)/profit and total comprehensive income for the year/period attributable to owners of the Company</b>		<u>(653,810)</u>	<u>3,001,753</u>	<u>(2,485,093)</u>	<u>(2,784,233)</u>	<u>(3,642,293)</u>
<b>(Loss)/earnings per share</b>	22					
Basic and diluted		<u>(14.27)</u>	<u>0.02</u>	<u>(0.01)</u>	<u>(0.01)</u>	<u>(0.02)</u>

The accompanying notes form part of the Financial Information.

## 2 Statements of financial position

	Section B Note	As at December 31,			As at September 30,
		2013	2014	2015	2016
		C\$	C\$	C\$	C\$
<b>ASSETS</b>					
<b>Non-current assets</b>					
Exploration and evaluation assets	7	9,435,054	13,040,540	14,419,800	14,383,237
Property, plant and equipment	8	<u>79,847,950</u>	<u>81,823,556</u>	<u>76,957,111</u>	<u>70,696,817</u>
		<u>89,283,004</u>	<u>94,864,096</u>	<u>91,376,911</u>	<u>85,080,054</u>
<b>Current assets</b>					
Accounts receivable	9	2,864,269	4,526,062	2,297,748	3,687,670
Prepaid expenses and deposits	9	449,329	713,157	1,458,450	1,095,608
Cash and cash equivalents	10	<u>—</u>	<u>4,974,910</u>	<u>5,413,473</u>	<u>3,215,362</u>
		<u>3,313,598</u>	<u>10,214,129</u>	<u>9,169,671</u>	<u>7,998,640</u>
<b>Total assets</b>		<u>92,596,602</u>	<u>105,078,225</u>	<u>100,546,582</u>	<u>93,078,694</u>
<b>LIABILITIES AND TOTAL EQUITY/(DEFICIENCY)</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	11	6,315,150	5,699,959	2,246,728	2,726,654
Bank indebtedness	12	1,831,820	—	—	—
Bank loan	12	30,350,000	—	—	—
Shareholders' loan	12	69,418,658	—	—	—
Other debts	12	<u>9,277,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
		<u>117,192,628</u>	<u>5,699,959</u>	<u>2,246,728</u>	<u>2,726,654</u>
<b>Net current (liabilities)/assets</b>		<u>(113,879,030)</u>	<u>4,514,170</u>	<u>6,922,943</u>	<u>5,271,986</u>
<b>Total assets less current liabilities</b>		<u>(24,596,026)</u>	<u>99,378,266</u>	<u>98,299,854</u>	<u>90,352,040</u>

Section B Note	As at December 31,			As at September 30,	
	2013 C\$	2014 C\$	2015 C\$	2016 C\$	
<b>Non-current liabilities</b>					
Bank loan	12	—	45,921,480	44,697,748	38,656,146
Decommissioning liabilities	13	1,366,299	1,616,614	1,764,990	1,841,816
		<u>1,366,299</u>	<u>47,538,094</u>	<u>46,462,738</u>	<u>40,497,962</u>
<b>Total liabilities</b>		<u>118,558,927</u>	<u>53,238,053</u>	<u>48,709,466</u>	<u>43,224,616</u>
<b>Total equity/(deficiency)</b>					
Share capital	14	100	165,006,075	167,036,075	169,247,367
Common shares to be issued	14	—	—	552,037	—
Accumulated deficits		<u>(25,962,425)</u>	<u>(113,165,903)</u>	<u>(115,750,996)</u>	<u>(119,393,289)</u>
<b>Total equity/(deficiency)</b>		<u>(25,962,325)</u>	<u>51,840,172</u>	<u>51,837,116</u>	<u>49,854,078</u>
<b>Total liabilities and total equity/ (deficiency)</b>		<u>92,596,602</u>	<u>105,078,225</u>	<u>100,546,582</u>	<u>93,078,694</u>

The accompanying notes form part of the Financial Information.

## 3 Statements of changes in equity

Section B Note	Common shares Class A	Common shares Class B	Common shares Class C	Common shares to be issued	Common shares	Accumulated deficits	Total equity/ (deficiency)
	C\$	C\$	C\$	C\$	C\$	C\$	C\$
<b>Balance as at January 1, 2013</b>	10	5	85	—	—	(25,308,615)	(25,308,515)
Loss and total comprehensive income for the year	—	—	—	—	—	(653,810)	(653,810)
<b>Balance as at December 31, 2013</b>	<u>10</u>	<u>5</u>	<u>85</u>	<u>—</u>	<u>—</u>	<u>(25,962,425)</u>	<u>(25,962,325)</u>
<b>Balance as at January 1, 2014</b>	10	5	85	—	—	(25,962,425)	(25,962,325)
Profit and total comprehensive income for the year	—	—	—	—	—	3,001,753	3,001,753
New shares issued to settle debts and distribution to shareholders	<i>14(b)(i)</i>	15,198,622	136,787,600	—	—	(89,539,903)	62,446,319
New shares issued to employees and consultants	<i>14(b)(ii)</i>	3,648,248	—	—	—	—	3,648,248
New shares issued for cash	<i>14(b)(iii)</i>	—	12,080,112	—	—	—	12,080,112
Repurchase of shares	<i>14(b)(iv)</i>	(50,400)	(2,658,207)	—	—	(665,328)	(3,373,935)
<b>Balance as at December 31, 2014</b>	<u>10</u>	<u>18,796,475</u>	<u>146,209,590</u>	<u>—</u>	<u>—</u>	<u>(113,165,903)</u>	<u>51,840,172</u>
<b>Balance as at January 1, 2015</b>	10	18,796,475	146,209,590	—	—	(113,165,903)	51,840,172
Loss and total comprehensive income for the year	—	—	—	—	—	(2,485,093)	(2,485,093)
New shares issued for cash	<i>14(b)(vi)</i>	—	2,480,000	—	—	—	2,480,000
Common shares to be issued	<i>14(b)(viii)</i>	—	—	552,037	—	—	552,037
Repurchase of shares	<i>14(b)(vii)</i>	—	(450,000)	—	—	(100,000)	(550,000)
<b>Balance as at December 31, 2015</b>	<u>10</u>	<u>18,796,475</u>	<u>148,239,590</u>	<u>552,037</u>	<u>—</u>	<u>(115,750,996)</u>	<u>51,837,116</u>

Section B Note	Common shares	Common shares	Common shares	Common shares	Common shares	Accumulated deficits	Total equity/ (deficiency)
	Class A	Class B	Class C	to be issued			
	C\$	C\$	C\$	C\$	C\$	C\$	C\$
<b>Balance as at January 1, 2016</b>	10	18,796,475	148,239,590	552,037	—	(115,750,996)	51,837,116
Loss and total comprehensive income for the period	—	—	—	—	—	(3,642,293)	(3,642,293)
New shares issued	<i>14(b)(viii)</i>	523,330	1,687,962	(552,037)	—	—	1,659,255
Share conversion and split	<i>14(b)(ix)</i>	(10)	(19,319,805)	(149,927,552)	—	169,247,367	—
<b>Balance as at September 30, 2016</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>169,247,367</u>	<u>(119,393,289)</u>	<u>49,854,078</u>
<b>(Unaudited)</b>							
<b>Balance as at January 1, 2015</b>	10	18,796,475	146,209,590	—	—	(113,165,903)	51,840,172
Loss and total comprehensive income for the period	—	—	—	—	—	(2,784,233)	(2,784,233)
New shares issued for cash	<i>14(b)(vi)</i>	—	500,000	—	—	—	500,000
Repurchase of shares	<i>14(b)(vii)</i>	—	(400,000)	—	—	(100,000)	(500,000)
<b>Balance as at September 30, 2015</b>	<u>10</u>	<u>18,796,475</u>	<u>146,309,590</u>	<u>—</u>	<u>—</u>	<u>(116,050,136)</u>	<u>49,055,939</u>

The accompanying notes form part of the Financial Information.

## 4 Statements of cash flows

Section B Note	Year ended December 31,			Nine months ended September 30,	
	2013	2014	2015	2015	2016
	C\$	C\$	C\$	C\$ (Unaudited)	C\$
<b>Operating activities</b>					
(Loss)/profit for the year/period	(653,810)	3,001,753	(2,485,093)	(2,784,233)	(3,642,293)
Adjustments for:					
Depletion and depreciation	8	9,373,697	6,976,787	4,596,103	5,513,038
Amortization of debt issue costs	12	—	70,000	317,613	238,283
Accretion expense	13	35,724	22,155	20,403	14,077
Share-based compensation	14	—	1,510,908	—	221,332
Impairment loss and write-offs on exploration and evaluation assets	7	362,804	1,786,080	2,363,231	812,452
Impairment losses and write-offs on property, plant and equipment	8	195,976	1,628,503	749,971	—
Funds from operations		9,314,391	14,996,186	5,562,228	3,155,097
Changes in non-cash working capital	10(b)	(622,299)	(76,786)	(198,628)	729,670
<b>Net cash generated from operating activities</b>		<u>8,692,092</u>	<u>14,919,400</u>	<u>5,363,600</u>	<u>4,281,880</u>
<b>Investing activities</b>					
Expenditures on property, plant and equipment		(8,305,761)	(12,875,521)	(1,064,893)	(23,297)
Recovery of expenditure on property, plant and equipment		—	—	—	1,100,000
Expenditures on exploration and evaluation assets		(674,161)	(5,332,807)	(4,309,162)	(831,544)
<b>Net cash (used in)/generated from investing activities</b>		<u>(8,979,922)</u>	<u>(18,208,328)</u>	<u>(5,374,055)</u>	<u>245,159</u>
<b>Financing activities</b>					
Proceeds for common shares to be issued		—	—	552,037	—
Proceeds from share issuance		—	12,747,511	2,480,000	301,998
Changes in bank indebtedness		(401,790)	(1,831,820)	—	—
Proceeds from bank loan		7,489,620	47,121,480	2,500,000	—
Proceeds from other debts		—	823,500	—	—
Debt issue costs		—	(1,270,000)	—	—
Repurchase of shares		—	(3,373,935)	(550,000)	—
Repayment of loans		(6,800,000)	(45,952,898)	(4,041,345)	(6,278,093)
Other cash flows relating to financing activities		—	—	(491,674)	(351,942)
<b>Net cash generated from/(used in) financing activities</b>		<u>287,830</u>	<u>8,263,838</u>	<u>449,018</u>	<u>(6,328,037)</u>
<b>Increase/(decrease) in cash and cash equivalents</b>		<u>—</u>	<u>4,974,910</u>	<u>438,563</u>	<u>(2,198,111)</u>
<b>Cash and cash equivalents at the beginning of the year/period</b>		<u>—</u>	<u>—</u>	<u>4,974,910</u>	<u>5,413,473</u>
<b>Cash and cash equivalents at the end of the year/period</b>	10(a)	<u>—</u>	<u>4,974,910</u>	<u>5,413,473</u>	<u>3,215,362</u>
<b>Supplementary information:</b>					
Interest paid		<u>2,637,649</u>	<u>2,808,453</u>	<u>2,945,547</u>	<u>2,189,219</u>

The accompanying notes form part of the Financial Information.

**B NOTES TO THE FINANCIAL INFORMATION**

*(Expressed in Canadian dollars unless otherwise indicated)*

**1 CORPORATE INFORMATION**

Persta Resources Inc. ("Persta Resources" or the "Company") was incorporated under the Business Company's Act (Alberta) on March 11, 2005. Persta Resources is an exploration and development company pursuing crude oil and natural gas production and reserves in Alberta, Canada. The Company's registered and head office is located at 2717, 308-4th Avenue SW, Calgary, Alberta T2P 0H7, Canada.

As at December 31, 2015 and September 30, 2016, Aspen Investment Holdings Ltd. ("Aspen"), a private corporation in Alberta, holds 90.07% and 89.11% of the total common shares respectively and individual investors hold 9.93% and 10.89% of the total common shares respectively of the Company. At December 31, 2013 and 2014, Ji Lin Hong Yuan Trade Group Limited ("JLHY"), which is a private corporation in the People's Republic of China (the "PRC") of which 50% of its equity interest is controlled by Mr. Yuan Jing, held approximately 82% of the total common shares and 49% of the voting common shares of the Company, and 1648557 Alberta Limited ("164 Co"), which is a corporation controlled by Mr. Le Bo, the president, chief executive officer and executive director of the Company, held 51% of the voting common shares of the Company. JLHY and 164 Co are the controlling shareholders of Aspen.

At September 30, 2016, the directors consider the ultimate controlling parties of the Company to be JLHY and 164 Co.

**2 BASIS OF PREPARATION****(a) Statement of compliance**

The Financial Information set out in this report has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Company has adopted all applicable new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the Relevant Periods. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning January 1, 2016 are set out in note 5.

The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

**(b) Basis of measurement**

The Financial Information is prepared on the historical cost basis except for derivative financial instruments, which are measured at fair value. The methods used to measure fair value are discussed in note 6.

**(c) Functional and presentation currency**

The Financial Information is presented in Canadian dollars ("C\$"), which is the Company's functional currency.

**(d) Use of estimates and judgments**

The preparation of Financial Information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgments made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 4.

**3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies have been applied consistently in all periods presented in these financial statements.

**(a) Joint arrangements**

Joint arrangements are contractual arrangements where the Company has joint control, and are classified as either joint operations or joint ventures. Joint operations exist when the Company has rights to the assets and obligations for the liabilities, relating to an arrangement. Currently the Company has two farm-out agreements whereby ultimately the Company and the working interest third party have an undivided working interest representing their share of the assets, liabilities, revenues and expenses relating to the joint operations. As such, the financial statements only include the Company's share of its assets, liabilities and transactions associated with the joint operations in the Stolberg and Provost areas.

**(b) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

Revenue from the sale of crude oil and natural gas is recognized when title to the products passes to the purchasers based on volumes delivered at contracted delivery points and prices and are recorded gross of transportation charges incurred by the Company. The costs associated with the delivery, including transportation and production-based royalty expenses, are recognized in the same period in which the related revenue is earned and recorded.

**(c) Finance income and expenses**

Finance income comprises interest income and is recognized as the interest accrues, using the effective interest method. The effective interest method uses the rate that discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Finance expense comprises interest expense on the bank loan and various other loans, amortization of debt issue costs, accretion of the discount on decommissioning liabilities and foreign exchange gains and losses on foreign currency transactions.

**(d) Financial instruments****(i) *Non-derivative financial instruments***

Non-derivative financial instruments comprise cash and cash equivalents, accounts receivable, bank debt and various other loans and accounts payable and accrued liabilities. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables and held-to-maturity investments are subsequently measured at amortized cost using the effective interest method, less any impairment losses. Gains and losses are recognized in profit or loss when the asset is derecognized or impaired, as well as through the amortization process.

Available-for-sale financial assets are subsequently measured at fair value, with changes in fair value recognized directly in other comprehensive income until the asset is derecognized or determined to be impaired, at which time the cumulative change in fair value previously reported in other comprehensive income is recognized in profit or loss. Financial assets at fair value through profit or loss are subsequently measured at fair value, with changes in those fair values recognized in profit or loss.

Financial assets are derecognized when the contractual rights to the cash flows expire, or when substantially all the risks and rewards of ownership of the financial asset are transferred to a third party.

Financial assets and liabilities are shown separately in the statement of financial position unless the Company has a legal right to offset the amounts and intends to either settle on a net basis or to realize the asset and settle the liability simultaneously, in which case they are presented on a net basis.

**(ii) *Impairment of financial assets***

A financial asset that is not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that a loss event has occurred after initial recognition and has had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant financial assets are tested for impairment on an individual basis. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. The remaining financial assets are assessed collectively for impairment in groups that share similar credit risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

At initial recognition, financial liabilities are classified as either financial liabilities at fair value through profit or loss, or other financial liabilities. All financial liabilities are recognized initially at fair value, normally being the transaction price less any directly attributable transaction costs. Transaction costs for instruments at fair value through profit or loss are recognized immediately in profit or loss. The subsequent measurement of financial liabilities depends on their classification.

Financial liabilities at fair value through profit or loss are subsequently measured at fair value, with changes in those fair values recognized profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial liabilities are derecognized when the contractual obligation expires, is discharged, or cancelled. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized in profit or loss.

**(iii) *Derivative financial instruments***

The Company may utilize financial derivatives and non-financial derivatives, such as commodity sales contracts requiring physical delivery, to manage the price risk attributable to the anticipated sale of crude oil and natural gas production and foreign exchange exposures. The Company does not enter into derivative financial instruments for trading or speculative purposes.

The Company considers all of these transactions to be economic hedges; however, they have not been designated as hedges for accounting purposes. As a result, all derivative contracts are classified as fair value through profit or loss and are recorded on the statements of financial position at fair value, with changes in the fair value recognized in net income. The fair values of these derivative instruments are based on an estimate of the amounts that would have been received or paid to settle these instruments prior to maturity given future market prices and other relevant factors.

**(e) *Exploration and evaluation assets***

Exploration and evaluation (“E&E”) assets include costs capitalized by the Company in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs incurred before the Company has obtained the legal rights to explore an area are expensed.

E&E assets are initially capitalized as intangible assets and are not amortized. E&E assets are assessed for impairment when facts and circumstances indicate that the carrying amount may exceed the recoverable amount. An impairment loss is recognized in profit or loss and separately disclosed.

Once the technical feasibility and commercial viability of the extraction of resources in an area of interest are demonstrable based on technical data available to support the possible recovery of reserves, E&E assets attributable to that area are assessed for impairment with any impairment loss recognized in profit or loss. The remaining carrying value of the relevant E&E assets is then reclassified as development and production assets within property, plant and equipment.

For divestitures of E&E assets, a gain or loss is recognized in profit or loss for the difference between the net disposal proceeds and the carrying amount of the asset. Exchanges of properties are measured at fair value, unless the transaction lacks commercial substance or fair value cannot be reliably measured. Where the exchange is measured at fair value, a gain or loss is recognized profit or loss.

**(f) Property, plant and equipment**

Property, plant and equipment of the Company consists of development and production assets and office equipment.

***Development and production assets***

Development and production assets are carried at cost less accumulated depletion, depreciation, amortization and impairment losses. The cost of a development and production asset includes the initial purchase price and directly attributable expenditures to develop, construct and complete an asset. These costs include property acquisitions, development drilling, completion, gathering and infrastructure, asset retirement costs and transfers from E&E assets. Any costs directly attributable to bringing the asset to the location and condition necessary to operate as intended by management, and which result in an identifiable future benefit, are capitalized. Improvements that increase the capacity or extend the useful lives of related assets are also capitalized.

For divestitures of properties, a gain or loss is recognized in profit or loss for the difference between the net disposal proceeds and the carrying amount of the asset. Exchanges of properties are measured at fair value, unless the transaction lacks commercial substance or fair value cannot be reliably measured. Where the exchange is measured at fair value, a gain or loss is recognized profit or loss.

**(g) Impairments**

Development and production assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed the recoverable amount. For the purposes of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal ("FVLCD").

Value in use is estimated by consideration of the following:

- (i) net present value of the proved plus probable reserves using a pre-tax discount rate as determined by managements estimate; and
- (ii) Management's estimate of net present value of additional asset development not included in (i) above, using a pre-tax discount rate.

FVLCD is estimated by consideration of the following:

- (i) net present value of proved plus probable reserves using a pre-tax discount rate as determined by managements estimate;
- (ii) management's estimate of fair value of undeveloped land;
- (iii) a review of the values indicated by the metrics of recent market transactions of similar assets within the oil and gas industry; and
- (iv) management's estimate of additional fair value from asset development not included in (i) above.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

**(h) Reversal of impairment**

An impairment loss may be reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and depletion, if no impairment loss had been recognized and circumstances indicate the loss no longer exists or is decreased. An impairment loss reversal is recognized in profit or loss.

**(i) Depletion and depreciation**

Depletion of development and production assets is provided using the unit-of-production method based on production volumes before royalties in relation to total estimated proved plus probable reserves as determined annually by independent reservoir engineers using future prices and costs. Natural gas reserves and production are converted at the energy equivalent of six thousand cubic feet to one barrel of oil.

Calculations for depletion and depreciation are based on total capitalized costs plus estimated future development costs of proved plus probable reserves.

Depreciation of other assets is provided for on a 20%–100% declining balance basis.

**(j) Decommissioning liability**

The Company records a liability for the legal obligation associated with the retirement of long-lived tangible assets at the time the liability is incurred, normally when a long-lived tangible asset is purchased or developed, discounted to its present value using a risk-free interest rate. On recognition of the liability there is a corresponding increase in the carrying amount of the related asset known as the decommissioning liability cost, which is depleted on a unit-of-production basis over the life of the estimated proved plus probable reserves, before royalties. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to profit or loss in the period. The decommissioning liability obligation can also increase or decrease due to changes in estimates of timing of cash flow, changes in the original estimated undiscounted cost or changes in the discount rate. The decommissioning liability obligation is re-measured at each reporting date using the risk-free rate in effect at that time and the changes in fair value are capitalized as property, plant and equipment. Actual costs incurred upon settlement of the obligations are charged against the liability.

**(k) Share capital**

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

The Company may incur various costs when issuing or acquiring its own equity instruments. Those costs might include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. Costs related to a planned equity offering not completed at the financial statement date are recorded as deferred financing costs until the offering is either completed or abandoned. The costs of an equity transaction that is abandoned are recognized as an expense.

**(l) Income taxes**

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in shareholders' equity, in which case the income tax is recognized directly in shareholders' equity.

Current income taxes payable are based on taxable earnings for the year. Taxable earnings differs from profit before income taxes as reported in the statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in different years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period. Current taxes are recognized in profit or loss.

The Company follows the statement of financial position method of accounting for income taxes. Under this method, deferred income taxes are recorded for the effect of any temporary difference between the accounting and income tax basis of an asset or liability.

Deferred income tax is calculated using the enacted or substantively enacted income tax rates expected to apply when the assets are realized or the liabilities are settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in profit or loss or shareholders' equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized only to the extent that it is probable that future taxable earnings will be available against which the assets can be utilized. Deferred tax assets are reduced to the extent that it is not probable that sufficient tax earnings will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are offset only when a legally enforceable right of offset exists and the deferred tax assets and liabilities arose in the same tax jurisdiction and relate to the same taxable entity.

**(m) Related party transactions**

- (a) A person, or a close member of that person's family, is related to the Company if that person:
  - (i) has control or joint control over the Company;
  - (ii) has significant influence over the Company; or
  - (iii) is a member of the key management personnel of the Company or the Company's parent.
- (b) An entity is related to the Company if any of the following conditions applies:
  - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
  - (vi) The entity is controlled or jointly-controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

A transaction is considered to be a related party transactions when there is a transfer of resources or obligations between related parties.

**(n) Cash and cash equivalents**

Cash and cash equivalents can consist of cash in bank and short-term highly liquid investments with original maturities of three months or less. At December 31, 2013, 2014 and 2015 and September 30, 2016, all of the Company's amounts consisted of cash held in bank and cash on hand.

**(o) Earnings/(loss) per share**

Basic earnings/(loss) per share is calculated by dividing the earnings attributable to the shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted earnings/(loss) per share is determined by adjusting the earnings attributable to shareholders and the weighted average number of shares outstanding for the effects of all potential shares, which is comprised of any outstanding awards or options.

#### **4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements requires management to make judgments, estimates and assumptions based on currently available information that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are evaluated and are based on managements' experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from those estimated. By their very nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material.

In the process of applying the Company's accounting policies, management has made the following judgments, estimates, and assumptions which have the most significant effect on the amounts recognized in the financial statements:

**Estimates & assumptions**

**(a) CGU definition**

The determination of CGUs requires judgment in defining a group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

**(b) Impairment**

The Company assesses impairment on its assets that are subject to amortization when it has determined that a potential indicator of impairment exists. Impairment exists when the carrying value of a non-financial asset or CGU exceeds its recoverable amount, which is the higher of its FVLCD and its value in use. The Company used the calculation of value in use to determine the fair value of its CGU's. Value in use is determined by estimating the present value of the future net cash flows from the continued use.

Commodity price changes impact the expected future cash flows which may require a material adjustment to the carrying value of tangible and intangible assets. The Company monitors internal and external indicators of impairment relating to its tangible and intangible assets. These indicators include changes in commodity prices, reserve volumes and discount rates.

(c) *E&E assets*

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

(d) *Deferred taxes*

The Company follows the statement of financial position method to be consistent with note 3(l). Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to the expectations of future cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the deferred tax assets and liabilities recorded at the date of statement of financial position could be impacted. Additionally, changes in tax laws could limit the ability of the Company to obtain tax deductions in the future.

(e) *Liquidity*

As part of its capital management process, the Company prepares and utilizes a forecast/budget to direct and monitor the strategy and ongoing operations and liquidity of the Company, including ongoing and forecasted compliance with the covenants as set out within the Company's credit facility agreement (see note 12). Forecasts/budgets 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 (e.g. pipeline and transportation capacity constraints). See further discussions relating to liquidity in note 24(b).

(f) *Depletion, depreciation and reserves*

Depletion is based on the proved plus probable reserves as evaluated in accordance with the Canadian Oil and Gas Evaluation Handbook. The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering, and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates are based on current production forecasts, prices and economic conditions.

As circumstances change and additional data becomes available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions. Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year-end oil and gas prices and reservoir performance. Such revisions can be either positive or negative.

Changes in reserve estimates impact the financial results of the Company as reserves and estimated future development costs are used to calculate depletion and are also used in measuring FVLCD of property, plant and equipment for impairment calculations.

(g) *Decommissioning and restoration costs*

Decommissioning and restoration costs will be incurred by the Company at the end of the operating life of certain of its assets. The ultimate decommissioning and restoration costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal and regulatory requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results. In the Company's judgment, the most appropriate discount rate to use is the risk free rate.

**5 CHANGES IN ACCOUNTING POLICIES****Possible impact of amendments, new standards and interpretations issued but not yet effective for the Relevant Periods**

Up to the date of issue of the Financial Information, the IASB has issued a few amendments and new standards which are not yet effective for the Relevant Periods and which have not been adopted in the Financial Information.

The Company is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far the Company has identified some aspects of the new standards which may have an impact on the financial statements. Further details of the possible impacts are discussed below. As the Company has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

*IFRS 9 — Financial Instruments*

On July 24, 2014, the IASB issued the complete IFRS 9, “*Financial Instruments*” to replace IAS 39, “*Financial Instruments: Recognition and Measurement*”. IFRS 9 is effective for years beginning on or after January 1, 2018. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Early adoption is permitted if IFRS 9 is adopted in its entirety at the beginning of a fiscal period. The Company is currently evaluating the impact of adopting IFRS 9 on the financial statements. Expected impacts of the new requirements on the Company’s financial statements are as follows:

**(a) Classification and measurement**

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (“FVTPL”) and (3) fair value through other comprehensive income (“FVTOCI”) as follows:

- The classification for debt instruments is determined based on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognized in profit or loss.
- For equity securities, the classification is FVTPL regardless of the entity’s business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognized in profit or loss. Gains, losses and impairments on that security will be recognized in other comprehensive income without recycling.

Based on the preliminary assessment, the Company expects that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of IFRS 9.

Available-for-sale investments in equity securities are investments which the Company may classify as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to IFRS 9. The Company has no financial assets currently classified as “available-for-sale” and therefore this new requirement may not have any impact on the Company on adoption of IFRS 9.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognized in other comprehensive income (without reclassification to profit or loss). The Company currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Company on adoption of IFRS 9.

**(b) Impairment**

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognized. Instead, an entity is required to recognize and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Company's trade receivables and other financial assets. Based on the preliminary assessment, this new requirement may not have any material impact on the Company on adoption of IFRS 9.

**(c) Hedge accounting**

IFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The Company has no hedges under IAS 39 and therefore this may not have any impact on the Company on adoption of IFRS 9.

*IFRS 15 — Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers", which replaces IAS 18 "Revenue", IAS 11 "Construction Contracts", IFRIC 13 "Customer Loyalty Programmes" and related interpretations. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It also includes guidance on when to capitalize costs of obtaining or fulfilling a contract not otherwise addressed in other standards, and includes expanded disclosure requirements. The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The standard may be applied retrospectively or applying a modified retrospective approach. The Company is currently evaluating the impact of adopting IFRS 15 on the financial statements. Based on the preliminary assessment, the new requirements may not have any material impact on the Company on adoption of IFRS 15.

*IFRS 16 — Leases*

In January 2016, the IASB issued IFRS 16, "Leases", which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019. It replaces IAS 17 "Leases" and the related interpretations including IFRIC 4 "Determining whether an arrangement contains a lease".

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognize and measure a lease liability at the present value of the minimum future lease payments and will recognize a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognize interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a

practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognized on a systematic basis over the lease term.

IFRS 16 could affect the Company's accounting treatment in its capacity as a lessee of leases of office premise and compressors which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss and other comprehensive income over the period of the lease.

As disclosed in note 26, at September 30, 2016 the Company's future minimum lease payments under non-cancellable operating leases amount to C\$733,733 and C\$126,500 for office premise and compressors respectively, the majority of which is payable within a year after the reporting date. Some of these amounts may therefore need to be recognized as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The Company will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

The Company is considering whether to adopt IFRS 16 before its effective date of January 1, 2019. However, early adoption of IFRS 16 is only permitted if this is no earlier than the adoption of IFRS 15. It is therefore unlikely that IFRS 16 will be adopted before the effective date of IFRS 15, being January 1, 2018.

*Amendments to IAS 7 — Statement of cash flows: Disclosure Initiative*

On January 7, 2016, the IASB issued the amendments to IAS 7, "Statement of cash flows: Disclosure Initiative". The amendments apply prospectively for annual reporting periods beginning on or after January 1, 2017. Earlier application is permitted. The Company intends to adopt the amendments to IAS 7 in its financial statements for the annual reporting period beginning on January 1, 2017. The Company is currently evaluating the impact of adopting the amendments to IAS 7 on the financial statements.

*Amendments to IAS 12 — Recognition of Deferred Tax Assets for Unrealized Losses*

On January 19, 2016 the IASB issued the amendments to IAS 12, "Recognition of Deferred Tax Assets for Unrealized Losses". The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2017. Earlier application is permitted. The Company intends to adopt the amendments to IAS 12 in its financial statements for the annual reporting period beginning on January 1, 2017. The Company is currently evaluating the impact of adopting the amendments to IAS 12 on the financial statements.

*Amendments to IFRS 2 — Classification and Measurement of Share-based Payment Transactions*

On June 20, 2016, the IASB issued the amendments to IFRS 2, "Classification and Measurement of Share-based Payment Transactions", clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual reporting periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight. The Company intends to adopt the amendments to IFRS 2 in its financial statements for the annual reporting period beginning on January 1, 2018. The Company is currently evaluating the impact of adopting the amendments to IFRS 2 on the financial statements.

The Company does not plan to early adopt the above new standards or amendments. With respect to IFRSs 9, 15 and 16 and amendments to IASs 7 and 12 and IFRS 2, given the Company has not completed its assessment of their full impact on the Company, their possible impact on the Company's results of operations and financial position has not been quantified.

**6 DETERMINATION OF FAIR VALUE**

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for both measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

**(a) Cash and cash equivalents, accounts receivable, deposits and accounts payable and accrued liabilities**

The fair value of cash and cash equivalents, accounts receivable, deposits and accounts payable and accrued liabilities is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At December 31, 2013, 2014 and 2015 and September 30, 2016, the fair value of these balances approximated their carrying value due to their short term to maturity.

**(b) Loans**

The fair value of bank loans approximates their carrying value, as they bear interest at floating rates and the premium charged at December 31, 2013, 2014 and 2015 and September 30, 2016 was indicative of the Company's current credit spreads. At December 31, 2013, 2014 and 2015 and September 30, 2016, the fair value of these balances approximated their carrying value.

The fair value of other loans approximated their carrying values as at December 31, 2013 primarily due to the current nature of the obligations.

**(c) Financial derivative instruments**

The fair value of financial derivative contracts and swaps is derived from quoted prices received from financial institutions and is based on published forward price curves as at the measurement date, using the remaining contracted oil and natural gas volumes.

The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 — observable inputs such as quoted prices in active markets;
- Level 2 — inputs, other than the quoted market prices in active markets, which are observable, either directly and/or indirectly; and
- Level 3 — unobservable inputs for the asset or liability in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The fair value of any financial derivative instruments entered into by the Company have been measured using above criteria. The fair value of the Company's loans have been measured using:

- |                       |         |
|-----------------------|---------|
| — Bank loans:         | Level 2 |
| — Shareholders' loan: | Level 3 |
| — Other debts:        | Level 3 |

During the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, there were no transfers between level 1, level 2 and level 3 classified assets and liabilities.

## 7 E&amp;E ASSETS

A continuity of the net book value of E&E assets is set out below:

	Note	As at December 31,			As at
		2013	2014	2015	September 30,
		C\$	C\$	C\$	2016
Balance, beginning of year/period		9,259,664	9,435,054	13,040,540	14,419,800
Additions		608,832	6,043,271	3,877,093	775,889
Transfer to property, plant and equipment	8	(70,638)	(651,705)	(134,602)	—
Write-offs		<u>(362,804)</u>	<u>(1,786,080)</u>	<u>(2,363,231)</u>	<u>(812,452)</u>
Balance, end of year/period		<u>9,435,054</u>	<u>13,040,540</u>	<u>14,419,800</u>	<u>14,383,237</u>

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. Transfers are made to or from property, plant and equipment as proven or probable reserves are determined. E&E assets are expensed due to non-economic drilling and completion activities and lease expires.

For the year ended December 31, 2015, additions include general and administrative costs amounting to C\$798,650 that were capitalized relating to development activities.

For the nine months ended September 30, 2016, additions include general and administrative costs amounting to C\$331,321 that were capitalized relating to development activities.

The Company performs an impairment test to assess the recoverability of E&E assets on the transfer to property, plant and equipment.

During the year ended December 31, 2013, the Company wrote-off C\$362,804 of E&E assets as a result of the decision to not continue exploration activities on certain lands within the Dawson area.

During the year ended December 31, 2014, the Company wrote-off C\$1,786,080 of E&E assets as a result of certain land and exploratory drilling costs being determined to be uneconomical due to the decision to discontinue certain exploration activities in the Basing area.

During the year ended December 31, 2015, the Company wrote-off C\$2,363,231 of E&E assets relating to certain land leases, which were considered not to have further prospective value and the leases were subsequently not renewed.

During the nine months ended September 30, 2016, the Company directly wrote-off C\$812,452 of E&E assets as a result of the expiry of certain land leases that were considered not to have further prospective value.

Included within the Company's exploration and evaluation assets are lands totaling C\$2,247,609 which were due to expire on January 1, 2017. Subsequent to September 30, 2016, the Company submitted applications to extend the terms of the Company's lease of these lands to March 31, 2017 and on January 30, 2017, the Company received notice that the applications were successful. As a result, the Company is required to perform certain exploration and evaluation activities during the three months ending March 31, 2017.

## 8 PROPERTY, PLANT AND EQUIPMENT

Net book value of property, plant and equipment to December 31, 2013, 2014 and 2015 and September 30, 2016 is set out below:

		<u>Cost</u>	<u>Accumulated depletion and depreciation</u>	<u>Net book value</u>
	Note	C\$	C\$	C\$
Balance, January 1, 2013		134,127,104	(55,092,036)	79,035,068
Additions		10,378,486	—	10,378,486
Change in decommissioning obligations	13	(66,569)	—	(66,569)
Transfer from E&E assets	7	70,638	—	70,638
Impairment loss and write offs	17	(195,976)	—	(195,976)
Depletion and depreciation		<u>—</u>	<u>(9,373,697)</u>	<u>(9,373,697)</u>
Balance, December 31, 2013		<u>144,313,683</u>	<u>(64,465,733)</u>	<u>79,847,950</u>
Balance, January 1, 2014		144,313,683	(64,465,733)	79,847,950
Additions		9,701,031	—	9,701,031
Change in decommissioning obligations	13	228,160	—	228,160
Transfer from E&E assets	7	651,705	—	651,705
Impairment loss and write offs	17	(1,628,503)	—	(1,628,503)
Depletion and depreciation		<u>—</u>	<u>(6,976,787)</u>	<u>(6,976,787)</u>
Balance, December 31, 2014		<u>153,266,076</u>	<u>(71,442,520)</u>	<u>81,823,556</u>
Balance, January 1, 2015		153,266,076	(71,442,520)	81,823,556
Additions		217,054	—	217,054
Change in decommissioning obligations	13	127,973	—	127,973
Transfer from E&E assets	7	134,602	—	134,602
Impairment loss and write offs	17	(749,971)	—	(749,971)
Depletion and depreciation		<u>—</u>	<u>(4,596,103)</u>	<u>(4,596,103)</u>
Balance, December 31, 2015		<u>152,995,734</u>	<u>(76,038,623)</u>	<u>76,957,111</u>
Balance, January 1, 2016		152,995,734	(76,038,623)	76,957,111
Additions		289,995	—	289,995
Change in decommissioning obligations	13	62,749	—	62,749
Depletion and depreciation		—	(5,513,038)	(5,513,038)
Recovery of expenditure on property, plant and equipment		<u>(1,100,000)</u>	<u>—</u>	<u>(1,100,000)</u>
Balance, September 30, 2016		<u>152,248,478</u>	<u>(81,551,661)</u>	<u>70,696,817</u>

Substantially all of property, plant and equipment consists of development and production assets.

During the nine months ended September 30, 2016, the Company received a cash payment of C\$1,100,000 from a supplier in relation to remedial work for various capital related activities in the year ended December 31, 2013 and as such the recovery has been recorded as a reduction in property, plant and equipment.

**Depletion, depreciation and impairment charges**

Depletion and depreciation, impairment of property, plant and equipment, and any reversal thereof, are recognized as separate line items in the statements of profit or loss and other comprehensive income. The depletion calculation as at December 31, 2013, 2014 and 2015 and September 30, 2016, includes estimated future development costs of C\$41,605,000, C\$42,926,000, C\$42,264,000 and C\$30,845,000 respectively associated with the development of the Company's proved plus probable reserves.

There were no indicators of impairment identified at September 30, 2016. Management had identified impairment triggers as at September 30, 2015 and performed impairment tests. During the nine months ended September 30, 2015, the Company recorded an impairment loss of C\$208,005 and direct write-offs of property, plant and equipment of C\$541,966.

**9 ACCOUNTS RECEIVABLE AND PREPAID EXPENSES AND DEPOSITS**

	As at December 31,			As at September 30,
	2013	2014	2015	2016
	C\$	C\$	C\$	C\$
<b>Accounts receivable</b>				
Trade receivables	2,671,816	2,657,939	1,326,217	2,395,462
Other receivables				
—Amount due from JLHY ( <i>note</i> )	—	—	156,283	1,292,208
—Others	<u>192,453</u>	<u>1,868,123</u>	<u>815,248</u>	<u>—</u>
	<u>2,864,269</u>	<u>4,526,062</u>	<u>2,297,748</u>	<u>3,687,670</u>

*Note:* As at December 31, 2015, the amount due from JLHY was attributable to the settlement of withholding tax on behalf of JLHY by the Company. As at September 30, 2016, the amount due from JLHY was attributable to the new share issuing proceeds collected by JLHY from certain individual investors on behalf of the Company and the unsettled balance of withholding tax (see notes 14(b)(viii) and 23(b)). The amount is non-trade in nature, unsecured, non-interest bearing and due on demand, which was fully settled in February 2017.

**(a) Ageing analysis of trade receivables**

As at December 31, 2013, 2014 and 2015 and September 30, 2016, the ageing 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:

	As at December 31,			As at September 30,
	2013	2014	2015	2016
	C\$	C\$	C\$	C\$
Within 1 month	2,671,294	2,607,200	1,311,734	2,381,025
1 to 2 months	87	—	—	—
2 to 3 months	92	50,616	—	—
Over 3 months	<u>343</u>	<u>123</u>	<u>14,483</u>	<u>14,437</u>
	<u>2,671,816</u>	<u>2,657,939</u>	<u>1,326,217</u>	<u>2,395,462</u>

Trade receivables are to be collected within 25 days from the date of billing. Further details on the Company's credit policy are set out in note 24(a).

**(b) Impairment of accounts receivable**

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Company is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 3(d)(ii)). No impairment loss has been recognized in respect of trade receivables for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016.

No trade receivables, which are included in accounts receivable, are considered individually nor collectively to be impaired. No material balances of trade receivables are past due.

**(c) Prepaid expenses and deposits**

	<u>As at December 31,</u>			<u>As at</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>September 30,</u>
	<u>C\$</u>	<u>C\$</u>	<u>C\$</u>	<u>2016</u>
Prepaid expenses	76,612	129,466	785,591	892,572
Deposits	<u>372,717</u>	<u>583,691</u>	<u>672,859</u>	<u>203,036</u>
	<u>449,329</u>	<u>713,157</u>	<u>1,458,450</u>	<u>1,095,608</u>

Deposits include C\$357,462, C\$568,436, C\$657,604 and C\$187,781 held with the Alberta Government relating to crown royalty deposits as at December 31, 2013, 2014 and 2015 and September 30, 2016, respectively.

**10 CASH AND CASH EQUIVALENTS**

**(a) Cash and cash equivalents comprise:**

	<u>As at December 31,</u>			<u>As at</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>September 30,</u>
	<u>C\$</u>	<u>C\$</u>	<u>C\$</u>	<u>2016</u>
Deposits with banks and other financial institutions (see note 12(b))	—	4,974,820	5,405,648	3,213,528
Cash on hand	<u>—</u>	<u>90</u>	<u>7,825</u>	<u>1,834</u>
Cash and cash equivalents in the statements of financial position and statements of cash flows	<u>—</u>	<u>4,974,910</u>	<u>5,413,473</u>	<u>3,215,362</u>

**(b) Supplementary cash flows information**

The following table details the changes in non-cash working capital for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016:

	<u>Year ended December 31,</u>			<u>Nine months ended</u>	
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2015</u>	<u>2016</u>
	<u>C\$</u>	<u>C\$</u>	<u>C\$</u>	<u>C\$</u>	<u>C\$</u>
				(Unaudited)	
<b>Change in non-cash working capital:</b>					
Accounts receivable	(807,684)	(1,661,793)	2,228,314	307,100	(253,997)
Prepaid expenses and deposits	(60,378)	(263,828)	(745,293)	(406,281)	362,842
Accounts payable and accrued liabilities	<u>2,253,159</u>	<u>(615,191)</u>	<u>(3,453,231)</u>	<u>(944,292)</u>	<u>479,926</u>
	1,385,097	(2,540,812)	(1,970,210)	(1,043,473)	588,771
(Deduct)/add: Movement in non-cash working capital directly included in investing and financing activities	<u>(2,007,396)</u>	<u>2,464,026</u>	<u>1,771,582</u>	<u>1,262,051</u>	<u>140,899</u>
	<u>(622,299)</u>	<u>(76,786)</u>	<u>(198,628)</u>	<u>218,578</u>	<u>729,670</u>

**11 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<u>As at December 31,</u>			<u>As at</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>September 30,</u>
	<u>C\$</u>	<u>C\$</u>	<u>C\$</u>	<u>2016</u>
				<u>C\$</u>
Trade payables	5,719,004	2,901,911	883,564	579,103
Accrued liabilities	478,260	2,157,903	701,479	1,519,770
Other payables	<u>117,886</u>	<u>640,145</u>	<u>661,685</u>	<u>627,781</u>
	<u>6,315,150</u>	<u>5,699,959</u>	<u>2,246,728</u>	<u>2,726,654</u>

All of accounts payable and accrued liabilities are expected to be settled within one year or are payable on demand.

As at December 31, 2013, 2014 and 2015 and September 30, 2016, the ageing analysis of trade payables and accrued liabilities (which is included in accounts payable and accrued liabilities), is as follows:

	As at December 31,			As at
	2013	2014	2015	September 30,
	C\$	C\$	C\$	2016
Within 1 month	1,438,995	2,019,034	1,252,015	1,644,026
1 to 3 months	4,087,525	1,615,597	333,028	443,669
Over 3 months but within 6 months	670,744	1,425,183	—	11,178
	<u>6,197,264</u>	<u>5,059,814</u>	<u>1,585,043</u>	<u>2,098,873</u>

## 12 BANK AND OTHER DEBTS

	As at December 31,			As at
	2013	2014	2015	September 30,
	C\$	C\$	C\$	2016
Bank loan (note (a))	—	47,121,480	45,580,135	39,302,042
Bank indebtedness (note (b))	1,831,820	—	—	—
Other bank loan (note (b))	30,350,000	—	—	—
Other debts (note (c))	9,277,000	—	—	—
Shareholders' loan (note (d))	69,418,658	—	—	—
	110,877,478	47,121,480	45,580,135	39,302,042
Less: unamortized debt issue costs	—	(1,200,000)	(882,387)	(645,896)
Balance, end of year/period	<u>110,877,478</u>	<u>45,921,480</u>	<u>44,697,748</u>	<u>38,656,146</u>

At December 31, 2013, 2014 and 2015 and September 30, 2016, the bank and other debts were payable as follows:

	As at December 31,			As at
	2013	2014	2015	September 30,
	C\$	C\$	C\$	2016
Within 1 year or on demand	<u>110,877,478</u>	—	—	—
After 1 year but within 2 years	—	—	—	—
After 2 years but within 5 years	—	47,121,480	45,580,135	39,302,042
After 5 years	—	—	—	—
	<u>—</u>	<u>47,121,480</u>	<u>45,580,135</u>	<u>39,302,042</u>
	<u>110,877,478</u>	<u>47,121,480</u>	<u>45,580,135</u>	<u>39,302,042</u>

Notes:

**(a) Bank loan**

During the year ended December 31, 2014, the Company obtained a C\$200,000,000 credit facility comprised of a C\$100,000,000 revolving credit facility and a C\$100,000,000 term loan. All advances under the credit facility and term loan are required to be approved by the lender. Under the revolving credit facility, C\$50,000,000 is firm committed and has been drawn down by C\$47,121,480, C\$45,580,135 and C\$39,302,042 as at December 31, 2014 and 2015 and September 30, 2016 respectively. Any request for additional advances in excess of the C\$50,000,000 would require approval from the lender. With respect to the term loan, it is comprised of Tranche A to a maximum of C\$10,000,000 which could be used for drilling, completion and acquisition of surface equipment and Tranche B to a maximum of C\$90,000,000 for additional future development plans. The Tranche A term facility expired during the nine months ended September 30, 2016 and the Tranche B remains available, with any advances subject to the approval by the lender. The Tranche B term facility expires on October 19, 2017. No amounts are outstanding under the term loan as at December 31, 2014, 2015 and September 30, 2016. In addition, as at December 31, 2015 and September 30, 2016, the Company maintained letters of credit outstanding of C\$264,000 and C\$558,000 respectively for transportation services.

All amounts outstanding under the facility bear interest at the Canadian Dealer Offered Rate ("CDOR") (CDOR means the arithmetic average of the yields to maturity for bankers' acceptances quoted on the Reuter's Canadian Deposit Offered Rate) plus a margin of 5.5% per annum. At December 31, 2014 and 2015 and September 30, 2016, the applicable effective interest rates on the revolving credit facility were 6.773%, 6.6% and 6.5% respectively. The facility is secured by a C\$400 million debenture with a floating charge over all present and after-acquired real and personal property. On December 18, 2015, the Company entered into an amending agreement with the lender relating to the security of the credit facility (see note 23(b)).

All principal amounts outstanding under the facility are due on maturity being October 20, 2018. The available level of credit is subject to a semi-annual review by the lender to be completed by March 1 and September 1 of any given year. The credit facility and the borrowing base may be adjusted by the lender for changes in reserves, commodity prices and other factors. A decrease in the borrowing base could result in a reduction of the credit facility. If the credit facility is reduced, the Company has 60 days to pay any shortfall irrespective of the maturity date of the credit facility, or pledge additional collateral to the lender in an amount sufficient to cover, in lender's sole opinion, such borrowing base shortfall. The Company is required to meet certain financial based covenants under the terms of this facility as follows: (1) maintain a working capital ratio (the ratio of current assets to current liabilities) of greater than 1 to 1; (2) maintain a debt coverage ratio (the ratio of total debt to net operating cash flow, as defined in the facility agreement) of less than 4 to 1 (reducing to 3 to 1 commencing January 1, 2016); (3) maintain an interest coverage ratio (the ratio of net operating cash flow, as defined in the facility agreement, to interest expenses) of greater than 4 to 1; and (4) maintain an adjusted present value ratio (reserve based) of greater than 1.7 to 1 (increasing to 2.0 to 1 commencing January 1, 2016). In addition, the Company cannot exceed a maximum of general and administrative expenses equal to 11% of net operating cash flows, as defined in the facility agreement, unless funded through advances of equity (the "G&A cap"). As at December 31, 2014 and 2015 and September 30, 2016, the Company was in compliance with all covenants and terms under the facility. On December 22, 2016, the Company obtained a one-time increase to the G&A cap for the three-month period ended December 31, 2016 whereby general and administrative expenses could exceed the 11% of net operating cash flows to a maximum of C\$200,000. All terms included in the covenants and terms described above are as defined by the lender. See further discussion in note 24(b).

**(b) Other bank loan**

Bank indebtedness was comprised of outstanding cheques in the amount of C\$1,831,820 as at December 31, 2013 written from the Company's chequing account.

At December 31, 2013 the Company had a revolving operating demand loan with a Canadian Chartered Bank with a maximum borrowing limit of C\$32,300,000 and a maturity date of May 1, 2014. The loan bore interest at the lender's prime rate plus 1.75% to 2.50% per annum depending upon the calculated net debt to cash flow ratio. At December 31, 2013, the applicable interest rate was 4.75%. The outstanding principal balance was C\$30,350,000 at December 31, 2013. The full amount of the loan was repaid during the year ended December 31, 2014.

The loan was secured by a general assignment of book debts and a C\$75,000,000 debenture with a floating charge over all of the assets of the Company.

As at December 31, 2013 and 2014, through the Company's lender there was a letter of guarantee for C\$264,000 and C\$264,000 respectively relating to the transport of gas through a third party pipeline which expired on May 13, 2015.

**(c) Other debts**

As at December 31, 2013, the Company had a subordinated, secured demand loan with a private lender in the amount of C\$8,000,000 of principal. The loan bears an interest rate of 13% per annum. The loan was repayable on March 31, 2014. The loan was secured by a general assignment of book debts and a C\$10,000,000 debenture with a second charge over all of the assets of the Company.

The loan was subject to certain financial covenants requiring the maintenance of certain financial ratios. The following covenant ratios were not met at December 31, 2013.

The current ratio was less than the required covenant ratio of 1 to 1. The current ratio was defined in the agreement as the ratio of current assets (including the undrawn availability under the bank loan financing) divided by current liabilities.

The secured debt to equity ratio was greater than the required covenant ratio of 1 to 1. The secured debt to equity ratio is defined in the agreement as the ratio of all debt secured by the assets of the Company to the amount of shareholders' equity. The subordinated, secured demand loan was repaid in entirety during the year ended December 31, 2014.

In addition, there were loans from employees outstanding as at December 31, 2013 totaling C\$1,277,000. The loans bore interest at a rate of 12% per annum and were unsecured. All of the employees' loans were settled during the year ended December 31, 2014 (see notes 14 and 23).

**(d) Shareholders' loan**

The shareholder loan was due to JLHY, the then shareholder of the Company and was unsecured, non-interest bearing and due on demand. During the year ended December 31, 2014, JLHY assigned C\$6,244,632 of the loan to 164 Co, a corporation controlled by the president of the Company. The Company then converted C\$56,201,687 of the loan outstanding to JLHY through issuing 170,984,500 (pre-share splits: 35,126,054) Class C common shares at a deemed price of C\$0.80 (pre-share splits: C\$3.89) per share to JLHY. The remaining balance owed to JLHY of C\$6,652,339 was repaid in cash during the year ended December 31, 2014. To settle the C\$6,244,632 due to 164 Co, the Company issued 18,998,279 (pre-share splits: 3,902,895) Class B common shares at a deemed price of C\$0.80 (pre-share splits: C\$3.89) per share during the year ended December 31, 2014 (see notes 14 and 23).

**13 DECOMMISSIONING LIABILITIES**

The total future decommissioning obligations were estimated based on the Company's net ownership interest in crude oil and natural gas assets including well sites, gathering systems and facilities, the estimated costs to abandon and reclaim the crude oil and natural gas assets and the estimated timing of the costs to be incurred in future periods. At December 31, 2013, 2014 and 2015 and September 30, 2016, the Company estimated the total undiscounted amount of cash flows required to settle its decommissioning obligations is approximately C\$1,423,000, C\$2,153,898, C\$2,357,172 and C\$2,394,428 respectively, which will be incurred between 2020 and 2030, 2016 and 2050, 2017 and 2063 and 2018 and 2056. The majority of these costs will be incurred by 2035. For the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, a discount rate of 2.53%, 1.64%, 1.20% and 0.97% respectively and an inflation rate of 2%, 2%, 2% and 2% respectively were used to calculate the decommissioning obligations. As at December 31, 2013, 2014 and 2015 and September 30, 2016, the decommissioning liabilities are C\$1,366,299, C\$1,616,614, C\$1,764,990 and C\$1,841,816 respectively.

The following reconciles the Company's decommissioning liabilities:

	As at December 31,			As at September 30,
	2013	2014	2015	2016
	C\$	C\$	C\$	C\$
Balance, beginning of year/period	1,397,144	1,366,299	1,616,614	1,764,990
Change in estimate	(276,629)	107,199	127,973	62,749
Liabilities incurred	210,060	120,961	—	—
Accretion expense	35,724	22,155	20,403	14,077
	1,366,299	1,616,614	1,764,990	1,841,816

**14 SHARE CAPITAL****(a) Authorized:**

The Company is authorized to issue an unlimited number of common shares and the following classes of shares:

- (1) Class A voting common shares;
- (2) Class B non-voting common shares;
- (3) Class C non-voting common shares;
- (4) First preferred shares; and
- (5) Second preferred shares.

## (b) Issued:

Note	Class A		Class B		Class C		Common Shares		Total Amount C\$
	Number (Note (ix))	Amount	Number (Note (v) and (ix))	Amount	Number (Note (v) and (ix))	Amount	Number	Amount	
		C\$		C\$		C\$		C\$	
At January 1, 2013, December 31, 2013 and January 1, 2014	2,000	10	2,428	5	41,382	85	—	—	100
Shares issued to settle shareholder loan (i)	—	—	18,998,279	15,198,622	170,984,500	136,787,600	—	—	151,986,222
Shares issued to employees and consultants (ii)	—	—	4,560,310	3,648,248	—	—	—	—	3,648,248
Shares issued for cash (iii)	—	—	—	—	13,163,862	12,080,112	—	—	12,080,112
Repurchase of shares (iv)	—	—	(84,000)	(50,400)	(3,323,535)	(2,658,207)	—	—	(2,708,607)
At December 31, 2014	<u>2,000</u>	<u>10</u>	<u>23,477,017</u>	<u>18,796,475</u>	<u>180,866,209</u>	<u>146,209,590</u>	<u>—</u>	<u>—</u>	<u>165,006,075</u>
At January 1, 2015	2,000	10	23,477,017	18,796,475	180,866,209	146,209,590	—	—	165,006,075
Shares issued for cash (vi)	—	—	—	—	2,700,000	2,480,000	—	—	2,480,000
Repurchase of shares (vii)	—	—	—	—	(550,000)	(450,000)	—	—	(450,000)
At December 31, 2015	<u>2,000</u>	<u>10</u>	<u>23,477,017</u>	<u>18,796,475</u>	<u>183,016,209</u>	<u>148,239,590</u>	<u>—</u>	<u>—</u>	<u>167,036,075</u>
At January 1, 2016	2,000	10	23,477,017	18,796,475	183,016,209	148,239,590	—	—	167,036,075
Shares issued for cash (viii)	—	—	523,330	523,330	1,687,964	1,687,962	—	—	2,211,292
Re-designation of Class A common shares and conversion of Class B and C common shares to Common Shares (ix)	(2,000)	(10)	(24,000,347)	(19,319,805)	(184,704,173)	(149,927,552)	208,706,520	169,247,367	—
At September 30, 2016	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>208,706,520</u>	<u>169,247,367</u>	<u>169,247,367</u>

During the year ended December 31, 2014 the Company conducted the following transactions:

- (i) The Company settled the shareholders' loan (see note 12) in the amount of C\$69,098,658 through the issuance of 18,998,279 (pre-share splits: 3,902,895) Class B common shares to 164 Co at a deemed price of C\$0.80 (pre-share splits: C\$3.89) per share and 170,984,500 (pre-share splits: 35,126,054) Class C common shares to JLHY at a deemed price of C\$0.80 (pre-share splits: C\$3.89) per share on April 14, 2014 and a cash payment of C\$6,652,339. The issuance of shares resulted in a distribution to the shareholders totaling C\$89,539,903.

- (ii) The Company settled the employees' loans (see note 12) through the issuance of 3,266,532 (pre-share split: 1,633,266) Class B common shares at a deemed price of C\$0.80 (pre-share split: C\$1.60) per common share on April 15, 2014. The Company issued 1,293,778 (pre-share split: 646,889) Class B common shares to employees and consultants at prices ranging from C\$0.45 to C\$0.60 (pre-share split: C\$0.90 to C\$1.20) per share for cash proceeds totaling C\$667,399 on April 15, 2014. The Class B common shares issued to the employees and the consultants were recorded at the deemed price of C\$0.80 (pre-share split: C\$1.60) per share. The issuance of the Class B common shares resulted in share-based compensation totaling C\$1,510,908.
- (iii) The Company issued Class C common shares for cash. On April 15, 2014 the Company issued 5,418,750 (pre-share split: 2,709,375) Class C common shares at a price of C\$0.80 (pre-share split: C\$1.60) per share for proceeds totaling C\$4,335,000 and in September, October and November 2014 the Company issued 7,745,112 (pre-share split: 3,872,556) Class C common shares at a price of C\$1.00 (pre-share split: C\$2.00) per share for proceeds totaling C\$7,745,112.
- (iv) The Company repurchased 84,000 (pre-share split: 42,000) Class B common shares at a price of C\$0.60 (pre-share split: C\$1.20) per share for cash totaling C\$50,400 on July 16, 2014 and 3,323,535 (pre-share split: 1,661,767) Class C common shares at a price of C\$1.00 (pre-share split: C\$2.00) per share for cash totaling C\$3,323,535 on December 3, 2014. The repurchase of the shares resulted in C\$665,328 being recorded to accumulated deficits.
- (v) Pursuant to board resolution dated April 14, 2014, the Company declared a 2.43387005 share split for the Class B and Class C common shares. The share split has been reflected in the financial statements for 2014 on a retroactive basis.

Subsequent to the year ended December 31, 2014, the Company conducted the following transactions:

- (vi) On February 6, 2015, the Company issued 500,000 (pre-share split: 250,000) Class C common shares at a price of C\$1.00 (pre-share split: C\$2.00) per share for proceeds totaling C\$500,000; on December 16, 2015, the Company issued 2,200,000 (pre-share split: 1,100,000) Class C common shares at a price of C\$0.9 (pre-share split: C\$1.80) per share for proceeds totaling C\$1,980,000.
- (vii) The Company repurchased 500,000 (pre-share split: 250,000) Class C common shares of a price of C\$1.00 (pre-share split: C\$2.00) per share for cash totaling C\$500,000 on February 6, 2015 and 50,000 (pre-share split: 25,000) Class C common shares at a price of C\$1.00 (pre-share split: C\$2.00) per share for cash totaling C\$50,000 on October 14, 2015. The repurchase of the shares on February 6, 2015 resulted in C\$100,000 being recorded to accumulated deficit.
- (viii) On January 6, 2016 the Company issued 1,687,962 (pre-share split: 843,981) Class C common shares at a price of C\$1.00 (pre-share split: C\$2.00) per share to individual investors for proceeds totaling C\$1,687,962, among which C\$552,037 of cash proceeds from the new shares issuing was transferred from JLHY (collected by JLHY from the individual shareholders) to the Company in December 2015 (see note 23); the remaining C\$1,135,925 of the new shares issuing proceeds are held by JLHY (collected by JLHY from the new shareholders) as at September 30, 2016 and were received by the Company in December 2016.

On January 18, 2016, the Company issued 163,330 (pre-share split: 81,665) Class B common shares to employees at a price of C\$0.60 (pre-share split: C\$1.20) per share for cash proceeds totaling C\$97,998. On February 24, 2016, the Company issued 280,000 (pre-share split: 140,000) Class B common shares to employees and consultant at a price of C\$0.60 (pre-share split: C\$1.20) per share for cash proceeds totaling C\$168,000, and 80,000 (pre-share split: 40,000) Class B common shares at a price of C\$0.45 (pre-share split: C\$0.90) per share for proceeds totaling C\$36,000. The Class B common shares issued to the employees and consultant were recorded at the deemed price of C\$1.00 (pre-share split: C\$2.00) per share. The issuance of the Class B common shares resulted in share-based compensation totaling C\$221,332.

- (ix) On February 26, 2016, the shareholders of the Company approved, among others, (i) re-designation of Class A common shares as Common Shares; (ii) conversion of all Class B and Class C common shares for Common Shares on an one for one basis and (iii) share split of the issued and outstanding shares of the Company on every one Common Share for two Common Share basis. The aforesaid re-designation, share conversion and share split were completed on April 29, 2016. The share split has been reflected in the financial statements for the Relevant Periods on a retroactive basis.

## 15 REVENUE

Turnover represents the sales value of crude oil and natural gas supplied to customers. The amount of each significant category of revenue recognized in turnover during the years/periods is as follows:

	Year ended December 31,			Nine months ended September 30,	
	2013	2014	2015	2015	2016
	C\$	C\$	C\$	C\$	C\$
				(Unaudited)	
Sales of crude oil	4,637,508	3,496,316	958,940	579,129	758,908
Sales of natural gas	18,859,541	28,927,551	15,120,658	11,740,651	14,392,347
	<u>23,497,049</u>	<u>32,423,867</u>	<u>16,079,598</u>	<u>12,319,780</u>	<u>15,151,255</u>

For the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016, the Company's customer base includes three, two, two, two (unaudited) and two customers, respectively, with whom transactions have exceeded 10% of the Company's revenues. In the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016, revenues from sales to these customers amounted to C\$22,449,852, C\$30,245,467, C\$13,555,712, C\$10,650,110 (unaudited) and C\$12,711,769. Details of concentrations of credit risk arising from these customers are set out in note 24(a).

## 16 FINANCE EXPENSES

	Note	Year ended December 31,			Nine months ended September 30,	
		2013	2014	2015	2015	2016
		C\$	C\$	C\$	C\$	C\$
					(Unaudited)	
Interest expense and financing cost		2,637,649	3,070,742	2,936,994	2,195,264	2,142,561
Amortization of debt issue costs	12	—	70,000	317,613	238,283	236,491
Accretion expense	13	35,724	22,155	20,403	14,869	14,077
Total finance expenses		<u>2,673,373</u>	<u>3,162,897</u>	<u>3,275,010</u>	<u>2,448,416</u>	<u>2,393,129</u>

**17 IMPAIRMENT LOSS ON PROPERTY, PLANT AND EQUIPMENT**

Impairment is assessed based on the recoverable amount compared with the asset's carrying amount to measure the amount of the impairment. In addition, where a non-financial asset does not generate largely independent cash inflows, the Company is required to perform its test at a CGU, which is the smallest identifiable grouping of assets that generates largely independent cash inflows.

During the years ended December 31, 2013, 2014 and 2015, the Company identified indicators of impairment for certain CGUs due to overall declines in forecasted commodity prices. As at December 31, 2013, 2014 and 2015, management identified impairment triggers for the Dawson, Alberta CGU due to declines in forecasted oil prices and the Basing, Alberta CGU due to declines in forecasted natural gas prices. As such, management performed impairment tests for each of the CGUs noted above for the applicable periods. As at September 30, 2016, there were no indicators of impairment identified for the Company's two CGUs being the Basing, Alberta CGU and the Dawson, Alberta CGU.

Based on the assessment at December 31, 2013, the carrying amount of the property, plant and equipment within the Company's Dawson CGU was determined to be C\$195,976 higher than its recoverable amount and as such, a corresponding impairment loss was recognized.

Based on the assessment at December 31, 2014, the carrying amount of the property, plant and equipment within the Company's Dawson CGU was determined to be C\$1,628,503 higher than the recoverable amount and a corresponding impairment loss was recognized.

Based on the assessment as at December 31, 2015, the carrying amount of the property, plant and equipment within the Company's Dawson CGU was determined to be C\$208,005 higher than its recoverable amount. As such, a corresponding impairment loss was recognized.

The recoverable amounts of the Dawson Alberta CGU at each year end were as follows:

	<b>As at December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<b>C\$</b>	<b>C\$</b>	<b>C\$</b>
Dawson CGU	<u>5,104,673</u>	<u>2,494,550</u>	<u>1,567,606</u>

No impairment was recorded for the Basing, Alberta CGU in the years ended December 31, 2013, 2014 and 2015.

The recoverable amount of each CGU was estimated based upon the higher of value in use or FVLCD. In each case, the value in use methodology was used. For the years ended December 31, 2013, 2014 and 2015, in determining value in use, forecasted cash flows pre-tax discount rate at 10 percent were used, with escalated prices and future development costs, as obtained from the reserve report.

As at December 31, 2013, the Company utilized the following benchmark prices and exchange rates to determine the forecast prices in the value in use calculation:

<u>Year</u>	<u>WTI Oil (US\$/bbl)</u>	<u>AECO Gas (C\$/mmbtu)</u>	<u>US\$/C\$ exchange rates</u>
2014	94.65	4.00	0.940
2015	88.37	3.99	0.940
2016	84.25	4.00	0.940
2017	95.52	4.93	0.940
2018	96.96	5.01	0.940
2019	98.41	5.09	0.940
2020	99.89	5.18	0.940
2021	101.38	5.26	0.940
2022	102.91	5.35	0.940
2023	104.45	5.43	0.940
2024 <sup>(1)</sup>	+1.5%/yr	+1.5%/yr	0.940

<sup>(1)</sup> Approximate percentage change in each year after 2023 to the end of the reserve life

As at December 31, 2014, the Company utilized the following benchmark prices and exchange rates to determine the forecast prices in the value in use calculation:

<u>Year</u>	<u>WTI Oil (US\$/bbl)</u>	<u>AECO Gas (C\$/mmbtu)</u>	<u>US\$/C\$ exchange rates</u>
2015	62.50	3.31	0.850
2016	75.00	3.77	0.875
2017	80.00	4.02	0.875
2018	85.00	4.27	0.875
2019	90.00	4.53	0.875
2020	95.00	4.78	0.875
2021	98.54	5.03	0.875
2022	100.51	5.28	0.875
2023	102.52	5.53	0.875
2024	104.57	5.71	0.875
2025 <sup>(1)</sup>	+2%/yr	+2%/yr	0.875

<sup>(1)</sup> Approximate percentage change in each year after 2024 to the end of the reserve life

As at December 31, 2015, the Company utilized the following benchmark prices and exchange rates to determine the forecast prices in the value in use calculation:

Year	WTI Oil (US\$/Bbl)	AECO Gas (C\$/mmbtu)	US\$/C\$ exchange rates
2016	44.00	2.76	0.725
2017	52.00	3.27	0.750
2018	58.00	3.45	0.775
2019	64.00	3.63	0.800
2020	70.00	3.81	0.825
2021	75.00	3.90	0.850
2022	80.00	4.10	0.850
2023	85.00	4.30	0.850
2024	87.88	4.50	0.850
2025	89.63	4.60	0.850
2026 <sup>(1)</sup>	+2%/yr	+2%/yr	0.850

<sup>(1)</sup> Approximate percentage change in each year after 2025 to the end of the reserve life

## 18 (LOSS)/PROFIT BEFORE INCOME TAXES

(Loss)/profit before income taxes is arrived after charging:

	Year ended December 31,			Nine months ended September 30,	
	2013	2014	2015	2015	2016
	C\$	C\$	C\$	C\$	C\$
	(Unaudited)				
(a) Staff costs					
Salaries, wages and other benefits	1,193,258	1,527,421	1,147,416	710,638	936,016
Retirement benefits contribution	16,191	19,772	24,019	18,628	24,832
Share-based compensation	—	1,397,309	—	—	221,332
	1,209,449	2,944,502	1,171,435	729,266	1,182,180
(b) Other items					
Operating lease charges					
— office premises	494,152	423,620	480,182	350,922	393,107
— compressors	328,097	595,500	424,650	299,400	373,800
Auditors' remuneration					
— audit services	37,625	170,008	85,095	35,095	75,000

## 19 INCOME TAXES

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)/profit before income taxes. The difference results from the following items.

	Year ended December 31,			Nine months ended September 30,	
	2013	2014	2015	2015	2016
	C\$	C\$	C\$	C\$	C\$
(Loss)/profit before income taxes	(653,810)	3,001,753	(2,485,093)	(2,784,233)	(3,642,293)
Combined Federal and Provincial tax rate	25%	25%	26%	26%	27%
Expected tax (benefit)/expense	(163,453)	750,438	(646,124)	(723,901)	(983,419)
Increase/(decrease) in taxes resulting from:					
— Non-deductible expenses	464	380,603	2,756	2,108	61,135
— Change in unrecognized deferred tax assets	162,989	(1,134,476)	1,095,569	1,175,240	923,061
— Change in enacted tax rate	—	—	(425,605)	(452,905)	(777)
— Others	—	3,435	(26,596)	(542)	—
Income tax expense	—	—	—	—	—

During the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016, the blended statutory tax rate was 25%, 25%, 26%, 26% (unaudited) and 27% respectively. The increase in 2015 was due to an increase in the Alberta provincial tax rate from 10% to 12%, effective from July 1, 2015.

The components of unrecognized deferred tax assets are as follows:

	As at December 31,			As at September 30,
	2013	2014	2015	2016
	C\$	C\$	C\$	C\$
<b>Deferred tax assets have not been recognized in respect of the following temporary differences:</b>				
Property, plant and equipment and E&E assets	22,956,626	18,366,148	20,710,018	25,203,764
Decommissioning liabilities	1,366,299	1,616,614	1,764,990	1,841,816
Non-capital losses and others	1,495,246	1,297,507	1,286,611	134,782
Total	25,818,171	21,280,269	23,761,619	27,180,362

At December 31, 2013, 2014 and 2015 and September 30, 2016, the Company had approximately C\$114,000,000, C\$116,000,000, C\$115,000,000 and C\$112,000,000 respectively of available or unused tax deductions, which includes loss carry forwards of approximately C\$1,500,000, C\$1,500,000, C\$1,500,000 and C\$400,000 respectively that expire in 2031, 2032, 2035 and 2036.

## 20 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

**Year ended December 31, 2013**

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	Total
	C\$	C\$	C\$	C\$	C\$	C\$	C\$
<i>Executive director</i>							
Le Bo	—	400,000	—	2,356	402,356	—	402,356
<i>Non-executive director</i>							
Yuan Jing	—	—	—	—	—	—	—
	—	400,000	—	2,356	402,356	—	402,356

**Year ended December 31, 2014**

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	Total
	C\$	C\$	C\$	C\$	C\$	C\$	C\$
<i>Executive director</i>							
Le Bo	—	430,000	—	2,426	432,426	308,000	740,426
<i>Non-executive director</i>							
Yuan Jing	—	—	—	—	—	—	—
	—	430,000	—	2,426	432,426	308,000	740,426

**Year ended December 31, 2015**

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	Total
	C\$	C\$	C\$	C\$	C\$	C\$	C\$
<i>Executive director</i>							
Le Bo	—	430,000	—	2,480	432,480	—	432,480
<i>Non-executive director</i>							
Yuan Jing	—	—	—	—	—	—	—
	—	430,000	—	2,480	432,480	—	432,480

## Nine months ended September 30, 2015 (unaudited)

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	Total
	C\$	C\$	C\$	C\$	C\$	C\$	C\$
<i>Executive director</i>							
Le Bo	—	322,500	—	2,480	324,980	—	324,980
<i>Non-executive director</i>							
Yuan Jing	—	—	—	—	—	—	—
	<u>—</u>	<u>322,500</u>	<u>—</u>	<u>2,480</u>	<u>324,980</u>	<u>—</u>	<u>324,980</u>

## Nine months ended September 30, 2016

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	Total
	C\$	C\$	C\$	C\$	C\$	C\$	C\$
<i>Executive director</i>							
Le Bo	—	293,834	—	2,544	296,378	—	296,378
<i>Non-executive director</i>							
Yuan Jing	—	—	—	—	—	—	—
<i>Independent non-executive directors</i>							
Richard Dale Orman (appointed on February 26, 2016)	36,667	—	—	—	36,667	—	36,667
Bryan Daniel Pinney (appointed on February 26, 2016)	36,667	—	—	—	36,667	—	36,667
Peter David Robertson (appointed on February 26, 2016)	36,667	—	—	—	36,667	—	36,667
	<u>110,001</u>	<u>293,834</u>	<u>—</u>	<u>2,544</u>	<u>406,379</u>	<u>—</u>	<u>406,379</u>

During the Relevant Periods, there was no amount paid or payable by the Company to the directors or any of the five highest paid individuals as set out in note 21 below as an inducement to join or upon joining the Company or as compensation for loss of office. And there was no arrangement under which a director has waived or agreed to waive any remuneration during the Relevant Periods.

## 21 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one, one, one, one (unaudited), one is a director during the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016, whose emolument is disclosed in note 20. The aggregate of the emoluments in respect of the other four individuals are as follows:

	Year ended December 31,			Nine months ended September 30,	
	2013	2014	2015	2015	2016
	C\$	C\$	C\$	C\$	C\$
				(Unaudited)	
Salaries and other emoluments	663,530	760,890	928,060	726,060	598,383
Termination pay	—	—	75,000	75,000	—
Share-based compensation	—	972,642	—	—	64,000
Retirement scheme contributions	9,425	9,702	9,920	9,920	10,178
	<u>672,955</u>	<u>1,743,234</u>	<u>1,012,980</u>	<u>810,980</u>	<u>672,561</u>

The emoluments of the above four individuals with the highest annual emoluments are within the following bands:

	Year ended December 31,			Nine months ended September 30,	
	2013	2014	2015	2015	2016
	Number of individuals	Number of individuals	Number of individuals	Number of individuals	Number of individuals
				(Unaudited)	
<i>Hong Kong dollars</i>					
Nil–1,000,000	1	—	—	—	3
1,000,001–1,500,000	2	—	2	3	1
1,500,001–2,000,000	—	1	1	1	—
2,000,001–2,500,000	1	—	1	—	—
2,500,001–3,000,000	—	1	—	—	—
3,500,001–4,000,000	—	1	—	—	—
4,500,001–5,000,000	—	1	—	—	—

**22 (LOSS)/EARNINGS PER SHARE**

The calculation of basic (loss)/earnings per share is based on the loss of C\$653,810, profit of C\$3,001,753, loss of C\$2,485,093, loss of C\$2,784,233 (unaudited) and loss of C\$3,642,293 attributable to owners of the Company for each of the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016 respectively and the deemed weighted average of 45,810, 144,768,368, 204,430,842, 204,345,226 (unaudited) and 208,594,636 common shares in issue during the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016 respectively, calculated as follows:

Weighted average number of common shares	Year ended December 31,			Nine months ended September 30,	
	2013	2014	2015	2015	2016
	Number of shares	Number of shares	Number of shares	Number of shares (Unaudited)	Number of shares
Issued common shares as at the beginning of the year/period	45,810	45,810	204,345,226	204,345,226	206,495,226
Effect of new shares issued	—	145,025,512	547,122	434,066	2,099,410
Effect of shares repurchased	—	(302,954)	(461,506)	(434,066)	—
Weighted average number of common shares at the end of the year/period	<u>45,810</u>	<u>144,768,368</u>	<u>204,430,842</u>	<u>204,345,226</u>	<u>208,594,636</u>

Class B and Class C common shares are non-voting common shares but they were otherwise identical to Class A common shares during the Relevant Periods with respect to dividend entitlement. Thus, the total number of Class A, Class B and Class C common shares is adopted as the denominator in the calculation of basic (loss)/earnings per share and (loss)/earnings per share amounts are the same for each of Class A, Class B and Class C common shares during the Relevant Periods.

There were no dilutive potential ordinary shares during the Relevant Periods and therefore, diluted (loss)/earnings per share are the same as the basic (loss)/earnings per share.

**23 RELATED PARTY TRANSACTIONS****(a) Transactions with key management personnel**

All members of key management personnel is directors of the Company and certain of the highest paid employees, and their remuneration is disclosed in notes 20 and 21.

**(b) Transactions with other related parties**

As at December 31, 2013, the shareholder loan was due to JLHY and was unsecured and non-interest bearing and due on demand.

During the year ended December 31, 2014, JLHY assigned C\$6,244,632 of the loan to 164 Co, a corporation controlled by the president of the Company. The Company then converted C\$56,201,687 of the loan outstanding to JLHY through issuing 170,984,500 (pre-share splits: 35,126,054) Class C common shares at a deemed price of C\$0.80 (pre-share splits: C\$3.89) per share to JLHY. The remaining balance owed to JLHY of C\$6,652,339 was repaid in cash during the year ended December 31, 2014. To settle the C\$6,244,632 due to 164 Co, the Company issued 18,998,279 (pre-share splits: 3,902,895) Class B common shares at a deemed price of C\$0.80 (pre-share splits: C\$3.89) per share during the year ended December 31, 2014 (see notes 12 and 14).

In December 2014, the Company repurchased 3,323,535 (pre-share split: 1,661,767) Class C common shares at a price C\$1.00 (pre-share split: C\$2.00) per share from JLHY.

In addition, there are loans from employees outstanding as at December 31, 2013 totaling C\$1,277,000. The loans bore interest at a rate of 12% per annum and were unsecured. During the year ended December 31, 2014, the Company borrowed the loan from employees with amount of C\$1,143,500. All of the employee loans were repaid during the year ended December 31, 2014 (see notes 12 and 14).

On December 18, 2015, Aspen, the Company's controlling shareholder, entered into pledge and limited recourse guarantee agreements with the Company's lender (see note 12). As a result, all of the equity interests consisting of Class A common shares held by Aspen have been pledged in favor of the lender. Aspen's pledge and guarantee agreements replace the pledge and limited course guarantee agreements entered into during the year ended December 31, 2014 by JLHY and 164 Co with the Company's lender whereby the Class A common shares held by JLHY and 164 Co were pledged in favor of the lender.

In February 2015, the Company repurchased 500,000 (pre-share split: 250,000) Class C common shares at a price of C\$1.00 (pre-share split: C\$2.00) per share from JLHY.

The Company settled C\$156,283 of withholding tax on behalf of JLHY in 2015 relating to the repurchase of common shares, and this amount is included in accounts receivable (see note 9) and remains outstanding as at December 31, 2015 and September 30, 2016. This amount was fully settled in February 2017.

In January 2016, the Company issued 1,687,962 (pre-share split: 843,981) Class C common shares at a price of C\$1.00 (pre-share split: C\$2.00) per share to individual investors for proceeds totaling C\$1,687,962, among which C\$552,037 of cash proceeds from the new shares issuing was transferred from JLHY (collected by JLHY from the individual shareholders) to the Company in December 2015 (see note 14). The payment of the remaining C\$1,135,925 of the new shares issuing proceeds was pending from JLHY (collected by JLHY from the new shareholders) to the Company as at September 30, 2016 and the amount is included in accounts receivable (see note 9). This amount was collected in December 2016.

## 24 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*

Credit risk is the risk of financial loss to the Company if a customer or counter-party 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, joint venture partners and the counterparties to financial derivative contracts. As at December 31, 2013, 2014 and 2015 and September 30, 2016, the Company's accounts receivables consisted of C\$2,671,816, C\$2,657,939, C\$1,326,217 and C\$2,395,462 respectively due from purchasers of the Company's crude oil and natural gas and C\$192,453, C\$1,868,123, C\$971,531 and C\$1,292,208 respectively of other receivables. As at December 31, 2013, 2014 and 2015 and September 30, 2016, 69.4%, 81.5%, 74.9% and 74.3% of trade receivables was due from the Company's largest customer respectively, and 88.7%, 99.9%, 82.3% and 94.4% of trade receivables was due from the Company's three largest customers respectively.

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 Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with large, credit worthy petroleum marketers. Financial derivative contracts are only entered into with credit worthy institutions. Joint venture receivables when outstanding are typically collected within one to four months of the joint venture bill being issued to the partner.

The carrying amount of accounts receivable and cash balances in excess of guaranteed minimum amounts represents the maximum credit exposure. The Company has determined that no allowance for doubtful accounts is necessary as at December 31, 2013, 2014 and 2015 and September 30, 2016. The Company has also not written-off any material receivables during the years ended December 31, 2013, 2014 and 2015 and September 30, 2016. There are no material financial assets that the Company considers past due and at risk of collection. As at December 31, 2013, 2014 and 2015 and September 30, 2016, C\$2,671,473, C\$2,657,816, C\$1,311,734 and C\$2,381,025 respectively of the trade receivables are 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 are due. The Company utilizes prudent cash and debt management to mitigate the likelihood of encountering difficulties in meeting its financial obligations. The Company is not averse to maintaining a higher ratio of debt to total capital if management determines the assets it is acquiring or the projects it is drilling are of high quality.

The Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures. The Company will also attempt to match its payment cycle with collection of crude oil and natural gas revenues on the 25th of each month.

The current challenging economic climate may lead to further adverse changes in cash flow, working capital levels or debt balances, which may also have a direct impact on our results and financial position. These and other factors may adversely affect our liquidity and our ability to generate profits in the future. Based on current available information, management expect to comply with all financial covenants during the Relevant Periods. In light of the current volatility in oil and gas prices and uncertainty regarding the timing for recovery in such prices as well pipeline and transportation capacity constraints, management's ability to prepare financial forecasts is challenging. Due to this volatile economic environment, it is possible that the Company could breach the covenants noted within its credit facility agreement (see note 12) as at December 31, 2016 and/or future periods. If a covenant violation does occur, this will represent an event of default under the facility and the lender has the right to demand repayment of all amounts owed under the facility.

The following are the contractual maturities of financial liabilities:

	<b>As at December 31, 2013</b>			
	<b>Total</b>	<b>1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>
	<b>C\$</b>	<b>C\$</b>	<b>C\$</b>	<b>C\$</b>
Accounts payable and accrued liabilities	6,315,150	6,315,150	—	—
Bank loan	30,350,000	30,350,000	—	—
Bank indebtedness	1,831,820	1,831,820	—	—
Shareholder's loan	69,418,658	69,418,658	—	—
Other debts	9,277,000	9,277,000	—	—
<b>Total</b>	<b>117,192,628</b>	<b>117,192,628</b>	<b>—</b>	<b>—</b>
	<b>As at December 31, 2014</b>			
	<b>Total</b>	<b>1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>
	<b>C\$</b>	<b>C\$</b>	<b>C\$</b>	<b>C\$</b>
Accounts payable and accrued liabilities	5,699,959	5,699,959	—	—
Bank loan	47,121,480	—	—	47,121,480
<b>Total</b>	<b>52,821,439</b>	<b>5,699,959</b>	<b>—</b>	<b>47,121,480</b>
	<b>As at December 31, 2015</b>			
	<b>Total</b>	<b>1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>
	<b>C\$</b>	<b>C\$</b>	<b>C\$</b>	<b>C\$</b>
Accounts payable and accrued liabilities	2,246,728	2,246,728	—	—
Bank loan	45,580,135	—	45,580,135	—
<b>Total</b>	<b>47,826,863</b>	<b>2,246,728</b>	<b>45,580,135</b>	<b>—</b>
	<b>As at September 30, 2016</b>			
	<b>Total</b>	<b>1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>
	<b>C\$</b>	<b>C\$</b>	<b>C\$</b>	<b>C\$</b>
Accounts payable and accrued liabilities	2,726,654	2,726,654	—	—
Bank loan	39,302,042	—	39,302,042	—
<b>Total</b>	<b>42,028,696</b>	<b>2,726,654</b>	<b>39,302,042</b>	<b>—</b>

(c) *Market risk*

Market risk is the risk that changes in market metrics, such as commodity prices, foreign exchange rates and interest rates 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 following table summarizes the financial derivatives entered into during the years ended December 31, 2013 and 2014:

<u>Instrument</u>	<u>Term</u>	<u>Price</u>	<u>Reference</u>	<u>Quantity (GJ/d)</u>	<u>Realized gain/(loss)</u>
		C\$			C\$
<b>December 31, 2013</b>					
Swap	April 2013 to October 2013	3.26	C\$ AECO	1,000	84,085
<b>December 31, 2014</b>					
Swap	January 2014 to December 2014	4.03	C\$ AECO	4,500	(370,801)

The Company did not enter into any financial derivatives during the year ended December 31, 2015 and the nine months ended September 30, 2016.

*Interest rate risk*

As at December 31, 2013, 2014 and 2015 and September 30, 2016, the Company was exposed to changes in interest rates with respect to its bank loans. As at December 31, 2013, 2014 and 2015 and September 30, 2016, a one percent change in the prevailing interest rate for its bank loans would result in an estimated annual change to net income of C\$303,500, C\$471,000, C\$455,800 and C\$393,020 respectively.

**(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, 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.

The following are the capital structure of the Company:

	<u>As at December 31,</u>			<u>As at</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>September 30,</u>
	<u>C\$</u>	<u>C\$</u>	<u>C\$</u>	<u>2016</u>
Bank loan	30,350,000	47,121,480	45,580,135	39,302,042
Shareholder's loan	69,418,658	—	—	—
Other debts	9,277,000	—	—	—
Net working capital deficiency/ (capital)	<u>4,833,372</u>	<u>(4,514,170)</u>	<u>(6,922,943)</u>	<u>(5,271,986)</u>
Net debt	113,879,030	42,607,310	38,657,192	34,030,056
Shareholders' equity/ (deficiency)	<u>(25,962,325)</u>	<u>51,840,172</u>	<u>51,837,116</u>	<u>49,854,078</u>
Total capital	<u>87,916,705</u>	<u>94,447,482</u>	<u>90,494,308</u>	<u>83,884,134</u>

## 25 TRANSACTION COSTS

	<u>Year ended December 31,</u>			<u>Nine months ended</u>	
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2015</u>	<u>2016</u>
	<u>C\$</u>	<u>C\$</u>	<u>C\$</u>	<u>C\$</u>	<u>C\$</u>
Transaction costs	<u>—</u>	<u>—</u>	<u>542,081</u>	<u>60,799</u>	<u>2,260,123</u>

(Unaudited)

During the year ended December 31, 2015, the Company initiated a process to become a listed entity on The Stock Exchange of Hong Kong Limited. As part of this process, the Company intends to issue new equity. The costs associated with the issuance of the new equity have been recorded as prepaid expenses whereas costs associated with the listing have been expensed as transaction costs. The prepaid expenses will be reclassified against share capital upon issuance of the new shares. In the event that new shares are not issued, the prepaid expenses will be expensed.

## 26 COMMITMENTS

Commitments and contingencies exist under various agreements and operations in the normal course of the Company's business. In October 2011, the Company entered into a lease for its office premise for a term starting October 2011 to December 2017. The average cost of the lease is approximately C\$41,000 per month. Office premise lease costs include an estimate of the Company's share of operating costs for its office premises for the duration of the lease term. The Company entered into lease agreements for two compressors; the lease of the first compressor runs from September 8, 2012 to September 7, 2017 requiring monthly lease payment of C\$12,650 and the lease of the second compressor runs from August 12, 2013 to August 11, 2016 with a monthly lease payment of C\$22,000. The Company entered into a firm service transportation agreement commencing November 1, 2013 to October 31, 2026 (the firm service fee varies and subject to review by the counter-party on an annual basis). The amounts represented below for the transportation service commitment fee is based on management's best estimate.

	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>4-5 years</b>	<b>After 5 years</b>
	<b>C\$</b>	<b>C\$</b>	<b>C\$</b>	<b>C\$</b>	<b>C\$</b>
<b>As at December 31, 2013</b>					
Office premise lease	2,122,570	503,806	1,097,500	521,264	—
Lease of compressors	1,249,358	415,800	833,558	—	—
Transportation commitment	<u>3,747,621</u>	<u>483,564</u>	<u>967,128</u>	<u>967,128</u>	<u>1,329,801</u>
Total contractual obligations	<u><u>7,119,549</u></u>	<u><u>1,403,170</u></u>	<u><u>2,898,186</u></u>	<u><u>1,488,392</u></u>	<u><u>1,329,801</u></u>
<b>As at December 31, 2014</b>					
Office premise lease	1,618,764	510,514	1,108,250	—	—
Lease of compressors	833,558	415,800	417,758	—	—
Transportation commitment	<u>2,845,332</u>	<u>431,659</u>	<u>841,731</u>	<u>820,144</u>	<u>751,798</u>
Total contractual obligations	<u><u>5,297,654</u></u>	<u><u>1,357,973</u></u>	<u><u>2,367,739</u></u>	<u><u>820,144</u></u>	<u><u>751,798</u></u>
<b>As at December 31, 2015</b>					
Office premise lease	1,173,972	586,986	586,986	—	—
Lease of compressors	417,758	313,606	104,152	—	—
Transportation commitment	<u>2,780,493</u>	<u>483,564</u>	<u>967,128</u>	<u>967,128</u>	<u>362,673</u>
Total contractual obligations	<u><u>4,372,223</u></u>	<u><u>1,384,156</u></u>	<u><u>1,658,266</u></u>	<u><u>967,128</u></u>	<u><u>362,673</u></u>
<b>As at September 30, 2016</b>					
Office premise lease	733,733	586,986	146,747	—	—
Lease of compressors	126,500	126,500	—	—	—
Transportation commitment	<u>53,126,152</u>	<u>1,157,487</u>	<u>15,926,762</u>	<u>12,881,321</u>	<u>23,160,582</u>
Total contractual obligations	<u><u>53,986,385</u></u>	<u><u>1,870,973</u></u>	<u><u>16,073,509</u></u>	<u><u>12,881,321</u></u>	<u><u>23,160,582</u></u>

The Company also entered into the following fixed price physical commodity contracts to forward sell natural gas during the year ended December 31, 2015 and the nine months ended September 30, 2016:

<b>Commodity</b>	<b>Term</b>	<b>Quantity</b>	<b>Price</b>
Natural gas	January 1, 2016 to December 31, 2016	1,000 GJ/day	\$2.92 per GJ
Natural gas	January 1, 2016 to December 31, 2016	1,000 GJ/day	\$2.94 per GJ
Natural gas	January 1, 2016 to December 31, 2016	3,500 GJ/day	\$2.95 per GJ
Natural gas	January 1, 2016 to December 31, 2016	1,000 GJ/day	\$3.03 per GJ
Natural gas	January 1, 2016 to December 31, 2016	1,000 GJ/day	\$3.05 per GJ
Natural gas	March 1, 2016 to December 31, 2016	900 GJ/day	\$1.88 per GJ
Natural gas	October 1, 2016 to October 31, 2016	1,000 GJ/day	\$2.59 per GJ
Natural gas	October 1, 2016 to October 31, 2016	1,000 GJ/day	\$2.54 per GJ
Natural gas	October 1, 2016 to October 31, 2016	2,000 GJ/day	\$2.53 per GJ
Natural gas	October 1, 2016 to October 31, 2016	2,000 GJ/day	\$2.58 per GJ
Natural gas	November 1, 2016 to November 30, 2016	3,000 GJ/day	\$3.02 per GJ
Natural gas	December 1, 2016 to December 31, 2016	2,000 GJ/day	\$3.06 per GJ
Natural gas	December 1, 2016 to December 31, 2016	1,000 GJ/day	\$3.21 per GJ
Natural gas	January 1, 2017 to December 31, 2017	1,000 GJ/day	\$2.80 per GJ
Natural gas	January 1, 2017 to December 31, 2017	1,000 GJ/day	\$2.82 per GJ
Natural gas	January 1, 2017 to December 31, 2017	1,000 GJ/day	\$2.63 per GJ
Natural gas	January 1, 2017 to December 31, 2017	1,000 GJ/day	\$2.54 per GJ
Natural gas	January 1, 2017 to December 31, 2017	4,400 GJ/day	\$2.51 per GJ
Natural gas	January 1, 2017 to December 31, 2017	1,000 GJ/day	\$3.00 per GJ
Natural gas	January 1, 2017 to December 31, 2017	2,000 GJ/day	\$2.97 per GJ
Natural gas	January 1, 2017 to December 31, 2017	1,000 GJ/day	\$3.03 per GJ
Natural gas	January 1, 2017 to December 31, 2017	2,000 GJ/day	\$2.94 per GJ
Natural gas	January 1, 2017 to December 31, 2017	1,000 GJ/day	\$3.10 per GJ
Natural gas	January 1, 2018 to December 31, 2018	1,000 GJ/day	\$2.79 per GJ
Natural gas	January 1, 2018 to December 31, 2018	1,000 GJ/day	\$2.66 per GJ
Natural gas	January 1, 2018 to December 31, 2018	6,400 GJ/day	\$2.64 per GJ

**C SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS**

No audited financial statements have been prepared by the Company in respect of any period subsequent to September 30, 2016. No dividend or distribution has been declared or made by the Company in respect of any period subsequent to September 30, 2016.

Yours faithfully,

**KPMG LLP**  
*Chartered Professional Accountants*  
Calgary, Canada

**KPMG**  
*Certified Public Accountants*  
Hong Kong

The information set forth in this appendix does not form part of the Accountants' Report from the Company's joint reporting accountants, KPMG LLP, Chartered Professional Accountants, Calgary, Canada, and KPMG, Certified Public Accountants, Hong Kong, as set forth in Appendix I to this Prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the Accountants' Report set forth in Appendix I to this Prospectus.

#### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Company prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on the net tangible assets of the Company attributable to owners of the Company as at September 30, 2016 as if the Global Offering had taken place on that date. The unaudited pro forma statement of adjusted net tangible assets of the Company attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the net tangible assets attributable to owners of the Company had the Global Offering been completed as at September 30, 2016 or at any future date. The unaudited pro forma statement of net tangible assets attributable to owners of the Company is based on the net tangible assets attributable to owners of the Company derived from the audited financial information of the Company as at September 30, 2016 as set out in the Accountants' Report in Appendix I to this Prospectus and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountants' Report.

	Net tangible assets attributable to owners of the Company as at September 30, 2016	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company per share	
	C\$ (Note 1)	C\$ (Note 2)	C\$	C\$ (Note 3)	HK\$ (Note 5)
Based on the offer price of:					
— HK\$3.00 per share	35,470,841	31,613,328	67,084,169	0.24	1.42
— HK\$3.80 per share	35,470,841	40,752,939	76,233,780	0.27	1.62

*Notes:*

- The net tangible assets attributable to owners of the Company as at September 30, 2016 is arrived at after deducting exploration and evaluation assets of C\$14,383,237 from the total equity of the Company of C\$49,854,078 as at September 30, 2016, as shown in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus.

2. The estimated net proceeds from the Global Offering are based on the estimated offer price of HK\$3.00 per share (being the minimum Offer Price) or HK\$3.80 per share (being the maximum Offer Price), after deduction of the estimated underwriting fees and other listing expenses (excluding listing expenses of approximately C\$2,802,204 that we incurred during the Track Record Period), and 69,580,000 Common Shares expected to be issued under the Global Offering, assuming the Over-Allotment Option is not exercised.
3. The unaudited pro forma adjusted net tangible assets attributable to owners of the Company per Share is arrived at after the adjustments referred in the preceding paragraphs and on the basis that 278,286,520 Common Shares are in issue, assuming that the Over-Allotment Option is not exercised.
4. No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Company entered into subsequent to September 30, 2016.
5. For the purpose of the unaudited pro forma adjusted net tangible assets attributable to owners of the Company, the balances stated in Canadian dollars are converted into Hong Kong dollars at a rate of HK\$1 to C\$0.1693. No representation is made that Canadian dollars denominated amounts have been, could have been, or could be converted to Hong Kong dollars, or vice versa, at the rate applied or at any other rates or at all.

**B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from the joint reporting accountants, KPMG LLP, Chartered Professional Accountants, Calgary, Canada and KPMG, Certified Public Accountants, Hong Kong, in respect of the Company's pro forma financial information for the purpose in this Prospectus.*



KPMG LLP  
3100-205 5th Avenue SW  
Calgary, Alberta T2P 4B9  
Canada

KPMG  
8th Floor  
Prince's Building  
10 Chater Road  
Central  
Hong Kong

February 28, 2017

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF PRO FORMA FINANCIAL INFORMATION****To the Directors of Persta Resources Inc.**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Persta Resources Inc. (the "Company") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at September 30, 2016 and related notes as set out in Part A of Appendix II to the prospectus dated February 28, 2017 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of shares of the Company (the "Global Offering") on the Company's financial position as at September 30, 2016 as if the Global Offering had taken place at September 30, 2016. As part of this process, information about the Company's financial position as at September 30, 2016 has been extracted by the Directors from the Company's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

**Directors' Responsibilities for the Pro Forma Financial Information**

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "*Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements*" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at September 30, 2016 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

### **Opinion**

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company, and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**KPMG LLP**

*Chartered Professional Accountants*  
Calgary, Canada

**KPMG**

*Certified Public Accountants*  
Hong Kong

*Our estimated loss attributable to the owners of our Company for the year ended December 31, 2016 is set out in the section entitled “Financial Information — Loss estimate for the year ended December 31, 2016”.*

**A. OVERVIEW**

Our Directors estimate that, on the bases set out in Part B of this Appendix and, in the absence of unforeseen circumstances, the estimate of the loss attributable to owners of our Company for the year ended December 31, 2016 will be not more than C\$2.5 million.

**B. BASES**

Our Directors have prepared the estimated loss attributable to owners of our Company for the year ended December 31, 2016 based on the audited results of the Company for the nine months ended September 30, 2016 and the unaudited results based on the management accounts of the Company for the three months ended December 31, 2016. The loss estimate has been prepared on a basis consistent in all material respects with the accounting policies normally adopted by the Company as set out in the Accountants’ Report, the text of which is set out in Appendix I to this Prospectus.

**C. LETTERS**

The following is the text of letters prepared for the purpose of incorporation in this Prospectus received from KPMG LLP, *Chartered Professional Accountants*, Calgary, Canada, and KPMG, *Certified Public Accountants*, Hong Kong, being the Joint Reporting Accountants, and from the Sole Sponsor in connection with the estimated loss attributable to owners of our Company for the year ended December 31, 2016.

**(1) Letter from the Joint Reporting Accountants**

KPMG LLP  
3100-205 5th Avenue SW  
Calgary, Alberta T2P 4B9  
Canada

KPMG  
8th Floor  
Prince's Building  
10 Chater Road  
Central  
Hong Kong

February 28, 2017

The Directors  
Persta Resources Inc.  
Changjiang Corporate Finance (HK) Limited

Dear Sirs,

**Persta Resources Inc. (the "Company")  
Loss Estimate for Year Ended December 31, 2016**

We refer to the estimate of the loss attributable to owners of the Company for the year ended December 31, 2016 (the "Loss Estimate") as set out in the section headed "Financial Information — Loss Estimate for the Year Ended December 31, 2016" in the prospectus of the Company dated February 28, 2017 (the "Prospectus").

**Directors' Responsibilities**

The Loss Estimate has been prepared by the directors of the Company based on the audited results of the Company for the nine months ended September 30, 2016 and the unaudited results based on the management accounts of the Company for the three months ended December 31, 2016.

The Company's directors are solely responsible for the Loss Estimate.

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 “*Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements*” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion on the accounting policies and calculations of the Loss Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “*Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness*” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Loss Estimate in accordance with the bases adopted by the directors and as to whether the Loss Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Company. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

**Opinion**

In our opinion, so far as the accounting policies and calculations are concerned, the Loss Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix III of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Company as set out in our accountants’ report dated February 28, 2017, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,

**KPMG LLP**  
*Chartered Professional Accountants*  
Calgary, Canada

**KPMG**  
*Certified Public Accountants*  
Hong Kong

## (2) Letter from the Sole Sponsor

**Persta Resources Inc.**

Room 1901, 19/F  
Lee Garden One  
33 Hysan Avenue, Causeway Bay  
Hong Kong  
Attn: Board of Directors

February 28, 2017

Dear Sirs,

We refer to the estimated loss attributable to owners of Persta Resources Inc. (the “**Company**”) for the year ended December 31, 2016 (the “**Loss Estimate**”) as set out in the prospectus issued by the Company dated February 28, 2017 (the “**Prospectus**”).

We understand that the Loss Estimate, for which the directors of the Company are solely responsible, has been prepared by you based on the audited results of the Company for the nine months ended September 30, 2016 and the unaudited results of the Company for the three months ended December 31, 2016.

We have discussed with you the bases as set out in Part B of Appendix III to the Prospectus, to the extent applicable, upon which the Loss Estimate has been made. We have also considered, and relied upon, the letter dated February 28, 2017 addressed to you and us from KPMG LLP, *Chartered Professional Accountants, Calgary, Canada*, and KPMG, *Certified Public Accountants, Hong Kong* (the “**Joint Reporting Accountants**”) regarding the accounting policies and calculations upon which the Loss Estimate has been made.

On the basis of the information comprising the Loss Estimate and the accounting policies and calculations adopted by you and reviewed by the Joint Reporting Accountants, we are of the opinion that the Loss Estimate, for which the directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of  
**Changjiang Corporate Finance (HK) Limited**

**Ivan Chan**  
*Managing Director*

**COMPETENT PERSON'S REPORT**

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**RESERVES ASSESSMENT AND  
EVALUATION OF  
CANADIAN OIL AND GAS PROPERTIES**  
**COMPETENT PERSON'S REPORT  
VOLUME I**

**Effective September 30, 2016**

1171053

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February 28, 2017

Project 1171053

The Directors and Sponsors:

**Persta Resources Inc.**2717, 308 – 4<sup>th</sup> Avenue S.W.  
Calgary, Alberta, Canada T2P 0H7**Changjiang Corporate Finance (HK) Limited**Suite 1908, 19/F., Cosco Tower  
183 Queen's Road C., Central, Hong Kong

Dear Sir:

**Re: Persta Resources Inc.  
September 30, 2016 Competent Person's Report**

GLJ Petroleum Consultants (GLJ) has completed an independent reserves and resource assessment and evaluation of certain Persta Resources Inc.'s (the Company) oil and gas properties effective September 30, 2016. The following table details the breakdown of Company interest reserves and resources, by property. A portion of the volumes in the Basing and Dawson properties, where the Company currently has production, are classified as reserves. The remaining volumes are classified as resources other than reserves (please refer to the SPE-PRMS Resource and Reserves Definitions section), pending further delineation, facility design, regulatory application, and firm development plans. There is no certainty that it will be commercially viable to produce any portion of the contingent or prospective resources.

**Reserves**

			Proved Producing	Proved Developed Non-producing	Proved Undeveloped
Dawson	Oil	Mbbl	69	0	0
Basing	Gas	MMcf	30,048	0	38,617
	NGL	Mbbl	256	0	329
			Total Proved	Total Proved + Probable	Total Possible
Dawson	Oil	Mbbl	69	99	36
Basing	Gas	MMcf	68,664	100,272	27,740
	NGL	Mbbl	585	855	237

**Contingent Resources (Unrisked)****Development Pending**

			Low Estimate	Best Estimate	High Estimate
Basing	Gas	MMcf	35,424	59,342	77,219
	NGL	Mbbl	302	506	658

**Prospective Resources (Unrisked)****Prospect**

			Low Estimate	Best Estimate	High Estimate
Dawson (Prospective Resources)	Oil	Mbbl	450	1,498	3,746
Kaydee-Voyager	Gas	MMcf	267,123	380,306	493,288
	NGL	Mbbl	2,278	3,243	4,206



This report has been prepared for the Company for inclusion in its prospectus in relation to its global offering and listing on The Stock Exchange of Hong Kong Limited. This evaluation has been prepared in accordance with resource and reserves definitions, standards and procedures contained in the Petroleum Resource Management System (PRMS) published by the Society of Petroleum Engineers (SPE) as modified by Chapter 18 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Listing Rules). The report uses GLJ (2016-10) pricing assumptions and royalty regulations as of the effective date of this report.

The estimates of the resources above are unrisks and include prospective resources, that have not been adjusted for risk based on the chance of discovery or the chance of development, and contingent resources, that have not been adjusted for risk based on the chance of development.

GLJ utilized the current royalty regime (Adjusted Alberta Royalty Framework) in this evaluation. A new royalty regime, known as the Modernized Royalty Framework (MRF), has been set forth by government and is scheduled to come into effect January 1, 2017. As certain aspects of the MRF were not finalized as of the effective date of this report, it was not feasible to incorporate the MRF in this report.

In this report, quantities of hydrocarbons have been converted to barrels of oil equivalent (boe); or to sales gas equivalent (sge) using factors of 6 Mcf/boe for gas, 1 bbl/boe for all liquids, and 0 boe for sulphur. Users of oil equivalent values are cautioned that while boe based metrics are useful for comparative purposes, they may be misleading when used in isolation.

Net present values of the Company are presented in the various sections of this report along with an introduction describing the terms of reference, discussions of the Company's business, reserves definitions, evaluation procedures, pricing assumptions, cost assumptions, economic sensitivities and qualifications and statements of independence of the evaluators.

A summary of key reservoir and performance indicators is provided in each individual property report.

Attached to this summary report are detailed property reports for the Company's most significant properties at Basing, Dawson, Dawson (Prospective) and Kaydee-Voyager (Prospective). Areas at Columbia, Stolberg, Cadotte and Hanlan-Peco were reviewed, though no reserves or resources are assigned at this time. Individual property reports provide a complete description of geological environment, reservoir engineering analysis, results, relevant maps and economic forecasts.

It is trusted that this evaluation meets your current requirements.

Should you have any questions regarding this analysis please contact the undersigned.

Yours truly,

**GLJ PETROLEUM CONSULTANTS LTD.**

A handwritten signature in black ink, appearing to read 'I. Jacksteit', written over a white background.

Ian G. Jacksteit, P. Eng.  
Manager, Engineering

### INDEPENDENT PETROLEUM CONSULTANTS' CONSENT

The undersigned firm of Independent Petroleum Consultants of Calgary, Alberta, Canada has prepared an independent evaluation of certain **Persta Resources Inc.** (the "Company") Canadian oil and gas properties and hereby gives consent to the use of its name and to the said estimates. The effective date of the evaluation is **September 30, 2016.**

In the course of the evaluation, the Company provided GLJ Petroleum Consultants Ltd. personnel with basic information which included land data, well information, geological information, reservoir studies, estimates of on-stream dates, contract information, current hydrocarbon product prices, operating cost data, capital budget forecasts, financial data and future operating plans. Other engineering, geological or economic data required to conduct the evaluation and upon which this report is based, were obtained from public records, other operators and from GLJ Petroleum Consultants Ltd. nonconfidential files. The Company has provided a representation letter confirming that all information provided to GLJ Petroleum Consultants Ltd. is correct and complete to the best of its knowledge. Procedures recommended in the Petroleum Resource Management System (PRMS) published by the Society of Petroleum Engineers (SPE) to verify certain interests and financial information were applied in this evaluation. In applying these procedures and tests, nothing came to GLJ Petroleum Consultants Ltd.'s attention that would suggest that information provided by the Company was not complete and accurate. GLJ Petroleum Consultants Ltd. reserves the right to review all calculations referred to or included in this report and to revise the estimates in light of erroneous data supplied or information existing but not made available which becomes known subsequent to the preparation of this report.

The accuracy of any reserves, resources and production estimate is a function of the quality and quantity of available data and of engineering interpretation and judgment. While reserves, resources and production estimates presented herein are considered reasonable, the estimates should be accepted with the understanding that reservoir performance subsequent to the date of the estimate may justify revision, either upward or downward.

Revenue projections presented in this report are based in part on forecasts of market prices, currency exchange rates, inflation, market demand and government policy which are subject to many uncertainties and may, in future, differ materially from the forecasts utilized herein. Present values of revenues documented in this report do not necessarily represent the fair market value of the reserves and resources evaluated herein.

<p align="center"><b>PERMIT TO PRACTICE</b> GLJ PETROLEUM CONSULTANTS LTD.</p> <p>Signature: <u></u></p> <p>Date: <u>November 22, 2016</u></p> <p align="center"><b>PERMIT NUMBER: P 2066</b> The Association of Professional Engineers and Geoscientists of Alberta</p>
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**SUMMARY REPORT  
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## INTRODUCTION

GLJ Petroleum Consultants (GLJ) was commissioned by Persta Resources Inc. (the Company) to prepare an independent evaluation of its oil and gas reserves and resources effective September 30, 2016 according to the PRMS guidelines and standards. The locations of the most significant reserves and resource properties are indicated on the attached index map.

The evaluation was prepared by and under the guidance of Mr. Ian Gordon Jacksteit, a Manager of Engineering at GLJ with over 15 years of oil and gas experience. Mr. Jacksteit holds a B.Sc. in Chemical Engineering from the University of Calgary, Canada. He is a professional engineer registered with the Association of Professional Engineers and Geoscientists of Alberta (APEGA) and is also a member of the Society of Petroleum Engineers (SPE). Mr. Jacksteit and the rest of the evaluation team, as identified in the Certificates of Qualification in the Appendix to this report, are independent of the Company, its directors, senior management, and advisers, in compliance with Rule 18.22 of the Listing Rules. Mr. Jacksteit is qualified as a Competent Person and a Competent Evaluator in compliance with Chapter 18 of the Listing Rules.

The evaluation was initiated in October 2016 and completed in November 2016. Estimates of reserves and resources, and projections of production were generally prepared using well information and production data available from public sources to approximately August 31, 2016. The Company provided land details, cost data and other technical information not available in the public domain to approximately September 30, 2016. In certain instances, the Company also provided recent engineering, geological and other information up to September 30, 2016. Availability of information was not a limitation for the preparation of the report. The Company has confirmed that, to the best of its knowledge, all information provided to GLJ is correct and complete as of the effective date.

A summary of the Company's mineral acreage is presented in Table 1.

The resources and reserves have been substantiated by evidence that is supported by analyses described in the property documentation following the summary report and takes account of information supplied by the Company and information obtained from public records.

In the course of the evaluation, GLJ has reviewed the Company's ownership of mineral rights to explore oil and gas in the areas to which GLJ has recognized reserves, contingent resources, and prospective resources. GLJ has relied on the validity and accuracy of all data furnished by the Company. The Company has provided a signed representation letter attesting to the accuracy and

completeness of all information provided to GLJ. GLJ has relied on the ownership interests furnished by the Company without a title examination. Company sales volumes presented on lease operating statements were consistent with the provided interest information and publicly available production data. Site visits to the current producing properties, Basing and Dawson, were undertaken by GLJ on March 9 and March 10, 2016, respectively. In the course of the evaluation nothing came to GLJ's attention that would contradict the mineral interest information provided by the Company, and as such would attest to the Company's rights to explore for oil and gas on their identified interest lands as of the effective date of our report.

As requested by the Company, this evaluation has been prepared in accordance with definitions, procedures and standards described in the PRMS, as summarized in the reserves and resources definition section of this report. All contingent resource volumes derived herein are classified as "Marginal Contingent Resources". Sub-Marginal contingent resources have not been evaluated.

The evaluation was conducted on the basis of the GLJ October 1, 2016 Price Forecast which is summarized in the Product Price and Market Forecasts section of this report. Gas price adjustments and sensitivity analyses incorporate all physical sales agreements signed with Macquarie Energy Canada Ltd. prior to the effective date of this report.

Tables summarizing production, royalties, costs, revenue projections, reserves and present value estimates for various reserves categories for individual properties and the Company total are provided in the tabbed sections of this Summary Report.

The Evaluation Procedure section outlines general procedures used in preparing this evaluation. The individual property reports provide additional evaluation details. The following summarizes evaluation matters that have been included/excluded in cash flow projections:

- the effect on projected revenues of the Company's financial hedging activity has not been included;
- provisions for the abandonment and reclamation of all of the Company's future wells to which reserves or resources have been attributed have been included; abandonment and reclamation costs for existing wells which were not assigned reserves, facilities and pipelines have not been included;
- general and administrative (G&A) costs and overhead recovery have not been included.

Map 1  
Index Map  
Property Locations

Company: Persta Resources Inc.  
Property: Alberta

Effective Date: September 30, 2016  
Scale 1:6,000,000 s1171053/indm01



## BUSINESS

### BUSINESS BACKGROUND

The Company is a Canadian based oil and gas company established in 2005 whose primary activities are the exploration and development of its oil and gas leases in Alberta. The Company holds 116,960 gross acres with 98 percent average working interest. Its assets include conventional oil and natural gas mainly deposited and produced from Cretaceous sandstone/siltstone and Devonian Carbonate.

The Company owns and maintains some of the equipment and machinery at the well sites, but rents two compressors and sends the untreated natural gas to the Peco Plant for processing. All owned equipment and machinery at the gas well sites were designed to produce, gather and meter natural gas, while all owned equipment and machinery at the oil site were designed to produce, gather, meter, and store crude oil. The Company estimates each such piece of equipment to have an estimated lifetime of 25 years at its design capacity and related maintenance costs are included in the Company's operating costs. The two rented compressors are maintained by the lessor. The Peco Plant is maintained by ConocoPhillips and was designed to process sweet natural gas with a design capacity of 69 MMscfpd raw gas.

### ALBERTA FOOTHILLS

The Company has primarily targeted reservoirs within the lower Cretaceous/Albian Moosebar and Mountain Park Formations of the Luscar Group. The Alberta Foothills area stratigraphy (Figure 1, Page 11) is equivalent to the nearby, and more extensively exploited, Deep Basin area (Northwestern Plains), where the Moosebar is referred to as the Wilrich and the Mountain Park as the Notikewin. Similarly, the upper Luscar Group is more commonly referred to as the Spirit River Group in the Deep Basin.

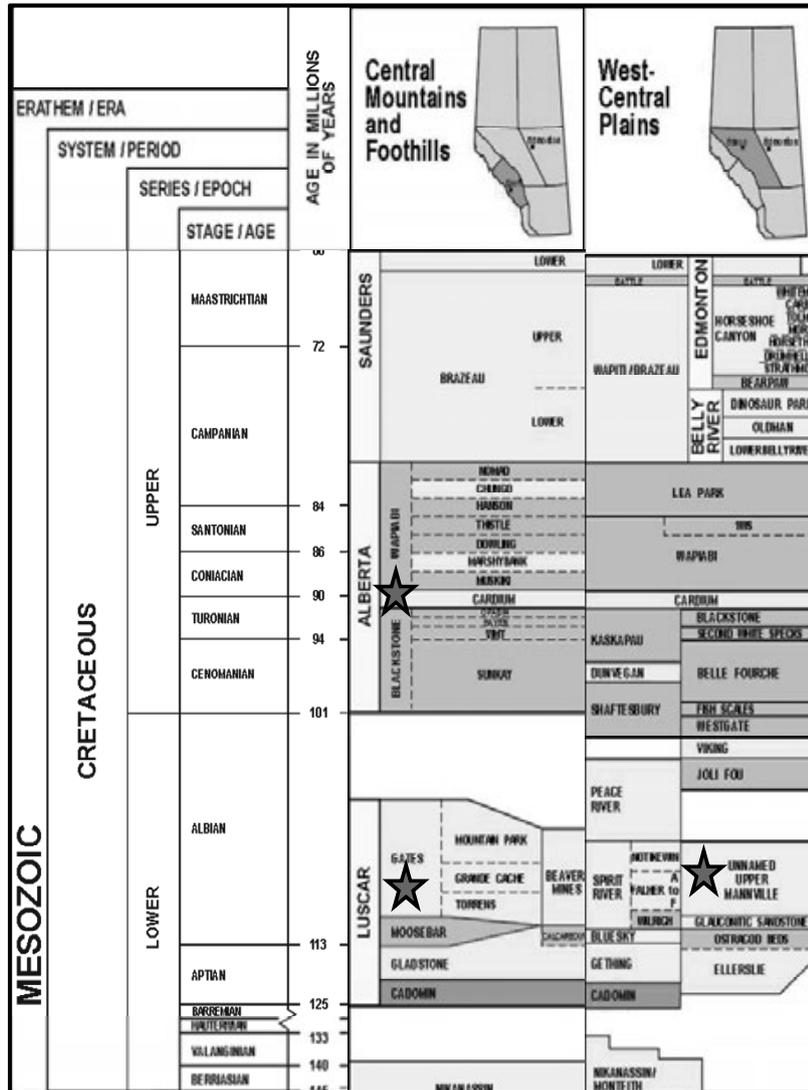
#### *Moosebar (Wilrich)*

The Moosebar was deposited as predominantly siltstone and fine to very fine grained sandstone interbedded with marine shale in coarsening-upward cycles and is indicative of a prograding depositional tract. There are also indications of incised channel fill sandstones as indicated from gamma ray profiles. The reservoir consists of low permeability and low porosity, plagioclase laden sand with a relatively high gamma ray signature.

It is notable that water production from the Moosebar is negligible and that in situ water is considered to be irreducible. This unique hydrodynamic regime characterized by immobile water

is replicated by production from the Wilrich and Falher producers in regions such as Minehead, Ansell and West Edson of the Deep Basin. The allocation of immobile water saturation in the Basing pay assignments is corroborated by core analyses conducted by using Dean Stark methods on analogue wells that employed invert drilling fluids.

Figure 1 Alberta Table of Formations (abbr.)



Alberta Geological Survey 2015: Table of Formations, AER (<https://www.aer.ca/documents/catalog/TOF.pdf>)

Informally known as the Deformed Belt or the Disturbed Belt, the Basing area post depositional environment was subjected to active margin orogenic evolution of the Canadian Cordillera during

late Mesozoic and early Tertiary time. Influenced by the accretion of eastward moving terrains colliding with the Pacific margin of North American continental plate, the sediments of the region are highly deformed by folding and thrust faulting. Consistent with the deformed nature of this Deformed Belt is the well established productivity of liquid rich natural gas from the hanging wall in the crest of northwest to southeast trending anticlinally folded structures. Naturally fractured permeability is considered to exist in the hanging wall of seismically verified fault related folds which could account for the productivity demonstrated by the horizontal wells at 100/07-21-047-19W5/03, 100/05-29-047-19W5/00, 102/08-36-047-20W5/02 and 103/05-02-048-20W5/02 that were drilled parallel to the northwest to southeast trending anticline axis.

Production from the Moosebar commenced in the Basing property in December 2008 from the 00/07-21-047-19W5/3 Horizontal well at a true vertical depth of 3092 metres. This well was drilled into the hanging wall and came on production at an initial rate of 5 MMcfpd. To date, the four Moosebar producers in the Basing property have a cumulative production of 31.1 Bcf.

*Mountain Park (Notikewin)*

The Mountain Park was deposited in a moderate energy barrier island and deltaic environments and is comprised of fine sandstones interbedded with shale and represents the uppermost preserved strata of the Luscar Group in Basing.

The structural setting of the Mountain Park and strategic placement of horizontal wells are very much like that of the Moosebar.

The Company's land base is covered entirely by three dimensional (3D) seismic. The seismic is of sufficient quality to determine structure within the Disturbed Belt for the Cretaceous (Cardium, Mountain Park and Moosebar) and Mississippian (Turner Valley) formations. The seismic data has been processed to produce both a Pre-stack Time Migration and a Pre-stack Depth Migration volume.

Production from the Mountain Park commenced in the Basing property in December 2010 from the 00/10-36-047-20W5/4 horizontal well at a true vertical depth of 2862 metres. This well was drilled into the hanging wall and came on production at an initial rate of 7.0 MMcfpd. To date, this well has a cumulative production of 3.3 Bcf.

*Peace River*

In the Dawson area the middle Devonian aged Slave Point oil charged reservoirs were deposited as shallow water calcium carbonate buildups on either localized subtidal shelf or Precambrian highs. These fringe reef accumulations grew vertically in response to rising sea levels until the rate of increase surpassed the reef growth and drowned the atolls. Porosity and permeability development resulted from post depositional dolomitization of the reefal material. Notably where dolomitization is absent the original limestone facies are either low in porosity or completely non-porous.

The use of seismic to identify Slave Point features is predicated on targeting the antecedent structures the reefs grew upon since the reservoir accretions themselves are not thick enough to be resolved with seismic. Consequently, the risk that a seismically identified feature might not be associated with an economic reservoir could result from one or a combination of: an absence of reefal accumulation, insufficient dolomitization and trap.

Production from the Slave Point commenced in the Dawson property in April 2011 from the 00/16-22-080-17W5/3 vertical well at a true vertical depth of 2084 metres. This well came on production at an initial rate of 438 bbl/d oil and, to date, has a cumulative production of 47.3 Mstb.

**DEVELOPMENT**

Persta has provided GLJ with a 3 year development plan (2017-2019) consisting of 13 wells as well as additional lands to review for prospective resources not included in the 3 year plan. With the initial capital requirement of this development plan available from a potential Initial Public Offering (IPO), this development plan is reasonable and has been used by GLJ in this report. In addition to the 13 development wells identified in the first 3 years, GLJ also includes 68 prospective drilling locations for years 4 through 6. Of the 81 undeveloped drilling locations included in this report, five are identified as reserves, eight are contingent resources and 68 are prospective resources.

Four of the five undeveloped locations assigned reserves are drilling locations which target the Wilrich Formation and immediately offset currently producing Wilrich wells. Proved undeveloped reserves are warranted as the Wilrich Formation has been mapped to show geological continuity where these drilling locations will be situated and the locations are robustly economic based on reserves estimates and current market conditions. The single Notikewin location assigned reserves does immediately offset a producing well, however it does not meet the economic hurdles for proved reserves, and is therefore only considered for reserves in the

probable category. Six Wilrich and two Notikewin locations assigned contingent resources in the Basing area are also included in Persta's 3 year development plan. All of these resource locations are assigned on Sections of land which immediately offset existing economic producers. The methodology utilized is consistent with other oil and gas companies in Alberta.

Persta also has long term prospects to explore after its initial 3 year development plan is complete. These include 58 prospective locations for the Wilrich and Mountain Park zones in Kaydee-Voyager and 10 prospective locations for the Slave Point zone in Dawson.

Persta has utilized GLJ's total proved plus probable production forecast for its own internal forecast.

### COMPANY PERSONNEL

The Company is managed by an experienced team of five industry professionals. The positions include President & Chief Executive Officer, Senior Vice President of Exploration, Vice President of Engineering, Interim Chief Financial Officer and Production Engineer. All of these positions are filled with individuals well qualified for their roles, as follows:

Name	Age	Present Position	Position Held Since	Years Experience in Industry
Mr. Le Bo	36	President & Chief Executive Officer	March 11, 2005	11
Mr. Dave (Pingzai) Wang	50	Senior Vice President, Exploration	October 16, 2006	28
Mr. Binyou dai	47	Vice President, Engineering	June 1, 2009	24
Ms. Alison (Jun) Xiang	35	Interim Chief Financial Officer	July 1, 2016	5
Mr. Lei Song	33	Production Engineer	May 1, 2014	5

There are a diverse number of job functions that go into developing and operating an oil and gas company including reservoir engineering, production engineering, drilling and completion engineering, facility engineering, geology, geophysics, exploitation, budget management, technical services, information technology, regulatory affairs, risk, compliance, health, safety, environment, planning, economics and human resources, etc. The Company has qualified individuals in each of these areas. As the Company grows, more qualified personnel including management, technical and operational staff will be added to the Company's team.

## SOCIAL AND ENVIRONMENTAL ISSUES

Development of the Company's oil and gas assets requires approval from the Alberta Energy Regulator (AER). As part of the approval process, companies must submit detailed applications describing the project and its effects on the community and environment. Items included in submissions address:

- Location and affect of project on nearby lease and surface rights owners, existing areas of habitation and industry;
- Consultation and negotiation with stakeholders;
- Public information programs;
- Descriptions of any measures to mitigate surface disturbances;
- Appraisal of options considered to minimize outside energy sources;
- Air and water pollution control and monitoring;
- Spill contingency plans;
- Water management program;
- Surface water drainage collection, treatment and disposal;
- Emission control systems;
- Quantification of public benefits and cost of the projects;
- Economic Impact;
- Regional economic priorities and interests;
- Direct or indirect employment opportunities;
- Environmental impact on wildlife, ground water, vegetation, soils, terrain and wetlands;
- Conceptual development and reclamation planning; and
- Solid waste management planning.

We are not aware of any material social or environmental issues which would prevent development of the project areas evaluated in this report at this time.

## RISK FACTORS

There are a significant number of risks involved in developing and operating an oil and gas company.

<u>Risk Issue</u>	<u>Likelihood</u>	<u>Consequence Rating</u>	<u>Risk</u>
<b>General Risks</b>			
<b>Company</b>			
Unable to retain key personnel	Unlikely	Minor	Low
Insurance risk	Unlikely	Minor	Low
Litigation risk	Unlikely	Minor	Low
Unable to maintain system of internal controls	Unlikely	Minor	Low
Long term reliance on third parties to construct and operate projects	Unlikely	Minor	Low
<b>Regulatory/Environmental</b>			
Royalty regime changes	Likely	Moderate	Medium
Regulatory approvals and requirements	Possible	Minor	Low
Potential government protection of interest lands	Unlikely	Major	Low
Changes to tax laws or government incentives	Unlikely	Moderate	Low
Environmental risks and hazards	Unlikely	Minor	Low
Failure to retain current leases	Unlikely	Major	Low
Seasonality, which limits surface access to interest lands	Possible	Minor	Low
Potential aboriginal claims	Unlikely	Minor	Low
Unforeseen title defects	Unlikely	Minor	Low
<b>Economic</b>			
Failure to accurately estimate abandonment/reclamation costs	Unlikely	Minor	Low
Increases in operating costs	Unlikely	Moderate	Low
Variations in foreign exchange and interest rates	Unlikely	Moderate	Low
General Economic, market and business conditions	Unlikely	Major	Low
Changes in price for crude oil, natural gas and natural gas liquids	Possible	Major	Medium
Cost overruns	Unlikely	Minor	Low
Lack of available drilling equipment	Unlikely	Major	Low
Timing Delays	Possible	Moderate	Low
<b>Specific Risks</b>			
<b>Basing - Reserves</b>			
No additional risks considered			
<b>Basing - Contingent Resources</b>			
<b>Development Risks</b>			
Lack of firm development plans and commitment to capital, including potential land expiries	Possible	Major	Medium
Additional delineation resulting in production forecast changes	Possible	Major	Medium
Lack of high quality cost estimates	Unlikely	Moderate	Low
<b>Dawson - Reserves</b>			
No additional risks considered			
<b>Dawson - Prospective Resources</b>			
<b>Development Risks</b>			
Lack of firm development plans and commitment to capital, including potential land expiries	Possible	Major	Medium
Additional delineation resulting in production forecast changes	Possible	Major	Medium
Lack of high quality cost estimates	Unlikely	Moderate	Low
Lack of economic viability	Likely	Major	High
<b>Geological Risks</b>			
Lack of porous and permeable rock present	Likely	Major	High
Lack of reservoir seal	Possible	Major	Medium
<b>Kaydee-Voyager - Prospective Resources</b>			
<b>Development Risks</b>			
Lack of firm development plans and commitment to capital, including potential land expiries	Possible	Major	Medium
Additional delineation resulting in production forecast changes	Possible	Major	Medium
Lack of high quality cost estimates	Unlikely	Moderate	Low
<b>Geological Risks</b>			
Lack of porous and permeable rock present	Likely	Major	High

As indicated in the preceding table, the risk factors for the Company's resources vary from property to property. GLJ determined the chance of development and chance of discovery based on the number of risk factors identified, their corresponding significance, and the available data for each property. The Chance of Development is considered to be 80 percent for contingent resources in Basing, 37 percent for prospective resources in Dawson, and 80 percent for prospective resources in Kaydee-Voyager. The Chance of Discovery is considered to be 38 percent for prospective resources in Dawson and 30 percent for prospective resources in Kaydee-Voyager. The current risk assessment is subject to revision with further data acquisition or interpretation.

The Company's business operations, financial position and cash flows may be materially affected by any of these risks, should they occur. Many of these risks are outside the control of the Company, in spite of any risk management steps the Company may take.



Company: Persta Resources Inc.  
 Property: Corporate Properties  
 Description:

Reserve Class: Various Classifications  
 Development Class: GLJ (2016-10)  
 Pricing: September 30, 2016  
 Effective Date:

**Reserves and Present Value Summary**

Entity Description	Reserve Class	Gross Lease Reserves						Company Interest Reserves						Net Interest Reserves						Before Income Tax Discounted Present Value (M\$)											
		Gas		Oil		NGL		Sulphur		Gas		Oil		NGL		Sulphur		0%		5%		8%		10%		12%		15%		20%	
		MMcf	Mbbl	MMcf	Mbbl	MMcf	Mbbl	MMcf	Mbbl	MMcf	Mbbl	MMcf	Mbbl	MMcf	Mbbl	MMcf	Mbbl	MMcf	Mbbl	MMcf	Mbbl	MMcf	Mbbl	MMcf	Mbbl	MMcf	Mbbl	MMcf	Mbbl	MMcf	Mbbl
Proved Producing	A	30,048	69	256	0	30,048	69	256	0	25,146	55	172	0	69,695	58,533	53,497	50,640	48,108	44,812	40,348											
Total Proved	C	68,664	69	585	0	68,664	69	585	0	58,940	55	416	0	147,762	113,457	98,988	91,081	84,262	75,656	64,515											
Proved Plus Probable Producing	G	41,928	99	357	0	41,928	99	357	0	34,545	78	237	0	103,678	81,435	72,229	67,226	62,922	57,494	50,453											
Total Proved Plus Probable	I	100,272	99	855	0	100,272	99	855	0	84,046	78	594	0	229,298	169,764	145,799	132,990	122,105	108,582	91,425											

Company: Persta Resources Inc.  
 Property: Corporate  
 Description: After Tax Analysis

Reserve Class: Various  
 Development Class: Classifications  
 Pricing: GLJ (2016-10)  
 Effective Date: September 30, 2016

### Summary of Reserves and Values

	Proved Producing	Total Proved	Proved Plus Probable Producing	Total Proved Plus Probable
<b>MARKETABLE RESERVES</b>				
<b>Light &amp; Medium Oil (Mdbl)</b>				
Total Company Interest	69	69	99	99
Working Interest	69	69	99	99
Net After Royalty	55	55	78	78
<b>Residue Gas (MMcf)</b>				
Total Company Interest	30,048	68,664	41,928	100,272
Working Interest	30,048	68,664	41,928	100,272
Net After Royalty	25,146	58,940	34,545	84,046
<b>Natural Gas Liquids (Mdbl)</b>				
Total Company Interest	256	585	357	855
Working Interest	256	585	357	855
Net After Royalty	172	416	237	594
<b>Oil Equivalent (Mboe)</b>				
Total Company Interest	5,333	12,099	7,444	17,666
Working Interest	5,333	12,099	7,444	17,666
Net After Royalty	4,419	10,294	6,073	14,680
<b>BEFORE TAX PRESENT VALUE (M\$)</b>				
0%	69,695	147,762	103,678	229,298
5%	58,533	113,457	81,435	169,764
8%	53,497	98,988	72,229	145,799
10%	50,640	91,081	67,226	132,990
12%	48,108	84,262	62,922	122,105
15%	44,812	75,656	57,494	108,582
20%	40,348	64,515	50,453	91,425
<b>AFTER TAX PRESENT VALUE (M\$)</b>				
0%	69,695	137,484	103,678	197,090
5%	58,533	107,457	81,435	149,414
8%	53,497	94,549	72,229	129,901
10%	50,640	87,420	67,226	119,370
12%	48,108	81,224	62,922	110,356
15%	44,812	73,337	57,494	99,057
20%	40,348	62,999	50,453	84,529

BOE Factors: HVY OIL 1.0 RES GAS 6.0 PROPANE 1.0 ETHANE 1.0  
 COND 1.0 SLN GAS 6.0 BUTANE 1.0 SULPHUR 0.0

Run Date: November 21, 2016 08:46:13

1171053 Class (A,C,G,I), GLJ (2016-10), psum

November 21, 2016 10:41:08

 PETROLEUM  
CONSULTANTS

Company: Persta Resources Inc.  
 Property: Corporate  
 Description: Properties

Reserve Class: Various  
 Development Class: Classifications  
 Pricing: GLJ (2016-10)  
 Effective Date: September 30, 2016

**Summary of Reserves**

	<b>Possible Producing</b>	<b>Total Possible</b>
<b>MARKETABLE RESERVES</b>		
<b><u>Light &amp; Medium Oil (Mbbl)</u></b>		
Total Company Interest	36	36
Working Interest	36	36
Net After Royalty	29	29
<b><u>Residue Gas (MMcf)</u></b>		
Total Company Interest	11,990	27,740
Working Interest	11,990	27,740
Net After Royalty	9,365	21,417
<b><u>Natural Gas Liquids (Mbbl)</u></b>		
Total Company Interest	102	237
Working Interest	102	237
Net After Royalty	65	152
<b><u>Oil Equivalent (Mboe)</u></b>		
Total Company Interest	2,137	4,896
Working Interest	2,137	4,896
Net After Royalty	1,654	3,750

BOE Factors: HVY OIL 1.0 RES GAS 6.0 PROPANE 1.0 ETHANE 1.0  
 COND 1.0 SLN GAS 6.0 BUTANE 1.0 SULPHUR 0.0

Run Date: November 21, 2016 08:45:59

1171053 Class (M,O), GLJ (2016-10), psum

November 21, 2016 10:34:00



Company: Persta Resources Inc.  
 Property: Corporate  
 Description: After Tax Analysis

Resource Class: Various  
 Development Class: Classifications  
 Pricing: GLJ (2016-10)  
 Effective Date: September 30, 2016

### Summary of Risked Resources

	Low Estimate Contingent Resources -	Best Estimate Contingent Resources -	High Estimate Contingent Resources -
	Development Pending	Development Pending	Development Pending
<b>MARKETABLE RESOURCES</b>			
<b>Residue Gas (MMcf)</b>			
Total Company Interest	28,339	47,474	61,775
Working Interest	28,339	47,474	61,775
Net After Royalty	25,905	41,670	52,684
<b>Natural Gas Liquids (Mbbbl)</b>			
Total Company Interest	242	405	527
Working Interest	242	405	527
Net After Royalty	189	304	383
<b>Oil Equivalent (Mboe)</b>			
Total Company Interest	4,965	8,317	10,823
Working Interest	4,965	8,317	10,823
Net After Royalty	4,506	7,249	9,163

BOE Factors: HVY OIL 1.0 RES GAS 6.0 PROPANE 1.0 ETHANE 1.0  
 COND 1.0 SLN GAS 6.0 BUTANE 1.0 SULPHUR 0.0

Run Date: November 21, 2016 08:46:15

1171053 Class (CR1-A,CR2-A,CR3-A), GLJ (2016-10), psum

November 21, 2016 10:34:14

 PETROLEUM  
CONSULTANTS

Company: Persta Resources Inc.  
 Property: Corporate  
 Description: After Tax Analysis  
 Unrisked

Resource Class: Various  
 Development Class: Classifications  
 Pricing: GLJ (2016-10)  
 Effective Date: September 30, 2016

**Summary of Resources**

	<b>Low Estimate Contingent Resources - Development Pending</b>	<b>Best Estimate Contingent Resources - Development Pending</b>	<b>High Estimate Contingent Resources - Development Pending</b>
<b>MARKETABLE RESOURCES</b>			
<b>Residue Gas (MMcf)</b>			
Total Company Interest	35,424	59,342	77,219
Working Interest	35,424	59,342	77,219
Net After Royalty	32,381	52,087	65,855
<b>Natural Gas Liquids (Mbbbl)</b>			
Total Company Interest	302	506	658
Working Interest	302	506	658
Net After Royalty	236	380	478
<b>Oil Equivalent (Mboe)</b>			
Total Company Interest	6,206	10,396	13,528
Working Interest	6,206	10,396	13,528
Net After Royalty	5,633	9,061	11,454

BOE Factors: HVY OIL 1.0 RES GAS 6.0 PROPANE 1.0 ETHANE 1.0  
 COND 1.0 SLN GAS 6.0 BUTANE 1.0 SULPHUR 0.0

Run Date: November 21, 2016 08:46:15

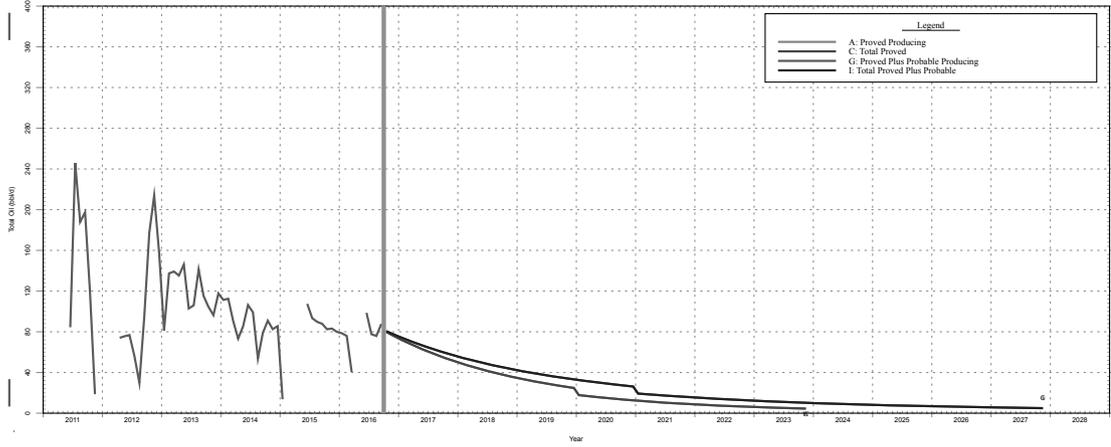
1171053 Class (CR1-A,CR3-A,CR2-A), GLJ (2016-10), psum

November 22, 2016 13:29:50

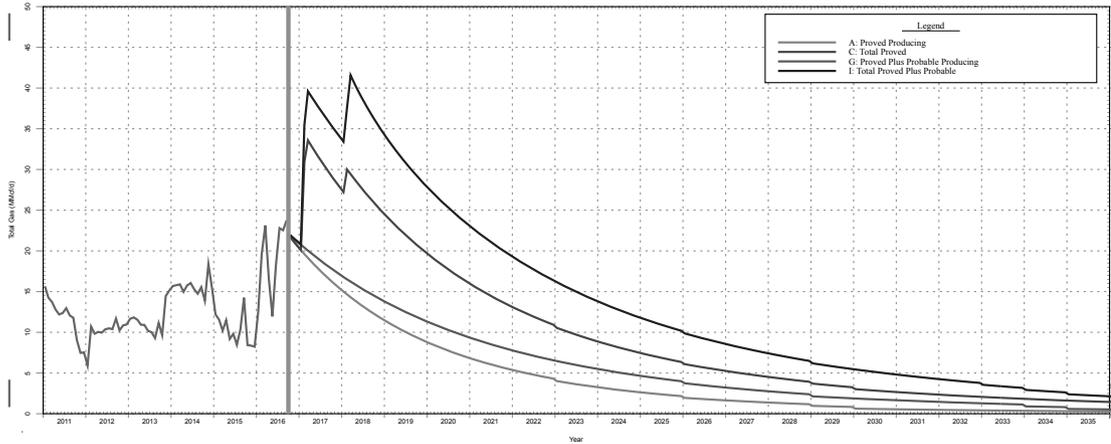


Company: **Persta Resources Inc.** Pricing: **GLJ (2016-10)**  
 Property: **Corporate** Effective Date: **September 30, 2016**  
 Description: **After Tax Analysis**

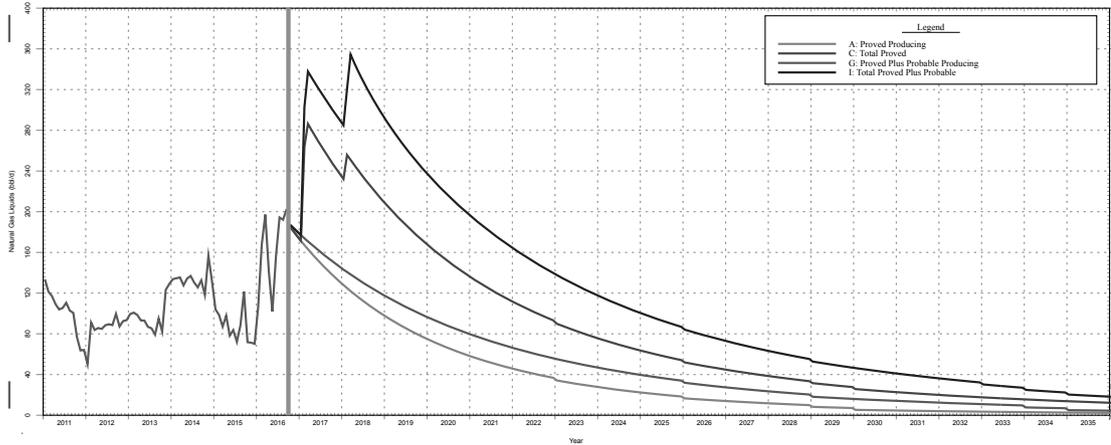
Company\* Interest Total Oil



Company\* Interest Total Gas



Company\* Interest Natural Gas Liquids



\*Note: Historical company interest production is based on current interests in the evaluated reserves entities applied to reported actual gross lease production. Consequently, company actuals may differ from the history shown due to changes in ownership.

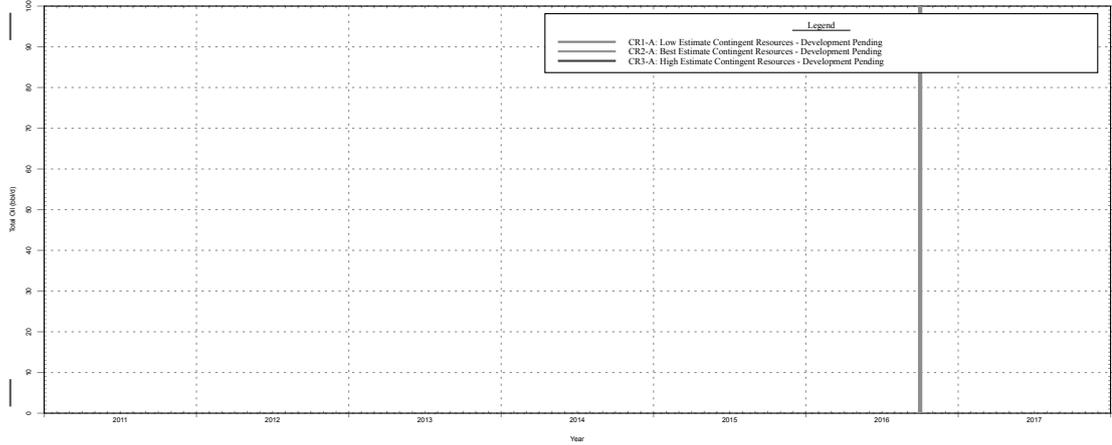
Company Interest Total Oil  
 1171053 / Nov 21, 2016

Drawing 1

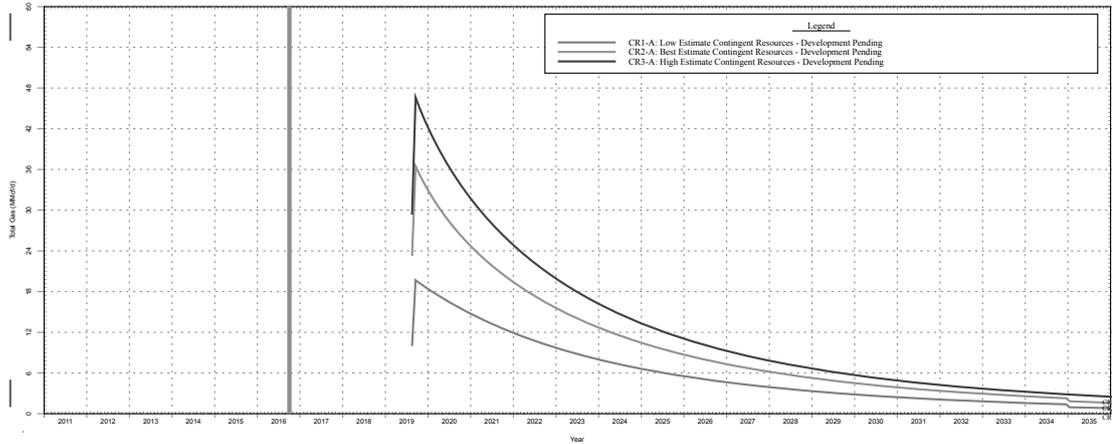


Company: **Persta Resources Inc.** Pricing: **GLJ (2016-10)**  
 Property: **Corporate** Effective Date: **September 30, 2016**  
 Description: **After Tax Analysis**

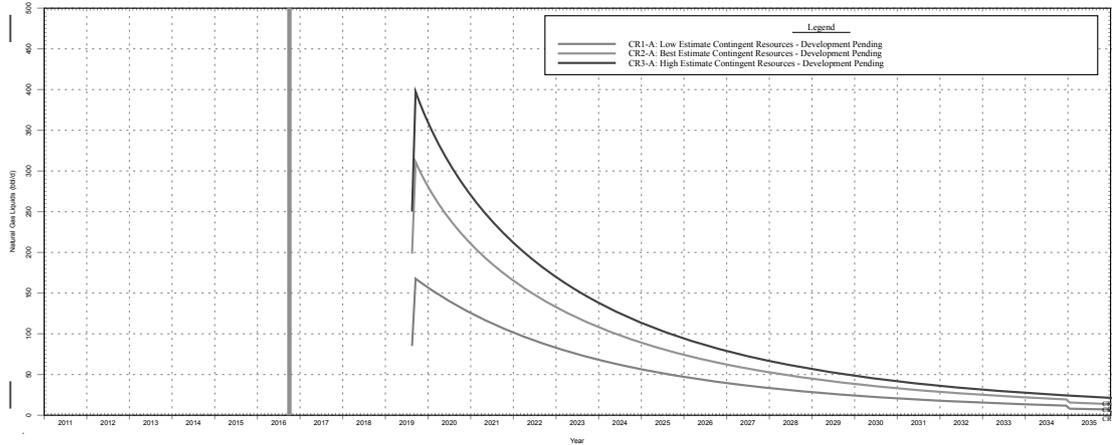
Company\* Interest Total Oil



Company\* Interest Total Gas



Company\* Interest Natural Gas Liquids



\*Note: Historical company interest production is based on current interests in the evaluated resources entities applied to reported actual gross lease production. Consequently, company actuals may differ from the history shown due to changes in ownership.

Company Interest Total Oil  
 1171053 / Nov 21, 2016

Drawing 2



Company: Persta Resources Inc.  
Property: Various

Reserve Class: Various  
Development Class: GLJ (2016-10)  
Pricing: September 30, 2016  
Effective Date:

Company Production, Reserves and Present Value Summary

Entity Description	Reserve Class	2016 Company Interest Prod'n				Company Interest Reserves						Net After Royalty Reserves				Reserve Life Index yrs	Before Income Tax Discounted Present Value (MS)				
		Gas Mcf/d	Oil bbl/d	NGL bbl/d	Oil Eq. beo/d	Gas MMcf	Oil Mbbl	NGL Mbbl	Sulphur Mlt	Oil Eq. Mlt	Gas MMcf	Oil Mbbl	NGL Mbbl	Sulphur Mlt	Oil Eq. Mlt		0%	5%	8%	10%	12%
Proved Producing	A	21,336	78	182	3,738	30,048	0	256	0	5,264	25,146	0	172	0	4,363	3.9	68,003	56,925	51,942	49,121	46,624
Basing	A	0	78	0	78	0	69	0	0	69	0	55	0	0	55	2.4	1,692	1,608	1,555	1,519	1,484
Dawson Reserves		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0	0	0
Kaydee-Voyager		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0	0	0
Total: Proved Producing		21,336	78	182	3,816	30,048	69	256	0	5,333	25,146	55	172	0	4,419		69,695	58,533	53,497	50,640	48,108
Total Proved		21,336	78	182	3,816	30,048	69	256	0	5,333	25,146	55	172	0	4,419		69,695	58,533	53,497	50,640	48,108
Proved Plus Probable Producing	G	21,719	78	182	3,738	68,664	0	585	0	12,030	58,940	0	416	0	10,239	8.8	146,070	111,848	97,433	89,562	82,777
Basing	G	0	79	0	79	0	99	0	0	69	0	55	0	0	55	2.4	1,692	1,608	1,555	1,519	1,484
Dawson Reserves		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0	0	0
Kaydee-Voyager		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0	0	0
Total: Total Proved		21,336	78	182	3,816	68,664	69	585	0	12,099	58,940	55	416	0	10,294		147,762	113,457	98,988	91,081	84,262
Proved Plus Probable Producing	G	21,719	79	185	3,805	41,928	0	357	0	7,346	34,545	0	237	0	5,994	5.3	101,006	79,048	69,993	65,081	60,862
Basing	G	0	79	0	79	0	99	0	0	99	0	78	0	0	78	3.4	2,672	2,386	2,236	2,145	2,060
Dawson Reserves		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0	0	0
Kaydee-Voyager		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0	0	0
Total: Proved Plus Probable Producing		21,719	79	185	3,884	41,928	99	357	0	7,444	34,545	78	237	0	6,073		103,678	81,435	72,229	67,226	62,922
Total Proved Plus Probable		21,719	79	185	3,805	100,272	0	855	0	17,567	84,046	0	594	0	14,601	12.6	226,626	167,378	143,563	130,845	120,045
Basing	G	0	79	0	79	0	99	0	0	99	0	78	0	0	78	3.4	2,672	2,386	2,236	2,145	2,060
Dawson Reserves		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0	0	0
Kaydee-Voyager		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0	0	0	0	0	0
Total: Total Proved Plus Probable		21,719	79	185	3,884	100,272	99	855	0	17,666	84,046	78	594	0	14,680		229,298	169,764	145,799	132,990	122,105

BOE Factors: HVY OIL 1.0  
COND 1.0  
RES GAS 6.0  
SLN GAS 6.0  
PROPANE 1.0  
BUTANE 1.0  
ETHANE 1.0  
SULPHUR 0.0

Class (A,C,G), GLJ (2016-10), crv

1171053

Company: **Persta Resources Inc.**  
 Property: **Corporate**  
 Description: **Properties**

Reserve Class: **Proved**  
 Development Class: **Producing**  
 Pricing: **GLJ (2016-10)**  
 Effective Date: **September 30, 2016**

**Economic Forecast**

**PRODUCTION FORECAST**

Year	Light & Medium Oil Production							Residue Gas Production				Condensate Production			
	Company Wells		Company	Company	Net Yearly	Price		Company	Company	Net Yearly	Price	Company	Company	Net Yearly	Price
	Oil	Gas	Daily	Yearly				Daily	Yearly			Daily	Yearly		
2016	2	5	78	7	5	58.00	21,336	1,947	1,733	3.18	128	12	9	57.70	
2017	2	5	61	22	16	63.77	17,619	6,431	5,385	3.11	106	39	27	63.36	
2018	2	5	42	15	12	66.67	13,218	4,825	3,935	3.12	79	29	19	65.99	
2019	2	5	29	11	9	69.39	10,061	3,672	2,927	3.46	60	22	14	69.82	
2020	1	5	15	6	5	71.95	7,783	2,841	2,235	3.70	47	17	10	72.09	
2021	1	5	10	4	3	76.62	6,066	2,214	1,801	4.01	36	13	8	76.91	
2022	1	5	7	3	3	81.28	4,799	1,752	1,483	4.22	29	11	6	81.32	
2023	1	4	5	2	2	85.94	3,632	1,326	1,135	4.43	22	8	5	86.12	
2024	0	4	0	0	0	0.00	2,934	1,071	928	4.64	18	6	4	90.45	
2025	0	4	0	0	0	0.00	2,378	868	762	4.74	14	5	3	94.06	
2026	0	3	0	0	0	0.00	1,795	655	581	4.83	11	4	2	95.94	
2027	0	3	0	0	0	0.00	1,506	550	494	4.93	9	3	2	97.86	
Sub.					69	55	67.32		28,151	23,399	3.61		169	110	71.81
Rem.					0	0	0.00		1,897	1,747	5.34		11	7	106.01
<b>Tot.</b>					<b>69</b>	<b>55</b>	<b>67.32</b>		<b>30,048</b>	<b>25,146</b>	<b>3.72</b>		<b>180</b>	<b>117</b>	<b>73.97</b>

Year	Propane Production				Natural Gas Liquids Production				Oil + Liquids Production				
	Company	Company	Net Yearly	Price	Company	Company	Net Yearly	Price	Company	Company	Net Yearly	Price	
	Daily	Yearly			Daily	Yearly			Daily	Yearly			bbl/d
2016		54	5	4	20.90	182	17	13	46.80	260	24	19	50.16
2017		45	16	13	22.70	150	55	40	51.31	211	77	56	54.90
2018		33	12	9	23.64	113	41	28	53.44	154	56	40	57.02
2019		25	9	7	28.11	86	31	21	57.46	115	42	30	60.49
2020		20	7	5	29.08	66	24	15	59.34	81	30	20	61.68
2021		15	6	4	30.79	52	19	12	63.25	62	23	15	65.48
2022		12	4	3	32.50	41	15	9	66.85	48	18	12	69.03
2023		9	3	2	34.21	31	11	7	70.74	36	13	9	72.91
2024		7	3	2	35.93	25	9	6	74.29	25	9	6	74.29
2025		6	2	2	36.93	20	7	5	77.13	20	7	5	77.13
2026		5	2	1	37.67	15	6	4	78.67	15	6	4	78.67
2027		4	1	1	38.42	13	5	3	80.25	13	5	3	80.25
Sub.			71	52	27.47		240	162	58.67		309	217	60.60
Rem.			5	3	41.62		16	10	86.93		16	10	86.93
<b>Tot.</b>			<b>76</b>	<b>56</b>	<b>28.37</b>		<b>256</b>	<b>172</b>	<b>60.45</b>		<b>325</b>	<b>228</b>	<b>61.91</b>

Year	Oil Equivalent Production				
	Company	Company	Net Yearly	Price	
	Daily	Yearly			boe/d
2016		3,816	348	307	21.20
2017		3,147	1,149	953	21.10
2018		2,357	860	696	21.21
2019		1,792	654	517	23.34
2020		1,379	503	393	24.54
2021		1,073	392	316	26.43
2022		848	310	259	27.80
2023		642	234	198	29.21
2024		514	188	160	30.09
2025		417	152	132	30.79
2026		314	115	100	31.41
2027		264	96	85	32.04
Sub.			5,001	4,117	24.05
Rem.			332	301	34.71
<b>Tot.</b>			<b>5,333</b>	<b>4,419</b>	<b>24.72</b>

REVENUE AND EXPENSE FORECAST

Year	Revenue Before Burdens				Royalty Interest Total M\$	Company Interest Total M\$	Royalty Burdens Pre-Processing		Gas Processing Allowance		Total Royalty After Process. M\$	Net Revenue After Royalty M\$	Operating Expenses		
	Working Interest						Crown M\$	Other M\$	Crown M\$	Other M\$			Fixed M\$	Variable M\$	Total M\$
	Oil M\$	Gas M\$	NGL+Sul M\$	Total M\$											
2016	412	6,191	777	7,380	0	7,380	891	0	164	0	727	6,654	380	1,356	1,736
2017	1,416	20,006	2,814	24,235	0	24,235	4,283	0	849	0	3,434	20,801	1,548	4,568	6,116
2018	1,016	15,034	2,198	18,248	0	18,248	3,563	0	738	0	2,824	15,423	1,579	3,496	5,075
2019	740	12,724	1,799	15,263	0	15,263	3,126	0	610	0	2,515	12,747	1,611	2,718	4,328
2020	396	10,514	1,437	12,348	0	12,348	2,672	0	510	0	2,163	10,185	1,520	2,096	3,616
2021	291	8,869	1,194	10,354	0	10,354	2,014	0	365	0	1,649	8,705	1,550	1,663	3,213
2022	216	7,392	999	8,606	0	8,606	1,446	0	255	0	1,191	7,415	1,581	1,340	2,921
2023	162	5,878	800	6,840	0	6,840	1,096	0	188	0	908	5,932	1,316	1,033	2,350
2024	0	4,967	678	5,646	0	5,646	875	0	147	0	728	4,918	1,209	841	2,050
2025	0	4,112	571	4,682	0	4,682	683	0	114	0	569	4,114	1,233	695	1,928
2026	0	3,165	439	3,605	0	3,605	501	0	84	0	417	3,188	944	535	1,479
2027	0	2,709	376	3,085	0	3,085	398	0	67	0	331	2,754	962	458	1,420
Sub.	4,649	101,560	14,082	120,291	0	120,291	21,545	0	4,090	0	17,455	102,835	15,434	20,799	36,232
Rem.	0	10,129	1,406	11,535	0	11,535	1,270	0	213	0	1,058	10,478	4,571	1,712	6,283
<b>Tot.</b>	<b>4,649</b>	<b>111,689</b>	<b>15,488</b>	<b>131,826</b>	<b>0</b>	<b>131,826</b>	<b>22,816</b>	<b>0</b>	<b>4,303</b>	<b>0</b>	<b>18,513</b>	<b>113,313</b>	<b>20,005</b>	<b>22,511</b>	<b>42,515</b>
Disc	3,827	76,535	10,627	90,989	0	90,989	16,225	0	3,112	0	13,113	77,876	10,969	15,993	26,962

Year	Mineral Tax M\$	Capital Tax M\$	NPI Burden M\$	Net Prod'n Revenue M\$	Other Income M\$	Aband. & Recl. Costs		Oper. Income M\$	Net Capital Investment			Before Tax Cash Flow		
						M\$	M\$		Dev. M\$	Plant M\$	Tang. M\$	Total M\$	Annual M\$	Cum. M\$
2016	0	0	0	4,918	0	0	4,918	0	0	0	0	4,918	4,918	4,860
2017	0	0	0	14,685	0	0	14,685	0	0	0	0	14,685	19,603	18,531
2018	0	0	0	10,348	0	0	10,348	0	0	0	0	10,348	29,951	27,290
2019	0	0	0	8,419	0	0	8,419	0	0	0	0	8,419	38,369	33,767
2020	0	0	0	6,569	0	0	6,569	0	0	0	0	6,569	44,938	38,362
2021	0	0	0	5,492	0	0	5,492	0	0	0	0	5,492	50,430	41,854
2022	0	0	0	4,495	0	0	4,495	0	0	0	0	4,495	54,925	44,453
2023	0	0	0	3,582	0	0	3,582	0	0	0	0	3,582	58,507	46,335
2024	0	0	0	2,868	0	105	2,763	0	0	0	0	2,763	61,270	47,655
2025	0	0	0	2,185	0	0	2,185	0	0	0	0	2,185	63,455	48,604
2026	0	0	0	1,709	0	0	1,709	0	0	0	0	1,709	65,164	49,279
2027	0	0	0	1,333	0	155	1,178	0	0	0	0	1,178	66,342	49,702
Sub.	0	0	0	66,603	0	261	66,342	0	0	0	0	66,342	66,342	49,702
Rem.	0	0	0	4,195	0	842	3,353	0	0	0	0	3,353	69,695	50,640
<b>Tot.</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>70,798</b>	<b>0</b>	<b>1,103</b>	<b>69,695</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>69,695</b>	<b>69,695</b>	<b>50,640</b>
Disc	0	0	0	50,914	0	274	50,640	0	0	0	0	50,640	50,640	50,640

SUMMARY OF RESERVES

Product	Units	Remaining Reserves at Oct 01, 2016				Oil Equivalents			Reserve Life Indic. (yr)		
		Working Interest	Roy/NPI Interest	Total Company	Net	Oil Eq. Factor	Company Mboe	% of Total	Reserve Life	Life Index	Half Life
Light/Med Oil	Mbbl	69	0	69	55	1.000	69	1	7.3	2.4	2.3
Residue Gas	MMcf	30,048	0	30,048	25,146	6.000	5,008	94	21.3	3.9	3.5
Gas Heat Content	BBtu	32,452	0	32,452	27,158	0.000	0	0	21.3	3.9	3.5
Condensate	Mbbl	180	0	180	117	1.000	180	3	21.3	3.9	3.5
Propane	Mbbl	76	0	76	56	1.000	76	1	21.3	3.9	3.5
Total: NGL	Mbbl	256	0	256	172	1.000	256	5	21.3	3.9	3.5
Total: Oil+NGL	Mbbl	325	0	325	228	1.000	325	6	21.3	3.4	3.1
Total: Oil Eq.	Mboe	5,333	0	5,333	4,419	1.000	5,333	100	21.3	3.8	3.5

PRODUCT REVENUE AND EXPENSES

Product	Units	Average First Year Unit Values				Net Revenue After Royalties						
		Base Price	Price Adjust.	Wellhead Price	Net Burdens	Operating Expenses	Other Expenses	Prod'n Revenue	Undisc MS	% of Total	10% Disc MS	% of Total
Light/Med Oil	\$/bbl	60.00	-2.00	58.00	15.97	15.31	0.00	26.72	3,746	3	3,041	4
Residue Gas	\$/Mcf	2.71	0.47	3.18	0.24	0.84	0.00	2.10	98,857	87	67,343	86
Condensate	\$/bbl	63.00	-5.30	57.70	10.78	0.00	0.00	46.92	8,983	8	6,301	8
Propane	\$/bbl	18.00	2.90	20.90	2.18	0.00	0.00	18.72	1,728	2	1,191	2
Total: NGL	\$/bbl	49.67	-2.87	46.80	8.24	0.00	0.00	38.56	10,711	9	7,492	10
Total: Oil+NGL	\$/bbl	52.77	-2.61	50.16	10.55	4.59	0.00	35.01	14,456	13	10,534	14
Total: Oil Eq.	\$/boe	18.76	2.43	21.20	2.09	4.99	0.00	14.12	113,313	100	77,876	100

REVENUE BURDENS AND NET PRESENT VALUE SUMMARY

	Revenue Burdens (%)		Net Present Value Before Income Tax					
	Initial	Average	Disc. Rate %	Prod'n Revenue M\$	Operating Income M\$	Capital Invest. M\$	Cash Flow	
							M\$	\$/boe
Crown Royalty	12.0717	17.3073	0.0	70,798	69,695	0	69,695	13.07
Non-crown Royalty	0.0000	0.0000	5.0	59,058	58,533	0	58,533	10.98
Mineral Tax	0.0000	0.0000	8.0	53,849	53,497	0	53,497	10.03
			10.0	50,914	50,640	0	50,640	9.50
			12.0	48,324	48,108	0	48,108	9.02
			15.0	44,966	44,812	0	44,812	8.40
			20.0	40,440	40,348	0	40,348	7.57

Evaluator: Jacksteit, Ian G.  
Run Date: November 21, 2016 08:45:57

Company: **Persta Resources Inc.**  
 Property: **Corporate**  
 Description: **Properties**

Reserve Class: **Proved**  
 Development Class: **Total**  
 Pricing: **GLJ (2016-10)**  
 Effective Date: **September 30, 2016**

**Economic Forecast**

**PRODUCTION FORECAST**

Year	Light & Medium Oil Production							Residue Gas Production				Condensate Production			
	Company Wells		Company	Company	Net Yearly	Price	Company	Company	Net Yearly	Price	Company	Company	Net Yearly	Price	
	Oil	Gas	Daily	Yearly				Daily			Yearly	Daily			Yearly
			bbl/d	Mbbl	Mbbl	\$/bbl	Mcf/d	MMcf	\$/Mcf	bbl/d	Mbbl	Mbbl	\$/bbl		
2016	2	5	78	7	5	58.00	21,336	1,947	1,733	3.18	128	12	9	57.70	
2017	2	8	61	22	16	63.77	29,726	10,850	9,585	3.16	178	65	51	63.36	
2018	2	9	42	15	12	66.67	27,258	9,949	8,806	3.18	164	60	47	65.99	
2019	2	9	29	11	9	69.39	21,982	8,023	6,759	3.46	132	48	35	69.82	
2020	1	9	15	6	5	71.95	17,796	6,496	5,293	3.70	107	39	26	72.09	
2021	1	9	10	4	3	76.62	14,483	5,286	4,289	4.01	87	32	21	76.91	
2022	1	9	7	3	3	81.28	11,937	4,357	3,483	4.22	72	26	16	81.32	
2023	1	8	5	2	2	85.94	9,718	3,547	2,877	4.43	58	21	13	86.12	
2024	0	8	0	0	0	0.00	8,163	2,979	2,466	4.64	49	18	11	90.45	
2025	0	8	0	0	0	0.00	6,866	2,506	2,125	4.74	41	15	9	94.06	
2026	0	7	0	0	0	0.00	5,677	2,072	1,799	4.83	34	12	7	95.94	
2027	0	7	0	0	0	0.00	4,877	1,780	1,580	4.93	29	11	6	97.86	
Sub.					69	55	67.32		59,793	50,796	3.74		359	251	74.08
Rem.					0	0	0.00		8,871	8,144	5.44		53	32	107.96
<b>Tot.</b>					<b>69</b>	<b>55</b>	<b>67.32</b>		<b>68,664</b>	<b>58,940</b>	<b>3.96</b>		<b>412</b>	<b>283</b>	<b>78.45</b>

Year	Propane Production				Natural Gas Liquids Production				Oil + Liquids Production				
	Company	Company	Net Yearly	Price	Company	Company	Net Yearly	Price	Company	Company	Net Yearly	Price	
	Daily	Yearly			Daily	Yearly			Daily	Yearly			
	bbl/d	Mbbl	Mbbl	\$/bbl	bbl/d	Mbbl	Mbbl	\$/bbl	bbl/d	Mbbl	Mbbl	\$/bbl	
2016		54	5	4	20.90	182	17	13	46.80	260	24	19	50.16
2017		75	27	23	22.70	253	93	74	51.31	314	115	91	53.72
2018		69	25	21	23.64	232	85	68	53.44	274	100	80	55.45
2019		56	20	16	28.11	187	68	51	57.46	217	79	60	59.07
2020		45	16	12	29.08	152	55	39	59.34	167	61	43	60.48
2021		37	13	10	30.79	123	45	30	63.25	134	49	34	64.28
2022		30	11	8	32.50	102	37	23	66.85	109	40	26	67.82
2023		25	9	6	34.21	83	30	19	70.74	88	32	21	71.63
2024		21	8	5	35.93	70	25	16	74.29	70	25	16	74.29
2025		17	6	4	36.93	59	21	13	77.13	59	21	13	77.13
2026		14	5	4	37.67	48	18	11	78.67	48	18	11	78.67
2027		12	4	3	38.42	42	15	10	80.25	42	15	10	80.25
Sub.			151	117	28.57		510	368	60.59		579	423	61.40
Rem.			22	16	42.39		76	48	88.53		76	48	88.53
<b>Tot.</b>			<b>173</b>	<b>133</b>	<b>30.36</b>		<b>585</b>	<b>416</b>	<b>64.20</b>		<b>655</b>	<b>471</b>	<b>64.53</b>

Year	Oil Equivalent Production				
	Company	Company	Net Yearly	Price	
	Daily	Yearly			
	boe/d	Mboe	Mboe	\$/boe	
2016		3,816	348	307	21.20
2017		5,269	1,923	1,688	21.01
2018		4,817	1,758	1,548	21.15
2019		3,880	1,416	1,186	22.93
2020		3,133	1,143	925	24.24
2021		2,548	930	749	26.15
2022		2,099	766	606	27.53
2023		1,708	623	500	28.92
2024		1,430	522	427	30.09
2025		1,203	439	368	30.79
2026		994	363	311	31.41
2027		854	312	273	32.04
Sub.			10,544	8,889	24.58
Rem.			1,554	1,405	35.34
<b>Tot.</b>			<b>12,099</b>	<b>10,294</b>	<b>25.97</b>

REVENUE AND EXPENSE FORECAST

Year	Revenue Before Burdens				Royalty Interest Total MS	Company Interest Total MS	Royalty Burdens Pre-Processing		Gas Processing Allowance		Total Royalty After Process. MS	Net Revenue After Royalty MS	Operating Expenses		
	Working Interest						Crown MS	Other MS	Crown MS	Other MS			Fixed MS	Variable MS	Total MS
	Oil MS	Gas MS	NGL+Sul MS	Total MS											
2016	412	6,191	777	7,380	0	7,380	891	0	164	0	727	6,654	380	1,356	1,736
2017	1,416	34,249	4,747	40,412	0	40,412	5,092	0	1,032	0	4,060	36,353	2,251	7,588	9,839
2018	1,016	31,642	4,533	37,191	0	37,191	4,510	0	961	0	3,548	33,643	2,631	7,068	9,699
2019	740	27,800	3,931	32,471	0	32,471	5,204	0	1,079	0	4,124	28,346	2,706	5,811	8,517
2020	396	24,040	3,287	27,723	0	27,723	5,197	0	1,060	0	4,138	23,585	2,637	4,747	7,383
2021	291	21,175	2,851	24,316	0	24,316	4,680	0	922	0	3,758	20,558	2,690	3,936	6,625
2022	216	18,385	2,484	21,085	0	21,085	4,385	0	858	0	3,527	17,558	2,743	3,305	6,049
2023	162	15,727	2,139	18,028	0	18,028	3,585	0	686	0	2,899	15,129	2,502	2,743	5,245
2024	0	13,818	1,887	15,705	0	15,705	2,934	0	550	0	2,384	13,321	2,418	2,339	4,757
2025	0	11,873	1,648	13,521	0	13,521	2,308	0	432	0	1,876	11,645	2,467	2,007	4,473
2026	0	10,012	1,390	11,402	0	11,402	1,752	0	328	0	1,424	9,978	2,202	1,692	3,894
2027	0	8,773	1,218	9,991	0	9,991	1,377	0	237	0	1,140	8,851	2,246	1,483	3,728
Sub.	4,649	223,686	30,892	259,226	0	259,226	41,913	0	8,308	0	33,606	225,621	27,871	44,075	71,946
Rem.	0	48,235	6,696	54,931	0	54,931	6,175	0	1,033	0	5,141	49,790	20,986	8,153	29,139
<b>Tot.</b>	<b>4,649</b>	<b>271,921</b>	<b>37,588</b>	<b>314,158</b>	<b>0</b>	<b>314,158</b>	<b>48,088</b>	<b>0</b>	<b>9,341</b>	<b>0</b>	<b>38,747</b>	<b>275,411</b>	<b>48,857</b>	<b>52,228</b>	<b>101,085</b>
Disc	3,827	165,420	22,880	192,127	0	192,127	29,516	0	5,858	0	23,657	168,470	21,553	33,118	54,671

Year	Mineral Tax MS	Capital Tax MS	NPI Burden MS	Net Prod'n Revenue MS	Other Income MS	Aband. & Recl. Costs MS		Oper. Income MS	Net Capital Investment			Before Tax Cash Flow			
						MS	MS		Dev. MS	Plant MS	Tang. MS	Total MS	Annual MS	Cum. MS	10.0% Def MS
2016	0	0	0	4,918	0	0	4,918	0	0	0	0	4,918	4,918	4,918	4,860
2017	0	0	0	26,513	0	0	26,513	15,759	1,530	1,071	18,360	8,153	13,071	12,450	12,450
2018	0	0	0	23,944	0	0	23,944	5,358	520	364	6,242	17,701	30,772	27,432	27,432
2019	0	0	0	19,829	0	0	19,829	0	0	0	0	19,829	50,601	42,689	42,689
2020	0	0	0	16,202	0	0	16,202	0	0	0	0	16,202	66,803	54,022	54,022
2021	0	0	0	13,933	0	0	13,933	0	0	0	0	13,933	80,736	62,882	62,882
2022	0	0	0	11,509	0	0	11,509	0	0	0	0	11,509	92,246	69,536	69,536
2023	0	0	0	9,884	0	0	9,884	0	0	0	0	9,884	102,130	74,730	74,730
2024	0	0	0	8,564	0	105	8,458	0	0	0	0	8,458	110,588	78,771	78,771
2025	0	0	0	7,171	0	0	7,171	0	0	0	0	7,171	117,760	81,886	81,886
2026	0	0	0	6,084	0	0	6,084	0	0	0	0	6,084	123,844	84,288	84,288
2027	0	0	0	5,123	0	155	4,967	0	0	0	0	4,967	128,811	86,071	86,071
Sub.	0	0	0	153,674	0	261	153,413	21,117	2,050	1,435	24,602	128,811	128,811	86,071	86,071
Rem.	0	0	0	20,651	0	1,700	18,951	0	0	0	0	18,951	147,762	91,081	91,081
<b>Tot.</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>174,326</b>	<b>0</b>	<b>1,961</b>	<b>172,364</b>	<b>21,117</b>	<b>2,050</b>	<b>1,435</b>	<b>24,602</b>	<b>147,762</b>	<b>147,762</b>	<b>91,081</b>	<b>91,081</b>
Disc	0	0	0	113,798	0	341	113,458	19,207	1,865	1,305	22,377	91,081	91,081	91,081	91,081

SUMMARY OF RESERVES

Product	Units	Remaining Reserves at Oct 01, 2016				Oil Equivalents			Reserve Life Indic. (yr)		
		Working Interest	Roy/NPI Interest	Total Company	Net	Oil Eq. Factor	Company Mboe	% of Total	Reserve Life	Life Index	Half Life
Light/Med Oil	Mbbl	69	0	69	55	1.000	69	1	7.3	2.4	2.3
Residue Gas	MMcf	68,664	0	68,664	58,940	6.000	11,444	95	26.3	8.8	4.5
Gas Heat Content	BBtu	74,157	0	74,157	63,655	0.000	0	0	26.3	8.8	4.5
Condensate	Mbbl	412	0	412	283	1.000	412	3	26.3	8.8	4.5
Propane	Mbbl	173	0	173	133	1.000	173	1	26.3	8.8	4.5
Total: NGL	Mbbl	585	0	585	416	1.000	585	5	26.3	8.8	4.5
Total: Oil+NGL	Mbbl	655	0	655	471	1.000	655	5	26.3	6.9	4.2
Total: Oil Eq.	Mboe	12,099	0	12,099	10,294	1.000	12,099	100	26.3	8.7	4.5

PRODUCT REVENUE AND EXPENSES

Product	Units	Average First Year Unit Values				Net Revenue After Royalties						
		Base Price	Price Adjust.	Wellhead Price	Net Burdens	Operating Expenses	Other Expenses	Prod'n Revenue	Undisc MS	% of Total	10% Disc MS	% of Total
Light/Med Oil	\$/bbl	60.00	-2.00	58.00	15.97	15.31	0.00	26.72	3,746	1	3,041	2
Residue Gas	\$/Mcf	2.71	0.47	3.18	0.24	0.84	0.00	2.10	244,579	89	148,323	88
Condensate	\$/bbl	63.00	-5.30	57.70	10.78	0.00	0.00	46.92	22,776	8	14,442	9
Propane	\$/bbl	18.00	2.90	20.90	2.18	0.00	0.00	18.72	4,309	2	2,664	2
Total: NGL	\$/bbl	49.67	-2.87	46.80	8.24	0.00	0.00	38.56	27,086	10	17,105	10
Total: Oil+NGL	\$/bbl	52.77	-2.61	50.16	10.55	4.59	0.00	35.01	30,831	11	20,147	12
Total: Oil Eq.	\$/boe	18.76	2.43	21.20	2.09	4.99	0.00	14.12	275,411	100	168,470	100

REVENUE BURDENS AND NET PRESENT VALUE SUMMARY

Revenue Burdens (%)			Net Present Value Before Income Tax					
	Initial	Average	Disc. Rate %	Prod'n Revenue M\$	Operating Income M\$	Capital Invest. M\$	Cash Flow	
							M\$	\$/boe
Crown Royalty	12.0717	15.3070	0.0	174,326	172,364	24,602	147,762	12.21
Non-crown Royalty	0.0000	0.0000	5.0	137,644	136,889	23,432	113,457	9.38
Mineral Tax	0.0000	0.0000	8.0	122,235	121,774	22,786	98,988	8.18
			10.0	113,798	113,458	22,377	91,081	7.53
			12.0	106,502	106,245	21,983	84,262	6.96
			15.0	97,251	97,077	21,421	75,656	6.25
			20.0	85,164	85,066	20,551	64,515	5.33

Evaluator: Jacksteit, Ian G.  
 Run Date: November 21, 2016 08:45:58

Company: **Persta Resources Inc.** Reserve Class: **Proved Plus Probable**  
 Property: **Corporate** Development Class: **Producing**  
 Description: **Properties** Pricing: **GLJ (2016-10)**  
 Effective Date: **September 30, 2016**

**Economic Forecast**

**PRODUCTION FORECAST**

Year	Light & Medium Oil Production				Residue Gas Production				Condensate Production					
	Company Wells		Company	Company	Net Yearly	Price	Company	Company	Net Yearly	Price	Company	Company	Net Yearly	Price
	Oil	Gas	Daily	Yearly			Daily	Yearly			Daily	Yearly		
			bbl/d	Mbbl	\$/bbl	Mcf/d	MMcf	MMcf	\$/Mcf	bbl/d	Mbbl	Mbbl	\$/bbl	
2016	2	5	79	7	5	58.00	21,719	1,982	1,765	3.18	130	12	9	57.70
2017	2	5	65	24	17	63.77	18,862	6,884	5,745	3.12	113	41	29	63.36
2018	2	5	49	18	14	66.67	15,298	5,584	4,545	3.13	92	34	22	65.99
2019	2	5	37	14	11	69.39	12,504	4,564	3,613	3.46	75	27	17	69.82
2020	2	5	29	11	9	71.95	10,322	3,767	2,899	3.70	62	23	14	72.09
2021	1	5	17	6	5	76.62	8,534	3,115	2,391	4.01	51	19	11	76.91
2022	1	5	14	5	4	81.28	7,126	2,601	2,019	4.22	43	16	9	81.32
2023	1	5	11	4	4	85.94	5,988	2,185	1,750	4.43	36	13	8	86.12
2024	1	5	9	3	3	90.60	5,074	1,852	1,529	4.64	30	11	7	90.45
2025	1	5	7	3	2	93.22	4,300	1,569	1,326	4.74	26	9	6	94.06
2026	1	4	6	2	2	95.09	3,482	1,271	1,087	4.83	21	8	5	95.94
2027	1	4	5	2	2	96.99	2,981	1,088	947	4.93	18	7	4	97.86
Sub.				99	78	71.25		36,463	29,617	3.72		219	140	73.83
Rem.				0	0	0.00		5,465	4,928	5.50		33	20	109.26
<b>Tot.</b>				<b>99</b>	<b>78</b>	<b>71.25</b>		<b>41,928</b>	<b>34,545</b>	<b>3.95</b>		<b>252</b>	<b>160</b>	<b>78.45</b>

Year	Propane Production				Natural Gas Liquids Production				Oil + Liquids Production				
	Company	Company	Net Yearly	Price	Company	Company	Net Yearly	Price	Company	Company	Net Yearly	Price	
	Daily	Yearly			Daily	Yearly			Daily	Yearly			
	bbl/d	Mbbl	Mbbl	\$/bbl	bbl/d	Mbbl	Mbbl	\$/bbl	bbl/d	Mbbl	Mbbl	\$/bbl	
2016		55	5	4	20.90	185	17	14	46.80	264	24	19	50.15
2017		48	17	13	22.70	161	59	42	51.31	226	82	59	54.89
2018		39	14	10	23.64	130	48	33	53.44	179	65	46	57.03
2019		32	12	8	28.11	107	39	26	57.46	144	53	37	60.55
2020		26	10	7	29.08	88	32	20	59.34	117	43	29	62.49
2021		22	8	6	30.79	73	27	17	63.25	90	33	22	65.82
2022		18	7	5	32.50	61	22	14	66.85	75	27	18	69.52
2023		15	6	4	34.21	51	19	12	70.74	62	23	15	73.45
2024		13	5	3	35.93	43	16	10	74.29	52	19	13	77.12
2025		11	4	3	36.93	37	13	8	77.13	44	16	11	79.86
2026		9	3	2	37.67	30	11	7	78.67	36	13	9	81.53
2027		8	3	2	38.42	25	9	6	80.25	31	11	8	83.12
Sub.			92	67	28.44		311	208	60.38		409	286	63.00
Rem.			14	10	42.90		47	29	89.60		47	29	89.60
<b>Tot.</b>			<b>106</b>	<b>77</b>	<b>30.32</b>		<b>357</b>	<b>237</b>	<b>64.19</b>		<b>456</b>	<b>315</b>	<b>65.72</b>

Year	Oil Equivalent Production				
	Company	Company	Net Yearly	Price	
	Daily	Yearly			
	boe/d	Mboe	Mboe	\$/boe	
2016		3,884	354	313	21.19
2017		3,369	1,230	1,017	21.15
2018		2,729	996	804	21.27
2019		2,228	813	639	23.36
2020		1,838	671	512	24.78
2021		1,512	552	421	26.52
2022		1,262	461	355	27.93
2023		1,060	387	307	29.35
2024		898	328	268	30.70
2025		761	278	232	31.41
2026		616	225	190	32.06
2027		528	193	166	32.69
Sub.			6,487	5,222	24.89
Rem.			957	851	35.77
<b>Tot.</b>			<b>7,444</b>	<b>6,073</b>	<b>26.29</b>

## REVENUE AND EXPENSE FORECAST

Year	Revenue Before Burdens				Royalty Interest Total MS	Company Interest Total MS	Royalty Burdens Pre-Processing		Gas Processing Allowance		Total Royalty After Process. MS	Net Revenue After Royalty MS	Operating Expenses		
	Working Interest						Crown MS	Other MS	Crown MS	Other MS			Fixed MS	Variable MS	Total MS
	Oil MS	Gas MS	NGL+Sul MS	Total MS											
2016	419	6,303	791	7,512	0	7,512	905	0	166	0	738	6,774	380	1,380	1,760
2017	1,508	21,487	3,012	26,008	0	26,008	4,673	0	922	0	3,751	22,256	1,548	4,887	6,435
2018	1,181	17,458	2,544	21,183	0	21,183	4,186	0	859	0	3,327	17,856	1,579	4,041	5,620
2019	944	15,813	2,236	18,994	0	18,994	4,006	0	775	0	3,231	15,763	1,611	3,370	4,981
2020	770	13,943	1,906	16,619	0	16,619	3,825	0	719	0	3,106	13,513	1,643	2,841	4,484
2021	485	12,477	1,680	14,642	0	14,642	3,413	0	611	0	2,802	11,840	1,550	2,346	3,896
2022	408	10,975	1,483	12,866	0	12,866	2,906	0	506	0	2,400	10,466	1,581	1,996	3,578
2023	348	9,690	1,318	11,356	0	11,356	2,339	0	396	0	1,943	9,413	1,613	1,710	3,323
2024	300	8,589	1,173	10,062	0	10,062	1,873	0	309	0	1,563	8,499	1,645	1,477	3,122
2025	255	7,435	1,032	8,721	0	8,721	1,489	0	245	0	1,243	7,478	1,678	1,276	2,954
2026	217	6,140	852	7,210	0	7,210	1,167	0	193	0	975	6,235	1,397	1,055	2,452
2027	186	5,363	744	6,294	0	6,294	939	0	155	0	784	5,510	1,425	921	2,346
Sub.	7,021	135,673	18,772	161,466	0	161,466	31,721	0	5,857	0	25,864	135,602	17,650	27,301	44,951
Rem.	0	30,075	4,175	34,251	0	34,251	4,283	0	717	0	3,567	30,684	11,372	5,083	16,455
<b>Tot.</b>	<b>7,021</b>	<b>165,749</b>	<b>22,947</b>	<b>195,717</b>	<b>0</b>	<b>195,717</b>	<b>36,005</b>	<b>0</b>	<b>6,574</b>	<b>0</b>	<b>29,431</b>	<b>166,286</b>	<b>29,022</b>	<b>32,384</b>	<b>61,406</b>
Disc	5,216	100,710	13,958	119,883	0	119,883	22,961	0	4,291	0	18,669	101,214	13,173	20,603	33,776

Year	Mineral Tax MS	Capital Tax MS	NPI Burden MS	Net Prod'n Revenue MS	Other Income MS	Aband. & Recl. Costs MS		Oper. Income MS	Net Capital Investment			Before Tax Cash Flow		
						MS	MS		Dev. MS	Plant MS	Tang. MS	Total MS	Annual MS	Cum. MS
2016	0	0	0	5,014	0	0	5,014	0	0	0	0	5,014	5,014	4,955
2017	0	0	0	15,821	0	0	15,821	0	0	0	0	15,821	20,835	19,684
2018	0	0	0	12,236	0	0	12,236	0	0	0	0	12,236	33,071	30,040
2019	0	0	0	10,781	0	0	10,781	0	0	0	0	10,781	43,852	38,336
2020	0	0	0	9,028	0	0	9,028	0	0	0	0	9,028	52,881	44,651
2021	0	0	0	7,944	0	0	7,944	0	0	0	0	7,944	60,824	49,702
2022	0	0	0	6,888	0	0	6,888	0	0	0	0	6,888	67,713	53,684
2023	0	0	0	6,090	0	0	6,090	0	0	0	0	6,090	73,803	56,885
2024	0	0	0	5,377	0	0	5,377	0	0	0	0	5,377	79,180	59,454
2025	0	0	0	4,524	0	108	4,416	0	0	0	0	4,416	83,596	61,372
2026	0	0	0	3,784	0	0	3,784	0	0	0	0	3,784	87,380	62,866
2027	0	0	0	3,164	0	0	3,164	0	0	0	0	3,164	90,544	64,002
Sub.	0	0	0	90,651	0	108	90,544	0	0	0	0	90,544	90,544	64,002
Rem.	0	0	0	14,229	0	1,094	13,135	0	0	0	0	13,135	103,678	67,226
<b>Tot.</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>104,880</b>	<b>0</b>	<b>1,202</b>	<b>103,678</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>103,678</b>	<b>103,678</b>	<b>67,226</b>
Disc	0	0	0	67,438	0	212	67,226	0	0	0	0	67,226	67,226	67,226

## SUMMARY OF RESERVES

Product	Units	Remaining Reserves at Oct 01, 2016				Oil Equivalents			Reserve Life Indic. (yr)		
		Working Interest	Roy/NPI Interest	Total Company	Net	Oil Eq. Factor	Company Mboe	% of Total	Reserve Life	Life Index	Half Life
		Light/Med Oil	Mbbl	99	0	99	78	1.000	99	1	11.3
Residue Gas	MMcf	41,928	0	41,928	34,545	6.000	6,988	94	28.3	5.3	4.5
Gas Heat Content	BBtu	45,283	0	45,283	37,309	0.000	0	0	28.3	5.3	4.5
Condensate	Mbbl	252	0	252	160	1.000	252	3	28.3	5.3	4.5
Propane	Mbbl	106	0	106	77	1.000	106	1	28.3	5.3	4.5
Total: NGL	Mbbl	357	0	357	237	1.000	357	5	28.3	5.3	4.5
Total: Oil+NGL	Mbbl	456	0	456	315	1.000	456	6	28.3	4.7	4.1
Total: Oil Eq.	Mboe	7,444	0	7,444	6,073	1.000	7,444	100	28.3	5.3	4.5

## PRODUCT REVENUE AND EXPENSES

Product	Units	Average First Year Unit Values				Net Revenue After Royalties						
		Base Price	Price Adjust.	Wellhead Price	Net Burdens	Operating Expenses	Other Expenses	Prod'n Revenue	Undisc MS	% of Total	10% Disc MS	% of Total
Light/Med Oil	\$/bbl	60.00	-2.00	58.00	16.07	15.17	0.00	26.76	5,650	3	4,115	4
Residue Gas	\$/Mcf	2.71	0.47	3.18	0.24	0.83	0.00	2.10	144,978	87	87,368	86
Condensate	\$/bbl	63.00	-5.30	57.70	10.74	0.00	0.00	46.96	13,103	8	8,166	8
Propane	\$/bbl	18.00	2.90	20.90	2.17	0.00	0.00	18.73	2,555	2	1,565	2
Total: NGL	\$/bbl	49.67	-2.87	46.80	8.20	0.00	0.00	38.59	15,659	9	9,731	10
Total: Oil+NGL	\$/bbl	52.76	-2.61	50.15	10.56	4.54	0.00	35.05	21,308	13	13,846	14
Total: Oil Eq.	\$/boe	18.76	2.43	21.19	2.08	4.97	0.00	14.15	166,286	100	101,214	100

REVENUE BURDENS AND NET PRESENT VALUE SUMMARY

	Revenue Burdens (%)		Net Present Value Before Income Tax					
	Initial	Average	Disc. Rate %	Prod'n Revenue M\$	Operating Income M\$	Capital Invest. M\$	Cash Flow	
							M\$	\$/boe
Crown Royalty	12.0411	18.3963	0.0	104,880	103,678	0	103,678	13.93
Non-crown Royalty	0.0000	0.0000	5.0	81,904	81,435	0	81,435	10.94
Mineral Tax	0.0000	0.0000	8.0	72,516	72,229	0	72,229	9.70
			10.0	67,438	67,226	0	67,226	9.03
			12.0	63,081	62,922	0	62,922	8.45
			15.0	57,600	57,494	0	57,494	7.72
			20.0	50,511	50,453	0	50,453	6.78

Evaluator: Jacksteit, Ian G.  
 Run Date: November 21, 2016 08:45:57

Company: **Persta Resources Inc.**  
 Property: **Corporate**  
 Description: **Properties**

Reserve Class: **Proved Plus Probable**  
 Development Class: **Total**  
 Pricing: **GLJ (2016-10)**  
 Effective Date: **September 30, 2016**

**Economic Forecast**

**PRODUCTION FORECAST**

Year	Light & Medium Oil Production				Residue Gas Production				Condensate Production					
	Company Wells		Company	Company	Net Yearly	Price	Company	Company	Net Yearly	Price	Company	Company	Net Yearly	Price
	Oil	Gas	Daily	Yearly			Daily	Yearly			Daily	Yearly		
			bbl/d	Mbbl	\$/bbl	Mcf/d	MMcf	MMcf	\$/Mcf	bbl/d	Mbbl	Mbbl	\$/bbl	
2016	2	5	79	7	5	58.00	21,719	1,982	1,765	3.18	130	12	9	57.70
2017	2	8	65	24	17	63.77	35,275	12,875	11,438	3.17	212	77	62	63.36
2018	2	10	49	18	14	66.67	37,464	13,674	12,028	3.19	225	82	64	65.99
2019	2	10	37	14	11	69.39	30,884	11,273	9,328	3.46	185	68	47	69.82
2020	2	10	29	11	9	71.95	25,421	9,279	7,314	3.70	153	56	36	72.09
2021	1	10	17	6	5	76.62	21,092	7,699	5,900	4.01	127	46	28	76.91
2022	1	10	14	5	4	81.28	17,716	6,466	4,961	4.22	106	39	24	81.32
2023	1	10	11	4	4	85.94	14,992	5,472	4,242	4.43	90	33	20	86.12
2024	1	10	9	3	3	90.60	12,800	4,672	3,683	4.64	77	28	17	90.45
2025	1	10	7	3	2	93.22	10,932	3,990	3,215	4.74	66	24	14	94.06
2026	1	9	6	2	2	95.09	9,222	3,366	2,769	4.83	55	20	12	95.94
2027	1	9	5	2	2	96.99	7,973	2,910	2,451	4.93	48	17	10	97.86
Sub.				99	78	71.25		83,658	69,094	3.80		502	343	75.11
Rem.				0	0	0.00		16,614	14,952	5.53		100	60	109.80
<b>Tot.</b>				<b>99</b>	<b>78</b>	<b>71.25</b>		<b>100,272</b>	<b>84,046</b>	<b>4.08</b>		<b>602</b>	<b>403</b>	<b>80.85</b>

Year	Propane Production				Natural Gas Liquids Production				Oil + Liquids Production			
	Company	Company	Net Yearly	Price	Company	Company	Net Yearly	Price	Company	Company	Net Yearly	Price
	Daily	Yearly	Mbbl	\$/bbl	Daily	Yearly	Mbbl	\$/bbl	Daily	Yearly	Mbbl	\$/bbl
	bbl/d	Mbbl	Mbbl		bbl/d	Mbbl			bbl/d	Mbbl	Mbbl	
2016	55	5	4	20.90	185	17	14	46.80	264	24	19	50.15
2017	89	33	28	22.70	301	110	89	51.31	366	133	106	53.52
2018	95	35	29	23.64	319	117	93	53.44	368	134	107	55.18
2019	78	28	22	28.11	263	96	69	57.46	301	110	80	58.94
2020	64	23	17	29.08	217	79	53	59.34	246	90	62	60.85
2021	53	19	14	30.79	180	66	42	63.25	197	72	47	64.42
2022	45	16	12	32.50	151	55	35	66.85	165	60	40	68.06
2023	38	14	10	34.21	128	47	29	70.74	139	51	33	71.95
2024	32	12	8	35.93	109	40	25	74.29	118	43	28	75.55
2025	28	10	7	36.93	93	34	21	77.13	101	37	24	78.33
2026	23	9	6	37.67	79	29	18	78.67	85	31	20	79.88
2027	20	7	5	38.42	68	25	16	80.25	73	27	17	81.45
Sub.		211	161	29.07		713	504	61.47		812	583	62.65
Rem.		42	29	43.11		142	89	90.04		142	89	90.04
<b>Tot.</b>		<b>253</b>	<b>191</b>	<b>31.40</b>		<b>855</b>	<b>594</b>	<b>66.20</b>		<b>953</b>	<b>672</b>	<b>66.72</b>

Year	Oil Equivalent Production			
	Company	Company	Net Yearly	Price
	Daily	Yearly	Mboe	\$/boe
	boe/d	Mboe	Mboe	
2016	3,884	354	313	21.19
2017	6,245	2,279	2,013	21.06
2018	6,612	2,413	2,111	21.13
2019	5,448	1,988	1,635	22.89
2020	4,483	1,636	1,281	24.33
2021	3,713	1,355	1,031	26.18
2022	3,117	1,138	866	27.58
2023	2,637	963	740	28.99
2024	2,252	822	642	30.33
2025	1,923	702	560	31.04
2026	1,622	592	482	31.66
2027	1,402	512	426	32.28
Sub.		14,755	12,099	24.98
Rem.		2,911	2,581	35.95
<b>Tot.</b>		<b>17,666</b>	<b>14,680</b>	<b>26.79</b>

REVENUE AND EXPENSE FORECAST

Year	Revenue Before Burdens				Royalty Interest Total MS	Company Interest Total MS	Royalty Burdens		Gas Processing Allowance		Total Royalty After Process. MS	Net Revenue After Royalty MS	Operating Expenses		
	Working Interest						Crown MS	Other MS	Crown MS	Other MS			Fixed MS	Variable MS	Total MS
	Oil MS	Gas MS	NGL+Sul MS	Total MS											
2016	419	6,303	791	7,512	0	7,512	905	0	166	0	738	6,774	380	1,380	1,760
2017	1,508	40,858	5,633	48,000	0	48,000	5,773	0	1,166	0	4,607	43,392	2,251	8,981	11,233
2018	1,181	43,594	6,231	51,006	0	51,006	6,458	0	1,381	0	5,077	45,929	2,856	9,681	12,536
2019	944	39,058	5,523	45,526	0	45,526	7,980	0	1,651	0	6,330	39,196	2,980	8,140	11,120
2020	770	34,340	4,695	39,805	0	39,805	8,469	0	1,713	0	6,756	33,049	3,039	6,838	9,878
2021	485	30,837	4,152	35,473	0	35,473	8,311	0	1,611	0	6,700	28,773	2,974	5,737	8,711
2022	408	27,286	3,686	31,380	0	31,380	7,340	0	1,387	0	5,953	25,427	3,034	4,913	7,947
2023	348	24,262	3,300	27,910	0	27,910	6,375	0	1,180	0	5,195	22,715	3,095	4,239	7,334
2024	300	21,668	2,960	24,928	0	24,928	5,434	0	987	0	4,447	20,480	3,156	3,691	6,847
2025	255	18,903	2,624	21,782	0	21,782	4,441	0	806	0	3,635	18,147	3,220	3,215	6,434
2026	217	16,265	2,258	18,739	0	18,739	3,561	0	647	0	2,914	15,825	2,969	2,766	5,735
2027	186	14,343	1,991	16,521	0	16,521	2,874	0	494	0	2,380	14,141	3,029	2,439	5,467
Sub.	7,021	317,716	43,843	368,580	0	368,580	67,921	0	13,191	0	54,730	313,850	32,983	62,019	95,003
Rem.	0	91,874	12,754	104,629	0	104,629	13,213	0	2,211	0	11,002	93,626	34,500	15,529	50,028
<b>Tot.</b>	<b>7,021</b>	<b>409,590</b>	<b>56,597</b>	<b>473,209</b>	<b>0</b>	<b>473,209</b>	<b>81,134</b>	<b>0</b>	<b>15,402</b>	<b>0</b>	<b>65,732</b>	<b>407,476</b>	<b>67,483</b>	<b>77,548</b>	<b>145,031</b>
Disc	5,216	233,566	32,284	271,066	0	271,066	46,667	0	9,095	0	37,572	233,494	26,354	46,200	72,553

Year	Mineral Tax MS	Capital Tax MS	NPI Burden MS	Net Prod'n Revenue MS	Other Income MS	Aband. & Recl. Costs MS		Oper. Income MS	Net Capital Investment			Before Tax Cash Flow		
						MS	MS		Dev. MS	Plant MS	Tang. MS	Total MS	Annual MS	Cum. MS
2016	0	0	0	5,014	0	0	5,014	0	0	0	0	5,014	5,014	4,955
2017	0	0	0	32,160	0	0	32,160	15,759	1,530	1,071	18,360	13,800	18,814	17,803
2018	0	0	0	33,393	0	0	33,393	10,716	1,040	728	12,485	20,908	39,722	35,498
2019	0	0	0	28,076	0	0	28,076	0	0	0	0	28,076	67,798	57,101
2020	0	0	0	23,171	0	0	23,171	0	0	0	0	23,171	90,969	73,309
2021	0	0	0	20,062	0	0	20,062	0	0	0	0	20,062	111,031	86,066
2022	0	0	0	17,480	0	0	17,480	0	0	0	0	17,480	128,511	96,171
2023	0	0	0	15,382	0	0	15,382	0	0	0	0	15,382	143,893	104,255
2024	0	0	0	13,633	0	0	13,633	0	0	0	0	13,633	157,526	110,768
2025	0	0	0	11,713	0	108	11,605	0	0	0	0	11,605	169,131	115,808
2026	0	0	0	10,090	0	0	10,090	0	0	0	0	10,090	179,221	119,792
2027	0	0	0	8,674	0	0	8,674	0	0	0	0	8,674	187,895	122,906
Sub.	0	0	0	218,847	0	108	218,740	26,475	2,570	1,799	30,845	187,895	187,895	122,906
Rem.	0	0	0	43,598	0	2,195	41,403	0	0	0	0	41,403	229,298	132,990
<b>Tot.</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>262,445</b>	<b>0</b>	<b>2,302</b>	<b>260,143</b>	<b>26,475</b>	<b>2,570</b>	<b>1,799</b>	<b>30,845</b>	<b>229,298</b>	<b>229,298</b>	<b>132,990</b>
Disc	0	0	0	160,941	0	291	160,650	23,742	2,305	1,614	27,660	132,990	132,990	132,990

SUMMARY OF RESERVES

Product	Units	Remaining Reserves at Oct 01, 2016				Oil Equivalents			Reserve Life Indic. (yr)		
		Working Interest	Roy/NPI Interest	Total Company	Net	Oil Eq. Factor	Company Mboe	% of Total	Reserve Life	Life Index	Half Life
Light/Med Oil	Mbbl	99	0	99	78	1.000	99	1	11.3	3.4	3.1
Residue Gas	MMcf	100,272	0	100,272	84,046	6.000	16,712	95	29.3	12.6	5.1
Gas Heat Content	BBtu	108,294	0	108,294	90,770	0.000	0	0	29.3	12.6	5.1
Condensate	Mbbl	602	0	602	403	1.000	602	3	29.3	12.6	5.1
Propane	Mbbl	253	0	253	191	1.000	253	1	29.3	12.6	5.1
Total: NGL	Mbbl	855	0	855	594	1.000	855	5	29.3	12.6	5.1
Total: Oil+NGL	Mbbl	953	0	953	672	1.000	953	5	29.3	9.9	4.8
Total: Oil Eq.	Mboe	17,666	0	17,666	14,680	1.000	17,666	100	29.3	12.5	5.1

PRODUCT REVENUE AND EXPENSES

Product	Units	Average First Year Unit Values				Net Revenue After Royalties						
		Base Price	Price Adjust.	Wellhead Price	Net Burdens	Operating Expenses	Other Expenses	Prod'n Revenue	Undisc MS	% of Total	10% Disc MS	% of Total
Light/Med Oil	S/bbl	60.00	-2.00	58.00	16.07	15.17	0.00	26.76	5,650	1	4,115	2
Residue Gas	S/Mcf	2.71	0.47	3.18	0.24	0.83	0.00	2.10	361,761	89	205,653	88
Condensate	S/bbl	63.00	-5.30	57.70	10.74	0.00	0.00	46.96	33,619	8	19,989	9
Propane	S/bbl	18.00	2.90	20.90	2.17	0.00	0.00	18.73	6,447	2	3,737	2
Total: NGL	S/bbl	49.67	-2.87	46.80	8.20	0.00	0.00	38.59	40,066	10	23,726	10
Total: Oil+NGL	S/bbl	52.76	-2.61	50.15	10.56	4.54	0.00	35.05	45,716	11	27,842	12
Total: Oil Eq.	S/boe	18.76	2.43	21.19	2.08	4.97	0.00	14.15	407,476	100	233,494	100

## REVENUE BURDENS AND NET PRESENT VALUE SUMMARY

Revenue Burdens (%)	Net Present Value Before Income Tax							
	Initial	Average	Disc. Rate %	Prod'n Revenue M\$	Operating Income M\$	Cash Flow		
						Capital Invest. M\$	M\$	\$/boe
Crown Royalty	12.0411	17.1456	0.0	262,445	260,143	30,845	229,298	12.98
Non-crown Royalty	0.0000	0.0000	5.0	199,677	198,927	29,163	169,764	9.61
Mineral Tax	0.0000	0.0000	8.0	174,458	174,041	28,242	145,799	8.25
			10.0	160,941	160,650	27,660	132,990	7.53
			12.0	149,416	149,208	27,103	122,105	6.91
			15.0	135,022	134,891	26,309	108,582	6.15
			20.0	116,579	116,513	25,088	91,425	5.18

Evaluator: Jacksteit, Ian G.  
Run Date: November 21, 2016 08:45:58

**TABLE 1**  
**SUMMARY OF MINERAL ACREAGE**

Property	Land Holdings			
	Gross		Net	
	Acres	Hectares	Acres	Hectares
<b>Alberta Foothills</b>	<b>68,800</b>	<b>27,520</b>	<b>67,008</b>	<b>26,803</b>
Basing	9,600	3,840	9,600	3,840
Voyager	22,400	8,960	22,400	8,960
Kaydee	19,200	7,680	19,200	7,680
Stolberg	10,240	4,096	8,448	3,379
Columbia	7,360	2,944	7,360	2,944
<b>Peace River</b>	<b>3,840</b>	<b>1,536</b>	<b>3,840</b>	<b>1,536</b>
Dawson	3,840	1,536	3,840	1,536
<b>Deep Basin Devonian</b>	<b>44,320</b>	<b>17,728</b>	<b>44,320</b>	<b>17,728</b>
Hanlan-Peco	44,320	17,728	44,320	17,728
<b>TOTAL</b>	<b>116,960</b>	<b>46,784</b>	<b>115,168</b>	<b>46,067</b>

## SPE-PRMS RESOURCE AND RESERVES DEFINITIONS

GLJ Petroleum Consultants (GLJ) has prepared estimates of resources and reserves in accordance with the definitions and standards contained in the Petroleum Resources Management System (SPE-PRMS) prepared by the Society of Petroleum Engineers (SPE). The SPE-PRMS document was reviewed and jointly sponsored by the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG) and the Society of Petroleum Evaluation Engineers (SPEE). The SPE-PRMS definitions and guidelines are similar to those contained in the Canadian Oil and Gas Evaluation (COGE) Handbook, which is referenced by the Canadian Securities Administrators in “National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities” and the standards normally used in Canadian oil and gas evaluations. Reserve and resource volumes derived under the SPE-PRMS and COGEH standards would not generally be materially different. The following are excerpts from the SPE-PRMS.

### A. Fundamental Resource Definitions

**Total Petroleum Initially-In-Place (PIIP)** is that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations, prior to production, plus those estimated quantities in accumulations yet to be discovered (equivalent to “total resources”).

**Discovered Petroleum Initially-In-Place** (equivalent to discovered resources) is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production.

**Reserves** are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.

**Contingent Resources** are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

**Undiscovered Petroleum Initially-In-Place** (equivalent to undiscovered resources) is that quantity of petroleum estimated, on a given date, to be contained within accumulations yet to be discovered.

**Prospective Resources** are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

## B. Uncertainty Categories for Resource Estimates

The range of uncertainty of estimated recoverable volumes may be represented by either deterministic scenarios or by a probability distribution. When the range of uncertainty is represented by a probability distribution, a low, best, and high estimate shall be provided such that:

**Low Estimate:** There should be at least a 90 percent probability (P90) that the quantities actually recovered will equal or exceed the low estimate.

**Best Estimate:** There should be at least a 50 percent probability (P50) that the quantities actually recovered will equal or exceed the best estimate.

**High Estimate:** There should be at least a 10 percent probability (P10) that the quantities actually recovered will equal or exceed the high estimate.

When using the deterministic scenario method, typically there should also be low, best, and high estimates, where such estimates are based on qualitative assessments of relative uncertainty using consistent interpretation guidelines.

These same approaches to describing uncertainty may be applied to reserves, contingent resources, and prospective resources. There may be significant risk that sub-commercial and undiscovered accumulations will not achieve commercial production. However, it is useful to consider and identify the range of potentially recoverable quantities independently of such risk or consideration of the resource class to which the quantities will be assigned.

## C. Reserves Categories

The following summarizes the definitions of each Reserves category in terms of both the deterministic incremental approach and scenario approach and also provides the probability criteria if probabilistic methods are applied.

### **Proved Reserves**

Proved reserves are those quantities of petroleum, which, by analysis of geosciences and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

### **Probable Reserves**

*Probable reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated proved plus probable reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.*

**Possible Reserves**

*Possible reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than probable reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of proved plus probable plus possible (3P) reserves, which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.*

**Development and Production Status**

Each of the reserves categories (proved, probable, and possible) may be divided into developed and undeveloped categories.

**Developed Reserves**

Developed reserves are those reserves that are expected quantities to be recovered from existing wells and facilities.

**Developed Producing Reserves**

Developed producing reserves are those reserves expected to be recovered from intervals that are open and producing at the time of the estimate.

**Developed Non-Producing Reserves**

Developed non-producing reserves include shut-in and behind-pipe reserves.

**Undeveloped Reserves**

Undeveloped reserves are quantities expected to be recovered through future investments.

**D. Discovered and Commercial****Discovery Status**

A discovery is one petroleum accumulation, or several petroleum accumulations collectively, for which one or several exploratory wells have established through testing, sampling, and/or logging the existence of a significant quantity of potentially moveable hydrocarbons.

In this context, "significant" implies that there is evidence of a sufficient quantity of petroleum to justify estimating the in-place volume determined by the well(s) and for evaluating the potential for economic recovery.

**Commercial Status**

Discovered recoverable volumes (Contingent Resources) may be considered commercially producible, and thus Reserves, if the entity claiming commerciality has demonstrated firm intention to proceed with development and such intention is based upon all of the following criteria:

- Evidence to support a reasonable timetable for development;
- A reasonable assessment of the future economics of such development projects meeting defined investment and operating criteria;
- A reasonable expectation that there will be a market for all or at least the expected sales quantities of production required to justify development;
- Evidence that the necessary production and transportation facilities are available or can be made available;

- Evidence that legal, contractual, environmental, governmental, and other social and economic concerns will allow for the actual implementation of the recovery project being evaluated.

#### **E. Economic Status of Resource Estimates**

Projects may be further characterized by their Economic Status. All projects classified as Reserves must be economic under defined conditions. Based on assumptions regarding future conditions and their impact on ultimate economic viability, projects currently classified as Contingent Resources may be broadly divided into two groups:

##### ***Marginal Contingent Resources***

Marginal contingent resources are those quantities associated with technically feasible projects that are either currently economic or projected to be economic under reasonably forecasted improvements in commercial conditions but are not committed for development because of one or more contingencies.

##### ***Sub-Marginal Contingent Resources***

Sub-marginal contingent resources are those quantities associated with discoveries for which analysis indicates that technically feasible development projects would not be economic and/or other contingencies would not be satisfied under current or reasonably forecasted improvements in commercial conditions. These projects nonetheless should be retained in the inventory of discovered resources pending unforeseen major changes in commercial conditions.

Where evaluations are incomplete such that it is premature to clearly define ultimate chance of commerciality, it is acceptable to note that project economic status is “undetermined” (i.e., “contingent resources – economic status undetermined”).

**EVALUATION PROCEDURE**

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## EVALUATION PROCEDURE

The following outlines the methodology employed by GLJ Petroleum Consultants (GLJ) in conducting the evaluation of the Company's oil and gas properties. GLJ evaluation procedures are in compliance with standards described in the PRMS.

## INTEREST DESCRIPTIONS

The Company provided GLJ with current land interest information. The Company provided a representation letter confirming accuracy of land information. Certain cross-checks of land information were undertaken by GLJ. In this process, nothing came to GLJ's attention that indicated that information provided by the Company was incomplete or unreliable.

In GLJ's reports, "Company Interest" reserves and values refer to the sum of royalty interest\* and working interest reserves before deduction of royalty burdens payable. "Working Interest" reserves equate to those reserves that are referred to as "Company Gross" reserves.

*\*Royalty interest reserves include royalty volumes derived only from other working interest owners.*

## WELL DATA

Pertinent interest and offset well data such as drill stem tests, workovers, pressure surveys, production tests, etc., were provided by the Company or were obtained from other operators, public records or GLJ non-confidential files.

## ACCOUNTING SUMMARY

The Company provided GLJ with available accounting data on a property basis and for the corporate total for the period January 1, 2014, to September 30, 2016. In some circumstances this information was also provided on a cost centre basis to address major reserves entities that are a subset of a Company property.

## PRODUCTION FORECASTS

In establishing all production forecasts, consideration was given to existing gas contracts and the possibility of contract revisions, to the operator's plans for development drilling and to reserves and well capability. Generally, development drilling in an area was not considered unless there was some indication from the operator that drilling could be expected.

The on-stream date for currently shut-in reserves was estimated with consideration given to the following:

- proximity to existing facilities
- plans of the operator
- economics

#### **ECONOMIC PARAMETERS**

Pertinent economic parameters are listed as follows:

- a) The effective date is September 30, 2016.
- b) Operating and capital costs were estimated in 2016 dollars and then escalated as summarized in the Product Price and Market Forecasts section of this report.
- c) Economic forecasts were prepared for each property on a before income tax basis. Detailed discounting of future cash flow was performed using a discount factor of 10.0 percent with all values discounted annually to September 30, 2016, on a mid-calendar-year basis.
- d) Royalty holidays applicable to existing wells or forecast drilling are included in individual well economics. These credits are itemized within the property reports.
- e) Mineral taxes on freehold interests were included.
- f) Field level overhead charges have been included; recovery of overhead expenses has not been included.
- g) The Company's office G&A costs have not been included.
- h) Abandonment and reclamation costs for all future wells with undeveloped reserves have been included at the property level. Additional abandonment and reclamation costs associated with existing wells, pipelines and facilities have not been included in this analysis.

#### **OIL EQUIVALENT OR GAS EQUIVALENT**

In this report, quantities of hydrocarbons have been converted to barrels of oil equivalent (boe); or to sales gas equivalent (sge) using factors of 6 Mcf/boe for gas, 1 bbl/boe for all liquids, and 0 boe for sulphur. Users of oil equivalent values are cautioned that while boe based metrics are useful for comparative purposes, they may be misleading when used in isolation.

## LIST OF ABBREVIATIONS

AOF	absolute open flow
bbl	barrels
Bcf	billion cubic feet of gas at standard conditions
BIIP	bitumen initially-in-place
boe	barrel of oil equivalent, in this evaluation determined using 6 Mcf/boe for gas, 1 bbl/boe for all liquids, and 0 boe for sulphur
bopd	barrels of oil per day
Btu	British thermal units
bwpd	barrels of water per day
DSU	drilling spacing unit
GCA	gas cost allowance
GIIP	gas initially-in-place
GOC	gas-oil contact
GOR	gas-oil ratio
GORR	gross overriding royalty
GWC	gas-water contact
Mbbl	thousand barrels
Mboe	thousand boe
Mcf	thousand cubic feet of gas at standard conditions
Mcfe	thousand cubic feet of gas equivalent
Mlt	thousand long tons
\$	price or value in dollars. (Unless otherwise stated all \$ in this report represent Canadian dollars)
M\$	thousand dollars
MMS\$	million dollars
MMbbl	million barrels
MMboe	million boe
MMBtu	million British thermal units
MMcf	million cubic feet of gas at standard conditions
MRL	maximum rate limitation
Mstb	thousand stock tank barrels
MMstb	million stock tank barrels
NGL	natural gas liquids (ethane, propane, butane and condensate)
NPI	net profits interest
OIIP	oil initially-in-place
ORRI	overriding royalty interest
OWC	oil-water contact
P&NG	petroleum and natural gas
PIIP	petroleum initially-in-place
psia	pounds per square inch absolute
psig	pounds per square inch gauge
PVT	pressure-volume-temperature
RLI	reserves life index, calculated by dividing reserves by the forecast of first year production
scf	standard cubic feet
sge	sales gas equivalent – if presented in this evaluation, determined using 1 barrel of oil or natural gas liquid = 6 Mcfe; 0 for sulphur
stb	stock tank barrel
WI	working interest
WTI	West Texas Intermediate

**PRODUCT PRICE AND MARKET FORECASTS**  
**October 1, 2016**

GLJ Petroleum Consultants has prepared its October 1, 2016 price and market forecasts as summarized in the attached Tables 1, 2 and 3 after a comprehensive review of information. Information sources include numerous government agencies, industry publications, Canadian oil refiners and natural gas marketers. The forecasts presented herein are based on an informed interpretation of currently available data. While these forecasts are considered reasonable at this time, users of these forecasts should understand the inherent high uncertainty in forecasting any commodity or market. These forecasts will be revised periodically as market, economic and political conditions change. These future revisions may be significant.

**Table 1**  
GLJ Petroleum Consultants  
**Crude Oil and Natural Gas Liquids**  
**Price Forecast**  
Effective October 1, 2016

Year	Inflation %	CAD/USD Exchange Rate USD/CAD	NYMEX WTI Near Month Contract Crude Oil at Cushing, OK 2016 \$	ICE Brent Near Month Contract FOB North Sea 2016 \$	Light, Sweet Crude Oil at Edmonton (40 API, 0.3%)	Bow River Crude Oil at Hardisty		WCS Crude Oil Stream Quality at Hardisty	Heavy Crude Oil Proxy (12 API) at Hardisty		Light Sour Crude Oil at Cromer (35 API, 1.2%)		Medium Crude Oil at Cromer (29 API, 2.0%)		Alberta Natural Gas Liquids (Then Current Dollars)			Edmonton C5+ Stream Quality CAD/bbl	
						Current	Then		Current	Then	Current	Then	Current	Then	Ethane	Propane	Butane		
			USD/bbl	USD/bbl	CAD/bbl	CAD/bbl	CAD/bbl	CAD/bbl	CAD/bbl	CAD/bbl	CAD/bbl	CAD/bbl	CAD/bbl	CAD/bbl	CAD/bbl	CAD/bbl	CAD/bbl	CAD/bbl	
2006	2.0	0.8818	78.49	66.22	73.21	51.82	50.66	41.84	41.84	66.38	62.26	N/A	43.85	60.18	75.41				
2007	2.1	0.9352	84.13	72.39	77.06	53.64	52.38	43.42	43.42	77.13	65.71	N/A	49.56	61.78	77.38				
2008	2.4	0.9428	113.34	99.64	102.90	84.31	82.95	74.94	74.94	96.08	93.10	N/A	58.38	75.33	104.78				
2009	0.4	0.8798	68.61	61.78	66.32	60.18	58.66	54.46	54.46	63.84	62.96	N/A	38.03	48.17	68.17				
2010	1.8	0.9711	87.96	79.52	77.87	68.45	67.27	60.76	60.76	76.58	73.76	N/A	46.84	65.91	84.27				
2011	2.0	1.0115	103.39	95.12	95.53	78.59	77.14	67.64	67.64	92.35	88.33	N/A	53.66	74.42	104.17				
2012	1.5	1.0009	99.48	94.21	86.60	74.42	73.13	63.64	63.64	84.51	81.37	N/A	29.04	66.70	100.84				
2013	0.9	0.9711	101.92	97.96	93.47	76.33	75.01	65.11	65.11	92.30	88.13	N/A	38.88	68.81	104.70				
2014	1.9	0.9055	95.83	93.00	94.58	81.08	81.03	73.73	73.73	92.68	89.67	N/A	45.53	69.20	102.44				
2015	1.1	0.7831	49.32	48.78	57.20	45.50	44.82	39.25	39.25	55.49	51.87	N/A	6.49	36.75	60.42				
2016 Q1	1.6	0.7281	33.46	33.46	40.85	27.60	26.30	19.04	19.04	38.42	35.95	N/A	6.12	29.01	47.18				
2016 Q2	1.6	0.7762	45.70	45.70	54.95	42.41	41.75	36.18	36.18	53.42	50.91	N/A	9.72	31.92	56.99				
2016 Q3 (e)	1.2	0.766	44.86	44.86	54.68	41.71	40.91	35.35	35.35	53.61	50.99	N/A	12.09	33.79	56.12				
2016 Q4	2.0	0.750	48.00	48.00	60.00	45.60	45.00	38.60	38.60	58.80	55.80	9.44	18.00	39.00	63.00				
2016 Full Year	1.6	0.755	43.01	43.01	52.62	39.33	38.49	32.29	32.29	51.06	48.41	N/A	11.48	33.43	55.82				
2017	2.0	0.775	52.94	54.00	65.81	51.00	50.34	43.81	43.81	64.49	61.20	9.60	19.74	46.06	68.77				
2018	2.0	0.800	55.75	58.00	68.75	55.00	54.31	48.16	48.16	67.38	63.94	9.60	20.63	51.56	71.50				
2019	2.0	0.825	59.37	63.00	71.52	59.36	58.64	52.60	52.60	70.08	66.51	10.34	25.03	53.64	75.45				
2020	2.0	0.850	61.90	67.00	74.12	62.63	61.89	56.11	56.11	72.64	68.93	11.09	25.94	55.59	77.82				
2021	2.0	0.850	64.31	71.00	78.82	67.39	66.61	60.76	60.76	77.25	73.31	12.05	27.59	59.12	82.76				
2022	2.0	0.850	66.60	75.00	83.53	72.25	71.42	65.66	65.66	81.86	77.68	12.73	29.24	62.65	87.29				
2023	2.0	0.850	68.77	79.00	88.24	76.76	75.88	69.99	69.99	86.47	82.06	13.40	30.88	66.18	92.21				
2024	2.0	0.850	70.84	83.00	92.94	81.32	80.39	74.51	74.51	91.08	86.44	14.04	32.53	69.71	96.66				
2025	2.0	0.850	72.00	86.05	95.61	85.09	84.14	78.26	78.26	93.70	88.92	14.34	33.46	71.71	100.39				
2026+	2.0	0.850	72.00	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr			

A historical futures contract price is an average of the daily settlement price of the near month contract over the calendar month.

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Year	Table 2 GLJ Petroleum Consultants Natural Gas and Sulphur Price Forecast Effective October 1, 2016															
	NYMEX Henry Hub Near Month Contract		Midwest at Chicago		Alliance Transfer Pool		Alberta Plant Gate			Saskatchewan Plant Gate		British Columbia		Sulphur		Alberta Sulphur
	Constant 2016 \$ USD/MMBtu	Then USD/MMBtu	Price Then USD/MMBtu	Current USD/MMBtu	AECO/NIT Then CAD/MMBtu	Spot Current CAD/MMBtu	Constant 2016 \$ CAD/MMBtu	Spot Current CAD/MMBtu	Then CAD/MMBtu	ARP CAD/MMBtu	SaskEnergy CAD/MMBtu	Spot CAD/MMBtu	Sumas Spot USD/MMBtu	Westcoast Station 2 CAD/MMBtu	Spot Plant Gate CAD/MMBtu	FOB Vancouver USD/ltr
2006	8.28	6.99	6.93	6.93	6.52	N/A	7.46	6.29	6.57	6.67	6.42	6.05	6.58	6.40	55.07	19.27
2007	8.27	7.12	6.83	6.83	6.45	N/A	7.23	6.23	6.20	6.18	6.35	6.52	6.40	6.16	81.66	42.03
2008	10.12	8.90	8.91	8.90	8.16	N/A	9.02	7.94	7.88	8.07	8.04	6.47	8.21	7.99	497.39	488.63
2009	4.63	4.16	4.05	4.05	3.99	N/A	4.21	3.79	3.85	3.87	3.83	3.80	3.90	3.70	57.06	24.57
2010	4.86	4.40	4.53	4.53	4.01	N/A	4.18	3.78	3.77	3.96	3.85	4.12	3.78	3.63	88.94	48.26
2011	4.40	4.03	4.21	4.21	3.62	N/A	3.72	3.42	3.46	3.57	3.58	3.90	3.33	3.18	217.16	171.93
2012	2.98	2.83	2.92	2.92	2.40	N/A	2.33	2.21	2.25	2.31	2.26	2.70	2.30	2.12	201.03	157.91
2013	3.88	3.73	3.81	3.81	3.18	N/A	3.08	2.96	2.98	3.09	3.10	3.71	3.14	2.94	105.74	74.02
2014	4.41	4.28	4.36	4.36	4.50	N/A	4.38	4.26	4.22	4.39	4.42	4.37	4.29	4.07	145.41	110.41
2015	2.66	2.63	2.85	2.85	2.70	N/A	2.49	2.47	2.56	2.71	2.61	2.31	1.80	1.59	139.61	128.14
2016 Q1	1.99	1.99	2.24	2.24	1.83	1.92	1.62	1.62	1.86	2.09	1.74	1.76	1.41	1.20	93.30	78.70
2016 Q2	2.25	2.25	1.94	1.94	1.43	1.81	1.21	1.21	1.15	1.26	1.33	1.55	1.25	0.75	84.33	58.64
2016 Q3 (e)	2.79	2.79	2.76	2.76	2.33	2.53	2.09	2.09	2.09	2.21	2.23	2.49	1.95	1.97	74.50	47.22
2016 Q4	3.20	3.20	3.30	3.30	2.95	2.95	2.71	2.71	2.71	2.81	2.85	3.20	2.60	2.42	75.00	50.00
2016 Full Year	2.56	2.56	2.56	2.56	2.14	2.30	1.91	1.91	1.95	2.09	2.04	2.25	1.80	1.59	81.78	58.64
2017	3.14	3.20	3.25	3.25	3.00	3.00	2.70	2.76	2.76	2.86	2.90	2.90	2.70	2.51	100.00	79.03
2018	3.08	3.20	3.25	3.25	3.00	3.00	2.65	2.76	2.76	2.86	2.90	2.90	2.70	2.52	125.00	106.25
2019	3.20	3.40	3.45	3.45	3.21	3.21	2.80	2.97	2.97	3.07	3.11	3.20	2.96	2.78	127.50	104.55
2020	3.33	3.60	3.65	3.65	3.43	3.43	2.94	3.19	3.19	3.29	3.33	3.40	3.18	2.99	130.05	103.00
2021	3.44	3.80	3.85	3.85	3.71	3.71	3.14	3.46	3.46	3.56	3.61	3.60	3.46	3.27	132.65	106.06
2022	3.55	4.00	4.05	4.05	3.91	3.91	3.25	3.66	3.66	3.76	3.81	3.80	3.66	3.47	135.30	109.18
2023	3.66	4.20	4.25	4.25	4.10	4.10	3.35	3.85	3.85	3.95	4.00	4.00	3.85	3.66	138.01	112.36
2024	3.75	4.39	4.44	4.44	4.29	4.29	3.44	4.03	4.03	4.13	4.19	4.19	4.04	3.85	140.77	115.61
2025	3.75	4.48	4.53	4.53	4.37	4.37	3.45	4.12	4.12	4.22	4.27	4.28	4.12	3.83	143.59	118.93
2026+	3.75	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	3.45	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr

Unless otherwise stated, the gas price reference point is the receipt point on the applicable provincial gas transmission system known as the plant gate.  
The plant gate price represents the price before raw gas gathering and processing charges are deducted.  
AECO/NIT Spot refers to the same-day spot price averaged over the period.

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**Table 3**  
GLJ Petroleum Consultants  
International and Frontier  
Price Forecast  
Effective October 1, 2016

Year	Inflation %	CAD/USD Exchange Rate USD/CAD	GBP/USD Exchange Rate USD/GBP	EUR/USD Exchange Rate USD/EUR	NYMEX WTI Near Month Contract Crude Oil at Cushing, OK			ICE Brent Near Month Contract Crude Oil FOB North Sea			NYMEX Henry Hub Near Month Contract			Nova Scotia Goldboro			National Balancing Point (UK)		
					Then Current USD/bbl	Then Current CAD/bbl	Then Current EUR/bbl	Then Current USD/bbl	Then Current CAD/bbl	Then Current USD/bbl	Then Current USD/MMBtu	Then Current CAD/MMBtu	Then Current USD/MMBtu	Then Current USD/MMBtu	Then Current CAD/MMBtu	Then Current USD/MMBtu	Then Current CAD/MMBtu	Then Current USD/MMBtu	Then Current CAD/MMBtu
2006	2.0	0.8818	1.8428	1.2068	66.22	75.08	63.89	72.41	52.16	59.13	66.16	75.01	6.99	7.94	6.20	7.04	8.34	9.48	
2007	2.1	0.9352	2.0017	1.3393	72.39	76.89	75.36	80.13	59.69	63.30	72.71	77.33	7.12	7.65	6.33	6.84	6.14	6.44	
2008	2.4	0.9428	1.8514	1.4573	99.64	104.27	102.31	107.04	83.90	87.62	98.30	102.81	8.90	9.36	8.32	8.77	11.41	12.12	
2009	0.4	0.8798	1.5649	1.3930	61.78	69.57	64.31	72.52	56.46	63.55	62.50	70.47	4.16	4.75	3.35	3.87	4.95	5.68	
2010	1.8	0.9711	1.5465	1.3274	79.52	81.85	82.78	85.20	70.29	72.35	80.25	82.58	4.40	4.53	3.62	3.96	6.39	6.58	
2011	2.9	1.0115	1.6038	1.3920	95.12	94.02	112.33	111.03	98.60	97.52	110.86	109.57	4.03	3.98	3.62	3.58	9.35	9.25	
2012	1.5	1.0009	1.5854	1.2861	94.21	94.11	111.77	111.62	99.60	99.50	111.71	111.57	2.83	2.82	2.72	2.72	9.38	9.37	
2013	0.9	0.9711	1.5645	1.3285	97.96	100.95	106.19	109.32	97.26	100.13	108.77	112.04	3.73	3.84	5.78	5.94	10.50	10.82	
2014	1.9	0.9055	1.6472	1.3288	93.00	102.50	94.24	103.88	85.79	94.53	99.71	109.89	4.28	4.72	7.11	7.86	8.25	9.12	
2015	1.1	0.7831	1.5283	1.1097	48.78	62.12	49.43	62.97	44.02	55.99	53.60	68.23	2.63	3.36	3.92	4.94	6.52	8.31	
2016 Q1	1.6	0.7281	1.4311	1.1028	33.46	45.89	35.11	48.13	26.01	35.67	35.09	48.10	1.99	2.74	2.30	3.21	4.36	6.00	
2016 Q2	1.6	0.7762	1.4349	1.1296	45.70	58.90	47.58	61.31	37.79	48.71	46.97	60.53	2.25	2.89	1.46	1.87	4.49	5.78	
2016 Q3 (e)	1.2	0.766	1.313	1.116	44.86	58.54	46.58	60.77	38.89	50.74	46.90	61.19	2.79	3.64	1.96	2.56	4.06	5.29	
2016 Q4	2.0	0.750	1.300	1.125	48.00	64.00	49.50	66.00	41.50	55.33	50.00	66.67	3.20	4.27	2.90	3.87	5.56	7.41	
2016 Full Year	1.6	0.755	1.370	1.118	43.01	56.83	44.69	59.05	36.05	47.61	44.74	59.12	2.56	3.39	2.16	2.88	4.62	6.12	
2017	2.0	0.775	1.300	1.125	54.00	69.68	55.44	71.54	47.04	60.70	56.00	72.26	3.20	4.13	3.17	4.09	5.74	7.41	
2018	2.0	0.800	1.300	1.125	58.00	72.50	60.39	75.49	51.85	64.81	61.00	76.25	3.20	4.00	3.17	3.96	6.10	7.63	
2019	2.0	0.825	1.300	1.125	63.00	76.36	65.34	79.20	56.76	68.80	66.00	80.00	3.40	4.12	3.37	4.08	6.29	7.62	
2020	2.0	0.850	1.300	1.125	67.00	78.82	69.30	81.53	60.90	71.65	70.00	82.35	3.60	4.24	3.57	4.19	6.51	7.66	
2021	2.0	0.850	1.300	1.125	71.00	83.53	73.26	86.19	65.12	76.61	74.00	87.06	3.80	4.47	3.76	4.43	6.67	7.84	
2022	2.0	0.850	1.300	1.125	75.00	88.24	77.22	90.85	69.42	81.67	78.00	91.76	4.00	4.71	3.96	4.66	6.81	8.01	
2023	2.0	0.850	1.300	1.125	79.00	92.94	81.18	95.51	72.98	85.86	82.00	96.47	4.20	4.94	4.16	4.89	6.98	8.21	
2024	2.0	0.850	1.300	1.125	83.00	97.65	85.14	100.16	76.54	90.05	86.00	101.18	4.39	5.16	4.35	5.12	7.14	8.40	
2025	2.0	0.850	1.300	1.125	86.05	101.24	88.74	104.40	79.78	93.86	89.64	105.46	4.48	5.27	4.44	5.22	7.26	8.54	
2026+	2.0	0.850	1.300	1.125	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	

A historical futures contract price is an average of the daily settlement price of the near month contract over the calendar month

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Company: Persta Resources Inc.  
 Property: Corporate  
 Description: After Tax Analysis

West Texas Intermediate +\$10

Reserve Class:  
 Development Class:  
 Pricing:  
 Effective Date:

Various  
 Classifications  
 Persta (2016-10) WTI +\$10  
 September 30, 2016

Summary of Reserves and Values

	Proved Producing	Total Proved	Total Proved Plus Probable
<b>MARKETABLE RESERVES</b>			
<b>Light &amp; Medium Oil (Mbbbl)</b>			
Total Company Interest	69	69	102
Working Interest	69	69	102
Net After Royalty	53	53	78
<b>Residue Gas (MMcf)</b>			
Total Company Interest	30,048	68,664	100,347
Working Interest	30,048	68,664	100,347
Net After Royalty	25,136	58,861	84,030
<b>Natural Gas Liquids (Mbbbl)</b>			
Total Company Interest	256	585	856
Working Interest	256	585	856
Net After Royalty	172	415	593
<b>Oil Equivalent (Mboe)</b>			
Total Company Interest	5,333	12,099	17,682
Working Interest	5,333	12,099	17,682
Net After Royalty	4,414	10,278	14,676
<b>BEFORE TAX PRESENT VALUE (M\$)</b>			
0%	71,968	152,431	236,116
5%	60,469	117,214	175,043
8%	55,283	102,369	150,467
10%	52,340	94,257	137,330
12%	49,733	87,261	126,167
15%	46,336	78,431	112,294
20%	41,737	66,994	94,685
<b>AFTER TAX PRESENT VALUE (M\$)</b>			
0%	71,968	140,898	202,073
5%	60,469	110,360	153,346
8%	55,283	97,241	133,423
10%	52,340	89,996	122,674
12%	49,733	83,698	113,474
15%	46,336	75,679	101,944
20%	41,737	65,160	87,119

BOE Factors: HVY OIL 1.0 RES GAS 6.0 PROPANE 1.0 ETHANE 1.0  
 COND 1.0 SLN GAS 6.0 BUTANE 1.0 SULPHUR 0.0

Run Date: November 21, 2016 13:19:33

1171053 Class (A,C,I), Persta (2016-10) WTI +\$10, psum

November 21, 2016 14:13:42



Company: Persta Resources Inc.  
 Property: Corporate  
 Description: After Tax Analysis  
 Unrisked

Resource Class: Various  
 Development Class: Classifications  
 Pricing: Persta (2016-10) WTI +\$10  
 Effective Date: September 30, 2016

**Summary of Resources**

	<b>Low Estimate Contingent Resources - Development Pending</b>	<b>Best Estimate Contingent Resources - Development Pending</b>	<b>High Estimate Contingent Resources - Development Pending</b>
<b>MARKETABLE RESOURCES</b>			
<b>Residue Gas (MMcf)</b>			
Total Company Interest	35,498	59,342	77,219
Working Interest	35,498	59,342	77,219
Net After Royalty	32,382	52,012	65,751
<b>Natural Gas Liquids (Mbbbl)</b>			
Total Company Interest	303	506	658
Working Interest	303	506	658
Net After Royalty	235	379	477
<b>Oil Equivalent (Mboe)</b>			
Total Company Interest	6,219	10,396	13,528
Working Interest	6,219	10,396	13,528
Net After Royalty	5,632	9,047	11,435

BOE Factors: HVY OIL 1.0 RES GAS 6.0 PROPANE 1.0 ETHANE 1.0  
 COND 1.0 SLN GAS 6.0 BUTANE 1.0 SULPHUR 0.0

Run Date: November 21, 2016 13:19:35

1171053 Class (CR1-A,CR3-A,CR2-A), Persta (2016-10) WTI +\$10, psum

November 22, 2016 13:36:34



Company: Persta Resources Inc.  
 Property: Corporate  
 Description: After Tax Analysis

West Texas Intermediate -\$10

Reserve Class: Various  
 Development Class: Classifications  
 Pricing: Persta (2016-10) WTI -\$10  
 Effective Date: September 30, 2016

Summary of Reserves and Values

	Proved Producing	Total Proved	Total Proved Plus Probable
<b>MARKETABLE RESERVES</b>			
<b>Light &amp; Medium Oil (Mbbbl)</b>			
Total Company Interest	61	61	91
Working Interest	61	61	91
Net After Royalty	52	52	76
<b>Residue Gas (MMcf)</b>			
Total Company Interest	30,048	68,589	100,272
Working Interest	30,048	68,589	100,272
Net After Royalty	25,157	58,953	84,137
<b>Natural Gas Liquids (Mbbbl)</b>			
Total Company Interest	256	585	855
Working Interest	256	585	855
Net After Royalty	173	417	595
<b>Oil Equivalent (Mboe)</b>			
Total Company Interest	5,326	12,078	17,658
Working Interest	5,326	12,078	17,658
Net After Royalty	4,417	10,294	14,694
<b>BEFORE TAX PRESENT VALUE (M\$)</b>			
0%	67,347	143,019	222,340
5%	56,515	109,614	164,364
8%	51,630	95,521	141,017
10%	48,859	87,819	128,539
12%	46,405	81,179	117,938
15%	43,210	72,800	104,770
20%	38,886	61,960	88,073
<b>AFTER TAX PRESENT VALUE (M\$)</b>			
0%	67,347	134,018	192,005
5%	56,515	104,454	145,353
8%	51,630	91,744	126,240
10%	48,859	84,728	115,922
12%	46,405	78,632	107,088
15%	43,210	70,877	96,017
20%	38,886	60,725	81,785

BOE Factors: HVY OIL 1.0 RES GAS 6.0 PROPANE 1.0 ETHANE 1.0  
 COND 1.0 SLN GAS 6.0 BUTANE 1.0 SULPHUR 0.0

Run Date: November 21, 2016 13:39:07

1171053 Class (A,C,I), Persta (2016-10) WTI -\$10, psum

November 21, 2016 14:14:20



Company: Persta Resources Inc.  
 Property: Corporate  
 Description: After Tax Analysis  
 Unrisked

Resource Class: Various  
 Development Class: Classifications  
 Pricing: Persta (2016-10) WTI -\$10  
 Effective Date: September 30, 2016

**Summary of Resources**

	<b>Low Estimate Contingent Resources - Development Pending</b>	<b>Best Estimate Contingent Resources - Development Pending</b>	<b>High Estimate Contingent Resources - Development Pending</b>
<b>MARKETABLE RESOURCES</b>			
<b>Residue Gas (MMcf)</b>			
Total Company Interest	35,424	59,267	77,219
Working Interest	35,424	59,267	77,219
Net After Royalty	32,451	52,096	65,963
<b>Natural Gas Liquids (Mbbbl)</b>			
Total Company Interest	302	505	658
Working Interest	302	505	658
Net After Royalty	237	380	480
<b>Oil Equivalent (Mboe)</b>			
Total Company Interest	6,206	10,383	13,528
Working Interest	6,206	10,383	13,528
Net After Royalty	5,646	9,063	11,474

BOE Factors: HVY OIL 1.0 RES GAS 6.0 PROPANE 1.0 ETHANE 1.0  
 COND 1.0 SLN GAS 6.0 BUTANE 1.0 SULPHUR 0.0

Run Date: November 21, 2016 13:39:09

1171053 Class (CR1-A,CR3-A,CR2-A), Persta (2016-10) WTI -\$10, psum

November 22, 2016 13:36:31



Company:	Persta Resources Inc.	West Texas Intermediate +\$5	Reserve Class:	Various
Property:	Corporate		Development Class:	Classifications
Description:	After Tax Analysis		Pricing:	Persta (2016-10) WTI +\$5
			Effective Date:	September 30, 2016

**Summary of Reserves and Values**

	Proved Producing	Total Proved	Total Proved Plus Probable
<b>MARKETABLE RESERVES</b>			
<b>Light &amp; Medium Oil (Mbbbl)</b>			
Total Company Interest	69	69	100
Working Interest	69	69	100
Net After Royalty	54	54	78
<b>Residue Gas (MMcf)</b>			
Total Company Interest	30,048	68,664	100,347
Working Interest	30,048	68,664	100,347
Net After Royalty	25,141	58,900	84,072
<b>Natural Gas Liquids (Mbbbl)</b>			
Total Company Interest	256	585	856
Working Interest	256	585	856
Net After Royalty	172	415	593
<b>Oil Equivalent (Mboe)</b>			
Total Company Interest	5,333	12,099	17,680
Working Interest	5,333	12,099	17,680
Net After Royalty	4,416	10,286	14,684
<b>BEFORE TAX PRESENT VALUE (M\$)</b>			
0%	70,805	150,070	232,662
5%	59,477	115,312	172,369
8%	54,367	100,656	148,101
10%	51,468	92,648	135,130
12%	48,899	85,741	124,107
15%	45,554	77,023	110,411
20%	41,024	65,736	93,030
<b>AFTER TAX PRESENT VALUE (M\$)</b>			
0%	70,805	139,172	199,549
5%	59,477	108,890	151,354
8%	54,367	95,877	131,638
10%	51,468	88,690	120,999
12%	48,899	82,444	111,892
15%	45,554	74,490	100,479
20%	41,024	64,063	85,804

BOE Factors: HVY OIL 1.0 RES GAS 6.0 PROPANE 1.0 ETHANE 1.0  
COND 1.0 SLN GAS 6.0 BUTANE 1.0 SULPHUR 0.0

Run Date: November 21, 2016 13:26:37

1171053 Class (A,C,I), Persta (2016-10) WTI +\$5, psum

November 21, 2016 14:14:18



Company: Persta Resources Inc.  
 Property: Corporate  
 Description: After Tax Analysis  
 Unrisked

Resource Class: Various  
 Development Class: Classifications  
 Pricing: Persta (2016-10) WTI +\$5  
 Effective Date: September 30, 2016

**Summary of Resources**

	<b>Low Estimate Contingent Resources - Development Pending</b>	<b>Best Estimate Contingent Resources - Development Pending</b>	<b>High Estimate Contingent Resources - Development Pending</b>
<b>MARKETABLE RESOURCES</b>			
<b>Residue Gas (MMcf)</b>			
Total Company Interest	35,424	59,342	77,219
Working Interest	35,424	59,342	77,219
Net After Royalty	32,347	52,049	65,803
<b>Natural Gas Liquids (Mbbbl)</b>			
Total Company Interest	302	506	658
Working Interest	302	506	658
Net After Royalty	235	379	477
<b>Oil Equivalent (Mboe)</b>			
Total Company Interest	6,206	10,396	13,528
Working Interest	6,206	10,396	13,528
Net After Royalty	5,627	9,054	11,445

BOE Factors: HVY OIL 1.0 RES GAS 6.0 PROPANE 1.0 ETHANE 1.0  
 COND 1.0 SLN GAS 6.0 BUTANE 1.0 SULPHUR 0.0

Run Date: November 21, 2016 13:26:39

1171053 Class (CR1-A,CR3-A,CR2-A), Persta (2016-10) WTI +\$5, psum

November 22, 2016 13:36:33



Company: Persta Resources Inc.  
 Property: Corporate  
 Description: After Tax Analysis

## West Texas Intermediate -S5

Reserve Class: Various  
 Development Class: Classifications  
 Pricing: Persta (2016-10) WTI -S5  
 Effective Date: September 30, 2016

## Summary of Reserves and Values

	Proved Producing	Total Proved	Total Proved Plus Probable
<b>MARKETABLE RESERVES</b>			
<b>Light &amp; Medium Oil (Mbbbl)</b>			
Total Company Interest	66	66	96
Working Interest	66	66	96
Net After Royalty	55	55	78
<b>Residue Gas (MMcf)</b>			
Total Company Interest	30,048	68,589	100,272
Working Interest	30,048	68,589	100,272
Net After Royalty	25,151	58,911	84,091
<b>Natural Gas Liquids (Mbbbl)</b>			
Total Company Interest	256	585	855
Working Interest	256	585	855
Net After Royalty	173	416	594
<b>Oil Equivalent (Mboe)</b>			
Total Company Interest	5,331	12,083	17,663
Working Interest	5,331	12,083	17,663
Net After Royalty	4,419	10,289	14,688
<b>BEFORE TAX PRESENT VALUE (M\$)</b>			
0%	68,499	145,381	225,805
5%	57,507	111,524	167,051
8%	52,547	97,244	143,395
10%	49,735	89,440	130,752
12%	47,242	82,711	120,009
15%	43,997	74,219	106,664
20%	39,605	63,229	89,737
<b>AFTER TAX PRESENT VALUE (M\$)</b>			
0%	68,499	135,745	194,538
5%	57,507	105,948	147,374
8%	52,547	93,139	128,061
10%	49,735	86,066	117,637
12%	47,242	79,921	108,713
15%	43,997	72,100	97,528
20%	39,605	61,855	83,148

BOE Factors: HVY OIL 1.0 RES GAS 6.0 PROPANE 1.0 ETHANE 1.0  
 COND 1.0 SLN GAS 6.0 BUTANE 1.0 SULPHUR 0.0

Run Date: November 21, 2016 13:46:54

1171053 Class (A,C,I), Persta (2016-10) WTI -S5, psum

November 21, 2016 14:14:15

 PETROLEUM  
CONSULTANTS

Company: Persta Resources Inc.  
 Property: Corporate  
 Description: After Tax Analysis  
 Unrisked

Resource Class: Various  
 Development Class: Classifications  
 Pricing: Persta (2016-10) WTI -\$5  
 Effective Date: September 30, 2016

**Summary of Resources**

	<b>Low Estimate Contingent Resources - Development Pending</b>	<b>Best Estimate Contingent Resources - Development Pending</b>	<b>High Estimate Contingent Resources - Development Pending</b>
<b>MARKETABLE RESOURCES</b>			
<b>Residue Gas (MMcf)</b>			
Total Company Interest	35,424	59,342	77,219
Working Interest	35,424	59,342	77,219
Net After Royalty	32,415	52,126	65,908
<b>Natural Gas Liquids (Mbbbl)</b>			
Total Company Interest	302	506	658
Working Interest	302	506	658
Net After Royalty	237	380	479
<b>Oil Equivalent (Mboe)</b>			
Total Company Interest	6,206	10,396	13,528
Working Interest	6,206	10,396	13,528
Net After Royalty	5,639	9,068	11,464

BOE Factors: HVY OIL 1.0 RES GAS 6.0 PROPANE 1.0 ETHANE 1.0  
 COND 1.0 SLN GAS 6.0 BUTANE 1.0 SULPHUR 0.0

Run Date: November 21, 2016 13:46:56

1171053 Class (CR1-A,CR3-A,CR2-A), Persta (2016-10) WTI -\$5, psum

November 22, 2016 13:36:35



Company: Persta Resources Inc.  
 Property: Corporate  
 Description: After Tax Analysis

Exchange Rate +\$0.05

Reserve Class: Various  
 Development Class: Classifications  
 Pricing: Persta (2016-10) FX +\$0.05  
 Effective Date: September 30, 2016

## Summary of Reserves and Values

	Proved Producing	Total Proved	Total Proved Plus Probable
<b>MARKETABLE RESERVES</b>			
<b>Light &amp; Medium Oil (Mbbbl)</b>			
Total Company Interest	66	66	96
Working Interest	66	66	96
Net After Royalty	54	54	78
<b>Residue Gas (MMcf)</b>			
Total Company Interest	29,971	68,357	99,804
Working Interest	29,971	68,357	99,804
Net After Royalty	25,260	59,187	84,381
<b>Natural Gas Liquids (Mbbbl)</b>			
Total Company Interest	256	583	851
Working Interest	256	583	851
Net After Royalty	172	417	594
<b>Oil Equivalent (Mboe)</b>			
Total Company Interest	5,317	12,042	17,581
Working Interest	5,317	12,042	17,581
Net After Royalty	4,436	10,335	14,735
<b>BEFORE TAX PRESENT VALUE (M\$)</b>			
0%	63,927	134,314	209,528
5%	53,823	103,194	155,302
8%	49,239	89,987	133,338
10%	46,633	82,749	121,569
12%	44,320	76,498	111,553
15%	41,303	68,596	99,091
20%	37,210	58,350	83,261
<b>AFTER TAX PRESENT VALUE (M\$)</b>			
0%	63,927	127,646	182,650
5%	53,823	99,486	138,586
8%	49,239	87,324	120,417
10%	46,633	80,597	110,581
12%	44,320	74,748	102,143
15%	41,303	67,300	91,549
20%	37,210	57,545	77,902

BOE Factors: HVY OIL 1.0 RES GAS 6.0 PROPANE 1.0 ETHANE 1.0  
 COND 1.0 SLN GAS 6.0 BUTANE 1.0 SULPHUR 0.0

Run Date: November 21, 2016 11:57:19

1171053 Class (A,C,I), Persta (2016-10) FX +\$0.05, psum

November 21, 2016 14:14:21



Company: Persta Resources Inc.  
 Property: Corporate  
 Description: After Tax Analysis  
 Unrisked

Resource Class: Various  
 Development Class: Classifications  
 Pricing: Persta (2016-10) FX +\$0.05  
 Effective Date: September 30, 2016

**Summary of Resources**

	<b>Low Estimate Contingent Resources - Development Pending</b>	<b>Best Estimate Contingent Resources - Development Pending</b>	<b>High Estimate Contingent Resources - Development Pending</b>
<b>MARKETABLE RESOURCES</b>			
<b>Residue Gas (MMcf)</b>			
Total Company Interest	35,191	59,028	76,751
Working Interest	35,191	59,028	76,751
Net After Royalty	32,495	52,281	66,126
<b>Natural Gas Liquids (Mbbbl)</b>			
Total Company Interest	300	503	654
Working Interest	300	503	654
Net After Royalty	238	381	480
<b>Oil Equivalent (Mboe)</b>			
Total Company Interest	6,165	10,341	13,446
Working Interest	6,165	10,341	13,446
Net After Royalty	5,654	9,094	11,501

BOE Factors: HVY OIL 1.0 RES GAS 6.0 PROPANE 1.0 ETHANE 1.0  
 COND 1.0 SLN GAS 6.0 BUTANE 1.0 SULPHUR 0.0

Run Date: November 21, 2016 11:57:22

1171053 Class (CR1-A,CR3-A,CR2-A), Persta (2016-10) FX +\$0.05, psum

November 22, 2016 13:36:36



Company: Persta Resources Inc. Exchange Rate -\$0.05  
 Property: Corporate Reserve Class: Various  
 Description: After Tax Analysis Development Class: Classifications  
 Pricing: Persta (2016-10) FX -\$0.05  
 Effective Date: September 30, 2016

Summary of Reserves and Values

	Proved Producing	Total Proved	Total Proved Plus Probable
<b>MARKETABLE RESERVES</b>			
<b>Light &amp; Medium Oil (Mbbbl)</b>			
Total Company Interest	69	69	100
Working Interest	69	69	100
Net After Royalty	54	54	79
<b>Residue Gas (MMcf)</b>			
Total Company Interest	30,193	68,953	100,783
Working Interest	30,193	68,953	100,783
Net After Royalty	25,071	58,614	83,660
<b>Natural Gas Liquids (Mbbbl)</b>			
Total Company Interest	257	588	859
Working Interest	257	588	859
Net After Royalty	173	415	593
<b>Oil Equivalent (Mboe)</b>			
Total Company Interest	5,359	12,149	17,757
Working Interest	5,359	12,149	17,757
Net After Royalty	4,406	10,238	14,615
<b>BEFORE TAX PRESENT VALUE (M\$)</b>			
0%	76,037	162,685	251,225
5%	63,702	124,790	185,723
8%	58,163	108,914	159,527
10%	55,029	100,263	145,563
12%	52,256	92,814	133,716
15%	48,651	83,430	119,018
20%	43,779	71,302	100,399
<b>AFTER TAX PRESENT VALUE (M\$)</b>			
0%	76,037	148,399	213,132
5%	63,702	116,132	161,270
8%	58,163	102,353	140,215
10%	55,029	94,763	128,892
12%	52,256	88,176	119,221
15%	48,651	79,799	107,125
20%	43,779	68,827	91,610

BOE Factors: HVY OIL 1.0 RES GAS 6.0 PROPANE 1.0 ETHANE 1.0  
 COND 1.0 SLN GAS 6.0 BUTANE 1.0 SULPHUR 0.0

Run Date: November 21, 2016 12:05:36

1171053 Class (A,C,I), Persta (2016-10) FX -\$0.05, psum

November 21, 2016 14:14:22



Company: Persta Resources Inc.  
 Property: Corporate  
 Description: After Tax Analysis  
 Unrisked

Resource Class: Various  
 Development Class: Classifications  
 Pricing: Persta (2016-10) FX -\$0.05  
 Effective Date: September 30, 2016

**Summary of Resources**

	<b>Low Estimate Contingent Resources - Development Pending</b>	<b>Best Estimate Contingent Resources - Development Pending</b>	<b>High Estimate Contingent Resources - Development Pending</b>
<b>MARKETABLE RESOURCES</b>			
<b>Residue Gas (MMcf)</b>			
Total Company Interest	35,711	59,850	77,578
Working Interest	35,711	59,850	77,578
Net After Royalty	32,276	52,018	65,401
<b>Natural Gas Liquids (Mbbbl)</b>			
Total Company Interest	304	510	661
Working Interest	304	510	661
Net After Royalty	234	379	476
<b>Oil Equivalent (Mboe)</b>			
Total Company Interest	6,256	10,485	13,591
Working Interest	6,256	10,485	13,591
Net After Royalty	5,614	9,049	11,376

BOE Factors: HVY OIL 1.0 RES GAS 6.0 PROPANE 1.0 ETHANE 1.0  
 COND 1.0 SLN GAS 6.0 BUTANE 1.0 SULPHUR 0.0

Run Date: November 21, 2016 12:05:34

1171053 Class (CR1-A,CR3-A,CR2-A), Persta (2016-10) FX -\$0.05, psum

November 22, 2016 13:36:38



Company:	Persta Resources Inc.	Henry Hub +\$1	Reserve Class:	Various
Property:	Corporate		Development Class:	Classifications
Description:	After Tax Analysis		Pricing:	Persta (2016-10) HH +\$1
			Effective Date:	September 30, 2016

### Summary of Reserves and Values

	Proved Producing	Total Proved	Total Proved Plus Probable
<b>MARKETABLE RESERVES</b>			
<b>Light &amp; Medium Oil (Mbbbl)</b>			
Total Company Interest	69	69	99
Working Interest	69	69	99
Net After Royalty	55	55	78
<b>Residue Gas (MMcf)</b>			
Total Company Interest	30,384	69,535	101,693
Working Interest	30,384	69,535	101,693
Net After Royalty	24,467	57,229	81,783
<b>Natural Gas Liquids (Mbbbl)</b>			
Total Company Interest	259	593	867
Working Interest	259	593	867
Net After Royalty	172	409	589
<b>Oil Equivalent (Mboe)</b>			
Total Company Interest	5,392	12,251	17,914
Working Interest	5,392	12,251	17,914
Net After Royalty	4,305	10,003	14,298
<b>BEFORE TAX PRESENT VALUE (M\$)</b>			
0%	91,857	199,597	304,397
5%	76,750	153,330	225,277
8%	70,023	134,157	193,982
10%	66,229	123,753	177,367
12%	62,880	114,817	163,300
15%	58,536	103,579	145,874
20%	52,679	89,075	123,813
<b>AFTER TAX PRESENT VALUE (M\$)</b>			
0%	91,857	175,381	251,951
5%	76,750	137,711	190,562
8%	70,023	121,839	165,982
10%	66,229	113,144	152,839
12%	62,880	105,620	141,650
15%	58,536	96,075	127,699
20%	52,679	83,594	109,858

<b>BOE Factors:</b>	HVY OIL 1.0	RES GAS 6.0	PROPANE 1.0	ETHANE 1.0
	COND 1.0	SLN GAS 6.0	BUTANE 1.0	SULPHUR 0.0

Run Date: November 21, 2016 13:09:48

1171053 Class (A,C,I), Persta (2016-10) HH +\$1, psum

November 21, 2016 14:14:23



Company: Persta Resources Inc.  
 Property: Corporate  
 Description: After Tax Analysis  
 Unrisked

Resource Class: Various  
 Development Class: Classifications  
 Pricing: Persta (2016-10) HH +\$1  
 Effective Date: September 30, 2016

**Summary of Resources**

	<b>Low Estimate Contingent Resources - Development Pending</b>	<b>Best Estimate Contingent Resources - Development Pending</b>	<b>High Estimate Contingent Resources - Development Pending</b>
<b>MARKETABLE RESOURCES</b>			
<b>Residue Gas (MMcf)</b>			
Total Company Interest	36,097	60,501	78,549
Working Interest	36,097	60,501	78,549
Net After Royalty	31,618	51,030	64,084
<b>Natural Gas Liquids (Mbbbl)</b>			
Total Company Interest	308	516	670
Working Interest	308	516	670
Net After Royalty	229	374	471
<b>Oil Equivalent (Mboe)</b>			
Total Company Interest	6,324	10,599	13,761
Working Interest	6,324	10,599	13,761
Net After Royalty	5,499	8,879	11,152

BOE Factors: HVY OIL 1.0 RES GAS 6.0 PROPANE 1.0 ETHANE 1.0  
 COND 1.0 SLN GAS 6.0 BUTANE 1.0 SULPHUR 0.0

Run Date: November 21, 2016 13:09:49

1171053 Class (CR1-A,CR3-A,CR2-A), Persta (2016-10) HH +\$1, psum

November 22, 2016 13:36:39



Company: Persta Resources Inc.  
 Property: Corporate  
 Description: After Tax Analysis

## Henry Hub -S1

Reserve Class: Various  
 Development Class: Classifications  
 Pricing: Persta (2016-10) HH -S1  
 Effective Date: September 30, 2016

## Summary of Reserves and Values

	Proved Producing	Total Proved	Total Proved Plus Probable
<b>MARKETABLE RESERVES</b>			
<b>Light &amp; Medium Oil (Mbbbl)</b>			
Total Company Interest	69	69	99
Working Interest	69	69	99
Net After Royalty	55	55	78
<b>Residue Gas (MMcf)</b>			
Total Company Interest	29,330	67,101	98,461
Working Interest	29,330	67,101	98,461
Net After Royalty	25,378	59,708	85,897
<b>Natural Gas Liquids (Mbbbl)</b>			
Total Company Interest	250	572	840
Working Interest	250	572	840
Net After Royalty	171	419	600
<b>Oil Equivalent (Mboe)</b>			
Total Company Interest	5,208	11,825	17,348
Working Interest	5,208	11,825	17,348
Net After Royalty	4,456	10,425	14,995
<b>BEFORE TAX PRESENT VALUE (M\$)</b>			
0%	45,783	91,718	149,028
5%	38,659	69,557	109,280
8%	35,393	60,038	92,967
10%	33,528	54,802	84,188
12%	31,868	50,271	76,704
15%	29,697	44,540	67,388
20%	26,745	37,119	55,573
<b>AFTER TAX PRESENT VALUE (M\$)</b>			
0%	45,783	91,718	138,436
5%	38,659	69,557	103,444
8%	35,393	60,038	88,788
10%	33,528	54,802	80,815
12%	31,868	50,271	73,964
15%	29,697	44,540	65,360
20%	26,745	37,119	54,311

BOE Factors: HVY OIL 1.0 RES GAS 6.0 PROPANE 1.0 ETHANE 1.0  
 COND 1.0 SLN GAS 6.0 BUTANE 1.0 SULPHUR 0.0

Run Date: November 21, 2016 13:14:41

1171053 Class (A,C,I), Persta (2016-10) HH -S1, psum

November 21, 2016 14:14:17

 PETROLEUM  
CONSULTANTS

Company: Persta Resources Inc.  
 Property: Corporate  
 Description: After Tax Analysis  
 Unrisked

Resource Class: Various  
 Development Class: Classifications  
 Pricing: Persta (2016-10) HH -\$1  
 Effective Date: September 30, 2016

**Summary of Resources**

	<b>Low Estimate Contingent Resources - Development Pending</b>	<b>Best Estimate Contingent Resources - Development Pending</b>	<b>High Estimate Contingent Resources - Development Pending</b>
<b>MARKETABLE RESOURCES</b>			
<b>Residue Gas (MMcf)</b>			
Total Company Interest	34,393	57,786	75,523
Working Interest	34,393	57,786	75,523
Net After Royalty	32,295	52,756	67,124
<b>Natural Gas Liquids (Mbbbl)</b>			
Total Company Interest	293	493	644
Working Interest	293	493	644
Net After Royalty	239	386	487
<b>Oil Equivalent (Mboe)</b>			
Total Company Interest	6,025	10,124	13,231
Working Interest	6,025	10,124	13,231
Net After Royalty	5,621	9,179	11,675

BOE Factors: HVY OIL 1.0 RES GAS 6.0 PROPANE 1.0 ETHANE 1.0  
 COND 1.0 SLN GAS 6.0 BUTANE 1.0 SULPHUR 0.0

Run Date: November 21, 2016 13:14:42

1171053 Class (CR1-A,CR3-A,CR2-A), Persta (2016-10) HH -\$1, psum

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**AFTER TAX SUMMARY REPORT****TABLE OF CONTENTS**

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<b>SUMMARY OF RESERVES AND VALUES</b>	<b>71</b>
<b>ECONOMIC FORECASTS</b>	
Proved Producing	72
Total Proved	75
Total Proved Plus Probable	78

### AFTER TAX ANALYSIS

Canadian income taxes were calculated based on currently legislated federal and provincial tax rates, tax regulations and tax pool information provided by the Company. After tax values for reserves development status or production status subcategories (i.e. developed, undeveloped, producing, non-producing) are calculated by difference.

#### ***Tax Pools***

The following tax pools as of the effective date were included in the income tax calculations:

<u>Tax Pool Classification</u>	<u>Write-Off Rate (%)</u>	<u>Tax Pool (M\$)</u>
Canadian Oil and Gas Property Expense (COGPE)	10	13,460
Canadian Exploration Expense (CEE)	100	84,511
Canadian Development Expense (CDE)	30	7,930
Capital Cost Allowance: (CCA)		
Class 50	55	3
Class 41	25	4,252
Class 10	30	55
Class 8	20	1
Non-Capital Losses	100	413
Share Issue Costs	5 years/20%	1,168

#### ***Tax Rates***

Federal income tax calculations incorporate recently enacted reductions in general corporate income tax rates as follows:

<u>Year</u>	<u>Federal Income Tax Rate</u>
2017+	15.0%

Allocation of revenues to Canadian provinces for income tax purposes depends on several factors in addition to the provincial origin of the resource revenues. The average future annual provincial tax rate has been calculated based on an allocation of provincial resource revenues and their respective tax rate as follows:

<u>Year</u>	<u>Alberta Tax Rate</u>	<u>Alberta Allocation</u>	<u>B.C. Tax Rate</u>	<u>B.C. Allocation</u>	<u>Sask. Tax Rate</u>	<u>Sask. Allocation</u>	<u>Man. Tax Rate</u>	<u>Man. Allocation</u>	<u>Avg. Ann. Tax Rate</u>
2017+	12.00%	100.00%	11.00%	-	12.00%	-	12.00%	-	12.00%

Company total after tax economic forecasts for all reserves categories are attached.

Company: Persta Resources Inc.  
 Property: Corporate  
 Description: After Tax Analysis

Reserve Class: Various  
 Development Class: Classifications  
 Pricing: GLJ (2016-10)  
 Effective Date: September 30, 2016

### Summary of Reserves and Values

	Proved Producing	Total Proved	Total Proved Plus Probable
<b>MARKETABLE RESERVES</b>			
<b>Light &amp; Medium Oil (Mbbbl)</b>			
Total Company Interest	69	69	99
Working Interest	69	69	99
Net After Royalty	55	55	78
<b>Residue Gas (MMcf)</b>			
Total Company Interest	30,048	68,664	100,272
Working Interest	30,048	68,664	100,272
Net After Royalty	25,146	58,940	84,046
<b>Natural Gas Liquids (Mbbbl)</b>			
Total Company Interest	256	585	855
Working Interest	256	585	855
Net After Royalty	172	416	594
<b>Oil Equivalent (Mboe)</b>			
Total Company Interest	5,333	12,099	17,666
Working Interest	5,333	12,099	17,666
Net After Royalty	4,419	10,294	14,680
<b>BEFORE TAX PRESENT VALUE (M\$)</b>			
0%	69,695	147,762	229,298
5%	58,533	113,457	169,764
8%	53,497	98,988	145,799
10%	50,640	91,081	132,990
12%	48,108	84,262	122,105
15%	44,812	75,656	108,582
20%	40,348	64,515	91,425
<b>AFTER TAX PRESENT VALUE (M\$)</b>			
0%	69,695	137,484	197,090
5%	58,533	107,457	149,414
8%	53,497	94,549	129,901
10%	50,640	87,420	119,370
12%	48,108	81,224	110,356
15%	44,812	73,337	99,057
20%	40,348	62,999	84,529

BOE Factors: HVY OIL 1.0 RES GAS 6.0 PROPANE 1.0 ETHANE 1.0  
 COND 1.0 SLN GAS 6.0 BUTANE 1.0 SULPHUR 0.0

Run Date: November 21, 2016 08:46:13

1171053 Class (A,C,I), GLJ (2016-10), psum

November 21, 2016 10:39:36

 PETROLEUM  
CONSULTANTS

Company: **Persta Resources Inc.**  
 Property: **Corporate**  
 Description: **After Tax Analysis**

Reserve Class: **Proved**  
 Development Class: **Producing**  
 Pricing: **GLJ (2016-10)**  
 Effective Date: **September 30, 2016**

**Economic Forecast**

**PRODUCTION FORECAST**

Year	Light & Medium Oil Production							Residue Gas Production				Condensate Production			
	Company Wells		Company	Company	Net Yearly	Price		Company	Company	Net Yearly	Price	Company	Company	Net Yearly	Price
	Oil	Gas	Daily	Yearly				Daily	Yearly			Daily	Yearly		
			bbl/d	Mbbl	Mbbl	\$/bbl	Mcf/d	MMcf	MMcf	\$/Mcf	bbl/d	Mbbl	Mbbl	\$/bbl	
2016	2	5	78	7	5	58.00	21,336	1,947	1,733	3.18	128	12	9	57.70	
2017	2	5	61	22	16	63.77	17,619	6,431	5,385	3.11	106	39	27	63.36	
2018	2	5	42	15	12	66.67	13,218	4,825	3,935	3.12	79	29	19	65.99	
2019	2	5	29	11	9	69.39	10,061	3,672	2,927	3.46	60	22	14	69.82	
2020	1	5	15	6	5	71.95	7,783	2,841	2,235	3.70	47	17	10	72.09	
2021	1	5	10	4	3	76.62	6,066	2,214	1,801	4.01	36	13	8	76.91	
2022	1	5	7	3	3	81.28	4,799	1,752	1,483	4.22	29	11	6	81.32	
2023	1	4	5	2	2	85.94	3,632	1,326	1,135	4.43	22	8	5	86.12	
2024	0	4	0	0	0	0.00	2,934	1,071	928	4.64	18	6	4	90.45	
2025	0	4	0	0	0	0.00	2,378	868	762	4.74	14	5	3	94.06	
2026	0	3	0	0	0	0.00	1,795	655	581	4.83	11	4	2	95.94	
2027	0	3	0	0	0	0.00	1,506	550	494	4.93	9	3	2	97.86	
Sub.				69	55	67.32		28,151	23,399	3.61		169	110	71.81	
Rem.				0	0	0.00		1,897	1,747	5.34		11	7	106.01	
<b>Tot.</b>				<b>69</b>	<b>55</b>	<b>67.32</b>		<b>30,048</b>	<b>25,146</b>	<b>3.72</b>		<b>180</b>	<b>117</b>	<b>73.97</b>	

Year	Propane Production				Natural Gas Liquids Production				Oil + Liquids Production				
	Company	Company	Net Yearly	Price	Company	Company	Net Yearly	Price	Company	Company	Net Yearly	Price	
	Daily	Yearly			Daily	Yearly			Daily	Yearly			bbl/d
	bbl/d	Mbbl	Mbbl	\$/bbl	bbl/d	Mbbl	Mbbl	\$/bbl	bbl/d	Mbbl	Mbbl	\$/bbl	
2016		54	5	4	20.90	182	17	13	46.80	260	24	19	50.16
2017		45	16	13	22.70	150	55	40	51.31	211	77	56	54.90
2018		33	12	9	23.64	113	41	28	53.44	154	56	40	57.02
2019		25	9	7	28.11	86	31	21	57.46	115	42	30	60.49
2020		20	7	5	29.08	66	24	15	59.34	81	30	20	61.68
2021		15	6	4	30.79	52	19	12	63.25	62	23	15	65.48
2022		12	4	3	32.50	41	15	9	66.85	48	18	12	69.03
2023		9	3	2	34.21	31	11	7	70.74	36	13	9	72.91
2024		7	3	2	35.93	25	9	6	74.29	25	9	6	74.29
2025		6	2	2	36.93	20	7	5	77.13	20	7	5	77.13
2026		5	2	1	37.67	15	6	4	78.67	15	6	4	78.67
2027		4	1	1	38.42	13	5	3	80.25	13	5	3	80.25
Sub.			71	52	27.47		240	162	58.67		309	217	60.60
Rem.			5	3	41.62		16	10	86.93		16	10	86.93
<b>Tot.</b>			<b>76</b>	<b>56</b>	<b>28.37</b>		<b>256</b>	<b>172</b>	<b>60.45</b>		<b>325</b>	<b>228</b>	<b>61.91</b>

Year	Oil Equivalent Production				
	Company	Company	Net Yearly	Price	
	Daily	Yearly			Mboe
	boe/d	Mboe	Mboe	\$/boe	
2016		3,816	348	307	21.20
2017		3,147	1,149	953	21.10
2018		2,357	860	696	21.21
2019		1,792	654	517	23.34
2020		1,379	503	393	24.54
2021		1,073	392	316	26.43
2022		848	310	259	27.80
2023		642	234	198	29.21
2024		514	188	160	30.09
2025		417	152	132	30.79
2026		314	115	100	31.41
2027		264	96	85	32.04
Sub.			5,001	4,117	24.05
Rem.			332	301	34.71
<b>Tot.</b>			<b>5,333</b>	<b>4,419</b>	<b>24.72</b>

REVENUE AND EXPENSE FORECAST

Year	Revenue Before Burdens				Royalty Interest Total M\$	Company Interest Total M\$	Royalty Burdens		Gas Processing Allowance		Total Royalty After Process. M\$	Net Revenue After Royalty M\$	Operating Expenses		
	Working Interest			Total M\$			Crown M\$	Other M\$	Crown M\$	Other M\$			Fixed M\$	Variable M\$	Total M\$
	Oil M\$	Gas M\$	NGL+Sul M\$												
2016	412	6,191	777	7,380	0	7,380	891	0	164	0	727	6,654	380	1,356	1,736
2017	1,416	20,006	2,814	24,235	0	24,235	4,283	0	849	0	3,434	20,801	1,548	4,568	6,116
2018	1,016	15,034	2,198	18,248	0	18,248	3,563	0	738	0	2,824	15,423	1,579	3,496	5,075
2019	740	12,724	1,799	15,263	0	15,263	3,126	0	610	0	2,515	12,747	1,611	2,718	4,328
2020	396	10,514	1,437	12,348	0	12,348	2,672	0	510	0	2,163	10,185	1,520	2,096	3,616
2021	291	8,869	1,194	10,354	0	10,354	2,014	0	365	0	1,649	8,705	1,550	1,663	3,213
2022	216	7,392	999	8,606	0	8,606	1,446	0	255	0	1,191	7,415	1,581	1,340	2,921
2023	162	5,878	800	6,840	0	6,840	1,096	0	188	0	908	5,932	1,316	1,033	2,350
2024	0	4,967	678	5,646	0	5,646	875	0	147	0	728	4,918	1,209	841	2,050
2025	0	4,112	571	4,682	0	4,682	683	0	114	0	569	4,114	1,233	695	1,928
2026	0	3,165	439	3,605	0	3,605	501	0	84	0	417	3,188	944	535	1,479
2027	0	2,709	376	3,085	0	3,085	398	0	67	0	331	2,754	962	458	1,420
Sub.	4,649	101,560	14,082	120,291	0	120,291	21,545	0	4,090	0	17,455	102,835	15,434	20,799	36,232
Rem.	0	10,129	1,406	11,535	0	11,535	1,270	0	213	0	1,058	10,478	4,571	1,712	6,283
<b>Tot.</b>	<b>4,649</b>	<b>111,689</b>	<b>15,488</b>	<b>131,826</b>	<b>0</b>	<b>131,826</b>	<b>22,816</b>	<b>0</b>	<b>4,303</b>	<b>0</b>	<b>18,513</b>	<b>113,313</b>	<b>20,005</b>	<b>22,511</b>	<b>42,515</b>
Disc	3,827	76,535	10,627	90,989	0	90,989	16,225	0	3,112	0	13,113	77,876	10,969	15,993	26,962

Year	Mineral Tax M\$	Capital Tax M\$	NPI Burden M\$	Net Prod'n Revenue M\$	Other Income M\$	Aband. & Recl. Costs M\$	Oper. Income M\$	Net Capital Investment			Before Tax Cash Flow			
								Dev. M\$	Plant M\$	Tang. M\$	Total M\$	Annual M\$	Cum. M\$	10.0% Def M\$
2016	0	0	0	4,918	0	0	4,918	0	0	0	0	4,918	4,918	4,860
2017	0	0	0	14,685	0	0	14,685	0	0	0	0	14,685	19,603	18,531
2018	0	0	0	10,348	0	0	10,348	0	0	0	0	10,348	29,951	27,290
2019	0	0	0	8,419	0	0	8,419	0	0	0	0	8,419	38,369	33,767
2020	0	0	0	6,569	0	0	6,569	0	0	0	0	6,569	44,938	38,362
2021	0	0	0	5,492	0	0	5,492	0	0	0	0	5,492	50,430	41,854
2022	0	0	0	4,495	0	0	4,495	0	0	0	0	4,495	54,925	44,453
2023	0	0	0	3,582	0	0	3,582	0	0	0	0	3,582	58,507	46,335
2024	0	0	0	2,868	0	105	2,763	0	0	0	0	2,763	61,270	47,655
2025	0	0	0	2,185	0	0	2,185	0	0	0	0	2,185	63,455	48,604
2026	0	0	0	1,709	0	0	1,709	0	0	0	0	1,709	65,164	49,279
2027	0	0	0	1,333	0	155	1,178	0	0	0	0	1,178	66,342	49,702
Sub.	0	0	0	66,603	0	261	66,342	0	0	0	0	66,342	66,342	49,702
Rem.	0	0	0	4,195	0	842	3,353	0	0	0	0	3,353	69,695	50,640
<b>Tot.</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>70,798</b>	<b>0</b>	<b>1,103</b>	<b>69,695</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>69,695</b>	<b>69,695</b>	<b>50,640</b>
Disc	0	0	0	50,914	0	274	50,640	0	0	0	0	50,640	50,640	50,640

AFTER TAX ANALYSIS

Year	Oper. Income M\$	Tax Pool Balances Incl. Current Year Additions					Depreciation & Writeoffs					
		CCA M\$	COGPE M\$	CDE M\$	CEE M\$	Other M\$	CCA M\$	COGPE M\$	CDE M\$	CEE M\$	Other M\$	Total M\$
2016	4,918	4,312	13,460	7,930	84,511	646	270	336	595	3,555	162	4,918
2017	14,685	4,041	13,123	7,336	80,957	718	1,014	1,312	2,201	9,440	718	14,685
2018	10,348	3,028	11,811	5,135	71,517	234	759	1,181	1,540	6,634	234	10,348
2019	8,419	2,269	10,630	3,594	64,883	234	569	1,063	1,078	5,475	234	8,419
2020	6,569	1,700	9,567	2,516	59,408	234	426	957	755	4,198	234	6,569
2021	5,492	1,274	8,610	1,761	55,210	0	319	861	528	3,783	0	5,492
2022	4,495	955	7,749	1,233	51,427	0	239	775	370	3,111	0	4,495
2023	3,582	716	6,974	863	48,316	0	179	697	259	2,446	0	3,582
2024	2,763	537	6,277	604	45,870	0	134	628	181	1,819	0	2,763
2025	2,185	402	5,649	423	44,050	0	101	565	127	1,393	0	2,185
2026	1,709	302	5,084	296	42,657	0	75	508	89	1,036	0	1,709
2027	1,178	226	4,576	207	41,621	0	57	458	62	602	0	1,178
Sub.	66,342	226	4,576	207	41,621	0	4,142	9,342	7,785	43,492	1,581	66,342
Rem.	3,353	226	4,576	207	41,621	0	167	3,270	144	1,148	0	4,730
<b>Tot.</b>	<b>69,695</b>	<b>226</b>	<b>4,576</b>	<b>207</b>	<b>41,621</b>	<b>0</b>	<b>4,310</b>	<b>12,612</b>	<b>7,930</b>	<b>44,640</b>	<b>1,581</b>	<b>71,072</b>
Disc	50,640						3,226	7,016	6,222	32,986	1,369	50,819

Year	Taxable Income MS	Federal		Provincial		ARTD & Investment Credits	Income Tax Payable MS	Net Cash Flow Before Income Tax			Net Cash Flow After Income Tax		
		Tax Rate %	Income Tax MS	Tax Rate %	Income Tax MS			Annual MS	Cum. MS	10.0% Dcf MS	Annual MS	Cum. MS	10.0% Dcf MS
		2016	0	15.0	0			12.0	0	0	0	4,918	4,918
2017	0	15.0	0	12.0	0	0	0	14,685	19,603	18,531	14,685	19,603	18,531
2018	0	15.0	0	12.0	0	0	0	10,348	29,951	27,290	10,348	29,951	27,290
2019	0	15.0	0	12.0	0	0	0	8,419	38,369	33,767	8,419	38,369	33,767
2020	0	15.0	0	12.0	0	0	0	6,569	44,938	38,362	6,569	44,938	38,362
2021	0	15.0	0	12.0	0	0	0	5,492	50,430	41,854	5,492	50,430	41,854
2022	0	15.0	0	12.0	0	0	0	4,495	54,925	44,453	4,495	54,925	44,453
2023	0	15.0	0	12.0	0	0	0	3,582	58,507	46,335	3,582	58,507	46,335
2024	0	15.0	0	12.0	0	0	0	2,763	61,270	47,655	2,763	61,270	47,655
2025	0	15.0	0	12.0	0	0	0	2,185	63,455	48,604	2,185	63,455	48,604
2026	0	15.0	0	12.0	0	0	0	1,709	65,164	49,279	1,709	65,164	49,279
2027	0	15.0	0	12.0	0	0	0	1,178	66,342	49,702	1,178	66,342	49,702
Sub.	0	0	0	0	0	0	0	66,342	66,342	49,702	66,342	66,342	49,702
Rem.	-1,377	0	0	0	0	0	0	3,353	69,695	50,640	3,353	69,695	50,640
<b>Tot.</b>	<b>-1,377</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>69,695</b>	<b>69,695</b>	<b>50,640</b>	<b>69,695</b>	<b>69,695</b>	<b>50,640</b>
Disc	-179	0	0	0	0	0	0	50,640	50,640	50,640	50,640	50,640	50,640

SUMMARY OF RESERVES

Product	Units	Remaining Reserves at Oct 01, 2016				Oil Equivalents			Reserve Life Indic. (yr)		
		Working Interest	Roy/NPI Interest	Total Company	Net	Oil Eq. Factor	Company Mboe	% of Total	Reserve Life	Life Index	Half Life
		Light/Med Oil	Mbbl	69	0	69	55	1.000	69	1	7.3
Residue Gas	MMcf	30,048	0	30,048	25,146	6.000	5,008	94	21.3	3.9	3.5
Gas Heat Content	BBtu	32,452	0	32,452	27,158	0.000	0	0	21.3	3.9	3.5
Condensate	Mbbl	180	0	180	117	1.000	180	3	21.3	3.9	3.5
Propane	Mbbl	76	0	76	56	1.000	76	1	21.3	3.9	3.5
Total: NGL	Mbbl	256	0	256	172	1.000	256	5	21.3	3.9	3.5
Total: Oil+NGL	Mbbl	325	0	325	228	1.000	325	6	21.3	3.4	3.1
Total: Oil Eq.	Mboe	5,333	0	5,333	4,419	1.000	5,333	100	21.3	3.8	3.5

PRODUCT REVENUE AND EXPENSES

Product	Units	Average First Year Unit Values						Net Revenue After Royalties					
		Base Price	Price Adjust.	Wellhead Price	Net Burdens	Operating Expenses	Other Expenses	Prod'n Revenue	Undisc MS	% of Total	10% Disc MS	% of Total	
		Light/Med Oil	\$/bbl	60.00	-2.00	58.00	15.97	15.31	0.00	26.72	3,746	3	3,041
Residue Gas	\$/Mcf	2.71	0.47	3.18	0.24	0.84	0.00	2.10	98,857	87	67,343	86	
Condensate	\$/bbl	63.00	-5.30	57.70	10.78	0.00	0.00	46.92	8,983	8	6,301	8	
Propane	\$/bbl	18.00	2.90	20.90	2.18	0.00	0.00	18.72	1,728	2	1,191	2	
Total: NGL	\$/bbl	49.67	-2.87	46.80	8.24	0.00	0.00	38.56	10,711	9	7,492	10	
Total: Oil+NGL	\$/bbl	52.77	-2.61	50.16	10.55	4.59	0.00	35.01	14,456	13	10,534	14	
Total: Oil Eq.	\$/boe	18.76	2.43	21.20	2.09	4.99	0.00	14.12	113,313	100	77,876	100	

REVENUE BURDENS AND NET PRESENT VALUE SUMMARY

Revenue Burdens (%)	Net Present Value Before Income Tax							Net Present Value After Income Tax				
	Initial	Average	Disc. Rate %	Prod'n Revenue MS	Operating Income MS	Capital Invest. MS	Cash Flow MS	Operating Income MS	Capital Invest. MS	Cash Flow MS	\$/boe	
	Crown Royalty	12.0717	17.3073	0.0	70,798	69,695	0	69,695	13.07	69,695	0	69,695
Non-crown Royalty	0.0000	0.0000	5.0	59,058	58,533	0	58,533	10.98	58,533	0	58,533	10.98
Mineral Tax	0.0000	0.0000	8.0	53,849	53,497	0	53,497	10.03	53,497	0	53,497	10.03
			10.0	50,914	50,640	0	50,640	9.50	50,640	0	50,640	9.50
			12.0	48,324	48,108	0	48,108	9.02	48,108	0	48,108	9.02
			15.0	44,966	44,812	0	44,812	8.40	44,812	0	44,812	8.40
			20.0	40,440	40,348	0	40,348	7.57	40,348	0	40,348	7.57

Evaluator: Jacksteit, Ian G.  
Run Date: November 21, 2016 08:46:12

Company: **Persta Resources Inc.**  
 Property: **Corporate**  
 Description: **After Tax Analysis**

Reserve Class: **Proved**  
 Development Class: **Total**  
 Pricing: **GLJ (2016-10)**  
 Effective Date: **September 30, 2016**

**Economic Forecast**

**PRODUCTION FORECAST**

Year	Light & Medium Oil Production							Residue Gas Production				Condensate Production			
	Company Wells		Company	Company	Net Yearly	Price	Company	Company	Net Yearly	Price	Company	Company	Net Yearly	Price	
	Oil	Gas	Daily	Yearly				Daily			Yearly	Daily			Yearly
	bbl/d		Mbbl	Mbbl	\$/bbl	Mcf/d	MMcf	MMcf	\$/Mcf	bbl/d	Mbbl	Mbbl	\$/bbl		
2016	2	5	78	7	5	58.00	21,336	1,947	1,733	3.18	128	12	9	57.70	
2017	2	8	61	22	16	63.77	29,726	10,850	9,585	3.16	178	65	51	63.36	
2018	2	9	42	15	12	66.67	27,258	9,949	8,806	3.18	164	60	47	65.99	
2019	2	9	29	11	9	69.39	21,982	8,023	6,759	3.46	132	48	35	69.82	
2020	1	9	15	6	5	71.95	17,796	6,496	5,293	3.70	107	39	26	72.09	
2021	1	9	10	4	3	76.62	14,483	5,286	4,289	4.01	87	32	21	76.91	
2022	1	9	7	3	3	81.28	11,937	4,357	3,483	4.22	72	26	16	81.32	
2023	1	8	5	2	2	85.94	9,718	3,547	2,877	4.43	58	21	13	86.12	
2024	0	8	0	0	0	0.00	8,163	2,979	2,466	4.64	49	18	11	90.45	
2025	0	8	0	0	0	0.00	6,866	2,506	2,125	4.74	41	15	9	94.06	
2026	0	7	0	0	0	0.00	5,677	2,072	1,799	4.83	34	12	7	95.94	
2027	0	7	0	0	0	0.00	4,877	1,780	1,580	4.93	29	11	6	97.86	
Sub.															
Rem.															
Tot.															

Year	Propane Production				Natural Gas Liquids Production				Oil + Liquids Production				
	Company	Company	Net Yearly	Price	Company	Company	Net Yearly	Price	Company	Company	Net Yearly	Price	
	Daily	Yearly			Daily	Yearly			Daily	Yearly			
	bbl/d	Mbbl	Mbbl	\$/bbl	bbl/d	Mbbl	Mbbl	\$/bbl	bbl/d	Mbbl	Mbbl	\$/bbl	
2016		54	5	4	20.90	182	17	13	46.80	260	24	19	50.16
2017		75	27	23	22.70	253	93	74	51.31	314	115	91	53.72
2018		69	25	21	23.64	232	85	68	53.44	274	100	80	55.45
2019		56	20	16	28.11	187	68	51	57.46	217	79	60	59.07
2020		45	16	12	29.08	152	55	39	59.34	167	61	43	60.48
2021		37	13	10	30.79	123	45	30	63.25	134	49	34	64.28
2022		30	11	8	32.50	102	37	23	66.85	109	40	26	67.82
2023		25	9	6	34.21	83	30	19	70.74	88	32	21	71.63
2024		21	8	5	35.93	70	25	16	74.29	70	25	16	74.29
2025		17	6	4	36.93	59	21	13	77.13	59	21	13	77.13
2026		14	5	4	37.67	48	18	11	78.67	48	18	11	78.67
2027		12	4	3	38.42	42	15	10	80.25	42	15	10	80.25
Sub.			151	117	28.57		510	368	60.59		579	423	61.40
Rem.			22	16	42.39		76	48	88.53		76	48	88.53
Tot.			173	133	30.36		585	416	64.20		655	471	64.53

Year	Oil Equivalent Production				
	Company	Company	Net Yearly	Price	
	Daily	Yearly			Daily
	boe/d	Mboe	Mboe	\$/boe	
2016		3,816	348	307	21.20
2017		5,269	1,923	1,688	21.01
2018		4,817	1,758	1,548	21.15
2019		3,880	1,416	1,186	22.93
2020		3,133	1,143	925	24.24
2021		2,548	930	749	26.15
2022		2,099	766	606	27.53
2023		1,708	623	500	28.92
2024		1,430	522	427	30.09
2025		1,203	439	368	30.79
2026		994	363	311	31.41
2027		854	312	273	32.04
Sub.			10,544	8,889	24.58
Rem.			1,554	1,405	35.34
Tot.			12,099	10,294	25.97

REVENUE AND EXPENSE FORECAST

Year	Revenue Before Burdens					Royalty Burdens		Gas Processing Allowance		Total Royalty After Process. MS	Net Revenue After Royalty MS	Operating Expenses			
	Working Interest				Royalty Interest Total MS	Company Interest Total MS	Pre-Processing		Total Royalty After Process. MS			Fixed MS	Variable MS	Total MS	
	Oil MS	Gas MS	NGL+Sul MS	Total MS			Crown MS	Other MS							Crown MS
2016	412	6,191	777	7,380	0	7,380	891	0	164	0	727	6,654	380	1,356	1,736
2017	1,416	34,249	4,747	40,412	0	40,412	5,092	0	1,032	0	4,060	36,353	2,251	7,588	9,839
2018	1,016	31,642	4,533	37,191	0	37,191	4,510	0	961	0	3,548	33,643	2,631	7,068	9,699
2019	740	27,800	3,931	32,471	0	32,471	5,204	0	1,079	0	4,124	28,346	2,706	5,811	8,517
2020	396	24,040	3,287	27,723	0	27,723	5,197	0	1,060	0	4,138	23,585	2,637	4,747	7,383
2021	291	21,175	2,851	24,316	0	24,316	4,680	0	922	0	3,758	20,558	2,690	3,936	6,625
2022	216	18,385	2,484	21,085	0	21,085	4,385	0	858	0	3,527	17,558	2,743	3,305	6,049
2023	162	15,727	2,139	18,028	0	18,028	3,585	0	686	0	2,899	15,129	2,502	2,743	5,245
2024	0	13,818	1,887	15,705	0	15,705	2,934	0	550	0	2,384	13,321	2,418	2,339	4,757
2025	0	11,873	1,648	13,521	0	13,521	2,308	0	432	0	1,876	11,645	2,467	2,007	4,473
2026	0	10,012	1,390	11,402	0	11,402	1,752	0	328	0	1,424	9,978	2,202	1,692	3,894
2027	0	8,773	1,218	9,991	0	9,991	1,377	0	237	0	1,140	8,851	2,246	1,483	3,728
Sub.	4,649	223,686	30,892	259,226	0	259,226	41,913	0	8,308	0	33,606	225,621	27,871	44,075	71,946
Rem.	0	48,235	6,696	54,931	0	54,931	6,175	0	1,033	0	5,141	49,790	20,986	8,153	29,139
<b>Tot.</b>	<b>4,649</b>	<b>271,921</b>	<b>37,588</b>	<b>314,158</b>	<b>0</b>	<b>314,158</b>	<b>48,088</b>	<b>0</b>	<b>9,341</b>	<b>0</b>	<b>38,747</b>	<b>275,411</b>	<b>48,857</b>	<b>52,228</b>	<b>101,085</b>
Disc	3,827	165,420	22,880	192,127	0	192,127	29,516	0	5,858	0	23,657	168,470	21,553	33,118	54,671

Year	Mineral Tax MS	Capital Tax MS	NPI Burden MS	Net Prod'n Revenue MS	Other Income MS	Aband. & Recl. Costs MS	Oper. Income MS	Net Capital Investment			Before Tax Cash Flow			
								Dev. MS	Plant MS	Tang. MS	Total MS	Annual MS	Cum. MS	10.0% Def MS
2016	0	0	0	4,918	0	0	4,918	0	0	0	0	4,918	4,918	4,860
2017	0	0	0	26,513	0	0	26,513	15,759	1,530	1,071	18,360	8,153	13,071	12,450
2018	0	0	0	23,944	0	0	23,944	5,358	520	364	6,242	17,701	30,772	27,432
2019	0	0	0	19,829	0	0	19,829	0	0	0	0	19,829	50,601	42,689
2020	0	0	0	16,202	0	0	16,202	0	0	0	0	16,202	66,804	54,022
2021	0	0	0	13,933	0	0	13,933	0	0	0	0	13,933	80,736	62,882
2022	0	0	0	11,509	0	0	11,509	0	0	0	0	11,509	92,246	69,536
2023	0	0	0	9,884	0	0	9,884	0	0	0	0	9,884	102,130	74,730
2024	0	0	0	8,564	0	105	8,458	0	0	0	0	8,458	110,588	78,771
2025	0	0	0	7,171	0	0	7,171	0	0	0	0	7,171	117,760	81,886
2026	0	0	0	6,084	0	0	6,084	0	0	0	0	6,084	123,844	84,288
2027	0	0	0	5,123	0	155	4,967	0	0	0	0	4,967	128,811	86,071
Sub.	0	0	0	153,674	0	261	153,413	21,117	2,050	1,435	24,602	128,811	128,811	86,071
Rem.	0	0	0	20,651	0	1,700	18,951	0	0	0	0	18,951	147,762	91,081
<b>Tot.</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>174,326</b>	<b>0</b>	<b>1,961</b>	<b>172,364</b>	<b>21,117</b>	<b>2,050</b>	<b>1,435</b>	<b>24,602</b>	<b>147,762</b>	<b>147,762</b>	<b>91,081</b>
Disc	0	0	0	113,798	0	341	113,458	19,207	1,865	1,305	22,377	91,081	91,081	91,081

AFTER TAX ANALYSIS

Year	Oper. Income MS	Tax Pool Balances Incl. Current Year Additions					Depreciation & Writeoffs					Total MS
		CCA MS	COGPE MS	CDE MS	CEE MS	Other MS	CCA MS	COGPE MS	CDE MS	CEE MS	Other MS	
2016	4,918	4,312	13,460	7,930	84,511	646	270	336	595	3,555	162	4,918
2017	26,513	6,642	13,123	23,095	80,957	718	1,339	1,312	6,928	16,215	718	26,513
2018	23,944	6,188	11,811	21,524	64,741	234	1,439	1,181	6,457	14,633	234	23,944
2019	19,829	4,749	10,630	15,067	50,108	234	1,189	1,063	4,520	12,824	234	19,829
2020	16,202	3,561	9,567	10,547	37,285	234	891	957	3,164	10,957	234	16,202
2021	13,933	2,670	8,610	7,383	26,328	0	668	861	2,215	10,189	0	13,933
2022	11,509	2,002	7,749	5,168	16,139	0	501	775	1,550	8,683	0	11,509
2023	9,884	1,501	6,974	3,618	7,456	0	375	697	1,085	7,456	0	9,884
2024	8,458	1,125	6,277	2,532	0	0	282	628	760	0	0	8,458
2025	7,171	844	5,649	1,773	0	0	211	565	532	0	0	7,171
2026	6,084	633	5,084	1,241	0	0	158	508	372	0	0	6,084
2027	4,967	474	4,576	869	0	0	119	458	261	0	0	4,967
Sub.	153,413	474	4,576	869	0	0	7,441	9,342	28,439	84,511	1,581	153,413
Rem.	18,951	474	4,576	869	0	0	355	3,618	608	0	0	18,951
<b>Tot.</b>	<b>172,364</b>	<b>474</b>	<b>4,576</b>	<b>869</b>	<b>0</b>	<b>0</b>	<b>7,796</b>	<b>12,959</b>	<b>29,047</b>	<b>84,511</b>	<b>1,581</b>	<b>172,364</b>
Disc	113,458						5,603	7,039	22,068	63,942	1,369	113,458

Year	Federal		Provincial			ARTD & Investment Credits	Income Tax Payable MS	Net Cash Flow Before Income Tax			Net Cash Flow After Income Tax		
	Taxable Income MS	Tax Rate %	Income Tax MS	Tax Rate %	Income Tax MS			Annual MS	Cum. MS	10.0% Dcf MS	Annual MS	Cum. MS	10.0% Dcf MS
	2016	0	15.0	0	12.0			0	0	4,918	4,918	4,860	4,918
2017	0	15.0	0	12.0	0	0	8,153	13,071	12,450	8,153	13,071	12,450	
2018	0	15.0	0	12.0	0	0	17,701	30,772	27,432	17,701	30,772	27,432	
2019	0	15.0	0	12.0	0	0	19,829	50,601	42,689	19,829	50,601	42,689	
2020	0	15.0	0	12.0	0	0	16,202	66,803	54,022	16,202	66,803	54,022	
2021	0	15.0	0	12.0	0	0	13,933	80,736	62,882	13,933	80,736	62,882	
2022	0	15.0	0	12.0	0	0	11,509	92,246	69,536	11,509	92,246	69,536	
2023	270	15.0	41	12.0	32	0	73	9,884	102,130	74,730	9,811	102,057	74,692
2024	6,790	15.0	1,018	12.0	815	0	1,833	8,458	110,588	78,771	6,625	108,682	77,857
2025	5,864	15.0	880	12.0	704	0	1,583	7,171	117,760	81,886	5,588	114,270	80,284
2026	5,045	15.0	757	12.0	605	0	1,362	6,084	123,844	84,288	4,722	118,992	82,148
2027	4,131	15.0	620	12.0	496	0	1,115	4,967	128,811	86,071	3,852	122,844	83,531
Sub.	22,099		3,315		2,652	0	5,967	128,811	128,811	86,071	122,844	122,844	83,531
Rem.	14,371		2,395		1,916	0	4,311	18,951	147,762	91,081	14,640	137,484	87,420
<b>Tot.</b>	<b>36,470</b>		<b>5,710</b>		<b>4,568</b>	<b>0</b>	<b>10,277</b>	<b>147,762</b>	<b>147,762</b>	<b>91,081</b>	<b>137,484</b>	<b>137,484</b>	<b>87,420</b>
Disc	13,436		2,034		1,627	0	3,661	91,081	91,081	91,081	87,420	87,420	87,420

SUMMARY OF RESERVES

Product	Units	Remaining Reserves at Oct 01, 2016				Oil Equivalents			Reserve Life Indic. (yr)		
		Working Interest	Roy/NPI Interest	Total Company	Net	Oil Eq. Factor	Company Mboe	% of Total	Reserve Life	Life Index	Half Life
		Light/Med Oil	Mbbl	69	0	69	55	1.000	69	1	7.3
Residue Gas	MMcf	68,664	0	68,664	58,940	6.000	11,444	95	26.3	8.8	4.5
Gas Heat Content	BBtu	74,157	0	74,157	63,655	0.000	0	0	26.3	8.8	4.5
Condensate	Mbbl	412	0	412	283	1.000	412	3	26.3	8.8	4.5
Propane	Mbbl	173	0	173	133	1.000	173	1	26.3	8.8	4.5
Total: NGL	Mbbl	585	0	585	416	1.000	585	5	26.3	8.8	4.5
Total: Oil+NGL	Mbbl	655	0	655	471	1.000	655	5	26.3	6.9	4.2
Total: Oil Eq.	Mboe	12,099	0	12,099	10,294	1.000	12,099	100	26.3	8.7	4.5

PRODUCT REVENUE AND EXPENSES

Product	Units	Average First Year Unit Values						Net Revenue After Royalties					
		Base Price	Price Adjust.	Wellhead Price	Net Burdens	Operating Expenses	Other Expenses	Prod'n Revenue	Undisc MS	% of Total	10% Disc MS	% of Total	
		Light/Med Oil	\$/bbl	60.00	-2.00	58.00	15.97	15.31	0.00	26.72	3,746	1	3,041
Residue Gas	\$/Mcf	2.71	0.47	3.18	0.24	0.84	0.00	2.10	244,579	89	148,323	88	
Condensate	\$/bbl	63.00	-5.30	57.70	10.78	0.00	0.00	46.92	22,776	8	14,442	9	
Propane	\$/bbl	18.00	2.90	20.90	2.18	0.00	0.00	18.72	4,309	2	2,664	2	
Total: NGL	\$/bbl	49.67	-2.87	46.80	8.24	0.00	0.00	38.56	27,086	10	17,105	10	
Total: Oil+NGL	\$/bbl	52.77	-2.61	50.16	10.55	4.59	0.00	35.01	30,831	11	20,147	12	
Total: Oil Eq.	\$/boe	18.76	2.43	21.20	2.09	4.99	0.00	14.12	275,411	100	168,470	100	

REVENUE BURDENS AND NET PRESENT VALUE SUMMARY

Revenue Burdens (%)	Net Present Value Before Income Tax						Net Present Value After Income Tax					
	Initial	Average	Disc. Rate %	Prod'n Revenue MS	Operating Income MS	Capital Invest. MS	Cash Flow		Operating Income MS	Capital Invest. MS	Cash Flow	
							MS	\$/boe			MS	\$/boe
Crown Royalty	12.0717	15.3070	0.0	174,326	172,364	24,602	147,762	12.21	162,087	24,602	137,484	11.36
Non-crown Royalty	0.0000	0.0000	5.0	137,644	136,889	23,432	113,457	9.38	130,889	23,432	107,457	8.88
Mineral Tax	0.0000	0.0000	8.0	122,235	121,774	22,786	98,988	8.18	117,335	22,786	94,549	7.81
			10.0	113,798	113,458	22,377	91,081	7.53	109,797	22,377	87,420	7.23
			12.0	106,502	106,245	21,983	84,262	6.96	103,208	21,983	81,224	6.71
			15.0	97,251	97,077	21,421	75,656	6.25	94,758	21,421	73,337	6.06
			20.0	85,164	85,066	20,551	64,515	5.33	83,550	20,551	62,999	5.21

Evaluator: Jacksteit, Ian G.  
Run Date: November 21, 2016 08:46:13

Company: **Persta Resources Inc.**  
 Property: **Corporate**  
 Description: **After Tax Analysis**

Reserve Class: **Proved Plus Probable**  
 Development Class: **Total**  
 Pricing: **GLJ (2016-10)**  
 Effective Date: **September 30, 2016**

**Economic Forecast**

**PRODUCTION FORECAST**

Year	Light & Medium Oil Production				Residue Gas Production				Condensate Production					
	Company Wells		Company	Company	Net Yearly	Price	Company	Company	Net Yearly	Price	Company	Company	Net Yearly	Price
	Oil	Gas	Daily	Yearly			Daily	Yearly			Daily	Yearly		
			bbl/d	Mbbl	\$/bbl	Mcf/d	MMcf	MMcf	\$/Mcf	bbl/d	Mbbl	Mbbl	\$/bbl	
2016	2	5	79	7	5	58.00	21,719	1,982	1,765	3.18	130	12	9	57.70
2017	2	8	65	24	17	63.77	35,275	12,875	11,438	3.17	212	77	62	63.36
2018	2	10	49	18	14	66.67	37,464	13,674	12,028	3.19	225	82	64	65.99
2019	2	10	37	14	11	69.39	30,884	11,273	9,328	3.46	185	68	47	69.82
2020	2	10	29	11	9	71.95	25,421	9,279	7,314	3.70	153	56	36	72.09
2021	1	10	17	6	5	76.62	21,092	7,699	5,900	4.01	127	46	28	76.91
2022	1	10	14	5	4	81.28	17,716	6,466	4,961	4.22	106	39	24	81.32
2023	1	10	11	4	4	85.94	14,992	5,472	4,242	4.43	90	33	20	86.12
2024	1	10	9	3	3	90.60	12,800	4,672	3,683	4.64	77	28	17	90.45
2025	1	10	7	3	2	93.22	10,932	3,990	3,215	4.74	66	24	14	94.06
2026	1	9	6	2	2	95.09	9,222	3,366	2,769	4.83	55	20	12	95.94
2027	1	9	5	2	2	96.99	7,973	2,910	2,451	4.93	48	17	10	97.86
Sub.				99	78	71.25		83,658	69,094	3.80		502	343	75.11
Rem.				0	0	0.00		16,614	14,952	5.53		100	60	109.80
<b>Tot.</b>				<b>99</b>	<b>78</b>	<b>71.25</b>		<b>100,272</b>	<b>84,046</b>	<b>4.08</b>		<b>602</b>	<b>403</b>	<b>80.85</b>

Year	Propane Production				Natural Gas Liquids Production				Oil + Liquids Production				
	Company	Company	Net Yearly	Price	Company	Company	Net Yearly	Price	Company	Company	Net Yearly	Price	
	Daily	Yearly	Mbbl	\$/bbl	Daily	Yearly	Mbbl	\$/bbl	Daily	Yearly	Mbbl	\$/bbl	
	bbl/d	Mbbl	Mbbl		bbl/d	Mbbl			bbl/d	Mbbl	Mbbl		
2016		55	5	4	20.90	185	17	14	46.80	264	24	19	50.15
2017		89	33	28	22.70	301	110	89	51.31	366	133	106	53.52
2018		95	35	29	23.64	319	117	93	53.44	368	134	107	55.18
2019		78	28	22	28.11	263	96	69	57.46	301	110	80	58.94
2020		64	23	17	29.08	217	79	53	59.34	246	90	62	60.85
2021		53	19	14	30.79	180	66	42	63.25	197	72	47	64.42
2022		45	16	12	32.50	151	55	35	66.85	165	60	40	68.06
2023		38	14	10	34.21	128	47	29	70.74	139	51	33	71.95
2024		32	12	8	35.93	109	40	25	74.29	118	43	28	75.55
2025		28	10	7	36.93	93	34	21	77.13	101	37	24	78.33
2026		23	9	6	37.67	79	29	18	78.67	85	31	20	79.88
2027		20	7	5	38.42	68	25	16	80.25	73	27	17	81.45
Sub.			211	161	29.07		713	504	61.47		812	583	62.65
Rem.			42	29	43.11		142	89	90.04		142	89	90.04
<b>Tot.</b>			<b>253</b>	<b>191</b>	<b>31.40</b>		<b>855</b>	<b>594</b>	<b>66.20</b>		<b>953</b>	<b>672</b>	<b>66.72</b>

Year	Oil Equivalent Production				
	Company	Company	Net Yearly	Price	
	Daily	Yearly	Mboe	\$/boe	
	boe/d	Mboe	Mboe		
2016		3,884	354	313	21.19
2017		6,245	2,279	2,013	21.06
2018		6,612	2,413	2,111	21.13
2019		5,448	1,988	1,635	22.89
2020		4,483	1,636	1,281	24.33
2021		3,713	1,355	1,031	26.18
2022		3,117	1,138	866	27.58
2023		2,637	963	740	28.99
2024		2,252	822	642	30.33
2025		1,923	702	560	31.04
2026		1,622	592	482	31.66
2027		1,402	512	426	32.28
Sub.			14,755	12,099	24.98
Rem.			2,911	2,581	35.95
<b>Tot.</b>			<b>17,666</b>	<b>14,680</b>	<b>26.79</b>

REVENUE AND EXPENSE FORECAST

Year	Revenue Before Burdens						Royalty Burdens		Gas Processing		Total Royalty After Process. MS	Net Revenue After Royalty MS	Operating Expenses		
	Working Interest				Royalty Interest Total MS	Company Interest Total MS	Pre-Processing		Allowance				Fixed MS	Variable MS	Total MS
	Oil MS	Gas MS	NGL+Sul MS	Total MS			Crown MS	Other MS	Crown MS	Other MS					
2016	419	6,303	791	7,512	0	7,512	905	0	166	0	738	6,774	380	1,380	1,760
2017	1,508	40,858	5,633	48,000	0	48,000	5,773	0	1,166	0	4,607	43,392	2,251	8,981	11,233
2018	1,181	43,594	6,231	51,006	0	51,006	6,458	0	1,381	0	5,077	45,929	2,856	9,681	12,536
2019	944	39,058	5,523	45,526	0	45,526	7,980	0	1,651	0	6,330	39,196	2,980	8,140	11,120
2020	770	34,340	4,695	39,805	0	39,805	8,469	0	1,713	0	6,756	33,049	3,039	6,838	9,878
2021	485	30,837	4,152	35,473	0	35,473	8,311	0	1,611	0	6,700	28,773	2,974	5,737	8,711
2022	408	27,286	3,686	31,380	0	31,380	7,340	0	1,387	0	5,953	25,427	3,034	4,913	7,947
2023	348	24,262	3,300	27,910	0	27,910	6,375	0	1,180	0	5,195	22,715	3,095	4,239	7,334
2024	300	21,668	2,960	24,928	0	24,928	5,434	0	987	0	4,447	20,480	3,156	3,691	6,847
2025	255	18,903	2,624	21,782	0	21,782	4,441	0	806	0	3,635	18,147	3,220	3,215	6,434
2026	217	16,265	2,258	18,739	0	18,739	3,561	0	647	0	2,914	15,825	2,969	2,766	5,735
2027	186	14,343	1,991	16,521	0	16,521	2,874	0	494	0	2,380	14,141	3,029	2,439	5,467
Sub.	7,021	317,716	43,843	368,580	0	368,580	67,921	0	13,191	0	54,730	313,850	32,983	62,019	95,003
Rem.	0	91,874	12,754	104,629	0	104,629	13,213	0	2,211	0	11,002	93,626	34,500	15,529	50,028
Tot.	7,021	409,590	56,597	473,209	0	473,209	81,134	0	15,402	0	65,732	407,476	67,483	77,548	145,031
Disc	5,216	233,566	32,284	271,066	0	271,066	46,667	0	9,095	0	37,572	233,494	26,354	46,200	72,553

Year	Mineral Tax MS	Capital Tax MS	NPI Burden MS	Net Prod'n Revenue MS	Other Income MS	Aband. & Recl. Costs MS	Oper. Income MS	Net Capital Investment			Before Tax Cash Flow			
								Dev. MS	Plant MS	Tang. MS	Total MS	Annual MS	Cum. MS	10.0% Def MS
2016	0	0	0	5,014	0	0	5,014	0	0	0	0	5,014	5,014	4,955
2017	0	0	0	32,160	0	0	32,160	15,759	1,530	1,071	18,360	13,800	18,814	17,803
2018	0	0	0	33,393	0	0	33,393	10,716	1,040	728	12,485	20,908	39,722	35,498
2019	0	0	0	28,076	0	0	28,076	0	0	0	0	28,076	67,798	57,101
2020	0	0	0	23,171	0	0	23,171	0	0	0	0	23,171	90,969	73,309
2021	0	0	0	20,062	0	0	20,062	0	0	0	0	20,062	111,031	86,066
2022	0	0	0	17,480	0	0	17,480	0	0	0	0	17,480	128,511	96,171
2023	0	0	0	15,382	0	0	15,382	0	0	0	0	15,382	143,893	104,255
2024	0	0	0	13,633	0	0	13,633	0	0	0	0	13,633	157,526	110,768
2025	0	0	0	11,713	0	108	11,605	0	0	0	0	11,605	169,131	115,808
2026	0	0	0	10,090	0	0	10,090	0	0	0	0	10,090	179,221	119,792
2027	0	0	0	8,674	0	0	8,674	0	0	0	0	8,674	187,895	122,906
Sub.	0	0	0	218,847	0	108	218,740	26,475	2,570	1,799	30,845	187,895	187,895	122,906
Rem.	0	0	0	43,598	0	2,195	41,403	0	0	0	0	41,403	229,298	132,990
Tot.	0	0	0	262,445	0	2,302	260,143	26,475	2,570	1,799	30,845	229,298	229,298	132,990
Disc	0	0	0	160,941	0	291	160,650	23,742	2,305	1,614	27,660	132,990	132,990	132,990

AFTER TAX ANALYSIS

Year	Oper. Income MS	Tax Pool Balances Incl. Current Year Additions					Depreciation & Writeoffs					Total MS
		CCA MS	COGPE MS	CDE MS	CEE MS	Other MS	CCA MS	COGPE MS	CDE MS	CEE MS	Other MS	
2016	5,014	4,312	13,460	7,930	84,511	646	270	336	595	3,651	162	5,014
2017	32,160	6,642	13,123	23,095	80,860	718	1,339	1,312	6,928	21,862	718	32,160
2018	33,393	7,072	11,811	26,882	58,998	234	1,549	1,181	8,065	22,364	234	33,393
2019	28,076	5,523	10,630	18,818	36,634	234	1,382	1,063	5,645	19,752	234	28,076
2020	23,171	4,141	9,567	13,172	16,882	234	1,036	957	3,952	16,882	234	23,171
2021	20,062	3,105	8,610	9,221	0	0	777	861	2,766	0	0	20,062
2022	17,480	2,328	7,749	6,454	0	0	582	775	1,936	0	0	17,480
2023	15,382	1,746	6,974	4,518	0	0	437	697	1,355	0	0	15,382
2024	13,633	1,309	6,277	3,163	0	0	327	628	949	0	0	13,633
2025	11,605	981	5,649	2,214	0	0	246	565	664	0	0	11,605
2026	10,090	736	5,084	1,550	0	0	184	508	465	0	0	10,090
2027	8,674	552	4,576	1,085	0	0	138	458	325	0	0	8,674
Sub.	218,740	552	4,576	1,085	0	0	8,268	9,342	33,646	84,511	1,581	218,740
Rem.	41,403	552	4,576	1,085	0	0	413	3,753	759	0	0	41,403
Tot.	260,143	552	4,576	1,085	0	0	8,681	13,095	34,405	84,511	1,581	260,143
Disc	160,650						6,165	7,045	25,809	69,896	1,369	160,650

Year	Federal		Provincial		ARTD & Investment Credits	Income Tax Payable MS	Net Cash Flow Before Income Tax			Net Cash Flow After Income Tax			
	Taxable Income MS	Tax Rate %	Income Tax MS	Tax Rate %			Annual MS	Cum. MS	10.0% Dcf MS	Annual MS	Cum. MS	10.0% Dcf MS	
	2016	0	15.0	0			12.0	0	0	5,014	5,014	4,955	5,014
2017	0	15.0	0	12.0	0	0	13,800	18,814	17,803	13,800	18,814	17,803	
2018	0	15.0	0	12.0	0	0	20,908	39,722	35,498	20,908	39,722	35,498	
2019	0	15.0	0	12.0	0	0	28,076	67,798	57,101	28,076	67,798	57,101	
2020	111	15.0	17	12.0	13	0	30	23,171	90,969	73,309	23,142	90,939	73,288
2021	15,658	15.0	2,349	12.0	1,879	0	4,228	20,062	111,031	86,066	15,834	106,773	83,357
2022	14,186	15.0	2,128	12.0	1,702	0	3,830	17,480	128,511	96,171	13,650	120,423	91,248
2023	12,892	15.0	1,934	12.0	1,547	0	3,481	15,382	143,893	104,255	11,901	132,324	97,502
2024	11,729	15.0	1,759	12.0	1,407	0	3,167	13,633	157,526	110,768	10,466	142,790	102,502
2025	10,131	15.0	1,520	12.0	1,216	0	2,735	11,605	169,131	115,808	8,870	151,660	106,355
2026	8,933	15.0	1,340	12.0	1,072	0	2,412	10,090	179,221	119,792	7,678	159,339	109,386
2027	7,752	15.0	1,163	12.0	930	0	2,093	8,674	187,895	122,906	6,580	165,919	111,748
Sub.	81,392		12,209		9,767	0	21,976	187,895	187,895	122,906	165,919	165,919	111,748
Rem.	36,478		5,684		4,547	0	10,232	41,403	229,298	132,990	31,171	197,090	119,370
<b>Tot.</b>	<b>117,870</b>		<b>17,893</b>		<b>14,315</b>	<b>0</b>	<b>32,208</b>	<b>229,298</b>	<b>229,298</b>	<b>132,990</b>	<b>197,090</b>	<b>197,090</b>	<b>119,370</b>
Disc	50,366		7,566		6,053	0	13,619	132,990	132,990	132,990	119,370	119,370	119,370

SUMMARY OF RESERVES

Product	Units	Remaining Reserves at Oct 01, 2016				Oil Equivalents			Reserve Life Indic. (yr)		
		Working Interest	Roy/NPI Interest	Total Company	Net	Oil Eq. Factor	Company Mboe	% of Total	Reserve Life	Life Index	Half Life
		Light/Med Oil	Mbbl	99	0	99	78	1.000	99	1	11.3
Residue Gas	MMcf	100,272	0	100,272	84,046	6.000	16,712	95	29.3	12.6	5.1
Gas Heat Content	BBtu	108,294	0	108,294	90,770	0.000	0	0	29.3	12.6	5.1
Condensate	Mbbl	602	0	602	403	1.000	602	3	29.3	12.6	5.1
Propane	Mbbl	253	0	253	191	1.000	253	1	29.3	12.6	5.1
Total: NGL	Mbbl	855	0	855	594	1.000	855	5	29.3	12.6	5.1
Total: Oil+NGL	Mbbl	953	0	953	672	1.000	953	5	29.3	9.9	4.8
Total: Oil Eq.	Mboe	17,666	0	17,666	14,680	1.000	17,666	100	29.3	12.5	5.1

PRODUCT REVENUE AND EXPENSES

Product	Units	Average First Year Unit Values						Net Revenue After Royalties					
		Base Price	Price Adjust.	Wellhead Price	Net Burdens	Operating Expenses	Other Expenses	Prod'n Revenue	Undisc MS	% of Total	10% Disc MS	% of Total	
		Light/Med Oil	\$/bbl	60.00	-2.00	58.00	16.07	15.17	0.00	26.76	5,650	1	4,115
Residue Gas	\$/Mcf	2.71	0.47	3.18	0.24	0.83	0.00	2.10	361,761	89	205,653	88	
Condensate	\$/bbl	63.00	-5.30	57.70	10.74	0.00	0.00	46.96	33,619	8	19,989	9	
Propane	\$/bbl	18.00	2.90	20.90	2.17	0.00	0.00	18.73	6,447	2	3,737	2	
Total: NGL	\$/bbl	49.67	-2.87	46.80	8.20	0.00	0.00	38.59	40,066	10	23,726	10	
Total: Oil+NGL	\$/bbl	52.76	-2.61	50.15	10.56	4.54	0.00	35.05	45,716	11	27,842	12	
Total: Oil Eq.	\$/boe	18.76	2.43	21.19	2.08	4.97	0.00	14.15	407,476	100	233,494	100	

REVENUE BURDENS AND NET PRESENT VALUE SUMMARY

Revenue Burdens (%)	Net Present Value Before Income Tax						Net Present Value After Income Tax					
	Initial	Average	Disc. Rate %	Prod'n Revenue MS	Operating Income MS	Capital Invest. MS	Cash Flow		Operating Income MS	Capital Invest. MS	Cash Flow	
							MS	\$/boe			MS	\$/boe
Crown Royalty	12.0411	17.1456	0.0	262,445	260,143	30,845	229,298	12.98	227,935	30,845	197,090	11.16
Non-crown Royalty	0.0000	0.0000	5.0	199,677	198,927	29,163	169,764	9.61	178,577	29,163	149,414	8.46
Mineral Tax	0.0000	0.0000	8.0	174,458	174,041	28,242	145,799	8.25	158,143	28,242	129,901	7.35
			10.0	160,941	160,650	27,660	132,990	7.53	147,031	27,660	119,370	6.76
			12.0	149,416	149,208	27,103	122,105	6.91	137,459	27,103	110,356	6.25
			15.0	135,022	134,891	26,309	108,582	6.15	125,366	26,309	99,057	5.61
			20.0	116,579	116,513	25,088	91,425	5.18	109,617	25,088	84,529	4.78

Evaluator: Jacksteit, Ian G.  
Run Date: November 21, 2016 08:46:13

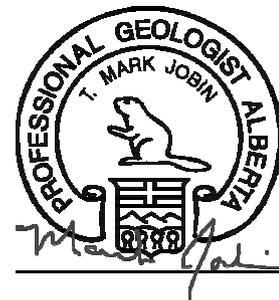
**APPENDIX I**  
**CERTIFICATES OF QUALIFICATION**

T. Mark Jobin  
Ian G. Jacksteit  
John N. Cowie  
Justin L.G. Mogck  
John J. Hirschmiller  
Nelda L. Radford

**CERTIFICATION OF QUALIFICATION**

I, T. Mark Jobin, Professional Geologist, 4100, 400 - 3rd Avenue S.W., Calgary, Alberta, Canada hereby certify:

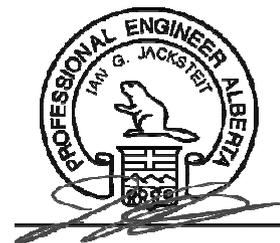
1. That I am an employee of GLJ Petroleum Consultants Ltd., which company did prepare a detailed analysis of Canadian oil and gas properties of Persta Resources Inc. (the "Company"). The effective date of this evaluation is September 30, 2016.
2. That I do not have, nor do I expect to receive any direct or indirect interest in the securities of the Company or its affiliated companies.
3. That I attended the University of Calgary and that I graduated in 1984 with a Bachelor of Science Degree in Geology; that I am a Registered Professional Geologist in the Province of Alberta; and, that I have in excess of thirty-two years experience in geological studies relating to oil and gas fields.
4. That a personal field inspection of the properties was not made; however, such an inspection was not considered necessary in view of the information available from public information and records, the files of the Company, and the appropriate provincial regulatory authorities.



**CERTIFICATION OF QUALIFICATION**

I, Ian G. Jacksteit, Professional Engineer, 4100, 400 - 3rd Avenue S.W., Calgary, Alberta, Canada hereby certify:

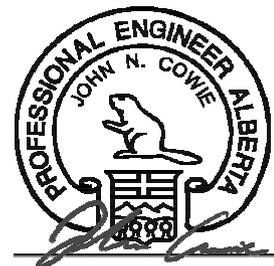
1. That I am an employee of GLJ Petroleum Consultants Ltd., which company did prepare a detailed analysis of Canadian oil and gas properties of Persta Resources Inc. (the "Company"). The effective date of this evaluation is September 30, 2016.
2. That I do not have, nor do I expect to receive any direct or indirect interest in the securities of the Company or its affiliated companies.
3. That I attended the University of Calgary where I graduated with a Bachelor of Science Degree in Chemical Engineering in 2001; that I am a Registered Professional Engineer in the Province of Alberta; and, that I have in excess of fifteen years experience in engineering studies relating to oil and gas fields.
4. That a personal field visit of the Basing property was made on March 9, 2016. This field visit was considered in conjunction with information available from public information and records, the files of the Company, and the appropriate provincial regulatory authorities.



**CERTIFICATION OF QUALIFICATION**

I, John N. Cowie, Professional Engineer, 4100, 400 - 3rd Avenue S.W., Calgary, Alberta, Canada hereby certify:

1. That I am an employee of GLJ Petroleum Consultants Ltd., which company did prepare a detailed analysis of Canadian oil and gas properties of Persta Resources Inc. (the "Company"). The effective date of this evaluation is September 30, 2016.
2. That I do not have, nor do I expect to receive any direct or indirect interest in the securities of the Company or its affiliated companies.
3. That I attended the University of Calgary and that I graduated with a Bachelors Degree in Chemical Engineering in 2008; that I am a Registered Professional Engineer in the Province of Alberta; and, that I have in excess of eight years experience in engineering studies relating to oil and gas fields.
4. That a personal field inspection of the properties was not made; however, such an inspection was not considered necessary in view of the information available from public information and records, the files of the Company, and the appropriate provincial regulatory authorities.



**CERTIFICATION OF QUALIFICATION**

I, Justin L.G. Mogck, Professional Engineer, 4100, 400 - 3rd Avenue S.W., Calgary, Alberta, Canada hereby certify:

1. That I am an employee of GLJ Petroleum Consultants Ltd., which company did prepare a detailed analysis of Canadian oil and gas properties of Persta Resources Inc. (the "Company"). The effective date of this evaluation is September 30, 2016.
2. That I do not have, nor do I expect to receive any direct or indirect interest in the securities of the Company or its affiliated companies.
3. That I attended the University of Alberta where I graduated with a Bachelor of Science Degree in Petroleum Engineering in 2010; that I am a Registered Professional Engineer in the Province of Alberta; and, that I have in excess of five years experience in engineering studies relating to oil and gas fields.
4. That a personal field visit of the Dawson property was made on March 10, 2016. This field visit was considered in conjunction with information available from public information and records, the files of the Company, and the appropriate provincial regulatory authorities.



**CERTIFICATION OF QUALIFICATION**

I, John J. Hirschmiller, Geoscientist In Training, 4100, 400 - 3rd Avenue S.W., Calgary, Alberta, Canada hereby certify:

1. That I am an employee of GLJ Petroleum Consultants Ltd., which company did prepare a detailed analysis of Canadian oil and gas properties of Persta Resources Inc. (the "Company"). The effective date of this evaluation is September 30, 2016.
2. That I do not have, nor do I expect to receive any direct or indirect interest in the securities of the Company or its affiliated companies.
3. That I attended the Dalhousie University where I graduated with a Bachelor of Science Degree in Earth Sciences (First Class Honours) in 2013; and, that I am a Geologist In Training; and, that I have in excess of four years of experience in geological studies relating to oil and gas fields. I have also attended the Northern Alberta Institute of Technology and where I graduated with a Diploma in Geological Technology (Honours) in 2010.
4. That a personal field inspection of the properties was not made; however, such an inspection was not considered necessary in view of the information available from public information and records, the files of the Company, and the appropriate provincial regulatory authorities.



John J. Hirschmiller, G.I.T.

**CERTIFICATION OF QUALIFICATION**

I, Nelda L. Radford, Professional Geophysicist, c/o 4100, 400 - 3rd Avenue S.W., Calgary, Alberta, Canada hereby certify:

1. That I am an employee of GLJ Petroleum Consultants Ltd., which company did prepare a detailed analysis of Canadian oil and gas properties of Persta Resources Inc. (the "Company"). The effective date of this evaluation is September 30, 2016.
2. That I do not have, nor do I expect to receive any direct or indirect interest in the securities of the Company or its affiliated companies.
3. That I attended the University of Kansas where I graduated with a Master of Science Degree in Geology in 1984; that I am a Registered Professional Geophysicist in the Province of Alberta; and, that I have in excess of thirty-one years experience in geological studies relating to oil and gas fields.
4. That a personal field inspection of the properties was not made; however, such an inspection was not considered necessary in view of the information available from public information and records, the files of the Company, and the appropriate provincial regulatory authorities.



**PERSTA RESOURCES INC.**

**BASING**

**Effective September 30, 2016**

Prepared by  
Nelda Radford, P. Geoph.  
John J. Hirschmiller, G.I.T.  
T. Mark Jobin, P. Geol.  
Ian G. Jacksteit, P. Eng.

*The analysis of this property as reported herein was conducted within the context of an evaluation of a distinct group of properties in aggregate. Extraction and use of this analysis outside this context may not be appropriate without supplementary due diligence.*

**BASING**  
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Reserves Estimation - Supporting Information	

Company: Persta Resources Inc.  
Property: Basing

Reserve Class: Various  
Development Class: GLJ (2016-10)  
Pricing: September 30, 2016  
Effective Date:

Summary of Reserves and Values

	Proved Producing	Proved Developed Non-Producing	Proved Undeveloped	Total Proved	Proved Plus Probable Producing	Proved Plus Probable Non-Producing	Proved Plus Probable Undeveloped	Total Proved Plus Probable
<b>MARKETABLE RESERVES</b>								
<b>Residue Gas (MMcf)</b>								
Gross Lease	30,048	0	38,617	68,664	41,928	0	58,344	100,272
Total Company Interest	30,048	0	38,617	68,664	41,928	0	58,344	100,272
Net After Royalty	25,146	0	33,794	58,940	34,545	0	49,501	84,046
<b>Natural Gas Liquids (Mbbbl)</b>								
Gross Lease	256	0	329	585	357	0	497	855
Total Company Interest	256	0	329	585	357	0	497	855
Net After Royalty	172	0	243	416	237	0	357	594
<b>Oil Equivalent (Mboe)</b>								
Gross Lease	5,264	0	6,765	12,030	7,346	0	10,221	17,567
Total Company Interest	5,264	0	6,765	12,030	7,346	0	10,221	17,567
Net After Royalty	4,363	0	5,876	10,239	5,994	0	8,607	14,601
<b>BEFORE TAX PRESENT VALUE (M\$)</b>								
0%	68,003	0	78,067	146,070	101,006	0	125,620	226,626
5%	56,925	0	54,924	111,848	79,048	0	88,329	167,378
8%	51,942	0	45,491	97,433	69,993	0	73,571	143,563
10%	49,121	0	40,441	89,562	65,081	0	65,764	130,845
12%	46,624	0	36,154	82,777	60,862	0	59,184	120,045
15%	43,378	0	30,844	74,223	55,550	0	51,088	106,638
20%	38,994	0	24,167	63,161	48,675	0	40,972	89,647
<b>FIRST 6 YEARS BEFORE TAX CASH FLOW (M\$)</b>								
2016 (3 Months)	4,728	0	0	4,728	4,821	0	0	4,821
2017	14,048	0	-6,532	7,517	15,142	0	-2,021	13,121
2018	9,910	0	7,353	17,263	11,713	0	8,672	20,385
2019	8,142	0	11,410	19,553	10,387	0	17,295	27,681
2020	6,382	0	9,633	16,015	8,742	0	14,143	22,885
2021	5,376	0	8,441	13,817	7,709	0	12,118	19,827

BOE Factors: HVY OIL 1.0 RES GAS 6.0 ETHANE 1.0  
COND 1.0 SLN GAS 6.0 BUTANE 1.0 SULPHUR 0.0

Run Date: November 19, 2016 10:57:15

Class (A,B1,B2,C,G,H1,H2,I), GLJ (2016-10), psum

1171053

November 22, 2016 10:18:30



Company: Persta Resources Inc.  
 Property: Basing

Reserve Class: Various  
 Development Class: Classifications  
 Pricing: GLJ (2016-10)  
 Effective Date: September 30, 2016

**Summary of Reserves**

	<b>Possible Producing</b>	<b>Total Possible</b>
<b>MARKETABLE RESERVES</b>		
<b><u>Residue Gas (MMcf)</u></b>		
Gross Lease	11,990	27,740
Total Company Interest	11,990	27,740
Net After Royalty	9,365	21,417
<b><u>Natural Gas Liquids (Mbbbl)</u></b>		
Gross Lease	102	237
Total Company Interest	102	237
Net After Royalty	65	152
<b><u>Oil Equivalent (Mboe)</u></b>		
Gross Lease	2,101	4,860
Total Company Interest	2,101	4,860
Net After Royalty	1,625	3,721

**BOE Factors:** HVY OIL 1.0 RES GAS 6.0 PROPANE 1.0 ETHANE 1.0  
 COND 1.0 SLN GAS 6.0 BUTANE 1.0 SULPHUR 0.0

Run Date: November 19, 2016 10:58:08

1171053 Class (M,O), GLJ (2016-10), psum

November 21, 2016 11:13:16



Company: **Persta Resources Inc.**  
 Property: **Basing**

Resource Class: **Various**  
 Development Class: **Classifications**  
 Pricing: **GLJ (2016-10)**  
 Effective Date: **September 30, 2016**

### Summary of Risked Resources

	<b>Low Estimate Contingent Resources -Development Pending</b>	<b>Best Estimate Contingent Resources -Development Pending</b>	<b>High Estimate Contingent Resources -Development Pending</b>
Chance of Development	80	80	80
Chance of Discovery	100	100	100
<b>MARKETABLE RESOURCES</b>			
<b><u>Residue Gas (MMcf)</u></b>			
Gross Lease	28,339	47,474	61,775
Total Company Interest	28,339	47,474	61,775
Net After Royalty	25,905	41,670	52,684
<b><u>Natural Gas Liquids (Mbbbl)</u></b>			
Gross Lease	242	405	527
Total Company Interest	242	405	527
Net After Royalty	189	304	383
<b><u>Oil Equivalent (Mboe)</u></b>			
Gross Lease	4,965	8,317	10,823
Total Company Interest	4,965	8,317	10,823
Net After Royalty	4,506	7,249	9,163

BOE Factors: HVY OIL 1.0 RES GAS 6.0 PROPANE 1.0 ETHANE 1.0  
 COND 1.0 SLN GAS 6.0 BUTANE 1.0 SULPHUR 0.0

Run Date: November 19, 2016 10:58:15

1171053 Class (CR1-A,CR2-A,CR3-A), GLJ (2016-10), psum

November 19, 2016 10:58:49

 **GLJ** PETROLEUM  
CONSULTANTS

Company: Persta Resources Inc.  
Property: Basing

Reserve Class: Various  
Development Class: GLJ (2016-10)  
Pricing: September 30, 2016  
Effective Date:

Reserves and Present Value Summary

Entity Description	Reserve Class	Gross Lease Reserves						Company Interest Reserves						Net Interest Reserves						Discounted Present Value (MS)												
		Gas		Oil		NGL		Sulphur		Gas		Oil		NGL		Sulphur		0%		5%		8%		10%		12%		15%		20%		
		MMcf	Mbbl	MMcf	Mbbl	MMcf	Mbbl	Mt	Mt	MMcf	Mbbl	MMcf	Mbbl	MMcf	Mbbl	Mt	Mt															
<b>Proved Producing</b>																																
00/07-21-047-19W5/3	A	4,993	0	43	0	4,993	0	43	0	4,100	0	27	0	10,312	8,842	8,132	7,716	7,339	6,840	6,146												
00/05-29-047-19W5/0	A	9,835	0	84	0	9,835	0	84	0	9,924	0	53	0	23,694	17,933	15,557	14,277	13,185	11,825	10,098												
02/08-36-047-20W5/2	A	8,393	0	72	0	8,393	0	72	0	6,936	0	49	0	18,996	17,268	16,386	15,851	15,356	14,677	13,691												
00/10-36-047-20W5/4	A	1,055	0	9	0	1,055	0	9	0	975	0	6	0	1,149	1,096	1,060	1,056	1,011	976	920												
03/05-02-048-20W5/2	A	5,772	0	49	0	5,772	0	49	0	5,210	0	38	0	13,852	11,786	10,808	10,241	9,732	9,061	8,138												
<b>Total: Proved Producing</b>		<b>30,048</b>	<b>0</b>	<b>256</b>	<b>0</b>	<b>30,048</b>	<b>0</b>	<b>256</b>	<b>0</b>	<b>25,146</b>	<b>0</b>	<b>172</b>	<b>0</b>	<b>68,003</b>	<b>56,925</b>	<b>51,942</b>	<b>49,121</b>	<b>46,024</b>	<b>43,378</b>	<b>38,994</b>												
<b>Proved Undeveloped</b>																																
XX/08-21-047-19W5/WILR	B2	13,140	0	112	0	13,140	0	112	0	11,130	0	80	0	29,097	20,462	17,058	15,261	13,749	11,892	9,574												
XX/14-29-047-19W5/WILR	B2	10,789	0	92	0	10,789	0	92	0	9,296	0	67	0	22,236	16,392	13,937	12,602	11,454	10,014	8,165												
XX/02-36-047-20W5/WILR	B2	7,211	0	61	0	7,211	0	61	0	6,601	0	48	0	12,736	8,800	7,141	6,239	5,466	4,499	3,271												
XX/11-02-048-20W5/WILR	B2	7,476	0	64	0	7,476	0	64	0	6,766	0	49	0	13,997	9,270	7,355	6,339	5,485	4,440	3,157												
<b>Total: Proved Undeveloped</b>		<b>38,617</b>	<b>0</b>	<b>329</b>	<b>0</b>	<b>38,617</b>	<b>0</b>	<b>329</b>	<b>0</b>	<b>33,794</b>	<b>0</b>	<b>243</b>	<b>0</b>	<b>78,067</b>	<b>54,924</b>	<b>45,491</b>	<b>40,441</b>	<b>36,154</b>	<b>30,844</b>	<b>24,167</b>												
<b>Total Proved</b>																																
00/07-21-047-19W5/3	A	4,993	0	43	0	4,993	0	43	0	4,100	0	27	0	10,312	8,842	8,132	7,716	7,339	6,840	6,146												
XX/08-21-047-19W5/WILR	B2	13,140	0	112	0	13,140	0	112	0	11,130	0	80	0	29,097	20,462	17,058	15,261	13,749	11,892	9,574												
00/05-29-047-19W5/0	A	9,835	0	84	0	9,835	0	84	0	9,924	0	53	0	23,694	17,933	15,557	14,277	13,185	11,825	10,098												
XX/14-29-047-19W5/WILR	B2	10,789	0	92	0	10,789	0	92	0	9,296	0	67	0	22,236	16,392	13,937	12,602	11,454	10,014	8,165												
XX/02-36-047-20W5/WILR	B2	7,211	0	61	0	7,211	0	61	0	6,601	0	48	0	12,736	8,800	7,141	6,239	5,466	4,499	3,271												
02/08-36-047-20W5/2	A	8,393	0	72	0	8,393	0	72	0	6,936	0	49	0	18,996	17,268	16,386	15,851	15,356	14,677	13,691												
00/10-36-047-20W5/4	A	1,055	0	9	0	1,055	0	9	0	975	0	6	0	1,149	1,096	1,060	1,056	1,011	976	920												
03/05-02-048-20W5/2	A	5,772	0	49	0	5,772	0	49	0	5,210	0	38	0	13,852	11,786	10,808	10,241	9,732	9,061	8,138												
XX/11-02-048-20W5/WILR	B2	7,476	0	64	0	7,476	0	64	0	6,766	0	49	0	13,997	9,270	7,355	6,339	5,485	4,440	3,157												
<b>Total: Total Proved</b>		<b>68,664</b>	<b>0</b>	<b>585</b>	<b>0</b>	<b>68,664</b>	<b>0</b>	<b>585</b>	<b>0</b>	<b>58,940</b>	<b>0</b>	<b>416</b>	<b>0</b>	<b>146,070</b>	<b>111,848</b>	<b>97,433</b>	<b>89,562</b>	<b>82,777</b>	<b>74,223</b>	<b>63,161</b>												
<b>Proved Plus Probable Producing</b>																																
00/07-21-047-19W5/3	G	7,438	0	63	0	7,438	0	63	0	6,043	0	40	0	17,041	13,462	11,903	11,039	10,289	9,334	8,088												
00/05-29-047-19W5/0	G	13,112	0	112	0	13,112	0	112	0	10,473	0	70	0	33,744	23,383	19,548	17,587	15,972	14,033	11,683												
02/08-36-047-20W5/2	G	11,816	0	101	0	11,816	0	101	0	9,573	0	68	0	28,023	24,392	22,647	21,626	20,701	19,469	17,750												
00/10-36-047-20W5/4	G	1,442	0	12	0	1,442	0	12	0	1,332	0	8	0	1,676	1,527	1,442	1,389	1,338	1,267	1,163												
03/05-02-048-20W5/2	G	8,121	0	69	0	8,121	0	69	0	7,125	0	51	0	20,523	16,284	14,452	13,440	12,562	11,446	9,991												
<b>Total: Proved Plus Probable Producing</b>		<b>41,928</b>	<b>0</b>	<b>357</b>	<b>0</b>	<b>41,928</b>	<b>0</b>	<b>357</b>	<b>0</b>	<b>34,545</b>	<b>0</b>	<b>237</b>	<b>0</b>	<b>101,006</b>	<b>79,048</b>	<b>69,993</b>	<b>65,081</b>	<b>60,862</b>	<b>55,550</b>	<b>48,675</b>												
<b>Proved Plus Probable Undeveloped</b>																																
XX/08-21-047-19W5/WILR	H2	18,028	0	154	0	18,028	0	154	0	14,799	0	106	0	43,271	30,197	25,229	22,646	20,492	17,867	14,616												
XX/14-29-047-19W5/WILR	H2	15,277	0	130	0	15,277	0	130	0	12,707	0	92	0	34,672	25,319	21,544	19,526	17,812	15,683	12,985												
XX/02-36-047-20W5/NOT	E2	4,162	0	35	0	4,162	0	35	0	3,593	0	29	0	3,953	3,491	3,224	3,199	3,124	2,988	2,888	462											
XX/02-36-047-20W5/WILR	H2	10,297	0	88	0	10,297	0	88	0	8,959	0	64	0	21,112	14,953	12,436	11,086	9,938	8,513	6,715												
XX/11-02-048-20W5/WILR	H2	10,580	0	90	0	10,580	0	90	0	9,103	0	66	0	22,972	15,508	12,563	11,015	9,718	8,137	6,194												
<b>Total: Proved Plus Probable Undeveloped</b>		<b>58,344</b>	<b>0</b>	<b>497</b>	<b>0</b>	<b>58,344</b>	<b>0</b>	<b>497</b>	<b>0</b>	<b>49,501</b>	<b>0</b>	<b>357</b>	<b>0</b>	<b>125,620</b>	<b>88,329</b>	<b>73,571</b>	<b>65,764</b>	<b>59,184</b>	<b>51,088</b>	<b>40,972</b>												

Class (A,B1,B2,C,G,H1,H2,I), GLJ (2016-10), rpw

1171053



November 19, 2016 10:58:29

Reserves and Present Value Summary

Entity Description	Reserve Class	Gross Lease Reserves						Company Interest Reserves						Net Interest Reserves						Before Income Tax Discounted Present Value (M\$)							
		Oil		NGL		Sulphur		Oil		NGL		Sulphur		Oil		NGL		Sulphur		0%	5%	8%	10%	12%	15%	20%	
		Mbbl	Mbbl	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	MMcf	Mbbl	Mbbl	Mbbl	Mbbl								
<b>Total Proved Plus Probable</b>																											
00/07-21-047-19W5/3	G	7,438	0	63	0	7,438	0	63	0	6,043	0	40	0	17,041	13,462	11,903	11,039	10,289	9,334	8,088							
XX/08-21-047-19W5/WILR	H2	18,028	0	154	0	18,028	0	154	0	14,799	0	106	0	43,271	30,197	25,229	22,646	20,492	17,867	14,616							
00/05-29-047-19W5/0	G	13,112	0	112	0	13,112	0	112	0	10,473	0	70	0	33,744	23,383	19,548	17,587	15,972	14,033	11,683							
XX/14-29-047-19W5/WILR	H2	15,277	0	130	0	15,277	0	130	0	12,707	0	92	0	34,672	25,319	21,544	19,526	17,812	15,683	12,985							
XX/02-36-047-20W5/NOT	E2	4,162	0	35	0	4,162	0	35	0	3,932	0	29	0	3,593	2,353	1,799	1,491	1,224	888	462							
XX/02-36-047-20W5/WILR	H2	10,297	0	88	0	10,297	0	88	0	8,959	0	64	0	21,112	14,953	12,436	11,086	9,938	8,513	6,715							
02/08-36-047-20W5/2	G	11,816	0	101	0	11,816	0	101	0	9,573	0	68	0	28,023	24,392	22,647	21,626	20,701	19,469	17,750							
00/10-36-047-20W5/4	G	1,442	0	12	0	1,442	0	12	0	1,332	0	8	0	1,676	1,527	1,442	1,389	1,338	1,267	1,163							
03/05-02-048-20W5/2	G	8,121	0	69	0	8,121	0	69	0	7,125	0	51	0	20,523	16,284	14,452	13,440	12,562	11,446	9,991							
XX/11-02-048-20W5/WILR	H2	10,580	0	90	0	10,580	0	90	0	9,103	0	66	0	22,972	15,508	12,563	11,015	9,718	8,137	6,194							
<b>Total: Total Proved Plus Probable</b>		<b>100,272</b>	<b>0</b>	<b>855</b>	<b>0</b>	<b>100,272</b>	<b>0</b>	<b>855</b>	<b>0</b>	<b>84,046</b>	<b>0</b>	<b>594</b>	<b>0</b>	<b>226,626</b>	<b>167,378</b>	<b>143,563</b>	<b>130,845</b>	<b>120,045</b>	<b>106,638</b>	<b>89,647</b>							

Company: Persta Resources Inc.  
Property: Basing

Reserve Class: Various  
Development Class: GLJ (2016-10)  
Pricing: September 30, 2016  
Effective Date:

Summary of Reserves and Values

	Proved Producing	Proved Developed Non-Producing	Proved Undeveloped	Total Proved	Proved Plus Producing	Proved Plus Developed Non-Producing	Proved Plus Undeveloped	Total Proved Plus Probable
<b>MARKETABLE RESERVES</b>								
<b>Residue Gas (MMcf)</b>								
Gross Lease	30,048	0	38,617	68,664	41,928	0	58,344	100,272
Total Company Interest	30,048	0	38,617	68,664	41,928	0	58,344	100,272
Net After Royalty	25,146	0	33,794	58,940	34,545	0	49,501	84,046
<b>Natural Gas Liquids (Mbbbl)</b>								
Gross Lease	256	0	329	585	357	0	497	855
Total Company Interest	256	0	329	585	357	0	497	855
Net After Royalty	172	0	243	416	237	0	357	594
<b>Oil Equivalent (Mboe)</b>								
Gross Lease	5,264	0	6,765	12,030	7,346	0	10,221	17,567
Total Company Interest	5,264	0	6,765	12,030	7,346	0	10,221	17,567
Net After Royalty	4,363	0	5,876	10,239	5,994	0	8,607	14,601
<b>BEFORE TAX PRESENT VALUE (M\$)</b>								
0%	68,003	0	78,067	146,070	101,006	0	125,620	226,626
5%	56,925	0	54,924	111,848	79,048	0	88,329	167,378
8%	51,942	0	45,491	97,433	69,993	0	73,571	143,563
10%	49,121	0	40,441	89,562	65,081	0	65,764	130,845
12%	46,624	0	36,154	82,777	60,862	0	59,184	120,045
15%	43,378	0	30,844	74,223	55,550	0	51,088	106,638
20%	38,994	0	24,167	63,161	48,675	0	40,972	89,647
<b>FIRST 6 YEARS BEFORE TAX CASH FLOW (M\$)</b>								
2016 (3 Months)	4,728	0	0	4,728	4,821	0	0	4,821
2017	14,048	0	-6,532	7,517	15,142	0	-2,021	13,121
2018	9,910	0	7,353	17,263	11,713	0	8,672	20,385
2019	8,142	0	11,410	19,553	10,387	0	17,295	27,681
2020	6,382	0	9,633	16,015	8,742	0	14,143	22,885
2021	5,376	0	8,441	13,817	7,709	0	12,118	19,827

BOE Factors: H2V OIL 1.0 RES GAS 6.0 ETHANE 1.0  
COND 1.0 SLN GAS 6.0 BUTANE 1.0 SULPHUR 0.0

Run Date: November 19, 2016 10:57:15  
Class (A,B1,B2,C,G,H1,H2,I), GLJ (2016-10), psum  
1171053

Company: Persta Resources Inc.  
Property: Basing

Reserve Class: Various  
Development Class: Classifications  
Pricing: GLJ (2016-10)  
Effective Date: September 30, 2016

### Summary of Reserves

	Possible Producing	Total Possible
<b>MARKETABLE RESERVES</b>		
<b><u>Residue Gas (MMcf)</u></b>		
Gross Lease	11,990	27,740
Total Company Interest	11,990	27,740
Net After Royalty	9,365	21,417
<b><u>Natural Gas Liquids (Mbbbl)</u></b>		
Gross Lease	102	237
Total Company Interest	102	237
Net After Royalty	65	152
<b><u>Oil Equivalent (Mboe)</u></b>		
Gross Lease	2,101	4,860
Total Company Interest	2,101	4,860
Net After Royalty	1,625	3,721

BOE Factors: HVY OIL 1.0 RES GAS 6.0 PROPANE 1.0 ETHANE 1.0  
COND 1.0 SLN GAS 6.0 BUTANE 1.0 SULPHUR 0.0

Run Date: November 19, 2016 10:58:08

1171053 Class (M,O), GLJ (2016-10), psum

November 21, 2016 11:13:47

 PETROLEUM  
CONSULTANTS

Company: Persta Resources Inc.  
 Property: Basing

Resource Class: Various  
 Development Class: Classifications  
 Pricing: GLJ (2016-10)  
 Effective Date: September 30, 2016

**Summary of Unrisked Resources**

	<b>Low Estimate Contingent Resources - Development Pending</b>	<b>Best Estimate Contingent Resources - Development Pending</b>	<b>High Estimate Contingent Resources - Development Pending</b>
<b>MARKETABLE RESOURCES</b>			
<b><u>Residue Gas (MMcf)</u></b>			
Gross Lease	35,424	59,342	77,219
Total Company Interest	35,424	59,342	77,219
Net After Royalty	32,381	52,087	65,855
<b><u>Natural Gas Liquids (Mbbbl)</u></b>			
Gross Lease	302	506	658
Total Company Interest	302	506	658
Net After Royalty	236	380	478
<b><u>Oil Equivalent (Mboe)</u></b>			
Gross Lease	6,206	10,396	13,528
Total Company Interest	6,206	10,396	13,528
Net After Royalty	5,633	9,061	11,454

BOE Factors: HVY OIL 1.0 RES GAS 6.0 PROPANE 1.0 ETHANE 1.0  
 COND 1.0 SLN GAS 6.0 BUTANE 1.0 SULPHUR 0.0

Run Date: November 19, 2016 10:58:15

1171053 Class (CR1-A,CR2-A,CR3-A), GLJ (2016-10), psum

November 19, 2016 10:59:08



Company: Perista Resources Inc.  
Property: Basing

Reserve Class: Various  
Development Class: GLJ (2016-10)  
Pricing: September 30, 2016  
Effective Date:

Reserves and Present Value Summary

Entity Description	Reserve Class	Gross Lease Reserves						Company Interest Reserves						Net Interest Reserves						Discounted Present Value (MS)												
		Gas		Oil		NGL		Sulphur		Gas		Oil		NGL		Sulphur		0%		5%		8%		10%		12%		15%		20%		
		MMcf	Mbbl	MMcf	Mbbl	MMcf	Mbbl	Mt	Mt	MMcf	Mbbl	MMcf	Mbbl	MMcf	Mbbl	MMcf	Mbbl	Mt	Mt													
<b>Proved Producing</b>																																
00/07-21-047-19W5/3	A	4,993	0	43	0	4,993	0	43	0	4,100	0	27	0	10,312	8,842	8,132	7,716	7,339	6,840	6,146												
00/05-29-047-19W5/0	A	9,835	0	84	0	9,835	0	84	0	9,924	0	53	0	23,694	17,933	15,557	14,277	13,185	11,825	10,098												
02/08-36-047-20W5/2	A	8,393	0	72	0	8,393	0	72	0	6,936	0	49	0	18,996	17,268	16,386	15,851	15,356	14,677	13,691												
00/10-36-047-20W5/4	A	1,055	0	9	0	1,055	0	9	0	975	0	6	0	1,149	1,096	1,060	1,056	1,011	976	920												
03/05-02-048-20W5/2	A	5,772	0	49	0	5,772	0	49	0	5,210	0	38	0	13,852	11,786	10,808	10,241	9,732	9,061	8,138												
<b>Total: Proved Producing</b>		<b>30,048</b>	<b>0</b>	<b>256</b>	<b>0</b>	<b>30,048</b>	<b>0</b>	<b>256</b>	<b>0</b>	<b>25,146</b>	<b>0</b>	<b>172</b>	<b>0</b>	<b>68,003</b>	<b>56,925</b>	<b>51,942</b>	<b>49,121</b>	<b>46,024</b>	<b>43,378</b>	<b>38,994</b>												
<b>Proved Undeveloped</b>																																
XX/08-21-047-19W5/WILR	B2	13,140	0	112	0	13,140	0	112	0	11,130	0	80	0	29,097	20,462	17,058	15,261	13,749	11,892	9,574												
XX/14-29-047-19W5/WILR	B2	10,789	0	92	0	10,789	0	92	0	9,296	0	67	0	22,236	16,392	13,937	12,602	11,454	10,014	8,165												
XX/02-36-047-20W5/WILR	B2	7,211	0	61	0	7,211	0	61	0	6,601	0	48	0	12,736	8,800	7,141	6,239	5,466	4,499	3,271												
XX/11-02-048-20W5/WILR	B2	7,476	0	64	0	7,476	0	64	0	6,766	0	49	0	13,997	9,270	7,355	6,339	5,485	4,440	3,157												
<b>Total: Proved Undeveloped</b>		<b>38,617</b>	<b>0</b>	<b>329</b>	<b>0</b>	<b>38,617</b>	<b>0</b>	<b>329</b>	<b>0</b>	<b>33,794</b>	<b>0</b>	<b>243</b>	<b>0</b>	<b>78,067</b>	<b>54,924</b>	<b>45,491</b>	<b>40,441</b>	<b>36,154</b>	<b>30,844</b>	<b>24,167</b>												
<b>Total Proved</b>																																
00/07-21-047-19W5/3	A	4,993	0	43	0	4,993	0	43	0	4,100	0	27	0	10,312	8,842	8,132	7,716	7,339	6,840	6,146												
XX/08-21-047-19W5/WILR	B2	13,140	0	112	0	13,140	0	112	0	11,130	0	80	0	29,097	20,462	17,058	15,261	13,749	11,892	9,574												
00/05-29-047-19W5/0	A	9,835	0	84	0	9,835	0	84	0	9,924	0	53	0	23,694	17,933	15,557	14,277	13,185	11,825	10,098												
XX/14-29-047-19W5/WILR	B2	10,789	0	92	0	10,789	0	92	0	9,296	0	67	0	22,236	16,392	13,937	12,602	11,454	10,014	8,165												
XX/02-36-047-20W5/WILR	B2	7,211	0	61	0	7,211	0	61	0	6,601	0	48	0	12,736	8,800	7,141	6,239	5,466	4,499	3,271												
02/08-36-047-20W5/2	A	8,393	0	72	0	8,393	0	72	0	6,936	0	49	0	18,996	17,268	16,386	15,851	15,356	14,677	13,691												
00/10-36-047-20W5/4	A	1,055	0	9	0	1,055	0	9	0	975	0	6	0	1,149	1,096	1,060	1,056	1,011	976	920												
03/05-02-048-20W5/2	A	5,772	0	49	0	5,772	0	49	0	5,210	0	38	0	13,852	11,786	10,808	10,241	9,732	9,061	8,138												
XX/11-02-048-20W5/WILR	B2	7,476	0	64	0	7,476	0	64	0	6,766	0	49	0	13,997	9,270	7,355	6,339	5,485	4,440	3,157												
<b>Total: Total Proved</b>		<b>68,664</b>	<b>0</b>	<b>585</b>	<b>0</b>	<b>68,664</b>	<b>0</b>	<b>585</b>	<b>0</b>	<b>58,940</b>	<b>0</b>	<b>416</b>	<b>0</b>	<b>146,070</b>	<b>111,848</b>	<b>97,433</b>	<b>89,562</b>	<b>82,777</b>	<b>74,223</b>	<b>63,161</b>												
<b>Proved Plus Probable Producing</b>																																
00/07-21-047-19W5/3	G	7,438	0	63	0	7,438	0	63	0	6,043	0	40	0	17,041	13,462	11,903	11,039	10,289	9,334	8,088												
00/05-29-047-19W5/0	G	13,112	0	112	0	13,112	0	112	0	10,473	0	70	0	33,744	23,383	19,548	17,587	15,972	14,033	11,683												
02/08-36-047-20W5/2	G	11,816	0	101	0	11,816	0	101	0	9,573	0	68	0	28,023	24,392	22,647	21,626	20,701	19,469	17,750												
00/10-36-047-20W5/4	G	1,442	0	12	0	1,442	0	12	0	1,332	0	8	0	1,676	1,527	1,442	1,389	1,338	1,267	1,163												
03/05-02-048-20W5/2	G	8,121	0	69	0	8,121	0	69	0	7,125	0	51	0	20,523	16,284	14,452	13,440	12,562	11,446	9,991												
<b>Total: Proved Plus Probable Producing</b>		<b>41,928</b>	<b>0</b>	<b>357</b>	<b>0</b>	<b>41,928</b>	<b>0</b>	<b>357</b>	<b>0</b>	<b>34,545</b>	<b>0</b>	<b>237</b>	<b>0</b>	<b>101,006</b>	<b>79,048</b>	<b>69,993</b>	<b>65,081</b>	<b>60,862</b>	<b>55,550</b>	<b>48,675</b>												
<b>Proved Plus Probable Undeveloped</b>																																
XX/08-21-047-19W5/WILR	H2	18,028	0	154	0	18,028	0	154	0	14,799	0	106	0	43,271	30,197	25,229	22,646	20,492	17,867	14,616												
XX/14-29-047-19W5/WILR	H2	15,277	0	130	0	15,277	0	130	0	12,707	0	92	0	34,672	25,319	21,544	19,526	17,812	15,683	12,985												
XX/02-36-047-20W5/NOT	E2	4,162	0	35	0	4,162	0	35	0	3,352	0	29	0	3,593	1,491	1,224	888	462	462													
XX/02-36-047-20W5/WILR	H2	10,297	0	88	0	10,297	0	88	0	8,959	0	64	0	21,112	14,953	12,436	11,086	9,938	8,513	6,715												
XX/11-02-048-20W5/WILR	H2	10,580	0	90	0	10,580	0	90	0	9,103	0	66	0	22,972	15,508	12,563	11,015	9,718	8,137	6,194												
<b>Total: Proved Plus Probable Undeveloped</b>		<b>58,344</b>	<b>0</b>	<b>497</b>	<b>0</b>	<b>58,344</b>	<b>0</b>	<b>497</b>	<b>0</b>	<b>49,501</b>	<b>0</b>	<b>357</b>	<b>0</b>	<b>125,620</b>	<b>88,329</b>	<b>73,571</b>	<b>65,764</b>	<b>59,184</b>	<b>51,088</b>	<b>40,972</b>												

Class (A,B1,B2,C,G,H1,H2,I), GLJ (2016-10), rpw

1171053



November 19, 2016 10:59:09



### GENERAL

The Basing property is located in Townships 047 and 048, Ranges 19 and 20 W5M approximately 130 miles southwest of Edmonton, Alberta. Persta Resources Inc. (Persta) holds various working interests throughout the property. The evaluated well interests are included in the Land section and the evaluated lands are illustrated on the enclosed property land map (Map 1). A complete property well list and historical production summary of all evaluated interest wells has been included as Table 1.

Reserves and contingent resource estimates were generally prepared using well information, engineering, geophysical and geological information provided by Persta, available as of September 30, 2016. Pertinent offset well data was obtained from publically available sources. Persta has confirmed that, to the best of its knowledge, all information provided to GLJ is correct and complete as of the effective date.

This evaluation has been prepared in accordance with resource and reserves definitions, procedures and standards contained in the Petroleum Resource Management System (PRMS) published by the Society of Petroleum Engineers (SPE).

Possible reserves are included in this report; however these reserves are entirely excluded from any asset valuation. There is no certainty that any portion of the contingent resources will be commercially viable to produce.

## GEOLOGY AND GEOPHYSICS

The Company has primarily targeted reservoirs within the lower Cretaceous/Albian Moosebar and Mountain Park Formations of the Luscar Group. The Basing area stratigraphy (Figure 1) is equivalent to the nearby, and more extensively exploited, Deep Basin area (Northwestern Plains), where the Moosebar is referred to as the Wilrich and the Mountain Park as the Notikewin. Similarly, the upper Luscar Group is more commonly referred to as the Spirit River Group in the Deep Basin.

Other strata in Basing, that are potentially hydrocarbon bearing within the Company's acreage, are the late Cretaceous/Turonian Cardium and the Mississippian Turner Valley Formations. Though developed by other operators adjacent to the Company's land, the Turner Valley fractured hanging wall producing limb does not underlie the Company's leases. The Cardium (Map 2) has been produced with vertical wells to a limited degree, both in and away from the Company acreage. One attempt by the Company to exploit the Cardium with a horizontal well in 2011 (100/16-29-047-19W5/00) yielded poor results.

Given the relatively limited well control in the Basing area and the subsequent difficulty to prepare reasonable sensitivities, all mapping presented in this report reflects a best estimate of net pays.

### ***Moosebar (Wilrich)***

The Moosebar was deposited as predominantly siltstone and fine to very fine grained sandstone interbedded with marine shale in coarsening-upward cycles and is indicative of a prograding depositional tract. There are also indications of incised channel fill sandstones as indicated from gamma ray profiles. The reservoir consists of low permeability and low porosity, plagioclase laden sand with a relatively high gamma ray signature. Figure 2 displays a type well of the Moosebar.

Net pay was determined by subjecting vertical well logs to petrophysical analyses. Reservoir parameters (net pay, porosity, and water saturation) were determined by applying cutoffs of porosity greater than 3 percent, water saturation less than 50 percent and volume of shale less than 40 percent.

Porosity in the petrophysical evaluation of the Moosebar was determined primarily using a neutron and density crossplot porosity which was corrected for shale. The neutron density cross plot matrix density averaged 2,700 kg/m<sup>3</sup>, supported by regional core grain densities.

A formation water resistivity of 0.063 ohmm @ 25C and a, m and n values of 0.9, 1.7 and 1.5, respectively, were used in the Archie formula to estimate water saturations. It is notable that water production from the Moosebar is negligible and that in situ water is considered to be irreducible. This unique hydrodynamic regime characterized by immobile water is replicated by production from the Wilrich and Falher producers in regions such as Minehead, Ansell and West Edson of the Deep Basin (Figure 3). The allocation of immobile water saturation in the Basing pay assignments is corroborated by core analyses conducted by using Dean Stark methods on analogue wells that used invert drilling fluids.

Informally known as the Deformed Belt or the Disturbed Belt, the Basing area post depositional environment was subjected to active margin orogenic evolution of the Canadian Cordillera during late Mesozoic and early Tertiary time. Influenced by the accretion of eastward moving terranes colliding with the Pacific margin of North American continental plate, the sediments of the region are highly deformed by folding and thrust faulting. Consistent with the deformed nature of this Deformed Belt is the well established productivity of liquids rich natural gas from the hanging wall in the crest of northwest to southeast trending anticlinally folded structures. Figures 4 and 5 depict a cross sectional view from the Alberta Geological Survey (AGS) of the Basing stratigraphy and the placement of the horizontal producers 102/08-36-047-20W5/02 and 100/07-21-047-19W5/03, respectively, in the lower Luscar Group. Naturally fractured permeability is considered to exist in the hanging wall of seismically verified fault related folds, which could account for the productivity demonstrated by the horizontal wells at 100/07-21-047-19W5/03, 100/05-29-047-19W5/00, 102/08-36-047-20W5/02 and 103/05-02-048-20W5/02 that were drilled parallel to the northwest to southeast trending anticline axis.

Repeat sections of strata do exist with limited areal extent as evidenced in section 21-047-19W5. The partially deviated well at 100/06-21-047-19W5/00 encountered both the hanging wall and foot wall sections of the Moosebar. The subsequently drilled horizontal well 102/06-21-047-19W5/00 was placed in the footwall, it had poor productivity, possibly because of formation damage induced by the fluid used to stabilize the well in the period prior to the completion or else because naturally fractured permeability is not present in the footwall.

A net pay isopach map of the Moosebar hanging wall was constructed (Map 4) and rock volumes were extracted from it. An approximate fault edge was estimated for the hanging wall as well density is limited.

***Mountain Park (Notikewin)***

The Mountain Park was deposited in a moderate energy barrier island and deltaic environments and is comprised of fine sandstones interbedded with shale. It represents the uppermost preserved strata of the Luscar Group in Basing. Figure 6 displays a type well of the Mountain Park.

Net pay was determined by subjecting vertical well logs to petrophysical analyses. Reservoir parameters (net pay, porosity, and water saturation) were determined by applying cutoffs of porosity greater than 5 percent, water saturation less than 50 percent and volume of shale less than 40 percent.

Porosity was estimated using a neutron density cross plot and, when possible, it was corroborated by the porosity determined from the sonic log. A formation water resistivity of 0.1 ohmm @ 25C and a, m and n values of 0.9, 1.7 and 1.5, respectively, were used in the Archie formula to estimate water saturations.

The Company provided a net pay isopach map interpretation of the Mountain Park and after it was reconciled to GLJ pay values (Map 3), rock volumes were extracted from it. These volumes were factored by the grid of porosity and water saturation values to arrive at in-place hydrocarbon pore volumes (HCPV).

The structural setting of the Mountain Park and strategic placement of horizontal wells is very much like that of the Moosebar. Figure 7 depicts a cross sectional view of the Basing stratigraphy and the placement of the horizontal producer 100/10-36-047-20W5/04 in the upper Luscar Group. The Mountain Park repeat sections, also of limited areal extent, are not incorporated into the net pay portrayed in Map 3, although they are included in the resource assessment.

The Company's land base is covered entirely by three dimensional (3D) seismic. The seismic is of sufficient quality to determine structure within the Disturbed Belt for the Cretaceous (Cardium, Mountain Park and Moosebar) and Mississippian (Turner Valley) Formations. The

seismic data has been processed to produce both a Pre-stack Time Migration and a Pre-stack Depth Migration volume.

A checkshot survey from the 02-21-047-19W5 well has been used to convert from time to depth. No synthetic seismograms were generated and an accurate character tie between the seismic data and the well data was not available. The single checkshot time-to-depth function has worked adequately to date to prognose wells and steer horizontal drilling.

The coal units above and below the Cretaceous Mountain Park Formation overwhelm the seismic events from the reservoir sands. Both the Mountain Park and Moosebar seismic horizons are picked on events from adjacent coal units, with the assumption that these units are parallel to the reservoirs and have constant thickness. The seismic horizons extend throughout the 3D and maintain their character, both in the hanging wall and in the foot wall. The base of the Cretaceous reservoir units was not interpreted and seismic cannot be used to determine reservoir thickness.

### RESERVES AND PRODUCTION FORECAST

Production in the property commenced in December 2008 from the Horizontal Wilrich (Hanging Wall) well at 00/07-21-047-19W5/3. An additional three Wilrich (Hanging Wall) horizontal wells have since been drilled at 00/05-29-047-19W5/0 (2009), 02/08-36-047-20W5/2 (2013) and 03/05-02-048-20W5/2 (2014). Flowing Material Balance (FMB) analysis has been carried out on the 07-21 and 05-29 based on flowing pressure data and daily production rates supplied by Persta. The FMB analysis indicates that 07-21 is draining from an original gas-in-place (OGIP) of 27.3 Bcf and 05-29 an OGIP of 35.8 Bcf. The FMB also indicates recovery factors of 75 and 70 percent, respectively. Reserves for these two wells were assigned based on the FMB with some consideration given to the current decline trends. Reserves for the newer wells at 02/08-36 and 03/05-02 were assigned using volumetric analyses, with consideration also given to initial production rates, flowing pressures, and the offset analogies at 07-21 and 05-29.

Based on the commercial success of the producing Wilrich (Hanging Wall) wells, an additional four proved undeveloped locations have been assigned reserves. Reserves are assigned by volumetric analysis, with careful consideration to mapped net pay values identified in Map 4.

Low, best and high estimate contingent resources have been assigned to six proposed locations in the Wilrich (Hanging Wall). Resources were assigned using a deterministic analysis with consideration to mapped net pay values as well as drainage areas and recovery factors seen in the producing wells. As only a best estimate map was generated, changes to recovery factors were used to differentiate between the low, best and high estimate resource assignments. A summary of reservoir parameters, drainage areas, and recovery factors are presented in Table 2.1.

While there was one well that produced from the Wilrich (Foot Wall), given the poor productivity, no reserves or resources have been assigned.

There is currently one producing Notikewin well in the property at 00/10-36-047-20W5/4. Based on the success of this well, an offsetting probable undeveloped location has been assigned reserves. In addition, two locations in Section 02-048-20W5 have been assigned contingent resources in the Notikewin based on their proximity to the 10-36 as well as mapped net pay values identified on Map 3.

With the commercial success of both the Wilrich (Hanging Wall) and Notikewin development to date, as well as comparable mapped volumes on lands identified for contingent resources, there is a corresponding high chance of development for both zones. Contingent resources for the

Notikewin and Wilrich are presented on both a risked and unrisked basis. The primary development risks associated with those resources include: 1) the capital commitment by Persta to drill those locations, including potential land expiries and 2) the risk that future drilling will alter GLJ's current production forecasts and subsequently the commerciality of the resource locations. The chance of development has been estimated to be 80 percent. The current risk assessment is subject to revision with further data acquisition or interpretation.

With the poor productivity in the Cardium at 00/16-29-047-19W5/0, no resources or reserves have been assigned in this zone.

## ECONOMIC ANALYSIS

Economic parameters used in the evaluation, including product prices, product yields, operating costs and capital costs, are detailed in Table 4. Operating costs and price adjustment were derived from a review of 33 months (January 2014 to September 2016) of operating statements provided by Persta.

The identified price adjustments reflect all physical sales agreements with Macquarie Energy Canada Ltd. that were signed prior to the effective date of this report. The price adjustments associated with partial 2016 through 2018 reflect a blended price of the physical sales agreements and market prices based on their prorated volumes for each year. Only a market price is incorporated for 2019 and onwards as no physical sales agreements are currently signed for the period beyond 2018.

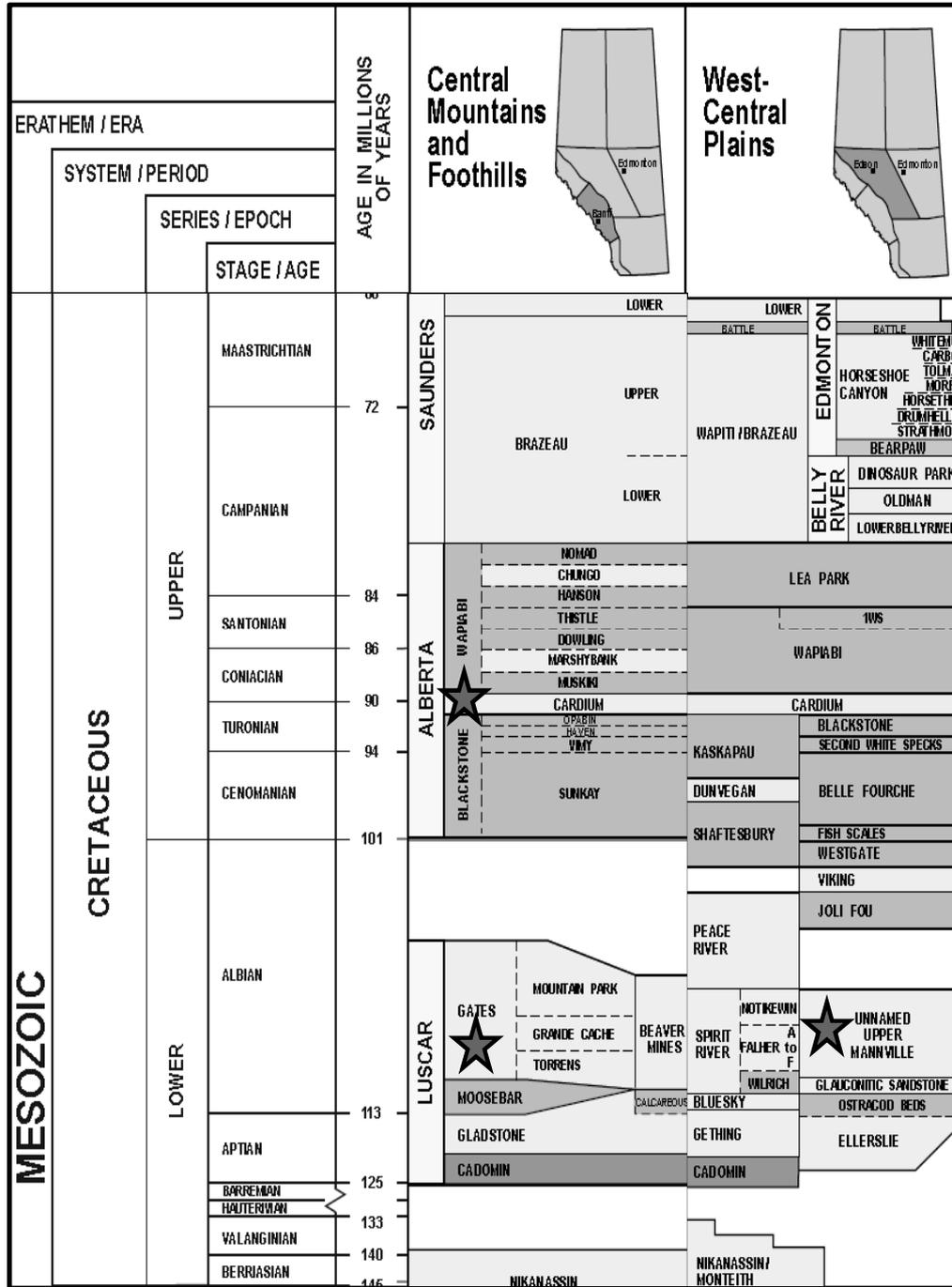
Capital estimates for future development were provided to GLJ by Persta. GLJ has considered these reasonable based on the supporting vendor's cost estimates and GLJ's nonconfidential files.

### *Other Economic Considerations*

This report *does not* address the following issue:

- non-reserves well abandonment, wellsite reclamation and facility abandonment/salvage, including possible environmental concerns,

Figure 1 Alberta Table of Formations (abbr.)



Alberta Geological Survey 2015: Table of Formations, AER  
 (https://www.aer.ca/documents/catalog/TOF.pdf)

Figure 2 Type Well 100/13-20-047-19W5/00

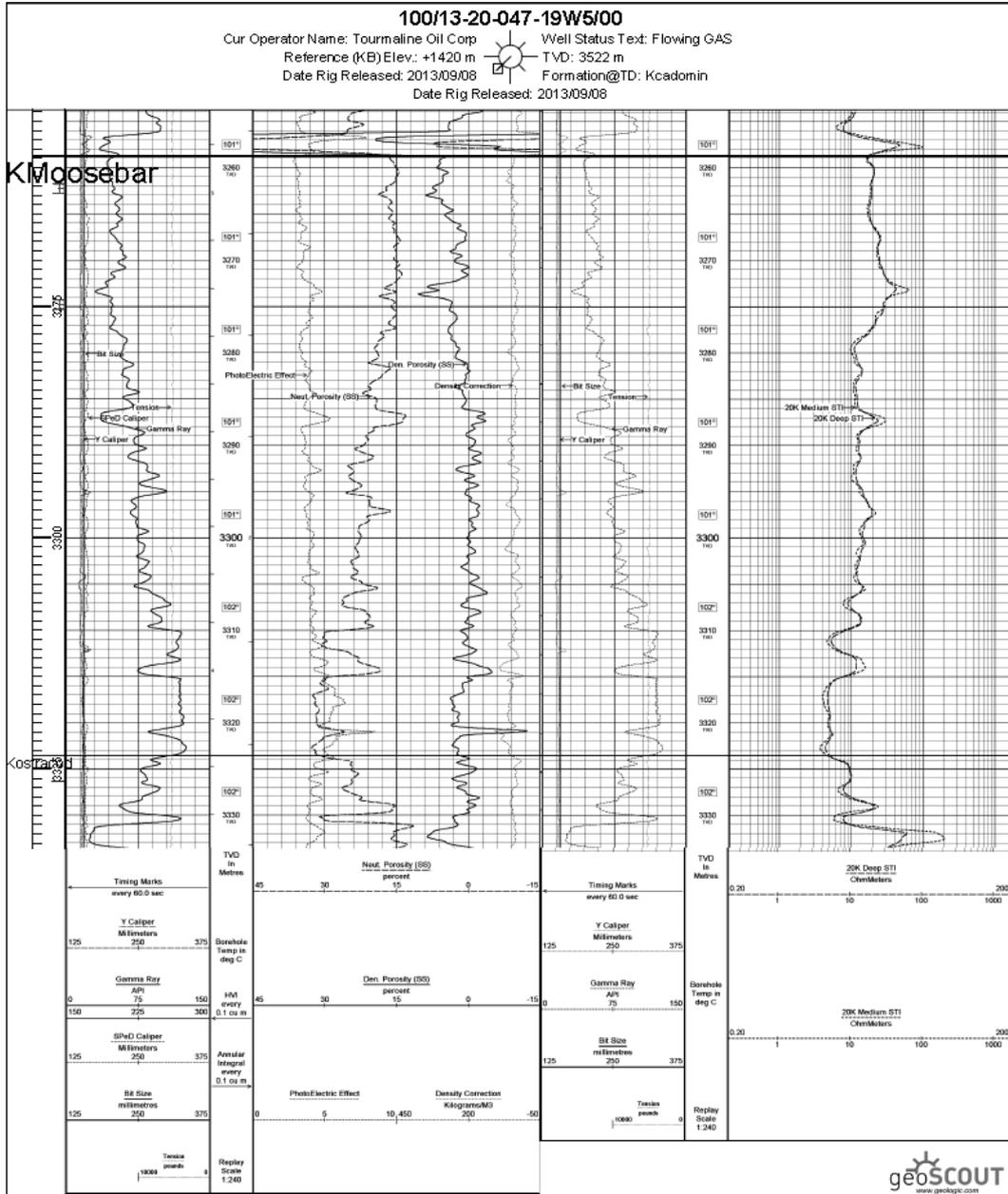


Figure 3 Spirit River Fairway  
Development Areas with Producing Horizontal Wells

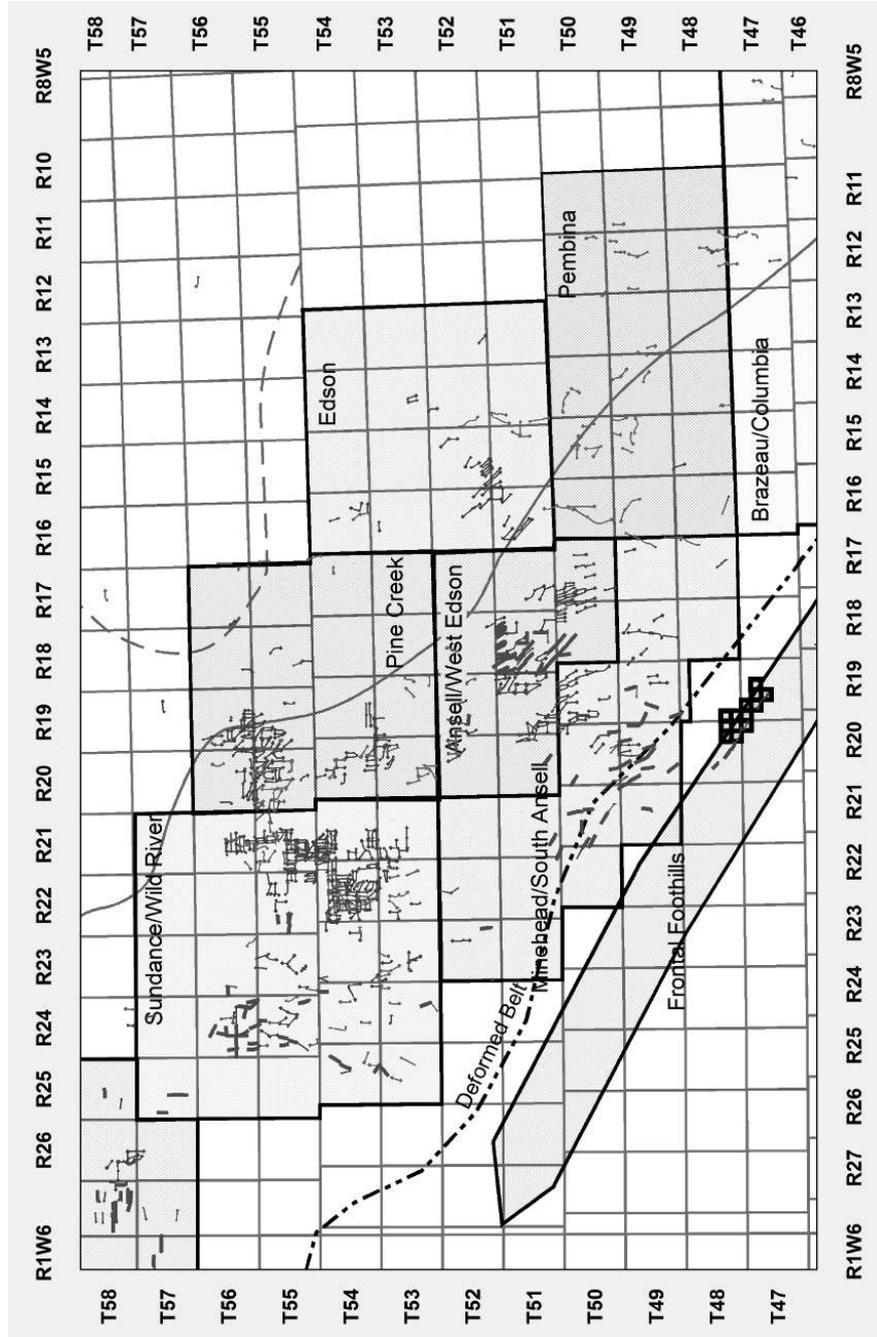
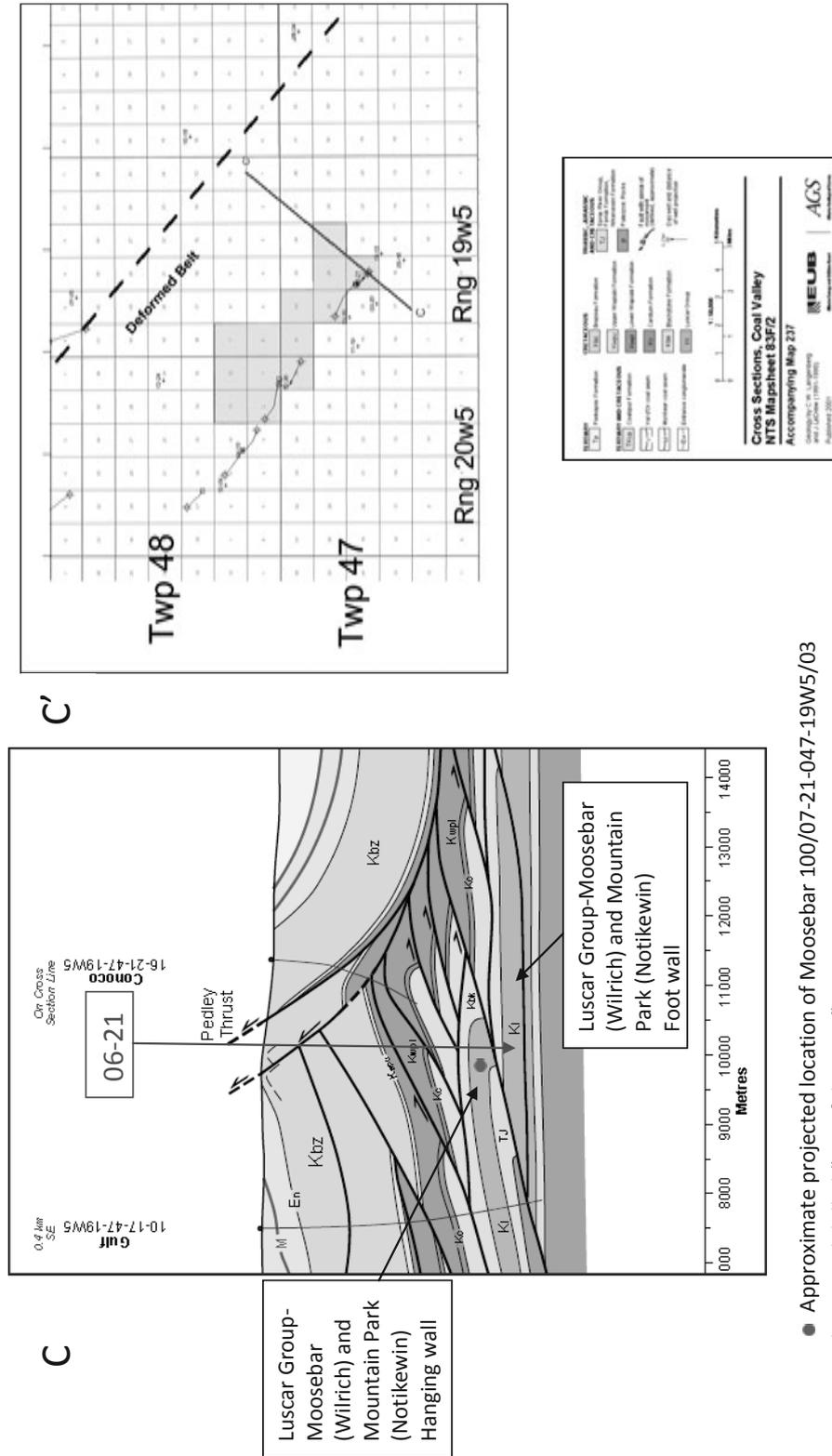




Figure 5 AGS Schematic Cross Section CC' and Moosebar Hz 100/07-21-047-19W5/03



- Approximate projected location of Moosebar 100/07-21-047-19W5/03 horizontal drilled “out of the page”





Company: Property:		Persia Resources Inc. Basing		Development Class: Pricing: Effective Date:		Total GLJ (2016-07) June 30, 2016									
Entity Description	Well Type	Zone	Working Interest			Royalty Interest			Other Royalty Burdens						
			BPO %	APO %	Rem PO (000's)	Type	BPO %	APO %	Rem PO (000's)	Type	BPO %	APO %	Rem PO (000's)	Note	
<b>Basing</b>															
00/07-21-047-19W5/3	GAS	WILRICH	100.000	-	-	-	-	-	-	-	-	-	-	-	[1]
XX/08-21-047-19W5/WILR	GAS	WILRICH	100.000	-	-	-	-	-	-	-	-	-	-	-	[1]
00/05-29-047-19W5/0	GAS	WILRICH	100.000	-	-	-	-	-	-	-	-	-	-	-	[1]
XX/14-29-047-19W5/WILR	GAS	WILRICH	100.000	-	-	-	-	-	-	-	-	-	-	-	[2]
00/16-29-047-19W5/0	-	CARDIUM	100.000	-	-	-	-	-	-	-	-	-	-	-	[1]
XX/XX-32-047-19W5/WLR	-	WILRICH	100.000	-	-	-	-	-	-	-	-	-	-	-	[1]
XX/02-36-047-20W5/NOT	GAS	NOTIKEMIN	100.000	-	-	-	-	-	-	-	-	-	-	-	[1]
XX/02-36-047-20W5/WILR	GAS	WILRICH	100.000	-	-	-	-	-	-	-	-	-	-	-	[1]
02/08-36-047-20W5/2	GAS	WILRICH	100.000	-	-	-	-	-	-	-	-	-	-	-	[3]
00/10-36-047-20W5/4	GAS	NOTIKEMIN	100.000	-	-	-	-	-	-	-	-	-	-	-	[2]
XX/XX-06-048-19W5/WLR	-	WILRICH	100.000	-	-	-	-	-	-	-	-	-	-	-	[2]
XX/XX-01-048-20W5/WLR	-	WILRICH	100.000	-	-	-	-	-	-	-	-	-	-	-	[2]
XX/XX-02-048-20W5/NOT	-	NOTIKEMIN	100.000	-	-	-	-	-	-	-	-	-	-	-	[4]
03/05-02-048-20W5/2	GAS	WILRICH	100.000	-	-	-	-	-	-	-	-	-	-	-	[2]
XX/05-02-048-20W5/NOT	-	NOTIKEMIN	100.000	-	-	-	-	-	-	-	-	-	-	-	[1]
XX/11-02-048-20W5/WLR	GAS	WILRICH	100.000	-	-	-	-	-	-	-	-	-	-	-	[2]
X1/XX-11-048-20W5/WLR	-	WILRICH	100.000	-	-	-	-	-	-	-	-	-	-	-	[2]
X2/XX-11-048-20W5/WLR	-	WILRICH	100.000	-	-	-	-	-	-	-	-	-	-	-	[2]
XX/XX-12-048-20W5/WLR	-	WILRICH	100.000	-	-	-	-	-	-	-	-	-	-	-	[2]

**Classify**  
 AARF: Adjusted Alberta Royalty Framework announced May 27, 2010  
 AB: Alberta  
 APO=BPO interests unless otherwise specified  
 CR: Crown Royalty  
 NWR: New Well Royalty Reduction Program

**Notes**  
 1. Alberta Deep Development Gas Royalty Holiday remaining balance is 2187.5 of qualifying amount of 2187.5 MS.  
 2. Well qualifies for the Alberta Deep Development Gas Royalty Holiday.  
 3. Alberta Deep Development Gas Royalty Holiday remaining balance is 1491.3 of qualifying amount of 3762.5 MS.  
 4. Alberta Deep Development Gas Royalty Holiday remaining balance is 2349.3 of qualifying amount of 3472.75 MS.

1160916 Total Proved Plus Probable, GLJ (2016-07), int

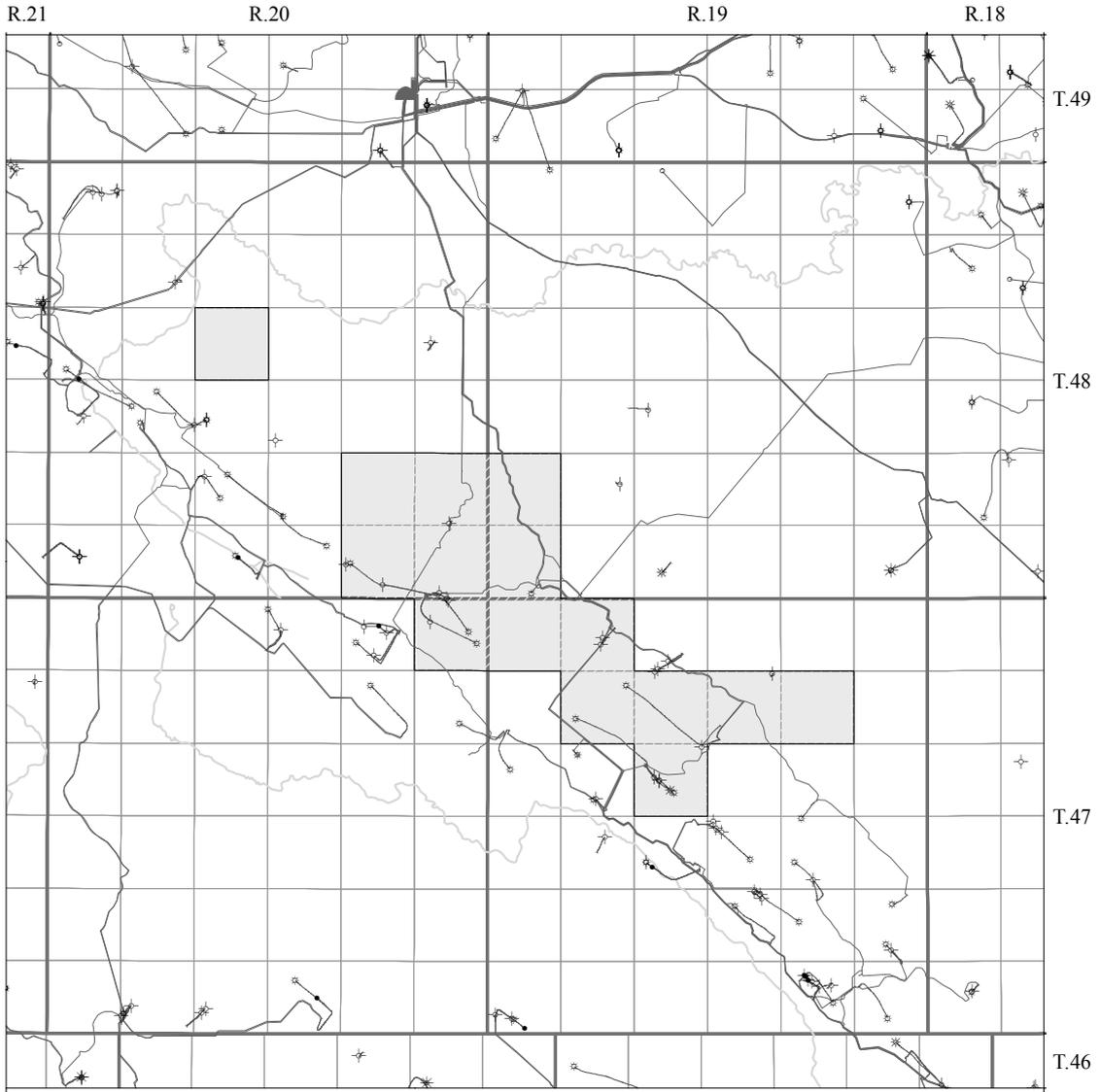
Land and Mineral Rights Summary  
Basing  
Effective September 30, 2016

Agreement NO.	Date	Mineral Rights	LAND DESCRIPTION			W	Area, Ha		Term	Term Status		Status
			Sec.	Twp.	Rge.		Mer.	Total		Developed	Commenced	
5507010513	2007-01-11	P&NG from Surface to Base of the Bluesky-Bullhead	21	47	19	5	1024	512	Intermediate	January 11, 2012	January 11, 2017	Active
			27	47	19	5	256	Yes				
			28	47	19	5	256	No				
5507010514	2007-01-11	P&NG from Surface to Base of the Bluesky-Bullhead	29	47	19	5	256	Yes				
			36	47	20	5	1536	512	Intermediate	January 11, 2012	January 11, 2017	Active
			7	48	19	5	256	Yes				
5508030752	2008-03-20	P&NG below Base of Cardium to Base of the Bluesky-Bullhead	1	48	20	5	256	No				
			2	48	20	5	256	Yes				
			11	48	20	5	256	No				
5508030753	2008-03-20	P&NG below Base of Cardium to Base of the Bluesky-Bullhead	12	48	20	5	256	No				
			31	47	19	5	256	No	Intermediate	March 20, 2013	March 20, 2018	Active
			32	47	19	5	256	No	Intermediate	March 20, 2013	March 20, 2018	Active
5508030754	2008-03-20	P&NG below Base of Cardium to Base of the Bluesky-Bullhead	6	48	19	5	256	No				
			26	47	19	5	256	No	Initial	April 28, 2016	April 28, 2021	Active
			21	48	20	5	256	No	Initial	April 28, 2016	April 28, 2021	Active

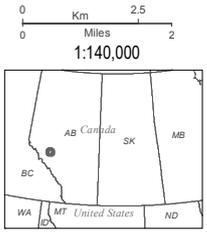
Map 1  
Land Map

Company: Persta Resources Inc.  
Property: Basing

Effective Date: September 30, 2016  
Project: s1171053/basm01

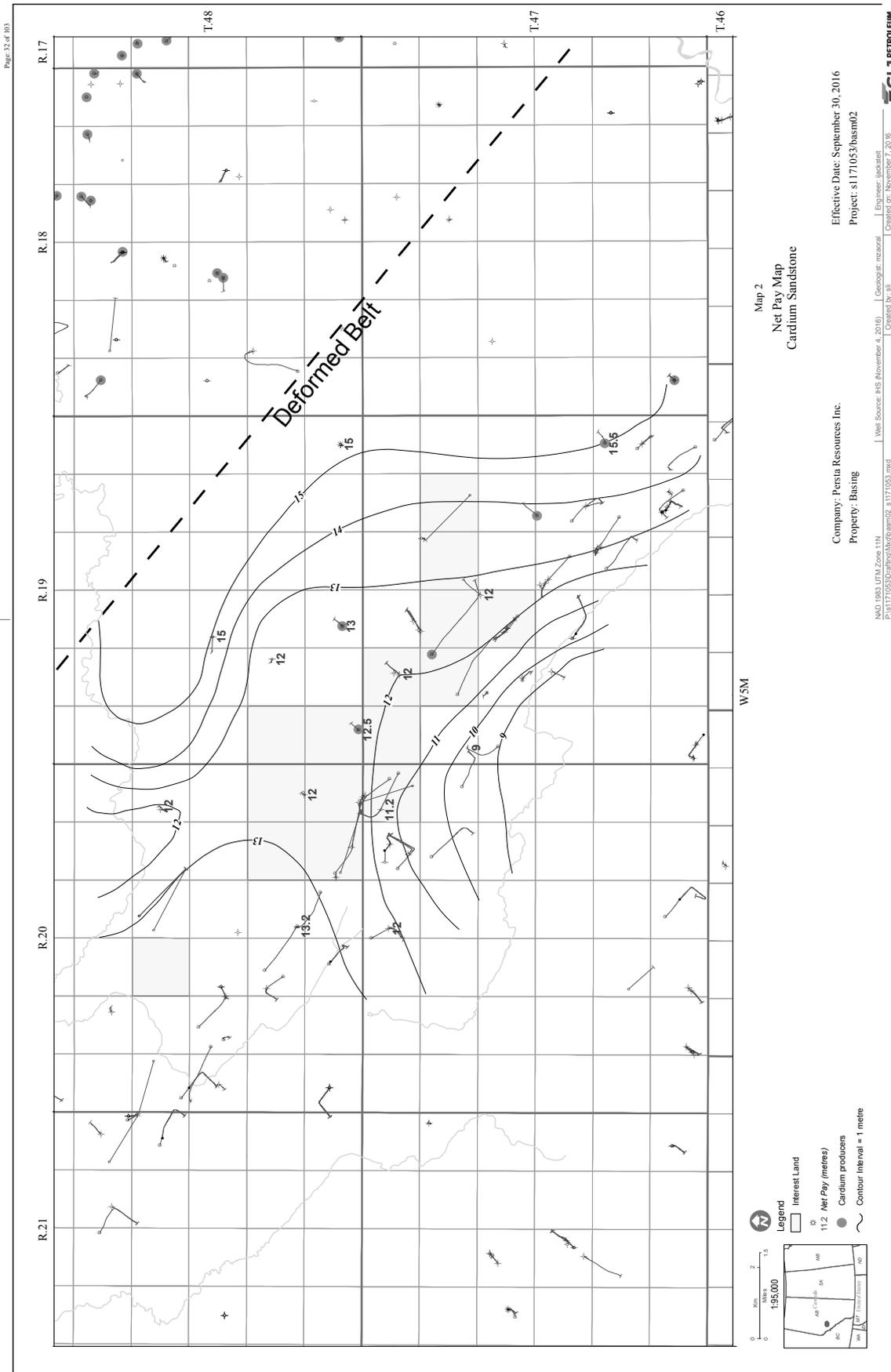


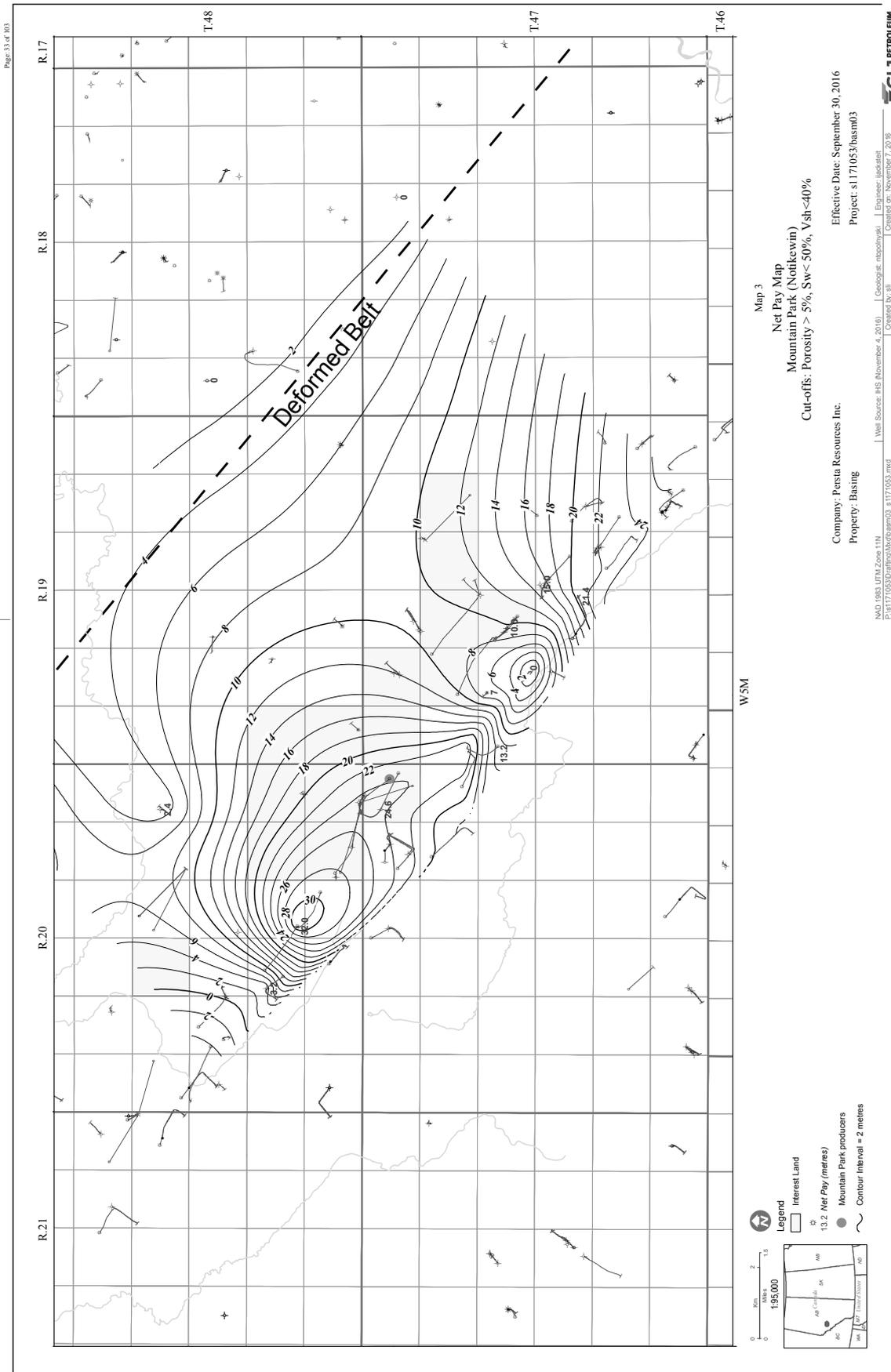
W5M

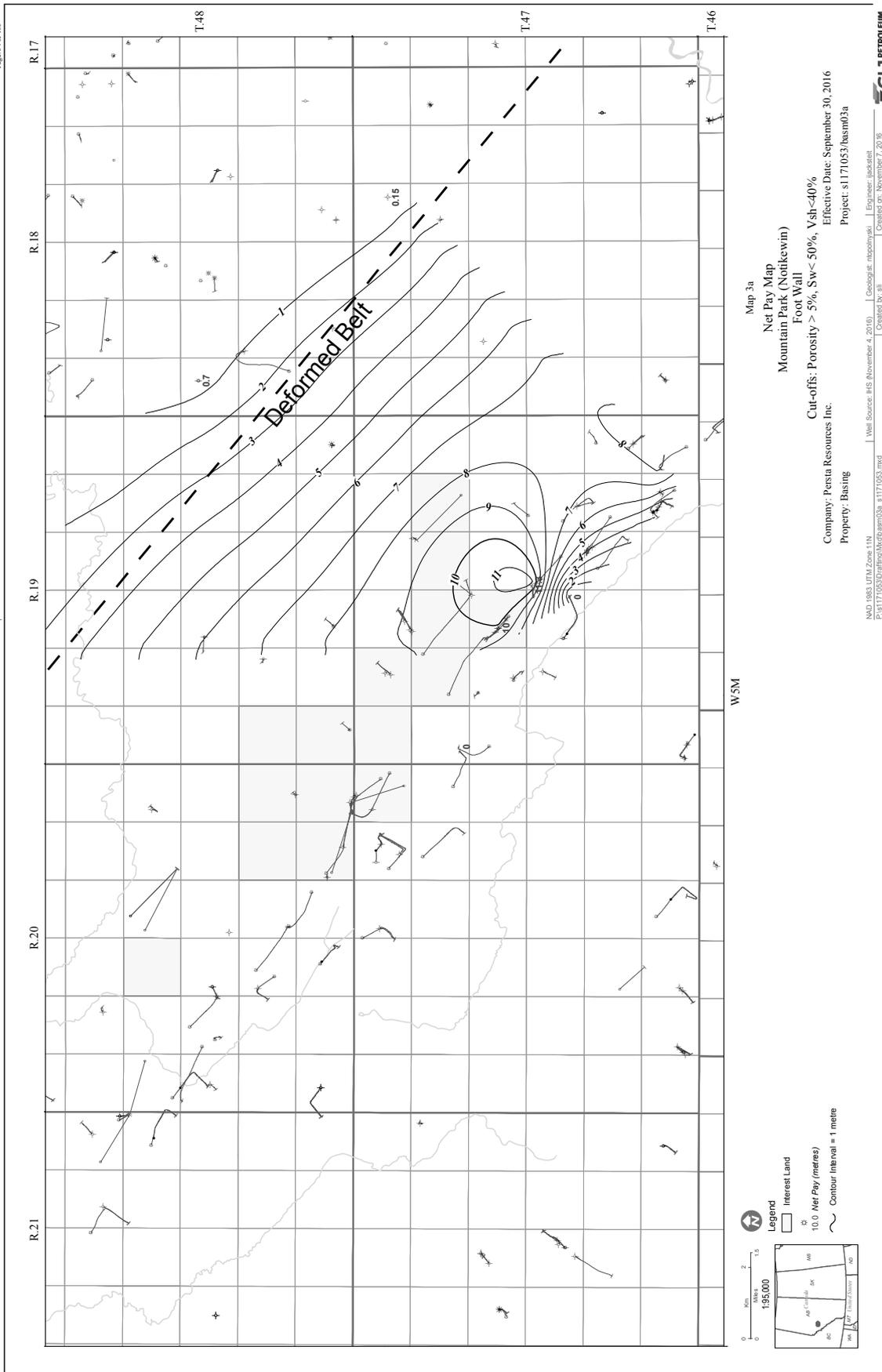


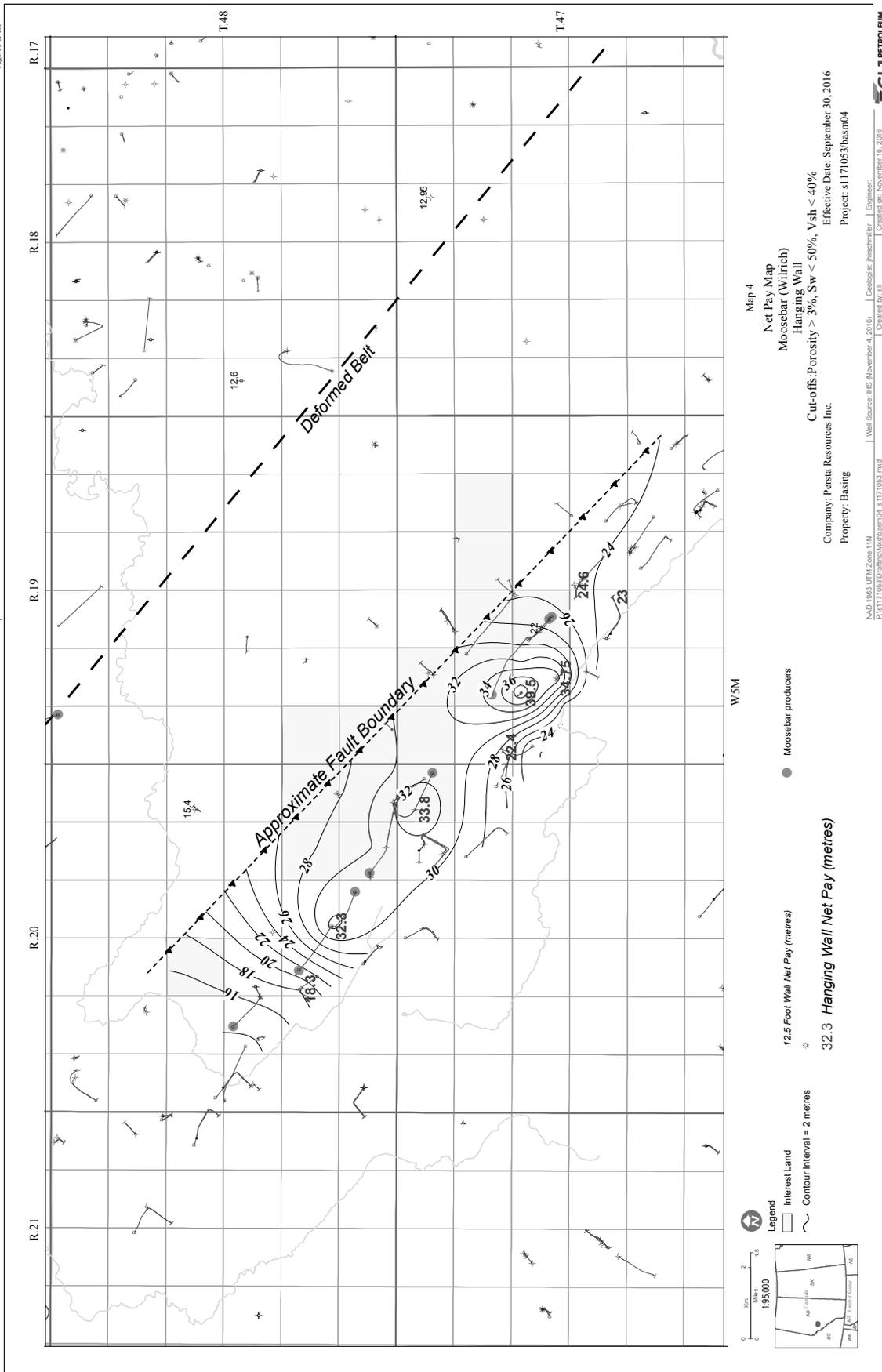
NAD 1983 UTM Zone 11N | Well Source: IHS (November 4, 2016) | Geologist: | Engineer:  
 \\filer\projects\1171053\drafting\l\mxd\basm01\_s1171053.mxd | Created by: irelander | Created on: November 7, 2016











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Map 4  
 Net Pay Map  
 Moosebar (Wirlich)  
 Hanging Wall  
 Company: Persia Resources Inc.  
 Property: Basing  
 Effective Date: September 30, 2016  
 Project: s1171053/basm04

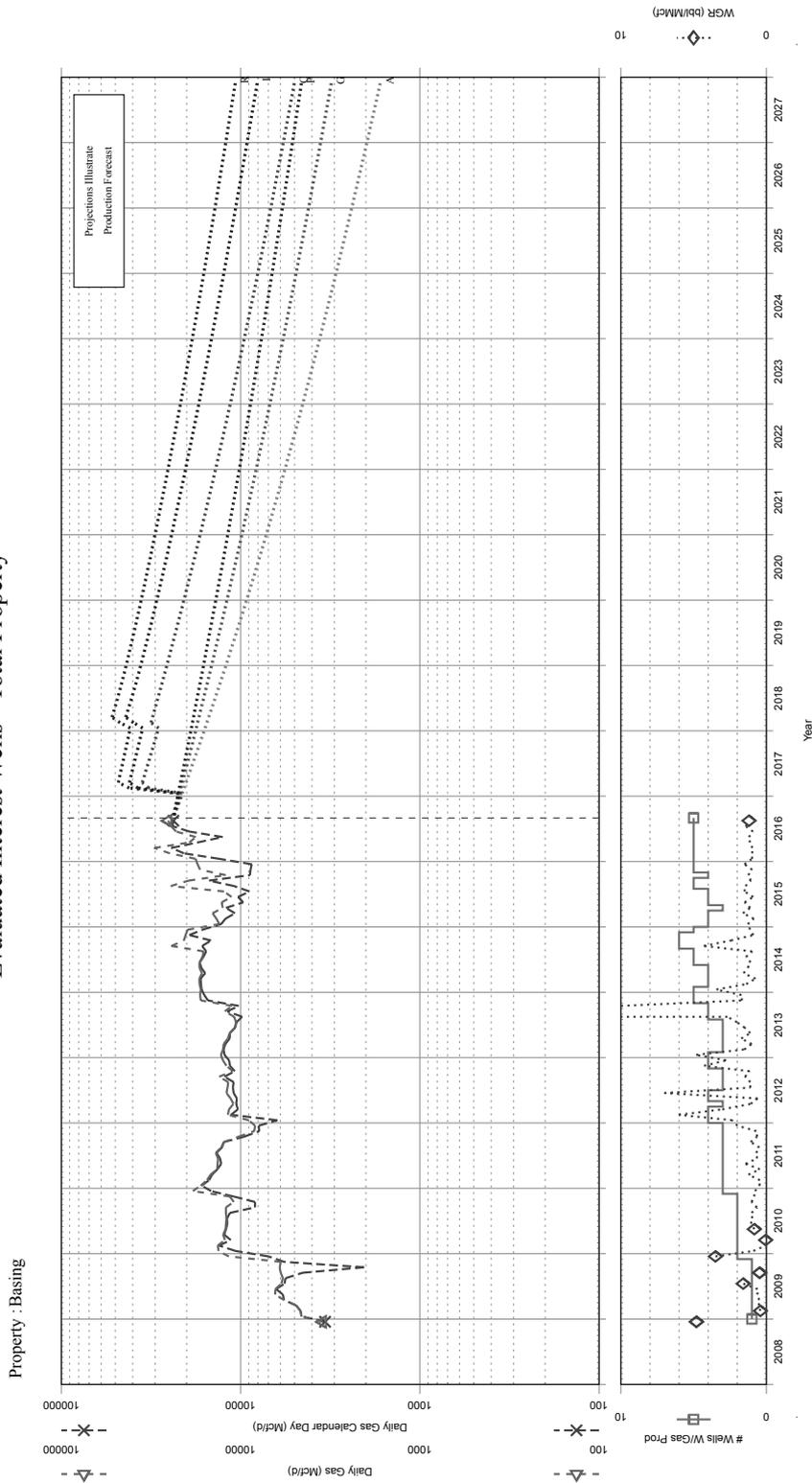
Legend  
 Interest Land  
 Contour Interval = 2 metres  
 12.5 Foot Net Pay (metres)  
 Moosebar producers  
 WSM  
 32.3 Hanging Wall Net Pay (metres)



MA010853.UTM.Zone.11N  
 P:\1171053\Drawings\Moosebar04\_s1171053.mxd  
 Well Source: #18 (November 4, 2016) | Geologist: jenscholar | Engineer:  
 Created by: sll | Created on: November 16, 2016



Historical and Forecast Production  
Evaluated Interest Wells - Total Property



Total Reserves Summary At 2016/09/01

Reserves Classification	Raw Gas ( MMcf )		
	Ultimate	Cum Production	Remaining
Pv Prd A(R)	67214	33639	33575
Total Pv C(R)	109963	33639	76324
P + P Prd G(R)	80415	33639	46776
Total P + P I(R)	145044	33639	111405
PPP Prd P(R)	93616	33639	59977
Total PPP R(R)	175028	33639	141389

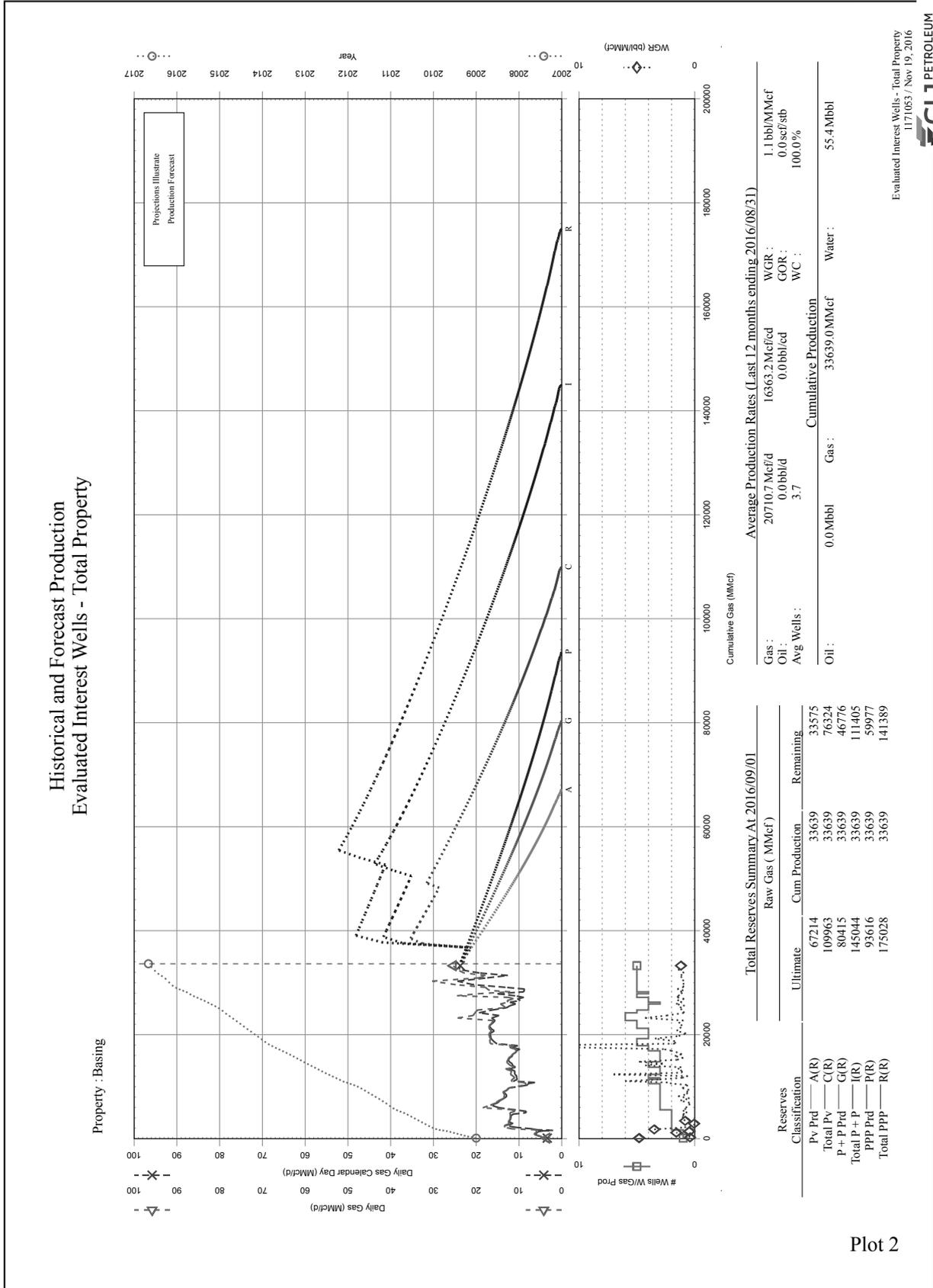
Average Production Rates (Last 12 months ending 2016/08/31)

Gas :	20710.7 Mcf/d	16363.2 Mcf/cd	WGR :	1.1 bbl/MMcf	
Oil :	0.0 bbl/d	0.0 bbl/cd	GOR :	0.0 scf/sb	
Avg Wells :	3.7		WC :	100.0%	
Cumulative Production					
Oil :	0.0 Mbbl	Gas :	33639.0 MMcf	Water :	55.4 Mbbl

Evaluated Interest Wells - Total Property  
1171053 / Nov 19, 2016



Plot 1



Plot 2

Page 1  
Currency Date: 2016-08

Table 1

Well List and Production Summary

Property: Basing  
Evaluated Interest Wells

#	Well Location	Regulatory Field Pool	Current Status	RigRel yr-mm	Production Dates		Inj yr-mm	Prod Days	Last Quarter Production Statistics						Cumulative Production		
					First yr-mm	Last yr-mm			Oil bbl/d	Gas Mcf/d	GOR scf/stb	WCR bbl/MMcf	WC %	OH Mbbbl	Gas MMcf	Water Mbbbl	
1	00/07-21-047-19W5/3	BASING LOWER MANNVILLE A	FLOWING GAS	2008-08	2008-12	2016-08		72	0	3,369		1	100	0	12,340	14	
2	00/05-79-047-19W5/0	BASING UPPER MANNVILLE D	FLOWING GAS	2009-11	2009-12	2016-08		88	0	4,581		1	100	0	10,599	12	
3	00/16-79-047-19W5/0	BASING CARBIDIUM UNDEFINED	FLOWING GAS	2011-09	2012-01	2014-11		89	0	0		1	100	0	1,517	19	
4	02/08-36-047-20W5/2	BASING UPPER MANNVILLE L	FLOWING GAS	2013-10	2015-10	2016-08		69	0	9,725		1	100	0	4,323	4	
5	00/10-36-047-20W5/4	BASING YIRKING A	FLOWING GAS	2010-11	2010-12	2016-08		69	0	772		1	100	0	3,252	4	
6	03/05-02-048-20W5/2	BASING UPPER MANNVILLE K	FLOWING GAS	2014-09	2014-09	2016-08		88	0	3,911		1	100	0	3,108	3	
	<b>Total</b>								0	22,357		1	100	0	33,639	55	

Table 2  
Gross Lease Reserves Summary

Company: Perista Resources Inc.  
Property: Basing

Reserve Class: Various  
Development Class: GLJ (2016-10)  
Pricing: September 30, 2016  
Effective Date:

Entity Description	Reserve Class	Methodology	Oil (Mbbbl)					Non-Associated Gas (MMcf)				Other Gross Lease Reserves			
			Initial Recoverable	Cumulative Production	Reserves	Initial Recoverable	Cumulative Production	Raw Gas	Reserves	So'l'n Gas MMcf	Cond Mbbbl	LPG Mbbbl	Sulphur Mlt		
<b>Proved Producing</b>															
00/07-21-047-19W5/3	A	Vol/Dec	0	0	0	17,890	12,450	5,256	4,993*	0	30	13	0		
00/05-29-047-19W5/0	A	Vol/Dec	0	0	0	21,451	10,724	10,352	9,835*	0	59	25	0		
00/16-29-047-19W5/0	A	Dec	0	0	0	17	17	0	0	0	0	0	0		
02/08-36-047-20W5/2	A	Vol/Dec	0	0	0	13,585	4,647	8,835	8,393*	0	50	21	0		
00/10-36-047-20W5/4	A	Vol/Dec	0	0	0	4,737	3,280	1,111	1,055*	0	6	3	0		
03/05-02-048-20W5/2	A	Dec/Vol	0	0	0	9,534	3,224	6,075	5,772*	0	35	15	0		
<b>Total: Proved Producing</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>67,214</b>	<b>34,342</b>	<b>31,629</b>	<b>30,048*</b>	<b>0</b>	<b>180</b>	<b>76</b>	<b>0</b>		
<b>Total Proved</b>															
00/07-21-047-19W5/3	A	Vol/Dec	0	0	0	17,890	12,450	5,256	4,993*	0	30	13	0		
XX/08-21-047-19W5/WILR	B2	Vol/Dec	0	0	0	14,400	0	13,832	13,140*	0	79	33	0		
00/05-29-047-19W5/0	A	Vol/Dec	0	0	0	21,451	10,724	10,352	9,835*	0	59	25	0		
XX/14-29-047-19W5/WILR	B2	Vol/Dec	0	0	0	11,858	0	11,357	10,789*	0	65	27	0		
00/16-29-047-19W5/0	A	Dec	0	0	0	17	17	0	0	0	0	0	0		
XX/02-36-047-20W5/WILR	B2	Vol/Dec	0	0	0	8,114	0	7,591	7,211*	0	43	18	0		
02/08-36-047-20W5/2	A	Vol/Dec	0	0	0	13,585	4,647	8,835	8,393*	0	50	21	0		
00/10-36-047-20W5/4	A	Vol/Dec	0	0	0	4,737	3,280	1,111	1,055*	0	6	3	0		
03/05-02-048-20W5/2	A	Dec/Vol	0	0	0	9,534	3,224	6,075	5,772*	0	35	15	0		
XX/11-02-048-20W5/WILR	B2	Dec/Vol	0	0	0	8,377	0	7,869	7,476*	0	45	19	0		
<b>Total: Total Proved</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>109,963</b>	<b>34,342</b>	<b>72,278</b>	<b>68,664*</b>	<b>0</b>	<b>412</b>	<b>173</b>	<b>0</b>		
<b>Proved Plus Probable Producing</b>															
00/07-21-047-19W5/3	G	Vol/Dec	0	0	0	20,643	12,450	7,830	7,438*	0	45	19	0		
00/05-29-047-19W5/0	G	Vol/Dec	0	0	0	25,026	10,724	13,802	13,112*	0	79	33	0		
00/16-29-047-19W5/0	G	Dec	0	0	0	17	17	0	0	0	0	0	0		
02/08-36-047-20W5/2	G	Vol/Dec	0	0	0	17,291	4,647	12,438	11,816*	0	71	30	0		
00/10-36-047-20W5/4	G	Vol/Dec	0	0	0	5,305	3,280	1,518	1,442*	0	9	4	0		
03/05-02-048-20W5/2	G	Dec/Vol	0	0	0	12,134	3,224	8,548	8,121*	0	49	21	0		
<b>Total: Proved Plus Probable Producing</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>80,415</b>	<b>34,342</b>	<b>44,135</b>	<b>41,928*</b>	<b>0</b>	<b>252</b>	<b>106</b>	<b>0</b>		
<b>Total Proved Plus Probable</b>															
00/07-21-047-19W5/3	G	Vol/Dec	0	0	0	20,643	12,450	7,830	7,438*	0	45	19	0		
XX/08-21-047-19W5/WILR	H2	Vol/Dec	0	0	0	19,636	0	18,977	18,028*	0	108	46	0		
00/05-29-047-19W5/0	G	Vol/Dec	0	0	0	25,026	10,724	13,802	13,112*	0	79	33	0		
XX/14-29-047-19W5/WILR	H2	Vol/Dec	0	0	0	16,601	0	16,081	15,277*	0	92	39	0		
00/16-29-047-19W5/0	G	Dec	0	0	0	17	17	0	0	0	0	0	0		
XX/02-36-047-20W5/NOT	H2	Vol/Dec	0	0	0	5,305	0	4,382	4,162*	0	25	11	0		
XX/02-36-047-20W5/WILR	H2	Vol/Dec	0	0	0	11,360	0	10,839	10,297*	0	62	26	0		
02/08-36-047-20W5/2	G	Vol/Dec	0	0	0	17,291	4,647	12,438	11,816*	0	71	30	0		
00/10-36-047-20W5/4	G	Vol/Dec	0	0	0	5,305	3,280	1,518	1,442*	0	9	4	0		

1171053 Class (A,C,G,I,M,O), GLJ (2016-10), ult

**Gross Lease Reserves Summary**

Entity Description	Reserve Class	Methodology	Oil (Mbbbl)			Non-Associated Gas (MMcf)			Other Gross Lease Reserves				
			Initial Recoverable	Cumulative Production	Reserves	Initial Recoverable	Cumulative Production	Raw Gas	Reserves	Sol'n Gas MMcf	Cond Mbbbl	LPG Mbbbl	Sulphur Mft
<b>Total Proved Plus Probable (Cont.)</b>													
03/05-02-048-20W5/2	G	Dec:Vol	0	0	0	12,134	3,224	8,548	8,121*	0	49	21	0
XX/11-02-048-20W5/WILR	H2	Dec:Vol	0	0	0	11,727	0	11,137	10,580*	0	63	27	0
<b>Total: Total Proved Plus Probable</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>145,044</b>	<b>34,342</b>	<b>105,550</b>	<b>100,272*</b>	<b>0</b>	<b>602</b>	<b>253</b>	<b>0</b>
<b>Possible Producing</b>													
00/07-21-047-19W5/3			0	0	0	2,752	0	2,653	2,521*	0	15	6	0
00/05-29-047-19W5/0			0	0	0	3,575	0	3,449	3,277*	0	20	8	0
02/08-36-047-20W5/2			0	0	0	3,705	0	3,686	3,502*	0	21	9	0
00/10-36-047-20W5/4			0	0	0	568	0	279	265*	0	2	1	0
03/05-02-048-20W5/2			0	0	0	2,600	0	2,553	2,426*	0	15	6	0
<b>Total: Possible Producing</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>13,201</b>	<b>0</b>	<b>12,621</b>	<b>11,990*</b>	<b>0</b>	<b>72</b>	<b>30</b>	<b>0</b>
<b>Total Possible</b>													
00/07-21-047-19W5/3			0	0	0	2,752	0	2,653	2,521*	0	15	6	0
XX/08-21-047-19W5/WILR			0	0	0	3,927	0	3,911	3,716*	0	22	9	0
00/05-29-047-19W5/0			0	0	0	3,575	0	3,449	3,277*	0	20	8	0
XX/14-29-047-19W5/WILR			0	0	0	4,743	0	4,717	4,481*	0	27	11	0
XX/02-36-047-20W5/NOT			0	0	0	1,516	0	1,303	1,238*	0	7	3	0
XX/02-36-047-20W5/WILR			0	0	0	3,246	0	3,256	3,094*	0	19	8	0
02/08-36-047-20W5/2			0	0	0	3,705	0	3,686	3,502*	0	21	9	0
00/10-36-047-20W5/4			0	0	0	568	0	279	265*	0	2	1	0
03/05-02-048-20W5/2			0	0	0	2,600	0	2,553	2,426*	0	15	6	0
XX/11-02-048-20W5/WILR			0	0	0	3,351	0	3,391	3,222*	0	19	8	0
<b>Total: Total Possible</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>29,984</b>	<b>0</b>	<b>29,200</b>	<b>27,740*</b>	<b>0</b>	<b>166</b>	<b>70</b>	<b>0</b>

Notes  
1. [\*] Remaining reserves are less than the estimate due to economic limit.

Table 2.1

Company: Perista Resources Inc.  
Property: Basing

Resource Class: Various  
Development Class: GLJ (2016-10)  
Pricing: September 30, 2016  
Effective Date:

Gross Lease Unrisked Resources Summary

Entity Description	Resource Class	Methodology	Oil (Mbbbl)				Non-Associated Gas (MMcf)				Other Gross Lease Resources			
			Initial Recoverable	Cumulative Production	Resources	Initial Recoverable	Cumulative Production	Raw Gas	Resources	So'l'n Gas MMcf	Cond Mbbbl	LPG Mbbbl	Sulphur Mlt	
<b>Low Estimate Contingent Resources - Development Pending</b>														
XX/XX-32-047-19W5/WILR	CRI-A	Vol/Dec	0	0	0	6,472	0	6,022	0	5,721*	0	34	14	0
XX/XX-06-048-19W5/WILR	CRI-A	Vol/Dec	0	0	0	6,702	0	6,265	0	5,952*	0	36	15	0
XX/XX-01-048-20W5/WILR	CRI-A	Vol/Dec	0	0	0	7,000	0	6,572	0	6,243*	0	37	16	0
X1/XX-11-048-20W5/WILR	CRI-A	Vol/Dec	0	0	0	6,671	0	6,243	0	5,930*	0	36	15	0
X2/XX-11-048-20W5/WILR	CRI-A	Vol/Dec	0	0	0	6,671	0	6,279	0	5,965*	0	36	15	0
XX/XX-12-048-20W5/WILR	CRI-A	Vol/Dec	0	0	0	6,327	0	5,908	0	5,613*	0	34	14	0
<b>Total: Low Estimate Contingent Resources - Development Pending</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>39,844</b>	<b>0</b>	<b>37,289</b>	<b>0</b>	<b>35,424*</b>	<b>0</b>	<b>213</b>	<b>89</b>	<b>0</b>
<b>Best Estimate Contingent Resources - Development Pending</b>														
XX/XX-32-047-19W5/WILR	CR2-A	Vol/Dec	0	0	0	9,061	0	8,661	0	8,228*	0	49	21	0
XX/XX-06-048-19W5/WILR	CR2-A	Vol/Dec	0	0	0	9,383	0	8,910	0	8,465*	0	51	21	0
XX/XX-01-048-20W5/WILR	CR2-A	Vol/Dec	0	0	0	9,800	0	9,328	0	8,862*	0	53	22	0
XX/XX-02-048-20W5/NOT	CR2-A	Vol/Dec	0	0	0	5,748	0	4,696	0	4,461*	0	27	11	0
XX/05-02-048-20W5/NOT	CR2-A	Vol/Dec	0	0	0	5,748	0	4,696	0	4,461*	0	27	11	0
X1/XX-11-048-20W5/WILR	CR2-A	Vol/Dec	0	0	0	9,340	0	8,877	0	8,433*	0	51	21	0
X2/XX-11-048-20W5/WILR	CR2-A	Vol/Dec	0	0	0	9,340	0	8,883	0	8,439*	0	51	21	0
XX/XX-12-048-20W5/WILR	CR2-A	Vol/Dec	0	0	0	8,858	0	8,414	0	7,993*	0	48	20	0
<b>Total: Best Estimate Contingent Resources - Development Pending</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>67,279</b>	<b>0</b>	<b>62,465</b>	<b>0</b>	<b>59,342*</b>	<b>0</b>	<b>356</b>	<b>150</b>	<b>0</b>
<b>High Estimate Contingent Resources - Development Pending</b>														
XX/XX-32-047-19W5/WILR	CR3-A	Vol/Dec	0	0	0	11,650	0	11,178	0	10,619*	0	64	27	0
XX/XX-06-048-19W5/WILR	CR3-A	Vol/Dec	0	0	0	12,064	0	11,593	0	11,013*	0	66	28	0
XX/XX-01-048-20W5/WILR	CR3-A	Vol/Dec	0	0	0	12,600	0	12,123	0	11,517*	0	69	29	0
XX/XX-02-048-20W5/NOT	CR3-A	Vol/Dec	0	0	0	7,391	0	6,167	0	5,859*	0	35	15	0
XX/05-02-048-20W5/NOT	CR3-A	Vol/Dec	0	0	0	7,391	0	6,167	0	5,859*	0	35	15	0
X1/XX-11-048-20W5/WILR	CR3-A	Vol/Dec	0	0	0	12,008	0	11,547	0	10,970*	0	66	28	0
X2/XX-11-048-20W5/WILR	CR3-A	Vol/Dec	0	0	0	12,008	0	11,554	0	10,976*	0	66	28	0
XX/XX-12-048-20W5/WILR	CR3-A	Vol/Dec	0	0	0	11,389	0	10,955	0	10,407*	0	62	26	0
<b>Total: High Estimate Contingent Resources - Development Pending</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>86,501</b>	<b>0</b>	<b>81,283</b>	<b>0</b>	<b>77,219*</b>	<b>0</b>	<b>463</b>	<b>195</b>	<b>0</b>

Notes  
1. [\*] Remaining resources are less than the estimate due to economic limit.

Table 2.2  
September 30, 2016

Company: Perista Resources Inc.  
Property: Basing

Gas Reservoir Parameters

Effective Date:

Resource Entity	Zone	Method	Reserve Class	Area acre	Net Pay ft	Porosity %	Water Satn %	Resid Oil Satn %	Original Pressure psi	Reservoir Temp R	Zi Factor	Original Gas In Place MMcf	Recovery Factor %	Recoverable Raw Gas MMcf	Cum Production 2016-10-01 MMcf	Remaining 2016-09-30 Raw Gas	Surface Loss %	Remaining Sales Gas MMcf
<b>Proved Producing</b>																		
<b>Cardium</b>																		
<b>Cardium Reserves</b>																		
00/16-29-047-19W5/0	CARDIUM	-	A	-	-	-	-	-	-	-	-	-	-	17	17	-	5.0	0
<b>Notikewin Reserves</b>																		
00/10-36-047-20W5/4	NOTIKEWIN	Vol,Dec	A	120	78.7	10.0	35.0	-	5,450	632	1.080	7,578	62.5	4,737	3,280	1,457	5.0	1,384
<b>Wilrich Reserves</b>																		
00/07-21-047-19W5/3	WILRICH	Vol,Dec	A	410	88.6	7.8	25.0	-	5,800	663	1.044	27,524	65.0	17,890	12,450	5,440	5.0	5,168
00/05-29-047-19W5/0	WILRICH	Vol,Dec	A	475	108.3	7.3	25.0	-	5,500	642	1.044	35,751	60.0	21,451	10,724	10,726	5.0	10,190
02/08-36-047-20W5/2	WILRICH	Vol,Dec	A	440	101.7	6.2	30.0	-	5,395	628	1.044	24,701	55.0	13,585	4,647	8,939	5.0	8,492
03/05-02-048-20W5/2	WILRICH	Dec, Vol	A	360	98.4	5.5	25.0	-	5,200	658	1.030	17,335	55.0	9,534	3,224	6,310	5.0	5,995
<b>Total: Proved Producing</b>																		
<b>Total: Proved</b>																		
<b>Cardium</b>																		
<b>Cardium Reserves</b>																		
00/16-29-047-19W5/0	CARDIUM	-	A	-	-	-	-	-	-	-	-	-	-	17	17	-	5.0	0
<b>Notikewin Reserves</b>																		
00/10-36-047-20W5/4	NOTIKEWIN	Vol,Dec	A	120	78.7	10.0	35.0	-	5,450	632	1.080	7,578	62.5	4,737	3,280	1,457	5.0	1,384
<b>Wilrich Reserves</b>																		
00/07-21-047-19W5/3	WILRICH	Vol,Dec	A	410	88.6	7.8	25.0	-	5,800	663	1.044	27,524	65.0	17,890	12,450	5,440	5.0	5,168
XX/08-21-047-19W5/WLR	WILRICH	Vol,Dec	B2	390	88.6	7.8	25.0	-	5,800	663	1.044	26,181	55.0	14,399	-	14,399	5.0	13,680
00/05-29-047-19W5/0	WILRICH	Vol,Dec	A	475	108.3	7.3	25.0	-	5,500	642	1.044	35,751	60.0	21,451	10,724	10,726	5.0	10,190
XX/14-29-047-19W5/WLR	WILRICH	Vol,Dec	B2	325	105.0	7.3	25.0	-	5,500	642	1.044	23,716	50.0	11,858	-	11,858	5.0	11,265
XX/02-36-047-20W5/WLR	WILRICH	Vol,Dec	B2	280	105.0	6.2	30.0	-	5,395	628	1.044	16,229	50.0	8,114	-	8,114	5.0	7,709
02/08-36-047-20W5/2	WILRICH	Vol,Dec	A	440	101.7	6.2	30.0	-	5,395	628	1.044	24,701	55.0	13,585	4,647	8,939	5.0	8,492
03/05-02-048-20W5/2	WILRICH	Dec, Vol	A	360	98.4	5.5	25.0	-	5,200	658	1.030	17,335	55.0	9,534	3,224	6,310	5.0	5,995
XX/11-02-048-20W5/WLR	WILRICH	Dec, Vol	B2	360	95.1	5.5	25.0	-	5,200	658	1.030	16,753	50.0	8,377	-	8,377	5.0	7,958
<b>Total: Total Proved</b>																		
<b>Total: Proved Plus Probable Producing</b>																		
<b>Cardium</b>																		
<b>Cardium Reserves</b>																		
00/16-29-047-19W5/0	CARDIUM	-	A	-	-	-	-	-	-	-	-	-	-	17	17	-	5.0	0
<b>Notikewin Reserves</b>																		
00/10-36-047-20W5/4	NOTIKEWIN	Vol,Dec	G	120	78.7	10.0	35.0	-	5,450	632	1.080	7,578	70.0	5,305	3,280	2,025	5.0	1,924
<b>Wilrich Reserves</b>																		
00/07-21-047-19W5/3	WILRICH	Vol,Dec	G	410	88.6	7.8	25.0	-	5,800	663	1.044	27,524	75.0	20,643	12,450	8,192	5.0	7,783
00/05-29-047-19W5/0	WILRICH	Vol,Dec	G	475	108.3	7.3	25.0	-	5,500	642	1.044	35,751	70.0	25,026	10,724	14,301	5.0	13,586
02/08-36-047-20W5/2	WILRICH	Vol,Dec	G	440	101.7	6.2	30.0	-	5,395	628	1.044	24,701	70.0	17,291	4,647	12,644	5.0	12,012
03/05-02-048-20W5/2	WILRICH	Dec, Vol	G	360	98.4	5.5	25.0	-	5,200	658	1.030	17,335	70.0	12,134	3,224	8,911	5.0	8,465
<b>Total: Proved Plus Probable Producing</b>																		

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November 19, 2016 15:30:00



Gas Reservoir Parameters

Resource Entity	Zone	Method	Reserve Class	Area acre	Net Pay ft	Porosity %	Water Satn %	Resid Oil Satn %	Original Pressure psi	Reservoir Temp R	ZI Factor	Original Gas In Place MMcf	Recovery Factor %	Recoverable Raw Gas MMcf	Cum Production 2016-10-01 MMcf	Remaining 2016-09-30 Raw Gas	Surface Loss %	Remaining Sales Gas MMcf	
<b>Total Proved Plus Probable</b>																			
<b>Cardium</b>																			
Cardium Reserves																			
00/16-29-047-19W5/0	CARDIUM	-	A	-	-	-	-	-	-	-	-	-	-	17	17	-	5.0	0	
Notikewin (Hanging Wall)																			
Notikewin Reserves																			
XX/02-36-047-20W5/NOT	NOTKEWIN	Vol,Dec	E2	120	78.7	10.0	35.0	-	5,450	632	1.080	7,578	70.0	5,305	-	5,305	5.0	5,040	
00/10-36-047-20W5/4	NOTKEWIN	Vol,Dec	G	120	78.7	10.0	35.0	-	5,450	632	1.080	7,578	70.0	5,305	3,280	2,025	5.0	1,924	
Wilrich (Hanging Wall)																			
Wilrich Reserves																			
00/07-21-047-19W5/3	WILRICH	Vol,Dec	G	410	88.6	7.8	25.0	-	5,800	663	1.044	27,524	75.0	20,643	12,450	8,192	5.0	7,783	
XX/08-21-047-19W5/WLR	WILRICH	Vol,Dec	H2	390	88.6	7.8	25.0	-	5,800	663	1.044	26,181	75.0	19,636	-	19,636	5.0	18,654	
00/05-29-047-19W5/0	WILRICH	Vol,Dec	G	475	108.3	7.3	25.0	-	5,500	642	1.044	35,751	70.0	25,026	10,724	14,301	5.0	13,586	
XX/14-29-047-19W5/WLR	WILRICH	Vol,Dec	H2	325	105.0	7.3	25.0	-	5,500	642	1.044	23,716	70.0	16,601	-	16,601	5.0	15,771	
XX/02-36-047-20W5/WLR	WILRICH	Vol,Dec	H2	280	105.0	6.2	30.0	-	5,395	628	1.044	16,229	70.0	11,360	-	11,360	5.0	10,792	
02/08-36-047-20W5/2	WILRICH	Vol,Dec	G	440	101.7	6.2	30.0	-	5,395	628	1.044	24,701	70.0	17,291	4,647	12,644	5.0	12,012	
03/05-02-048-20W5/2	WILRICH	Dec,Vol	G	360	98.4	5.5	25.0	-	5,200	658	1.030	17,335	70.0	12,134	3,224	8,911	5.0	8,465	
XXX/11-02-048-20W5/WLR	WILRICH	Dec,Vol	H2	360	95.1	5.5	25.0	-	5,200	658	1.030	16,753	70.0	11,727	-	11,727	5.0	11,141	
<b>Total: Total Proved Plus Probable</b>															<b>145,044</b>	<b>34,342</b>	<b>110,702</b>	<b>5.0</b>	<b>105,167</b>
<b>PPP Producing</b>																			
<b>Cardium</b>																			
Cardium Reserves																			
00/16-29-047-19W5/0	CARDIUM	-	A	-	-	-	-	-	-	-	-	-	-	17	17	-	5.0	0	
Notikewin (Hanging Wall)																			
Notikewin Reserves																			
00/10-36-047-20W5/4	NOTKEWIN	Vol,Dec	P	120	78.7	10.0	35.0	-	5,450	632	1.080	7,578	77.5	5,873	3,280	2,594	5.0	2,464	
Wilrich (Hanging Wall)																			
Wilrich Reserves																			
00/07-21-047-19W5/3	WILRICH	Vol,Dec	P	410	88.6	7.8	25.0	-	5,800	663	1.044	27,524	85.0	23,395	12,450	10,945	5.0	10,397	
00/05-29-047-19W5/0	WILRICH	Vol,Dec	P	475	108.3	7.3	25.0	-	5,500	642	1.044	35,751	80.0	28,601	10,724	17,877	5.0	16,983	
02/08-36-047-20W5/2	WILRICH	Vol,Dec	P	440	101.7	6.2	30.0	-	5,395	628	1.044	24,701	85.0	20,996	4,647	16,349	5.0	15,531	
03/05-02-048-20W5/2	WILRICH	Dec,Vol	P	360	98.4	5.5	25.0	-	5,200	658	1.030	17,335	85.0	14,734	3,224	11,511	5.0	10,935	
<b>Total: PPP Producing</b>															<b>93,616</b>	<b>59,274</b>	<b>5.0</b>	<b>56,311</b>	
<b>Total PPP</b>																			
<b>Cardium</b>																			
Cardium Reserves																			
00/16-29-047-19W5/0	CARDIUM	-	A	-	-	-	-	-	-	-	-	-	-	17	17	-	5.0	0	
Notikewin (Hanging Wall)																			
Notikewin Reserves																			
XX/02-36-047-20W5/NOT	NOTKEWIN	Vol,Dec	Q2	120	78.7	10.0	35.0	-	5,450	632	1.080	7,578	90.0	6,821	-	6,821	5.0	6,480	
00/10-36-047-20W5/4	NOTKEWIN	Vol,Dec	P	120	78.7	10.0	35.0	-	5,450	632	1.080	7,578	77.5	5,873	3,280	2,594	5.0	2,464	
Wilrich (Hanging Wall)																			
Wilrich Reserves																			
00/07-21-047-19W5/3	WILRICH	Vol,Dec	P	410	88.6	7.8	25.0	-	5,800	663	1.044	27,524	85.0	23,395	12,450	10,945	5.0	10,397	
XX/08-21-047-19W5/WLR	WILRICH	Vol,Dec	Q2	390	88.6	7.8	25.0	-	5,800	663	1.044	26,181	90.0	23,563	-	23,563	5.0	22,385	
00/05-29-047-19W5/0	WILRICH	Vol,Dec	P	475	108.3	7.3	25.0	-	5,500	642	1.044	35,751	80.0	28,601	10,724	17,877	5.0	16,983	
XX/14-29-047-19W5/WLR	WILRICH	Vol,Dec	Q2	325	105.0	7.3	25.0	-	5,500	642	1.044	23,716	90.0	21,344	-	21,344	5.0	20,277	
XX/02-36-047-20W5/WLR	WILRICH	Vol,Dec	Q2	280	105.0	6.2	30.0	-	5,395	628	1.044	16,229	90.0	14,606	-	14,606	5.0	13,876	
02/08-36-047-20W5/2	WILRICH	Vol,Dec	P	440	101.7	6.2	30.0	-	5,395	628	1.044	24,701	85.0	20,996	4,647	16,349	5.0	15,531	

**Gas Reservoir Parameters**

Resource Entity	Zone	Method	Reserve Class	Area acre	Net Pay ft	Porosity %	Water Satn %	Resid Oil Satn %	Original Pressure psi	Reservoir Temp R	ZI Factor	Original Gas In Place MMcf	Recovery Factor %	Recoverable Raw Gas MMcf	Cum Production 2016-10-01 MMcf	Remaining 2016-09-30 Raw Gas	Surface Loss %	Remaining Sales Gas MMcf
<b>Total PPP (Cont)</b>																		
Wilrich (Hanging Wall) (Cont.)																		
Wilrich Reserves (Cont.)																		
03/05-02-048-20W5/2	WILRICH	Dec.Vol	P	360	98.4	5.5	25.0	-	5,200	658	1.030	17,335	85.0	14,734	3,224	11,511	5.0	10,935
XX/11-02-048-20W5/WILR	WILRICH	Dec.Vol	Q2	360	95.1	5.5	25.0	-	5,200	658	1.030	16,753	90.0	15,078	-	15,078	5.0	14,324
<b>Total: Total PPP</b>														<b>175,028</b>	<b>34,342</b>	<b>140,686</b>	<b>5.0</b>	<b>133,652</b>

The reserves calculated above may not match the economic forecasts due to economic limit considerations.

**Glossary**

- A: Proved Producing
- B2: Proved Undeveloped
- E2: Probable Undeveloped
- G: Proved Plus Probable Producing
- H2: Proved Plus Probable Undeveloped
- P: PPP Producing
- Q2: PPP Undeveloped

Table 2.3  
September 30, 2016

Company: Perista Resources Inc.  
Property: Basing

Effective Date: September 30, 2016

Gas Decline Parameters

Resource Entity	Zone	Method	Res. Class	Analysis Date	Analysis Data				Reserve Life, yrs	Original Recoverable Res Gas, MMcf	Cum Production @ Analysis, MMcf	Cum Production 2016-09-30, MMcf	Remaining Res Gas, MMcf	Surface Loss, %	Remaining Sales, G
					Initial Effective Decline	Initial Rate, Mcf/d	Final Rate, Mcf/d	Decline Exponent							
<b>Proved Producing</b>															
Notikewin (Hanging Wall)															
Notikewin Reserves															
00/10-36-047-20W/5/4	NOTIKEWIN	Vol,Dec	A	2016-09-01	21.47	930	75	0.20	13.2	4,737	3,252	3,280	1,457	5.0	1,384
Wilrich Reserves															
00/07-21-047-19W/5/3	WILRICH	Vol,Dec	A	2016-09-01	21.21	3,700	75	-	16.3	17,890	12,340	12,450	5,440	5.0	5,168
00/05-29-047-19W/5/0	WILRICH	Vol,Dec	A	2016-09-01	12.96	4,200	75	-	29.0	21,451	10,599	10,724	10,726	5.0	10,190
02/08-36-047-20W/5/2	WILRICH	Vol,Dec	A	2016-09-01	34.98	11,000	75	-	11.6	13,585	4,323	4,647	8,939	5.0	8,492
03/05-02-048-20W/5/2	WILRICH	Dec,Vol	A	2016-09-01	19.53	3,900	75	-	18.2	9,534	3,108	3,224	6,310	5.0	5,995
<b>Total: Proved Producing</b>															
<b>67,197 33,622 34,325 32,872 5.0 31,229</b>															
<b>Total Proved</b>															
Notikewin (Hanging Wall)															
Notikewin Reserves															
00/10-36-047-20W/5/4	NOTIKEWIN	Vol,Dec	A	2016-09-01	21.47	930	75	0.20	13.2	4,737	3,252	3,280	1,457	5.0	1,384
Wilrich Reserves															
00/07-21-047-19W/5/3	WILRICH	Vol,Dec	A	2016-09-01	21.21	3,700	75	-	16.3	17,890	12,340	12,450	5,440	5.0	5,168
XX/08-21-047-19W/5/WLR	WILRICH	Vol,Dec	B2	2016-09-01	16.56	6,000	75	0.20	39.0	14,399	-	-	14,399	5.0	13,680
00/05-29-047-19W/5/0	WILRICH	Vol,Dec	A	2016-09-01	12.96	4,200	75	-	29.0	21,451	10,599	10,724	10,726	5.0	10,190
XX/14-29-047-19W/5/WLR	WILRICH	Vol,Dec	B2	2016-09-01	19.67	6,000	75	0.20	31.3	11,858	-	-	11,858	5.0	11,265
XX/02-36-047-20W/5/WLR	WILRICH	Vol,Dec	B2	2016-09-01	16.83	3,500	75	0.20	30.8	8,114	-	-	8,114	5.0	7,709
02/08-36-047-20W/5/2	WILRICH	Vol,Dec	A	2016-09-01	34.98	11,000	75	-	11.6	13,585	4,323	4,647	8,939	5.0	8,492
03/05-02-048-20W/5/2	WILRICH	Dec,Vol	A	2016-09-01	19.53	3,900	75	-	18.2	9,534	3,108	3,224	6,310	5.0	5,995
XX/11-02-048-20W/5/WILR	WILRICH	Dec,Vol	B2	2016-09-01	16.36	3,500	75	0.20	31.8	8,377	-	-	8,377	5.0	7,958
<b>Total: Total Proved</b>															
<b>109,945 33,622 34,325 75,621 5.0 71,840</b>															
<b>Proved Plus Probable Producing</b>															
Notikewin (Hanging Wall)															
Notikewin Reserves															
00/10-36-047-20W/5/4	NOTIKEWIN	Vol,Dec	G	2016-09-01	18.62	930	75	0.40	20.2	5,305	3,252	3,280	2,025	5.0	1,924
Wilrich (Hanging Wall)															
Wilrich Reserves															
00/07-21-047-19W/5/3	WILRICH	Vol,Dec	G	2016-09-01	14.73	3,700	75	-	24.4	20,643	12,340	12,450	8,192	5.0	7,783
00/05-29-047-19W/5/0	WILRICH	Vol,Dec	G	2016-09-01	9.91	4,200	75	-	38.5	25,026	10,599	10,724	14,301	5.0	13,586
02/08-36-047-20W/5/2	WILRICH	Vol,Dec	G	2016-09-01	26.47	11,000	75	-	16.2	17,291	4,323	4,647	12,644	5.0	12,012
03/05-02-048-20W/5/2	WILRICH	Dec,Vol	G	2016-09-01	14.33	3,900	75	-	25.5	12,134	3,108	3,224	8,911	5.0	8,465
<b>Total: Proved Plus Probable Producing</b>															
<b>80,398 33,622 34,325 46,073 5.0 43,770</b>															
<b>Total Proved Plus Probable</b>															
Notikewin (Hanging Wall)															
Notikewin Reserves															
XX/02-36-047-20W/5/NOT	NOTIKEWIN	Vol,Dec	E2	2016-09-01	51.43	5,000	75	0.80	35.5	5,305	-	-	5,305	5.0	5,040

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Gas Decline Parameters

Analysis Data

Resource Entity	Zone	Method	Res. Class	Analysis Date	Initial Effective Decline	Initial Rate Meq/d	Final Rate Meq/d	Decline Exponent	Reserve Life yrs	Original Recoverable Raw Gas MMcf	Cum Production @ Analysis MMcf	Cum Production 2016-10-01 MMcf	Remaining Raw Gas 2016-09-30 MMcf	Surface Loss %	Remaining Sales Gas MMcf
<b>Total Proved Plus Probable (Cont.)</b>															
Notikewin (Hanging Wall) (Cont.)															
Notikewin Reserves (Cont.)															
00/10-36-047-20W/5/4	NOTIKKEWIN	Vol,Dec	G	2016-09-01	18.62	930	75	0.40	20.2	5,305	3,252	3,280	2,025	5.0	1,924
Wilrich (Hanging Wall)															
Wilrich Reserves															
00/07-21-047-19W/5/3	WILRICH	Vol,Dec	G	2016-09-01	14.73	3,700	75	-	24.4	20,643	12,340	12,450	8,192	5.0	7,783
XX/08-21-047-19W/5/WLR	WILRICH	Vol,Dec	H2	2016-09-01	16.33	8,000	75	0.20	42.5	19,636	-	-	19,636	5.0	18,654
00/05-29-047-19W/5/0	WILRICH	Vol,Dec	G	2016-09-01	9.91	4,200	75	-	38.5	25,026	10,599	10,724	14,301	5.0	13,586
XX/14-29-047-19W/5/WLR	WILRICH	Vol,Dec	H2	2016-09-01	18.95	8,000	75	0.20	36.0	16,601	-	-	16,601	5.0	15,771
XX/02-36-047-20W/5/WLR	WILRICH	Vol,Dec	H2	2016-09-01	17.32	5,000	75	0.20	33.9	11,360	-	-	11,360	5.0	10,792
02/08-36-047-20W/5/2	WILRICH	Vol,Dec	G	2016-09-01	26.47	11,000	75	-	16.2	17,291	4,323	4,647	12,644	5.0	12,012
03/05-02-048-20W/5/2	WILRICH	Dec,Vol	G	2016-09-01	14.33	3,900	75	-	25.5	12,134	3,108	3,224	8,911	5.0	8,465
XX/11-02-048-20W/5/WILR	WILRICH	Dec,Vol	H2	2016-09-01	16.83	5,000	75	0.20	35.0	11,727	-	-	11,727	5.0	11,141
<b>Total: Total Proved Plus Probable</b>						<b>54,730</b>				<b>145,027</b>	<b>33,622</b>	<b>34,325</b>	<b>110,702</b>	<b>5.0</b>	<b>105,167</b>
<b>PPP Producing</b>															
Notikewin (Hanging Wall)															
Notikewin Reserves															
00/10-36-047-20W/5/4	NOTIKKEWIN	Vol,Dec	P	2016-09-01	17.62	930	75	0.60	28.6	5,873	3,252	3,280	2,594	5.0	2,464
Wilrich (Hanging Wall)															
Wilrich Reserves															
00/07-21-047-19W/5/3	WILRICH	Vol,Dec	P	2016-09-01	11.28	3,700	75	-	32.5	23,395	12,340	12,450	10,945	5.0	10,397
00/05-29-047-19W/5/0	WILRICH	Vol,Dec	P	2016-09-01	8.02	4,200	75	-	48.1	28,601	10,599	10,724	17,877	5.0	16,983
02/08-36-047-20W/5/2	WILRICH	Vol,Dec	P	2016-09-01	21.27	11,000	75	-	20.8	20,996	4,323	4,647	16,349	5.0	15,531
03/05-02-048-20W/5/2	WILRICH	Dec,Vol	P	2016-09-01	11.31	3,900	75	-	32.9	14,734	3,108	3,224	11,511	5.0	10,935
<b>Total: PPP Producing</b>						<b>23,730</b>				<b>93,599</b>	<b>33,622</b>	<b>34,325</b>	<b>59,274</b>	<b>5.0</b>	<b>56,311</b>
<b>Total PPP</b>															
Notikewin (Hanging Wall)															
Notikewin Reserves															
XX/02-36-047-20W/5/NOT	NOTIKKEWIN	Vol,Dec	Q2	2016-09-01	50.31	6,000	75	0.80	43.1	6,821	-	-	6,821	5.0	6,480
00/10-36-047-20W/5/4	NOTIKKEWIN	Vol,Dec	P	2016-09-01	17.62	930	75	0.60	28.6	5,873	3,252	3,280	2,594	5.0	2,464
Wilrich (Hanging Wall)															
Wilrich Reserves															
00/07-21-047-19W/5/3	WILRICH	Vol,Dec	P	2016-09-01	11.28	3,700	75	-	32.5	23,395	12,340	12,450	10,945	5.0	10,397
XX/08-21-047-19W/5/WLR	WILRICH	Vol,Dec	Q2	2016-09-01	16.99	10,000	75	0.20	43.7	23,563	-	-	23,563	5.0	22,385
00/05-29-047-19W/5/0	WILRICH	Vol,Dec	P	2016-09-01	8.02	4,200	75	-	48.1	28,601	10,599	10,724	17,877	5.0	16,983
XX/14-29-047-19W/5/WLR	WILRICH	Vol,Dec	Q2	2016-09-01	18.55	10,000	75	0.20	39.6	21,344	-	-	21,344	5.0	20,277
XX/02-36-047-20W/5/WLR	WILRICH	Vol,Dec	Q2	2016-09-01	18.82	7,000	75	0.20	34.7	14,606	-	-	14,606	5.0	13,876
02/08-36-047-20W/5/2	WILRICH	Vol,Dec	P	2016-09-01	21.27	11,000	75	-	20.8	20,996	4,323	4,647	16,349	5.0	15,531
03/05-02-048-20W/5/2	WILRICH	Dec,Vol	P	2016-09-01	11.31	3,900	75	-	32.9	14,734	3,108	3,224	11,511	5.0	10,935
XX/11-02-048-20W/5/WILR	WILRICH	Dec,Vol	Q2	2016-09-01	17.10	6,500	75	0.20	37.7	15,078	-	-	15,078	5.0	14,324
<b>Total: Total PPP</b>						<b>63,230</b>				<b>175,011</b>	<b>33,622</b>	<b>34,325</b>	<b>140,686</b>	<b>5.0</b>	<b>133,652</b>

The reserves calculated above may not match the economic forecasts due to economic limit considerations.

**Glossary**  
A: Proved Producing

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Page 3

B2: Proved Undeveloped  
E2: Probable Undeveloped  
G: Proved Plus Probable Producing  
H2: Proved Plus Probable Undeveloped  
P: PPP Producing  
Q2: PPP Undeveloped

Company: Perista Resources Inc.  
Property: Basing

Table 2.4

Effective Date: September 30, 2016

Gas Reservoir Parameters

Resource Entity	Zone	Method	Resource Class	Area acre	Net Pay ft	Porosity %	Water Satn %	Resid Oil Satn %	Original Pressure psi	Reservoir Temp R	Zi Factor	Original Gas In Place MMcf	Recovery Factor %	Recoverable Raw Gas MMcf	Cum Production 2016-10-01 MMcf	Remaining 2016-09-30 Raw Gas	Surface Loss %	Remaining Sales Gas MMcf
<b>Low Estimate Contingent Resources - Development Pending</b>																		
Wilrich (Hanging Wall)																		
Wilrich Resources																		
XX/XX-32-047-19W5/WILR	WILRICH	Vol,Dec	CR1-A	320	84.6	6.0	35.0	-	5,300	640	1.044	12,945	50.0	6,472	-	6,472	5.0	6,149
XX/XX-06-048-19W5/WILR	WILRICH	Vol,Dec	CR1-A	320	87.6	6.0	35.0	-	5,300	640	1.044	13,404	50.0	6,702	-	6,702	5.0	6,367
XX/XX-01-048-20W5/WILR	WILRICH	Vol,Dec	CR1-A	320	88.2	6.0	35.0	-	5,395	628	1.044	14,000	50.0	7,000	-	7,000	5.0	6,650
XI/XX-11-048-20W5/WILR	WILRICH	Vol,Dec	CR1-A	320	87.2	6.0	35.0	-	5,300	640	1.044	13,343	50.0	6,671	-	6,671	5.0	6,338
X2/XX-11-048-20W5/WILR	WILRICH	Vol,Dec	CR1-A	320	87.2	6.0	35.0	-	5,300	640	1.044	13,343	50.0	6,671	-	6,671	5.0	6,338
XX/XX-12-048-20W5/WILR	WILRICH	Vol,Dec	CR1-A	320	82.7	6.0	35.0	-	5,300	640	1.044	12,654	50.0	6,327	-	6,327	5.0	6,011
<b>Total: Low Estimate Contingent Resources - Development Pending</b>																		
<b>0 39,844 0 39,844 5.0 37,852</b>																		
<b>Best Estimate Contingent Resources - Development Pending</b>																		
Notikewin (Hanging Wall)																		
Notikewin Contingent Resources																		
XX/XX-02-048-20W5/NOT	NOTKEWIN	Vol,Dec	CR2-A	120	85.3	10.0	35.0	-	5,450	632	1.080	8,212	70.0	5,748	-	5,748	5.0	5,461
XX/05-02-048-20W5/NOT	NOTKEWIN	Vol,Dec	CR2-A	120	85.3	10.0	35.0	-	5,450	632	1.080	8,212	70.0	5,748	-	5,748	5.0	5,461
Wilrich (Hanging Wall)																		
Wilrich Resources																		
XX/XX-37-047-19W5/WILR	WILRICH	Vol,Dec	CR2-A	320	84.6	6.0	35.0	-	5,300	640	1.044	12,945	70.0	9,061	-	9,061	5.0	8,608
XX/XX-06-048-19W5/WILR	WILRICH	Vol,Dec	CR2-A	320	87.6	6.0	35.0	-	5,300	640	1.044	13,404	70.0	9,383	-	9,383	5.0	8,914
XX/XX-01-048-20W5/WILR	WILRICH	Vol,Dec	CR2-A	320	88.2	6.0	35.0	-	5,395	628	1.044	14,000	70.0	9,800	-	9,800	5.0	9,310
XI/XX-11-048-20W5/WILR	WILRICH	Vol,Dec	CR2-A	320	87.2	6.0	35.0	-	5,300	640	1.044	13,343	70.0	9,340	-	9,340	5.0	8,873
X2/XX-11-048-20W5/WILR	WILRICH	Vol,Dec	CR2-A	320	87.2	6.0	35.0	-	5,300	640	1.044	13,343	70.0	9,340	-	9,340	5.0	8,873
XX/XX-12-048-20W5/WILR	WILRICH	Vol,Dec	CR2-A	320	82.7	6.0	35.0	-	5,300	640	1.044	12,654	70.0	8,858	-	8,858	5.0	8,415
<b>Total: Best Estimate Contingent Resources - Development Pending</b>																		
<b>67,279 67,279 0 67,279 5.0 63,915</b>																		
<b>High Estimate Contingent Resources - Development Pending</b>																		
Notikewin (Hanging Wall)																		
Notikewin Contingent Resources																		
XX/XX-02-048-20W5/NOT	NOTKEWIN	Vol,Dec	CR3-A	120	85.3	10.0	35.0	-	5,450	632	1.080	8,212	90.0	7,391	-	7,391	5.0	7,021
XX/05-02-048-20W5/NOT	NOTKEWIN	Vol,Dec	CR3-A	120	85.3	10.0	35.0	-	5,450	632	1.080	8,212	90.0	7,391	-	7,391	5.0	7,021
Wilrich (Hanging Wall)																		
Wilrich Resources																		
XX/XX-32-047-19W5/WILR	WILRICH	Vol,Dec	CR3-A	320	84.6	6.0	35.0	-	5,300	640	1.044	12,945	90.0	11,650	-	11,650	5.0	11,068
XX/XX-06-048-19W5/WILR	WILRICH	Vol,Dec	CR3-A	320	87.6	6.0	35.0	-	5,300	640	1.044	13,404	90.0	12,063	-	12,063	5.0	11,460
XX/XX-01-048-20W5/WILR	WILRICH	Vol,Dec	CR3-A	320	88.2	6.0	35.0	-	5,395	628	1.044	14,000	90.0	14,000	-	14,000	5.0	11,970
XI/XX-11-048-20W5/WILR	WILRICH	Vol,Dec	CR3-A	320	87.2	6.0	35.0	-	5,300	640	1.044	13,343	90.0	12,008	-	12,008	5.0	11,408
X2/XX-11-048-20W5/WILR	WILRICH	Vol,Dec	CR3-A	320	87.2	6.0	35.0	-	5,300	640	1.044	13,343	90.0	12,008	-	12,008	5.0	11,408
XX/XX-12-048-20W5/WILR	WILRICH	Vol,Dec	CR3-A	320	82.7	6.0	35.0	-	5,300	640	1.044	12,654	90.0	11,389	-	11,389	5.0	10,819
<b>Total: High Estimate Contingent Resources - Development Pending</b>																		
<b>86,501 86,501 0 86,501 5.0 82,176</b>																		

The resources calculated above may not match the economic forecasts due to economic limit considerations.

Glossary

- CR1-A: Low Estimate Contingent Resources - Development Pending
- CR2-A: Best Estimate Contingent Resources - Development Pending
- CR3-A: High Estimate Contingent Resources - Development Pending

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Table 2.5  
September 30, 2016

Company: Perista Resources Inc.  
Property: Basing

Effective Date:

Gas Decline Parameters

Analysis Data

Resource Entity	Zone	Method	Res. Class	Analysis Date	Initial Effective Decline	Initial Rate	Initial Rate Meq/d	Decline Exponent	Resource Life, yrs	Original Recoverable Res. Gas, MMcf	Cum. Production @ Analysis, MMcf	Cum. Production 2016-09-30, MMcf	Remaining Res. Gas, MMcf	Surface Loss, %	Remaining Res. Gas, MMcf
<b>Low Estimate Contingent Resources - Development Pending</b>															
Wilrich (Hanging Wall)															
XX/XX-32-047-19W5/WILR	WILRICH	Vol/Dec	CR...	2016-09-01	20.54	3,500	75	0.20	24.6	6,472	-	-	6,472	5.0	6,149
XX/XX-06-048-19W5/WILR	WILRICH	Vol/Dec	CR...	2016-09-01	19.93	3,500	75	0.20	25.4	6,702	-	-	6,702	5.0	6,367
XX/XX-01-048-20W5/WILR	WILRICH	Vol/Dec	CR...	2016-09-01	19.18	3,500	75	0.20	26.6	7,000	-	-	7,000	5.0	6,650
X1/XX-11-048-20W5/WILR	WILRICH	Vol/Dec	CR...	2016-09-01	20.01	3,500	75	0.20	25.3	6,671	-	-	6,671	5.0	6,338
X2/XX-11-048-20W5/WILR	WILRICH	Vol/Dec	CR...	2016-09-01	20.52	3,600	75	0.20	24.8	6,671	-	-	6,671	5.0	6,338
XX/XX-12-048-20W5/WILR	WILRICH	Vol/Dec	CR...	2016-09-01	20.95	3,500	75	0.20	24.0	6,327	-	-	6,327	5.0	6,011
<b>Total: Low Estimate Contingent Resources - Development Pending</b>															
21,100															
<b>Best Estimate Contingent Resources - Development Pending</b>															
Notikewin (Hanging Wall)															
XX/XX-02-048-20W5/NOT	NOTIKEWIN	Vol/Dec	CR...	2016-09-01	49.29	5,000	75	0.80	38.5	5,748	-	-	5,748	5.0	5,461
XX/05-02-048-20W5/NOT	NOTIKEWIN	Vol/Dec	CR...	2016-09-01	49.29	5,000	75	0.80	38.5	5,748	-	-	5,748	5.0	5,461
<b>Total: Best Estimate Contingent Resources - Development Pending</b>															
40,000															
<b>High Estimate Contingent Resources - Development Pending</b>															
Notikewin (Hanging Wall)															
XX/XX-02-048-20W5/NOT	NOTIKEWIN	Vol/Dec	CR...	2016-09-01	48.17	6,000	75	0.80	46.7	7,391	-	-	7,391	5.0	7,021
XX/05-02-048-20W5/NOT	NOTIKEWIN	Vol/Dec	CR...	2016-09-01	48.17	6,000	75	0.80	46.7	7,391	-	-	7,391	5.0	7,021
<b>Total: High Estimate Contingent Resources - Development Pending</b>															
11,650															
<b>Total: High Estimate Contingent Resources - Development Pending</b>															
86,501															

The resources calculated above may not match the economic forecasts due to economic limit considerations.

Glossary

- CR1-A: Low Estimate Contingent Resources - Development Pending
- CR2-A: Best Estimate Contingent Resources - Development Pending
- CR3-A: High Estimate Contingent Resources - Development Pending

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Company: Perisa Resources Inc.  
Property: Basing

Table 3

Gross Lease Daily Sales Gas Production

Reserve Class:  
Development Class:  
Pricing:  
Effective Date:

Various  
Classifications  
GLJ (2016-10)  
September 30, 2016

Entity Description	Reserve Class	Year (Mcf/d)											Totals (MMcf)			
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Subtotal	Remainder	Total
<b>Proved Producing</b>																
0007-21-047-19W5/3	A	3,373	2,888	2,275	1,793	1,416	1,112	876	690	545	428	337	266	4,917	77	4,993
0005-29-047-19W5/0	A	3,908	3,557	3,096	2,695	2,352	2,041	1,777	1,546	1,350	1,171	1,020	887	8,201	1,634	9,835
02/08-36-047-20W5/2	A	9,637	7,353	4,781	3,109	2,026	1,313	853	555	362	234	0	0	8,393	0	8,393
00/10-36-047-20W5/4	A	846	724	573	459	372	302	249	0	0	0	0	0	1,055	0	1,055
03/05-02-048-20W5/2	A	3,571	3,097	2,492	2,006	1,618	1,298	1,045	841	678	544	438	352	5,585	187	5,772
<b>Total: Proved Producing</b>		<b>21,336</b>	<b>17,619</b>	<b>13,218</b>	<b>10,061</b>	<b>7,783</b>	<b>6,066</b>	<b>4,799</b>	<b>3,632</b>	<b>2,934</b>	<b>2,378</b>	<b>1,795</b>	<b>1,506</b>	<b>28,151</b>	<b>1,897</b>	<b>30,048</b>
<b>Total Proved</b>																
0007-21-047-19W5/3	A	3,373	2,888	2,275	1,793	1,416	1,112	876	690	545	428	337	266	4,917	77	4,993
XX/08-21-047-19W5/WILR	B2	0	4,804	4,427	3,726	3,162	2,683	2,295	1,973	1,707	1,476	1,285	1,122	10,261	2,680	13,140
0005-29-047-19W5/0	A	3,908	3,557	3,096	2,695	2,352	2,041	1,777	1,546	1,350	1,171	1,020	887	8,201	1,634	9,835
XX/14-29-047-19W5/WILR	B2	0	4,722	4,202	3,418	2,810	2,315	1,927	1,614	1,364	1,152	982	841	9,252	1,538	10,789
XX/02-36-047-20W5/WILR	B2	0	2,581	2,606	2,186	1,850	1,565	1,335	1,144	988	852	740	645	6,020	1,191	7,211
02/08-36-047-20W5/2	A	9,637	7,353	4,781	3,109	2,026	1,313	853	555	362	234	0	0	8,393	0	8,393
00/10-36-047-20W5/4	A	846	724	573	459	372	302	249	0	0	0	0	0	1,055	0	1,055
03/05-02-048-20W5/2	A	3,571	3,097	2,492	2,006	1,618	1,298	1,045	841	678	544	438	352	5,585	187	5,772
XX/11-02-048-20W5/WILR	B2	0	0	2,805	2,591	2,191	1,853	1,581	1,355	1,169	1,008	875	763	5,910	1,566	7,476
<b>Total: Total Proved</b>		<b>21,336</b>	<b>29,726</b>	<b>27,258</b>	<b>21,982</b>	<b>17,796</b>	<b>14,483</b>	<b>11,937</b>	<b>9,718</b>	<b>8,163</b>	<b>6,866</b>	<b>5,677</b>	<b>4,877</b>	<b>59,793</b>	<b>8,871</b>	<b>68,664</b>
<b>Proved Plus Probable Producing</b>																
0007-21-047-19W5/3	G	3,428	3,081	2,627	2,240	1,915	1,628	1,388	1,184	1,012	860	733	625	6,624	814	7,438
0005-29-047-19W5/0	G	3,936	3,659	3,296	2,970	2,682	2,410	2,171	1,956	1,766	1,587	1,430	1,288	9,562	3,549	13,112
02/08-36-047-20W5/2	G	9,885	8,117	5,969	4,389	3,234	2,371	1,743	1,282	945	692	509	374	11,715	101	11,816
00/10-36-047-20W5/4	G	852	745	614	513	435	371	320	279	245	215	0	0	1,442	0	1,442
03/05-02-048-20W5/2	G	3,617	3,260	2,793	2,392	2,055	1,755	1,504	1,288	1,106	945	810	694	7,119	1,001	8,121
<b>Total: Proved Plus Probable Producing</b>		<b>21,719</b>	<b>18,862</b>	<b>15,298</b>	<b>12,504</b>	<b>10,322</b>	<b>8,534</b>	<b>7,126</b>	<b>5,988</b>	<b>5,074</b>	<b>4,300</b>	<b>3,482</b>	<b>2,981</b>	<b>36,463</b>	<b>5,465</b>	<b>41,928</b>
<b>Total Proved Plus Probable</b>																
0007-21-047-19W5/3	G	3,428	3,081	2,627	2,240	1,915	1,628	1,388	1,184	1,012	860	733	625	6,624	814	7,438
XX/08-21-047-19W5/WILR	H2	0	6,413	5,925	5,000	4,254	3,618	3,101	2,671	2,316	2,005	1,748	1,530	14,083	3,945	18,028
0005-29-047-19W5/0	G	3,936	3,659	3,296	2,970	2,682	2,410	2,171	1,956	1,766	1,587	1,430	1,288	9,562	3,549	13,112
XX/14-29-047-19W5/WILR	H2	0	6,322	5,671	4,650	3,851	3,195	2,676	2,255	1,915	1,627	1,393	1,198	12,685	2,592	15,277
XX/02-36-047-20W5/NOT	E2	0	0	2,877	1,975	1,310	959	749	610	513	438	382	337	3,704	458	4,162
XX/02-36-047-20W5/WILR	H2	0	3,679	3,695	3,083	2,595	2,185	1,856	1,633	1,471	1,313	1,171	1,014	8,834	1,863	10,297
02/08-36-047-20W5/2	G	9,885	8,117	5,969	4,389	3,234	2,371	1,743	1,282	945	692	509	374	11,715	101	11,816
00/10-36-047-20W5/4	G	852	745	614	513	435	371	320	279	245	215	0	0	1,442	0	1,442
03/05-02-048-20W5/2	G	3,617	3,260	2,793	2,392	2,055	1,755	1,504	1,288	1,106	945	810	694	7,119	1,001	8,121
XX/11-02-048-20W5/WILR	H2	0	0	3,997	3,672	3,090	2,601	2,208	1,884	1,620	1,391	1,204	1,046	8,290	2,290	10,580
<b>Total: Total Proved Plus Probable</b>		<b>21,719</b>	<b>35,275</b>	<b>37,464</b>	<b>30,884</b>	<b>25,421</b>	<b>21,092</b>	<b>17,716</b>	<b>14,992</b>	<b>12,800</b>	<b>10,932</b>	<b>9,222</b>	<b>7,973</b>	<b>83,658</b>	<b>16,614</b>	<b>100,272</b>
<b>Possible Producing</b>																
0007-21-047-19W5/3		28	102	197	265	314	344	361	368	368	361	350	336	1,231	1,290	2,521
0005-29-047-19W5/0		17	63	127	179	221	254	279	297	311	319	323	324	986	2,291	3,277

**Gross Lease Daily Sales Gas Production**

Entity Description	Reserve Class	Year (Mcf/d)											Totals (MMcf)			
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Subtotal	Remainder	Total
<b>Possible Producing (Cont.)</b>																
02/08-36-047-20W/5/2		141	463	786	930	963	923	850	760	667	572	487	410	2,864	638	3,502
00/10-36-047-20W/5/4		2	7	16	24	30	35	38	41	42	43	235	215	265	0	265
03/05-02-048-20W/5/2		26	94	182	245	291	319	336	343	344	337	328	315	1,146	1,279	2,426
<b>Total: Possible Producing</b>		<b>214</b>	<b>730</b>	<b>1,309</b>	<b>1,643</b>	<b>1,818</b>	<b>1,874</b>	<b>1,864</b>	<b>1,809</b>	<b>1,733</b>	<b>1,633</b>	<b>1,722</b>	<b>1,599</b>	<b>6,492</b>	<b>5,498</b>	<b>11,990</b>
<b>Total Possible</b>																
00/07-21-047-19W/5/3		28	102	197	265	314	344	361	368	368	361	350	336	1,231	1,290	2,521
XX/08-21-047-19W/5/WILR		0	1,574	1,400	1,137	932	764	633	527	442	371	314	267	3,052	664	3,716
00/05-29-047-19W/5/0		17	63	127	179	221	254	279	297	311	319	323	324	986	2,291	3,277
XX/14-29-047-19W/5/WILR		0	1,598	1,466	1,228	1,037	875	745	637	549	472	409	356	3,421	1,060	4,481
XX/02-36-047-20W/5/NOT		0	0	613	457	316	236	187	154	130	112	98	87	872	366	1,238
XX/02-36-047-20W/5/WILR		0	1,433	1,356	1,063	841	667	535	431	351	285	234	193	2,697	396	3,094
02/08-36-047-20W/5/2		141	463	786	930	963	923	850	760	667	572	487	410	2,864	638	3,502
00/10-36-047-20W/5/4		2	7	16	24	30	35	38	41	42	43	235	215	265	0	265
03/05-02-048-20W/5/2		26	94	182	245	291	319	336	343	344	337	328	315	1,146	1,279	2,426
XX/11-02-048-20W/5/WILR		0	0	1,192	1,080	897	746	626	528	450	382	328	282	2,377	845	3,222
<b>Total: Total Possible</b>		<b>214</b>	<b>5,335</b>	<b>7,335</b>	<b>6,608</b>	<b>5,841</b>	<b>5,163</b>	<b>4,590</b>	<b>4,087</b>	<b>3,655</b>	<b>3,256</b>	<b>3,105</b>	<b>2,784</b>	<b>18,911</b>	<b>8,829</b>	<b>27,740</b>

Table 3

Table 3.1

Company: Perisa Resources Inc.  
Property: Basing

Reserve Class: Various  
Development Class: Classifications  
Pricing: GLJ (2016-10)  
Effective Date: September 30, 2016

Company Daily Sales Gas Production

Entity Description	Reserve Class	Year (Mcf/d)											Totals (MMcf)			
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Subtotal	Remainder	Total
<b>Proved Producing</b>																
0007-21-047-19W5/3	A	3,373	2,888	2,275	1,793	1,416	1,112	876	690	545	428	337	266	4,917	77	4,993
0005-29-047-19W5/0	A	3,908	3,557	3,096	2,695	2,352	2,041	1,777	1,546	1,350	1,171	1,020	887	8,201	1,634	9,835
02/08-36-047-20W5/2	A	9,637	7,353	4,781	3,109	2,026	1,313	853	555	362	234	0	0	8,393	0	8,393
00/10-36-047-20W5/4	A	846	724	573	459	372	302	249	0	0	0	0	0	1,055	0	1,055
03/05-02-048-20W5/2	A	3,571	3,097	2,492	2,006	1,618	1,298	1,045	841	678	544	438	352	5,585	187	5,772
<b>Total: Proved Producing</b>		<b>21,336</b>	<b>17,619</b>	<b>13,218</b>	<b>10,061</b>	<b>7,783</b>	<b>6,066</b>	<b>4,799</b>	<b>3,632</b>	<b>2,934</b>	<b>2,378</b>	<b>1,795</b>	<b>1,506</b>	<b>28,151</b>	<b>1,897</b>	<b>30,048</b>
<b>Total Proved</b>																
0007-21-047-19W5/3	A	3,373	2,888	2,275	1,793	1,416	1,112	876	690	545	428	337	266	4,917	77	4,993
XX/08-21-047-19W5/WILR	B2	0	4,804	4,427	3,726	3,162	2,683	2,295	1,973	1,707	1,476	1,285	1,122	10,461	2,680	13,140
0005-29-047-19W5/0	A	3,908	3,557	3,096	2,695	2,352	2,041	1,777	1,546	1,350	1,171	1,020	887	8,201	1,634	9,835
XX/14-29-047-19W5/WILR	B2	0	4,722	4,202	3,418	2,810	2,315	1,927	1,614	1,364	1,152	982	841	9,252	1,538	10,789
XX/02-36-047-20W5/WILR	B2	0	2,581	2,606	2,186	1,850	1,565	1,335	1,144	988	852	740	645	6,020	1,191	7,211
02/08-36-047-20W5/2	A	9,637	7,353	4,781	3,109	2,026	1,313	853	555	362	234	0	0	8,393	0	8,393
00/10-36-047-20W5/4	A	846	724	573	459	372	302	249	0	0	0	0	0	1,055	0	1,055
03/05-02-048-20W5/2	A	3,571	3,097	2,492	2,006	1,618	1,298	1,045	841	678	544	438	352	5,585	187	5,772
XX/11-02-048-20W5/WILR	B2	0	0	2,805	2,591	2,191	1,853	1,581	1,355	1,169	1,008	875	763	5,910	1,566	7,476
<b>Total: Total Proved</b>		<b>21,336</b>	<b>29,726</b>	<b>27,258</b>	<b>21,982</b>	<b>17,796</b>	<b>14,483</b>	<b>11,937</b>	<b>9,718</b>	<b>8,163</b>	<b>6,866</b>	<b>5,677</b>	<b>4,877</b>	<b>59,793</b>	<b>8,871</b>	<b>68,664</b>
<b>Proved Plus Probable Producing</b>																
0007-21-047-19W5/3	G	3,428	3,081	2,627	2,240	1,915	1,628	1,388	1,184	1,012	860	733	625	6,624	814	7,438
0005-29-047-19W5/0	G	3,936	3,659	3,296	2,970	2,682	2,410	2,171	1,956	1,766	1,587	1,430	1,288	9,562	3,549	13,112
02/08-36-047-20W5/2	G	9,885	8,117	5,969	4,389	3,234	2,371	1,743	1,282	945	692	509	374	11,715	101	11,816
00/10-36-047-20W5/4	G	852	745	614	513	435	371	320	279	245	215	0	0	1,442	0	1,442
03/05-02-048-20W5/2	G	3,617	3,260	2,793	2,392	2,055	1,755	1,504	1,288	1,106	945	810	694	7,119	1,001	8,121
<b>Total: Proved Plus Probable Producing</b>		<b>21,719</b>	<b>18,862</b>	<b>15,298</b>	<b>12,504</b>	<b>10,322</b>	<b>8,534</b>	<b>7,126</b>	<b>5,988</b>	<b>5,074</b>	<b>4,300</b>	<b>3,482</b>	<b>2,981</b>	<b>36,463</b>	<b>5,465</b>	<b>41,928</b>
<b>Total Proved Plus Probable</b>																
0007-21-047-19W5/3	G	3,428	3,081	2,627	2,240	1,915	1,628	1,388	1,184	1,012	860	733	625	6,624	814	7,438
XX/08-21-047-19W5/WILR	H2	0	6,413	5,925	5,000	4,254	3,618	3,101	2,671	2,316	2,005	1,748	1,530	14,083	3,945	18,028
0005-29-047-19W5/0	G	3,936	3,659	3,296	2,970	2,682	2,410	2,171	1,956	1,766	1,587	1,430	1,288	9,562	3,549	13,112
XX/14-29-047-19W5/WILR	H2	0	6,322	5,671	4,650	3,851	3,195	2,676	2,255	1,915	1,627	1,393	1,198	12,685	2,592	15,277
XX/02-36-047-20W5/NOT	E2	0	0	2,877	1,975	1,310	959	749	610	513	438	382	337	3,704	458	4,162
02/08-36-047-20W5/WILR	H2	0	3,679	3,695	3,083	2,595	2,185	1,856	1,633	1,471	1,313	1,171	1,014	881	8,434	10,297
00/10-36-047-20W5/4	G	9,885	8,117	5,969	4,389	3,234	2,371	1,743	1,282	945	692	509	374	11,715	101	11,816
03/05-02-048-20W5/2	G	852	745	614	513	435	371	320	279	245	215	0	0	1,442	0	1,442
XX/11-02-048-20W5/WILR	H2	0	0	3,997	3,672	3,090	2,601	2,208	1,884	1,620	1,391	1,204	1,046	8,290	2,290	10,580
<b>Total: Total Proved Plus Probable</b>		<b>21,719</b>	<b>35,275</b>	<b>37,464</b>	<b>30,884</b>	<b>25,421</b>	<b>21,092</b>	<b>17,716</b>	<b>14,992</b>	<b>12,800</b>	<b>10,932</b>	<b>9,222</b>	<b>7,973</b>	<b>83,658</b>	<b>16,614</b>	<b>100,272</b>
<b>Possible Producing</b>																
0007-21-047-19W5/3		28	102	197	265	314	344	361	368	368	361	350	336	1,231	1,290	2,521
0005-29-047-19W5/0		17	63	127	179	221	254	279	297	311	319	323	324	986	2,291	3,277

Class (A,C,G,I,M,O), GLJ (2016-10), gas

1171053



November 21, 2016 15:05:34

Table 3.1 Company Daily Sales Gas Production

Entity Description	Reserve Class	Year (Mcf/d)											Totals (MMcf)			
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Subtotal	Remainder	Total
<b>Possible Producing (Cont.)</b>																
02/08-36-047-20W/5/2		141	463	786	930	963	923	850	760	667	572	487	410	2,864	638	3,502
00/10-36-047-20W/5/4		2	7	16	24	30	35	38	41	42	43	235	215	265	0	265
03/05-02-048-20W/5/2		26	94	182	245	291	319	336	343	344	337	328	315	1,146	1,279	2,426
<b>Total: Possible Producing</b>		<b>214</b>	<b>730</b>	<b>1,309</b>	<b>1,643</b>	<b>1,818</b>	<b>1,874</b>	<b>1,864</b>	<b>1,809</b>	<b>1,733</b>	<b>1,633</b>	<b>1,722</b>	<b>1,599</b>	<b>6,492</b>	<b>5,498</b>	<b>11,990</b>
<b>Total Possible</b>																
00/07-21-047-19W/5/3		28	102	197	265	314	344	361	368	368	361	350	336	1,231	1,290	2,521
XX/08-21-047-19W/5/WILR		0	1,574	1,400	1,137	932	764	633	527	442	371	314	267	3,052	664	3,716
00/05-29-047-19W/5/0		17	63	127	179	221	254	279	297	311	319	323	324	986	2,291	3,277
XX/14-29-047-19W/5/WILR		0	1,598	1,466	1,228	1,037	875	745	637	549	472	409	356	3,421	1,060	4,481
XX/02-36-047-20W/5/NOT		0	0	613	457	316	236	187	154	130	112	98	87	872	366	1,238
XX/02-36-047-20W/5/WILR		0	1,433	1,356	1,063	841	667	535	431	351	285	234	193	2,697	396	3,094
02/08-36-047-20W/5/2		141	463	786	930	963	923	850	760	667	572	487	410	2,864	638	3,502
00/10-36-047-20W/5/4		2	7	16	24	30	35	38	41	42	43	235	215	265	0	265
03/05-02-048-20W/5/2		26	94	182	245	291	319	336	343	344	337	328	315	1,146	1,279	2,426
XX/11-02-048-20W/5/WILR		0	0	1,192	1,080	897	746	626	528	450	382	328	282	2,377	845	3,222
<b>Total: Total Possible</b>		<b>214</b>	<b>5,335</b>	<b>7,335</b>	<b>6,608</b>	<b>5,841</b>	<b>5,163</b>	<b>4,590</b>	<b>4,087</b>	<b>3,655</b>	<b>3,256</b>	<b>3,105</b>	<b>2,784</b>	<b>18,911</b>	<b>8,829</b>	<b>27,740</b>

Table 3.2

Company: Perista Resources Inc.  
Property: Basing

Resource Class: Various  
Development Class: Classifications  
Pricing: GLJ (2016-10)  
Effective Date: September 30, 2016

Unrisked Gross Lease Daily Sales Gas Production

Entity Description	Resource Class	Year (Mcf/d)											Totals (MMcf)			
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Subtotal	Remainder	Total
<b>Low Estimate Contingent Resources - Development Pending</b>																
XX/XX-32-047-19W5/WILR	CRI-A	0	0	0	1,328	2,704	2,162	1,750	1,428	1,178	974	813	683	4,752	969	5,721
XX/XX-06-048-19W5/WILR	CRI-A	0	0	0	1,070	2,774	2,232	1,817	1,491	1,236	1,026	860	725	4,830	1,122	5,952
XX/XX-01-048-20W5/WILR	CRI-A	0	0	0	1,332	2,746	2,230	1,831	1,515	1,265	1,058	892	757	4,973	1,270	6,243
X1/XX-11-048-20W5/WILR	CRI-A	0	0	0	1,070	2,772	2,228	1,812	1,486	1,231	1,021	856	721	4,817	1,114	5,930
X2/XX-11-048-20W5/WILR	CRI-A	0	0	0	1,366	2,782	2,224	1,801	1,470	1,213	1,003	837	703	4,890	1,075	5,965
XX/XX-12-048-20W5/WILR	CRI-A	0	0	0	1,068	2,745	2,182	1,757	1,428	1,172	965	802	672	4,669	944	5,613
<b>Total: Low Estimate Contingent Resources - Development Pending</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>7,234</b>	<b>16,521</b>	<b>13,257</b>	<b>10,767</b>	<b>8,818</b>	<b>7,296</b>	<b>6,047</b>	<b>5,060</b>	<b>4,260</b>	<b>28,931</b>	<b>6,493</b>	<b>35,424</b>
<b>Best Estimate Contingent Resources - Development Pending</b>																
XX/XX-32-047-19W5/WILR	CR2-A	0	0	0	1,894	3,837	3,047	2,451	1,990	1,633	1,343	1,116	933	6,658	1,570	8,228
XX/XX-06-048-19W5/WILR	CR2-A	0	0	0	1,527	3,940	3,149	2,548	2,080	1,715	1,417	1,183	993	6,771	1,694	8,465
XX/XX-01-048-20W5/WILR	CR2-A	0	0	0	1,901	3,898	3,146	2,568	2,113	1,756	1,461	1,227	1,037	6,975	1,887	8,862
XX/XX-02-048-20W5/NOT	CR2-A	0	0	0	1,683	2,577	1,618	1,158	890	718	595	507	440	3,719	743	4,461
XX/05-02-048-20W5/NOT	CR2-A	0	0	0	1,683	2,577	1,618	1,158	890	718	595	507	440	3,719	743	4,461
X1/XX-11-048-20W5/WILR	CR2-A	0	0	0	1,527	3,936	3,143	2,541	2,072	1,708	1,410	1,176	987	6,753	1,680	8,433
X2/XX-11-048-20W5/WILR	CR2-A	0	0	0	1,896	3,861	3,086	2,497	2,037	1,680	1,388	1,158	973	6,780	1,659	8,439
XX/XX-12-048-20W5/WILR	CR2-A	0	0	0	1,524	3,897	3,076	2,462	1,988	1,624	1,330	1,101	918	6,541	1,452	7,993
<b>Total: Best Estimate Contingent Resources - Development Pending</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>13,636</b>	<b>28,525</b>	<b>21,883</b>	<b>17,382</b>	<b>14,061</b>	<b>11,553</b>	<b>9,541</b>	<b>7,975</b>	<b>6,720</b>	<b>47,915</b>	<b>11,427</b>	<b>59,342</b>
<b>High Estimate Contingent Resources - Development Pending</b>																
XX/XX-32-047-19W5/WILR	CR3-A	0	0	0	2,460	4,970	3,931	3,151	2,550	2,086	1,711	1,418	1,183	8,562	2,057	10,619
XX/XX-06-048-19W5/WILR	CR3-A	0	0	0	1,984	5,105	4,064	3,278	2,667	2,193	1,807	1,504	1,260	8,710	2,304	11,013
XX/XX-01-048-20W5/WILR	CR3-A	0	0	0	2,469	5,050	4,061	3,304	2,711	2,246	1,864	1,562	1,317	8,974	2,543	11,517
XX/XX-02-048-20W5/NOT	CR3-A	0	0	0	2,033	3,154	2,001	1,440	1,110	898	746	636	552	4,588	1,271	5,859
XX/05-02-048-20W5/NOT	CR3-A	0	0	0	2,033	3,154	2,001	1,440	1,110	898	746	636	552	4,588	1,271	5,859
X1/XX-11-048-20W5/WILR	CR3-A	0	0	0	1,984	5,100	4,057	3,269	2,657	2,184	1,798	1,496	1,252	8,686	2,284	10,970
X2/XX-11-048-20W5/WILR	CR3-A	0	0	0	2,463	5,001	3,982	3,211	2,612	2,148	1,770	1,473	1,234	8,721	2,255	10,976
XX/XX-12-048-20W5/WILR	CR3-A	0	0	0	1,980	5,049	3,970	3,165	2,548	2,075	1,695	1,399	1,163	8,411	1,997	10,407
<b>Total: High Estimate Contingent Resources - Development Pendi...</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>17,404</b>	<b>36,583</b>	<b>28,067</b>	<b>22,256</b>	<b>17,965</b>	<b>14,728</b>	<b>12,136</b>	<b>10,123</b>	<b>8,513</b>	<b>61,238</b>	<b>15,981</b>	<b>77,219</b>

Table 3.3

Company: Perista Resources Inc.  
Property: Basing

Resource Class: Various  
Development Class: Classifications  
Pricing: GLJ (2016-10)  
Effective Date: September 30, 2016

Unrisked Company Daily Sales Gas Production

Entity Description	Resource Class	Year (MMcf/d)											Totals (MMcf)			
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Subtotal	Remainder	Total
<b>Low Estimate Contingent Resources - Development Pending</b>																
XX/XX-32-047-19W5/WILR	CRI-A	0	0	0	1,328	2,704	2,162	1,750	1,428	1,178	974	813	683	4,752	969	5,721
XX/XX-06-048-19W5/WILR	CRI-A	0	0	0	1,070	2,774	2,232	1,817	1,491	1,236	1,026	860	725	4,830	1,122	5,952
XX/XX-01-048-20W5/WILR	CRI-A	0	0	0	1,332	2,746	2,230	1,831	1,515	1,265	1,058	892	757	4,973	1,270	6,243
X1/XX-11-048-20W5/WILR	CRI-A	0	0	0	1,070	2,772	2,228	1,812	1,486	1,231	1,021	856	721	4,817	1,114	5,930
X2/XX-11-048-20W5/WILR	CRI-A	0	0	0	1,366	2,782	2,224	1,801	1,470	1,213	1,003	837	703	4,890	1,075	5,965
XX/XX-12-048-20W5/WILR	CRI-A	0	0	0	1,068	2,745	2,182	1,757	1,428	1,172	965	802	672	4,669	944	5,613
<b>Total: Low Estimate Contingent Resources - Development Pending</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>7,234</b>	<b>16,521</b>	<b>13,257</b>	<b>10,767</b>	<b>8,818</b>	<b>7,296</b>	<b>6,047</b>	<b>5,060</b>	<b>4,260</b>	<b>28,931</b>	<b>6,493</b>	<b>35,424</b>
<b>Best Estimate Contingent Resources - Development Pending</b>																
XX/XX-32-047-19W5/WILR	CR2-A	0	0	0	1,894	3,837	3,047	2,451	1,990	1,633	1,343	1,116	933	6,658	1,570	8,228
XX/XX-06-048-19W5/WILR	CR2-A	0	0	0	1,527	3,940	3,149	2,548	2,080	1,715	1,417	1,183	993	6,771	1,694	8,465
XX/XX-01-048-20W5/WILR	CR2-A	0	0	0	1,901	3,898	3,146	2,568	2,113	1,756	1,461	1,227	1,037	6,975	1,887	8,862
XX/XX-02-048-20W5/NOT	CR2-A	0	0	0	1,683	2,577	1,618	1,158	890	718	595	507	440	3,719	743	4,461
XX/05-02-048-20W5/NOT	CR2-A	0	0	0	1,683	2,577	1,618	1,158	890	718	595	507	440	3,719	743	4,461
X1/XX-11-048-20W5/WILR	CR2-A	0	0	0	1,527	3,936	3,143	2,541	2,072	1,708	1,410	1,176	987	6,753	1,680	8,433
X2/XX-11-048-20W5/WILR	CR2-A	0	0	0	1,896	3,861	3,086	2,497	2,037	1,680	1,388	1,158	973	6,780	1,659	8,439
XX/XX-12-048-20W5/WILR	CR2-A	0	0	0	1,524	3,897	3,076	2,462	1,988	1,624	1,330	1,101	918	6,541	1,452	7,993
<b>Total: Best Estimate Contingent Resources - Development Pending</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>13,636</b>	<b>28,525</b>	<b>21,883</b>	<b>17,382</b>	<b>14,061</b>	<b>11,553</b>	<b>9,541</b>	<b>7,975</b>	<b>6,720</b>	<b>47,915</b>	<b>11,427</b>	<b>59,342</b>
<b>High Estimate Contingent Resources - Development Pending</b>																
XX/XX-32-047-19W5/WILR	CR3-A	0	0	0	2,460	4,970	3,931	3,151	2,550	2,086	1,711	1,418	1,183	8,562	2,057	10,619
XX/XX-06-048-19W5/WILR	CR3-A	0	0	0	1,984	5,105	4,064	3,278	2,667	2,193	1,807	1,504	1,260	8,710	2,304	11,013
XX/XX-01-048-20W5/WILR	CR3-A	0	0	0	2,469	5,050	4,061	3,304	2,711	2,246	1,864	1,562	1,317	8,974	2,543	11,517
XX/XX-02-048-20W5/NOT	CR3-A	0	0	0	2,033	3,154	2,001	1,440	1,110	898	746	636	552	4,588	1,271	5,859
XX/05-02-048-20W5/NOT	CR3-A	0	0	0	2,033	3,154	2,001	1,440	1,110	898	746	636	552	4,588	1,271	5,859
X1/XX-11-048-20W5/WILR	CR3-A	0	0	0	1,984	5,100	4,057	3,269	2,657	2,184	1,798	1,496	1,252	8,686	2,284	10,970
X2/XX-11-048-20W5/WILR	CR3-A	0	0	0	2,463	5,001	3,982	3,211	2,612	2,148	1,770	1,473	1,234	8,721	2,255	10,976
XX/XX-12-048-20W5/WILR	CR3-A	0	0	0	1,980	5,049	3,970	3,165	2,548	2,075	1,695	1,399	1,163	8,411	1,997	10,407
<b>Total: High Estimate Contingent Resources - Development Pending</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>17,404</b>	<b>36,583</b>	<b>28,067</b>	<b>22,256</b>	<b>17,965</b>	<b>14,728</b>	<b>12,136</b>	<b>10,123</b>	<b>8,513</b>	<b>61,238</b>	<b>15,981</b>	<b>77,219</b>

Company: **Persta Resources Inc.**  
 Property: **Basing**

Table 4

Effective Date: **September 30, 2016**

**Economic Parameters**

**A) Price Forecasts and By-Product Data**

GLJ (2016-10)

Gas Heat Content: 1080.00 Btu/scf  
 Surface Loss: 5.0 %

Price Adjustment:  
 Propane: 2.90 \$/bbl  
 Condensate: -5.30 \$/bbl

Yields (raw):  
 Propane: 2.4 bbl/MMcf  
 Condensate: 5.7 bbl/MMcf

Name	Zone	RC	Oil Reference	Gas Reference	Price Adjustment
					Residue Gas \$/Mcf
<b>Basing</b>					
00/07-21-047-19W5/3	WILRICH	G	EDM_L	ADS	[1]
00/07-21-047-19W5/3	WILRICH	A	EDM_L	ADS	[2]
XX/08-21-047-19W5/WILR	WILRICH	H2	EDM_L	ADS	[3]
XX/08-21-047-19W5/WILR	WILRICH	B2	EDM_L	ADS	[4]
00/05-29-047-19W5/0	WILRICH	G	EDM_L	ADS	[1]
00/05-29-047-19W5/0	WILRICH	A	EDM_L	ADS	[2]
XX/14-29-047-19W5/WILR	WILRICH	H2	EDM_L	ADS	[3]
XX/14-29-047-19W5/WILR	WILRICH	B2	EDM_L	ADS	[4]
00/16-29-047-19W5/0	CARDIUM	G	EDM_L	ADS	[1]
00/16-29-047-19W5/0	CARDIUM	A	EDM_L	ADS	[2]
XX/XX-32-047-19W5/WILR	WILRICH		EDM_L	ADS	0.24
XX/02-36-047-20W5/NOT	NOTIKEWIN	E2	EDM_L	ADS	[3]
XX/02-36-047-20W5/WILR	WILRICH	H2	EDM_L	ADS	[3]
XX/02-36-047-20W5/WILR	WILRICH	B2	EDM_L	ADS	[4]
02/08-36-047-20W5/2	WILRICH	G	EDM_L	ADS	[1]
02/08-36-047-20W5/2	WILRICH	A	EDM_L	ADS	[2]
00/10-36-047-20W5/4	NOTIKEWIN	G	EDM_L	ADS	[1]
00/10-36-047-20W5/4	NOTIKEWIN	A	EDM_L	ADS	[2]
XX/XX-06-048-19W5/WILR	WILRICH		EDM_L	ADS	0.24
XX/XX-01-048-20W5/WILR	WILRICH		EDM_L	ADS	0.24
XX/XX-02-048-20W5/NOT	NOTIKEWIN		EDM_L	ADS	0.24
03/05-02-048-20W5/2	WILRICH	G	EDM_L	ADS	[1]
03/05-02-048-20W5/2	WILRICH	A	EDM_L	ADS	[2]
XX/05-02-048-20W5/NOT	NOTIKEWIN		EDM_L	ADS	0.24
XX/11-02-048-20W5/WILR	WILRICH	H2	EDM_L	ADS	[3]
XX/11-02-048-20W5/WILR	WILRICH	B2	EDM_L	ADS	[4]
X1/XX-11-048-20W5/WILR	WILRICH		EDM_L	ADS	0.24
X2/XX-11-048-20W5/WILR	WILRICH		EDM_L	ADS	0.24
XX/XX-12-048-20W5/WILR	WILRICH		EDM_L	ADS	0.24

**Glossary**

ADS: Alberta Direct Spot Plant-gate Price  
 COND: Alberta C5+ Product Pricing  
 EDM\_L: Light Crude to Edmonton, Ref. Quality 40 degree API, Sul. 0.3%  
 PROD: Alberta C2, C3, C4 and Sulphur Product Pricing

**Notes**

- 0.25 (2016) 0.14 (2017-2018) 0.24 (2019->Onwards)
- 0.25 (2016) 0.13 (2017-2018) 0.24 (2019->Onwards)
- 0.25 (2016-2017) 0.24 (2018->Onwards)
- 0.25 (2016) 0.24 (2017) 0.25 (2018) 0.24 (2019->Onwards)

**B) Operating Costs (2016 Dollars)**

Major Stream Costs:  
 Fixed: 21500 \$/well/month

Plant Costs:  
 Variable: 0.67 \$/Mcf

All variable costs are \$/product (sales).

**C) Gas Cost Allowance (2016 Dollars)**

Operating Costs included in GCA Allowance:  
 Variable Plant: 0.67 \$/Mcf

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**Table 4  
Economic Parameters**

**D) Abandonment Costs (2016 Dollars)**

Abandonment:  
Well Costs: 95.0 M\$/well

Reclamation:  
Well Costs: 30.0 M\$/well

**E) Capital Costs (2016 Dollars)**

**Unrisked Capital Summary (2016 Dollars)**

Year	On Stream	Well/Area	RC	Development Description	Gross Lease Capital Expenditures (M\$)			Total	Company Capital Expenditures	Capital Interest %
					Development	Tangible	Plant & Gath.		Total M\$	
<b>Proved Producing</b>										
No Expenditures Forecast					0	0	0	0	0	0.00
<b>Total: Proved Producing</b>					<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>
<b>Total Proved</b>										
2017	Feb	XX/08-21-047-19W5/WILR	B2	DRILL, COMPLETE, EQUIP, T.	5,150	350	500	6,000	6,000	100.00
	Feb	XX/14-29-047-19W5/WILR	B2	DRILL, COMPLETE, EQUIP, T.	5,150	350	500	6,000	6,000	100.00
	Mar	XX/02-36-047-20W5/WILR	B2	DRILL, COMPLETE, EQUIP, T.	5,150	350	500	6,000	6,000	100.00
2018	Feb	XX/11-02-048-20W5/WILR	B2	DRILL, COMPLETE, EQUIP, T.	5,150	350	500	6,000	6,000	100.00
<b>Total: Total Proved</b>					<b>20,600</b>	<b>1,400</b>	<b>2,000</b>	<b>24,000</b>	<b>24,000</b>	<b>100.00</b>
<b>Proved Plus Probable Producing</b>										
No Expenditures Forecast					0	0	0	0	0	0.00
<b>Total: Proved Plus Probable Producing</b>					<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>
<b>Total Proved Plus Probable</b>										
2017	Feb	XX/08-21-047-19W5/WILR	H2	DRILL, COMPLETE, EQUIP, T.	5,150	350	500	6,000	6,000	100.00
	Feb	XX/14-29-047-19W5/WILR	H2	DRILL, COMPLETE, EQUIP, T.	5,150	350	500	6,000	6,000	100.00
	Mar	XX/02-36-047-20W5/WILR	H2	DRILL, COMPLETE, EQUIP, T.	5,150	350	500	6,000	6,000	100.00
2018	Feb	XX/11-02-048-20W5/WILR	H2	DRILL, COMPLETE, EQUIP, T.	5,150	350	500	6,000	6,000	100.00
	Mar	XX/02-36-047-20W5/NOT	E2	DRILL, COMPLETE, EQUIP, T.	5,150	350	500	6,000	6,000	100.00
<b>Total: Total Proved Plus Probable</b>					<b>25,750</b>	<b>1,750</b>	<b>2,500</b>	<b>30,000</b>	<b>30,000</b>	<b>100.00</b>
<b>Low Estimate Contingent Resources - Development Pending</b>										
2019	Aug	XX/XX-32-047-19W5/WILR	CR1...	DRILL, COMPLETE, EQUIP, T.	6,550	350	500	7,400	7,400	100.00
	Aug	XX/XX-01-048-20W5/WILR	CR1...	DRILL, COMPLETE, EQUIP, T.	6,550	350	500	7,400	7,400	100.00
	Aug	X2/XX-11-048-20W5/WILR	CR1...	DRILL, COMPLETE, EQUIP, T.	6,550	350	500	7,400	7,400	100.00
	Sep	XX/XX-06-048-19W5/WILR	CR1...	DRILL, COMPLETE, EQUIP, T.	6,550	350	500	7,400	7,400	100.00
	Sep	X1/XX-11-048-20W5/WILR	CR1...	DRILL, COMPLETE, EQUIP, T.	6,550	350	500	7,400	7,400	100.00
	Sep	XX/XX-12-048-20W5/WILR	CR1...	DRILL, COMPLETE, EQUIP, T.	6,550	350	500	7,400	7,400	100.00
<b>Total: Low Estimate Contingent Resources - Development Pending</b>					<b>39,300</b>	<b>2,100</b>	<b>3,000</b>	<b>44,400</b>	<b>44,400</b>	<b>100.00</b>
<b>Best Estimate Contingent Resources - Development Pending</b>										
2019	Aug	XX/XX-32-047-19W5/WILR	CR2...	DRILL, COMPLETE, EQUIP, T.	6,550	350	500	7,400	7,400	100.00
	Aug	XX/XX-01-048-20W5/WILR	CR2...	DRILL, COMPLETE, EQUIP, T.	6,550	350	500	7,400	7,400	100.00
	Aug	XX/XX-02-048-20W5/NOT	CR2...	DRILL, COMPLETE, EQUIP, T.	6,550	350	500	7,400	7,400	100.00
	Aug	XX/05-02-048-20W5/NOT	CR2...	DRILL, COMPLETE, EQUIP, T.	6,550	350	500	7,400	7,400	100.00
	Aug	X2/XX-11-048-20W5/WILR	CR2...	DRILL, COMPLETE, EQUIP, T.	6,550	350	500	7,400	7,400	100.00
	Sep	XX/XX-06-048-19W5/WILR	CR2...	DRILL, COMPLETE, EQUIP, T.	6,550	350	500	7,400	7,400	100.00
	Sep	X1/XX-11-048-20W5/WILR	CR2...	DRILL, COMPLETE, EQUIP, T.	6,550	350	500	7,400	7,400	100.00
	Sep	XX/XX-12-048-20W5/WILR	CR2...	DRILL, COMPLETE, EQUIP, T.	6,550	350	500	7,400	7,400	100.00
<b>Total: Best Estimate Contingent Resources - Development Pending</b>					<b>52,400</b>	<b>2,800</b>	<b>4,000</b>	<b>59,200</b>	<b>59,200</b>	<b>100.00</b>
<b>High Estimate Contingent Resources - Development Pending</b>										
2019	Aug	XX/XX-32-047-19W5/WILR	CR3...	DRILL, COMPLETE, EQUIP, T.	6,550	350	500	7,400	7,400	100.00
	Aug	XX/XX-01-048-20W5/WILR	CR3...	DRILL, COMPLETE, EQUIP, T.	6,550	350	500	7,400	7,400	100.00
	Aug	XX/XX-02-048-20W5/NOT	CR3...	DRILL, COMPLETE, EQUIP, T.	6,550	350	500	7,400	7,400	100.00
	Aug	XX/05-02-048-20W5/NOT	CR3...	DRILL, COMPLETE, EQUIP, T.	6,550	350	500	7,400	7,400	100.00
	Aug	X2/XX-11-048-20W5/WILR	CR3...	DRILL, COMPLETE, EQUIP, T.	6,550	350	500	7,400	7,400	100.00
	Sep	XX/XX-06-048-19W5/WILR	CR3...	DRILL, COMPLETE, EQUIP, T.	6,550	350	500	7,400	7,400	100.00
	Sep	X1/XX-11-048-20W5/WILR	CR3...	DRILL, COMPLETE, EQUIP, T.	6,550	350	500	7,400	7,400	100.00
	Sep	XX/XX-12-048-20W5/WILR	CR3...	DRILL, COMPLETE, EQUIP, T.	6,550	350	500	7,400	7,400	100.00
<b>Total: High Estimate Contingent Resources - Development Pending</b>					<b>52,400</b>	<b>2,800</b>	<b>4,000</b>	<b>59,200</b>	<b>59,200</b>	<b>100.00</b>

Company: **Persta Resources Inc.**  
 Property: **Basing**

Reserve Class: **Proved**  
 Development Class: **Producing**  
 Pricing: **GLJ (2016-10)**  
 Effective Date: **September 30, 2016**

**Economic Forecast**

**PRODUCTION FORECAST**

Year	Residue Gas Production						Condensate Production					Propane Production				
	Gross Daily Wells	Gross Daily Mcf/d	Company Daily Mcf/d	Company Yearly MMcf	Net Yearly MMcf	Price \$/Mcf	Gross Daily bbl/d	Company Daily bbl/d	Company Yearly Mbbl	Net Yearly Mbbl	Price \$/bbl	Gross Daily bbl/d	Company Daily bbl/d	Company Yearly Mbbl	Net Yearly Mbbl	Price \$/bbl
2016	5	21,336	21,336	1,947	1,733	3.18	128	128	12	9	57.70	54	54	5	4	20.90
2017	5	17,619	17,619	6,431	5,385	3.11	106	106	39	27	63.36	45	45	16	13	22.70
2018	5	13,218	13,218	4,825	3,935	3.12	79	79	29	19	65.99	33	33	12	9	23.64
2019	5	10,061	10,061	3,672	2,927	3.46	60	60	22	14	69.82	25	25	9	7	28.11
2020	5	7,783	7,783	2,841	2,235	3.70	47	47	17	10	72.09	20	20	7	5	29.08
2021	5	6,066	6,066	2,214	1,801	4.01	36	36	13	8	76.91	15	15	6	4	30.79
2022	5	4,799	4,799	1,752	1,483	4.22	29	29	11	6	81.32	12	12	4	3	32.50
2023	4	3,632	3,632	1,326	1,135	4.43	22	22	8	5	86.12	9	9	3	2	34.21
2024	4	2,934	2,934	1,071	928	4.64	18	18	6	4	90.45	7	7	3	2	35.93
2025	4	2,378	2,378	868	762	4.74	14	14	5	3	94.06	6	6	2	2	36.93
2026	3	1,795	1,795	655	581	4.83	11	11	4	2	95.94	5	5	2	1	37.67
2027	3	1,506	1,506	550	494	4.93	9	9	3	2	97.86	4	4	1	1	38.42
2028	3	1,269	1,269	463	423	5.03	8	8	3	2	99.82	3	3	1	1	39.19
2029	2	900	900	329	303	5.13	5	5	2	1	101.81	2	2	1	1	39.97
2030	1	585	585	214	197	5.23	4	4	1	1	103.85	1	1	1	0	40.77
2031	1	509	509	186	172	5.34	3	3	1	1	105.92	1	1	0	0	41.59
2032	1	444	444	162	150	5.44	3	3	1	1	108.04	1	1	0	0	42.42
2033	1	386	386	141	130	5.55	2	2	1	1	110.20	1	1	0	0	43.27
2034	1	336	336	123	113	5.66	2	2	1	0	112.41	1	1	0	0	44.13
2035	1	292	292	107	99	5.77	2	2	1	0	114.66	1	1	0	0	45.02
2036	1	255	255	93	86	5.89	2	2	1	0	116.95	1	1	0	0	45.92
2037	1	221	221	81	75	6.01	1	1	0	0	119.29	1	1	0	0	46.84
2038	0	0	0	0	0	0.00	0	0	0	0	0.00	0	0	0	0	0.00
2039	0	0	0	0	0	0.00	0	0	0	0	0.00	0	0	0	0	0.00
2040	0	0	0	0	0	0.00	0	0	0	0	0.00	0	0	0	0	0.00
2041	0	0	0	0	0	0.00	0	0	0	0	0.00	0	0	0	0	0.00
2042	0	0	0	0	0	0.00	0	0	0	0	0.00	0	0	0	0	0.00
<b>Tot.</b>				<b>30,048</b>	<b>25,146</b>	<b>3.72</b>			<b>180</b>	<b>117</b>	<b>73.97</b>			<b>76</b>	<b>56</b>	<b>28.37</b>

Year	Natural Gas Liquids Production					Oil Equivalent Production				
	Gross Daily bbl/d	Company Daily bbl/d	Company Yearly Mbbl	Net Yearly Mbbl	Price \$/bbl	Gross Daily boe/d	Company Daily boe/d	Company Yearly Mboe	Net Yearly Mboe	Price \$/boe
2016	182	182	17	13	46.80	3,738	3,738	341	302	20.43
2017	150	150	55	40	51.31	3,087	3,087	1,127	937	20.25
2018	113	113	41	28	53.44	2,316	2,316	845	684	20.39
2019	86	86	31	21	57.46	1,763	1,763	643	508	22.57
2020	66	66	24	15	59.34	1,364	1,364	498	388	24.01
2021	52	52	19	12	63.25	1,063	1,063	388	312	25.94
2022	41	41	15	9	66.85	841	841	307	257	27.34
2023	31	31	11	7	70.74	636	636	232	196	28.75
2024	25	25	9	6	74.29	514	514	188	160	30.09
2025	20	20	7	5	77.13	417	417	152	132	30.79
2026	15	15	6	4	78.67	314	314	115	100	31.41
2027	13	13	5	3	80.25	264	264	96	85	32.04
2028	11	11	4	2	81.85	222	222	81	73	32.68
2029	8	8	3	2	83.49	158	158	58	52	33.33
2030	5	5	2	1	85.16	103	103	37	34	34.00
2031	4	4	2	1	86.86	89	89	33	30	34.68
2032	4	4	1	1	88.60	78	78	28	26	35.37
2033	3	3	1	1	90.37	68	68	25	22	36.08
2034	3	3	1	1	92.18	59	59	21	20	36.80
2035	2	2	1	1	94.02	51	51	19	17	37.54
2036	2	2	1	0	95.90	45	45	16	15	38.29
2037	2	2	1	0	97.82	39	39	14	13	39.05
2038	0	0	0	0	0.00	0	0	0	0	0.00
2039	0	0	0	0	0.00	0	0	0	0	0.00
2040	0	0	0	0	0.00	0	0	0	0	0.00
2041	0	0	0	0	0.00	0	0	0	0	0.00
2042	0	0	0	0	0.00	0	0	0	0	0.00
<b>Tot.</b>				<b>256</b>	<b>172</b>	<b>60.45</b>		<b>5,264</b>	<b>4,363</b>	<b>24.16</b>

REVENUE AND EXPENSE FORECAST

Year	Revenue Before Burdens				Royalty Interest Total MS	Company Interest Total MS	Royalty Burdens Pre-Processing		Gas Processing Allowance		Total Royalty After Process. MS	Net Revenue After Royalty MS	Operating Expenses		
	Working Interest			Total MS			Crown MS	Other MS	Crown MS	Other MS			Fixed MS	Variable MS	Total MS
	Oil MS	Gas MS	NGL+Sul MS												
2016	0	6,191	777	6,968	0	6,968	777	0	164	0	613	6,355	323	1,304	1,627
2017	0	20,006	2,814	22,819	0	22,819	3,909	0	849	0	3,060	19,759	1,316	4,395	5,711
2018	0	15,034	2,198	17,232	0	17,232	3,355	0	738	0	2,617	14,615	1,342	3,363	4,705
2019	0	12,724	1,799	14,523	0	14,523	3,011	0	610	0	2,401	12,122	1,369	2,611	3,980
2020	0	10,514	1,437	11,951	0	11,951	2,622	0	510	0	2,112	9,839	1,396	2,060	3,457
2021	0	8,869	1,194	10,063	0	10,063	1,990	0	365	0	1,625	8,438	1,424	1,638	3,062
2022	0	7,392	999	8,390	0	8,390	1,433	0	255	0	1,179	7,212	1,453	1,322	2,775
2023	0	5,878	800	6,678	0	6,678	1,089	0	188	0	901	5,777	1,185	1,020	2,206
2024	0	4,967	678	5,646	0	5,646	875	0	147	0	728	4,918	1,209	841	2,050
2025	0	4,112	571	4,682	0	4,682	683	0	114	0	569	4,114	1,233	695	1,928
2026	0	3,165	439	3,605	0	3,605	501	0	84	0	417	3,188	944	535	1,479
2027	0	2,709	376	3,085	0	3,085	398	0	67	0	331	2,754	962	458	1,420
2028	0	2,328	323	2,651	0	2,651	311	0	52	0	259	2,392	982	393	1,375
2029	0	1,685	234	1,919	0	1,919	207	0	35	0	173	1,746	668	285	952
2030	0	1,117	155	1,272	0	1,272	137	0	23	0	114	1,158	340	189	529
2031	0	992	138	1,129	0	1,129	122	0	20	0	102	1,028	347	168	515
2032	0	883	123	1,005	0	1,005	109	0	18	0	90	915	354	149	503
2033	0	781	108	890	0	890	96	0	16	0	80	810	361	132	493
2034	0	694	96	790	0	790	85	0	14	0	71	719	368	117	486
2035	0	616	86	702	0	702	76	0	13	0	63	638	376	104	480
2036	0	548	76	624	0	624	67	0	11	0	56	568	383	93	476
2037	0	485	67	553	0	553	60	0	10	0	50	503	391	82	473
2038	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2039	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2040	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2041	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2042	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Tot.</b>	<b>0</b>	<b>111,689</b>	<b>15,488</b>	<b>127,178</b>	<b>0</b>	<b>127,178</b>	<b>21,912</b>	<b>0</b>	<b>4,303</b>	<b>0</b>	<b>17,610</b>	<b>109,568</b>	<b>18,728</b>	<b>21,954</b>	<b>40,682</b>
Disc	0	76,535	10,627	87,163	0	87,163	15,439	0	3,112	0	12,328	74,835	10,000	15,527	25,528

Year	Mineral Tax MS	Capital Tax MS	NPI Burden MS	Net Prod'n Revenue MS	Other Income MS	Aband. & Recl. Costs MS	Oper. Income MS	Net Capital Investment				Before Tax Cash Flow		
								Dev. MS	Plant MS	Tang. MS	Total MS	Annual MS	Cum. MS	10.0% Def MS
2016	0	0	0	4,728	0	0	4,728	0	0	0	0	4,728	4,728	4,672
2017	0	0	0	14,048	0	0	14,048	0	0	0	0	14,048	18,776	17,751
2018	0	0	0	9,910	0	0	9,910	0	0	0	0	9,910	28,686	26,138
2019	0	0	0	8,142	0	0	8,142	0	0	0	0	8,142	36,828	32,403
2020	0	0	0	6,382	0	0	6,382	0	0	0	0	6,382	43,211	36,868
2021	0	0	0	5,376	0	0	5,376	0	0	0	0	5,376	48,587	40,286
2022	0	0	0	4,437	0	0	4,437	0	0	0	0	4,437	53,024	42,851
2023	0	0	0	3,571	0	0	3,571	0	0	0	0	3,571	56,595	44,728
2024	0	0	0	2,868	0	0	2,868	0	0	0	0	2,868	59,463	46,098
2025	0	0	0	2,185	0	0	2,185	0	0	0	0	2,185	61,649	47,048
2026	0	0	0	1,709	0	0	1,709	0	0	0	0	1,709	63,358	47,722
2027	0	0	0	1,333	0	155	1,178	0	0	0	0	1,178	64,536	48,145
2028	0	0	0	1,017	0	0	1,017	0	0	0	0	1,017	65,553	48,477
2029	0	0	0	794	0	0	794	0	0	0	0	794	66,347	48,713
2030	0	0	0	629	0	165	464	0	0	0	0	464	66,810	48,838
2031	0	0	0	513	0	0	513	0	0	0	0	513	67,323	48,963
2032	0	0	0	412	0	0	412	0	0	0	0	412	67,735	49,055
2033	0	0	0	317	0	175	142	0	0	0	0	142	67,876	49,084
2034	0	0	0	233	0	179	55	0	0	0	0	55	67,931	49,094
2035	0	0	0	159	0	0	159	0	0	0	0	159	68,090	49,121
2036	0	0	0	92	0	0	92	0	0	0	0	92	68,182	49,135
2037	0	0	0	30	0	0	30	0	0	0	0	30	68,212	49,139
2038	0	0	0	0	0	0	0	0	0	0	0	0	68,212	49,139
2039	0	0	0	0	0	0	0	0	0	0	0	0	68,212	49,139
2040	0	0	0	0	0	0	0	0	0	0	0	0	68,212	49,139
2041	0	0	0	0	0	0	0	0	0	0	0	0	68,212	49,139
2042	0	0	0	0	0	209	-209	0	0	0	0	-209	68,003	49,121
<b>Tot.</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>68,886</b>	<b>0</b>	<b>883</b>	<b>68,003</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>68,003</b>	<b>68,003</b>	<b>49,121</b>
Disc	0	0	0	49,307	0	187	49,121	0	0	0	0	49,121	49,121	49,121

## SUMMARY OF RESERVES

Product	Units	Remaining Reserves at Oct 01, 2016					Oil Equivalents			Reserve Life Indic. (yr)		
		Gross	Working Interest	Roy/NPI Interest	Total Company	Net	Oil Eq. Factor	Company Mboe	% of Total	Reserve Life	Life Index	Half Life
Residue Gas	MMcf	30,048	30,048	0	30,048	25,146	6,000	5,008	95	21.3	3.9	3.5
Gas Heat Content	BBtu	32,452	32,452	0	32,452	27,158	0,000	0	0	21.3	3.9	3.5
Condensate	Mbbl	180	180	0	180	117	1,000	180	3	21.3	3.9	3.5
Propane	Mbbl	76	76	0	76	56	1,000	76	1	21.3	3.9	3.5
Total: NGL	Mbbl	256	256	0	256	172	1,000	256	5	21.3	3.9	3.5
Total: Oil Eq.	Mboe	5,264	5,264	0	5,264	4,363	1,000	5,264	100	21.3	3.9	3.5

## PRODUCT REVENUE AND EXPENSES

Product	Units	Average First Year Unit Values					Net Revenue After Royalties					
		Base Price	Price Adjust.	Wellhead Price	Net Burdens	Operating Expenses	Other Expenses	Prod'n Revenue	Undisc MS	% of Total	10% Disc MS	% of Total
Residue Gas	\$/Mcf	2.71	0.47	3.18	0.24	0.84	0.00	2.10	98,857	90	67,343	90
Condensate	\$/bbl	63.00	-5.30	57.70	10.78	0.00	0.00	46.92	8,983	8	6,301	8
Propane	\$/bbl	18.00	2.90	20.90	2.18	0.00	0.00	18.72	1,728	2	1,191	2
Total: NGL	\$/bbl	49.67	-2.87	46.80	8.24	0.00	0.00	38.56	10,711	10	7,492	10
Total: Oil Eq.	\$/boe	17.90	2.53	20.43	1.80	4.77	0.00	13.86	109,568	100	74,835	100

## INTEREST AND NET PRESENT VALUE SUMMARY

Revenue Interests and Burdens (%)	Net Present Value Before Income Tax							
	Revenue Interests and Burdens (%)		Disc. Rate %	Prod'n Revenue MS	Operating Income MS	Capital Invest. MS	Cash Flow	
	Initial	Average					MS	\$/boe
Working Interest	100.0000	100.0000	0.0	68,886	68,003	0	68,003	12.92
Capital Interest	100.0000	100.0000	5.0	57,313	56,925	0	56,925	10.81
Royalty Interest	0.0000	0.0000	8.0	52,190	51,942	0	51,942	9.87
Crown Royalty	11.1570	17.2298	10.0	49,307	49,121	0	49,121	9.33
Non-crown Royalty	0.0000	0.0000	12.0	46,766	46,624	0	46,624	8.86
Mineral Tax	0.0000	0.0000	15.0	43,474	43,378	0	43,378	8.24
			20.0	39,047	38,994	0	38,994	7.41

Evaluator: Jacksteit, Ian G.  
Run Date: November 19, 2016 10:47:14

Company: **Persta Resources Inc.**  
 Property: **Basing**

Reserve Class: **Proved**  
 Development Class: **Total**  
 Pricing: **GLJ (2016-10)**  
 Effective Date: **September 30, 2016**

**Economic Forecast**

**PRODUCTION FORECAST**

Year	Residue Gas Production						Condensate Production					Propane Production				
	Gross Gas Wells	Gross Daily Mcf/d	Company Daily Mcf/d	Company Yearly MMcf	Net Yearly MMcf	Price \$/Mcf	Gross Daily bbl/d	Company Daily bbl/d	Company Yearly Mbbl	Net Yearly Mbbl	Price \$/bbl	Gross Daily bbl/d	Company Daily bbl/d	Company Yearly Mbbl	Net Yearly Mbbl	Price \$/bbl
2016	5	21,336	21,336	1,947	1,733	3.18	128	128	12	9	57.70	54	54	5	4	20.90
2017	8	29,726	29,726	10,850	9,585	3.16	178	178	65	51	63.36	75	75	27	23	22.70
2018	9	27,258	27,258	9,949	8,806	3.18	164	164	60	47	65.99	69	69	25	21	23.64
2019	9	21,982	21,982	8,023	6,759	3.46	132	132	48	35	69.82	56	56	20	16	28.11
2020	9	17,796	17,796	6,496	5,293	3.70	107	107	39	26	72.09	45	45	16	12	29.08
2021	9	14,483	14,483	5,286	4,289	4.01	87	87	32	21	76.91	37	37	13	10	30.79
2022	9	11,937	11,937	4,357	3,483	4.22	72	72	26	16	81.32	30	30	11	8	32.50
2023	8	9,718	9,718	3,547	2,877	4.43	58	58	21	13	86.12	25	25	9	6	34.21
2024	8	8,163	8,163	2,979	2,466	4.64	49	49	18	11	90.45	21	21	8	5	35.93
2025	8	6,866	6,866	2,506	2,125	4.74	41	41	15	9	94.06	17	17	6	4	36.93
2026	7	5,677	5,677	2,072	1,799	4.83	34	34	12	7	95.94	14	14	5	4	37.67
2027	7	4,877	4,877	1,780	1,580	4.93	29	29	11	6	97.86	12	12	4	3	38.42
2028	7	4,216	4,216	1,539	1,391	5.03	25	25	9	6	99.82	11	11	4	3	39.19
2029	6	3,472	3,472	1,267	1,156	5.13	21	21	8	5	101.81	9	9	3	2	39.97
2030	5	2,844	2,844	1,038	953	5.23	17	17	6	4	103.85	7	7	3	2	40.77
2031	5	2,500	2,500	912	842	5.34	15	15	5	3	105.92	6	6	2	2	41.59
2032	5	2,208	2,208	806	745	5.44	13	13	5	3	108.04	6	6	2	1	42.42
2033	5	1,945	1,945	710	656	5.55	12	12	4	3	110.20	5	5	2	1	43.27
2034	5	1,722	1,722	629	581	5.66	10	10	4	2	112.41	4	4	2	1	44.13
2035	5	1,529	1,529	558	515	5.77	9	9	3	2	114.66	4	4	1	1	45.02
2036	5	1,363	1,363	498	460	5.89	8	8	3	2	116.95	3	3	1	1	45.92
2037	4	1,017	1,017	371	343	6.01	6	6	2	1	119.29	3	3	1	1	46.84
2038	2	517	517	189	174	6.13	3	3	1	1	121.67	1	1	0	0	47.77
2039	1	280	280	102	94	6.25	2	2	1	0	124.11	1	1	0	0	48.73
2040	1	254	254	93	86	6.38	2	2	1	0	126.59	1	1	0	0	49.70
2041	1	230	230	84	77	6.50	1	1	1	0	129.12	1	1	0	0	50.70
2042	1	209	209	76	70	6.63	1	1	0	0	131.70	1	1	0	0	51.71
2043	0	0	0	0	0	0.00	0	0	0	0	0.00	0	0	0	0	0.00
2044	0	0	0	0	0	0.00	0	0	0	0	0.00	0	0	0	0	0.00
2045	0	0	0	0	0	0.00	0	0	0	0	0.00	0	0	0	0	0.00
2046	0	0	0	0	0	0.00	0	0	0	0	0.00	0	0	0	0	0.00
2047	0	0	0	0	0	0.00	0	0	0	0	0.00	0	0	0	0	0.00
<b>Tot.</b>				<b>68,664</b>	<b>58,940</b>	<b>3.96</b>			<b>412</b>	<b>283</b>	<b>78.45</b>			<b>173</b>	<b>133</b>	<b>30.36</b>

Year	Natural Gas Liquids Production					Oil Equivalent Production				
	Gross Daily	Company	Company	Net Yearly	Price	Gross Daily	Company	Company	Net Yearly	Price
	bbl/d	Daily	Yearly	Mbbl	\$/bbl	boe/d	Daily	Yearly	Mboe	\$/boe
2016	182	182	17	13	46.80	3,738	3,738	341	302	20.43
2017	253	253	93	74	51.31	5,208	5,208	1,901	1,672	20.52
2018	232	232	85	68	53.44	4,775	4,775	1,743	1,536	20.75
2019	187	187	68	51	57.46	3,851	3,851	1,406	1,177	22.57
2020	152	152	55	39	59.34	3,118	3,118	1,138	921	24.01
2021	123	123	45	30	63.25	2,537	2,537	926	745	25.94
2022	102	102	37	23	66.85	2,091	2,091	763	604	27.34
2023	83	83	30	19	70.74	1,703	1,703	621	499	28.75
2024	70	70	25	16	74.29	1,430	1,430	522	427	30.09
2025	59	59	21	13	77.13	1,203	1,203	439	368	30.79
2026	48	48	18	11	78.67	994	994	363	311	31.41
2027	42	42	15	10	80.25	854	854	312	273	32.04
2028	36	36	13	8	81.85	739	739	270	240	32.68
2029	30	30	11	7	83.49	608	608	222	200	33.33
2030	24	24	9	6	85.16	498	498	182	164	34.00
2031	21	21	8	5	86.86	438	438	160	145	34.68
2032	19	19	7	4	88.60	387	387	141	128	35.37
2033	17	17	6	4	90.37	341	341	124	113	36.08
2034	15	15	5	3	92.18	302	302	110	100	36.80
2035	13	13	5	3	94.02	268	268	98	89	37.54
2036	12	12	4	3	95.90	239	239	87	79	38.29
2037	9	9	3	2	97.82	178	178	65	59	39.05
2038	4	4	2	1	99.78	91	91	33	30	39.84
2039	2	2	1	1	101.77	49	49	18	16	40.63
2040	2	2	1	0	103.81	45	45	16	15	41.45
2041	2	2	1	0	105.88	40	40	15	13	42.27
2042	2	2	1	0	108.00	37	37	13	12	43.12
2043	0	0	0	0	0.00	0	0	0	0	0.00
2044	0	0	0	0	0.00	0	0	0	0	0.00
2045	0	0	0	0	0.00	0	0	0	0	0.00
2046	0	0	0	0	0.00	0	0	0	0	0.00
2047	0	0	0	0	0.00	0	0	0	0	0.00
<b>Tot.</b>			<b>585</b>	<b>416</b>	<b>64.20</b>			<b>12,030</b>	<b>10,239</b>	<b>25.73</b>

REVENUE AND EXPENSE FORECAST

Year	Revenue Before Burdens						Royalty Burdens		Gas Processing		Total Royalty After Process. MS	Net Revenue After Royalty MS	Operating Expenses		
	Working Interest				Royalty Interest	Company Interest	Pre-Processing		Allowance				Fixed MS	Variable MS	Total MS
	Oil MS	Gas MS	NGL+Sul MS	Total MS	Total MS	Total MS	Crown MS	Other MS	Crown MS	Other MS					
2016	0	6,191	777	6,968	0	6,968	777	0	164	0	613	6,355	323	1,304	1,627
2017	0	34,249	4,747	38,996	0	38,996	4,718	0	1,032	0	3,686	35,310	2,019	7,415	9,434
2018	0	31,642	4,533	36,175	0	36,175	4,302	0	961	0	3,341	32,834	2,393	6,935	9,329
2019	0	27,800	3,931	31,731	0	31,731	5,089	0	1,079	0	4,010	27,722	2,464	5,705	8,169
2020	0	24,040	3,287	27,327	0	27,327	5,147	0	1,060	0	4,087	23,240	2,513	4,711	7,224
2021	0	21,175	2,851	24,025	0	24,025	4,656	0	922	0	3,734	20,291	2,564	3,910	6,474
2022	0	18,385	2,484	20,869	0	20,869	4,372	0	858	0	3,515	17,354	2,615	3,288	5,902
2023	0	15,727	2,139	17,867	0	17,867	3,578	0	686	0	2,892	14,974	2,371	2,730	5,101
2024	0	13,818	1,887	15,705	0	15,705	2,934	0	550	0	2,384	13,321	2,418	2,339	4,757
2025	0	11,873	1,648	13,521	0	13,521	2,308	0	432	0	1,876	11,645	2,467	2,007	4,473
2026	0	10,012	1,390	11,402	0	11,402	1,752	0	328	0	1,424	9,978	2,202	1,692	3,894
2027	0	8,773	1,218	9,991	0	9,991	1,377	0	237	0	1,140	8,851	2,246	1,483	3,728
2028	0	7,736	1,074	8,809	0	8,809	1,094	0	183	0	911	7,898	2,290	1,307	3,598
2029	0	6,498	902	7,400	0	7,400	868	0	145	0	723	6,677	2,003	1,098	3,101
2030	0	5,429	754	6,182	0	6,182	698	0	117	0	581	5,601	1,702	918	2,620
2031	0	4,867	676	5,543	0	5,543	601	0	101	0	500	5,043	1,736	823	2,559
2032	0	4,386	609	4,995	0	4,995	539	0	90	0	449	4,546	1,771	741	2,512
2033	0	3,941	547	4,488	0	4,488	484	0	81	0	403	4,085	1,806	666	2,472
2034	0	3,559	494	4,053	0	4,053	438	0	73	0	364	3,689	1,842	602	2,444
2035	0	3,222	447	3,669	0	3,669	396	0	66	0	330	3,340	1,879	545	2,424
2036	0	2,931	407	3,338	0	3,338	360	0	60	0	300	3,038	1,917	495	2,412
2037	0	2,230	310	2,539	0	2,539	274	0	46	0	228	2,311	1,564	377	1,941
2038	0	1,156	161	1,317	0	1,317	142	0	24	0	118	1,198	798	195	993
2039	0	639	89	728	0	728	79	0	13	0	65	662	407	108	515
2040	0	591	82	673	0	673	73	0	12	0	61	613	415	100	515
2041	0	545	76	621	0	621	67	0	11	0	56	565	423	92	515
2042	0	505	70	575	0	575	62	0	10	0	52	524	432	85	517
2043	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2044	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2045	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2046	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2047	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Tot.</b>	<b>0</b>	<b>271,921</b>	<b>37,588</b>	<b>309,509</b>	<b>0</b>	<b>309,509</b>	<b>47,185</b>	<b>0</b>	<b>9,341</b>	<b>0</b>	<b>37,844</b>	<b>271,665</b>	<b>47,580</b>	<b>51,672</b>	<b>99,251</b>
Disc	0	165,420	22,880	188,300	0	188,300	28,730	0	5,858	0	22,872	165,428	20,584	32,653	53,237

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Year	Mineral Tax M\$	Capital Tax M\$	NPI Burden M\$	Net Prod'n Revenue M\$	Other Income M\$	Aband. & Recl. Costs M\$	Oper. Income M\$	Net Capital Investment				Before Tax Cash Flow		
								Dev. M\$	Plant M\$	Tang. M\$	Total M\$	Annual M\$	Cum. M\$	10.0% Def M\$
2016	0	0	0	4,728	0	0	4,728	0	0	0	0	4,728	4,728	4,672
2017	0	0	0	25,877	0	0	25,877	15,759	1,530	1,071	18,360	7,517	12,244	11,670
2018	0	0	0	23,506	0	0	23,506	5,358	520	364	6,242	17,263	29,507	26,281
2019	0	0	0	19,553	0	0	19,553	0	0	0	0	19,553	49,060	41,325
2020	0	0	0	16,015	0	0	16,015	0	0	0	0	16,015	65,076	52,528
2021	0	0	0	13,817	0	0	13,817	0	0	0	0	13,817	78,893	61,314
2022	0	0	0	11,452	0	0	11,452	0	0	0	0	11,452	90,345	67,934
2023	0	0	0	9,873	0	0	9,873	0	0	0	0	9,873	100,218	73,123
2024	0	0	0	8,564	0	0	8,564	0	0	0	0	8,564	108,782	77,215
2025	0	0	0	7,171	0	0	7,171	0	0	0	0	7,171	115,953	80,329
2026	0	0	0	6,084	0	0	6,084	0	0	0	0	6,084	122,037	82,731
2027	0	0	0	5,123	0	155	4,967	0	0	0	0	4,967	127,005	84,514
2028	0	0	0	4,300	0	0	4,300	0	0	0	0	4,300	131,305	85,918
2029	0	0	0	3,577	0	0	3,577	0	0	0	0	3,577	134,882	86,979
2030	0	0	0	2,981	0	165	2,816	0	0	0	0	2,816	137,698	87,738
2031	0	0	0	2,484	0	0	2,484	0	0	0	0	2,484	140,182	88,347
2032	0	0	0	2,034	0	0	2,034	0	0	0	0	2,034	142,216	88,801
2033	0	0	0	1,612	0	175	1,437	0	0	0	0	1,437	143,653	89,092
2034	0	0	0	1,245	0	179	1,067	0	0	0	0	1,067	144,719	89,288
2035	0	0	0	916	0	0	916	0	0	0	0	916	145,635	89,442
2036	0	0	0	625	0	0	625	0	0	0	0	625	146,261	89,537
2037	0	0	0	370	0	0	370	0	0	0	0	370	146,631	89,588
2038	0	0	0	205	0	0	205	0	0	0	0	205	146,836	89,614
2039	0	0	0	147	0	0	147	0	0	0	0	147	146,984	89,631
2040	0	0	0	98	0	0	98	0	0	0	0	98	147,081	89,641
2041	0	0	0	50	0	205	-155	0	0	0	0	-155	146,926	89,626
2042	0	0	0	6	0	418	-412	0	0	0	0	-412	146,514	89,591
2043	0	0	0	0	0	213	-213	0	0	0	0	-213	146,301	89,574
2044	0	0	0	0	0	0	0	0	0	0	0	0	146,301	89,574
2045	0	0	0	0	0	0	0	0	0	0	0	0	146,301	89,574
2046	0	0	0	0	0	0	0	0	0	0	0	0	146,301	89,574
2047	0	0	0	0	0	231	-231	0	0	0	0	-231	146,070	89,562
Tot.	0	0	0	172,414	0	1,742	170,672	21,117	2,050	1,435	24,602	146,070	146,070	89,562
Disc	0	0	0	112,191	0	253	111,939	19,207	1,865	1,305	22,377	89,562	89,562	89,562

**SUMMARY OF RESERVES**

Product	Units	Remaining Reserves at Oct 01, 2016					Oil Equivalents			Reserve Life Indic. (yr)		
		Gross	Working Interest	Roy/NPI Interest	Total Company	Net	Oil Eq. Factor	Company Mboe	% of Total	Reserve Life	Life Index	Half Life
Residue Gas	MMcf	68,664	68,664	0	68,664	58,940	6,000	11,444	95	26.3	8.8	4.5
Gas Heat Content	BBtu	74,157	74,157	0	74,157	63,655	0.000	0	0	26.3	8.8	4.5
Condensate	Mbbl	412	412	0	412	283	1,000	412	3	26.3	8.8	4.5
Propane	Mbbl	173	173	0	173	133	1,000	173	1	26.3	8.8	4.5
Total: NGL	Mbbl	585	585	0	585	416	1,000	585	5	26.3	8.8	4.5
Total: Oil Eq.	Mboe	12,030	12,030	0	12,030	10,239	1,000	12,030	100	26.3	8.8	4.5

**PRODUCT REVENUE AND EXPENSES**

Product	Units	Average First Year Unit Values					Net Revenue After Royalties					
		Base Price	Price Adjust.	Wellhead Price	Net Burdens	Operating Expenses	Other Expenses	Prod'n Revenue	Undisc MS	% of Total	10% Disc MS	% of Total
Residue Gas	S/Mcf	2.71	0.47	3.18	0.24	0.84	0.00	2.10	244,579	90	148,323	90
Condensate	S/bbl	63.00	-5.30	57.70	10.78	0.00	0.00	46.92	22,776	8	14,442	9
Propane	S/bbl	18.00	2.90	20.90	2.18	0.00	0.00	18.72	4,309	2	2,664	2
Total: NGL	S/bbl	49.67	-2.87	46.80	8.24	0.00	0.00	38.56	27,086	10	17,105	10
Total: Oil Eq.	S/boe	17.90	2.53	20.43	1.80	4.77	0.00	13.86	271,665	100	165,428	100

## INTEREST AND NET PRESENT VALUE SUMMARY

Revenue Interests and Burdens (%)	Net Present Value Before Income Tax							
	Initial	Average	Disc. Rate %	Prod'n Revenue M\$	Operating Income M\$	Cash Flow		
						Capital Invest. M\$	M\$	\$/boe
Working Interest	100.0000	100.0000	0.0	172,414	170,672	24,602	146,070	12.14
Capital Interest	0.0000	100.0000	5.0	135,899	135,280	23,432	111,848	9.30
Royalty Interest	0.0000	0.0000	8.0	120,575	120,219	22,786	97,433	8.10
Crown Royalty	11.1570	15.2451	10.0	112,191	111,939	22,377	89,562	7.45
Non-crown Royalty	0.0000	0.0000	12.0	104,944	104,761	21,983	82,777	6.88
Mineral Tax	0.0000	0.0000	15.0	95,760	95,643	21,421	74,223	6.17
			20.0	83,771	83,712	20,551	63,161	5.25

Evaluator: Jacksteit, Ian G.  
Run Date: November 19, 2016 10:51:35

Company: **Persta Resources Inc.**  
 Property: **Basing**

Reserve Class: **Proved Plus Probable**  
 Development Class: **Producing**  
 Pricing: **GLJ (2016-10)**  
 Effective Date: **September 30, 2016**

**Economic Forecast**

**PRODUCTION FORECAST**

Year	Residue Gas Production						Condensate Production					Propane Production				
	Gross Gas Wells	Gross Daily Mcf/d	Company Daily Mcf/d	Company Yearly MMcf	Net Yearly MMcf	Price \$/Mcf	Gross Daily bbl/d	Company Daily bbl/d	Company Yearly Mbbl	Net Yearly Mbbl	Price \$/bbl	Gross Daily bbl/d	Company Daily bbl/d	Company Yearly Mbbl	Net Yearly Mbbl	Price \$/bbl
2016	5	21,719	21,719	1,982	1,765	3.18	130	130	12	9	57.70	55	55	5	4	20.90
2017	5	18,862	18,862	6,884	5,745	3.12	113	113	41	29	63.36	48	48	17	13	22.70
2018	5	15,298	15,298	5,584	4,545	3.13	92	92	34	22	65.99	39	39	14	10	23.64
2019	5	12,504	12,504	4,564	3,613	3.46	75	75	27	17	69.82	32	32	12	8	28.11
2020	5	10,322	10,322	3,767	2,899	3.70	62	62	23	14	72.09	26	26	10	7	29.08
2021	5	8,534	8,534	3,115	2,391	4.01	51	51	19	11	76.91	22	22	8	6	30.79
2022	5	7,126	7,126	2,601	2,019	4.22	43	43	16	9	81.32	18	18	7	5	32.50
2023	5	5,988	5,988	2,185	1,750	4.43	36	36	13	8	86.12	15	15	6	4	34.21
2024	5	5,074	5,074	1,852	1,529	4.64	30	30	11	7	90.45	13	13	5	3	35.93
2025	5	4,300	4,300	1,569	1,326	4.74	26	26	9	6	94.06	11	11	4	3	36.93
2026	4	3,482	3,482	1,271	1,087	4.83	21	21	8	5	95.94	9	9	3	2	37.67
2027	4	2,981	2,981	1,088	947	4.93	18	18	7	4	97.86	8	8	3	2	38.42
2028	4	2,569	2,569	938	824	5.03	15	15	6	3	99.82	6	6	2	2	39.19
2029	3	2,008	2,008	733	646	5.13	12	12	4	3	101.81	5	5	2	1	39.97
2030	3	1,765	1,765	644	573	5.23	11	11	4	2	103.85	4	4	2	1	40.77
2031	3	1,552	1,552	566	508	5.34	9	9	3	2	105.92	4	4	1	1	41.59
2032	3	1,369	1,369	500	453	5.44	8	8	3	2	108.04	3	3	1	1	42.42
2033	3	1,202	1,202	439	403	5.55	7	7	3	2	110.20	3	3	1	1	43.27
2034	2	855	855	312	288	5.66	5	5	2	1	112.41	2	2	1	1	44.13
2035	1	558	558	204	188	5.77	3	3	1	1	114.66	1	1	1	0	45.02
2036	1	504	504	184	170	5.89	3	3	1	1	116.95	1	1	0	0	45.92
2037	1	453	453	165	153	6.01	3	3	1	1	119.29	1	1	0	0	46.84
2038	1	408	408	149	138	6.13	2	2	1	1	121.67	1	1	0	0	47.77
2039	1	368	368	134	124	6.25	2	2	1	0	124.11	1	1	0	0	48.73
2040	1	332	332	121	112	6.38	2	2	1	0	126.59	1	1	0	0	49.70
2041	1	298	298	109	101	6.50	2	2	1	0	129.12	1	1	0	0	50.70
2042	1	269	269	98	91	6.63	2	2	1	0	131.70	1	1	0	0	51.71
2043	1	242	242	88	82	6.77	1	1	1	0	134.34	1	1	0	0	52.74
2044	1	219	219	80	74	6.90	1	1	0	0	137.03	1	1	0	0	53.80
2045	0	0	0	0	0	0.00	0	0	0	0	0.00	0	0	0	0	0.00
2046	0	0	0	0	0	0.00	0	0	0	0	0.00	0	0	0	0	0.00
2047	0	0	0	0	0	0.00	0	0	0	0	0.00	0	0	0	0	0.00
2048	0	0	0	0	0	0.00	0	0	0	0	0.00	0	0	0	0	0.00
2049	0	0	0	0	0	0.00	0	0	0	0	0.00	0	0	0	0	0.00
<b>Tot.</b>				<b>41,928</b>	<b>34,545</b>	<b>3.95</b>			<b>252</b>	<b>160</b>	<b>78.45</b>			<b>106</b>	<b>77</b>	<b>30.32</b>

Year	Natural Gas Liquids Production					Oil Equivalent Production				
	Gross Daily bbl/d	Company Daily bbl/d	Company Yearly Mbbbl	Net Yearly Mbbbl	Price \$/bbl	Gross Daily boe/d	Company Daily boe/d	Company Yearly Mboe	Net Yearly Mboe	Price \$/boe
2016	185	185	17	14	46.80	3,805	3,805	347	308	20.43
2017	161	161	59	42	51.31	3,304	3,304	1,206	1,000	20.31
2018	130	130	48	33	53.44	2,680	2,680	978	790	20.45
2019	107	107	39	26	57.46	2,191	2,191	800	628	22.57
2020	88	88	32	20	59.34	1,808	1,808	660	503	24.01
2021	73	73	27	17	63.25	1,495	1,495	546	415	25.94
2022	61	61	22	14	66.85	1,248	1,248	456	350	27.34
2023	51	51	19	12	70.74	1,049	1,049	383	303	28.75
2024	43	43	16	10	74.29	889	889	324	265	30.09
2025	37	37	13	8	77.13	753	753	275	229	30.79
2026	30	30	11	7	78.67	610	610	223	188	31.41
2027	25	25	9	6	80.25	522	522	191	164	32.04
2028	22	22	8	5	81.85	450	450	164	142	32.68
2029	17	17	6	4	83.49	352	352	128	112	33.33
2030	15	15	5	3	85.16	309	309	113	99	34.00
2031	13	13	5	3	86.86	272	272	99	88	34.68
2032	12	12	4	3	88.60	240	240	88	78	35.37
2033	10	10	4	2	90.37	211	211	77	70	36.08
2034	7	7	3	2	92.18	150	150	55	50	36.80
2035	5	5	2	1	94.02	98	98	36	32	37.54
2036	4	4	2	1	95.90	88	88	32	29	38.29
2037	4	4	1	1	97.82	79	79	29	26	39.05
2038	3	3	1	1	99.78	72	72	26	24	39.84
2039	3	3	1	1	101.77	64	64	24	21	40.63
2040	3	3	1	1	103.81	58	58	21	19	41.45
2041	3	3	1	1	105.88	52	52	19	17	42.27
2042	2	2	1	1	108.00	47	47	17	16	43.12
2043	2	2	1	0	110.16	42	42	15	14	43.98
2044	2	2	1	0	112.37	38	38	14	13	44.86
2045	0	0	0	0	0.00	0	0	0	0	0.00
2046	0	0	0	0	0.00	0	0	0	0	0.00
2047	0	0	0	0	0.00	0	0	0	0	0.00
2048	0	0	0	0	0.00	0	0	0	0	0.00
2049	0	0	0	0	0.00	0	0	0	0	0.00
<b>Tot.</b>			<b>357</b>	<b>237</b>	<b>64.19</b>			<b>7,346</b>	<b>5,994</b>	<b>25.69</b>

REVENUE AND EXPENSE FORECAST

Year	Revenue Before Burdens				Royalty Interest	Company Interest	Royalty Burdens		Gas Processing Allowance		Total Royalty After Process.	Net Revenue After Royalty	Operating Expenses		
	Working Interest			Total MS			Total MS	Crown MS	Other MS	Crown MS			Other MS	Fixed MS	Variable MS
	Oil MS	Gas MS	NGL+Sul MS												
2016	0	6,303	791	7,093	0	7,093	789	0	166	0	622	6,471	323	1,328	1,650
2017	0	21,487	3,012	24,499	0	24,499	4,259	0	922	0	3,337	21,163	1,316	4,705	6,021
2018	0	17,458	2,544	20,002	0	20,002	3,914	0	859	0	3,055	16,947	1,342	3,892	5,234
2019	0	15,813	2,236	18,050	0	18,050	3,824	0	775	0	3,049	15,001	1,369	3,245	4,614
2020	0	13,943	1,906	15,849	0	15,849	3,698	0	719	0	2,979	12,870	1,396	2,732	4,129
2021	0	12,477	1,680	14,157	0	14,157	3,331	0	611	0	2,720	11,437	1,424	2,304	3,729
2022	0	10,975	1,483	12,457	0	12,457	2,850	0	506	0	2,344	10,114	1,453	1,962	3,415
2023	0	9,690	1,318	11,008	0	11,008	2,298	0	396	0	1,902	9,106	1,482	1,682	3,164
2024	0	8,589	1,173	9,762	0	9,762	1,842	0	309	0	1,533	8,229	1,511	1,454	2,965
2025	0	7,435	1,032	8,467	0	8,467	1,467	0	245	0	1,221	7,245	1,542	1,257	2,798
2026	0	6,140	852	6,993	0	6,993	1,151	0	193	0	959	6,034	1,258	1,038	2,296
2027	0	5,363	744	6,107	0	6,107	927	0	155	0	772	5,335	1,283	906	2,190
2028	0	4,715	655	5,369	0	5,369	781	0	131	0	651	4,719	1,309	797	2,106
2029	0	3,759	522	4,281	0	4,281	611	0	102	0	509	3,772	1,001	635	1,637
2030	0	3,369	468	3,837	0	3,837	522	0	87	0	434	3,402	1,021	569	1,591
2031	0	3,022	420	3,442	0	3,442	447	0	75	0	372	3,070	1,042	511	1,553
2032	0	2,720	378	3,097	0	3,097	376	0	63	0	313	2,784	1,063	460	1,522
2033	0	2,436	338	2,774	0	2,774	310	0	52	0	258	2,515	1,084	412	1,495
2034	0	1,766	245	2,011	0	2,011	217	0	36	0	181	1,830	737	299	1,035
2035	0	1,177	163	1,341	0	1,341	145	0	24	0	120	1,220	376	199	575
2036	0	1,085	151	1,235	0	1,235	133	0	22	0	111	1,124	383	183	567
2037	0	994	138	1,132	0	1,132	122	0	20	0	102	1,030	391	168	559
2038	0	913	127	1,040	0	1,040	112	0	19	0	93	946	399	154	553
2039	0	839	116	956	0	956	103	0	17	0	86	870	407	142	549
2040	0	773	107	880	0	880	95	0	16	0	79	801	415	131	546
2041	0	708	98	807	0	807	87	0	15	0	73	734	423	120	543
2042	0	651	90	741	0	741	80	0	13	0	67	675	432	110	542
2043	0	598	83	681	0	681	74	0	12	0	61	620	440	101	541
2044	0	551	77	628	0	628	68	0	11	0	56	571	449	93	542
2045	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2046	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2047	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2048	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2049	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Tot.</b>	<b>0</b>	<b>165,749</b>	<b>22,947</b>	<b>188,696</b>	<b>0</b>	<b>188,696</b>	<b>34,633</b>	<b>0</b>	<b>6,574</b>	<b>0</b>	<b>28,059</b>	<b>160,637</b>	<b>27,071</b>	<b>31,589</b>	<b>58,660</b>
Disc	0	100,710	13,958	114,667	0	114,667	21,860	0	4,291	0	17,569	97,099	11,889	19,991	31,880

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Year	Mineral Tax M\$	Capital Tax M\$	NPI Burden M\$	Net Prod'n Revenue M\$	Other Income M\$	Aband. & Recl. Costs		Oper. Income M\$	Net Capital Investment				Before Tax Cash Flow		
						M\$	M\$		Dev. M\$	Plant M\$	Tang. M\$	Total M\$	Annual M\$	Cum. M\$	10.0% Def M\$
2016	0	0	0	4,821	0	0	0	4,821	0	0	0	0	4,821	4,821	4,764
2017	0	0	0	15,142	0	0	0	15,142	0	0	0	0	15,142	19,963	18,861
2018	0	0	0	11,713	0	0	0	11,713	0	0	0	0	11,713	31,675	28,774
2019	0	0	0	10,387	0	0	0	10,387	0	0	0	0	10,387	42,062	36,766
2020	0	0	0	8,742	0	0	0	8,742	0	0	0	0	8,742	50,804	42,881
2021	0	0	0	7,709	0	0	0	7,709	0	0	0	0	7,709	58,512	47,783
2022	0	0	0	6,699	0	0	0	6,699	0	0	0	0	6,699	65,211	51,655
2023	0	0	0	5,942	0	0	0	5,942	0	0	0	0	5,942	71,153	54,778
2024	0	0	0	5,264	0	0	0	5,264	0	0	0	0	5,264	76,417	57,293
2025	0	0	0	4,447	0	0	0	4,447	0	0	0	0	4,447	80,864	59,224
2026	0	0	0	3,738	0	0	0	3,738	0	0	0	0	3,738	84,603	60,700
2027	0	0	0	3,146	0	0	0	3,146	0	0	0	0	3,146	87,748	61,829
2028	0	0	0	2,613	0	0	0	2,613	0	0	0	0	2,613	90,361	62,682
2029	0	0	0	2,135	0	0	0	2,135	0	0	0	0	2,135	92,497	63,316
2030	0	0	0	1,812	0	165	0	1,647	0	0	0	0	1,647	94,143	63,760
2031	0	0	0	1,517	0	0	0	1,517	0	0	0	0	1,517	95,660	64,132
2032	0	0	0	1,261	0	0	0	1,261	0	0	0	0	1,261	96,922	64,413
2033	0	0	0	1,020	0	175	0	845	0	0	0	0	845	97,767	64,584
2034	0	0	0	795	0	0	0	795	0	0	0	0	795	98,562	64,730
2035	0	0	0	645	0	0	0	645	0	0	0	0	645	99,207	64,838
2036	0	0	0	557	0	0	0	557	0	0	0	0	557	99,765	64,923
2037	0	0	0	471	0	0	0	471	0	0	0	0	471	100,236	64,988
2038	0	0	0	393	0	193	0	200	0	0	0	0	200	100,436	65,014
2039	0	0	0	321	0	197	0	124	0	0	0	0	124	100,560	65,028
2040	0	0	0	256	0	0	0	256	0	0	0	0	256	100,815	65,054
2041	0	0	0	191	0	0	0	191	0	0	0	0	191	101,006	65,072
2042	0	0	0	133	0	0	0	133	0	0	0	0	133	101,139	65,084
2043	0	0	0	78	0	0	0	78	0	0	0	0	78	101,218	65,090
2044	0	0	0	29	0	0	0	29	0	0	0	0	29	101,247	65,092
2045	0	0	0	0	0	0	0	0	0	0	0	0	0	101,247	65,092
2046	0	0	0	0	0	0	0	0	0	0	0	0	0	101,247	65,092
2047	0	0	0	0	0	0	0	0	0	0	0	0	0	101,247	65,092
2048	0	0	0	0	0	0	0	0	0	0	0	0	0	101,247	65,092
2049	0	0	0	0	0	240	-240	0	0	0	0	0	-240	101,006	65,081
<b>Tot.</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>101,977</b>	<b>0</b>	<b>971</b>	<b>101,006</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>101,006</b>	<b>101,006</b>	<b>65,081</b>
Disc	0	0	0	65,219	0	137	65,081	0	0	0	0	0	65,081	65,081	65,081

**SUMMARY OF RESERVES**

Product	Units	Remaining Reserves at Oct 01, 2016			Oil Equivalents			Reserve Life Indic. (yr)				
		Gross	Working Interest	Roy/NPI Interest	Total Company	Net	Oil Eq. Factor	Company Mboe	% of Total	Reserve Life	Life Index	Half Life
Residue Gas	MMcf	41,928	41,928	0	41,928	34,545	6,000	6,988	95	28.3	5.3	4.5
Gas Heat Content	BBtu	45,283	45,283	0	45,283	37,309	0.000	0	0	28.3	5.3	4.5
Condensate	Mbbl	252	252	0	252	160	1,000	252	3	28.3	5.3	4.5
Propane	Mbbl	106	106	0	106	77	1,000	106	1	28.3	5.3	4.5
Total: NGL	Mbbl	357	357	0	357	237	1,000	357	5	28.3	5.3	4.5
Total: Oil Eq.	Mboe	7,346	7,346	0	7,346	5,994	1,000	7,346	100	28.3	5.3	4.5

**PRODUCT REVENUE AND EXPENSES**

Product	Units	Average First Year Unit Values					Net Revenue After Royalties					
		Base Price	Price Adjust.	Wellhead Price	Net Burdens	Operating Expenses	Other Expenses	Prod'n Revenue	Undisc MS	% of Total	10% Disc MS	% of Total
Residue Gas	\$/Mcf	2.71	0.47	3.18	0.24	0.83	0.00	2.10	144,978	90	87,368	90
Condensate	\$/bbl	63.00	-5.30	57.70	10.74	0.00	0.00	46.96	13,103	8	8,166	8
Propane	\$/bbl	18.00	2.90	20.90	2.17	0.00	0.00	18.73	2,555	2	1,565	2
Total: NGL	\$/bbl	49.67	-2.87	46.80	8.20	0.00	0.00	38.59	15,659	10	9,731	10
Total: Oil Eq.	\$/boe	17.90	2.53	20.43	1.79	4.75	0.00	13.88	160,637	100	97,099	100

## INTEREST AND NET PRESENT VALUE SUMMARY

Revenue Interests and Burdens (%)			Net Present Value Before Income Tax					
			Disc. Rate %	Prod'n Revenue M\$	Operating Income M\$	Capital Invest. M\$	Cash Flow	
Initial	Average	M\$					\$/boe	
Working Interest	100.0000	100.0000	0.0	101,977	101,006	0	101,006	13.75
Capital Interest	100.0000	100.0000	5.0	79,390	79,048	0	79,048	10.76
Royalty Interest	0.0000	0.0000	8.0	70,188	69,993	0	69,993	9.53
Crown Royalty	11.1167	18.3541	10.0	65,219	65,081	0	65,081	8.86
Non-crown Royalty	0.0000	0.0000	12.0	60,960	60,862	0	60,862	8.29
Mineral Tax	0.0000	0.0000	15.0	55,610	55,550	0	55,550	7.56
			20.0	48,704	48,675	0	48,675	6.63

Evaluator: Jacksteit, Ian G.  
Run Date: November 19, 2016 10:52:43

Company: **Persta Resources Inc.**  
 Property: **Basing**

Reserve Class: **Proved Plus Probable**  
 Development Class: **Total**  
 Pricing: **GLJ (2016-10)**  
 Effective Date: **September 30, 2016**

**Economic Forecast**

**PRODUCTION FORECAST**

Year	Residue Gas Production						Condensate Production					Propane Production				
	Gross Gas Wells	Gross Daily Mcf/d	Company Daily Mcf/d	Company Yearly MMcf	Net Yearly MMcf	Price \$/Mcf	Gross Daily bbl/d	Company Daily bbl/d	Company Yearly Mbbl	Net Yearly Mbbl	Price \$/bbl	Gross Daily bbl/d	Company Daily bbl/d	Company Yearly Mbbl	Net Yearly Mbbl	Price \$/bbl
2016	5	21,719	21,719	1,982	1,765	3.18	130	130	12	9	57.70	55	55	5	4	20.90
2017	8	35,275	35,275	12,875	11,438	3.17	212	212	77	62	63.36	89	89	33	28	22.70
2018	10	37,464	37,464	13,674	12,028	3.19	225	225	82	64	65.99	95	95	35	29	23.64
2019	10	30,884	30,884	11,273	9,328	3.46	185	185	68	47	69.82	78	78	28	22	28.11
2020	10	25,421	25,421	9,279	7,314	3.70	153	153	56	36	72.09	64	64	23	17	29.08
2021	10	21,092	21,092	7,699	5,900	4.01	127	127	46	28	76.91	53	53	19	14	30.79
2022	10	17,716	17,716	6,466	4,961	4.22	106	106	39	24	81.32	45	45	16	12	32.50
2023	10	14,992	14,992	5,472	4,242	4.43	90	90	33	20	86.12	38	38	14	10	34.21
2024	10	12,800	12,800	4,672	3,683	4.64	77	77	28	17	90.45	32	32	12	8	35.93
2025	10	10,932	10,932	3,990	3,215	4.74	66	66	24	14	94.06	28	28	10	7	36.93
2026	9	9,222	9,222	3,366	2,769	4.83	55	55	20	12	95.94	23	23	9	6	37.67
2027	9	7,973	7,973	2,910	2,451	4.93	48	48	17	10	97.86	20	20	7	5	38.42
2028	9	6,941	6,941	2,533	2,180	5.03	42	42	15	9	99.82	18	18	6	4	39.19
2029	8	5,831	5,831	2,128	1,863	5.13	35	35	13	8	101.81	15	15	5	4	39.97
2030	8	5,131	5,131	1,873	1,667	5.23	31	31	11	7	103.85	13	13	5	3	40.77
2031	8	4,527	4,527	1,652	1,489	5.34	27	27	10	6	105.92	11	11	4	3	41.59
2032	8	4,014	4,014	1,465	1,331	5.44	24	24	9	5	108.04	10	10	4	3	42.42
2033	7	3,356	3,356	1,225	1,123	5.55	20	20	7	4	110.20	8	8	3	2	43.27
2034	6	2,770	2,770	1,011	933	5.66	17	17	6	4	112.41	7	7	3	2	44.13
2035	5	2,266	2,266	827	764	5.77	14	14	5	3	114.66	6	6	2	1	45.02
2036	5	2,035	2,035	743	686	5.89	12	12	4	3	116.95	5	5	2	1	45.92
2037	5	1,821	1,821	665	614	6.01	11	11	4	2	119.29	5	5	2	1	46.84
2038	5	1,637	1,637	597	552	6.13	10	10	4	2	121.67	4	4	2	1	47.77
2039	5	1,474	1,474	538	497	6.25	9	9	3	2	124.11	4	4	1	1	48.73
2040	4	1,143	1,143	417	385	6.38	7	7	3	2	126.59	3	3	1	1	49.70
2041	3	827	827	302	279	6.50	5	5	2	1	129.12	2	2	1	1	50.70
2042	2	558	558	204	188	6.63	3	3	1	1	131.70	1	1	1	0	51.71
2043	2	506	506	185	170	6.77	3	3	1	1	134.34	1	1	0	0	52.74
2044	2	460	460	168	155	6.90	3	3	1	1	137.03	1	1	0	0	53.80
2045	1	220	220	80	74	7.04	1	1	0	0	139.77	1	1	0	0	54.88
2046	0	0	0	0	0	0.00	0	0	0	0	0.00	0	0	0	0	0.00
2047	0	0	0	0	0	0.00	0	0	0	0	0.00	0	0	0	0	0.00
2048	0	0	0	0	0	0.00	0	0	0	0	0.00	0	0	0	0	0.00
2049	0	0	0	0	0	0.00	0	0	0	0	0.00	0	0	0	0	0.00
2050	0	0	0	0	0	0.00	0	0	0	0	0.00	0	0	0	0	0.00
<b>Tot.</b>				<b>100,272</b>	<b>84,046</b>	<b>4.08</b>			<b>602</b>	<b>403</b>	<b>80.85</b>			<b>253</b>	<b>191</b>	<b>31.40</b>

Year	Natural Gas Liquids Production					Oil Equivalent Production				
	Gross Daily bbl/d	Company Daily bbl/d	Company Yearly Mmbl	Net Yearly Mmbl	Price \$/bbl	Gross Daily boe/d	Company Daily boe/d	Company Yearly Mboe	Net Yearly Mboe	Price \$/boe
2016	185	185	17	14	46.80	3,805	3,805	347	308	20.43
2017	301	301	110	89	51.31	6,180	6,180	2,256	1,995	20.61
2018	319	319	117	93	53.44	6,563	6,563	2,396	2,098	20.80
2019	263	263	96	69	57.46	5,411	5,411	1,975	1,624	22.57
2020	217	217	79	53	59.34	4,454	4,454	1,626	1,272	24.01
2021	180	180	66	42	63.25	3,695	3,695	1,349	1,025	25.94
2022	151	151	55	35	66.85	3,104	3,104	1,133	862	27.34
2023	128	128	47	29	70.74	2,626	2,626	959	736	28.75
2024	109	109	40	25	74.29	2,243	2,243	819	639	30.09
2025	93	93	34	21	77.13	1,915	1,915	699	557	30.79
2026	79	79	29	18	78.67	1,616	1,616	590	480	31.41
2027	68	68	25	16	80.25	1,397	1,397	510	424	32.04
2028	59	59	22	14	81.85	1,216	1,216	444	377	32.68
2029	50	50	18	11	83.49	1,022	1,022	373	322	33.33
2030	44	44	16	10	85.16	899	899	328	288	34.00
2031	39	39	14	9	86.86	793	793	289	257	34.68
2032	34	34	12	8	88.60	703	703	257	230	35.37
2033	29	29	10	7	90.37	588	588	215	194	36.08
2034	24	24	9	5	92.18	485	485	177	161	36.80
2035	19	19	7	4	94.02	397	397	145	132	37.54
2036	17	17	6	4	95.90	357	357	130	118	38.29
2037	16	16	6	4	97.82	319	319	116	106	39.05
2038	14	14	5	3	99.78	287	287	105	95	39.84
2039	13	13	5	3	101.77	258	258	94	86	40.63
2040	10	10	4	2	103.81	200	200	73	66	41.45
2041	7	7	3	2	105.88	145	145	53	48	42.27
2042	5	5	2	1	108.00	98	98	36	32	43.12
2043	4	4	2	1	110.16	89	89	32	29	43.98
2044	4	4	1	1	112.37	81	81	29	27	44.86
2045	2	2	1	0	114.61	38	38	14	13	45.76
2046	0	0	0	0	0.00	0	0	0	0	0.00
2047	0	0	0	0	0.00	0	0	0	0	0.00
2048	0	0	0	0	0.00	0	0	0	0	0.00
2049	0	0	0	0	0.00	0	0	0	0	0.00
2050	0	0	0	0	0.00	0	0	0	0	0.00
<b>Tot.</b>			<b>855</b>	<b>594</b>	<b>66.20</b>			<b>17,567</b>	<b>14,601</b>	<b>26.54</b>

## REVENUE AND EXPENSE FORECAST

Year	Revenue Before Burdens				Royalty Interest Total M\$	Company Interest Total M\$	Royalty Burdens Pre-Processing		Gas Processing Allowance		Total Royalty After Process. M\$	Net Revenue After Royalty M\$	Operating Expenses		
	Working Interest			Total M\$			Crown M\$	Other M\$	Crown M\$	Other M\$			Fixed M\$	Variable M\$	Total M\$
	Oil M\$	Gas M\$	NGL+Sul M\$												
2016	0	6,303	791	7,093	0	7,093	789	0	166	0	622	6,471	323	1,328	1,650
2017	0	40,858	5,633	46,491	0	46,491	5,358	0	1,166	0	4,193	42,299	2,019	8,799	10,818
2018	0	43,594	6,231	49,825	0	49,825	6,186	0	1,381	0	4,805	45,020	2,618	9,532	12,150
2019	0	39,058	5,523	44,581	0	44,581	7,798	0	1,651	0	6,147	38,434	2,738	8,015	10,753
2020	0	34,340	4,695	39,035	0	39,035	8,342	0	1,713	0	6,629	32,407	2,793	6,729	9,522
2021	0	30,837	4,152	34,989	0	34,989	8,229	0	1,611	0	6,618	28,370	2,849	5,695	8,543
2022	0	27,286	3,686	30,972	0	30,972	7,284	0	1,387	0	5,896	25,075	2,905	4,879	7,785
2023	0	24,262	3,300	27,562	0	27,562	6,334	0	1,180	0	5,154	22,408	2,964	4,211	7,175
2024	0	21,668	2,960	24,627	0	24,627	5,404	0	987	0	4,417	20,210	3,023	3,668	6,691
2025	0	18,903	2,624	21,527	0	21,527	4,419	0	806	0	3,613	17,914	3,083	3,195	6,278
2026	0	16,265	2,258	18,522	0	18,522	3,545	0	647	0	2,898	15,625	2,831	2,749	5,580
2027	0	14,343	1,991	16,334	0	16,334	2,862	0	494	0	2,368	13,967	2,887	2,424	5,311
2028	0	12,736	1,768	14,504	0	14,504	2,325	0	389	0	1,936	12,568	2,945	2,153	5,098
2029	0	10,914	1,515	12,429	0	12,429	1,840	0	308	0	1,532	10,898	2,670	1,845	4,515
2030	0	9,796	1,360	11,156	0	11,156	1,516	0	254	0	1,262	9,894	2,723	1,656	4,379
2031	0	8,815	1,224	10,039	0	10,039	1,272	0	213	0	1,060	8,979	2,778	1,490	4,268
2032	0	7,973	1,107	9,080	0	9,080	1,094	0	183	0	911	8,169	2,833	1,348	4,181
2033	0	6,800	944	7,744	0	7,744	879	0	147	0	732	7,012	2,529	1,149	3,678
2034	0	5,724	795	6,519	0	6,519	708	0	118	0	590	5,929	2,211	968	3,178
2035	0	4,777	663	5,440	0	5,440	587	0	98	0	489	4,951	1,879	807	2,687
2036	0	4,375	607	4,983	0	4,983	538	0	90	0	448	4,535	1,917	740	2,656
2037	0	3,993	554	4,548	0	4,548	491	0	82	0	409	4,139	1,955	675	2,630
2038	0	3,662	508	4,170	0	4,170	450	0	75	0	375	3,795	1,994	619	2,613
2039	0	3,363	467	3,830	0	3,830	413	0	69	0	344	3,486	2,034	568	2,603
2040	0	2,660	369	3,030	0	3,030	327	0	55	0	272	2,758	1,660	450	2,110
2041	0	1,964	273	2,236	0	2,236	241	0	40	0	201	2,035	1,270	332	1,602
2042	0	1,351	188	1,539	0	1,539	166	0	28	0	138	1,400	863	228	1,092
2043	0	1,249	173	1,422	0	1,422	153	0	26	0	128	1,294	881	211	1,092
2044	0	1,158	161	1,319	0	1,319	142	0	24	0	119	1,200	898	196	1,094
2045	0	564	78	642	0	642	69	0	12	0	58	585	458	95	554
2046	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2047	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2048	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2049	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2050	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Tot.</b>	<b>0</b>	<b>409,590</b>	<b>56,597</b>	<b>466,188</b>	<b>0</b>	<b>466,188</b>	<b>79,763</b>	<b>0</b>	<b>15,402</b>	<b>0</b>	<b>64,361</b>	<b>401,827</b>	<b>65,532</b>	<b>76,753</b>	<b>142,285</b>
Disc	0	233,566	32,284	265,850	0	265,850	45,566	0	9,095	0	36,471	229,379	25,070	45,588	70,657

Page 4

Year	Mineral Tax M\$	Capital Tax M\$	NPI Burden M\$	Net Prod'n Revenue M\$	Other Income M\$	Aband. & Recl. Costs M\$	Oper. Income M\$	Net Capital Investment				Before Tax Cash Flow		
								Dev. M\$	Plant M\$	Tang. M\$	Total M\$	Annual M\$	Cum. M\$	10.0% Def M\$
2016	0	0	0	4,821	0	0	4,821	0	0	0	0	4,821	4,821	4,764
2017	0	0	0	31,481	0	0	31,481	15,759	1,530	1,071	18,360	13,121	17,942	16,979
2018	0	0	0	32,869	0	0	32,869	10,716	1,040	728	12,485	20,385	38,326	34,232
2019	0	0	0	27,681	0	0	27,681	0	0	0	0	27,681	66,007	55,531
2020	0	0	0	22,885	0	0	22,885	0	0	0	0	22,885	88,892	71,539
2021	0	0	0	19,827	0	0	19,827	0	0	0	0	19,827	108,719	84,146
2022	0	0	0	17,291	0	0	17,291	0	0	0	0	17,291	126,009	94,142
2023	0	0	0	15,234	0	0	15,234	0	0	0	0	15,234	141,243	102,148
2024	0	0	0	13,520	0	0	13,520	0	0	0	0	13,520	154,763	108,607
2025	0	0	0	11,636	0	0	11,636	0	0	0	0	11,636	166,399	113,660
2026	0	0	0	10,045	0	0	10,045	0	0	0	0	10,045	176,444	117,627
2027	0	0	0	8,655	0	0	8,655	0	0	0	0	8,655	185,099	120,733
2028	0	0	0	7,471	0	0	7,471	0	0	0	0	7,471	192,570	123,171
2029	0	0	0	6,383	0	0	6,383	0	0	0	0	6,383	198,953	125,065
2030	0	0	0	5,514	0	165	5,350	0	0	0	0	5,350	204,302	126,507
2031	0	0	0	4,711	0	0	4,711	0	0	0	0	4,711	209,014	127,662
2032	0	0	0	3,988	0	0	3,988	0	0	0	0	3,988	213,001	128,551
2033	0	0	0	3,333	0	175	3,158	0	0	0	0	3,158	216,160	129,191
2034	0	0	0	2,751	0	0	2,751	0	0	0	0	2,751	218,911	129,698
2035	0	0	0	2,265	0	0	2,265	0	0	0	0	2,265	221,175	130,077
2036	0	0	0	1,879	0	0	1,879	0	0	0	0	1,879	223,054	130,363
2037	0	0	0	1,509	0	189	1,319	0	0	0	0	1,319	224,373	130,546
2038	0	0	0	1,182	0	193	989	0	0	0	0	989	225,362	130,670
2039	0	0	0	883	0	197	686	0	0	0	0	686	226,048	130,748
2040	0	0	0	648	0	0	648	0	0	0	0	648	226,696	130,816
2041	0	0	0	434	0	0	434	0	0	0	0	434	227,129	130,857
2042	0	0	0	309	0	0	309	0	0	0	0	309	227,438	130,883
2043	0	0	0	202	0	0	202	0	0	0	0	202	227,640	130,899
2044	0	0	0	106	0	218	-112	0	0	0	0	-112	227,529	130,891
2045	0	0	0	31	0	222	-191	0	0	0	0	-191	227,338	130,879
2046	0	0	0	0	0	226	-226	0	0	0	0	-226	227,111	130,866
2047	0	0	0	0	0	0	0	0	0	0	0	0	227,111	130,866
2048	0	0	0	0	0	0	0	0	0	0	0	0	227,111	130,866
2049	0	0	0	0	0	240	-240	0	0	0	0	-240	226,871	130,855
2050	0	0	0	0	0	245	-245	0	0	0	0	-245	226,626	130,845
<b>Tot.</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>259,542</b>	<b>0</b>	<b>2,071</b>	<b>257,471</b>	<b>26,475</b>	<b>2,570</b>	<b>1,799</b>	<b>30,845</b>	<b>226,626</b>	<b>226,626</b>	<b>130,845</b>
Disc	0	0	0	158,722	0	217	158,505	23,742	2,305	1,614	27,660	130,845	130,845	130,845

## SUMMARY OF RESERVES

Product	Units	Remaining Reserves at Oct 01, 2016				Oil Equivalents			Reserve Life Indic. (yr)			
		Gross	Working Interest	Roy/NPI Interest	Total Company	Net	Oil Eq. Factor	Company Mboe	% of Total	Reserve Life	Life Index	Half Life
Residue Gas	MMcf	100,272	100,272	0	100,272	84,046	6,000	16,712	95	29.3	12.6	5.1
Gas Heat Content	BBtu	108,294	108,294	0	108,294	90,770	0.000	0	0	29.3	12.6	5.1
Condensate	Mbbl	602	602	0	602	403	1.000	602	3	29.3	12.6	5.1
Propane	Mbbl	253	253	0	253	191	1.000	253	1	29.3	12.6	5.1
Total: NGL	Mbbl	855	855	0	855	594	1.000	855	5	29.3	12.6	5.1
Total: Oil Eq.	Mboe	17,567	17,567	0	17,567	14,601	1.000	17,567	100	29.3	12.6	5.1

## PRODUCT REVENUE AND EXPENSES

Product	Units	Average First Year Unit Values					Net Revenue After Royalties						
		Base Price	Price Adjust.	Wellhead Price	Net Burdens	Operating Expenses	Other Expenses	Prod'n Revenue	Undisc M\$	% of Total	10% Disc M\$	% of Total	
Residue Gas	\$/Mcf	2.71	0.47	3.18	0.24	0.83	0.00	2.10	361,761	90	205,653	90	
Condensate	\$/bbl	63.00	-5.30	57.70	10.74	0.00	0.00	46.96	33,619	8	19,989	9	
Propane	\$/bbl	18.00	2.90	20.90	2.17	0.00	0.00	18.73	6,447	2	3,737	2	
Total: NGL	\$/bbl	49.67	-2.87	46.80	8.20	0.00	0.00	38.59	40,066	10	23,726	10	
Total: Oil Eq.	\$/boe	17.90	2.53	20.43	1.79	4.75	0.00	13.88	401,827	100	229,379	100	

## INTEREST AND NET PRESENT VALUE SUMMARY

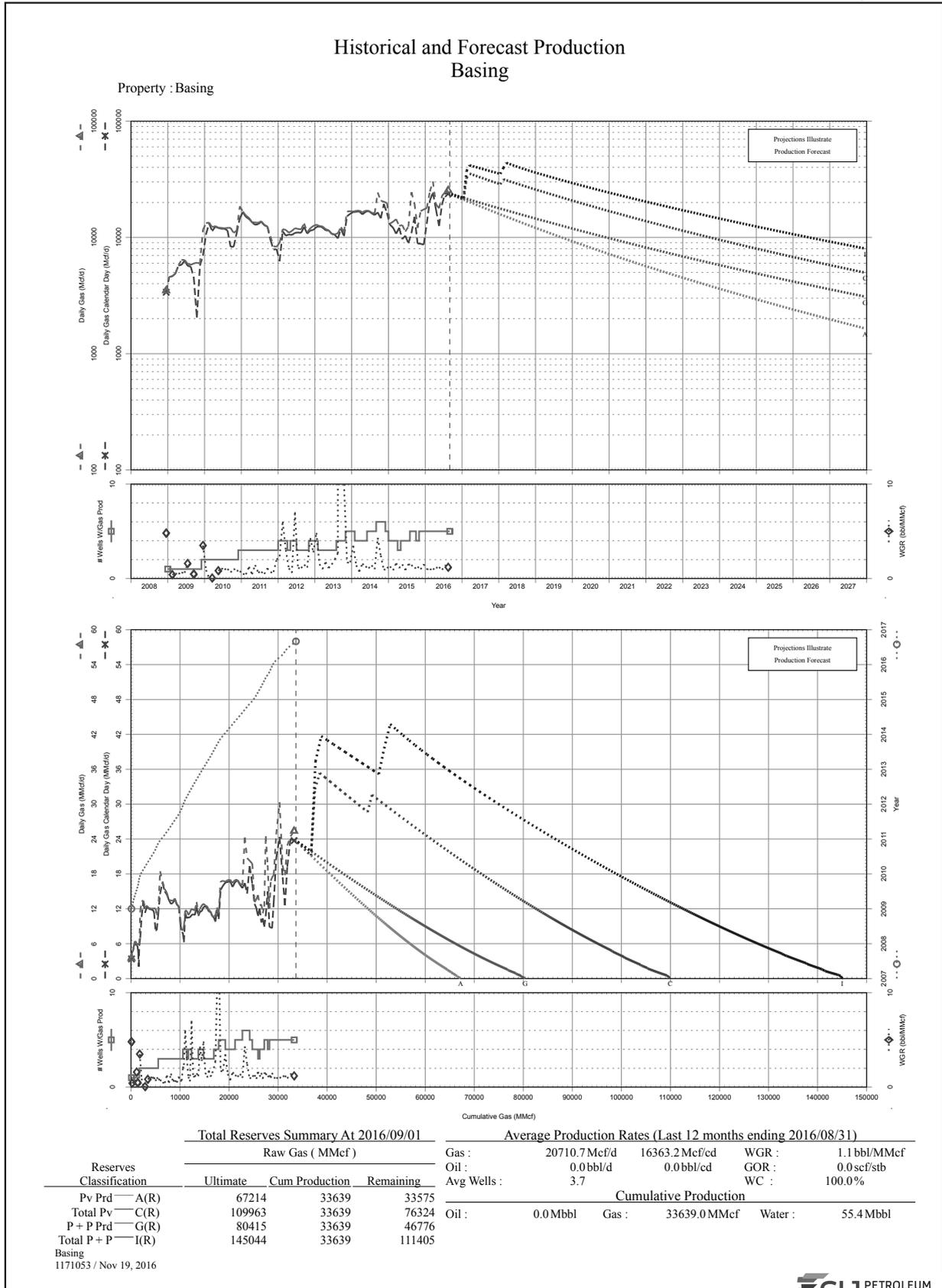
Revenue Interests and Burdens (%)			Net Present Value Before Income Tax					
			Disc. Rate %	Prod'n Revenue M\$	Operating Income M\$	Capital Invest. M\$	Cash Flow	
	Initial	Average				M\$	\$/boe	
Working Interest	100.0000	100.0000	0.0	259,542	257,471	30,845	226,626	12.90
Capital Interest	0.0000	100.0000	5.0	197,163	196,541	29,163	167,378	9.53
Royalty Interest	0.0000	0.0000	8.0	172,130	171,805	28,242	143,563	8.17
Crown Royalty	11.1167	17.1096	10.0	158,722	158,505	27,660	130,845	7.45
Non-crown Royalty	0.0000	0.0000	12.0	147,295	147,148	27,103	120,045	6.83
Mineral Tax	0.0000	0.0000	15.0	133,032	132,947	26,309	106,638	6.07
			20.0	114,772	114,735	25,088	89,647	5.10

Evaluator: Jacksteit, Ian G.  
Run Date: November 19, 2016 10:57:15

## APPENDIX

## RESERVES ESTIMATION - SUPPORTING INFORMATION

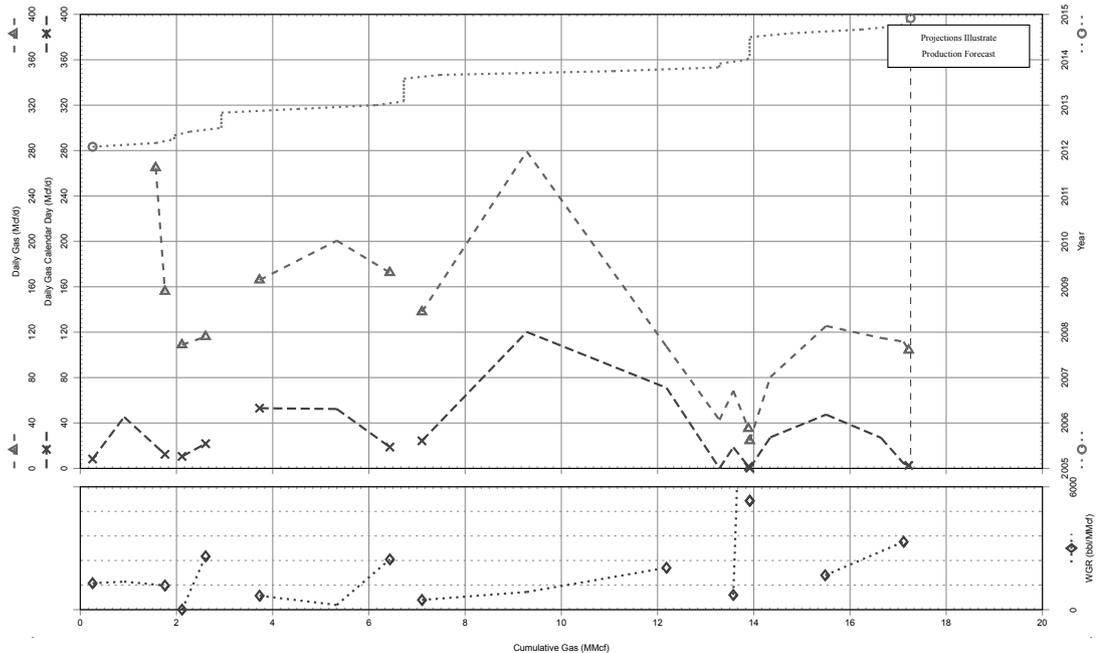
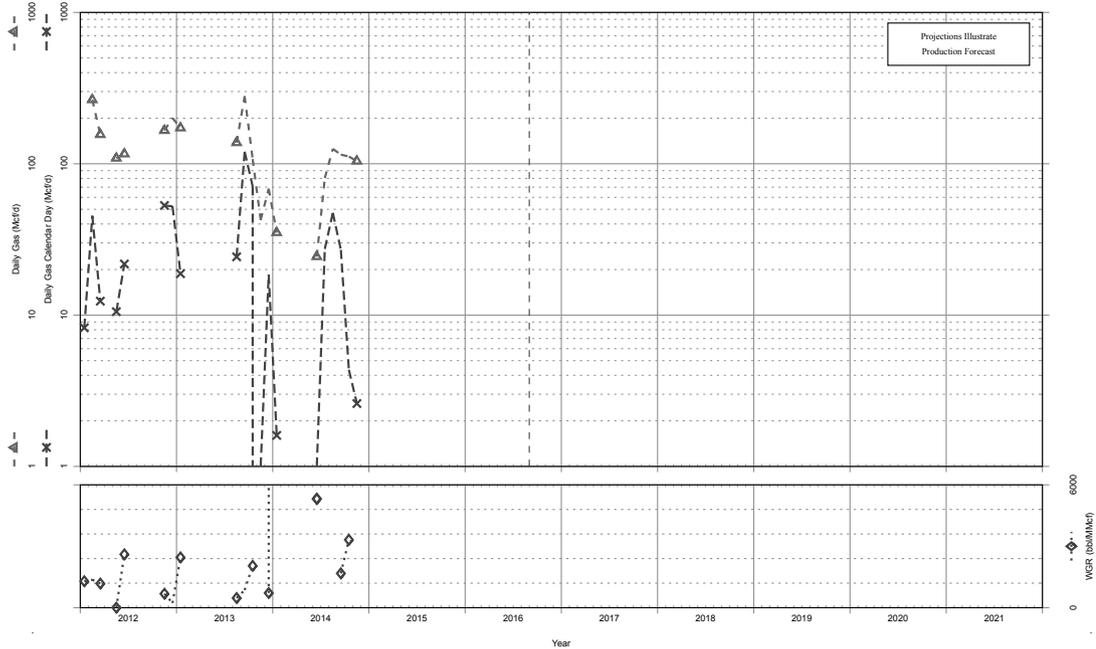
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### Historical and Forecast Production Cardium

Property : Basing  
Well Name : PERSTA BASING 16-29-47-19

Regulatory Field : Basing  
Regulatory Pool : Cardium Undefined  
Operator : Persta Resources Inc.



**Total Reserves Summary At 2016/09/01**

Reserves Classification	Raw Gas ( MMcf )		
	Ultimate	Cum Production	Remaining
Pv Prd A(R)	17	17	0

**Average Production Rates (Last 12 months ending 2014/11/30)**

Gas :	83.0 Mcf/d	10.9 Mcf/cd	WGR :	846.1 bbl/MMcf
Oil :	0.0 bbl/d	0.0 bbl/cd	GOR :	0.0 scf/stb
On Prod :	41.4 days		WC :	100.0%

**Cumulative Production**

Oil :	0.0 Mbbl	Gas :	17.3 MMcf	Water :	18.5 Mbbl
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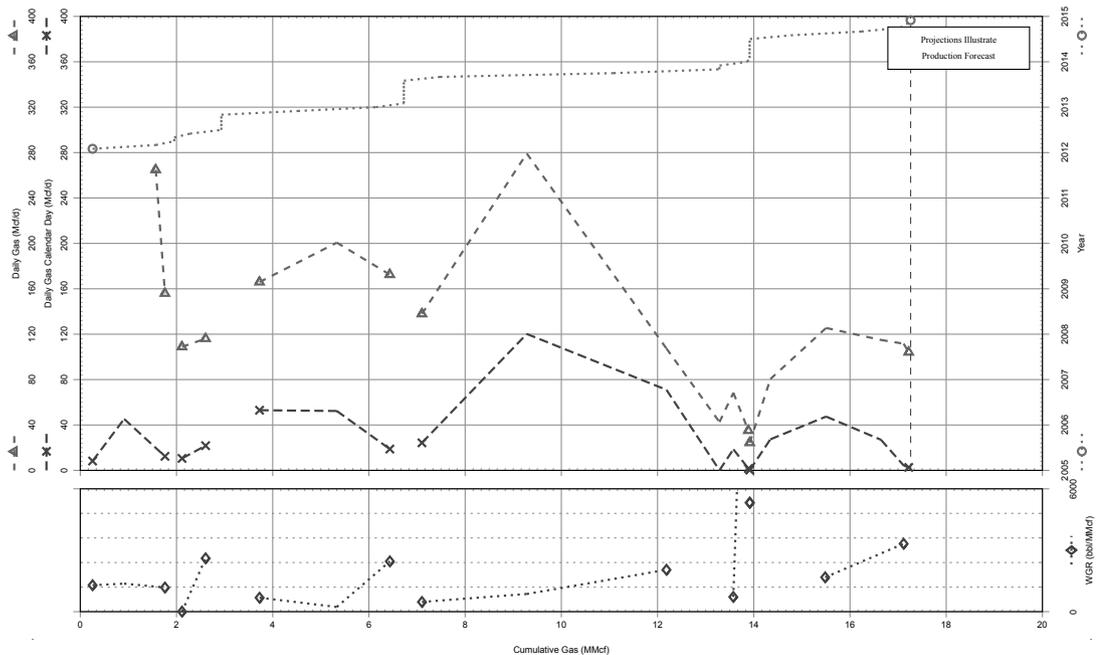
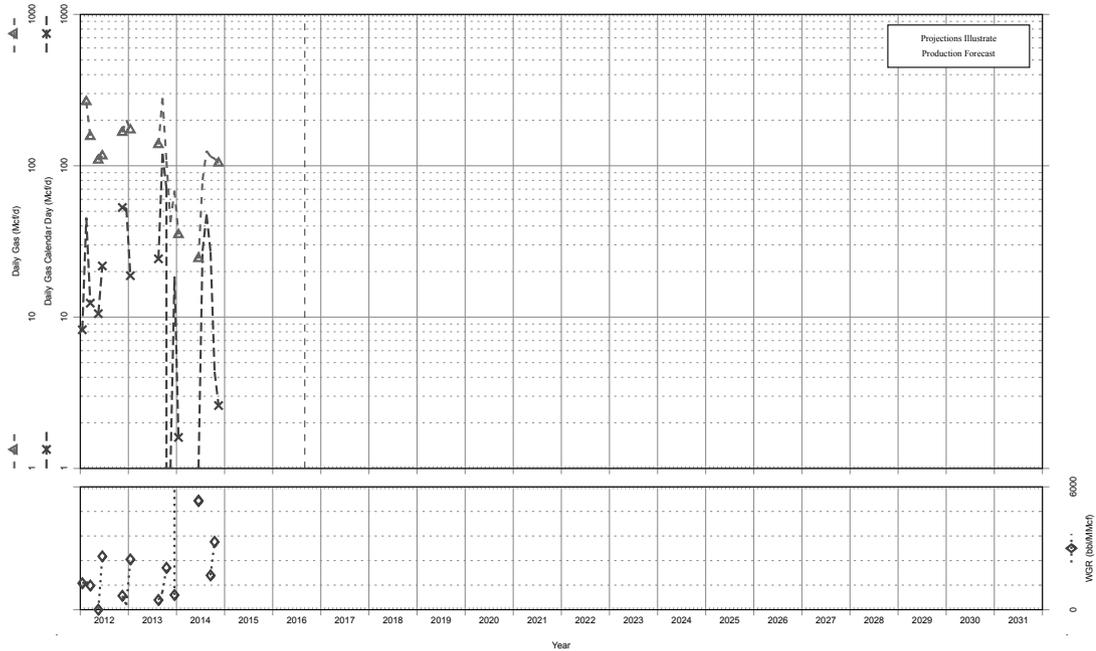
Cardium  
1171053 / Nov 04, 2016



### Historical and Forecast Production Cardium Reserves

Property : Basing  
Well Name : PERSTA BASING 16-29-47-19

Regulatory Field : Basing  
Regulatory Pool : Cardium Undefined  
Operator : Persta Resources Inc.



**Total Reserves Summary At 2016/09/01**

Reserves Classification	Raw Gas ( MMcf )		
	Ultimate	Cum Production	Remaining
Pv Prd A(R)	17	17	0

**Average Production Rates (Last 12 months ending 2014/11/30)**

Gas :	83.0 Mcf/d	10.9 Mcf/cd	WGR :	846.1 bbl/MMcf
Oil :	0.0 bbl/d	0.0 bbl/cd	GOR :	0.0 scf/stb
On Prod :	41.4 days		WC :	100.0%

**Cumulative Production**

Oil :	0.0 Mbbl	Gas :	17.3 MMcf	Water :	18.5 Mbbl
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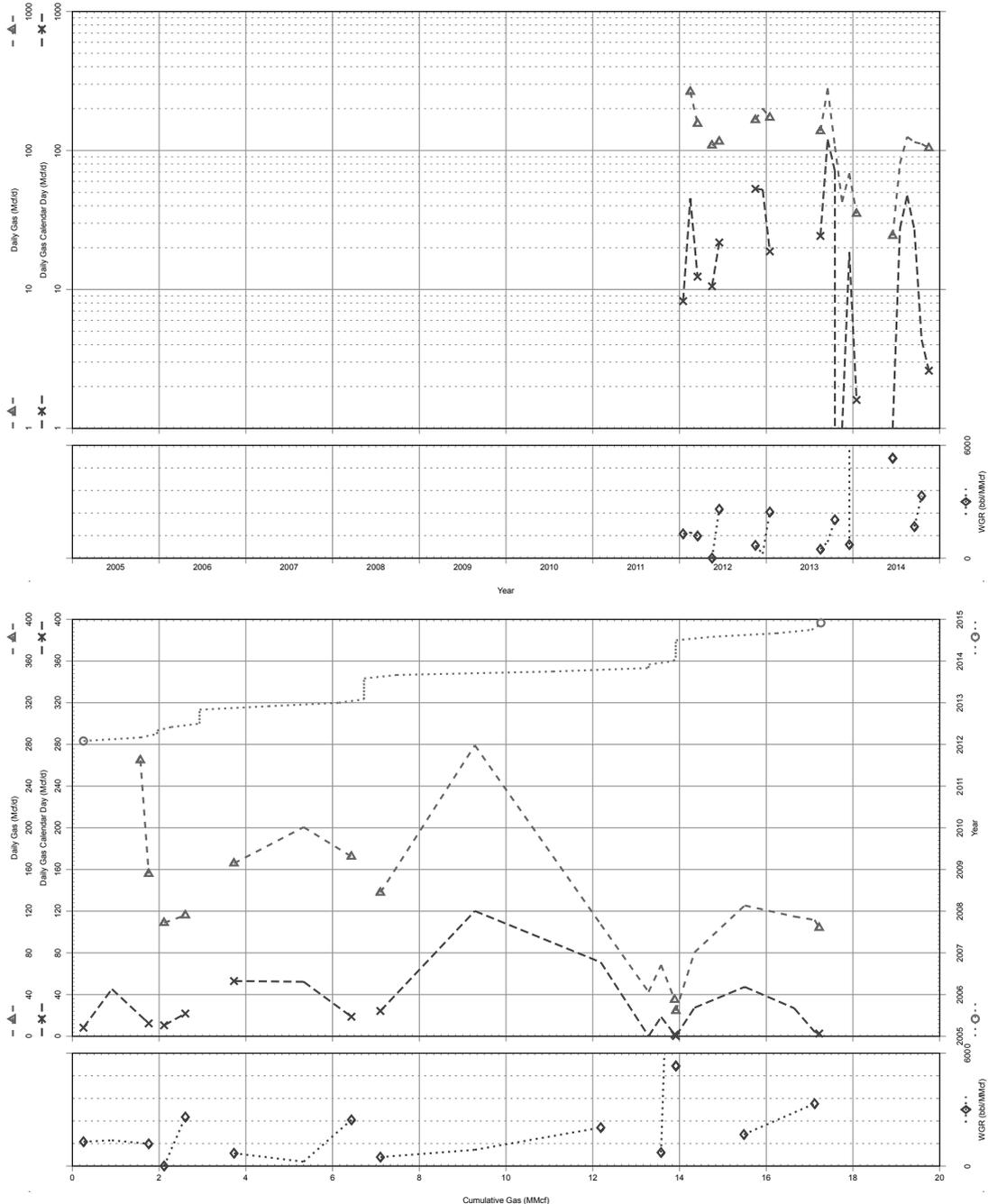
Cardium Reserves  
1171053 / Nov 04, 2016



Historical Production  
00/16-29-047-19W5/0

Property : Basing  
Well Name : PERSTA BASING 16-29-47-19

Regulatory Field : Basing  
Regulatory Pool : Cardium Undefined  
Operator : Persta Resources Inc.



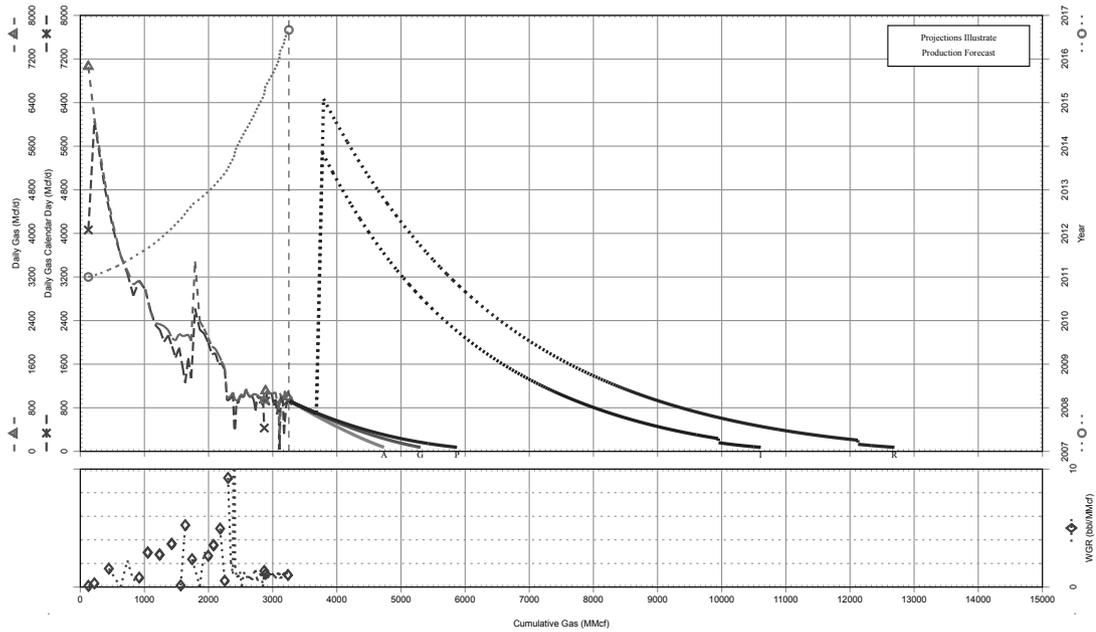
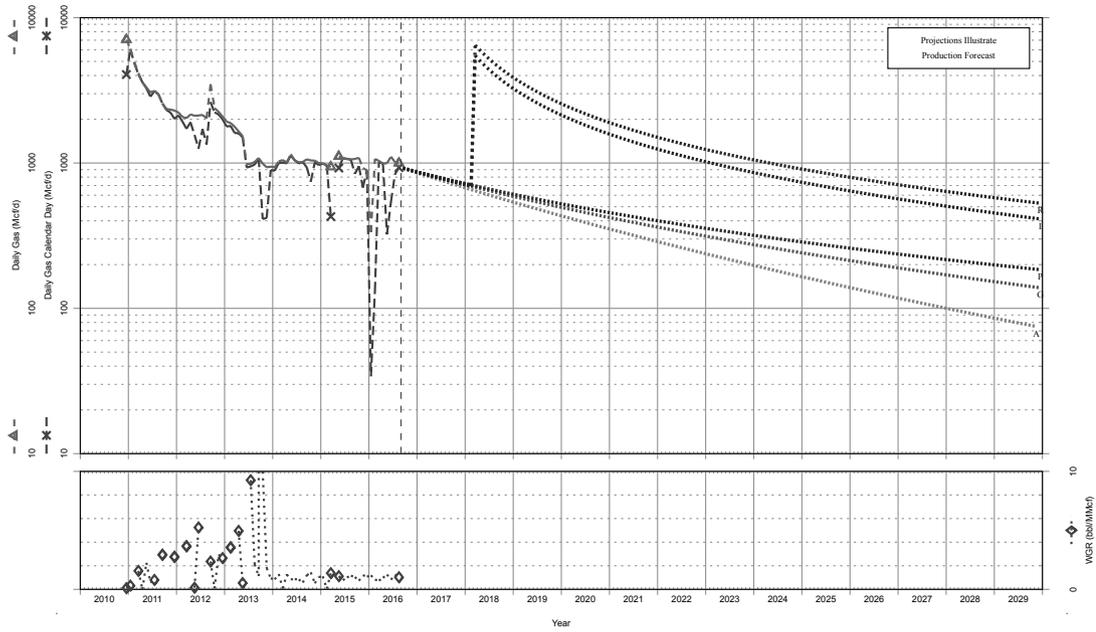
Status Summary		Cumulative Production		Average Production Rates (Last 12 months ending 2014/11/30)				
On Production date :	12/01/25	Gas :	17.3 MMcf	Gas :	83.0 Mcf/d	10.9 Mcf/cd	WGR :	846.1 bbl/MMcf
On Injection date :		Oil :	0.0 Mbbl	Oil :	0.0 bbl/d	0.0 bbl/cd	GOR :	0.0 scf/stb
Status date :	12/01/25	Water :	18.5 Mbbl	On Prod :	41.4 days		WC :	100.0%
Status : FLOWING GAS								
00/16-29-047-19W5/0								
1171053 / Nov 19, 2016								



### Historical and Forecast Production Notikewin (Hanging Wall)

Property : Basing  
Well Name : PERSTA HZ BASING 10-36-47-20

Regulatory Field : Basing  
Regulatory Pool : Viking A  
Operator : Persta Resources Inc.



**Total Reserves Summary At 2016/09/01**

Reserves Classification	Raw Gas ( MMcf )		
	Ultimate	Cum Production	Remaining
Pv Prd — A(R)	4737	3252	1485
P + P Prd — G(R)	5305	3252	2053
Total P + P — I(R)	10610	3252	7358
PPP Prd — P(R)	5873	3252	2621
Total PPP — R(R)	12694	3252	9442

**Average Production Rates (Last 12 months ending 2016/08/31)**

Gas :	958.9 Mcf/d	682.5 Mcf/cd	WGR :	1.0 bbl/MMcf
Oil :	0.0 bbl/d	0.0 bbl/cd	GOR :	0.0 scf/stb
On Prod :	250.3 days		WC :	100.0%

**Cumulative Production**

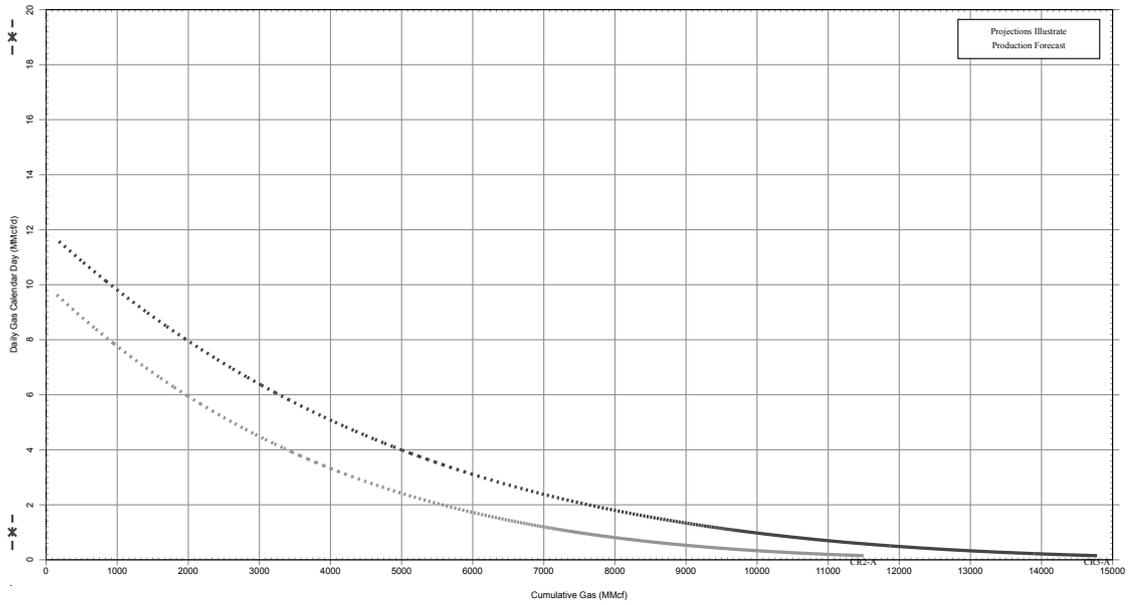
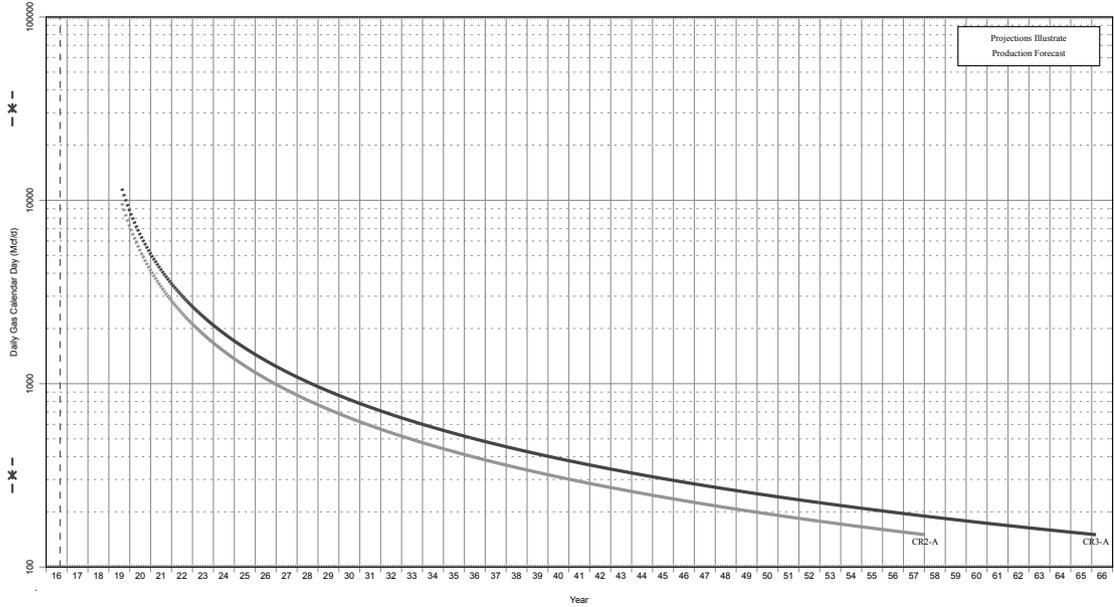
Oil :	0.0 Mbbbl	Gas :	3252.0 MMcf	Water :	3.9 Mbbbl
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Notikewin (Hanging Wall)  
1171053 / Nov 19, 2016



Historical and Forecast Production  
Notikewin Contingent Resources

Property : Basing

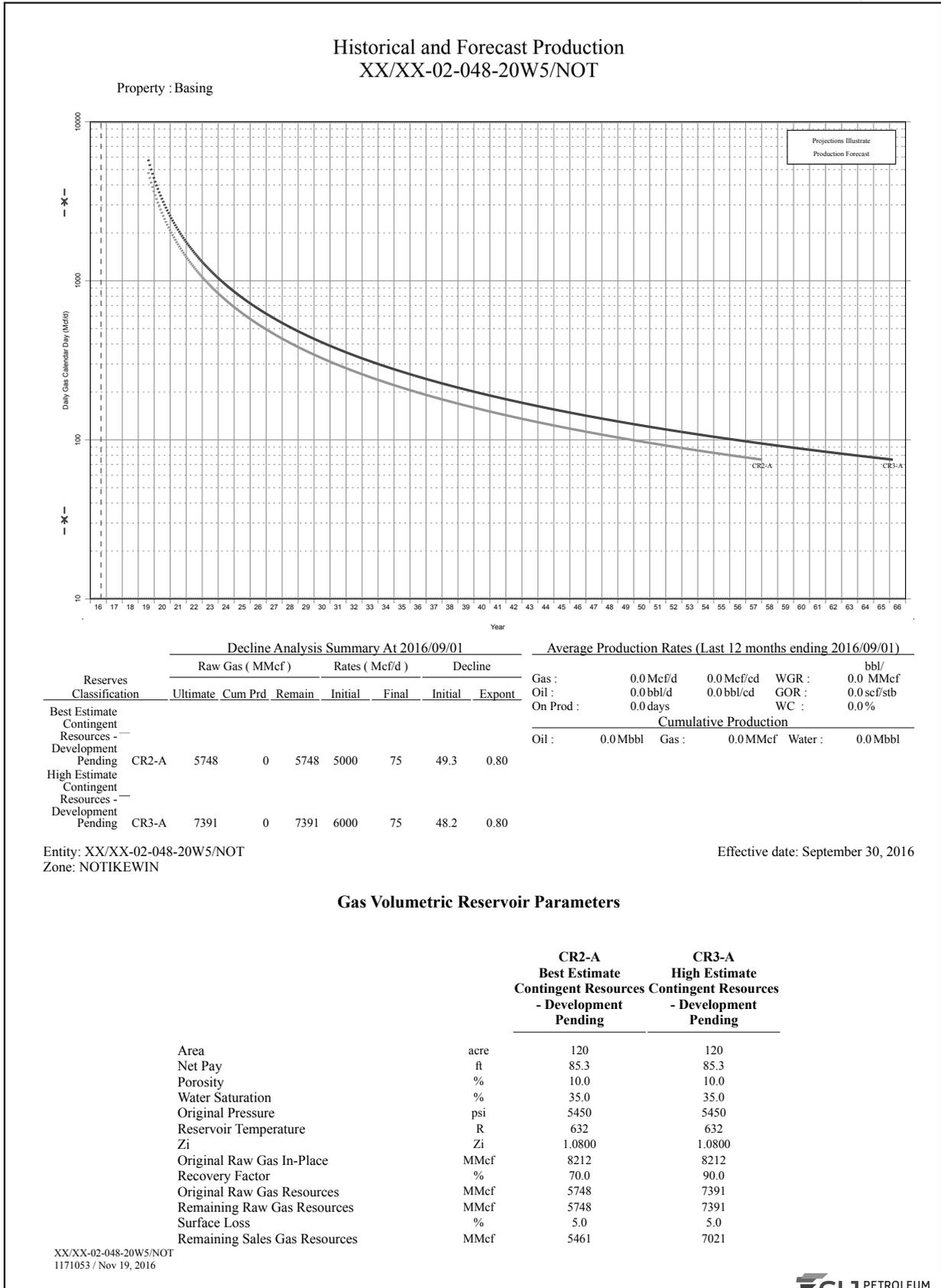


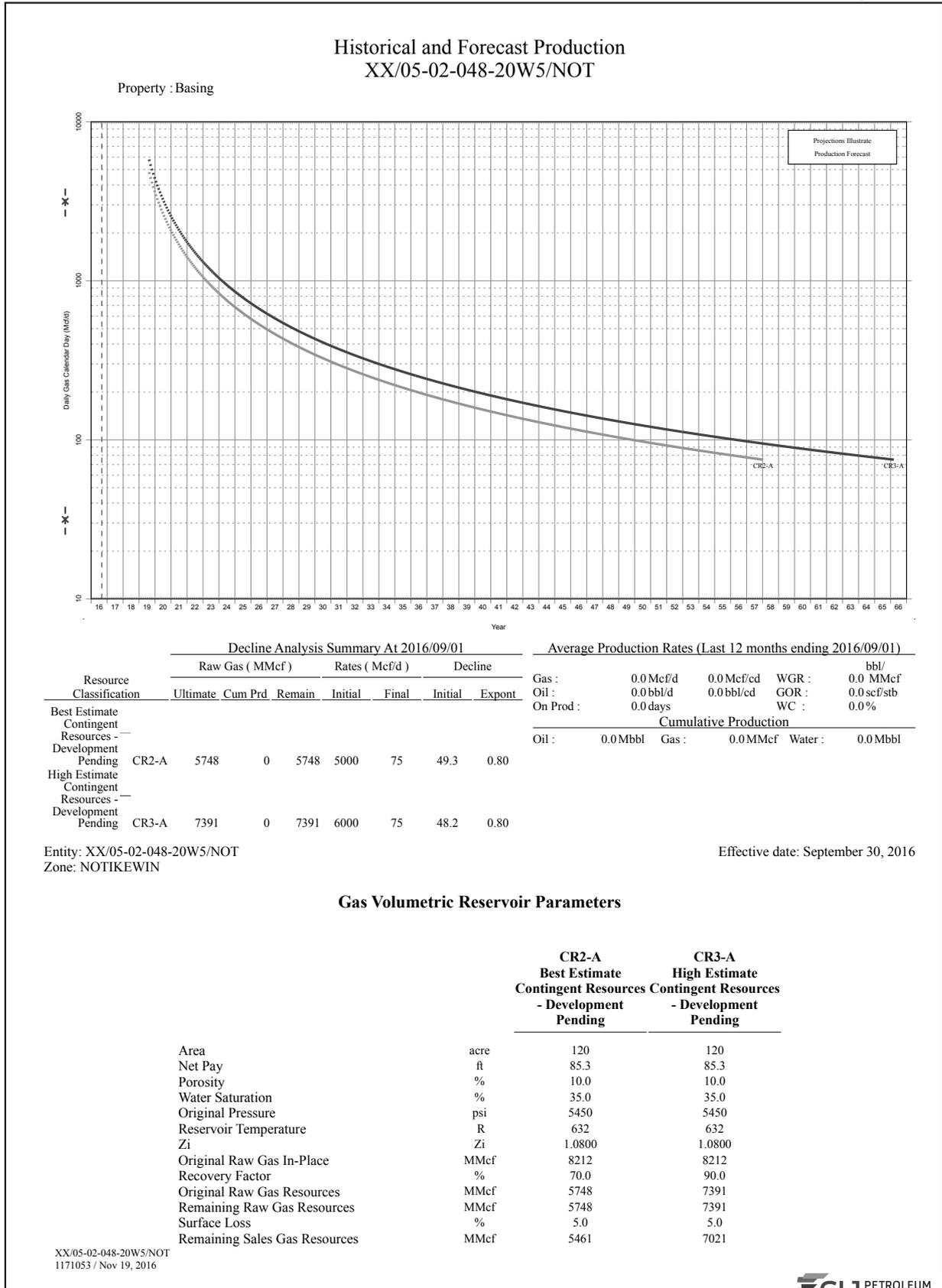
Total Resources Summary At 2016/09/01

Average Production Rates (Last 12 months ending 2016/09/01)

Resources Classification	Raw Gas ( MMcf )		
	Ultimate	Cum Production	Remaining
Best Estimate Contingent Resources - Development Pending High Estimate Contingent Resources - Development Pending Notikewin Contingent Resources 1171053 / Nov 19, 2016			
CR2-A(R)	11497	0	11497
CR3-A(R)	14782	0	14782

Gas :	0.0 Mcf/d	0.0 Mcf/cd	WGR :	0.0 bbl/MMcf	
Oil :	0.0 bbl/d	0.0 bbl/cd	GOR :	0.0 scf/stb	
On Prod :	0.0 days		WC :	0.0 %	
<u>Cumulative Production</u>					
Oil :	0.0 Mbbbl	Gas :	0.0 MMcf	Water :	0.0 Mbbbl

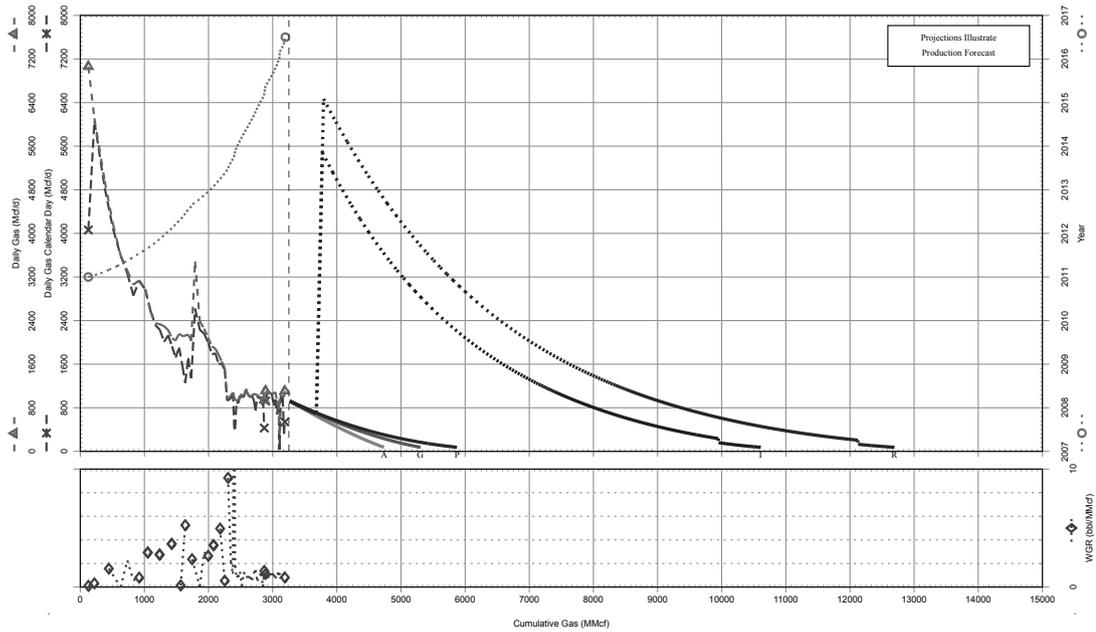
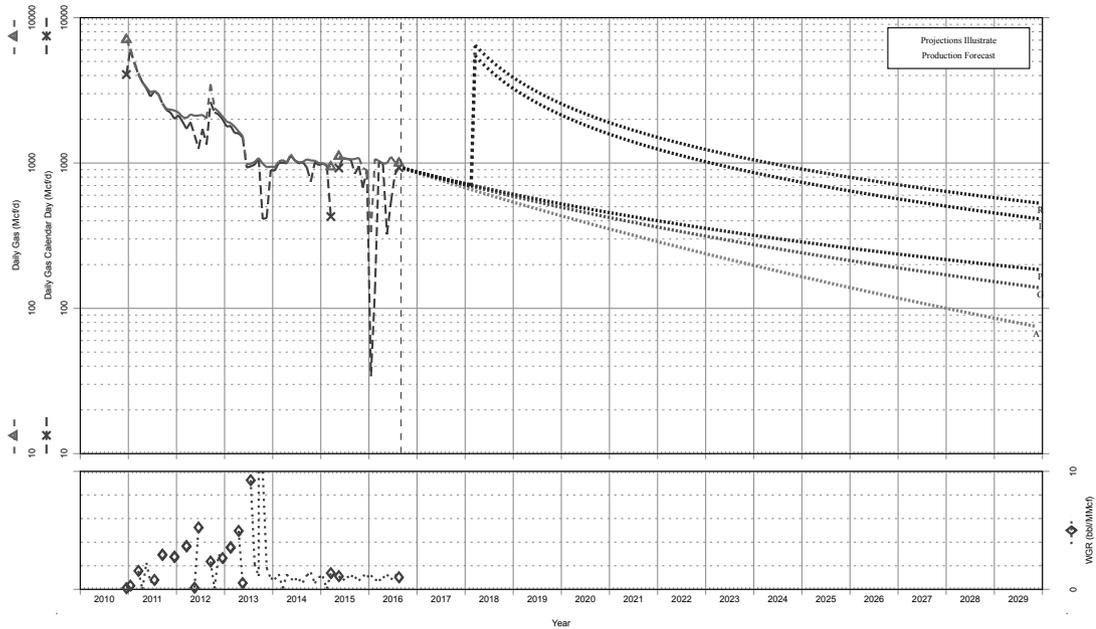




### Historical and Forecast Production Notikewin Reserves

Property : Basing  
Well Name : PERSTA HZ BASING 10-36-47-20

Regulatory Field : Basing  
Regulatory Pool : Viking A  
Operator : Persta Resources Inc.



**Total Reserves Summary At 2016/09/01**

Reserves Classification	Raw Gas ( MMcf )		
	Ultimate	Cum Production	Remaining
Pv Prd — A(R)	4737	3252	1485
P + P Prd — G(R)	5305	3252	2053
Total P + P — I(R)	10610	3252	7358
PPP Prd — P(R)	5873	3252	2621
Total PPP — R(R)	12694	3252	9442

**Average Production Rates (Last 12 months ending 2016/06/30)**

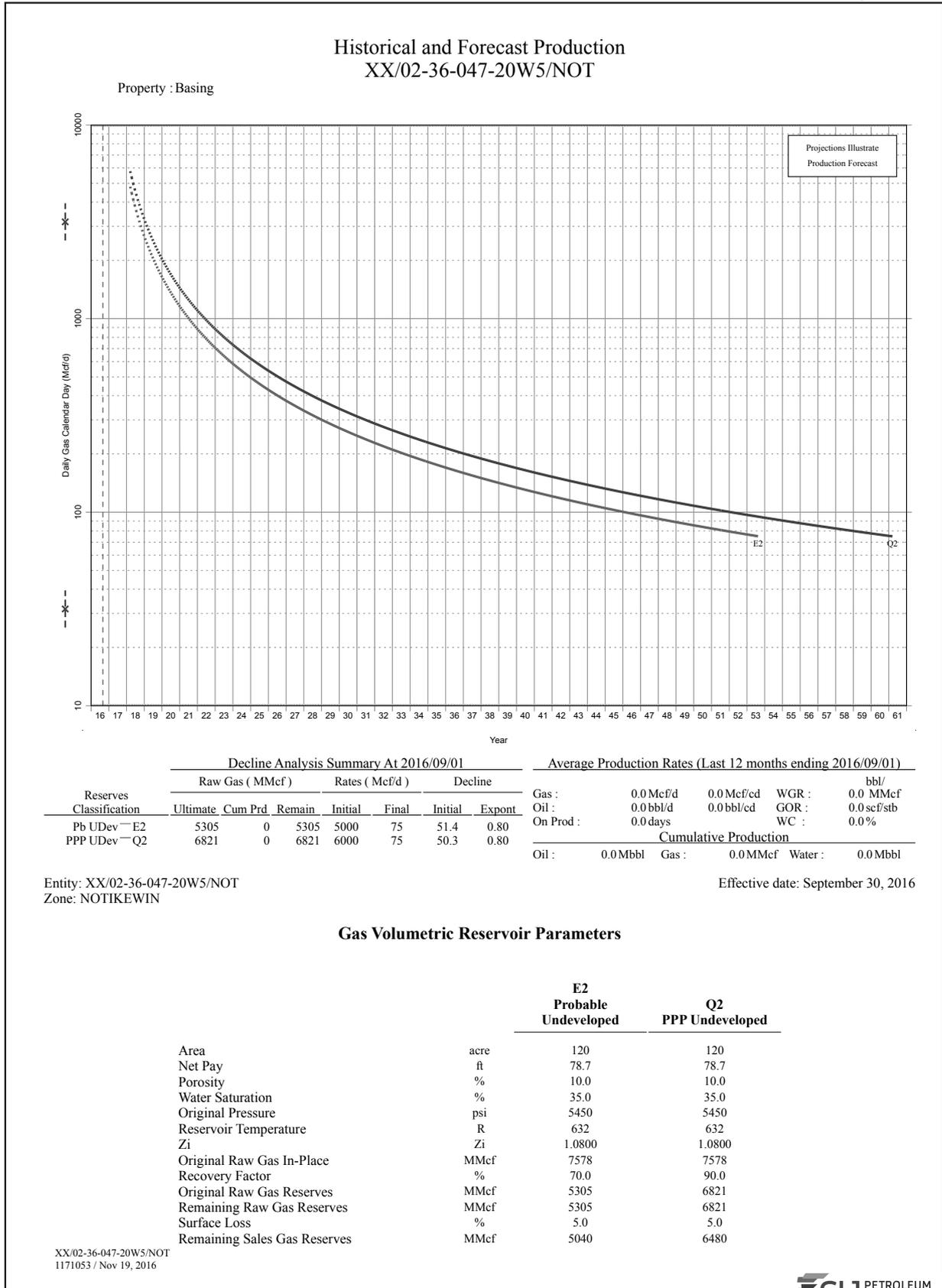
Gas :	968.8 Mcf/d	712.4 Mcf/cd	WGR :	1.0 bbl/MMcf
Oil :	0.0 bbl/d	0.0 bbl/cd	GOR :	0.0 scf/stb
On Prod :	257.5 days		WC :	100.0%

**Cumulative Production**

Oil :	0.0 Mbbl	Gas :	3197.2 MMcf	Water :	3.9 Mbbl
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Notikewin Reserves  
1171053 / Nov 19, 2016

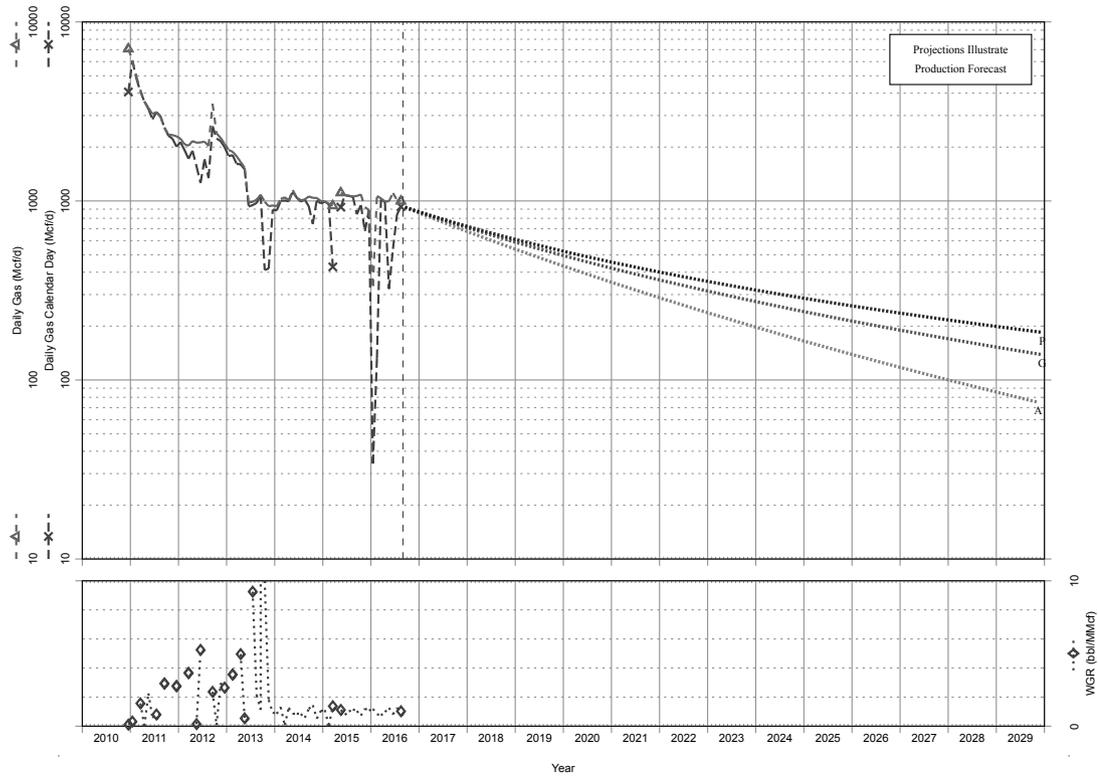




Historical and Forecast Production  
00/10-36-047-20W5/4

Property : Basing  
Well Name : PERSTA HZ BASING 10-36-47-20

Regulatory Field : Basing  
Regulatory Pool : Viking A  
Operator : Persta Resources Inc.



Reserves Classification	Decline Analysis Summary At 2016/09/01				Average Production Rates (Last 12 months ending 2016/08/31)			
	Ultimate	Cum Prd	Remain	Rates (Mcf/d)	Decline	Gas :	Oil :	Water :
Pv Prd - A	4737	3252	1485	930	75	21.5	0.20	1.0
P + P Prd - G	5305	3252	2053	930	75	18.6	0.40	0.0
PPP Prd - P	5873	3252	2621	930	75	17.6	0.60	100.0%

Entity: 00/10-36-047-20W5/4  
Zone: NOTIKEWIN

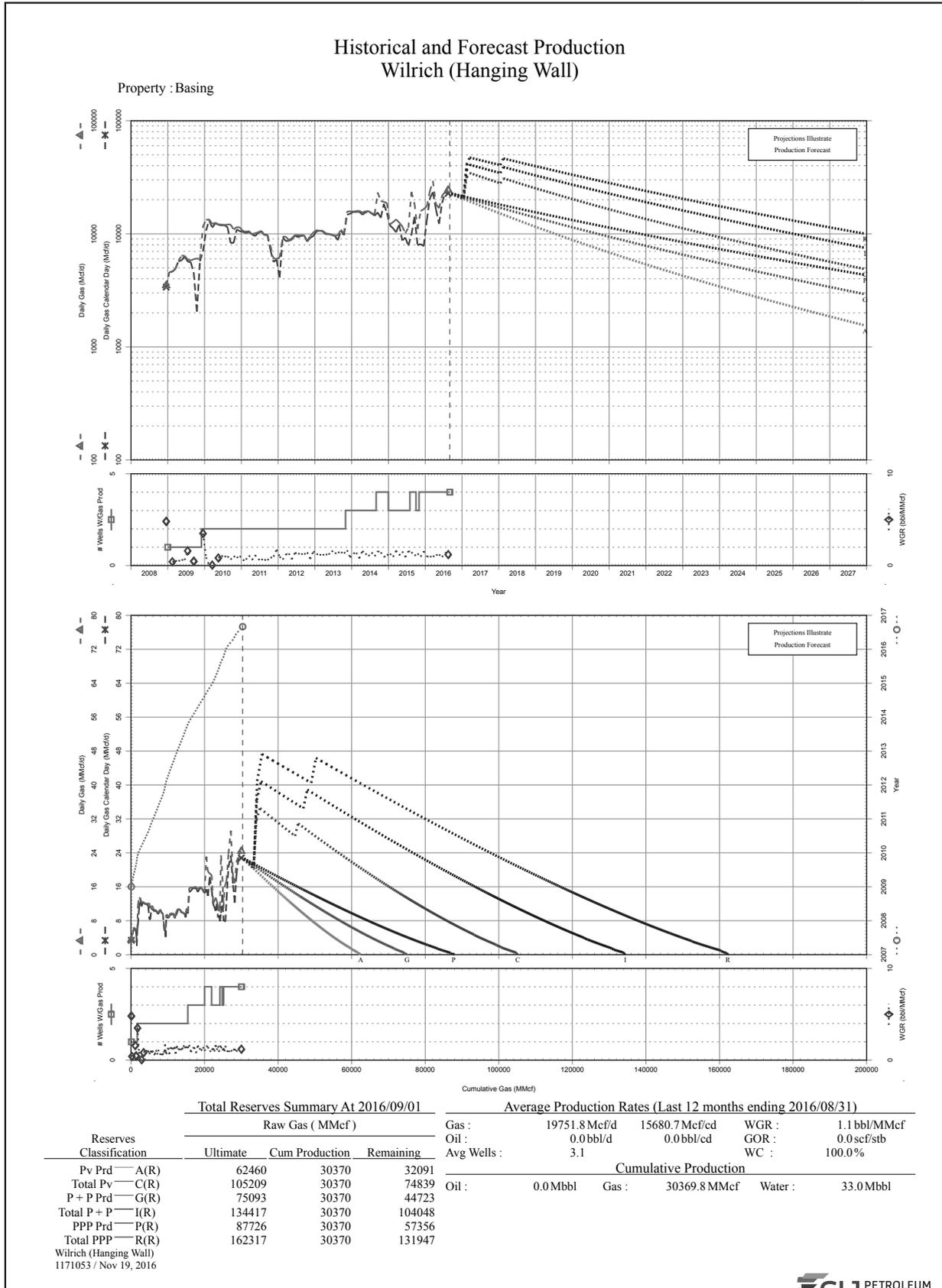
Effective date: September 30, 2016

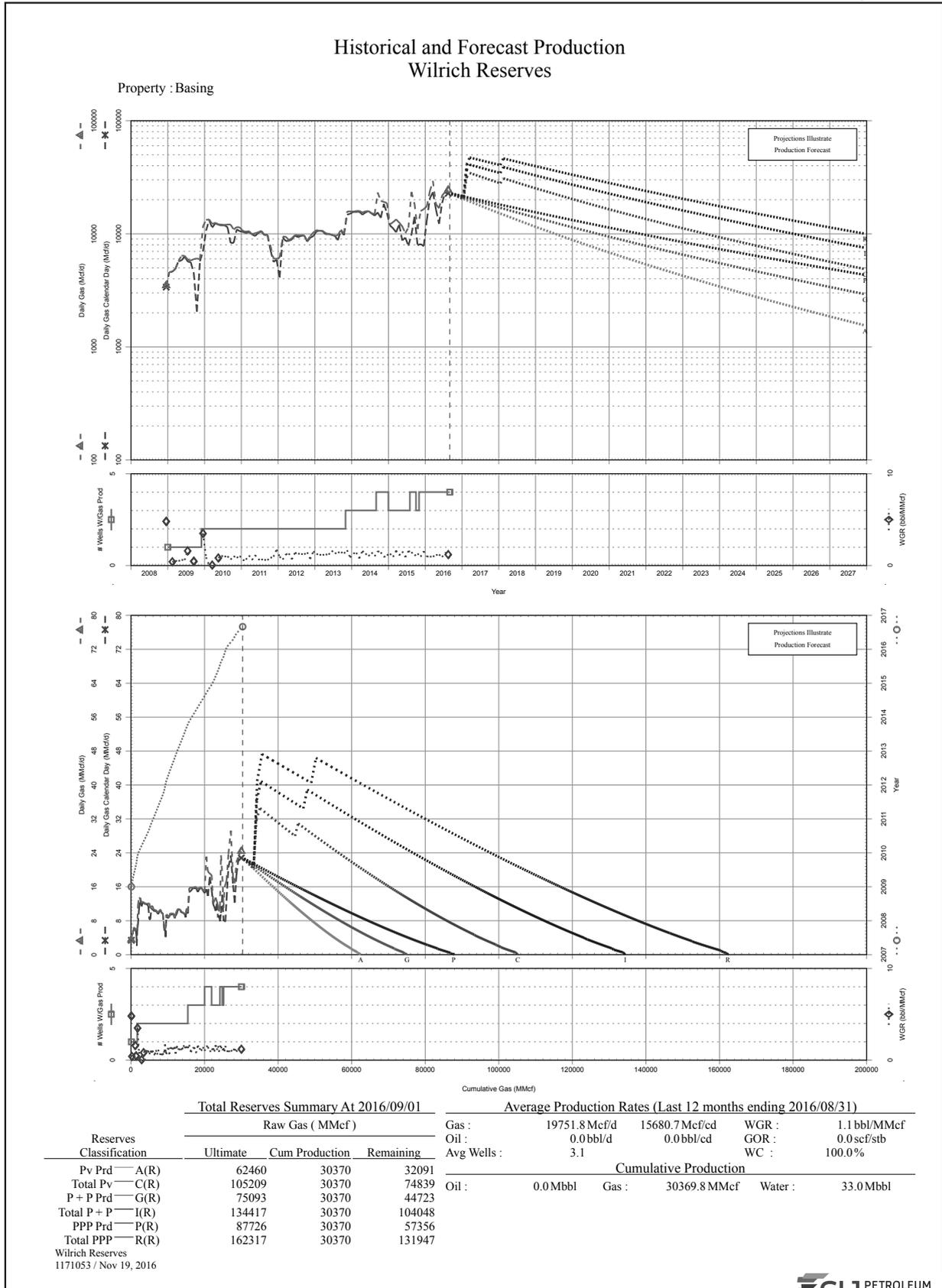
Gas Volumetric Reservoir Parameters

		A Proved Producing	G Proved Plus Probable Producing	P PPP Producing
Area	acre	120	120	120
Net Pay	ft	78.7	78.7	78.7
Porosity	%	10.0	10.0	10.0
Water Saturation	%	35.0	35.0	35.0
Original Pressure	psi	5450	5450	5450
Reservoir Temperature	R	632	632	632
Zi	Zi	1.0800	1.0800	1.0800
Original Raw Gas In-Place	MMcf	7578	7578	7578
Recovery Factor	%	62.5	70.0	77.5
Original Raw Gas Reserves	MMcf	4737	5305	5873
Cumulative Raw Gas Production	MMcf	3280	3280	3280
Remaining Raw Gas Reserves	MMcf	1457	2025	2594
Surface Loss	%	5.0	5.0	5.0
Remaining Sales Gas Reserves	MMcf	1384	1924	2464

00/10-36-047-20W5/4  
1171053 / Nov 19, 2016



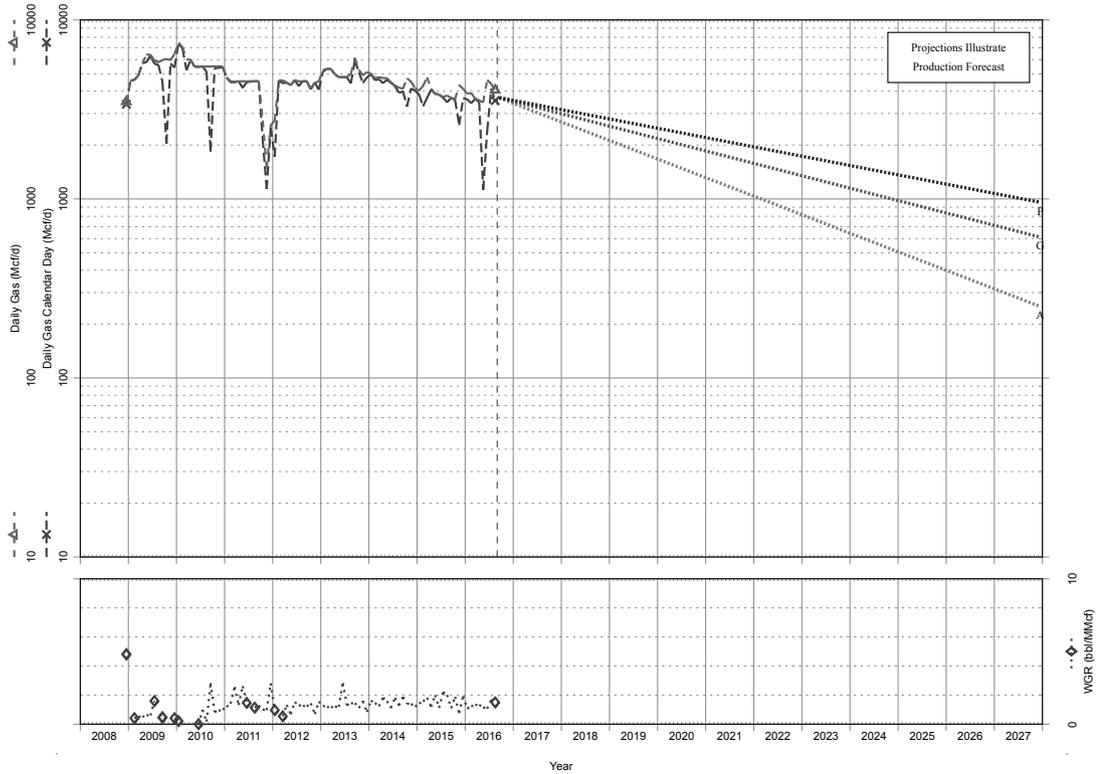




Historical and Forecast Production  
00/07-21-047-19W5/3

Property : Basing  
Well Name : PERSTA BASING 7-21-47-19

Regulatory Field : Basing  
Regulatory Pool : Lower Mannville A  
Operator : Persta Resources Inc.



Decline Analysis Summary At 2016/09/01

Average Production Rates (Last 12 months ending 2016/08/31)

Reserves Classification	Raw Gas ( MMcf )			Rates ( Mcf/d )		Decline		Average Production Rates (Last 12 months ending 2016/08/31)		
	Ultimate	Cum Prd	Remain	Initial	Final	Initial	Expont	Gas :	Oil :	On Prod :
Pv Prd - A	17890	12340	5550	3700	75	21.2	0.00	3935.9 Mcf/d	0.0 bbl/d	302.4 days
P + P Prd - G	20643	12340	8302	3700	75	14.7	0.00	3235.0 Mcf/cd	0.0 bbl/cd	
PPP Prd - P	23395	12340	11055	3700	75	11.3	0.00	WGR : 1.4 MMcf	GOR : 0.0 scf/stb	WC : 100.0%
								Cumulative Production		
								Oil :	Gas :	Water :
								0.0 Mbbl	12340.5 MMcf	13.8 Mbbl

Entity: 00/07-21-047-19W5/3  
Zone: WILRICH

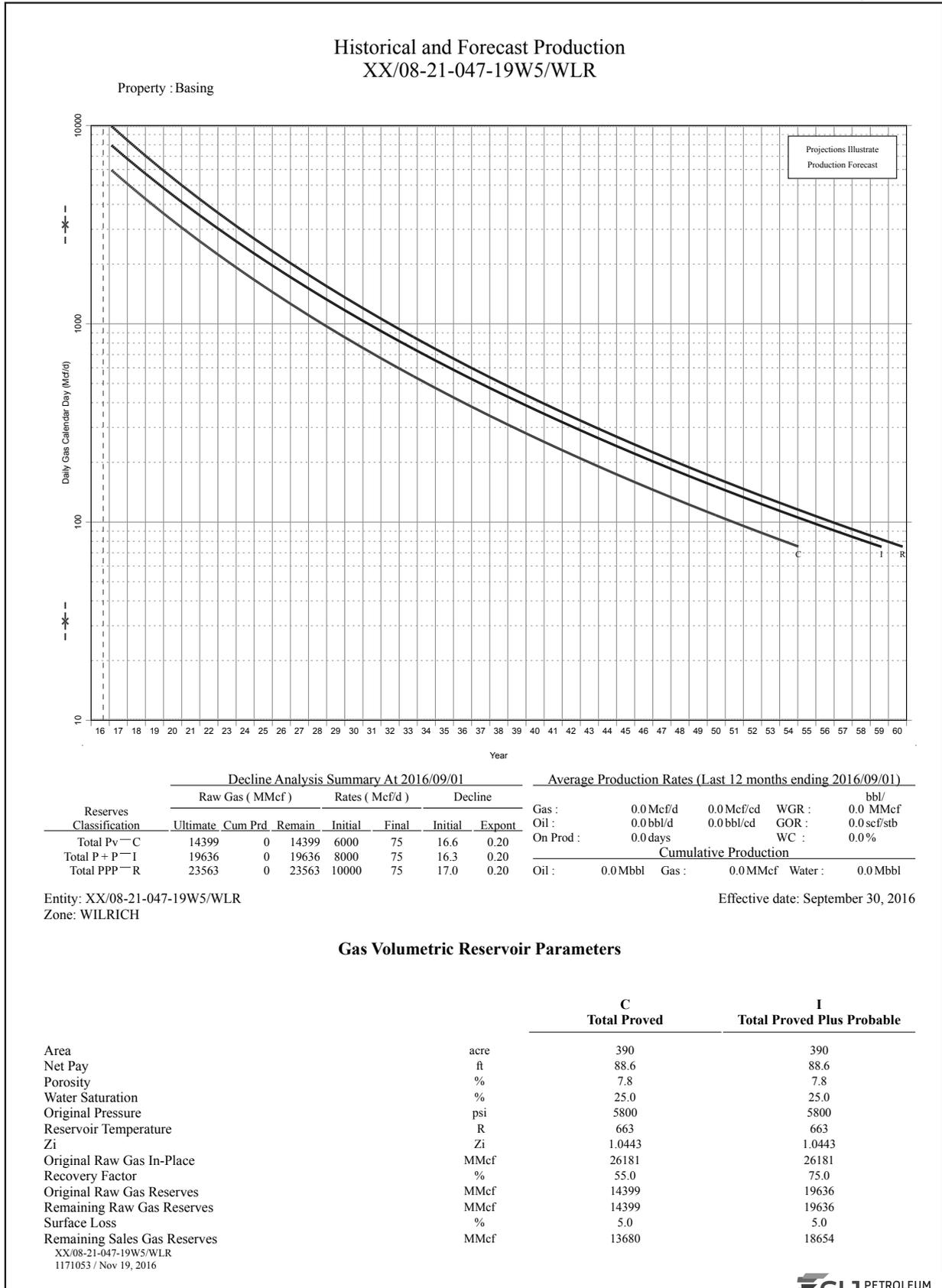
Effective date: September 30, 2016

Gas Volumetric Reservoir Parameters

		A Proved Producing	G Proved Plus Probable Producing	P PPP Producing
Area	acre	410	410	410
Net Pay	ft	88.6	88.6	88.6
Porosity	%	7.8	7.8	7.8
Water Saturation	%	25.0	25.0	25.0
Original Pressure	psi	5800	5800	5800
Reservoir Temperature	R	663	663	663
Zi	Zi	1.0443	1.0443	1.0443
Original Raw Gas In-Place	MMcf	27524	27524	27524
Recovery Factor	%	65.0	75.0	85.0
Original Raw Gas Reserves	MMcf	17890	20643	23395
Cumulative Raw Gas Production	MMcf	12450	12450	12450
Remaining Raw Gas Reserves	MMcf	5440	8192	10945
Surface Loss	%	5.0	5.0	5.0
Remaining Sales Gas Reserves	MMcf	5168	7783	10397

00/07-21-047-19W5/3  
1171053 / Nov 19, 2016

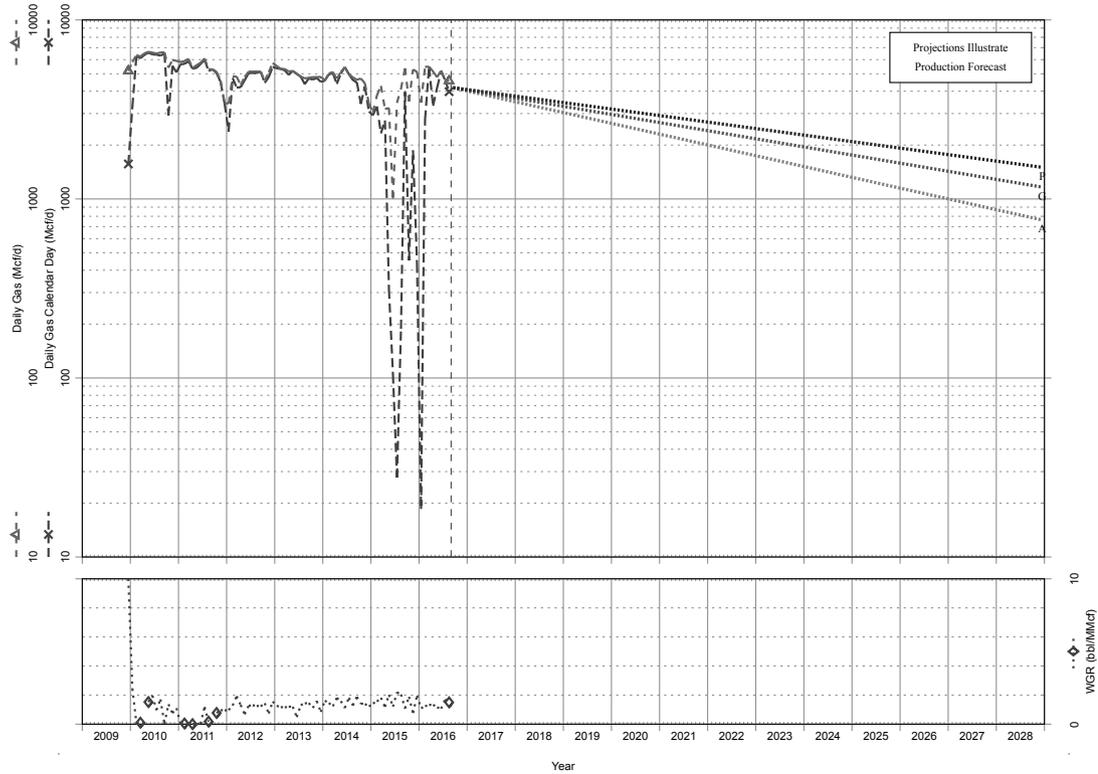




Historical and Forecast Production  
00/05-29-047-19W5/0

Property : Basing  
Well Name : PERSTA HZ BASING 5-29-47-19

Regulatory Field : Basing  
Regulatory Pool : Upper Mannville D  
Operator : Persta Resources Inc.



Decline Analysis Summary At 2016/09/01

Average Production Rates (Last 12 months ending 2016/08/31)

Reserves Classification	Raw Gas (MMcf)			Rates (Mcf/d)		Decline		Average Production Rates (Last 12 months ending 2016/08/31)		
	Ultimate	Cum Prd	Remain	Initial	Final	Initial	Exponent	Gas :	Oil :	On Prod :
Pv Prd - A	21451	10599	10852	4200	75	13.0	0.00	4836.0 Mcf/d	3010.0 Mcf/cd	218.9 days
P + P Prd - G	25026	10599	14427	4200	75	9.9	0.00	0.0 bbl/d	0.0 bbl/cd	
PPP Prd - P	28601	10599	18002	4200	75	8.0	0.00	WGR : 1.3 MMcf	GOR : 0.0 scf/stb	WC : 100.0%
								Cumulative Production		
								Oil :	Gas :	Water :
								0.0 Mbbl	10599.0 MMcf	11.9 Mbbl

Entity: 00/05-29-047-19W5/0  
Zone: WILRICH

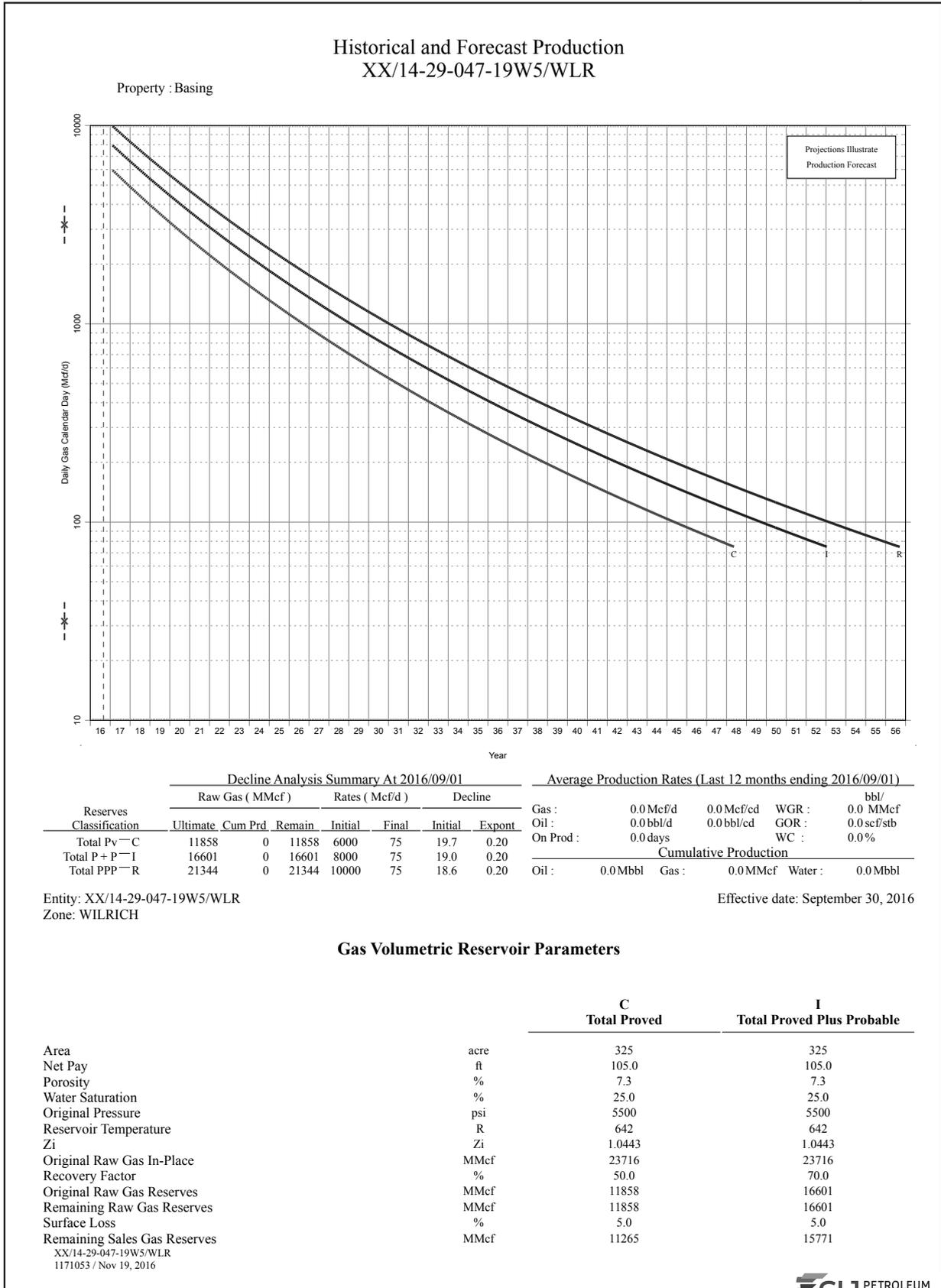
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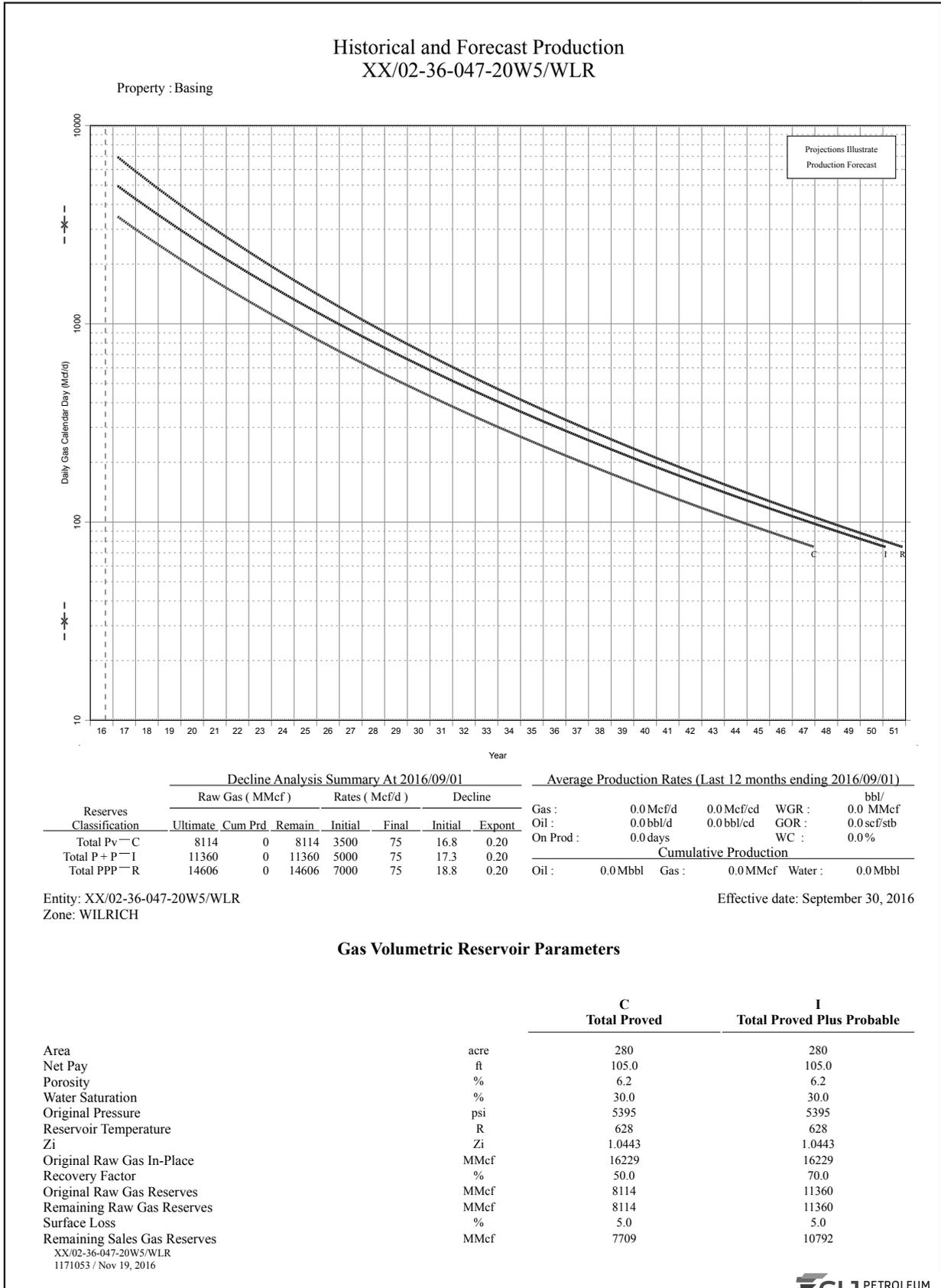
Gas Volumetric Reservoir Parameters

		A Proved Producing	G Proved Plus Probable Producing	P PPP Producing
Area	acre	475	475	475
Net Pay	ft	108.3	108.3	108.3
Porosity	%	7.3	7.3	7.3
Water Saturation	%	25.0	25.0	25.0
Original Pressure	psi	5500	5500	5500
Reservoir Temperature	R	642	642	642
Zi	Zi	1.0443	1.0443	1.0443
Original Raw Gas In-Place	MMcf	35751	35751	35751
Recovery Factor	%	60.0	70.0	80.0
Original Raw Gas Reserves	MMcf	21451	25026	28601
Cumulative Raw Gas Production	MMcf	10724	10724	10724
Remaining Raw Gas Reserves	MMcf	10726	14301	17877
Surface Loss	%	5.0	5.0	5.0
Remaining Sales Gas Reserves	MMcf	10190	13586	16983

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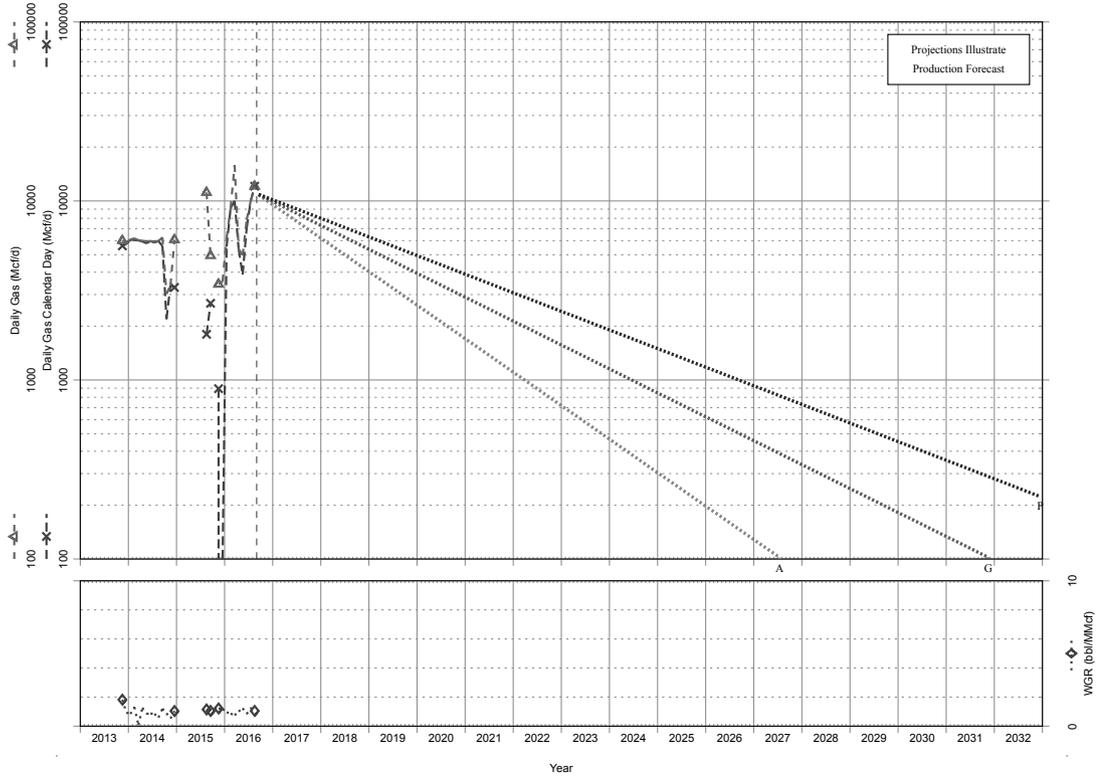




Historical and Forecast Production  
02/08-36-047-20W5/2

Property : Basing  
Well Name : PERSTA BASING 8-36-47-20

Regulatory Field : Basing  
Regulatory Pool : Upper Mannville L  
Operator : Persta Resources Inc.



Decline Analysis Summary At 2016/09/01

Average Production Rates (Last 12 months ending 2016/08/31)

Reserves Classification	Raw Gas ( MMcf )			Rates ( Mcf/d )		Decline		Gas : 7578.9 Mcf/d	5557.1 Mcf/cd	WGR : 1.0 MMcf/bbl	Oil : 0.0 bbl/d	0.0 bbl/cd	GOR : 0.0 scf/stb	On Prod : 244.3 days	WC : 100.0%
	Ultimate	Cum Prd	Remain	Initial	Final	Initial	Exponent								
Pv Prd - A	13585	4323	9263	11000	75	35.0	0.00	<p style="text-align: center;">Cumulative Production</p> Oil : 0.0 Mbbl    Gas : 4322.6 MMcf    Water : 4.2 Mbbl							
P + P Prd - G	17291	4323	12968	11000	75	26.5	0.00								
PPP Prd - P	20996	4323	16673	11000	75	21.3	0.00								

Entity: 02/08-36-047-20W5/2  
Zone: WILRICH

Effective date: September 30, 2016

Gas Volumetric Reservoir Parameters

		A Proved Producing	G Proved Plus Probable Producing	P PPP Producing
Area	acre	440	440	440
Net Pay	ft	101.7	101.7	101.7
Porosity	%	6.2	6.2	6.2
Water Saturation	%	30.0	30.0	30.0
Original Pressure	psi	5395	5395	5395
Reservoir Temperature	R	628	628	628
Zi	Zi	1.0443	1.0443	1.0443
Original Raw Gas In-Place	MMcf	24701	24701	24701
Recovery Factor	%	55.0	70.0	85.0
Original Raw Gas Reserves	MMcf	13585	17291	20996
Cumulative Raw Gas Production	MMcf	4647	4647	4647
Remaining Raw Gas Reserves	MMcf	8939	12644	16349
Surface Loss	%	5.0	5.0	5.0
Remaining Sales Gas Reserves	MMcf	8492	12012	15531

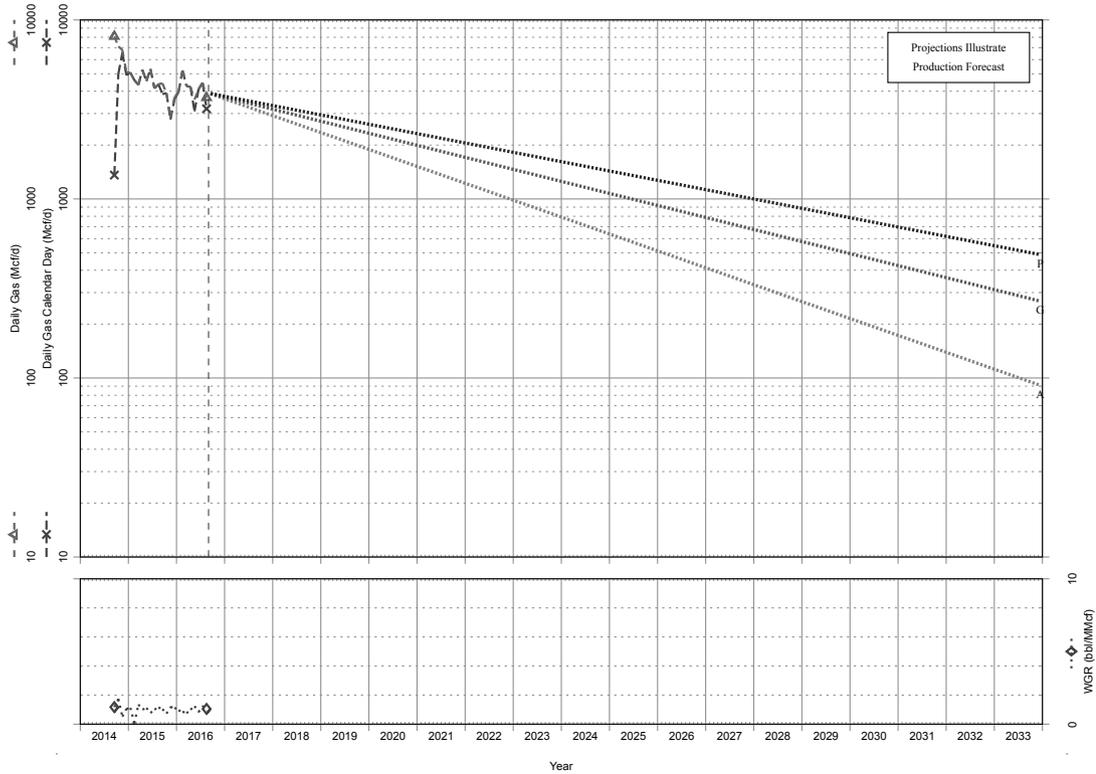
02/08-36-047-20W5/2  
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Historical and Forecast Production  
03/05-02-048-20W5/2

Property : Basing  
Well Name : PERSTA BASING 5-2-48-20

Regulatory Field : Basing  
Regulatory Pool : Upper Mannville K  
Operator : Persta Resources Inc.



Decline Analysis Summary At 2016/09/01

Average Production Rates (Last 12 months ending 2016/08/31)

Reserves Classification	Raw Gas ( MMcf )				Rates ( Mcf/d )				Decline				
	Ultimate	Cum Prd	Remain	Initial	Final	Initial	Exponent	Gas :	Oil :	On Prod :	WGR :	GOR :	WC :
Pv Prd - A	9534	3108	6426	3900	75	19.5	0.00	4032.6 Mcf/d	3878.6 Mcf/cd	0.0 bbl/d	1.0 MMcf	0.0 bbl/cd	100.0%
P + P Prd - G	12134	3108	9027	3900	75	14.3	0.00	0.0 bbl/d	0.0 bbl/cd	351.7 days	0.0 scf/stb		
PPP Prd - P	14734	3108	11627	3900	75	11.3	0.00	0.0 Mbbl	3107.7 MMcf		3.1 Mbbl		

Entity: 03/05-02-048-20W5/2  
Zone: WILRICH

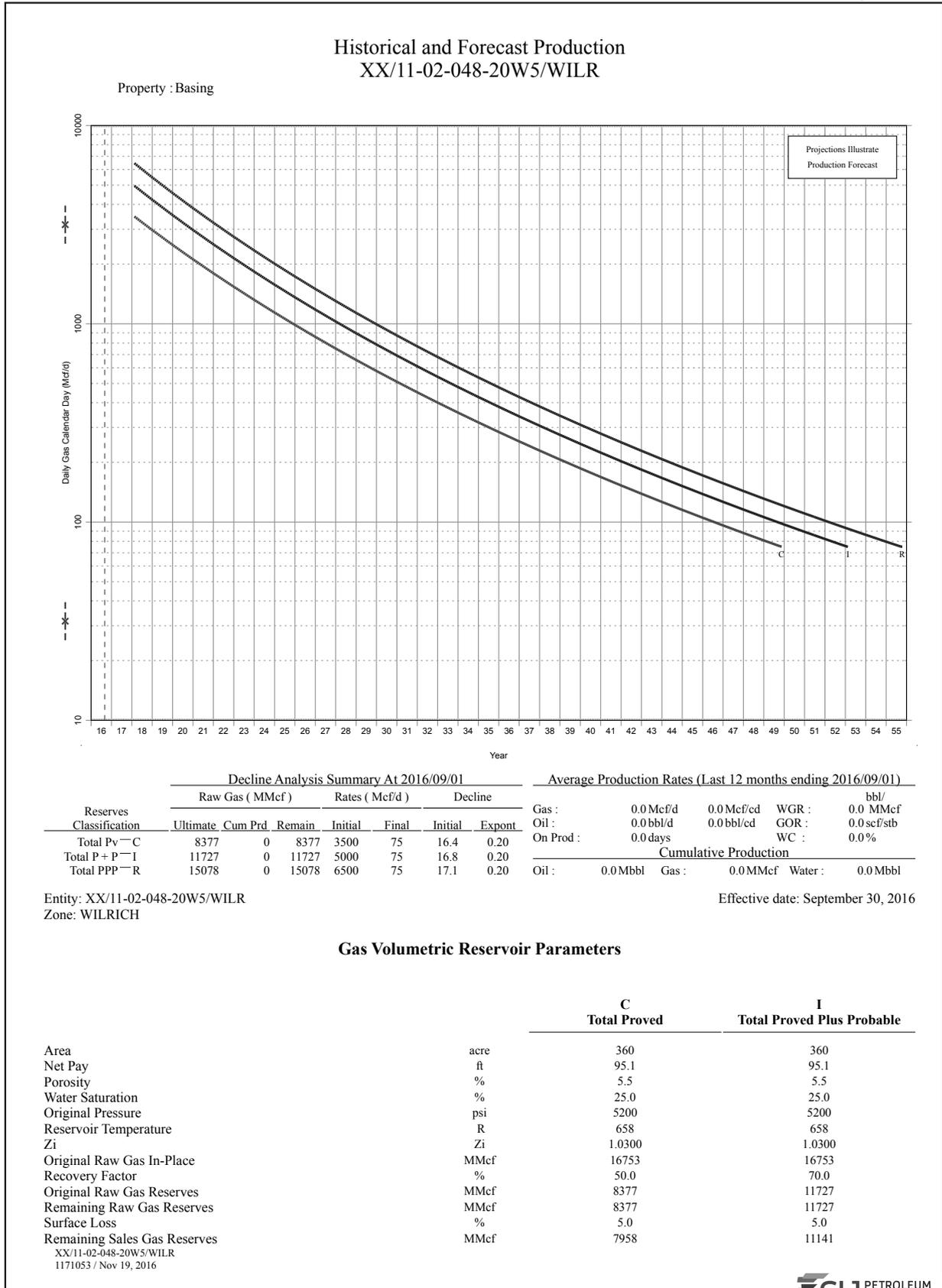
Effective date: September 30, 2016

Gas Volumetric Reservoir Parameters

		A Proved Producing	G Proved Plus Probable Producing	P PPP Producing
Area	acre	360	360	360
Net Pay	ft	98.4	98.4	98.4
Porosity	%	5.5	5.5	5.5
Water Saturation	%	25.0	25.0	25.0
Original Pressure	psi	5200	5200	5200
Reservoir Temperature	R	658	658	658
Zi	Zi	1.0300	1.0300	1.0300
Original Raw Gas In-Place	MMcf	17335	17335	17335
Recovery Factor	%	55.0	70.0	85.0
Original Raw Gas Reserves	MMcf	9534	12134	14734
Cumulative Raw Gas Production	MMcf	3224	3224	3224
Remaining Raw Gas Reserves	MMcf	6310	8911	11511
Surface Loss	%	5.0	5.0	5.0
Remaining Sales Gas Reserves	MMcf	5995	8465	10935

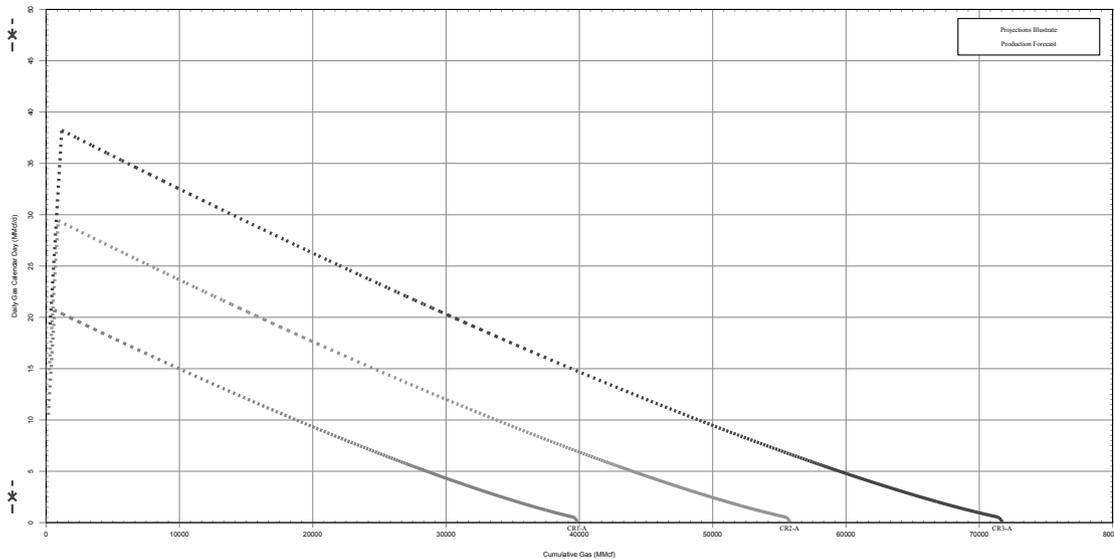
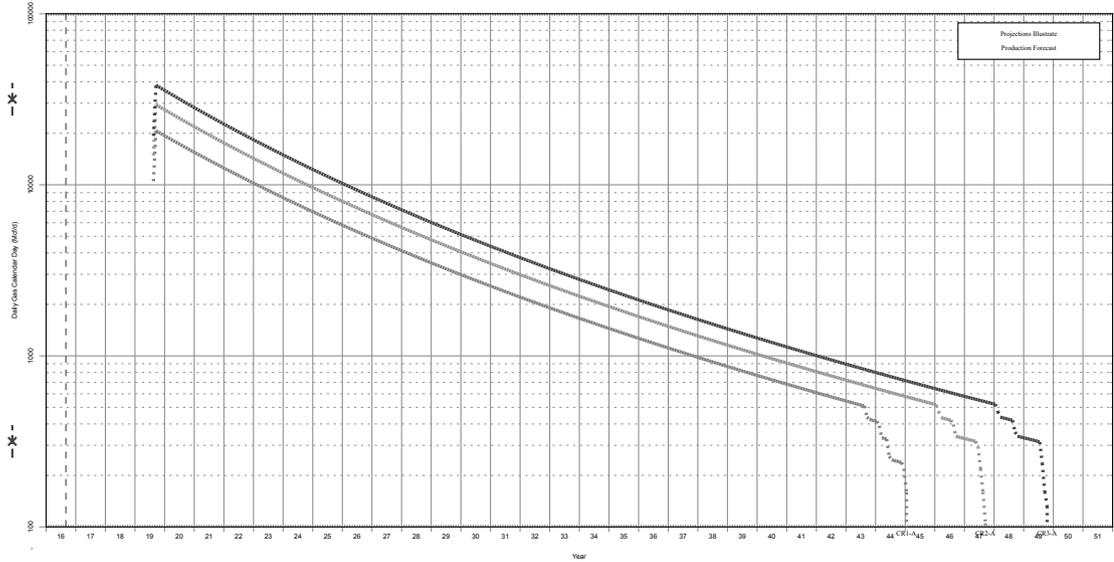
03/05-02-048-20W5/2  
1171053 / Nov 19, 2016





Historical and Forecast Production  
Wilrich Resources

Property : Basing



Total Resources Summary At 2016/09/01

Average Production Rates (Last 12 months ending 2016/09/01)

Resources Classification	Raw Gas ( MMcf )			Average Production Rates (Last 12 months ending 2016/09/01)											
	Ultimate	Cum Production	Remaining	Gas :	Oil :	On Prod :	0.0 Mcf/d	0.0 bbl/d	0.0 days	0.0 Mcf/cd	0.0 bbl/cd	WGR :	GOR :	WC :	
Low Estimate Contingent Resources - Development Pending	CR1-A(R)	39844	0	39844	0.0 Mcf/d	0.0 bbl/d	0.0 days	0.0 Mcf/cd	0.0 bbl/cd	0.0 days	0.0 Mcf/cd	0.0 bbl/cd	0.0%	0.0%	
Best Estimate Contingent Resources - Development Pending	CR2-A(R)	55782	0	55782											
High Estimate Contingent Resources - Development Pending	CR3-A(R)	71719	0	71719											
Wilrich Resources 1171053 / Nov 19, 2016															

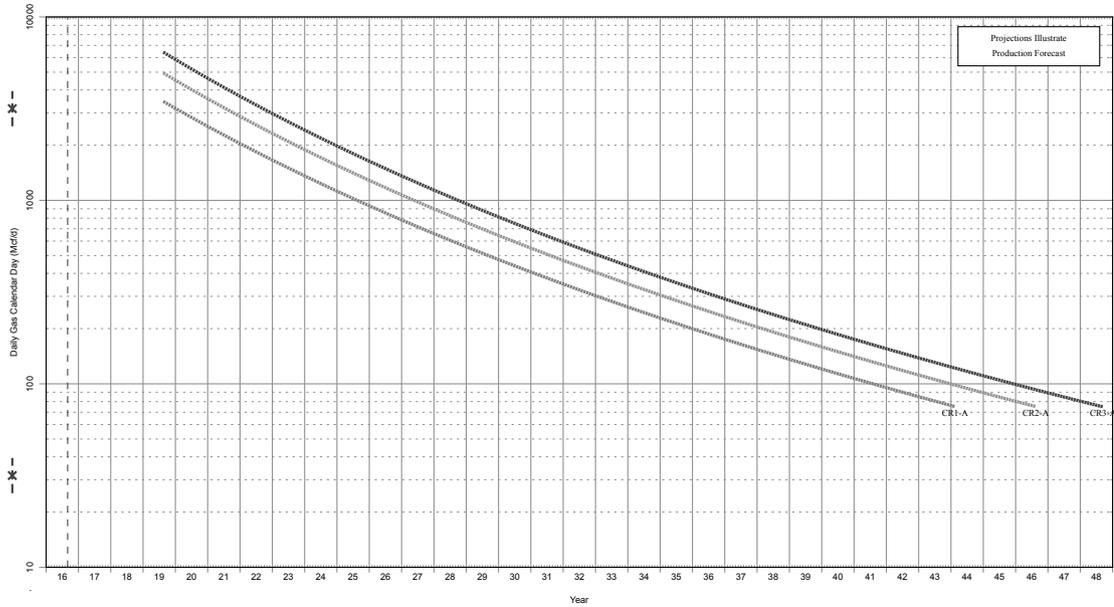
Cumulative Production

Oil :	0.0 Mbbbl	Gas :	0.0 MMcf	Water :	0.0 Mbbbl
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Historical and Forecast Production  
XX/XX-32-047-19W5/WILR

Property : Basing



Resource Classification	Decline Analysis Summary At 2016/09/01			Average Production Rates (Last 12 months ending 2016/09/01)			
	Raw Gas ( MMcf )	Rates ( Mcf/d )	Decline	Gas :	Oil :	On Prod :	Water :
Low Estimate Contingent Resources - Development Pending CR1-A	6472	0	6472	3500	75	20.5	0.20
Best Estimate Contingent Resources - Development Pending CR2-A	9061	0	9061	5000	75	21.1	0.20
High Estimate Contingent Resources - Development Pending CR3-A	11650	0	11650	6500	75	21.5	0.20

Cumulative Production			
Oil :	0.0Mbbbl	Gas :	0.0MMcf
Water :	0.0Mbbbl	WGR :	0.0 MMcf
		GOR :	0.0 scf/stb
		WC :	0.0%

Entity: XX/XX-32-047-19W5/WILR  
Zone: WILRICH

Effective date: September 30, 2016

Gas Volumetric Reservoir Parameters

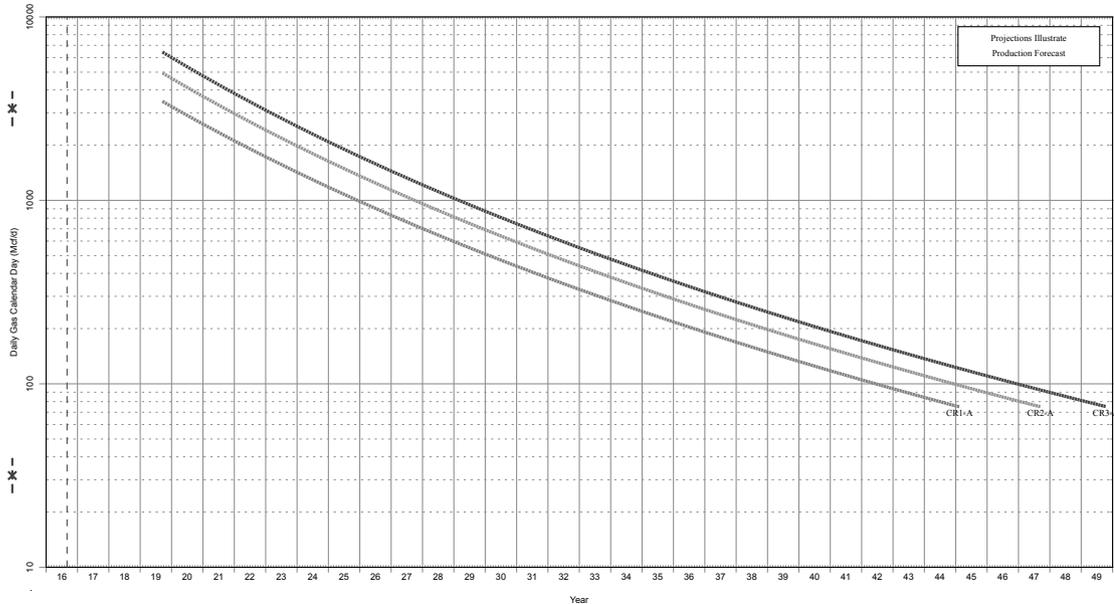
	CR1-A Low Estimate Contingent Resources - Development Pending	CR2-A Best Estimate Contingent Resources - Development Pending	CR3-A High Estimate Contingent Resources - Development Pending
Area	acre	320	320
Net Pay	ft	84.6	84.6
Porosity	%	6.0	6.0
Water Saturation	%	35.0	35.0
Original Pressure	psi	5300	5300
Reservoir Temperature	R	640	640
Zi	Zi	1.0443	1.0443
Original Raw Gas In-Place	MMcf	12945	12945
Recovery Factor	%	50.0	70.0
Original Raw Gas Resources	MMcf	6472	9061
Remaining Raw Gas Resources	MMcf	6472	9061
Surface Loss	%	5.0	5.0
Remaining Sales Gas Resources	MMcf	6149	8608

XX/XX-32-047-19W5/WILR  
1171053 / Nov 19, 2016



Historical and Forecast Production  
XX/XX-06-048-19W5/WILR

Property : Basing



Resource Classification	Decline Analysis Summary At 2016/09/01				Average Production Rates (Last 12 months ending 2016/09/01)			
	Raw Gas ( MMcf )		Rates ( Mcf/d )		Decline			
	Ultimate	Cum Prd	Remain	Initial	Final	Initial	Expont	
Low Estimate Contingent Resources - Development Pending CR1-A	6702	0	6702	3500	75	19.9	0.20	Gas : 0.0 Mcf/d Oil : 0.0 bbl/d On Prod : 0.0 days
Best Estimate Contingent Resources - Development Pending CR2-A	9383	0	9383	5000	75	20.5	0.20	0.0 Mcf/cd WGR : 0.0 MMcf 0.0 bbl/cd GOR : 0.0 scf/stb WC : 0.0%
High Estimate Contingent Resources - Development Pending CR3-A	12063	0	12063	6500	75	20.8	0.20	Cumulative Production Oil : 0.0 Mbbl Gas : 0.0 MMcf Water : 0.0 Mbbl

Entity: XX/XX-06-048-19W5/WILR  
Zone: WILRICH

Effective date: September 30, 2016

Gas Volumetric Reservoir Parameters

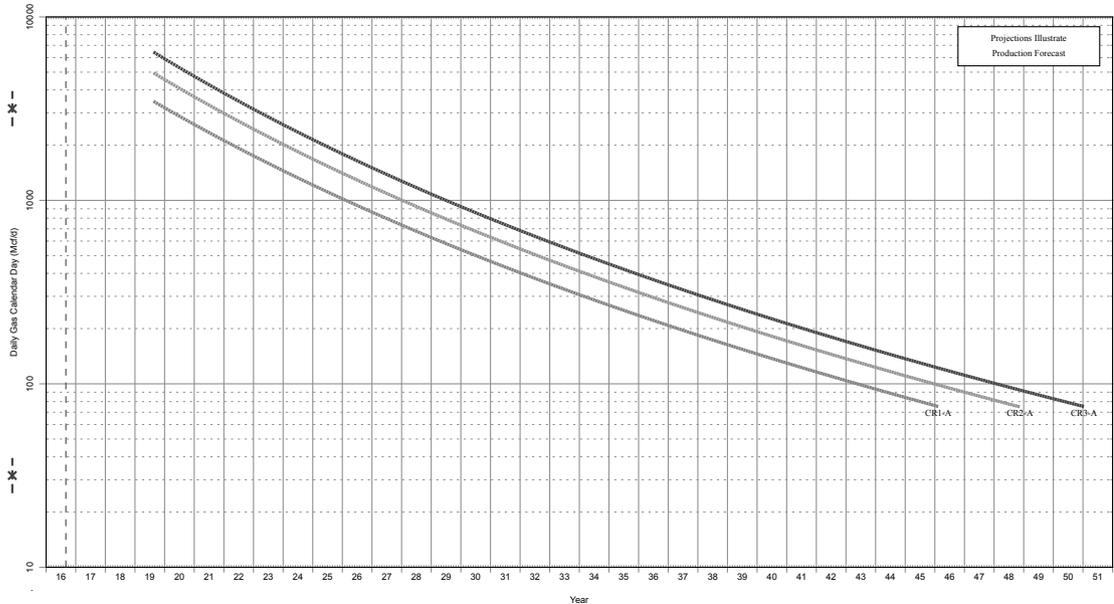
	CR1-A Low Estimate Contingent Resources - Development Pending	CR2-A Best Estimate Contingent Resources - Development Pending	CR3-A High Estimate Contingent Resources - Development Pending	
Area	acre	320	320	320
Net Pay	ft	87.6	87.6	87.6
Porosity	%	6.0	6.0	6.0
Water Saturation	%	35.0	35.0	35.0
Original Pressure	psi	5300	5300	5300
Reservoir Temperature	R	640	640	640
Zi	Zi	1.0443	1.0443	1.0443
Original Raw Gas In-Place	MMcf	13404	13404	13404
Recovery Factor	%	50.0	70.0	90.0
Original Raw Gas Resources	MMcf	6702	9383	12063
Remaining Raw Gas Resources	MMcf	6702	9383	12063
Surface Loss	%	5.0	5.0	5.0
Remaining Sales Gas Resources	MMcf	6367	8914	11460

XX/XX-06-048-19W5/WILR  
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Historical and Forecast Production  
XX/XX-01-048-20W5/WILR

Property : Basing



Resource Classification	Decline Analysis Summary At 2016/09/01			Average Production Rates (Last 12 months ending 2016/09/01)			
	Raw Gas ( MMcf )	Rates ( Mcf/d )	Decline	Gas :	Oil :	On Prod :	Water :
Low Estimate Contingent Resources - Development Pending CR1-A	7000	0	7000	3500	75	19.2	0.20
Best Estimate Contingent Resources - Development Pending CR2-A	9800	0	9800	5000	75	19.7	0.20
High Estimate Contingent Resources - Development Pending CR3-A	12600	0	12600	6500	75	20.0	0.20

Cumulative Production			
Oil :	0.0 Mmbl	Gas :	0.0 MMcf
Water :	0.0 Mmbl	WGR :	0.0 bbl/MMcf
		GOR :	0.0 scf/stb
		WC :	0.0%

Entity: XX/XX-01-048-20W5/WILR  
Zone: WILRICH

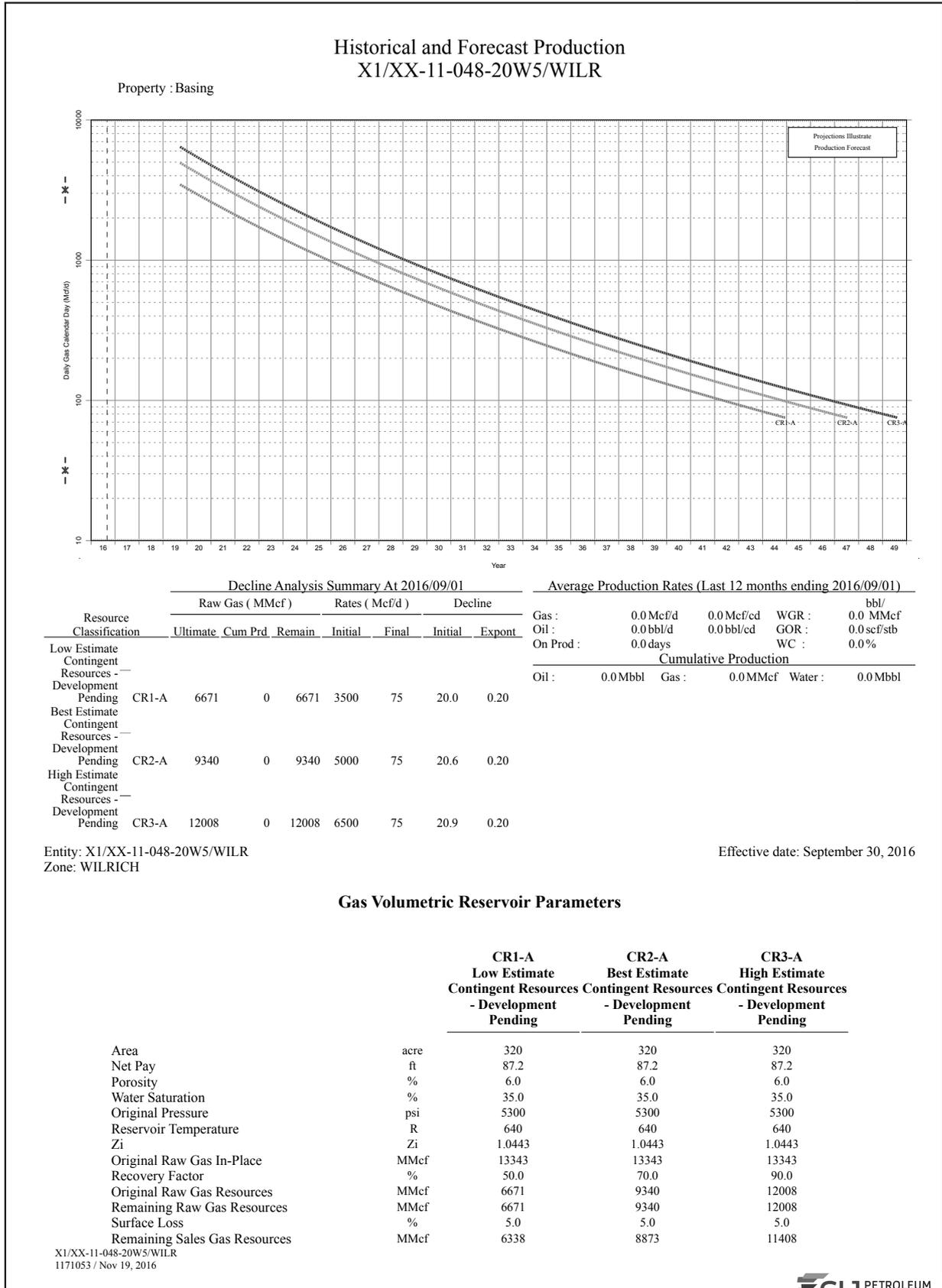
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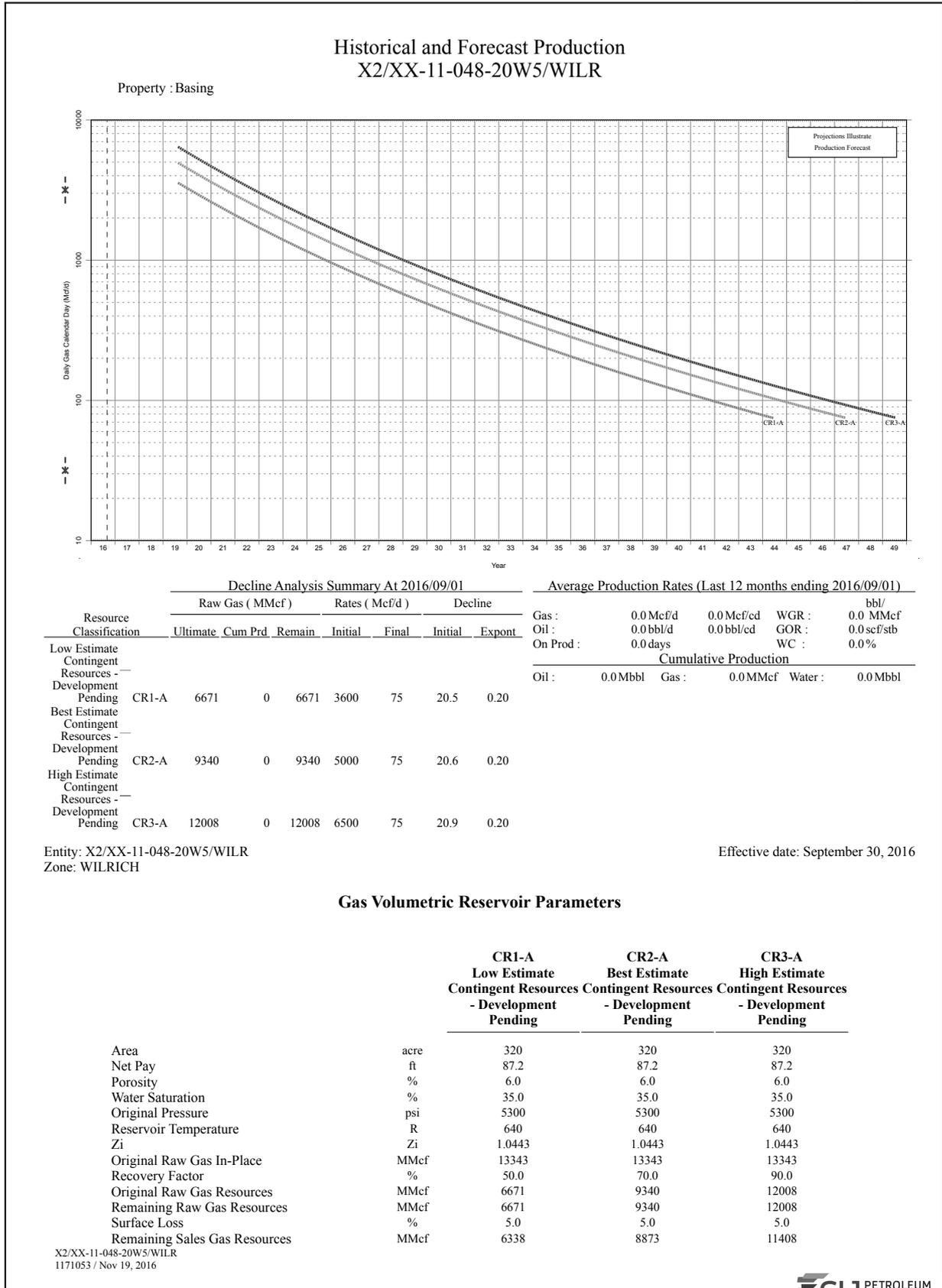
Gas Volumetric Reservoir Parameters

	CR1-A Low Estimate Contingent Resources - Development Pending	CR2-A Best Estimate Contingent Resources - Development Pending	CR3-A High Estimate Contingent Resources - Development Pending
Area	acre	320	320
Net Pay	ft	88.2	88.2
Porosity	%	6.0	6.0
Water Saturation	%	35.0	35.0
Original Pressure	psi	5395	5395
Reservoir Temperature	R	628	628
Zi	Zi	1.0443	1.0443
Original Raw Gas In-Place	MMcf	14000	14000
Recovery Factor	%	50.0	70.0
Original Raw Gas Resources	MMcf	7000	9800
Remaining Raw Gas Resources	MMcf	7000	9800
Surface Loss	%	5.0	5.0
Remaining Sales Gas Resources	MMcf	6650	9310

XX/XX-01-048-20W5/WILR  
1171053 / Nov 19, 2016

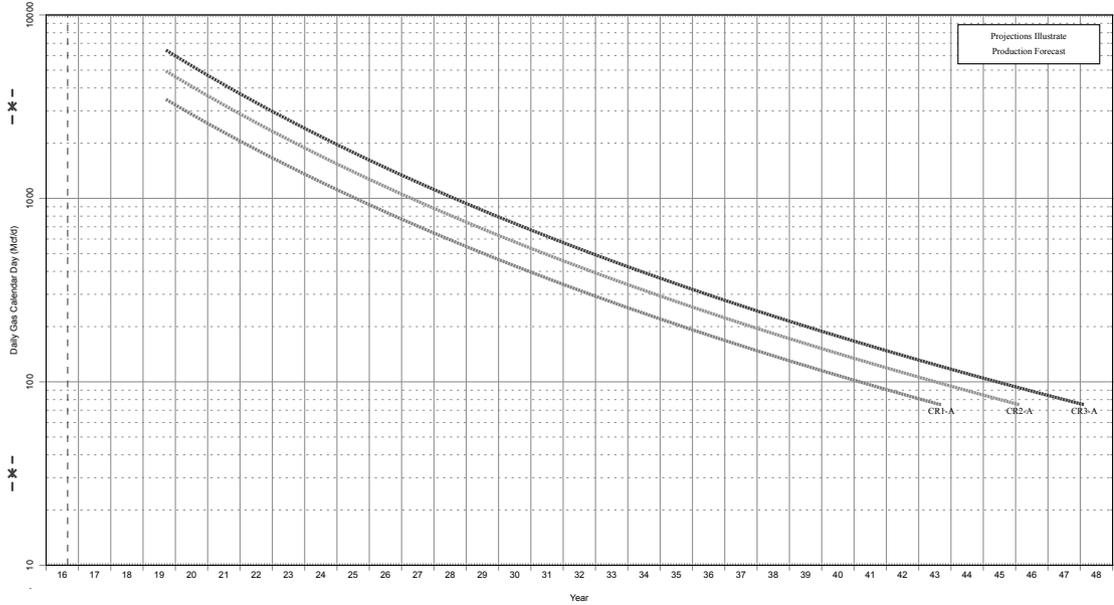






Historical and Forecast Production  
XX/XX-12-048-20W5/WILR

Property : Basing



Resource Classification	Decline Analysis Summary At 2016/09/01				Average Production Rates (Last 12 months ending 2016/09/01)			
	Raw Gas ( MMcf )		Rates ( Mcf/d )		Decline			
	Ultimate	Cum Prd	Remain	Initial	Final	Initial	Expont	
Low Estimate Contingent Resources - Development Pending	CR1-A	6327	0	6327	3500	75	21.0	0.20
Best Estimate Contingent Resources - Development Pending	CR2-A	8858	0	8858	5000	75	21.5	0.20
High Estimate Contingent Resources - Development Pending	CR3-A	11389	0	11389	6500	75	21.9	0.20

Cumulative Production			
Oil :	0.0Mbbbl	Gas :	0.0MMcf
Water :	0.0Mbbbl	WGR :	0.0 bbl/MMcf
		GOR :	0.0 scf/stb
		WC :	0.0%

Entity: XX/XX-12-048-20W5/WILR  
Zone: WILRICH

Effective date: September 30, 2016

Gas Volumetric Reservoir Parameters

	CR1-A Low Estimate Contingent Resources - Development Pending	CR2-A Best Estimate Contingent Resources - Development Pending	CR3-A High Estimate Contingent Resources - Development Pending
Area	acre	320	320
Net Pay	ft	82.7	82.7
Porosity	%	6.0	6.0
Water Saturation	%	35.0	35.0
Original Pressure	psi	5300	5300
Reservoir Temperature	R	640	640
Zi	Zi	1.0443	1.0443
Original Raw Gas In-Place	MMcf	12654	12654
Recovery Factor	%	50.0	70.0
Original Raw Gas Resources	MMcf	6327	8858
Remaining Raw Gas Resources	MMcf	6327	8858
Surface Loss	%	5.0	5.0
Remaining Sales Gas Resources	MMcf	6011	8415

XX/XX-12-048-20W5/WILR  
1171053 / Nov 19, 2016



**PERSTA RESOURCES INC.  
DAWSON (PROSPECTIVE RESOURCES)**

**Effective September 30, 2016**

Prepared by  
Nelda Radford, P. Geoph.  
T. Mark Jobin, P. Geol.  
John N. Cowie, P. Eng.

*The analysis of this property as reported herein was conducted within the context of an evaluation of a distinct group of properties in aggregate. Extraction and use of this analysis outside this context may not be appropriate without supplementary due diligence.*

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Company: **Persta Resources Inc.**  
 Property: **Dawson (Prospective Resources)**  
 Description: **Dawson Prospective Resources**

Resource Class: **Various**  
 Development Class: **Classifications**  
 Pricing: **GLJ (2016-10)**  
 Effective Date: **September 30, 2016**

**Summary of Risked Resources**

	<b>Low Estimate Prospective Resources - Prospect</b>	<b>Best Estimate Prospective Resources - Prospect</b>	<b>High Estimate Prospective Resources - Prospect</b>
Chance of Development	37	37	37
Chance of Discovery	38	38	38
<b>MARKETABLE RESOURCES</b>			
<b><u>Light &amp; Medium Oil (Mdbl)</u></b>			
Gross Lease	63	211	527
Total Company Interest	63	211	527
Net After Royalty	55	163	358
<b><u>Oil Equivalent (Mboe)</u></b>			
Gross Lease	63	211	527
Total Company Interest	63	211	527
Net After Royalty	55	163	358

**BOE Factors:** HVY OIL 1.0 RES GAS 6.0 PROPANE 1.0 ETHANE 1.0  
 COND 1.0 SLN GAS 6.0 BUTANE 1.0 SULPHUR 0.0

Run Date: November 20, 2016 12:37:03

1171053 Class (PR1-A,PR2-A,PR3-A), GLJ (2016-10), psum

November 21, 2016 15:45:46



Company: Persta Resources Inc.  
 Property: Dawson (Prospective Resources)  
 Description: Dawson Prospective Resources

Resource Class: Various  
 Development Class: Classifications  
 Pricing: GLJ (2016-10)  
 Effective Date: September 30, 2016

**Summary of Unrisked Resources**

	Low Estimate Prospective Resources -	Best Estimate Prospective Resources -	High Estimate Prospective Resources -
	Prospect	Prospect	Prospect
<b>MARKETABLE RESOURCES</b>			
<b><u>Light &amp; Medium Oil (Mbbbl)</u></b>			
Gross Lease	450	1,498	3,746
Total Company Interest	450	1,498	3,746
Net After Royalty	390	1,162	2,549
<b><u>Oil Equivalent (Mboe)</u></b>			
Gross Lease	450	1,498	3,746
Total Company Interest	450	1,498	3,746
Net After Royalty	390	1,162	2,549

BOE Factors: HVY OIL 1.0 RES GAS 6.0 PROPANE 1.0 ETHANE 1.0  
 COND 1.0 SLN GAS 6.0 BUTANE 1.0 SULPHUR 0.0

Run Date: November 20, 2016 12:37:03

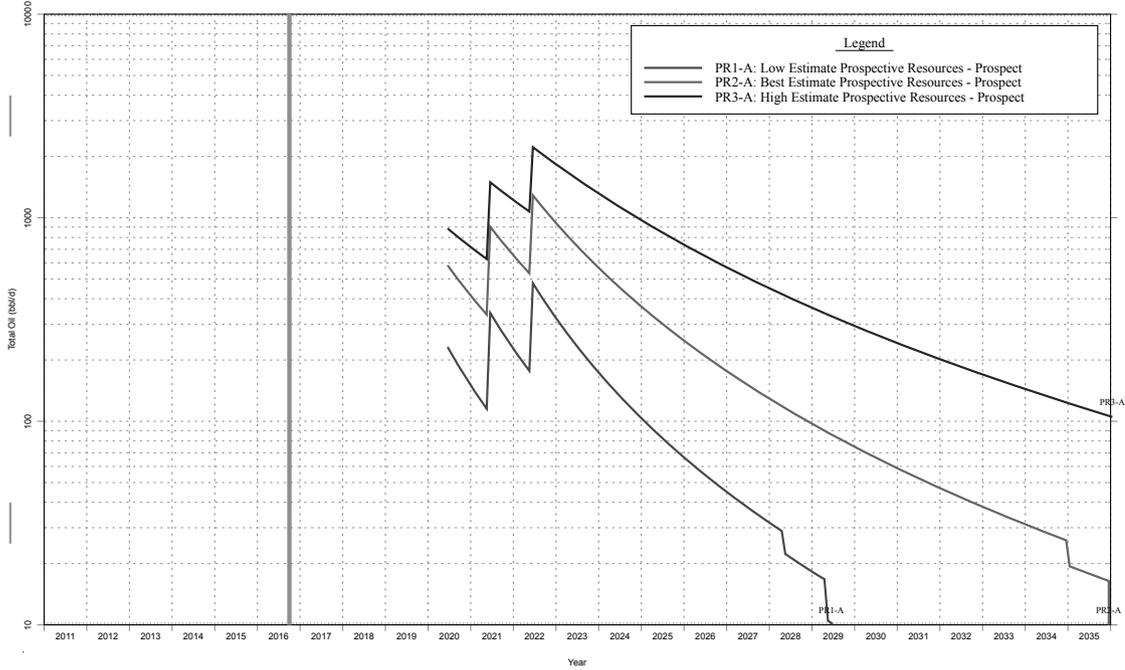
1171053 Class (PR1-A,PR2-A,PR3-A), GLJ (2016-10), psum

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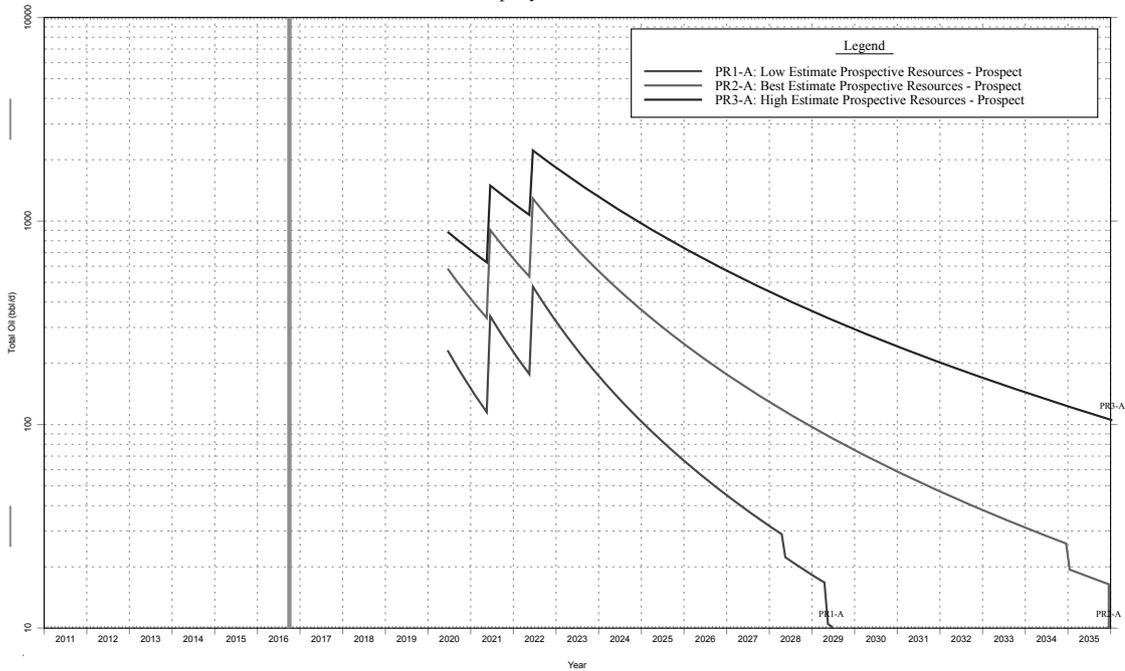


Company: **Persta Resources Inc.** Pricing: **GLJ (2016-10)**  
 Property: **Dawson (Prospective Resources)** Effective Date: **September 30, 2016**  
 Description: **Dawson Prospective Resources**

Gross Lease Total Oil



Company\* Interest Total Oil



\*Note: Historical company interest production is based on current interests in the evaluated resources entities applied to reported actual gross lease production. Consequently, company actuals may differ from the history shown due to changes in ownership.

Company Interest Total Oil  
 1171053 / Nov 21, 2016



### GENERAL

The Dawson (Prospective Resources) property is located in Township 080, Range 17 W5M approximately 30 miles northeast of Falher, Alberta. Persta Resources Inc. (Persta) holds 100 percent working interest in 3840 acres of land in the property.

GLJ Petroleum Consultants (GLJ) has evaluated numerous prospective vertical well locations in the property. The evaluated locations target the Slave Point Formation.

Estimates of prospective resources were generally prepared using well information, engineering, geophysical and geological information provided by Persta, available as of September 30, 2016. Pertinent offset well data was obtained from publically available sources. Persta has confirmed that, to the best of its knowledge, all information provided to GLJ is correct and complete as of the effective date.

This evaluation has been prepared in accordance with resource and reserves definitions, procedures and standards contained in the Petroleum Resource Management System (PRMS) published by the Society of Petroleum Engineers (SPE).

There is no certainty that any portion of the prospective resources will be discovered. If discovered, there is no certainty that the prospective resources will be commercially viable to produce any portion of the resources.

## GEOPHYSICS

### *Background*

Persta's seismic data and interpretation for their Dawson area Slave Point plays was reviewed in their office on June 22, 2014. Dave Wang presented the seismic interpretation at his workstation using the seismic module of Petrel.

### *Analysis*

Persta is using a pre-stack time migration of their 3D seismic in the Dawson area. The seismic was acquired by Persta in 2010. Hampson Russell has worked with the 3D to create an inversion of acoustic impedance. This inversion will help with determining the existence/development of Slave Point carbonate on localized Precambrian highs.

Persta was not able to generate a well-to-seismic tie or synthetic seismogram, although it was indicated that this had been done in the past. The seismic is of good quality and good signal strength. Persta is using the seismic to determine structure for the Slave Point.

Seismic character of the Slave Point is variable as it thins over the Precambrian highs. The Slave Point can be absent, and may occur in an onlapping halo around some of the Precambrian highs. The inversion is used to predict the existence of Slave Point carbonate. Persta indicates that they will side-track a well, if the Slave Point is not encountered. The side-track would target a point lower on the structure where the Slave Point may be deposited.

Persta has outlined prospects A-L, which correlate to positive closed structures for the Slave Point. Persta has used a time structure in their presentation. In Petrel, they have used the well control to convert to depth. The depth surface shows smaller areas for all Slave Point features than what is mapped with the time surface.

Persta has proposed a total of ten drilling locations. The greatest risks to these locations will be the presence of Slave Point and volume of pay.

## GEOLOGY

In the Dawson area, the middle Devonian aged Slave Point oil charged reservoirs were deposited as shallow water calcium carbonate buildups on either localized subtidal shelf or Precambrian highs. These fringe reef accumulations grew vertically in response to rising sea levels until the rate of increase surpassed the reef growth and drowned the atolls. Porosity and permeability development resulted from post depositional dolomitization of the reefal material. Notably where dolomitization is absent, the original limestone facies are either low in porosity or completely non-porous. Reservoir characteristics (including thickness, porosity, pressure, and recovery mechanisms) are expected to mirror the results of existing wells as shown in the Dawson Reserves report.

The use of seismic to identify Slave Point features is predicated on targeting the antecedent structures the reefs grew upon since the reservoir accretions themselves are not thick enough to be resolved with seismic. Consequently, the risk that a seismically identified feature might not be associated with an economic reservoir could result from one or a combination of: an absence of reefal accumulation, insufficient dolomitization and trap.

### ***Geological Chance of Success***

In order for a prospect to be successful, certain conditions must exist. Each of these conditions contributes to the probability of success.

*Source Rock* – There must be a rock that contains kerogen or organic matter that will generate hydrocarbons under the correct temperatures.

*Thermal History (Maturity)* – The source rock must have been buried to depths that are sufficient to heat the kerogen to the point of producing hydrocarbons.

*Migration* – There must be a migration path to permit the hydrocarbons to move away from the source rock.

*Reservoir Rock* – There must be a porous rock that could contain the hydrocarbons, and eventually permit them to be produced at commercial rates.

*Seal* – This reservoir rock must be capped by a tight rock (top seal) to prevent the hydrocarbons from migrating up section. In some cases, a fault plane may form part of the lateral trapping mechanism.

This fault must be sealed in order to prevent hydrocarbons from escaping out of the trap. The risk that such faults are not sealing must be considered.

*Trap* – In the case of structure traps, the reservoir rock must exist in a configuration that prevents the lateral migration of hydrocarbons. This can be formed by either dip closure, by sealing faults, or by a combination of the two.

*Timing* – All of the above must occur in the correct sequence. The hydrocarbons must be expelled after the creation of the migration paths, the reservoir rock and the seals.

In the Dawson area of interest, 41 vertical wells were drilled for Slave Point prospects and of these existing wells, 16 were completed and classified as oil producers. Thus, the historical chance of successfully encountering the targeted Slave Point reservoir was 39 percent.

The accumulated knowledge from this activity indicates the risks of Source, Maturity, Migration, Timing, and Seal can be eliminated for the Company's future drilling plans. The remaining risk to these prospective locations is whether adequate reservoir and trap exist over the antecedent structures that are being targeted.

The following scale was used to identify the geological chance of success:

Certain	100%
Almost Certain	90%
Very Likely	80%
Likely	70%
Weak Positive Indications	60%
Ambiguous	50%
Weak Negative indications	40%
Multiple Negative indications	30%
Very Unlikely	20%
Almost Impossible	10%

#### Summary of Geological Chance of Success

Formation Target	Source	Maturity	Migration	Reservoir	Trap	Timing	Seal	Chance of Discovery
Slave Point	1.00	1.00	1.00	0.40	0.95	1.00	1.00	0.38

## PROSPECTIVE RESOURCES

Low, best and high estimate prospective resources have been assigned by analogy through an analysis of offset analog well results.

Sixteen successfully completed and productive vertical Slave Point wells were identified in close proximity to Persta and used as analogs to Slave Point future development locations. A complete list of these analog wells is presented in Appendix II.

Estimated ultimate recoverable (EUR) oil volumes were determined for these identified offset vertical wells. This was done by taking the cumulative oil production from wells that are no longer producing or alternatively by decline analysis for those wells that are still on production.

A log normal probability distribution of EURs was created based on the results of this offset well analysis. This distribution is shown in Appendix II and is labeled “*Local Analog Slave Point Wells – EUR distribution*”. Statistically derived parameters from this distribution are summarized in a table below the plot. Persta is planning to develop future prospective locations using a similar development strategy that has shown historical success. It is expected that future drilling results will be analogous to historical results from these 18 identified close offset producers. A probability distribution, which approximates the expected future results of drilling a single Slave Point vertical well, is illustrated in Appendix II and is labeled “*Slave Point Forecast – EUR Distribution*”. This plot illustrates a lognormal curve best fit of the offset analog well EUR distribution. This best fit lognormal distribution was used in a Monte Carlo simulation to probabilistically determine the expected outcome of the complete 10 well drilling program.

### ***Monte Carlo Simulation***

The average results that are expected vary depending of the size of development program undertaken. A Monte Carlo simulation was created to model the Persta proposed 10 well development program using the log normal EUR distribution defined by offset analog producers. A total of 5,000 iterations were run in order to define the probability distribution for the low, best and high estimates for prospective resources, corresponding to the P90, P50 and P10 confidence intervals for this development project. These results were used to quantify appropriate prospective resource assignments. This simulation incorporated the chance of discovery and the chance of development to model fully risked success case results. The chance of obtaining at least one discovered economic well during this development program is estimated to be 78 percent.

The results of the total development program have been divided between 10 wells for simplification purposes to facilitate an economic analysis. The economic results have not been evaluated probabilistically and represent an approximation of the simulated program results. Based on simulation results, the number of economically successful discovered wells is estimated to be two in the low estimate, four in the best estimate, and six in the high estimate. Although the economic analysis shows 10 successful wells in each classification, these individual wells represent averaged values that add up arithmetically to the proper simulated probabilistic program results. Please note that it would be statistically incorrect to extract individual well results from this analysis.

Fixed operating costs have been modified by classification and scaled to match the number of predicted producing wells.

#### ***Chance of Development***

The chance of development for a single well is based on what proportion of the distribution of expected results is economic under the current pricing and cost environment. After running a number of test scenarios it was determined that a EUR of at least 63 Mbbls is required in order for a single location to have a positive net present value at a 10 percent discount rate. Based on the single well EUR probability distribution there is a 37 percent chance that a single development well will yield an economic result of over 63 Mbbls. As such the chance of development has been determined to be 37 percent.

#### ***Chance of Commerciality***

The total chance of commerciality for this development program is estimate by multiplying the chance of discovery with the chance of development. In this case, the total chance of commerciality is estimated to be 14 percent. This low chance of commerciality should be carefully considered when reviewing the results of this evaluation. The unrisks values shown are representative of success case outcomes.

### ECONOMIC ANALYSIS

Economic parameters used in the evaluation, including product prices, product yields, operating costs and capital costs, are detailed in Table 4. Operating costs and price adjustment were derived from a review of historical operating statements provided by Persta.

#### *Other Economic Considerations*

This report *does not* address the following issue:

- Non-reserves well abandonment, wellsite reclamation and facility abandonment/salvage including possible environmental concerns.

Company: Persta Resources Inc.  
Property: Dawson (Prospective Resources)

Resource Class: Prospective Resources  
Development Class: High Estimate - Prospect  
Pricing: GLJ (2016-10)  
Effective Date: September 30, 2016

Summary of Well Interests and Burdens

Entity Description	Working Interest				Royalty Interest				Other Royalty Burdens			
	BPO %	APO %	Rem PO (000's)	Type	BPO %	APO %	Rem PO (000's)	Type	BPO %	APO %	Rem PO (000's)	Type
<b>Dawson Prospective Resources</b>												
XX/05-26-080-17W5X	100.000	-	-	-	-	-	-	-	AB CR AARF LGHT	-	-	-
XX/12-26-080-17W5X	100.000	-	-	-	-	-	-	-	NWRR 50.0 Mboe/12 mnths	-	-	-
XX/07-27-080-17W5X	100.000	-	-	-	-	-	-	-	AB CR AARF LGHT	-	-	-
XX/02-34-080-17W5X	100.000	-	-	-	-	-	-	-	NWRR 50.0 Mboe/12 mnths	-	-	-
XX/06-34-080-17W5X	100.000	-	-	-	-	-	-	-	AB CR AARF LGHT	-	-	-
XX/13-34-080-17W5X	100.000	-	-	-	-	-	-	-	NWRR 50.0 Mboe/12 mnths	-	-	-
XX/15-34-080-17W5X	100.000	-	-	-	-	-	-	-	AB CR AARF LGHT	-	-	-
XX/09-35-080-17W5X	100.000	-	-	-	-	-	-	-	NWRR 50.0 Mboe/12 mnths	-	-	-
XX/06-02-081-17W5X	100.000	-	-	-	-	-	-	-	AB CR AARF LGHT	-	-	-
XX/06-08-081-17W5X	100.000	-	-	-	-	-	-	-	NWRR 50.0 Mboe/12 mnths	-	-	-

**Glossary**  
 AB: Alberta  
 APO=BPO interests unless otherwise specified  
 CR: Crown Royalty  
 LGHT: Light  
 NWRR: New Well Royalty Reduction Program

Land and Mineral Rights Summary  
Dawson  
Effective September 30, 2016

Agreement NO.	Date	Mineral Rights	LAND DESCRIPTION				WI	Area, Ha		Term	Term Status		Status
			Sec.	Twp.	Rge.	Mer.		Total	Developed		Commenced	Expire	
0506100512	2016-10-19	P&NG from Surface to Base of the Slave Point	NW 32	80	17	5	100%	64	No	Intermediate	October 19, 2011	Indefinite	Active
0507030819	2007-03-22	P&NG below Base of the Bluesky-Bullhead to Base of the Slave Point	W 4	81	17	5	100%	128	No	Intermediate	March 22, 2012	Indefinite	Active
0508040251	2008-04-03	P&NG from Surface to Base of the Slave Point	NE 22	80	17	5	100%	64	Yes	Intermediate	March 22, 2012	Indefinite	Active
0510080543	2010-08-19	P&NG from Surface to Base of the Basement	34	80	17	5	100%	256	No	Initial	August 19, 2010	August 19, 2016	Active <sup>(1)</sup>
0510090472	2010-09-16	P&NG from Surface to Base of the Basement	SE 27	80	17	5	100%	64	Yes	Initial	September 16, 2010	March 9, 2017	Active
0510090473	2010-09-16	P&NG from Surface to Base of the Basement	SW 27	80	17	5	100%	64	No	Initial	September 16, 2010	March 9, 2017	Active
0510090474	2010-09-16	P&NG from Surface to Base of the Basement	NW 27	80	17	5	100%	64	No	Initial	September 16, 2010	March 9, 2017	Active
0510090475	2010-09-16	P&NG from Surface to Base of the Basement	NE 27	80	17	5	100%	64	No	Initial	September 16, 2010	March 9, 2017	Active
0511070482	2011-07-28	P&NG from Surface to Base of the Basement	SE 26	80	17	5	100%	64	No	Initial	July 28, 2011	July 28, 2017	Active
0511070483	2011-07-28	P&NG from Surface to Base of the Basement	SW 26	80	17	5	100%	64	No	Initial	July 28, 2011	July 28, 2017	Active
0511070484	2011-07-28	P&NG from Surface to Base of the Basement	NW 26	80	17	5	100%	64	No	Initial	July 28, 2011	July 28, 2017	Active
0511070485	2011-07-28	P&NG from Surface to Base of the Basement	NE 26	80	17	5	100%	64	No	Initial	July 28, 2011	July 28, 2017	Active
0510910149	2011-09-08	P&NG from Surface to Base of the Basement	NE/NW/SE 35	80	17	5	100%	192	Yes	Initial	September 8, 2011	September 8, 2017	Active
0513030178	2013-03-07	P&NG from Surface to Base of the Basement	SW 2	81	17	5	100%	64	No	Initial	March 7, 2013	March 7, 2018	Active
0513030179	2013-03-07	P&NG from Surface to Base of the Basement	NW 2	81	17	5	100%	64	No	Initial	March 7, 2013	March 7, 2018	Active
0513030182	2013-03-07	P&NG from Surface to Base of the Basement	SE 8	81	17	5	100%	64	No	Initial	March 7, 2013	March 7, 2018	Active
0513030183	2013-03-07	P&NG from Surface to Base of the Basement	SW 8	81	17	5	100%	64	No	Initial	March 7, 2013	March 7, 2018	Active
0513030184	2013-03-07	P&NG from Surface to Base of the Basement	NW 8	81	17	5	100%	64	No	Initial	March 7, 2013	March 7, 2018	Active

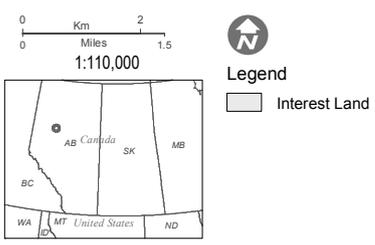
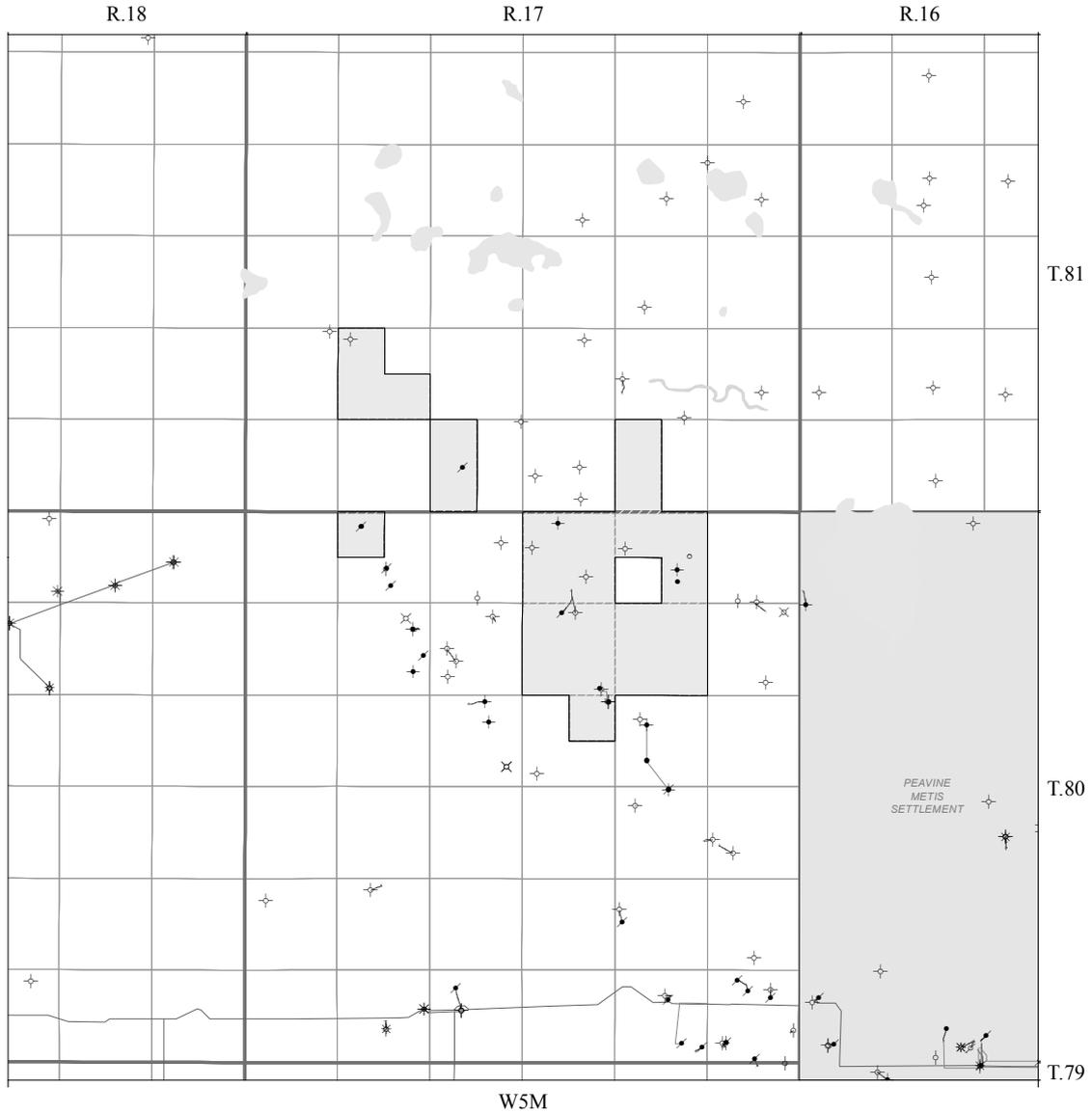
Notes:

(1) Expired Licence But Under Extension Application

Map 1  
Land Map

Company: Persta Resources Inc.  
Property: Dawson (Prospective Resources)

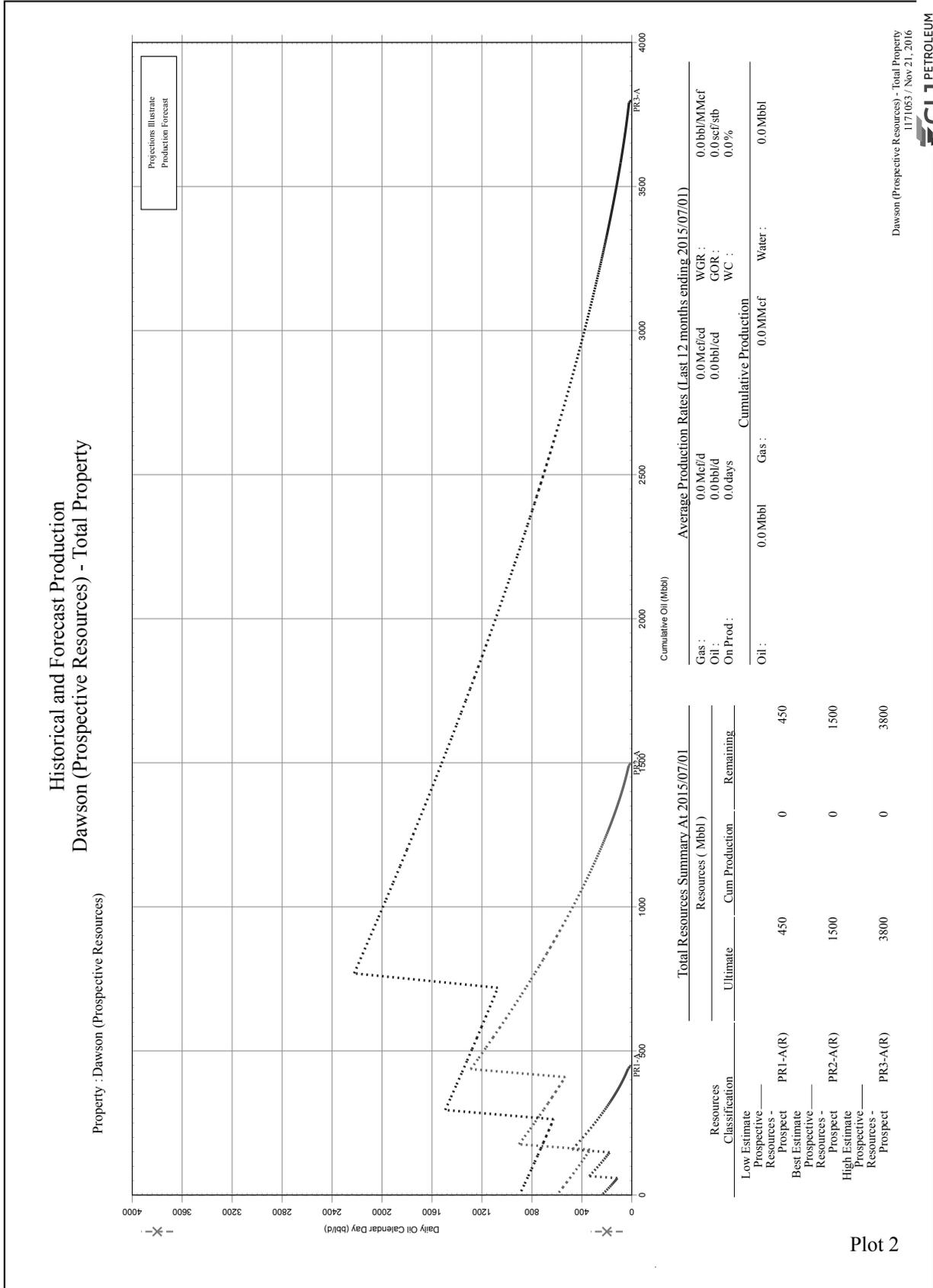
Effective Date: September 30, 2016  
Project: s1171053/dprm01



NAD 1983 UTM Zone 11N | Well Source: IHS (November 4, 2016) | Geologist: | Engineer:  
 \\filer\projects\s1171053\drafting\l\mxd\dprm01\_s1171053.mxd | Created by: jcowie | Created on: November 21, 2016







Plot 2

Dawson (Prospective Resources) - Total Property  
1171053 / Nov 21, 2016



Table 1

Company: Perista Resources Inc.  
 Property: Dawson (Prospective Resources)  
 Resource Class: Various  
 Development Class: GLJ (2016-10)  
 Pricing: GLJ (2016-10)  
 Effective Date: September 30, 2016

Gross Lease Unrisked Resources Summary

Entity Description	Resource Class	Methodology	Oil (Mtbl)				Non-Associated Gas (MMcf)				Other Gross Lease Resources						
			Initial Recoverable	Cumulative Production	Resources	Initial Recoverable	Cumulative Production	Raw Gas	Resources	So'n Gas MMcf	Cond Mtbl	LPG Mtbl	Sulphur Mlt				
<b>Low Estimate Prospective Resources - Prospect</b>																	
XX/05-26-080-17W5/X	PR1-A	Dec	45	0	0	45	0	0	0	0	0	0	0	0	0	0	0
XX/12-26-080-17W5/X	PR1-A	Dec	45	0	0	45	0	0	0	0	0	0	0	0	0	0	0
XX/07-27-080-17W5/X	PR1-A	Dec	45	0	0	45	0	0	0	0	0	0	0	0	0	0	0
XX/02-34-080-17W5/X	PR1-A	Dec	45	0	0	45	0	0	0	0	0	0	0	0	0	0	0
XX/06-34-080-17W5/X	PR1-A	Dec	45	0	0	45	0	0	0	0	0	0	0	0	0	0	0
XX/13-34-080-17W5/X	PR1-A	Dec	45	0	0	45	0	0	0	0	0	0	0	0	0	0	0
XX/15-34-080-17W5/X	PR1-A	Dec	45	0	0	45	0	0	0	0	0	0	0	0	0	0	0
XX/09-35-080-17W5/X	PR1-A	Dec	45	0	0	45	0	0	0	0	0	0	0	0	0	0	0
XX/06-02-081-17W5/X	PR1-A	Dec	45	0	0	45	0	0	0	0	0	0	0	0	0	0	0
XX/06-08-081-17W5/X	PR1-A	Dec	45	0	0	45	0	0	0	0	0	0	0	0	0	0	0
<b>Total: Low Estimate Prospective Resources - Prospect</b>			<b>450</b>	<b>0</b>	<b>0</b>	<b>450</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Best Estimate Prospective Resources - Prospect</b>																	
XX/05-26-080-17W5/X	PR2-A	Dec	150	0	0	150*	0	0	0	0	0	0	0	0	0	0	0
XX/12-26-080-17W5/X	PR2-A	Dec	150	0	0	150*	0	0	0	0	0	0	0	0	0	0	0
XX/07-27-080-17W5/X	PR2-A	Dec	150	0	0	150*	0	0	0	0	0	0	0	0	0	0	0
XX/02-34-080-17W5/X	PR2-A	Dec	150	0	0	150*	0	0	0	0	0	0	0	0	0	0	0
XX/06-34-080-17W5/X	PR2-A	Dec	150	0	0	150*	0	0	0	0	0	0	0	0	0	0	0
XX/13-34-080-17W5/X	PR2-A	Dec	150	0	0	150*	0	0	0	0	0	0	0	0	0	0	0
XX/15-34-080-17W5/X	PR2-A	Dec	150	0	0	150*	0	0	0	0	0	0	0	0	0	0	0
XX/09-35-080-17W5/X	PR2-A	Dec	150	0	0	150*	0	0	0	0	0	0	0	0	0	0	0
XX/06-02-081-17W5/X	PR2-A	Dec	150	0	0	150*	0	0	0	0	0	0	0	0	0	0	0
XX/06-08-081-17W5/X	PR2-A	Dec	150	0	0	150*	0	0	0	0	0	0	0	0	0	0	0
<b>Total: Best Estimate Prospective Resources - Prospect</b>			<b>1,500</b>	<b>0</b>	<b>0</b>	<b>1,498*</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>High Estimate Prospective Resources - Prospect</b>																	
XX/05-26-080-17W5/X	PR3-A	Dec	380	0	0	375*	0	0	0	0	0	0	0	0	0	0	0
XX/12-26-080-17W5/X	PR3-A	Dec	380	0	0	375*	0	0	0	0	0	0	0	0	0	0	0
XX/07-27-080-17W5/X	PR3-A	Dec	380	0	0	375*	0	0	0	0	0	0	0	0	0	0	0
XX/02-34-080-17W5/X	PR3-A	Dec	380	0	0	375*	0	0	0	0	0	0	0	0	0	0	0
XX/06-34-080-17W5/X	PR3-A	Dec	380	0	0	375*	0	0	0	0	0	0	0	0	0	0	0
XX/13-34-080-17W5/X	PR3-A	Dec	380	0	0	375*	0	0	0	0	0	0	0	0	0	0	0
XX/15-34-080-17W5/X	PR3-A	Dec	380	0	0	375*	0	0	0	0	0	0	0	0	0	0	0
XX/09-35-080-17W5/X	PR3-A	Dec	380	0	0	375*	0	0	0	0	0	0	0	0	0	0	0
XX/06-02-081-17W5/X	PR3-A	Dec	380	0	0	375*	0	0	0	0	0	0	0	0	0	0	0
XX/06-08-081-17W5/X	PR3-A	Dec	380	0	0	375*	0	0	0	0	0	0	0	0	0	0	0
<b>Total: High Estimate Prospective Resources - Prospect</b>			<b>3,800</b>	<b>0</b>	<b>0</b>	<b>3,746*</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Notes  
 1. [\*] Remaining resources are less than the estimate due to economic limit.

1171053 Class (PR1-A, PR2-A, PR3-A), GLJ (2016-10), ult

Table 1.1  
September 30, 2016

Company: Perista Resources Inc.  
Property: Dawson (Prospective Resources)

Oil Decline Parameters

Resource Entity	Zone	Method	Res. Class	Decline Type	Analysis Date	Analysis Data				Resource Life, yrs	Original Reserve, Mbbbl	Cum. Production @ Mbbbl	Cum. Production 2015-16/01 Mbbbl	Remaining Reserve 2016-09-30 Mbbbl
						Initial Effective Decline	Initial Rate, bbl/d	Decline Exponent	Final Rate, bbl/d					
<b>Low Estimate Prospective Resources - Prospect</b>														
Dawson (Prospective Resources)	SLAVE POINT	Decline*	PR1...	OR	2015-07-01	53.36	80.0	2.0	0.30	7.9	45.0	-	-	45.0
XX/05-26-080-17W/5X	SLAVE POINT	Decline*	PR1...	OR	2015-07-01	53.36	80.0	2.0	0.30	7.9	45.0	-	-	45.0
XX/12-26-080-17W/5X	SLAVE POINT	Decline*	PR1...	OR	2015-07-01	53.36	80.0	2.0	0.30	7.9	45.0	-	-	45.0
XX/07-27-080-17W/5X	SLAVE POINT	Decline*	PR1...	OR	2015-07-01	53.36	80.0	2.0	0.30	7.9	45.0	-	-	45.0
XX/02-34-080-17W/5X	SLAVE POINT	Decline*	PR1...	OR	2015-07-01	53.36	80.0	2.0	0.30	7.9	45.0	-	-	45.0
XX/06-34-080-17W/5X	SLAVE POINT	Decline*	PR1...	OR	2015-07-01	53.36	80.0	2.0	0.30	7.9	45.0	-	-	45.0
XX/13-34-080-17W/5X	SLAVE POINT	Decline*	PR1...	OR	2015-07-01	53.36	80.0	2.0	0.30	7.9	45.0	-	-	45.0
XX/15-34-080-17W/5X	SLAVE POINT	Decline*	PR1...	OR	2015-07-01	53.36	80.0	2.0	0.30	7.9	45.0	-	-	45.0
XX/09-35-080-17W/5X	SLAVE POINT	Decline*	PR1...	OR	2015-07-01	53.36	80.0	2.0	0.30	7.9	45.0	-	-	45.0
XX/06-02-081-17W/5X	SLAVE POINT	Decline*	PR1...	OR	2015-07-01	53.36	80.0	2.0	0.30	7.9	45.0	-	-	45.0
XX/06-08-081-17W/5X	SLAVE POINT	Decline*	PR1...	OR	2015-07-01	53.36	80.0	2.0	0.30	7.9	45.0	-	-	45.0
<b>Total: Low Estimate Prospective Resources - Prospect</b>							<b>800.0</b>				<b>450.0</b>	<b>0.0</b>	<b>0.0</b>	<b>450.0</b>
<b>Best Estimate Prospective Resources - Prospect</b>														
Dawson (Prospective Resources)	SLAVE POINT	Decline*	PR2...	OR	2015-07-01	45.58	200.0	2.0	0.30	14.9	150.0	-	-	150.0
XX/05-26-080-17W/5X	SLAVE POINT	Decline*	PR2...	OR	2015-07-01	45.58	200.0	2.0	0.30	14.9	150.0	-	-	150.0
XX/12-26-080-17W/5X	SLAVE POINT	Decline*	PR2...	OR	2015-07-01	45.58	200.0	2.0	0.30	14.9	150.0	-	-	150.0
XX/07-27-080-17W/5X	SLAVE POINT	Decline*	PR2...	OR	2015-07-01	45.58	200.0	2.0	0.30	14.9	150.0	-	-	150.0
XX/02-34-080-17W/5X	SLAVE POINT	Decline*	PR2...	OR	2015-07-01	45.58	200.0	2.0	0.30	14.9	150.0	-	-	150.0
XX/06-34-080-17W/5X	SLAVE POINT	Decline*	PR2...	OR	2015-07-01	45.58	200.0	2.0	0.30	14.9	150.0	-	-	150.0
XX/13-34-080-17W/5X	SLAVE POINT	Decline*	PR2...	OR	2015-07-01	45.58	200.0	2.0	0.30	14.9	150.0	-	-	150.0
XX/15-34-080-17W/5X	SLAVE POINT	Decline*	PR2...	OR	2015-07-01	45.58	200.0	2.0	0.30	14.9	150.0	-	-	150.0
XX/09-35-080-17W/5X	SLAVE POINT	Decline*	PR2...	OR	2015-07-01	45.58	200.0	2.0	0.30	14.9	150.0	-	-	150.0
XX/06-02-081-17W/5X	SLAVE POINT	Decline*	PR2...	OR	2015-07-01	45.58	200.0	2.0	0.30	14.9	150.0	-	-	150.0
XX/06-08-081-17W/5X	SLAVE POINT	Decline*	PR2...	OR	2015-07-01	45.58	200.0	2.0	0.30	14.9	150.0	-	-	150.0
<b>Total: Best Estimate Prospective Resources - Prospect</b>							<b>2,000.0</b>				<b>1,500.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1,500.0</b>
<b>High Estimate Prospective Resources - Prospect</b>														
Dawson (Prospective Resources)	SLAVE POINT	Decline*	PR3...	OR	2015-07-01	31.42	300.0	2.0	0.30	29.2	380.0	-	-	380.0
XX/05-26-080-17W/5X	SLAVE POINT	Decline*	PR3...	OR	2015-07-01	31.42	300.0	2.0	0.30	29.2	380.0	-	-	380.0
XX/12-26-080-17W/5X	SLAVE POINT	Decline*	PR3...	OR	2015-07-01	31.42	300.0	2.0	0.30	29.2	380.0	-	-	380.0
XX/07-27-080-17W/5X	SLAVE POINT	Decline*	PR3...	OR	2015-07-01	31.42	300.0	2.0	0.30	29.2	380.0	-	-	380.0
XX/02-34-080-17W/5X	SLAVE POINT	Decline*	PR3...	OR	2015-07-01	31.42	300.0	2.0	0.30	29.2	380.0	-	-	380.0
XX/06-34-080-17W/5X	SLAVE POINT	Decline*	PR3...	OR	2015-07-01	31.42	300.0	2.0	0.30	29.2	380.0	-	-	380.0
XX/13-34-080-17W/5X	SLAVE POINT	Decline*	PR3...	OR	2015-07-01	31.42	300.0	2.0	0.30	29.2	380.0	-	-	380.0
XX/15-34-080-17W/5X	SLAVE POINT	Decline*	PR3...	OR	2015-07-01	31.42	300.0	2.0	0.30	29.2	380.0	-	-	380.0
XX/09-35-080-17W/5X	SLAVE POINT	Decline*	PR3...	OR	2015-07-01	31.42	300.0	2.0	0.30	29.2	380.0	-	-	380.0
XX/06-02-081-17W/5X	SLAVE POINT	Decline*	PR3...	OR	2015-07-01	31.42	300.0	2.0	0.30	29.2	380.0	-	-	380.0
XX/06-08-081-17W/5X	SLAVE POINT	Decline*	PR3...	OR	2015-07-01	31.42	300.0	2.0	0.30	29.2	380.0	-	-	380.0
<b>Total: High Estimate Prospective Resources - Prospect</b>							<b>3,000.0</b>				<b>3,800.0</b>	<b>0.0</b>	<b>0.0</b>	<b>3,800.0</b>

The resources calculated above may not match the economic forecasts due to economic limit considerations.

Glossary

\*: Methodology By Analogy  
PR1-A: Low Estimate Prospective Resources - Prospect

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Page 2

PR2-A: Best Estimate Prospective Resources - Prospect  
PR3-A: High Estimate Prospective Resources - Prospect

Table 2

Company: Persta Resources Inc.  
Property: Dawson (Prospective Resources)

Resource Class: Various Classifications  
Development Class: GLJ (2016-10)  
Pricing: September 30, 2016  
Effective Date:

Unrisked Gross Lease Daily Oil Production

Entity Description	Resource Class	Year (bbl/d)											Totals (Mbbbl)				
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Subtotal	Remainder	Total	
<b>Low Estimate Prospective Resources - Prospect</b>																	
XX/05-26-080-17W5X	PR1-A	0	0	0	0	0	37	36	19	12	7	5	3	3	45	0	45
XX/12-26-080-17W5X	PR1-A	0	0	0	0	0	37	36	19	12	7	5	3	3	44	1	45
XX/07-27-080-17W5X	PR1-A	0	0	0	0	0	37	36	19	12	7	5	3	3	44	1	45
XX/02-34-080-17W5X	PR1-A	0	0	0	0	0	37	36	19	12	7	5	3	3	44	1	45
XX/06-34-080-17W5X	PR1-A	0	0	0	0	0	0	0	37	36	19	12	7	5	43	2	45
XX/13-34-080-17W5X	PR1-A	0	0	0	0	0	0	0	37	36	19	12	7	5	43	2	45
XX/15-34-080-17W5X	PR1-A	0	0	0	0	0	0	0	37	36	19	12	7	5	43	2	45
XX/09-35-080-17W5X	PR1-A	0	0	0	0	0	37	36	19	12	7	5	3	3	45	0	45
XX/06-02-081-17W5X	PR1-A	0	0	0	0	0	37	36	19	12	7	5	3	3	45	0	45
XX/06-08-081-17W5X	PR1-A	0	0	0	0	0	0	0	37	36	19	12	7	5	43	2	45
<b>Total: Low Estimate Prospective Resources - Prospect</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>112</b>	<b>220</b>	<b>316</b>	<b>237</b>	<b>135</b>	<b>83</b>	<b>55</b>	<b>38</b>	<b>436</b>	<b>14</b>	<b>450</b>
<b>Best Estimate Prospective Resources - Prospect</b>																	
XX/05-26-080-17W5X	PR2-A	0	0	0	0	0	98	105	63	41	28	19	14	11	138	12	150
XX/12-26-080-17W5X	PR2-A	0	0	0	0	0	98	105	63	41	27	19	14	14	134	15	150
XX/07-27-080-17W5X	PR2-A	0	0	0	0	0	98	105	63	41	27	19	14	14	134	15	150
XX/02-34-080-17W5X	PR2-A	0	0	0	0	0	98	105	63	41	27	19	14	14	134	15	150
XX/06-34-080-17W5X	PR2-A	0	0	0	0	0	0	0	98	105	63	41	27	19	129	21	150
XX/13-34-080-17W5X	PR2-A	0	0	0	0	0	0	0	98	105	63	41	27	19	129	21	150
XX/15-34-080-17W5X	PR2-A	0	0	0	0	0	0	0	98	105	63	41	27	19	129	21	150
XX/09-35-080-17W5X	PR2-A	0	0	0	0	0	98	105	63	41	28	19	14	11	138	12	150
XX/06-02-081-17W5X	PR2-A	0	0	0	0	0	98	105	63	41	28	19	14	11	138	12	150
XX/06-08-081-17W5X	PR2-A	0	0	0	0	0	0	0	98	105	63	41	27	19	129	21	150
<b>Total: Best Estimate Prospective Resources - Prospect</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>293</b>	<b>609</b>	<b>897</b>	<b>733</b>	<b>458</b>	<b>302</b>	<b>210</b>	<b>151</b>	<b>1,334</b>	<b>164</b>	<b>1,498</b>
<b>High Estimate Prospective Resources - Prospect</b>																	
XX/05-26-080-17W5X	PR3-A	0	0	0	0	0	157	201	143	106	80	62	48	39	305	70	375
XX/12-26-080-17W5X	PR3-A	0	0	0	0	0	157	201	143	106	80	62	48	291	84	375	
XX/07-27-080-17W5X	PR3-A	0	0	0	0	0	157	201	143	106	80	62	48	291	84	375	
XX/02-34-080-17W5X	PR3-A	0	0	0	0	0	157	201	143	106	80	62	48	291	84	375	
XX/06-34-080-17W5X	PR3-A	0	0	0	0	0	0	0	157	201	144	106	80	62	273	101	375
XX/13-34-080-17W5X	PR3-A	0	0	0	0	0	0	0	157	201	144	106	80	62	273	101	375
XX/15-34-080-17W5X	PR3-A	0	0	0	0	0	0	0	157	201	144	106	80	62	273	101	375
XX/09-35-080-17W5X	PR3-A	0	0	0	0	0	157	201	143	106	80	62	48	39	305	70	375
XX/06-02-081-17W5X	PR3-A	0	0	0	0	0	157	201	143	106	80	62	48	39	305	70	375
XX/06-08-081-17W5X	PR3-A	0	0	0	0	0	0	0	157	201	144	106	80	62	273	101	375
<b>Total: High Estimate Prospective Resources - Prospect</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>472</b>	<b>1,074</b>	<b>1,662</b>	<b>1,551</b>	<b>1,133</b>	<b>846</b>	<b>649</b>	<b>508</b>	<b>2,881</b>	<b>865</b>	<b>3,746</b>

Table 2.1

Company: Persta Resources Inc.  
Property: Dawson (Prospective Resources)

Resource Class: Various  
Development Class: GLJ (2016-10)  
Pricing: GLJ (2016-10)  
Effective Date: September 30, 2016

Unrisked Company Daily Oil Production

Entity Description	Resource Class	Year (bbl/d)											Totals (Mbbbl)				
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Subtotal	Remainder	Total	
<b>Low Estimate Prospective Resources - Prospect</b>																	
XX/05-26-080-17W5X	PR1-A	0	0	0	0	0	37	36	19	12	7	5	3	3	45	0	45
XX/12-26-080-17W5X	PR1-A	0	0	0	0	0	37	36	19	12	7	5	3	3	44	1	45
XX/07-27-080-17W5X	PR1-A	0	0	0	0	0	37	36	19	12	7	5	3	3	44	1	45
XX/02-34-080-17W5X	PR1-A	0	0	0	0	0	37	36	19	12	7	5	3	3	44	1	45
XX/06-34-080-17W5X	PR1-A	0	0	0	0	0	0	0	37	36	19	12	7	5	43	2	45
XX/13-34-080-17W5X	PR1-A	0	0	0	0	0	0	0	37	36	19	12	7	5	43	2	45
XX/15-34-080-17W5X	PR1-A	0	0	0	0	0	0	0	37	36	19	12	7	5	43	2	45
XX/09-35-080-17W5X	PR1-A	0	0	0	0	0	37	36	19	12	7	5	3	3	45	0	45
XX/06-02-081-17W5X	PR1-A	0	0	0	0	0	37	36	19	12	7	5	3	3	45	0	45
XX/06-08-081-17W5X	PR1-A	0	0	0	0	0	0	0	37	36	19	12	7	5	43	2	45
<b>Total: Low Estimate Prospective Resources - Prospect</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>112</b>	<b>220</b>	<b>316</b>	<b>237</b>	<b>135</b>	<b>83</b>	<b>55</b>	<b>38</b>	<b>436</b>	<b>14</b>	<b>450</b>
<b>Best Estimate Prospective Resources - Prospect</b>																	
XX/05-26-080-17W5X	PR2-A	0	0	0	0	0	98	105	63	41	28	19	14	11	138	12	150
XX/12-26-080-17W5X	PR2-A	0	0	0	0	0	98	105	63	41	27	19	14	14	134	15	150
XX/07-27-080-17W5X	PR2-A	0	0	0	0	0	98	105	63	41	27	19	14	14	134	15	150
XX/02-34-080-17W5X	PR2-A	0	0	0	0	0	98	105	63	41	27	19	14	14	134	15	150
XX/06-34-080-17W5X	PR2-A	0	0	0	0	0	0	0	98	105	63	41	27	19	129	21	150
XX/13-34-080-17W5X	PR2-A	0	0	0	0	0	0	0	98	105	63	41	27	19	129	21	150
XX/15-34-080-17W5X	PR2-A	0	0	0	0	0	0	0	98	105	63	41	27	19	129	21	150
XX/09-35-080-17W5X	PR2-A	0	0	0	0	0	98	105	63	41	28	19	14	11	138	12	150
XX/06-02-081-17W5X	PR2-A	0	0	0	0	0	98	105	63	41	28	19	14	11	138	12	150
XX/06-08-081-17W5X	PR2-A	0	0	0	0	0	0	0	98	105	63	41	27	19	129	21	150
<b>Total: Best Estimate Prospective Resources - Prospect</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>293</b>	<b>609</b>	<b>897</b>	<b>733</b>	<b>458</b>	<b>302</b>	<b>210</b>	<b>151</b>	<b>1,334</b>	<b>164</b>	<b>1,498</b>
<b>High Estimate Prospective Resources - Prospect</b>																	
XX/05-26-080-17W5X	PR3-A	0	0	0	0	0	157	201	143	106	80	62	48	39	305	70	375
XX/12-26-080-17W5X	PR3-A	0	0	0	0	0	157	201	143	106	80	62	48	291	291	84	375
XX/07-27-080-17W5X	PR3-A	0	0	0	0	0	157	201	143	106	80	62	48	291	84	375	
XX/02-34-080-17W5X	PR3-A	0	0	0	0	0	157	201	143	106	80	62	48	291	84	375	
XX/06-34-080-17W5X	PR3-A	0	0	0	0	0	0	0	157	201	144	106	80	62	273	101	375
XX/13-34-080-17W5X	PR3-A	0	0	0	0	0	0	0	157	201	144	106	80	62	273	101	375
XX/15-34-080-17W5X	PR3-A	0	0	0	0	0	0	0	157	201	144	106	80	62	273	101	375
XX/09-35-080-17W5X	PR3-A	0	0	0	0	0	157	201	143	106	80	62	48	39	305	70	375
XX/06-02-081-17W5X	PR3-A	0	0	0	0	0	157	201	143	106	80	62	48	39	305	70	375
XX/06-08-081-17W5X	PR3-A	0	0	0	0	0	0	0	157	201	144	106	80	62	273	101	375
<b>Total: High Estimate Prospective Resources - Prospect</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>472</b>	<b>1,074</b>	<b>1,662</b>	<b>1,551</b>	<b>1,133</b>	<b>846</b>	<b>649</b>	<b>508</b>	<b>2,881</b>	<b>865</b>	<b>3,746</b>

1171053 Class (PR1-A, PR2-A, PR3-A), GLJ (2016-10), oil

Company: **Persta Resources Inc.**  
 Property: **Dawson (Prospective Resources)**

Table 3

Effective Date: **September 30, 2016**

**Economic Parameters**

**A) Price Forecasts and By-Product Data**

GLJ (2016-10)

Price Adjustment:  
 Oil: -2.00 \$/bbl

**B) Operating Costs (2016 Dollars)**

Major Stream Costs:  
 Variable: 7.00 \$/product

Water Costs:  
 Variable: 1.00 \$/bbl

All variable costs are \$/product (sales).

Name	Zone	RC	Product	Major Stream Costs	Fixed \$/well/month
<b>Dawson Prospective Resources</b>					
XX/05-26-080-17W5/X	SLAVE POINT	PR2-A	Oil	3800	
XX/05-26-080-17W5/X	SLAVE POINT	PR3-A	Oil	5700	
XX/05-26-080-17W5/X	SLAVE POINT	PR1-A	Oil	1900	
XX/12-26-080-17W5/X	SLAVE POINT	PR2-A	Oil	3800	
XX/12-26-080-17W5/X	SLAVE POINT	PR3-A	Oil	5700	
XX/12-26-080-17W5/X	SLAVE POINT	PR1-A	Oil	1900	
XX/07-27-080-17W5/X	SLAVE POINT	PR2-A	Oil	3800	
XX/07-27-080-17W5/X	SLAVE POINT	PR3-A	Oil	5700	
XX/07-27-080-17W5/X	SLAVE POINT	PR1-A	Oil	1900	
XX/02-34-080-17W5/X	SLAVE POINT	PR2-A	Oil	3800	
XX/02-34-080-17W5/X	SLAVE POINT	PR3-A	Oil	5700	
XX/02-34-080-17W5/X	SLAVE POINT	PR1-A	Oil	1900	
XX/06-34-080-17W5/X	SLAVE POINT	PR2-A	Oil	3800	
XX/06-34-080-17W5/X	SLAVE POINT	PR3-A	Oil	5700	
XX/06-34-080-17W5/X	SLAVE POINT	PR1-A	Oil	1900	
XX/13-34-080-17W5/X	SLAVE POINT	PR2-A	Oil	3800	
XX/13-34-080-17W5/X	SLAVE POINT	PR3-A	Oil	5700	
XX/13-34-080-17W5/X	SLAVE POINT	PR1-A	Oil	1900	
XX/15-34-080-17W5/X	SLAVE POINT	PR2-A	Oil	3800	
XX/15-34-080-17W5/X	SLAVE POINT	PR3-A	Oil	5700	
XX/15-34-080-17W5/X	SLAVE POINT	PR1-A	Oil	1900	
XX/09-35-080-17W5/X	SLAVE POINT	PR2-A	Oil	3800	
XX/09-35-080-17W5/X	SLAVE POINT	PR3-A	Oil	5700	
XX/09-35-080-17W5/X	SLAVE POINT	PR1-A	Oil	1900	
XX/06-02-081-17W5/X	SLAVE POINT	PR2-A	Oil	3800	
XX/06-02-081-17W5/X	SLAVE POINT	PR3-A	Oil	5700	
XX/06-02-081-17W5/X	SLAVE POINT	PR1-A	Oil	1900	
XX/06-08-081-17W5/X	SLAVE POINT	PR2-A	Oil	3800	
XX/06-08-081-17W5/X	SLAVE POINT	PR3-A	Oil	5700	
XX/06-08-081-17W5/X	SLAVE POINT	PR1-A	Oil	1900	

**Glossary**  
 Oil product units are bbl

**C) Abandonment Costs (2016 Dollars)**

Abandonment:  
 Well Costs: 65.0 M\$/well

Reclamation:  
 Well Costs: 25.0 M\$/well

Table 3  
Economic Parameters

D) Capital Costs (2016 Dollars)

Unrisked Capital Summary (2016 Dollars)

Year	On Stream	Well/Area	RC	Development Description	Gross Lease Capital Expenditures (MS)			Total	Company Capital Expenditures	Capital Interest %
					Development	Tangible	Plant & Gath.		Total MS	
<b>Low Estimate Prospective Resources - Prospect</b>										
2020	Jun	XX/05-26-080-17W5/X		PR1-A DCET Vertical Well	1,260	140	200	1,600	1,600	100.00
	Jun	XX/09-35-080-17W5/X		PR1-A DCET Vertical Well	1,260	140	200	1,600	1,600	100.00
	Jun	XX/06-02-081-17W5/X		PR1-A DCET Vertical Well	1,260	140	200	1,600	1,600	100.00
2021	Jun	XX/12-26-080-17W5/X		PR1-A DCET Vertical Well	1,260	140	200	1,600	1,600	100.00
	Jun	XX/07-27-080-17W5/X		PR1-A DCET Vertical Well	1,260	140	200	1,600	1,600	100.00
	Jun	XX/02-34-080-17W5/X		PR1-A DCET Vertical Well	1,260	140	200	1,600	1,600	100.00
2022	Jun	XX/06-34-080-17W5/X		PR1-A DCET Vertical Well	1,260	140	200	1,600	1,600	100.00
	Jun	XX/13-34-080-17W5/X		PR1-A DCET Vertical Well	1,260	140	200	1,600	1,600	100.00
	Jun	XX/15-34-080-17W5/X		PR1-A DCET Vertical Well	1,260	140	200	1,600	1,600	100.00
	Jun	XX/06-08-081-17W5/X		PR1-A DCET Vertical Well	1,260	140	200	1,600	1,600	100.00
<b>Total: Low Estimate Prospective Resources - Prospect</b>					<b>12,600</b>	<b>1,400</b>	<b>2,000</b>	<b>16,000</b>	<b>16,000</b>	<b>100.00</b>
<b>Best Estimate Prospective Resources - Prospect</b>										
2020	Jun	XX/05-26-080-17W5/X		PR2-A DCET Vertical Well	1,260	140	200	1,600	1,600	100.00
	Jun	XX/09-35-080-17W5/X		PR2-A DCET Vertical Well	1,260	140	200	1,600	1,600	100.00
	Jun	XX/06-02-081-17W5/X		PR2-A DCET Vertical Well	1,260	140	200	1,600	1,600	100.00
2021	Jun	XX/12-26-080-17W5/X		PR2-A DCET Vertical Well	1,260	140	200	1,600	1,600	100.00
	Jun	XX/07-27-080-17W5/X		PR2-A DCET Vertical Well	1,260	140	200	1,600	1,600	100.00
	Jun	XX/02-34-080-17W5/X		PR2-A DCET Vertical Well	1,260	140	200	1,600	1,600	100.00
2022	Jun	XX/06-34-080-17W5/X		PR2-A DCET Vertical Well	1,260	140	200	1,600	1,600	100.00
	Jun	XX/13-34-080-17W5/X		PR2-A DCET Vertical Well	1,260	140	200	1,600	1,600	100.00
	Jun	XX/15-34-080-17W5/X		PR2-A DCET Vertical Well	1,260	140	200	1,600	1,600	100.00
	Jun	XX/06-08-081-17W5/X		PR2-A DCET Vertical Well	1,260	140	200	1,600	1,600	100.00
<b>Total: Best Estimate Prospective Resources - Prospect</b>					<b>12,600</b>	<b>1,400</b>	<b>2,000</b>	<b>16,000</b>	<b>16,000</b>	<b>100.00</b>
<b>High Estimate Prospective Resources - Prospect</b>										
2020	Jun	XX/05-26-080-17W5/X		PR3-A DCET Vertical Well	1,260	140	200	1,600	1,600	100.00
	Jun	XX/09-35-080-17W5/X		PR3-A DCET Vertical Well	1,260	140	200	1,600	1,600	100.00
	Jun	XX/06-02-081-17W5/X		PR3-A DCET Vertical Well	1,260	140	200	1,600	1,600	100.00
2021	Jun	XX/12-26-080-17W5/X		PR3-A DCET Vertical Well	1,260	140	200	1,600	1,600	100.00
	Jun	XX/07-27-080-17W5/X		PR3-A DCET Vertical Well	1,260	140	200	1,600	1,600	100.00
	Jun	XX/02-34-080-17W5/X		PR3-A DCET Vertical Well	1,260	140	200	1,600	1,600	100.00
2022	Jun	XX/06-34-080-17W5/X		PR3-A DCET Vertical Well	1,260	140	200	1,600	1,600	100.00
	Jun	XX/13-34-080-17W5/X		PR3-A DCET Vertical Well	1,260	140	200	1,600	1,600	100.00
	Jun	XX/15-34-080-17W5/X		PR3-A DCET Vertical Well	1,260	140	200	1,600	1,600	100.00
	Jun	XX/06-08-081-17W5/X		PR3-A DCET Vertical Well	1,260	140	200	1,600	1,600	100.00
<b>Total: High Estimate Prospective Resources - Prospect</b>					<b>12,600</b>	<b>1,400</b>	<b>2,000</b>	<b>16,000</b>	<b>16,000</b>	<b>100.00</b>

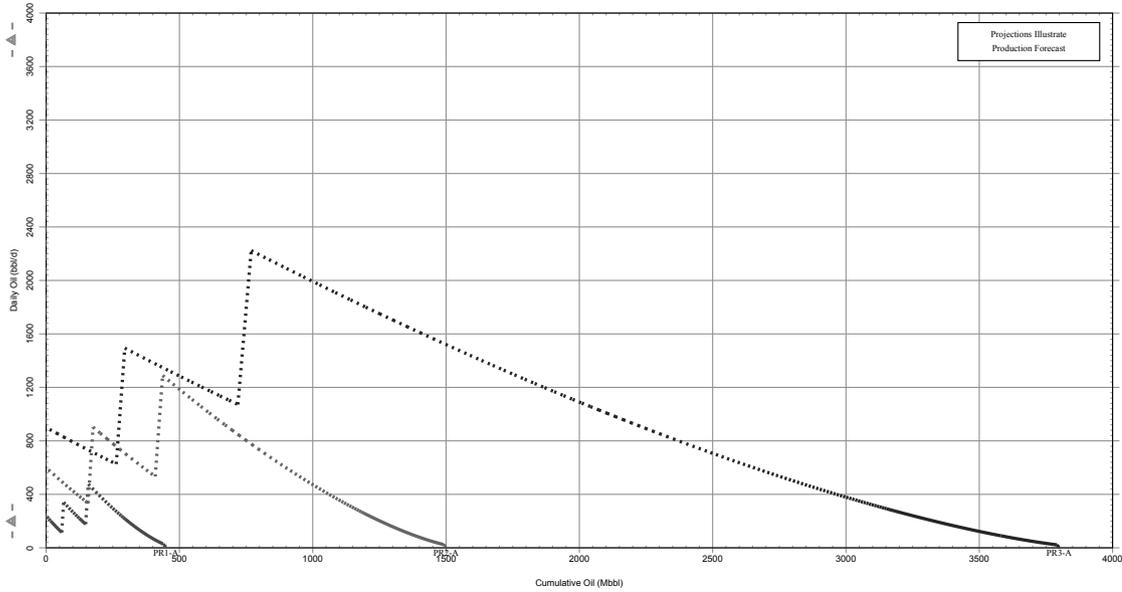
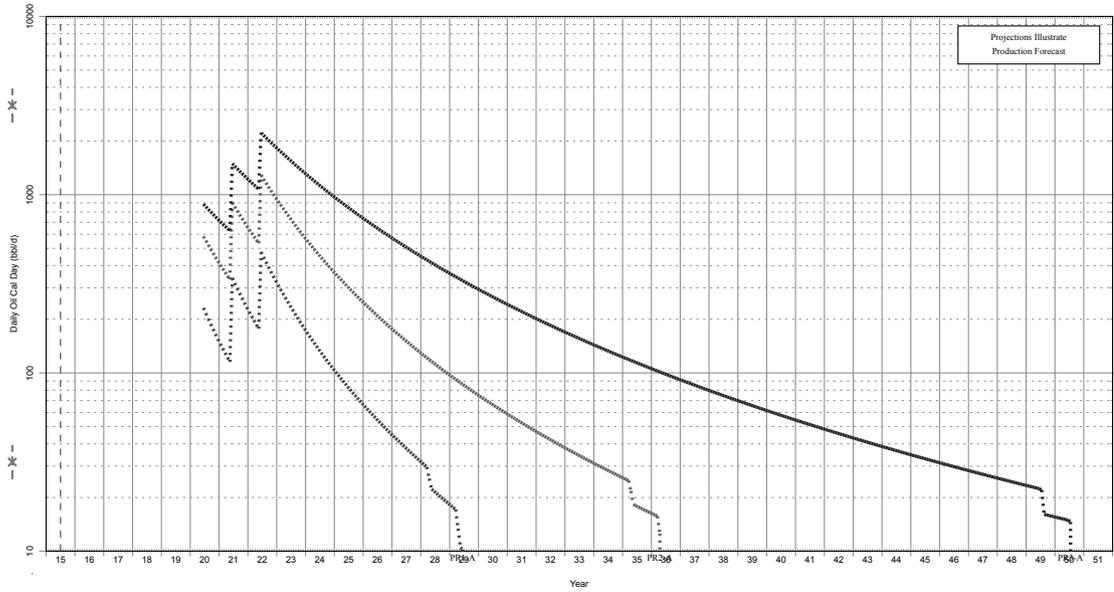
## APPENDIX I

## RESERVES ESTIMATION - SUPPORTING INFORMATION

	<u>Page</u>
<b>OIL</b>	
Dawson (Prospective Resources) - Oil Time Semilog/Oil Cum Coord Plot	26
XX/06-02-081-17W5/X - Oil Time Semilog/Oil Cum Coord Plot	27
XX/05-26-080-17W5/X - Oil Time Semilog/Oil Cum Coord Plot	28
XX/12-26-080-17W5/X - Oil Time Semilog/Oil Cum Coord Plot	29
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XX/13-34-080-17W5/X - Oil Time Semilog/Oil Cum Coord Plot	33
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Historical and Forecast Production  
Dawson (Prospective Resources)

Property : Dawson (Prospective Resources)



Total Resources Summary At 2015/07/01

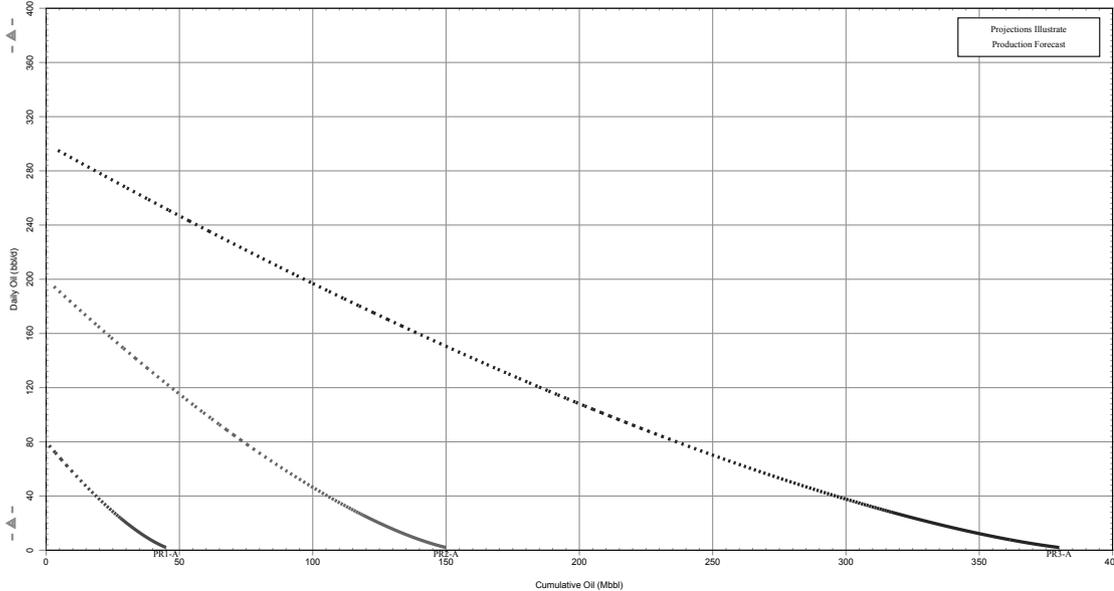
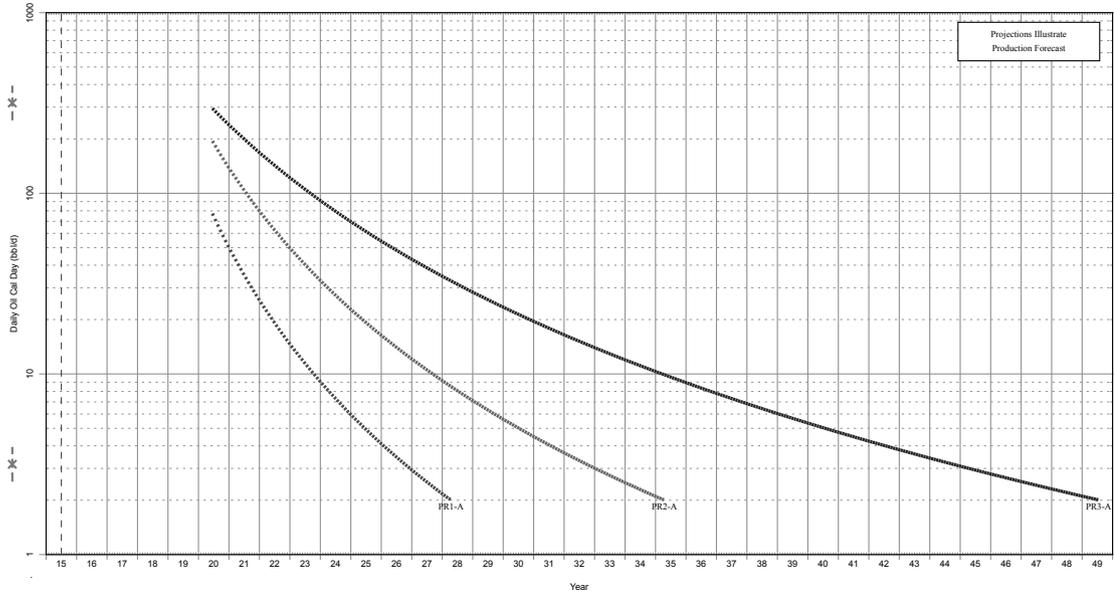
Average Production Rates (Last 12 months ending 2015/07/01)

Resources Classification	Resources ( Mbbbl )		
	Ultimate	Cum Production	Remaining
Low Estimate Prospective Resources - Prospect PR1-A(R)	450	0	450
Best Estimate Prospective Resources - Prospect PR2-A(R)	1500	0	1500
High Estimate Prospective Resources - Prospect PR3-A(R)	3800	0	3800
Dawson (Prospective Resources) 1171053 / Nov 21, 2016			

Gas :	0.0 Mcf/d	0.0 Mcf/cd	WGR :	0.0 bbl/MMcf	
Oil :	0.0 bbl/d	0.0 bbl/cd	GOR :	0.0 scf/stb	
On Prod :	0.0 days		WC :	0.0 %	
Cumulative Production					
Oil :	0.0 Mbbbl	Gas :	0.0 MMcf	Water :	0.0 Mbbbl

Historical and Forecast Production  
XX/06-02-081-17W5/X

Property : Dawson (Prospective Resources)



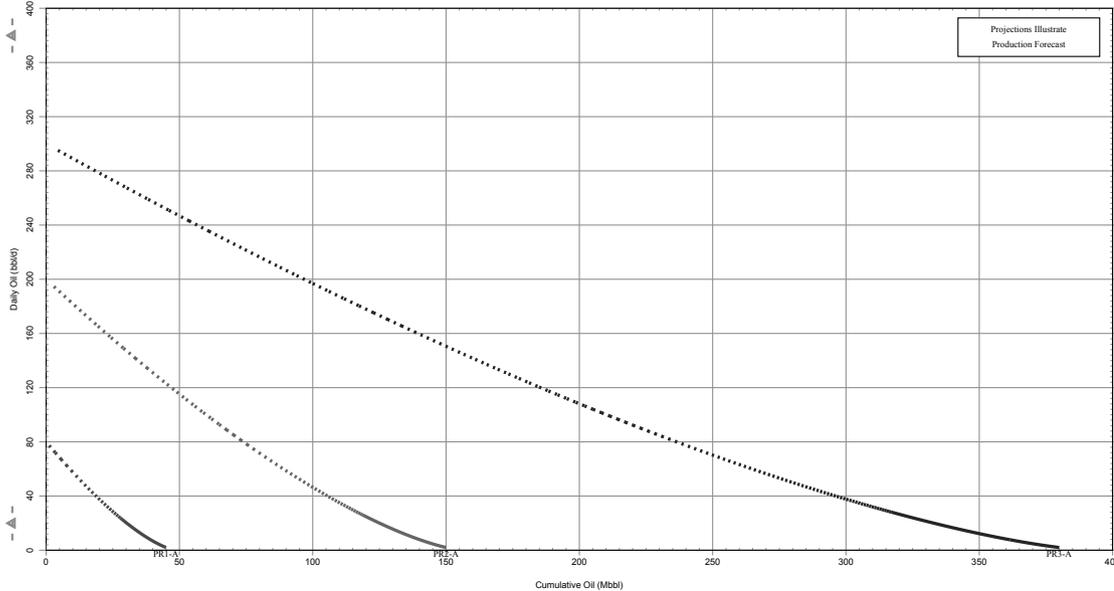
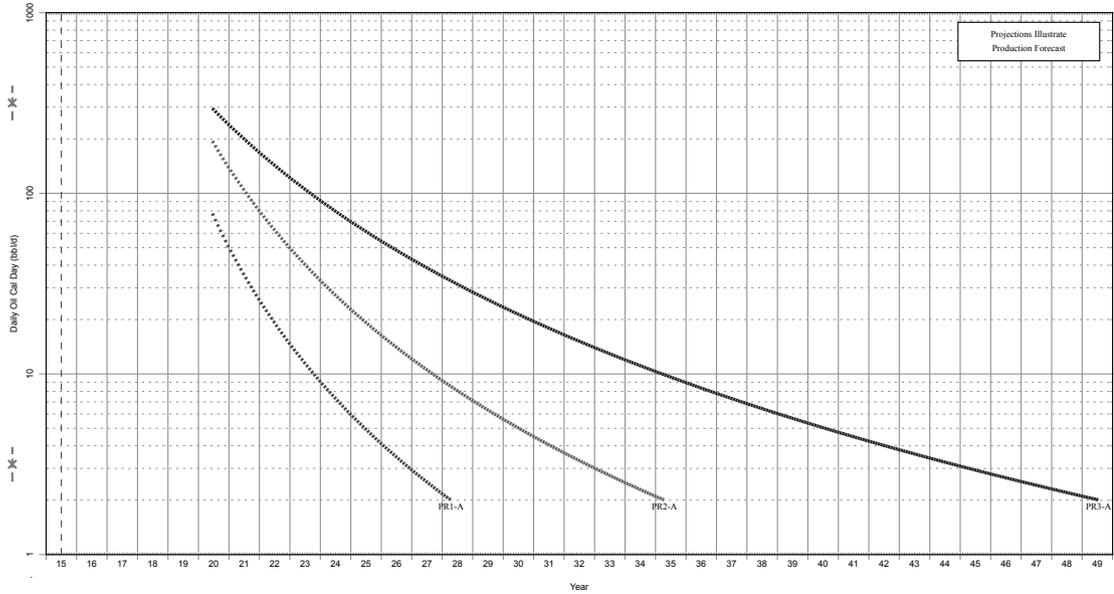
Resource Classification	Decline Analysis Summary At 2015/07/01				Average Production Rates (Last 12 months ending 2015/07/01)					
	Ultimate	Cum Prd	Remain	Rates ( bbl/d )	Decline	Gas :	Oil :	On Prod :	Water :	
				Initial	Final	Initial	Expont	WGR :	GOR :	WC :
Low Estimate Prospective Resources - Prospect PR1-A	45	0	45	80	2	53.4	0.30	0.0 Mcf/d	0.0 bbl/cd	0.0 MMcf
Best Estimate Prospective Resources - Prospect PR2-A	150	0	150	200	2	45.6	0.30	0.0 bbl/d	0.0 bbl/cd	0.0 scf/stb
High Estimate Prospective Resources - Prospect PR3-A	380	0	380	300	2	31.4	0.30	0.0 days		0.0%

XX/06-02-081-17W5/X  
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Historical and Forecast Production  
XX/05-26-080-17W5/X

Property : Dawson (Prospective Resources)



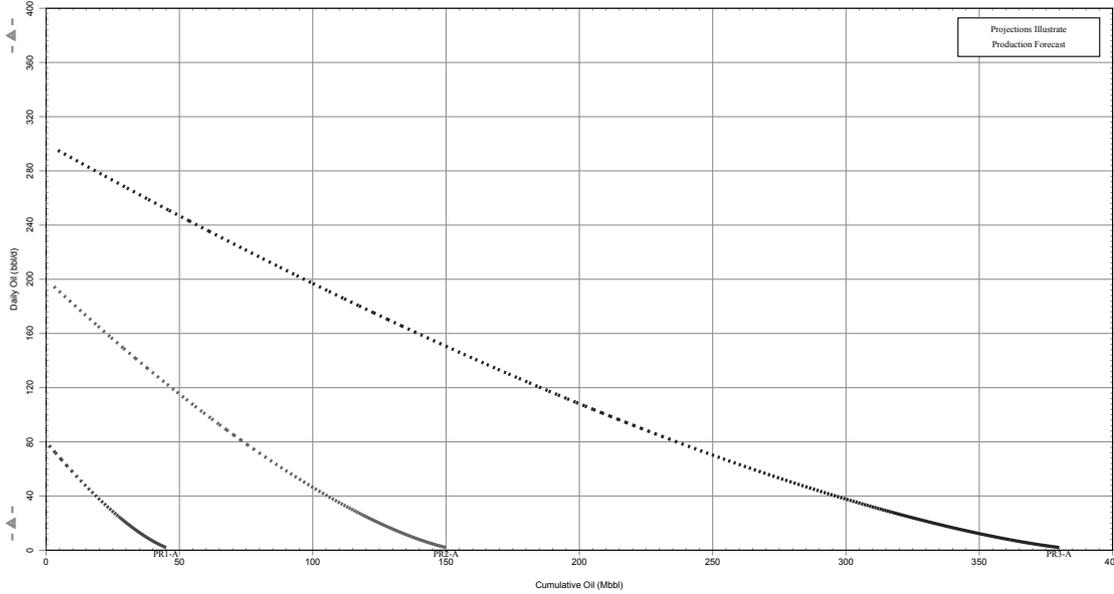
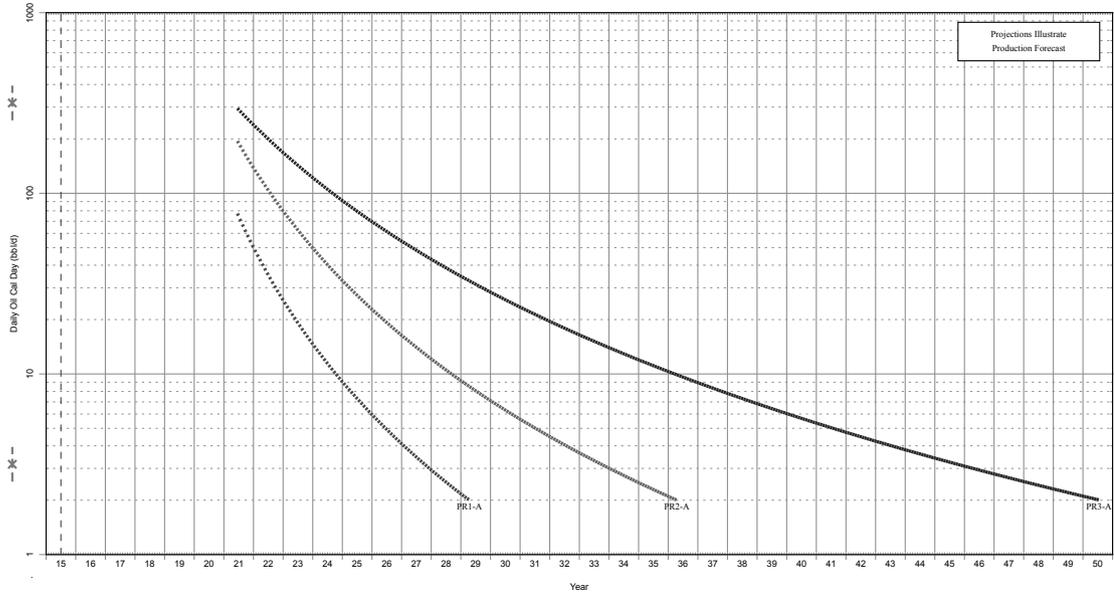
Resource Classification	Decline Analysis Summary At 2015/07/01				Average Production Rates (Last 12 months ending 2015/07/01)					
	Ultimate	Cum Prd	Remain	Rates ( bbl/d )	Decline	Gas :	Oil :	On Prod :	Water :	
				Initial	Final	Initial	Expont	WGR :	GOR :	WC :
Low Estimate Prospective Resources - Prospect PR1-A	45	0	45	80	2	53.4	0.30	0.0 Mcf/d	0.0 bbl/cd	0.0 MMcf
Best Estimate Prospective Resources - Prospect PR2-A	150	0	150	200	2	45.6	0.30	0.0 bbl/d	0.0 bbl/cd	0.0 scf/stb
High Estimate Prospective Resources - Prospect PR3-A	380	0	380	300	2	31.4	0.30	0.0 days		0.0%

XX/05-26-080-17W5/X  
1171053 / Nov 21, 2016



Historical and Forecast Production  
XX/12-26-080-17W5/X

Property : Dawson (Prospective Resources)



Resource Classification	Decline Analysis Summary At 2015/07/01				Average Production Rates (Last 12 months ending 2015/07/01)					
	Ultimate	Cum Prd	Remain	Rates ( bbl/d )	Decline	Gas :	Oil :	On Prod :		
				Initial	Final	Initial	Expont	WGR :	GOR :	WC :
Low Estimate Prospective Resources - Prospect PR1-A	45	0	45	80	2	53.4	0.30	0.0 Mcf/d	0.0 bbl/cd	0.0 MMcf
Best Estimate Prospective Resources - Prospect PR2-A	150	0	150	200	2	45.6	0.30	0.0 bbl/d	0.0 bbl/cd	0.0 scf/stb
High Estimate Prospective Resources - Prospect PR3-A	380	0	380	300	2	31.4	0.30	0.0 days		0.0%

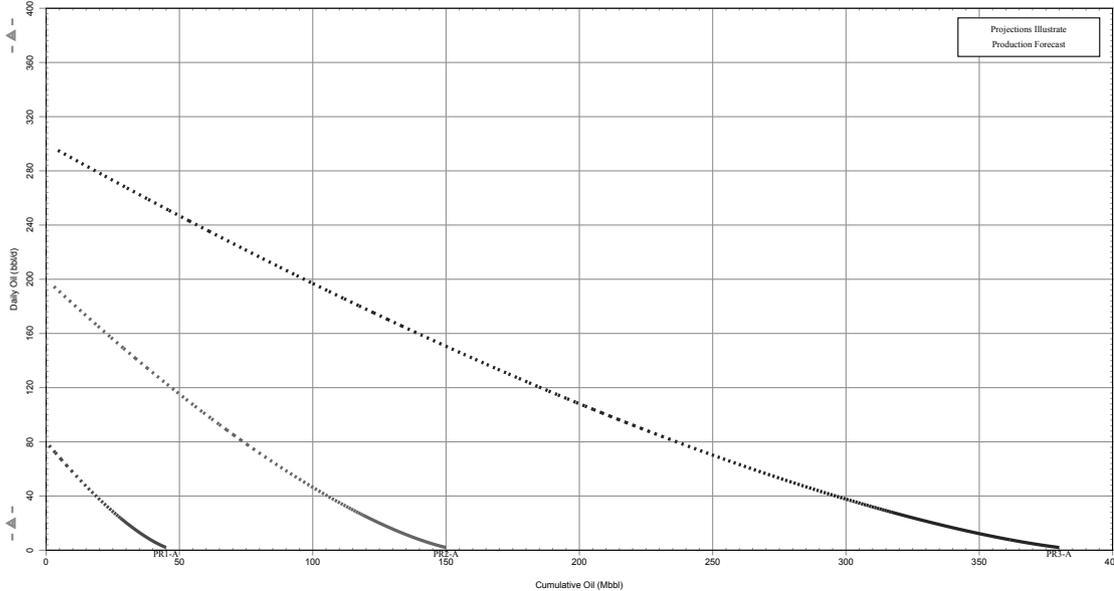
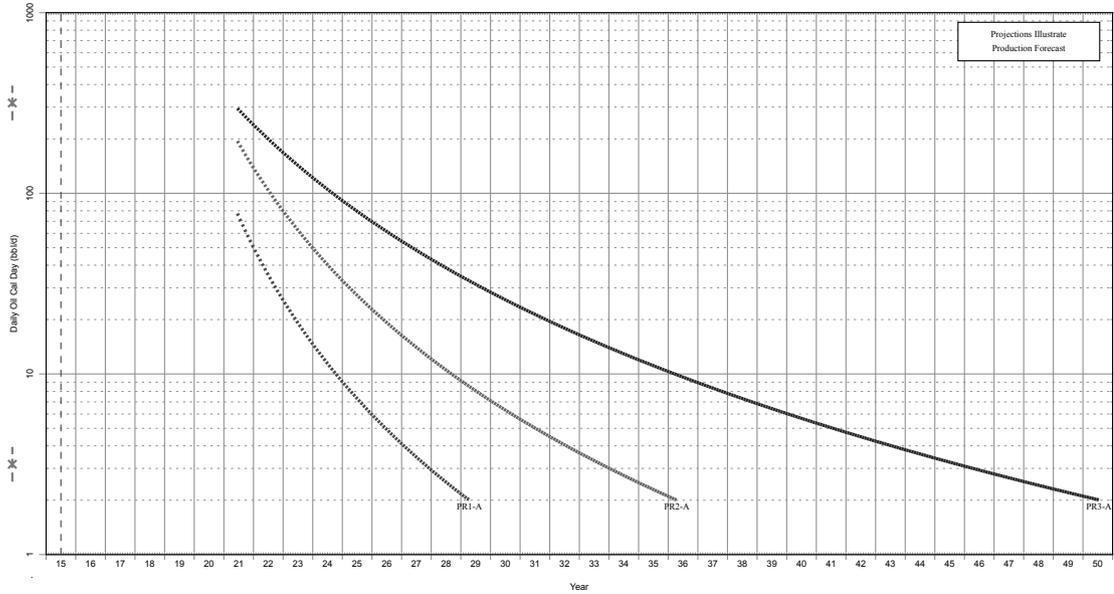
Cumulative Production			
Oil :	0.0 Mbb	Gas :	0.0 MMcf
Water :	0.0 Mbb		

XX/12-26-080-17W5/X  
1171053 / Nov 21, 2016



Historical and Forecast Production  
XX/07-27-080-17W5/X

Property : Dawson (Prospective Resources)



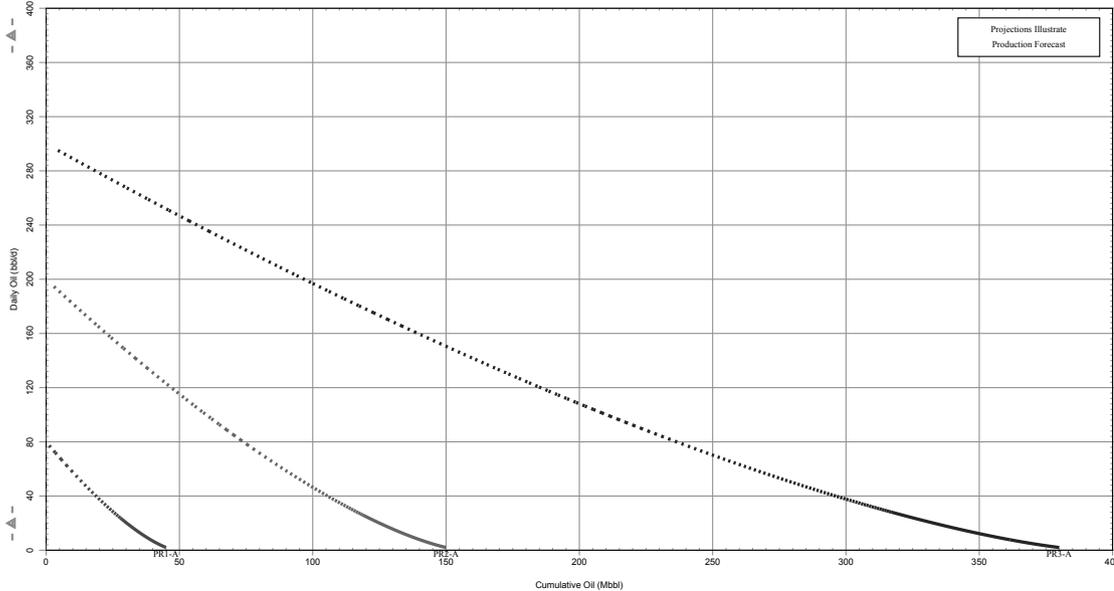
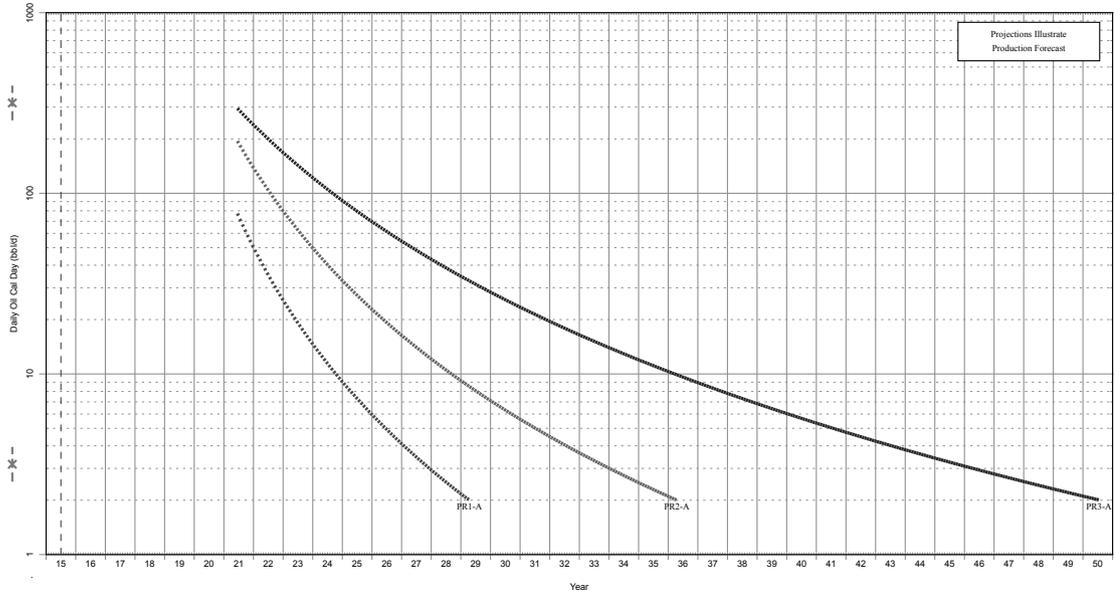
Resource Classification	Decline Analysis Summary At 2015/07/01				Average Production Rates (Last 12 months ending 2015/07/01)								
	Resource ( Mbbbl )		Rates ( bbl/d )		Decline		Average Production Rates (Last 12 months ending 2015/07/01)						
	Ultimate	Cum Prd	Remain	Initial	Final	Initial	Expont	Gas :	Oil :	On Prod :	WGR :	GOR :	WC :
Low Estimate Prospective Resources - Prospect	PR1-A	45	0	45	80	2	53.4	0.0 Mcf/d	0.0 bbl/d	0.0 days	0.0 Mcf/cd	0.0 bbl/cd	0.0%
Best Estimate Prospective Resources - Prospect	PR2-A	150	0	150	200	2	45.6	0.0 Mcf/d	0.0 bbl/d	0.0 days	0.0 Mcf/cd	0.0 bbl/cd	0.0%
High Estimate Prospective Resources - Prospect	PR3-A	380	0	380	300	2	31.4	0.0 Mcf/d	0.0 bbl/d	0.0 days	0.0 Mcf/cd	0.0 bbl/cd	0.0%

XX/07-27-080-17W5/X  
1171053 / Nov 21, 2016



Historical and Forecast Production  
XX/02-34-080-17W5/X

Property : Dawson (Prospective Resources)



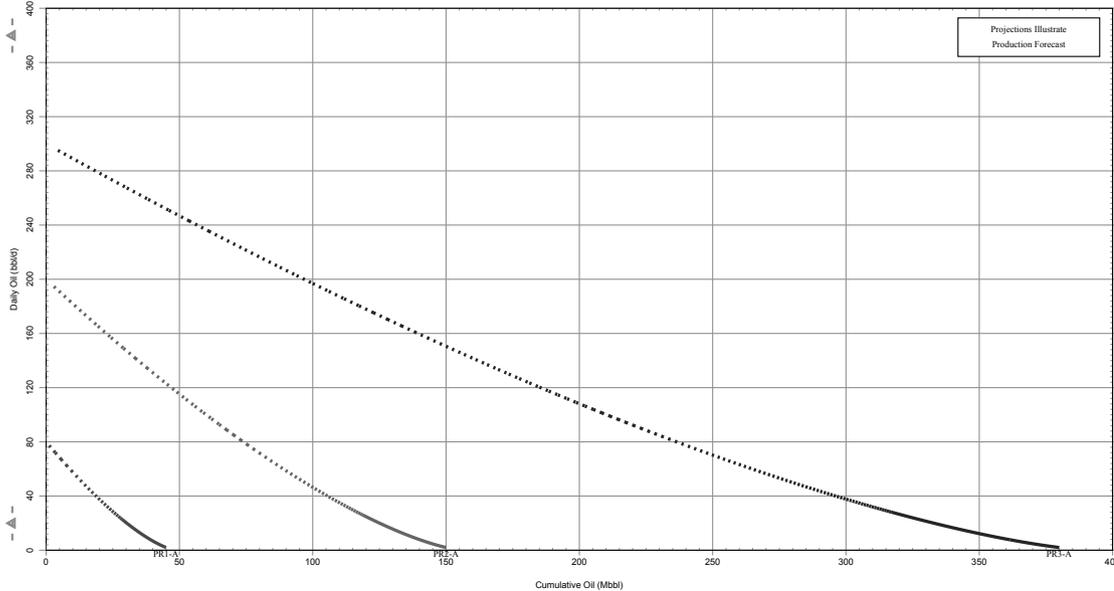
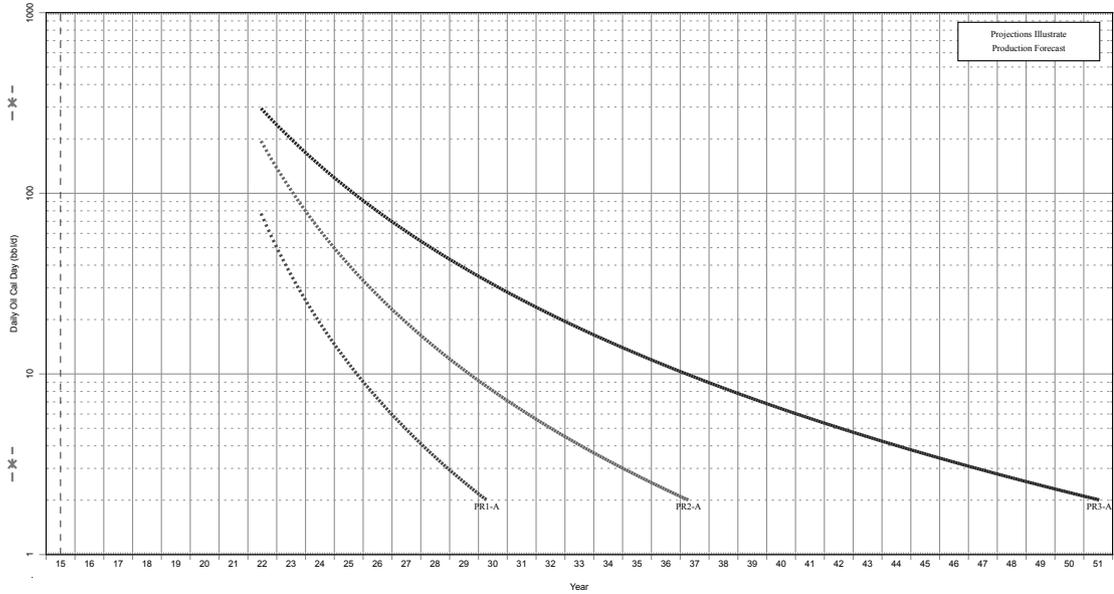
Resource Classification	Decline Analysis Summary At 2015/07/01				Average Production Rates (Last 12 months ending 2015/07/01)					
	Ultimate	Cum Prd	Remain	Rates ( bb/d )	Decline	Gas :	Oil :	On Prod :		
				Initial	Final	Initial	Expont	WGR :	GOR :	WC :
Low Estimate Prospective Resources - Prospect PR1-A	45	0	45	80	2	53.4	0.30	0.0 Mcf/d	0.0 bbl/d	0.0 days
Best Estimate Prospective Resources - Prospect PR2-A	150	0	150	200	2	45.6	0.30	0.0 Mcf/cd	0.0 bbl/cd	0.0 scf/stb
High Estimate Prospective Resources - Prospect PR3-A	380	0	380	300	2	31.4	0.30	WGR : 0.0 MMcf	GOR : 0.0 MMcf	WC : 0.0 Mbbl

XX/02-34-080-17W5/X  
1171053 / Nov 21, 2016



Historical and Forecast Production  
XX/06-34-080-17W5/X

Property : Dawson (Prospective Resources)



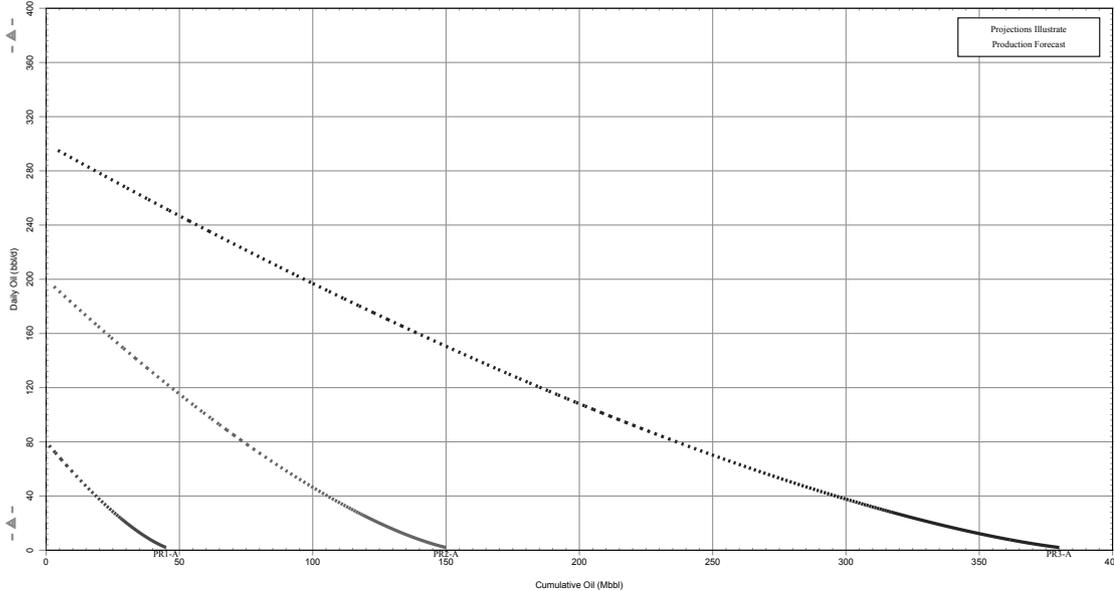
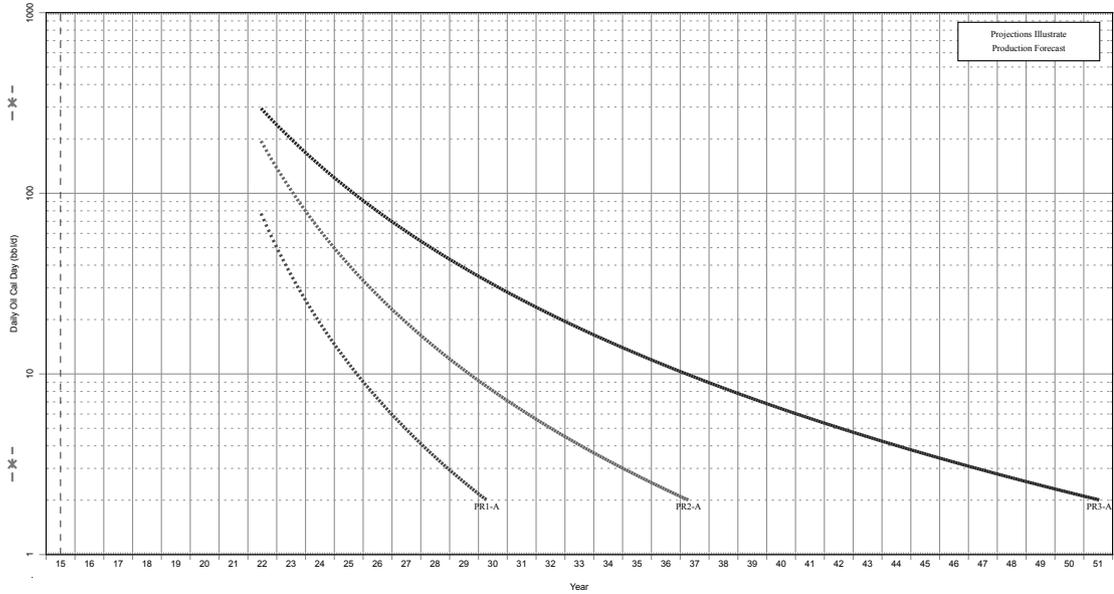
Resource Classification	Decline Analysis Summary At 2015/07/01				Average Production Rates (Last 12 months ending 2015/07/01)					
	Resource ( Mbb )		Rates ( bbl/d )		Decline		Average Production Rates (Last 12 months ending 2015/07/01)			
	Ultimate	Cum Prd	Remain	Initial	Final	Initial	Expont	Oil : 0.0 Mbb	Gas : 0.0 MMcf	Water : 0.0 Mbb
Low Estimate Prospective Resources - Prospect PR1-A	45	0	45	80	2	53.4	0.30	0.0 Mbb	0.0 MMcf	0.0 Mbb
Best Estimate Prospective Resources - Prospect PR2-A	150	0	150	200	2	45.6	0.30	0.0 Mbb	0.0 MMcf	0.0 Mbb
High Estimate Prospective Resources - Prospect PR3-A	380	0	380	300	2	31.4	0.30	0.0 Mbb	0.0 MMcf	0.0 Mbb

XX/06-34-080-17W5/X  
1171053 / Nov 21, 2016



Historical and Forecast Production  
XX/13-34-080-17W5/X

Property : Dawson (Prospective Resources)



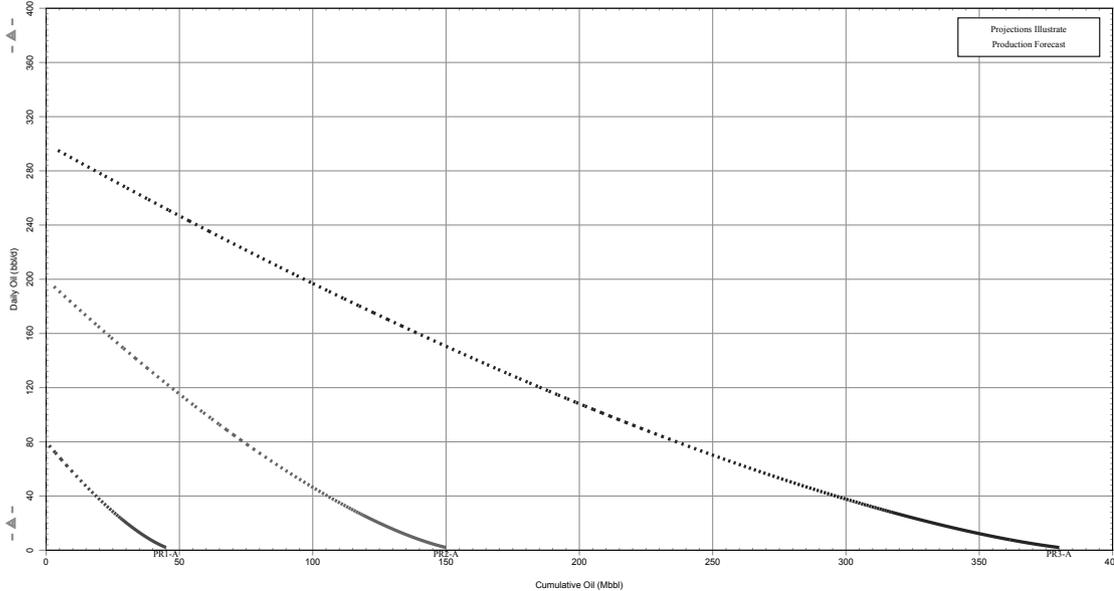
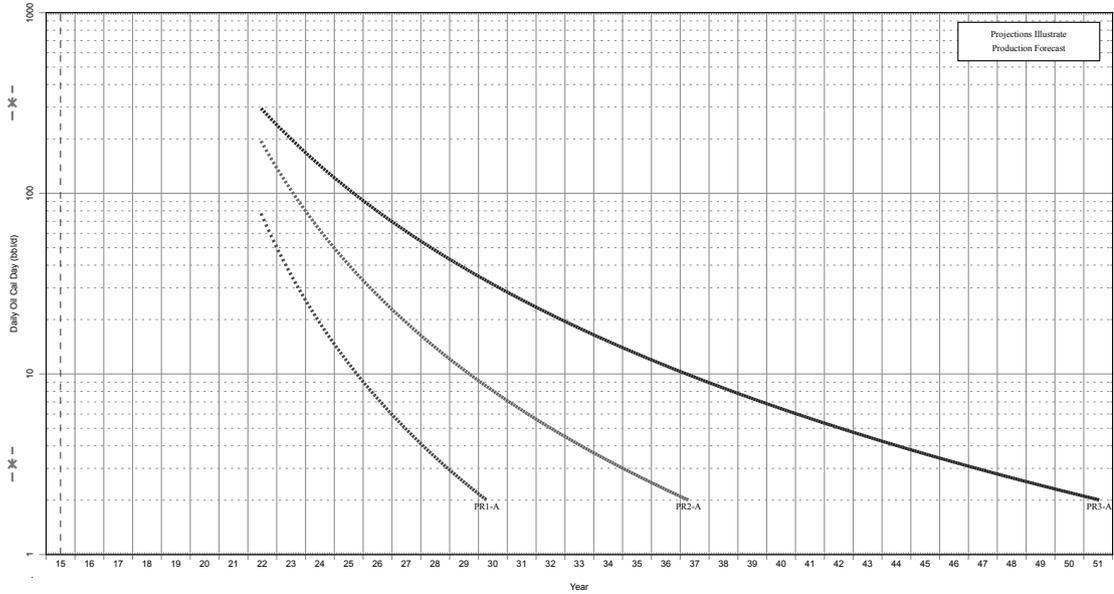
Resource Classification	Decline Analysis Summary At 2015/07/01				Average Production Rates (Last 12 months ending 2015/07/01)						
	Resource ( Mbb )		Rates ( bbl/d )		Decline		Average Production Rates (Last 12 months ending 2015/07/01)				
	Ultimate	Cum Prd	Remain	Initial	Final	Initial	Expont	Oil : 0.0 Mbb/d	Gas : 0.0 Mmcf/d	Water : 0.0 Mmcf/d	WGR : 0.0 MMcf
Low Estimate Prospective Resources - Prospect PR1-A	45	0	45	80	2	53.4	0.30	0.0 bbl/d	0.0 bbl/cd	0.0 bbl/cd	0.0 scf/stb
Best Estimate Prospective Resources - Prospect PR2-A	150	0	150	200	2	45.6	0.30	0.0 days	0.0 days	0.0 days	0.0 %
High Estimate Prospective Resources - Prospect PR3-A	380	0	380	300	2	31.4	0.30	Cumulative Production			
								Oil : 0.0 Mbb	Gas : 0.0 MMcf	Water : 0.0 Mbb	

XX/13-34-080-17W5/X  
1171053 / Nov 21, 2016



Historical and Forecast Production  
XX/15-34-080-17W5/X

Property : Dawson (Prospective Resources)



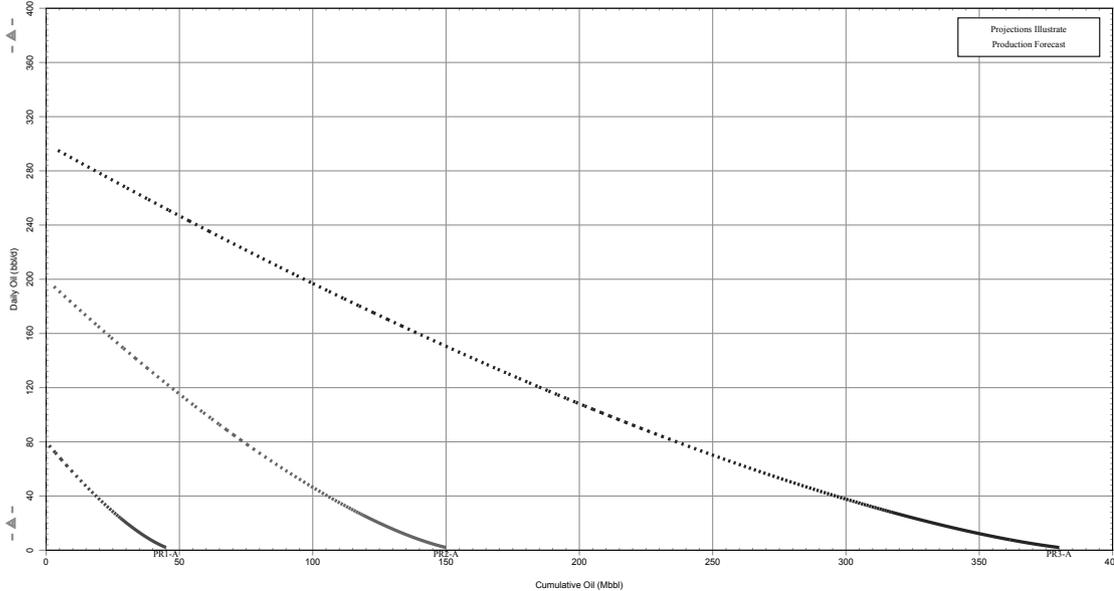
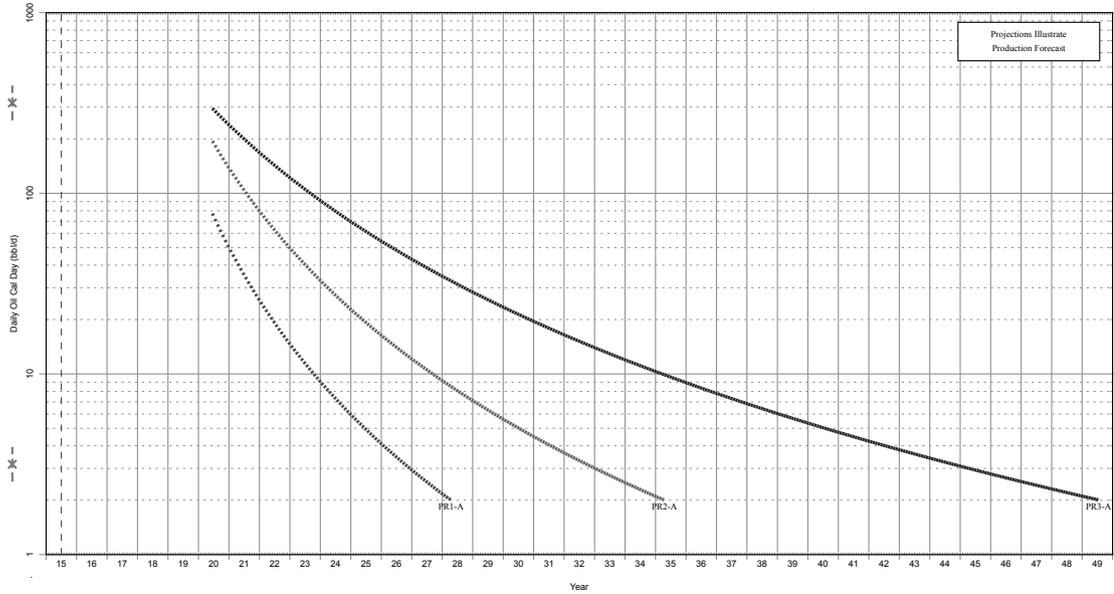
Resource Classification	Decline Analysis Summary At 2015/07/01				Average Production Rates (Last 12 months ending 2015/07/01)										
	Resource ( Mbb )		Rates ( bbl/d )		Decline		Average Production Rates (Last 12 months ending 2015/07/01)								
	Ultimate	Cum Prd	Remain	Initial	Final	Initial	Exponent	Gas : 0.0 Mcf/d	Oil : 0.0 bbl/d	On Prod : 0.0 days	0.0 Mcf/cd	0.0 bbl/cd	WGR : 0.0	GOR : 0.0	WC : 0.0%
Low Estimate Prospective Resources - Prospect	PR1-A	45	0	45	80	2	53.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Best Estimate Prospective Resources - Prospect	PR2-A	150	0	150	200	2	45.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
High Estimate Prospective Resources - Prospect	PR3-A	380	0	380	300	2	31.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

XX/15-34-080-17W5/X  
1171053 / Nov 21, 2016



Historical and Forecast Production  
XX/09-35-080-17W5/X

Property : Dawson (Prospective Resources)



Resource Classification	Decline Analysis Summary At 2015/07/01				Average Production Rates (Last 12 months ending 2015/07/01)				
	Ultimate	Cum Prd	Remain	Rates ( bbl/d )	Decline	Oil :	Gas :	Water :	
				Initial	Final	Initial	Expont	GOR :	WC :
Low Estimate Prospective Resources - Prospect PR1-A	45	0	45	80	2	53.4	0.30	0.0 Mcf/d	0.0 MMcf
Best Estimate Prospective Resources - Prospect PR2-A	150	0	150	200	2	45.6	0.30	0.0 bbl/d	0.0 bbl/cd
High Estimate Prospective Resources - Prospect PR3-A	380	0	380	300	2	31.4	0.30	0.0 days	0.0 scf/stb

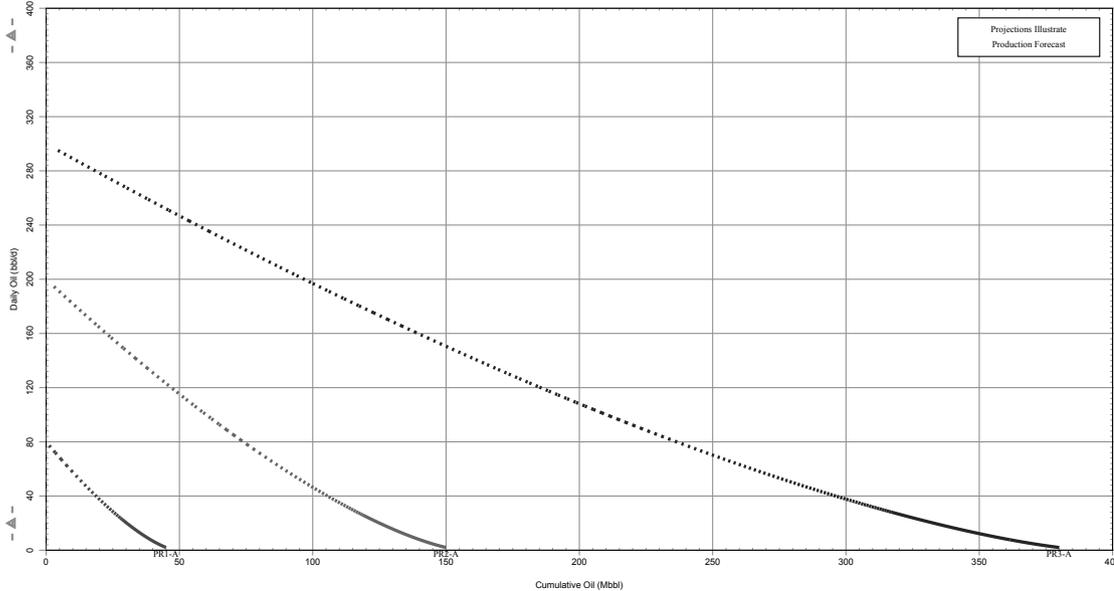
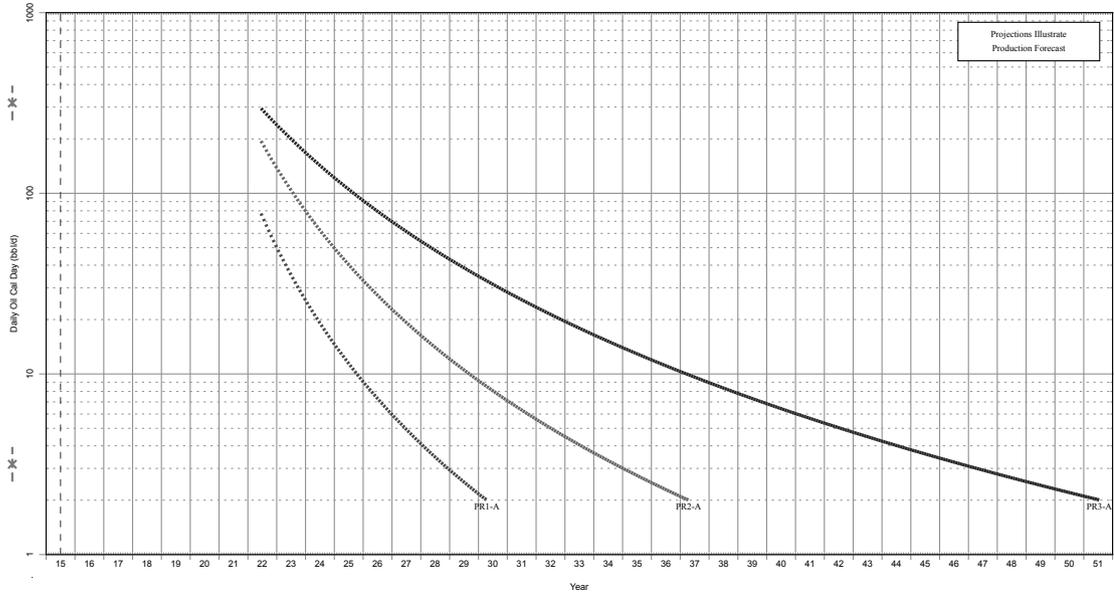
Oil : 0.0 Mbb Cumulative Production Gas : 0.0 MMcf Water : 0.0 Mbb

XX/09-35-080-17W5/X  
1171053 / Nov 21, 2016



Historical and Forecast Production  
XX/06-08-081-17W5/X

Property : Dawson (Prospective Resources)



Resource Classification	Decline Analysis Summary At 2015/07/01				Average Production Rates (Last 12 months ending 2015/07/01)					
	Ultimate	Cum Prd	Remain	Rates ( bbl/d )	Decline	Oil :	Gas :	Water :		
				Initial	Final	Initial	Expont	Oil :	Gas :	Water :
Low Estimate Prospective Resources - Prospect PR1-A	45	0	45	80	2	53.4	0.30	0.0 Mcf/d	0.0 Mcf/cd	0.0 MMcf
Best Estimate Prospective Resources - Prospect PR2-A	150	0	150	200	2	45.6	0.30	0.0 bbl/d	0.0 bbl/cd	0.0 scf/stb
High Estimate Prospective Resources - Prospect PR3-A	380	0	380	300	2	31.4	0.30	0.0 days	0.0	0.0%

XX/06-08-081-17W5/X  
1171053 / Nov 21, 2016



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Property: Dawson-Seal  
Local analog Slave Point wells

Table 1A

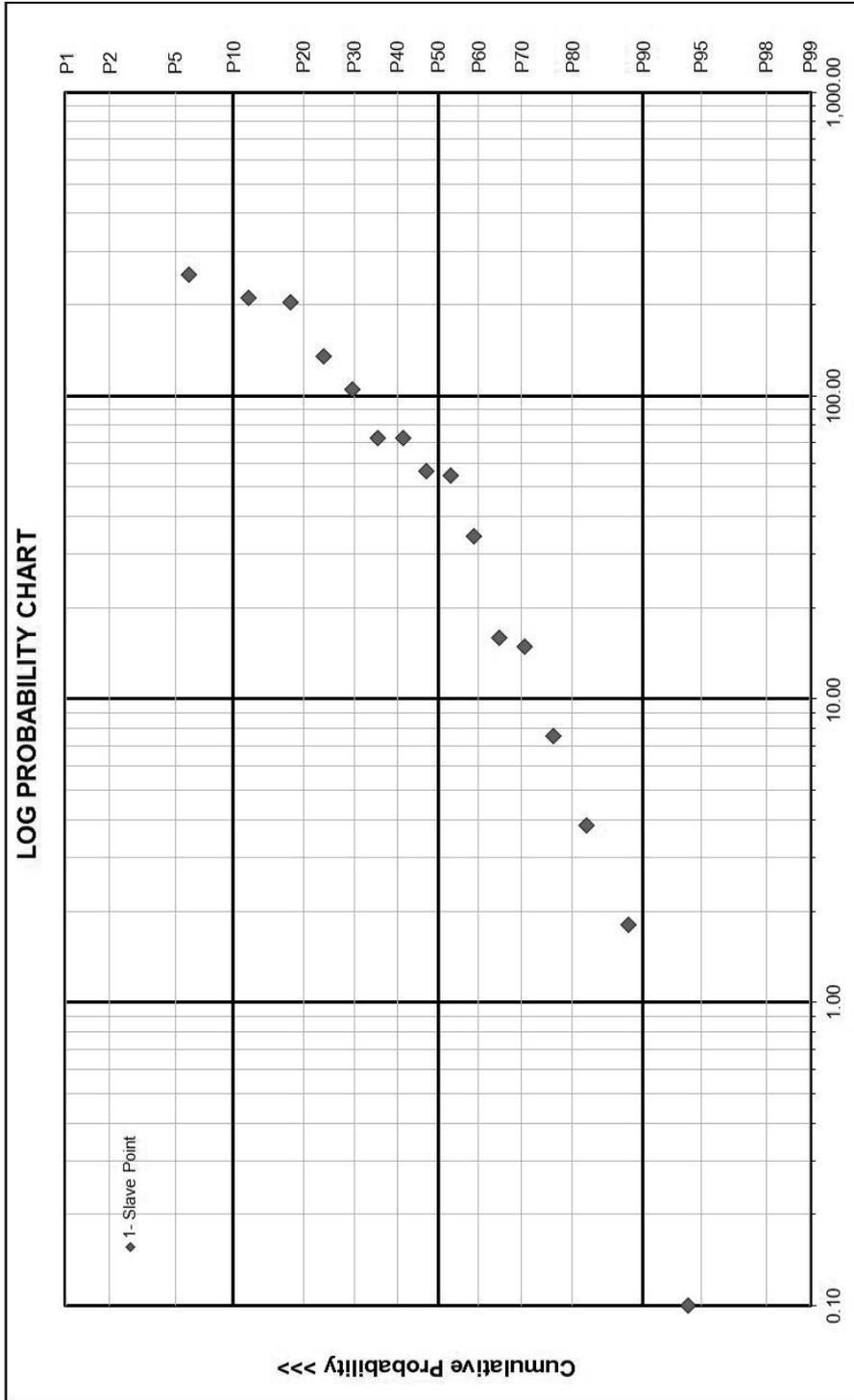
Last Month of Data: Alta.: 2016-09  
B.C.: 2016-09  
Sask.: 2016-09  
Man.: 2016-09

Page 1

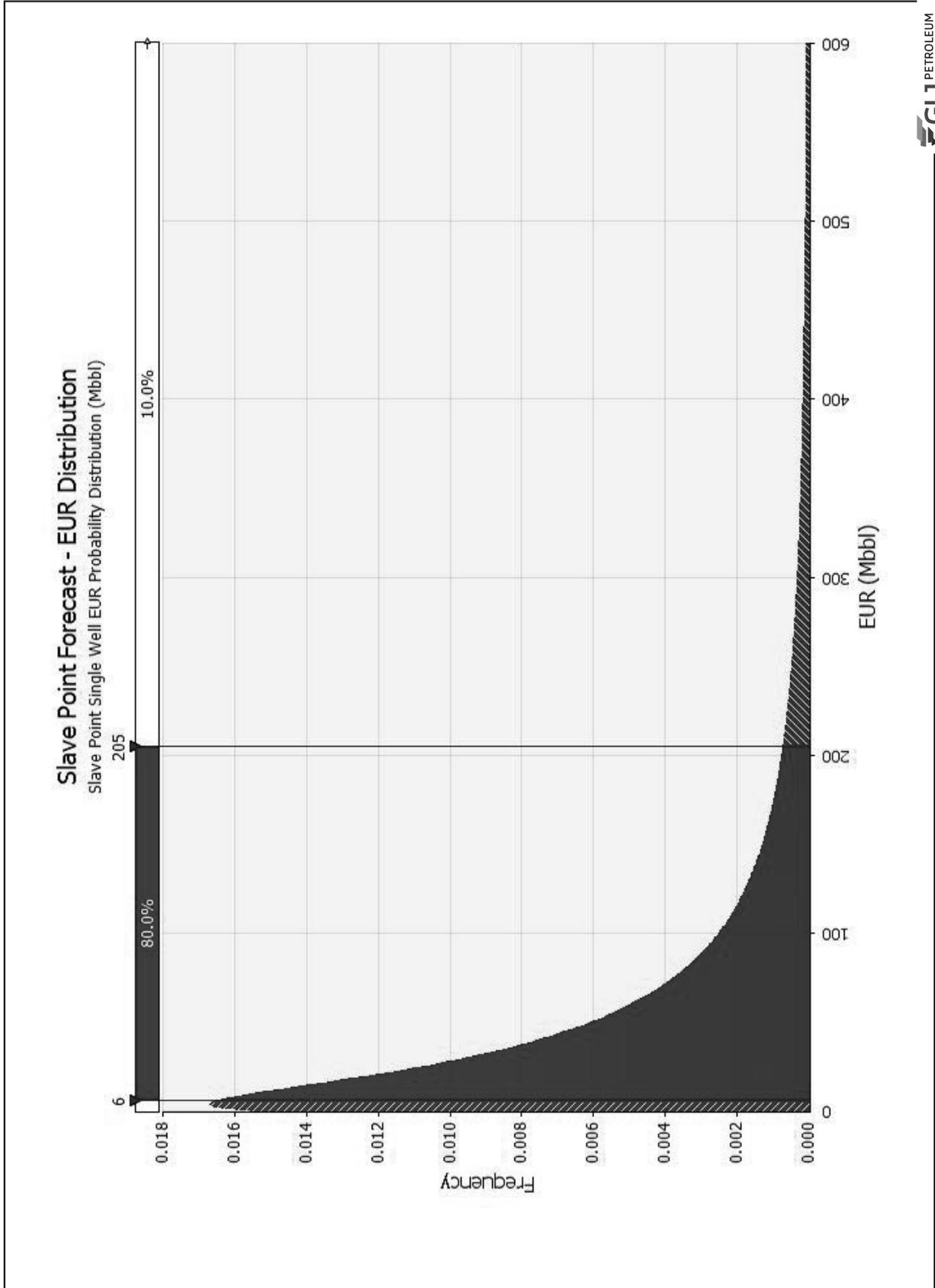
Well List and Production Summary

#	Well Location	Regulatory Field Pool	Entity	Current Status	Production Dates		Last Quarter Production Statistics							Cumulative Production		
					RigRel yr-mm	Last yr-mm	Inj yr-mm	Prod Days	Oil bbl/d	Gas Mcf/d	GOR scf/stb	WGR bbl/ MMcf	WC %	OH Mtbl	Gas MMcf	Water Mtbl
1	0015-14-080-17W52	DAWSON SLAVE POINT F	0015-14-080-17W52	ABND, RE-ENTERED OIL	1983-01	1984-02	1986-02	61	24	7	301	7,923	70	15	5	33
2	0015-14-080-17W53	DAWSON SLAVE POINT F	0015-14-080-17W53	SUSPENDED OIL	1997-12	2003-10		24	2	2	954	>9999	94	41	10	134
3	0001-21-080-17W50	DAWSON SLAVE POINT A	0001-21-080-17W50	SUSP WATER DISPOSAL	1984-04	1984-06	1991-03	65	0	0	156	>9909	91	16	4	8
4	0019-21-080-17W50	DAWSON SLAVE POINT F	0019-21-080-17W50	ABANDONED OIL	1997-04	1997-04	1998-07	17	2	0	0					65
5	0013-21-080-17W50	DAWSON SLAVE POINT F	0013-21-080-17W50	ABANDONED OIL	1982-04	1983-01	1994-01	78	4	1	144	>9999	89	34	16	41
6	0016-22-080-17W53	DAWSON SLAVE POINT U	0016-22-080-17W53	PUMPING OIL	2011-04	2011-04	2016-09	9	5	1	147	>9999	96	47	6	57
7	0006-23-080-17W50	DAWSON SLAVE POINT F	0006-23-080-17W50	ABND, RE-ENTERED OIL	1980-03	1981-02	1986-02	90	12	5	405	1,187	32	42	17	6
8	0006-23-080-17W52	DAWSON SLAVE POINT F	0006-23-080-17W52	PUMPING OIL	2007-12	2008-02	2015-02	67	4	0	27	>9999	48	30	2	9
9	0001-27-080-17W52	DAWSON SLAVE POINT U	0001-27-080-17W52	PUMPING OIL	2011-10	2011-10	2016-09	8	1	0	408	9,896	80	35	7	61
10	0001-29-080-17W50	DAWSON SLAVE POINT F	0001-29-080-17W50	ABANDONED OIL	1983-09	1983-10	1986-04	85	3	1	252	394	13	4	0	31
11	0008-29-080-17W50	DAWSON SLAVE POINT F	0008-29-080-17W50	SUSPENDED OIL	1995-09	1995-10	2015-02	67	10	0	31	>9999	91	202	40	413
12	0009-29-080-17W50	DAWSON SLAVE POINT F	0009-29-080-17W50	PUMPING OIL	1995-04	1995-05	2016-09	88	9	0	54	857	4	244	44	4
13	0002-32-080-17W50	DAWSON SLAVE POINT F	0002-32-080-17W50	SUSPENDED OIL	1994-07	1994-08	2012-10	73	4	0	31	1,300	4	105	23	1
14	0007-32-080-17W50	DAWSON SLAVE POINT F	0007-32-080-17W50	SUSPENDED OIL	1996-11	1996-11	2012-07	31	0	0	0		54	134	22	66
15	0013-32-080-17W50	DAWSON SLAVE POINT FRR	0013-32-080-17W50	ABND, RE-ENTERED OIL	1983-04	1983-09	1984-04	34	1	0	0		32	2	0	1
16	0013-32-080-17W52	DAWSON SLAVE POINT FRR	0013-32-080-17W52	SUSPENDED OIL	2007-03	2011-07	2012-07	16	0	0	0		99	0	0	3
17	0002-35-080-17W50	DAWSON SLAVE POINT E	0002-35-080-17W50	PUMPING OIL	2012-08	2012-09	2016-09	82	75	11	148	135	2	120	20	1
18	0007-55-080-17W50	DAWSON SLAVE POINT E	0007-55-080-17W50	ABANDONED OIL	1983-01	1983-02	1986-02	88	13	3	264	613	14	7	3	2
19	0006-04-081-17W50	DAWSON SLAVE POINT WWW	0006-04-081-17W50	SUSPENDED OIL	1999-11	2012-03	2012-12	9	0	0	0		100	0	0	2
	<b>Total</b>							<b>9</b>	<b>168</b>	<b>32</b>			<b>1,113</b>	<b>221</b>	<b>907</b>	

Local analog Slave Point wells - EUR Distribution (Mbbbl)



P90	2.80 Mbbbl
P50 (median)	55.30 Mbbbl
<b>Mean (simple arithmetic)</b>	<b>77.09 Mbbbl</b>
P10	206.10 Mbbbl



**PERSTA RESOURCES INC.**

**DAWSON RESERVES**

**Effective September 30, 2016**

Prepared by  
T. Mark Jobin, P. Geol.  
John N. Cowie, P. Eng.

*The analysis of this property as reported herein was conducted within the context of an evaluation of a distinct group of properties in aggregate. Extraction and use of this analysis outside this context may not be appropriate without supplementary due diligence.*

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Reserves Estimation - Supporting Information	

Company: Persta Resources Inc.  
Property: Dawson Reserves

Reserve Class: Various  
Development Class: GLJ (2016-10)  
Pricing: GLJ (2016-10)  
Effective Date: September 30, 2016

Summary of Reserves and Values

	Proved Producing	Proved Developed Non-Producing	Proved Undeveloped	Total Proved	Proved Plus Probable Producing	Proved Plus Probable Non-Producing	Proved Plus Probable Undeveloped	Total Proved Plus Probable
<b>MARKETABLE RESERVES</b>								
<b>Light &amp; Medium Oil (Mbbbl)</b>								
Gross Lease	69	0	0	69	99	0	0	99
Total Company Interest	69	0	0	69	99	0	0	99
Net After Royalty	55	0	0	55	78	0	0	78
<b>Oil Equivalent (Mboe)</b>								
Gross Lease	69	0	0	69	99	0	0	99
Total Company Interest	69	0	0	69	99	0	0	99
Net After Royalty	55	0	0	55	78	0	0	78
<b>BEFORE TAX PRESENT VALUE (M\$)</b>								
0%	1,692	0	0	1,692	2,672	0	0	2,672
5%	1,608	0	0	1,608	2,386	0	0	2,386
8%	1,555	0	0	1,555	2,236	0	0	2,236
10%	1,519	0	0	1,519	2,145	0	0	2,145
12%	1,484	0	0	1,484	2,060	0	0	2,060
15%	1,433	0	0	1,433	1,944	0	0	1,944
20%	1,354	0	0	1,354	1,778	0	0	1,778
<b>FIRST 6 YEARS BEFORE TAX CASH FLOW (M\$)</b>								
2016 (3 Months)	190	0	0	190	193	0	0	193
2017	637	0	0	637	679	0	0	679
2018	438	0	0	438	523	0	0	523
2019	276	0	0	276	395	0	0	395
2020	187	0	0	187	287	0	0	287
2021	116	0	0	116	235	0	0	235
<b>BOE Factors:</b>								
HVY OIL	1.0							
COND	1.0							
RES GAS		6.0						
SLN GAS		6.0						
PROPANE			1.0					
BUTANE			1.0					
ETHANE				1.0				
SULPHUR				0.0				

Run Date: November 04, 2016 14:40:31

Class (A,B1,B2,C,G,H1,H2,I), GLJ (2016-10), psum

1171053

November 04, 2016 14:40:49



Company: Persta Resources Inc.  
 Property: Dawson Reserves

Reserve Class: Various  
 Development Class: Classifications  
 Pricing: GLJ (2016-10)  
 Effective Date: September 30, 2016

**Summary of Reserves and Values**

	Possible Producing	Total Possible
--	-----------------------	-------------------

**MARKETABLE RESERVES**

**Light & Medium Oil (Mbbbl)**

Gross Lease	36	36
Total Company Interest	36	36
Net After Royalty	29	29

**Oil Equivalent (Mboe)**

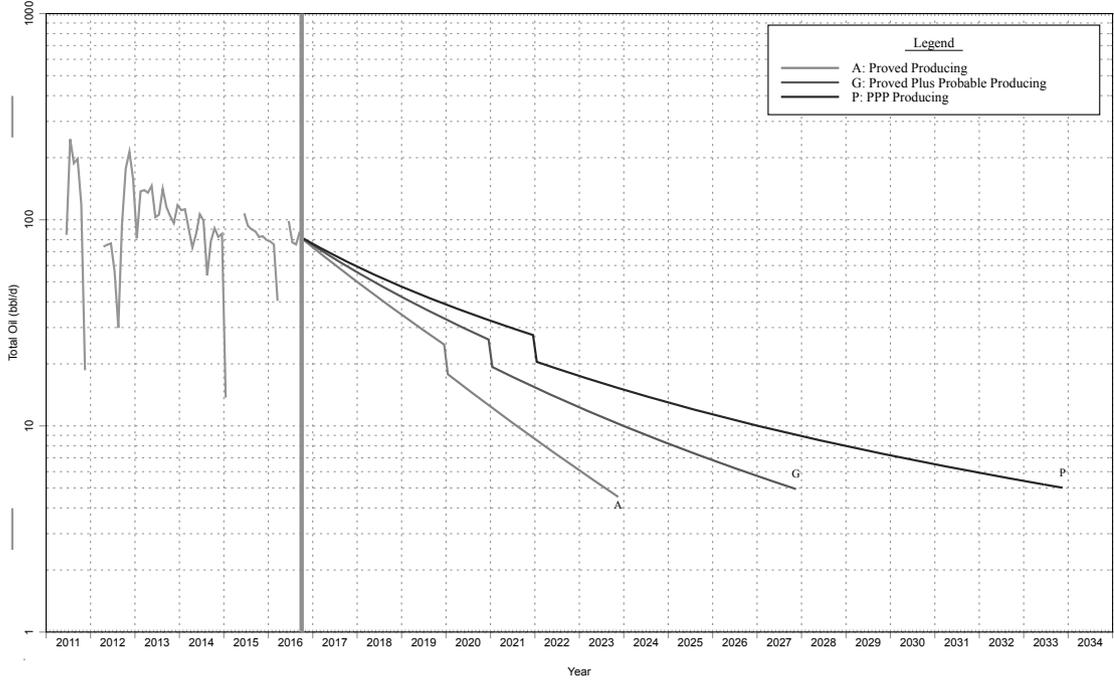
Gross Lease	36	36
Total Company Interest	36	36
Net After Royalty	29	29

<b>BOE Factors:</b>	HVY OIL	1.0	ETHANE	1.0
	COND	1.0	SULPHUR	0.0
			PROPANE	1.0
			BUTANE	1.0
			RES GAS	6.0
			SLN GAS	6.0

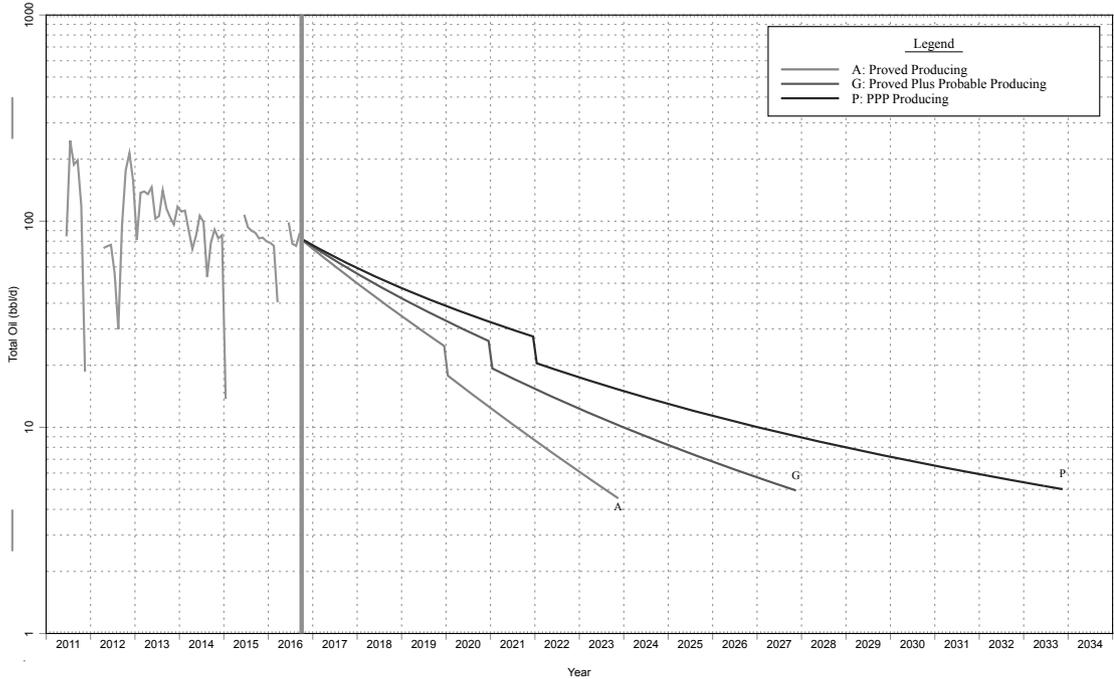
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 1171053  
 Class (MO), GLJ (2016-10), psum

Company: **Persta Resources Inc.** Pricing: **GLJ (2016-10)**  
 Property: **Dawson Reserves** Effective Date: **September 30, 2016**

Gross Lease Total Oil



Company\* Interest Total Oil



\*Note: Historical company interest production is based on current interests in the evaluated reserves entities applied to reported actual gross lease production. Consequently, company actuals may differ from the history shown due to changes in ownership.

Company Interest Total Oil  
 1171053 / Nov 04, 2016



Company: Persta Resources Inc.  
Property: Dawson Reserves

Reserve Class: Various  
Development Class: GLJ (2016-10)  
Pricing: September 30, 2016  
Effective Date:

Daily Production, Reserves and Present Value Summary

Entity Description	2016 Gross Lease Production				2016 Company Interest Production				Gross Lease Reserves				Company Interest Reserves				Before Tax 10% Def Present Value MIS		
	Gas Mcf/d	Oil bbl/d	NGL bbl/d	Oil Eq. boe/d	Gas Mcf/d	Oil bbl/d	NGL bbl/d	Oil Eq. boe/d	Gas MMcf	Oil Mbbbl	NGL Mbbbl	Sulphur Mlt	Oil Eq. Mboe	Gas MMcf	Oil Mbbbl	NGL Mbbbl		Sulphur Mlt	Oil Eq. Mboe
<b>Proved Producing</b>																			
0016-22-080-17W 5/3	0	13	0	13	0	13	0	13	0	13	0	0	11	0	11	0	0	0	11
0002-35-080-17W 5/0	0	65	0	65	0	65	0	65	0	58	0	0	58	0	58	0	0	58	
<b>Total: Proved Producing</b>	<b>0</b>	<b>78</b>	<b>0</b>	<b>78</b>	<b>0</b>	<b>78</b>	<b>0</b>	<b>78</b>	<b>0</b>	<b>69</b>	<b>0</b>	<b>0</b>	<b>69</b>	<b>0</b>	<b>69</b>	<b>0</b>	<b>0</b>	<b>69</b>	
<b>Proved Plus Probable Producing</b>																			
0016-22-080-17W 5/3	0	13	0	13	0	13	0	13	0	14	0	0	14	0	14	0	0	14	
0002-35-080-17W 5/0	0	66	0	66	0	66	0	66	0	84	0	0	84	0	84	0	0	84	
<b>Total: Proved Plus Probable Producing</b>	<b>0</b>	<b>79</b>	<b>0</b>	<b>79</b>	<b>0</b>	<b>79</b>	<b>0</b>	<b>79</b>	<b>0</b>	<b>99</b>	<b>0</b>	<b>0</b>	<b>99</b>	<b>0</b>	<b>99</b>	<b>0</b>	<b>0</b>	<b>99</b>	

BOE Factors: HVY OIL 1.0  
COND 1.0  
RES GAS 6.0  
SLN GAS 6.0  
PROPANE 1.0  
BUTANE 1.0  
ETHANE 1.0  
SULPHUR 0.0

Class (A,G), GLJ (2016-10), ppv

1171053

## DISCUSSION

The Dawson-Seal property is located in Township 080, Range 17 W5M approximately 30 miles northeast of Falher, Alberta. Persta Resources Inc. (Persta) holds 100 percent working interest in 3840 acres of land in the property.

A summary of 2016 production, reserves and present values for each of the wells is included in the Summary section of this report. The evaluated well interests are included in the Land section and the evaluated lands are illustrated on the enclosed property land map (Map 1). A complete property well list and historical production summary of all evaluated interest wells has been included as Table 1. The effective date of this evaluation is September 30, 2016.

Oil production is obtained from the Slave Point Formation. Historical property production is illustrated on Plots 1 and 2. Additionally, historical and forecast production on an entity basis are illustrated on the plots included in the Appendix to this report.

In the Dawson Seal area, the middle Devonian aged Slave Point oil charged reservoirs were deposited as shallow water calcium carbonate buildups on either localized subtidal shelf or Precambrian highs. These fringe reef accumulations grew vertically in response to rising sea levels until the rate of increase surpassed the reef growth and drowned the atolls. Porosity and permeability development resulted from post depositional dolomitization of the reefal material. Notably where dolomitization is absent, the original limestone facies are either low in porosity or completely non-porous. The use of seismic is generally used to identify antecedent structures the reefs grew upon and is the main method employed for exploration.

Production in the property commenced in April 2011 from the vertical Dawson well at 00/16-22-080-17W5/3. An additional three vertical Dawson wells have since been drilled at 00/01-27-080-17W5/2 (2011), 00/02-35-080-17W5/0 (2012), and 00/06-04-081-17W5/0 (2012). Producing reserves have been assigned through decline analysis with consideration of volumetrics.

Possible reserves are included in this report; however these reserves are entirely excluded from any asset valuation.

Economic parameters used in the evaluation, including product prices, product yields, operating costs and capital costs, are detailed in Table 4. Operating costs and price adjustment were derived from a review of historical operating statements provided by Persta.

***Other Economic Considerations***

This report *does not* address the following issues:

- Non-reserves well abandonment, wellsite reclamation and facility abandonment/salvage including possible environmental concerns.

Company: Persta Resources Inc.  
Property: Dawson Reserves

PPP  
Producing  
GLJ (2016-10)  
September 30, 2016

Reserve Class:  
Development Class:  
Pricing:  
Effective Date:

Summary of Well Interests and Burdens

Entity Description	Well Type	Working Interest			Royalty Interest			Other Royalty Burdens				
		BPO %	APO %	Rem PO (000's)	Type	BPO %	APO %	Rem PO (000's)	Type	BPO %	APO %	Rem PO (000's)
<b>Dawson Reserves</b>												
00/16-22-080-17W/5/3	OIL	100.000	-	-	-	-	-	-	-	-	-	-
00/02-35-080-17W/5/0	OIL	100.000	-	-	-	-	-	-	-	-	-	-

Lessor Royalty  
AB CR AARF LGHT  
AB CR AARF LGHT

**Glossary**  
AB: Alberta  
APO=BPO interests unless otherwise specified  
CR: Crown Royalty  
LGHT: Light

Land and Mineral Rights Summary  
Dawson  
Effective September 30, 2016

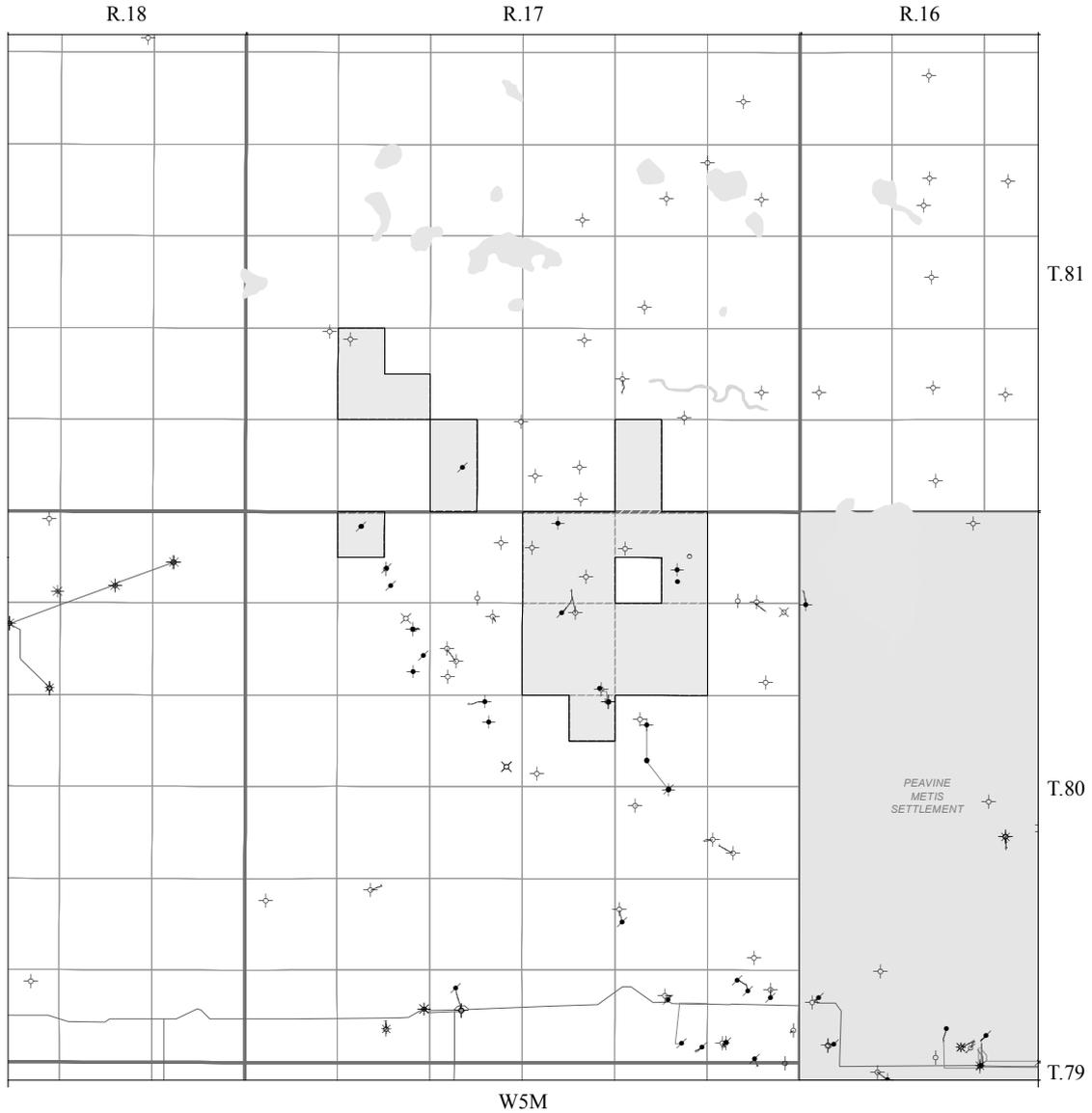
Agreement NO.	Date	Mineral Rights	LAND DESCRIPTION				WI	Area, Ha		Term	Term Status		Status
			Sec.	Twp.	Rge.	Mer.		Total	Developed		Commenced	Expire	
0506100512	2016-10-19	P&NG from Surface to Base of the Slave Point	NW 32	80	17	5	100%	64	No	Intermediate	October 19, 2011	Indefinite	Active
0507030819	2007-03-22	P&NG below Base of the Bluesky-Bullhead to Base of the Slave Point	W 4	81	17	5	100%	128	No	Intermediate	March 22, 2012	Indefinite	Active
0508040251	2008-04-03	P&NG from Surface to Base of the Slave Point	NE 22	80	17	5	100%	64	Yes	Intermediate	March 22, 2012	Indefinite	Active
0510080543	2010-08-19	P&NG from Surface to Base of the Basement	34	80	17	5	100%	256	No	Initial	August 19, 2010	August 19, 2016	Active <sup>(1)</sup>
0510090472	2010-09-16	P&NG from Surface to Base of the Basement	SE 27	80	17	5	100%	64	Yes	Initial	September 16, 2010	March 9, 2017	Active
0510090473	2010-09-16	P&NG from Surface to Base of the Basement	SW 27	80	17	5	100%	64	No	Initial	September 16, 2010	March 9, 2017	Active
0510090474	2010-09-16	P&NG from Surface to Base of the Basement	NW 27	80	17	5	100%	64	No	Initial	September 16, 2010	March 9, 2017	Active
0510090475	2010-09-16	P&NG from Surface to Base of the Basement	NE 27	80	17	5	100%	64	No	Initial	September 16, 2010	March 9, 2017	Active
0511070482	2011-07-28	P&NG from Surface to Base of the Basement	SE 26	80	17	5	100%	64	No	Initial	July 28, 2011	July 28, 2017	Active
0511070483	2011-07-28	P&NG from Surface to Base of the Basement	SW 26	80	17	5	100%	64	No	Initial	July 28, 2011	July 28, 2017	Active
0511070484	2011-07-28	P&NG from Surface to Base of the Basement	NW 26	80	17	5	100%	64	No	Initial	July 28, 2011	July 28, 2017	Active
0511070485	2011-07-28	P&NG from Surface to Base of the Basement	NE 26	80	17	5	100%	64	No	Initial	July 28, 2011	July 28, 2017	Active
0510910149	2011-09-08	P&NG from Surface to Base of the Basement	NE/NW/SE 35	80	17	5	100%	192	Yes	Initial	September 8, 2011	September 8, 2017	Active
0513030178	2013-03-07	P&NG from Surface to Base of the Basement	SW 2	81	17	5	100%	64	No	Initial	March 7, 2013	March 7, 2018	Active
0513030179	2013-03-07	P&NG from Surface to Base of the Basement	NW 2	81	17	5	100%	64	No	Initial	March 7, 2013	March 7, 2018	Active
0513030182	2013-03-07	P&NG from Surface to Base of the Basement	SE 8	81	17	5	100%	64	No	Initial	March 7, 2013	March 7, 2018	Active
0513030183	2013-03-07	P&NG from Surface to Base of the Basement	SW 8	81	17	5	100%	64	No	Initial	March 7, 2013	March 7, 2018	Active
0513030184	2013-03-07	P&NG from Surface to Base of the Basement	NW 8	81	17	5	100%	64	No	Initial	March 7, 2013	March 7, 2018	Active

Notes:  
(1) Expired Licence But Under Extension Application

Map 1  
Land Map

Company: Persta Resources Inc.  
Property: Dawson Reserves

Effective Date: September 30, 2016  
Project: s1171053/dasm01



W5M



Legend

Interest Land



NAD 1983 UTM Zone 11N

Well Source: IHS (November 4, 2016)

Geologist:

Engineer:

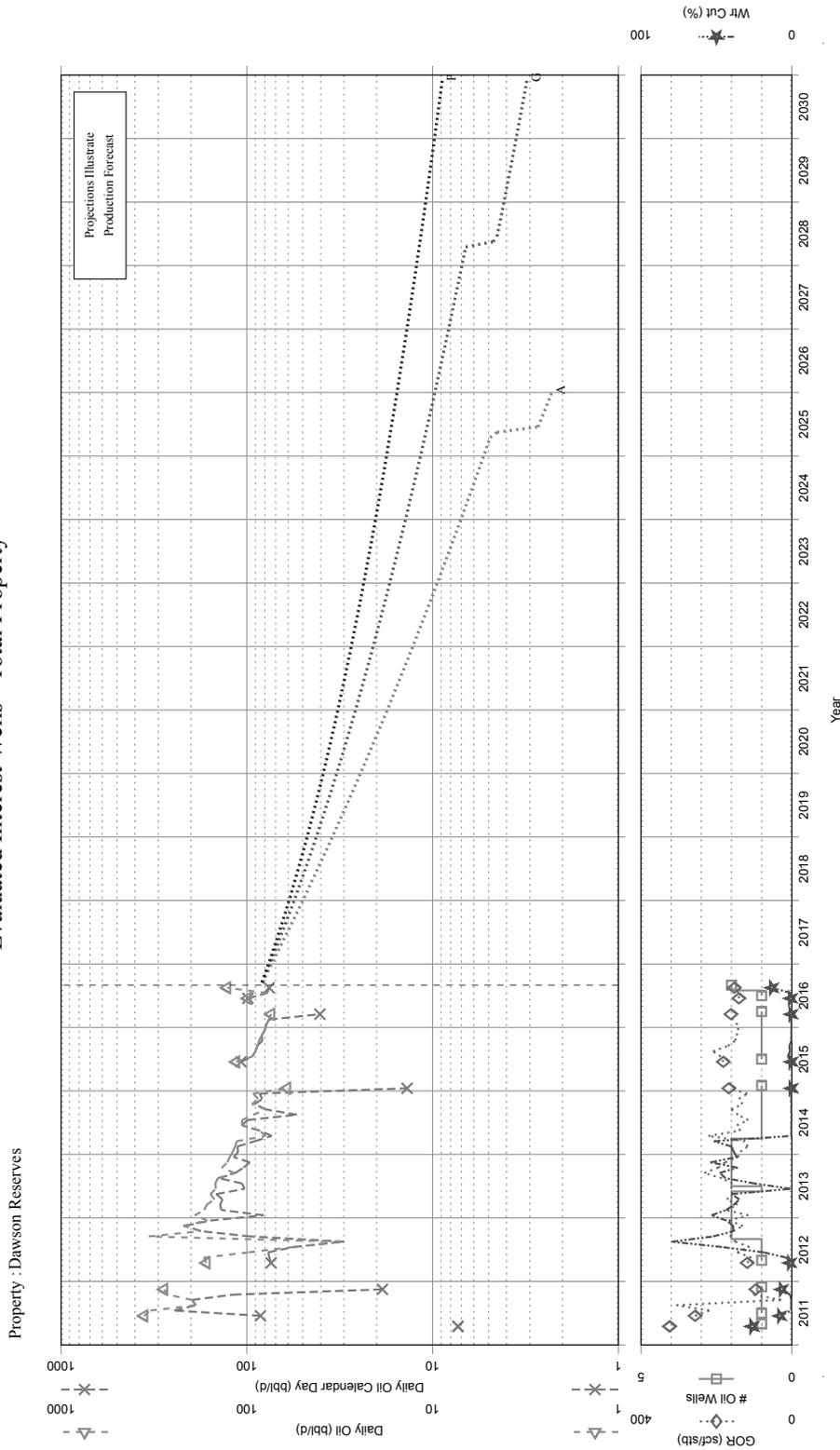
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Created by: jcowie

Created on: November 21, 2016



Historical and Forecast Production  
Evaluated Interest Wells - Total Property



Average Production Rates (Last 12 months ending 2016/08/31)

Gas :	12.9 Mcf/d	9.7 Mcf/cd	WGR :	130.3 bbl/MMcf
Oil :	87.0 bbl/d	65.0 bbl/cd	GOR :	149.8 scf/stb
Avg Wells :	0.8		WC :	1.9%

Total Reserves Summary At 2016/09/01

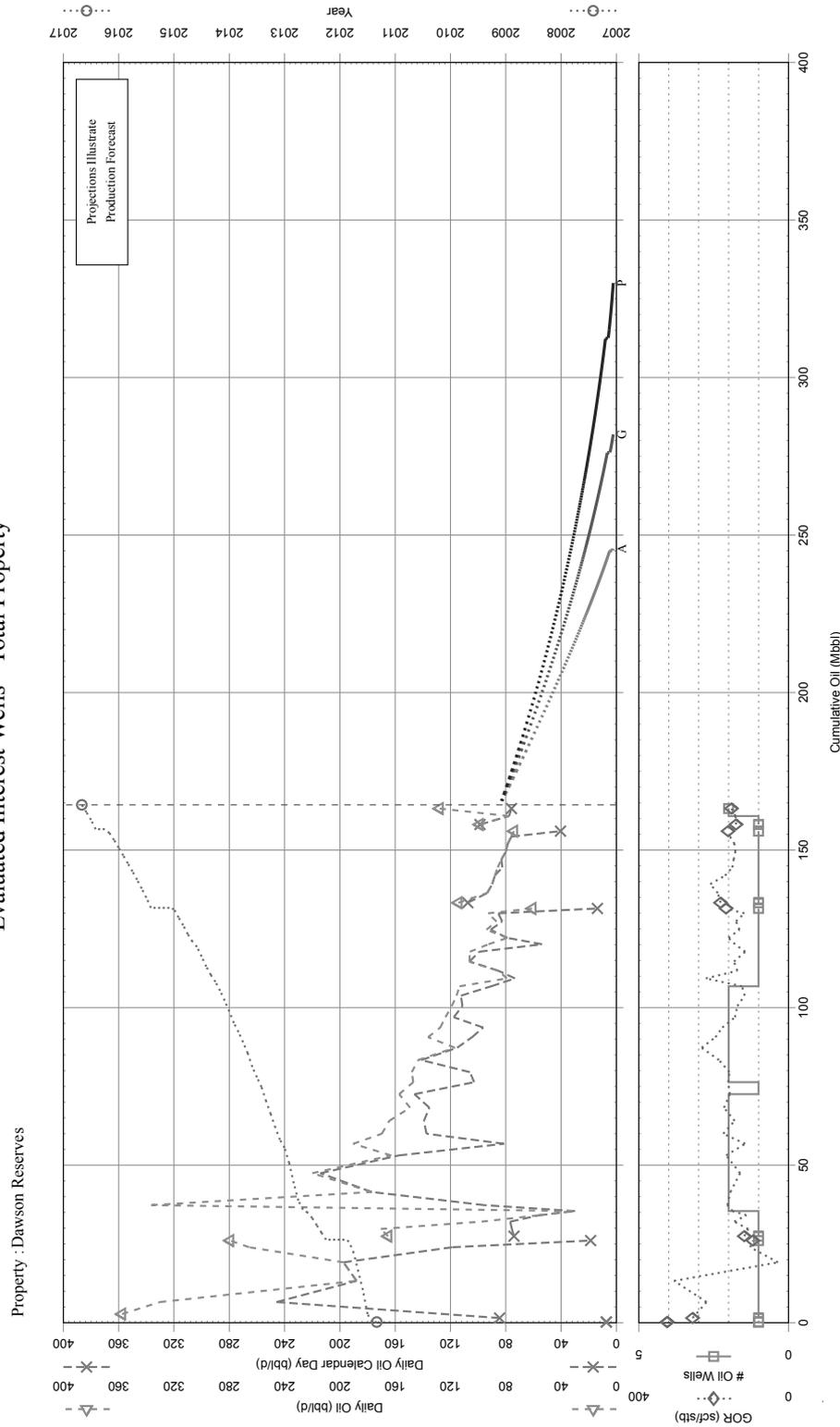
Reserves Classification	Reserves ( Mbbl )		Remaining
	Ultimate	Cum Production	
Pv Prd A(R)	246	164	81
P + P Prd G(R)	282	164	118
PPP Prd P(R)	330	164	166

Plot 1

Evaluated Interest Wells - Total Property  
1171053 / Nov 04, 2016



Historical and Forecast Production  
Evaluated Interest Wells - Total Property



**Average Production Rates (Last 12 months ending 2016/08/31)**

Gas :	12.9 Mcf/d	WGR :	130.3 bbl/MMcf
Oil :	87.0 bbl/d	GOR :	149.8 scf/stb
Avg. Wells :	0.8	WC :	1.9%

Gas :	164.4 Mbbbl	Water :	57.1 Mbbbl
Oil :	164.4 Mbbbl	Gas :	26.0 MMcf

Cumulative Production

**Total Reserves Summary At 2016/09/01**

Reserves	Ultimate	Cum Production	Remaining
Pv Prd (A(R))	246	164	81
P + P Prd (G(R))	282	164	118
PPP Prd (P(R))	330	164	166

Plot 2



Evaluated Interest Wells - Total Property  
1171053 / Nov 04, 2016

Property: Dawson Reserves  
Evaluated Interest Wells

Table 1

Page 1  
Currency Date: 2016-08

Well List and Production Summary

#	Well Location	Regulatory Field Pool	Current Status	RigRel yr-mm	Production Dates			Last Quarter Production Statistics							Cumulative Production		
					First yr-mm	Last yr-mm	Inj yr-mm	Prod Days	Oil bbl/d	Gas Mcf/d	GOR scf/stb	WCR bbl/MMcf	WC %	OH Mbbbl	Gas MMcf	Water Mbbbl	
1	00/02-35-080-17W5/0	DAWSON SLAVE POINTE	PUMPING OIL	2012-08	2012-09	2016-08	92	82	12	145	102	117	20	1			
2	00/16-22-080-17W5/3	DAWSON SLAVE POINT UUU	PUMPING OIL	2011-04	2011-04	2016-08	3	2	0	118	>9999	47	6	56			
	<b>Total</b>							<b>84</b>	<b>12</b>			<b>164</b>	<b>26</b>	<b>57</b>			

Table 2  
**Gross Lease Reserves Summary**

Company: **Persia Resources Inc.  
 Dawson Reserves**

Entity Description

Reserve Class

Methodology

Initial Recoverable

Cumulative Production

Reserves

Oil (Mbbbl)

Initial Recoverable

Cumulative Production

Reserves

Non-Associated Gas (MMcf)

So'l'n Gas MMcf

Cond Mbbbl

LPG Mbbbl

Reserve Class: **Various Classifications  
 GLJ (2016-10)  
 September 30, 2016**

Development Class: **GLJ (2016-10)  
 September 30, 2016**

Pricing: **GLJ (2016-10)  
 September 30, 2016**

Effective Date: **GLJ (2016-10)  
 September 30, 2016**

Other Gross Lease Reserves

Sulphur Mlt

Other Gross Lease Reserves

Other Gross Lease Reserves

Other Gross Lease Reserves

Other Gross Lease Reserves

Entity Description	Reserve Class	Methodology	Oil (Mbbbl)			Non-Associated Gas (MMcf)			Other Gross Lease Reserves			
			Initial Recoverable	Cumulative Production	Reserves	Initial Recoverable	Cumulative Production	Raw Gas Reserves	So'l'n Gas MMcf	Cond Mbbbl	LPG Mbbbl	Sulphur Mlt
<b>Proved Producing</b>												
00/16-22-080-17W/5/3	A	Dec,Vol	66	47	11*	0	0	0	0	0	0	0
00/02-35-080-17W/5/0	A	Dec,Vol	180	120	58*	0	0	0	0	0	0	0
<b>Total: Proved Producing</b>			<b>246</b>	<b>167</b>	<b>69*</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Proved Plus Probable Producing</b>												
00/16-22-080-17W/5/3	G	Dec,Vol	72	47	14*	0	0	0	0	0	0	0
00/02-35-080-17W/5/0	G	Dec,Vol	210	120	84*	0	0	0	0	0	0	0
<b>Total: Proved Plus Probable Producing</b>			<b>282</b>	<b>167</b>	<b>99*</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Possible Producing</b>												
00/16-22-080-17W/5/3			8	0	4*	0	0	0	0	0	0	0
00/02-35-080-17W/5/0			40	0	33*	0	0	0	0	0	0	0
<b>Total: Possible Producing</b>			<b>48</b>	<b>0</b>	<b>36*</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Notes

1. [\*] Remaining reserves are less than the estimate due to economic limit.

Table 2.1  
September 30, 2016

Oil Reservoir Parameters

Company: Persta Resources Inc.  
Property: Dawson Reserves

Effective Date:

Resource Entity	Zone	Method	Reserve Class	Area acre	Net Pay ft	Porosity %	Water Satn %	Original Pressure psi	Reservoir Temp. R	Oil Gravity oAPI	Oil Solution GOR	Formation Volume Factor	Original Oil In Place Mbbbl	Recovery Factor %	Recoverable Reserves Mbbbl	Cum Production 2016-10-01 Mbbbl	Remaining Reserves 2016-09-30	Notes
<b>Proved Producing</b>																		
Dawson																		
0016-22-080-17W5/3	SLAVE POINT UUU	Dec, Vol	A	60	14.5	8.7	22.8	-	-	-	-	1.150	394.2	16.7	65.7	47.3	18.4	[1]
0002-35-080-17W5/0	SLAVE POINTE	Dec, Vol	A	160	14.5	9.0	16.0	-	-	-	-	1.150	1,183.2	15.2	180.0	119.5	60.5	
<b>Total: Proved Producing</b>																		
<b>245.7 166.8 78.8</b>																		
<b>Proved Plus Probable Producing</b>																		
Dawson																		
0016-22-080-17W5/3	SLAVE POINT UUU	Dec, Vol	G	60	14.5	8.7	22.8	-	-	-	-	1.150	394.2	18.3	72.0	47.3	24.7	[1]
0002-35-080-17W5/0	SLAVE POINTE	Dec, Vol	G	160	14.5	9.0	16.0	-	-	-	-	1.150	1,183.2	17.7	210.0	119.5	90.5	
<b>Total: Proved Plus Probable Producing</b>																		
<b>282.0 166.8 115.1</b>																		
<b>PPP Producing</b>																		
Dawson																		
0016-22-080-17W5/3	SLAVE POINT UUU	Dec, Vol	P	60	14.5	8.7	22.8	-	-	-	-	1.150	394.2	20.3	80.0	47.3	32.7	[1]
0002-35-080-17W5/0	SLAVE POINTE	Dec, Vol	P	160	14.5	9.0	16.0	-	-	-	-	1.150	1,183.2	21.1	250.0	119.5	130.5	
<b>Total: PPP Producing</b>																		
<b>330.0 166.8 163.2</b>																		

The reserves calculated above may not match the economic forecasts due to economic limit considerations.

Glossary

- A: Proved Producing
- G: Proved Plus Probable Producing
- P: PPP Producing

Notes

- 1. 2016-Nov-03 No production since March 2014. Production has resumed in August 2016.

Table 2.2  
Effective Date: **September 30, 2016**

**Oil Decline Parameters**

Company: **Persta Resources Inc.**  
Property: **Dawson Reserves**

Resource Entity	Zone	Method	Res. Class	Decline Type	Analysis Date	Analysis Data						Remaining Reserves 2016-09-30 Mbbbl			
						Initial Effective Decline	Initial Rate bbl/d	Final Rate bbl/d	Decline Exponent	Reserve Life yrs	Original Reserves Mbbbl		Production @ 2016 Mbbbl	Cum. Production 2016-09-30 Mbbbl	
<b>Proved Producing</b>															
Dawson	SLAVE POINT UUU	Dec, Vol	A	OR	2016-09-01	19.28	13.0	2.0	-	8.7	65.7	46.9	47.3	18.4	[1]
00/02-35-080-17W5/0	SLAVE POINT E	Dec, Vol	A	OR	2016-09-01	34.95	71.0	2.3	0.10	9.3	180.0	117.4	119.5	60.5	
<b>Total: Proved Producing</b>															
<b>84.0</b>															
<b>Proved Plus Probable Producing</b>															
Dawson	SLAVE POINT UUU	Dec, Vol	G	OR	2016-09-01	14.81	13.0	2.0	-	11.7	72.0	46.9	47.3	24.7	[1]
00/02-35-080-17W5/0	SLAVE POINT E	Dec, Vol	G	OR	2016-09-01	29.21	71.0	2.3	0.30	16.5	210.0	117.4	119.5	90.5	
<b>Total: Proved Plus Probable Producing</b>															
<b>84.0</b>															
<b>PPP Producing</b>															
Dawson	SLAVE POINT UUU	Dec, Vol	P	OR	2016-09-01	11.43	13.0	2.0	-	15.4	80.0	46.9	47.3	32.7	[1]
00/02-35-080-17W5/0	SLAVE POINT E	Dec, Vol	P	OR	2016-09-01	25.75	71.0	2.3	0.50	28.5	250.0	117.4	119.5	130.5	
<b>Total: PPP Producing</b>															
<b>330.0</b>															
<b>164.4</b>															
<b>166.8</b>															
<b>115.1</b>															

The reserves calculated above may not match the economic forecasts due to economic limit considerations.

**Glossary**

- A: Proved Producing
- G: Proved Plus Probable Producing
- P: PPP Producing

**Notes**

- I. 2016-Nov-03 No production since March 2014. Production has resumed in August 2016.

Table 3

Company: Persta Resources Inc.  
Property: Dawson Reserves

Reserve Class: Various  
Development Class: GLJ (2016-10)  
Pricing: September 30, 2016  
Effective Date:

Daily Production

Entity Description	Reserve Class	Year											Totals			
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Subtotal	Remainder	Total
<b>Gross Lease Daily Oil Production (bbl/d)</b>																
Proved Producing	A	78	61	42	29	15	10	7	5	0	0	0	0	69	0	69
Proved Plus Probable Producing	G	79	65	49	37	29	17	14	11	9	7	6	5	99	0	99
Possible Producing		1	2	4	6	6	12	5	5	5	5	4	4	22	15	36
<b>Company Daily Oil Production (bbl/d)</b>																
Proved Producing	A	78	61	42	29	15	10	7	5	0	0	0	0	69	0	69
Proved Plus Probable Producing	G	79	65	49	37	29	17	14	11	9	7	6	5	99	0	99
Possible Producing		1	2	4	6	6	12	5	5	5	5	4	4	22	15	36

Company: **Persta Resources Inc.**  
Property: **Dawson Reserves**

**Table 4**

Effective Date: **September 30, 2016**

### Economic Parameters

**A) Price Forecasts and By-Product Data**

GLJ (2016-10)

Price Adjustment:  
Oil: -2.00 \$/bbl

**B) Operating Costs (2016 Dollars)**

Major Stream Costs:  
Fixed: 9500 \$/well/month  
Variable: 7.00 \$/product

Water Costs:  
Variable: 1.00 \$/bbl

All variable costs are \$/product (sales).

**C) Abandonment Costs (2016 Dollars)**

Abandonment:  
Well Costs: 65.0 M\$/well

Reclamation:  
Well Costs: 25.0 M\$/well

**D) Capital Costs (2016 Dollars)**

No capital expenditures are forecast.

Company: **Persta Resources Inc.**  
Property: **Dawson Reserves**

Reserve Class: **Proved**  
Development Class: **Producing**  
Pricing: **GLJ (2016-10)**  
Effective Date: **September 30, 2016**

**Economic Forecast**

**PRODUCTION FORECAST**

**Light & Medium Oil Production**

Year	Gross Oil Wells	Gross Daily bbl/d	Company Daily bbl/d	Company Yearly Mbbbl	Net Yearly Mbbbl	Price \$/bbl
2016	2	78	78	7	5	58.00
2017	2	61	61	22	16	63.77
2018	2	42	42	15	12	66.67
2019	2	29	29	11	9	69.39
2020	1	15	15	6	5	71.95
2021	1	10	10	4	3	76.62
2022	1	7	7	3	3	81.28
2023	1	5	5	2	2	85.94
2024	0	0	0	0	0	0.00
2025	0	0	0	0	0	0.00
2026	0	0	0	0	0	0.00
2027	0	0	0	0	0	0.00
Sub.				69	55	67.32
Rem.				0	0	0.00
<b>Tot.</b>				<b>69</b>	<b>55</b>	<b>67.32</b>

**REVENUE AND EXPENSE FORECAST**

Year	Revenue Before Burdens														
	Working Interest				Royalty Interest Total MS	Company Interest Total MS	Royalty Burdens Pre-Processing		Gas Processing Allowance		Total Royalty After Process. MS	Net Revenue After Royalty MS	Operating Expenses		
	Oil MS	Gas MS	NGL+Sul MS	Total MS			Crown MS	Other MS	Crown MS	Other MS			Fixed MS	Variable MS	Total MS
2016	412	0	0	412	0	412	114	0	0	0	114	299	57	52	109
2017	1,416	0	0	1,416	0	1,416	374	0	0	0	374	1,042	233	173	406
2018	1,016	0	0	1,016	0	1,016	207	0	0	0	207	808	237	133	370
2019	740	0	0	740	0	740	115	0	0	0	115	625	242	107	349
2020	396	0	0	396	0	396	50	0	0	0	50	346	123	36	159
2021	291	0	0	291	0	291	24	0	0	0	24	267	126	25	151
2022	216	0	0	216	0	216	12	0	0	0	12	204	128	18	146
2023	162	0	0	162	0	162	7	0	0	0	7	155	131	13	144
2024	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub.	4,649	0	0	4,649	0	4,649	903	0	0	0	903	3,746	1,277	557	1,834
Rem.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Tot.</b>	<b>4,649</b>	<b>0</b>	<b>0</b>	<b>4,649</b>	<b>0</b>	<b>4,649</b>	<b>903</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>903</b>	<b>3,746</b>	<b>1,277</b>	<b>557</b>	<b>1,834</b>
Disc	3,827	0	0	3,827	0	3,827	785	0	0	0	785	3,041	969	465	1,434

Year	Aband. & Recl. Costs								Net Capital Investment			Before Tax Cash Flow		
	Mineral Tax MS	Capital Tax MS	NPI Burden MS	Net Prod'n Revenue MS	Other Income MS	Recl. Costs MS	Oper. Income MS	Dev. MS	Plant MS	Tang. MS	Total MS	Annual MS	Cum. MS	10.0% Def MS
2016	0	0	0	190	0	0	190	0	0	0	0	190	190	188
2017	0	0	0	637	0	0	637	0	0	0	0	637	827	780
2018	0	0	0	438	0	0	438	0	0	0	0	438	1,265	1,151
2019	0	0	0	276	0	0	276	0	0	0	0	276	1,541	1,364
2020	0	0	0	187	0	0	187	0	0	0	0	187	1,728	1,494
2021	0	0	0	116	0	0	116	0	0	0	0	116	1,844	1,568
2022	0	0	0	57	0	0	57	0	0	0	0	57	1,901	1,601
2023	0	0	0	11	0	0	11	0	0	0	0	11	1,912	1,607
2024	0	0	0	0	0	105	-105	0	0	0	0	-105	1,806	1,557
2025	0	0	0	0	0	0	0	0	0	0	0	0	1,806	1,557
2026	0	0	0	0	0	0	0	0	0	0	0	0	1,806	1,557
2027	0	0	0	0	0	0	0	0	0	0	0	0	1,806	1,557
Sub.	0	0	0	1,912	0	105	1,806	0	0	0	0	1,806	1,806	1,557
Rem.	0	0	0	0	0	114	-114	0	0	0	0	-114	1,692	1,519
<b>Tot.</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,912</b>	<b>0</b>	<b>220</b>	<b>1,692</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,692</b>	<b>1,692</b>	<b>1,519</b>
Disc	0	0	0	1,607	0	88	1,519	0	0	0	0	1,519	1,519	1,519

## SUMMARY OF RESERVES

Product	Units	Remaining Reserves at Oct 01, 2016					Oil Equivalents			Reserve Life Indic. (yr)		
		Gross	Working Interest	Roy/NPI Interest	Total Company	Net	Oil Eq. Factor	Company Mboe	% of Total	Reserve Life	Life Index	Half Life
Light/Med Oil	Mbbl	69	69	0	69	55	1.000	69	100	7.3	2.4	2.3
Total: Oil Eq.	Mboe	69	69	0	69	55	1.000	69	100	7.3	2.4	2.3

## PRODUCT REVENUE AND EXPENSES

Product	Units	Average First Year Unit Values					Net Revenue After Royalties				
		Wellhead Price	Net Burdens	Operating Expenses	Other Expenses	Prod'n Revenue	Undisc M\$	% of Total	10% Disc M\$	% of Total	
Light/Med Oil	\$/bbl	58.00	15.97	15.31	0.00	26.72	3,746	100	3,041	100	
Total: Oil Eq.	\$/boe	58.00	15.97	15.31	0.00	26.72	3,746	100	3,041	100	

## INTEREST AND NET PRESENT VALUE SUMMARY

Revenue Interests and Burdens (%)			Net Present Value Before Income Tax					
	Revenue Interests and Burdens (%)		Disc. Rate %	Prod'n Revenue M\$	Operating Income M\$	Capital Invest. M\$	Cash Flow	
	Initial	Average					M\$	\$/boe
Working Interest	100.0000	100.0000	0.0	1,912	1,692	0	1,692	24.50
Capital Interest	100.0000	100.0000	5.0	1,745	1,608	0	1,608	23.29
Royalty Interest	0.0000	0.0000	8.0	1,659	1,555	0	1,555	22.52
Crown Royalty	27.5263	19.4256	10.0	1,607	1,519	0	1,519	22.00
Non-crown Royalty	0.0000	0.0000	12.0	1,558	1,484	0	1,484	21.50
Mineral Tax	0.0000	0.0000	15.0	1,491	1,433	0	1,433	20.76
			20.0	1,393	1,354	0	1,354	19.61

Evaluator: Cowie, John N.  
Run Date: November 04, 2016 14:40:30

Company: **Persta Resources Inc.** Reserve Class: **Proved Plus Probable**  
 Property: **Dawson Reserves** Development Class: **Producing**  
 Pricing: **GLJ (2016-10)**  
 Effective Date: **September 30, 2016**

**Economic Forecast**

**PRODUCTION FORECAST**

**Light & Medium Oil Production**

Year	Gross Oil Wells	Gross Daily bbl/d	Company Daily bbl/d	Company Yearly Mbbbl	Net Yearly Mbbbl	Price \$/bbl
2016	2	79	79	7	5	58.00
2017	2	65	65	24	17	63.77
2018	2	49	49	18	14	66.67
2019	2	37	37	14	11	69.39
2020	2	29	29	11	9	71.95
2021	1	17	17	6	5	76.62
2022	1	14	14	5	4	81.28
2023	1	11	11	4	4	85.94
2024	1	9	9	3	3	90.60
2025	1	7	7	3	2	93.22
2026	1	6	6	2	2	95.09
2027	1	5	5	2	2	96.99
Sub.				99	78	71.25
Rem.				0	0	0.00
<b>Tot.</b>				<b>99</b>	<b>78</b>	<b>71.25</b>

**REVENUE AND EXPENSE FORECAST**

Year	Revenue Before Burdens														
	Working Interest				Royalty Interest Total MS	Company Interest Total MS	Royalty Burdens Pre-Processing		Gas Processing Allowance		Total Royalty After Process. MS	Net Revenue After Royalty MS	Operating Expenses		
	Oil MS	Gas MS	NGL+Sul MS	Total MS			Crown MS	Other MS	Crown MS	Other MS			Fixed MS	Variable MS	Total MS
2016	419	0	0	419	0	419	116	0	0	0	116	303	57	53	110
2017	1,508	0	0	1,508	0	1,508	414	0	0	0	414	1,094	233	182	415
2018	1,181	0	0	1,181	0	1,181	272	0	0	0	272	909	237	149	386
2019	944	0	0	944	0	944	182	0	0	0	182	762	242	125	367
2020	770	0	0	770	0	770	127	0	0	0	127	643	247	109	356
2021	485	0	0	485	0	485	82	0	0	0	82	403	126	42	168
2022	408	0	0	408	0	408	56	0	0	0	56	352	128	34	162
2023	348	0	0	348	0	348	41	0	0	0	41	307	131	28	159
2024	300	0	0	300	0	300	30	0	0	0	30	270	134	23	157
2025	255	0	0	255	0	255	22	0	0	0	22	233	136	20	156
2026	217	0	0	217	0	217	16	0	0	0	16	201	139	17	156
2027	186	0	0	186	0	186	12	0	0	0	12	174	142	14	156
Sub.	7,021	0	0	7,021	0	7,021	1,371	0	0	0	1,371	5,650	1,951	795	2,746
Rem.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Tot.</b>	<b>7,021</b>	<b>0</b>	<b>0</b>	<b>7,021</b>	<b>0</b>	<b>7,021</b>	<b>1,371</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,371</b>	<b>5,650</b>	<b>1,951</b>	<b>795</b>	<b>2,746</b>
Disc	5,216	0	0	5,216	0	5,216	1,101	0	0	0	1,101	4,115	1,284	612	1,896

Year	Aband. & Recl. Costs								Net Capital Investment			Before Tax Cash Flow		
	Mineral Tax MS	Capital Tax MS	NPI Burden MS	Net Prod'n Revenue MS	Other Income MS	Recl. Costs MS	Oper. Income MS	Dev. MS	Plant MS	Tang. MS	Total MS	Annual MS	Cum. MS	10.0% Def MS
2016	0	0	0	193	0	0	193	0	0	0	0	193	193	191
2017	0	0	0	679	0	0	679	0	0	0	0	679	872	823
2018	0	0	0	523	0	0	523	0	0	0	0	523	1,396	1,266
2019	0	0	0	395	0	0	395	0	0	0	0	395	1,790	1,570
2020	0	0	0	287	0	0	287	0	0	0	0	287	2,077	1,770
2021	0	0	0	235	0	0	235	0	0	0	0	235	2,312	1,920
2022	0	0	0	190	0	0	190	0	0	0	0	190	2,502	2,029
2023	0	0	0	148	0	0	148	0	0	0	0	148	2,650	2,107
2024	0	0	0	113	0	0	113	0	0	0	0	113	2,763	2,161
2025	0	0	0	77	0	108	-31	0	0	0	0	-31	2,732	2,148
2026	0	0	0	45	0	0	45	0	0	0	0	45	2,777	2,166
2027	0	0	0	18	0	0	18	0	0	0	0	18	2,796	2,172
Sub.	0	0	0	2,903	0	108	2,796	0	0	0	0	2,796	2,796	2,172
Rem.	0	0	0	0	0	124	-124	0	0	0	0	-124	2,672	2,145
<b>Tot.</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,903</b>	<b>0</b>	<b>231</b>	<b>2,672</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,672</b>	<b>2,672</b>	<b>2,145</b>
Disc	0	0	0	2,219	0	74	2,145	0	0	0	0	2,145	2,145	2,145

## SUMMARY OF RESERVES

Product	Units	Remaining Reserves at Oct 01, 2016					Oil Equivalents			Reserve Life Indic. (yr)		
		Gross	Working Interest	Roy/NPI Interest	Total Company	Net	Oil Eq. Factor	Company Mboe	% of Total	Reserve Life	Life Index	Half Life
Light/Med Oil	Mbbl	99	99	0	99	78	1,000	99	100	11.3	3.4	3.1
Total: Oil Eq.	Mboe	99	99	0	99	78	1,000	99	100	11.3	3.4	3.1

## PRODUCT REVENUE AND EXPENSES

Product	Units	Average First Year Unit Values					Net Revenue After Royalties				
		Wellhead Price	Net Burdens	Operating Expenses	Other Expenses	Prod'n Revenue	Undisc M\$	% of Total	10% Disc M\$	% of Total	
Light/Med Oil	\$/bbl	58.00	16.07	15.17	0.00	26.76	5,650	100	4,115	100	
Total: Oil Eq.	\$/boe	58.00	16.07	15.17	0.00	26.76	5,650	100	4,115	100	

## INTEREST AND NET PRESENT VALUE SUMMARY

Revenue Interests and Burdens (%)			Net Present Value Before Income Tax					
	Revenue Interests and Burdens (%)		Disc. Rate %	Prod'n Revenue M\$	Operating Income M\$	Capital Invest. M\$	Cash Flow	
	Initial	Average					M\$	\$/boe
Working Interest	100.0000	100.0000	0.0	2,903	2,672	0	2,672	27.12
Capital Interest	100.0000	100.0000	5.0	2,514	2,386	0	2,386	24.22
Royalty Interest	0.0000	0.0000	8.0	2,328	2,236	0	2,236	22.69
Crown Royalty	27.6998	19.5323	10.0	2,219	2,145	0	2,145	21.77
Non-crown Royalty	0.0000	0.0000	12.0	2,121	2,060	0	2,060	20.91
Mineral Tax	0.0000	0.0000	15.0	1,990	1,944	0	1,944	19.73
			20.0	1,807	1,778	0	1,778	18.05

Evaluator: Cowie, John N.  
Run Date: November 04, 2016 14:40:31

## APPENDIX

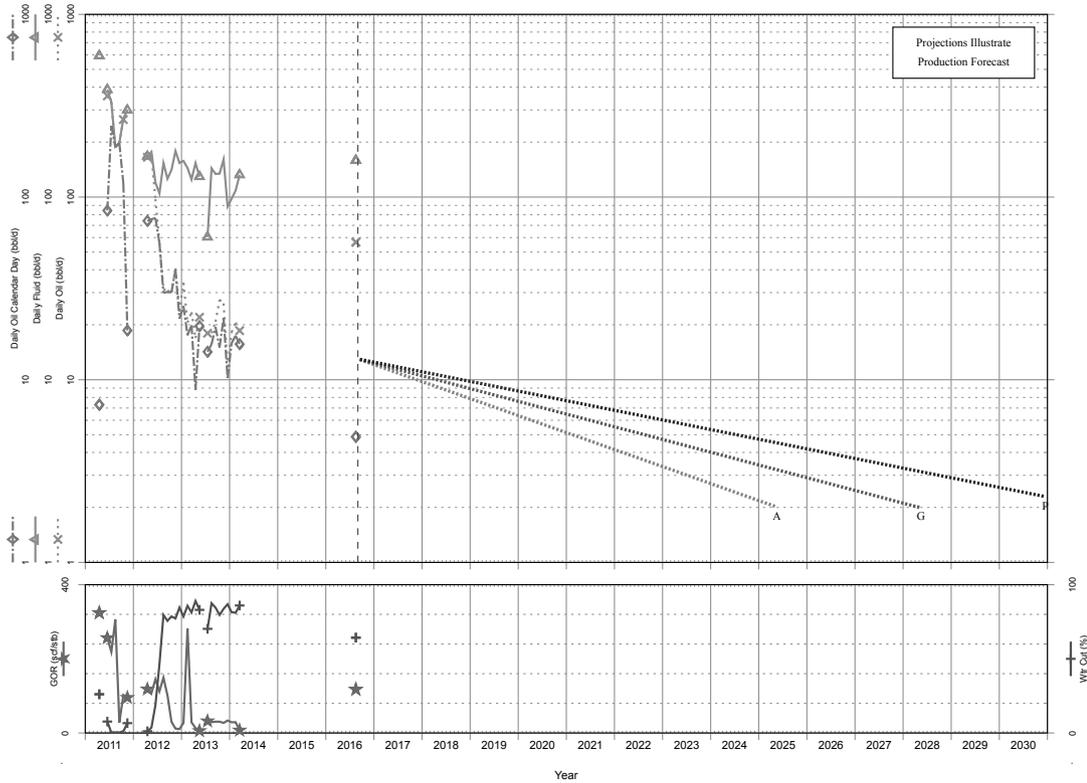
## RESERVES ESTIMATION - SUPPORTING INFORMATION

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Historical and Forecast Production  
00/16-22-080-17W5/3

Property : Dawson Reserves  
Well Name : PERSTA DAWSON 16-22-80-17

Regulatory Field : Dawson  
Regulatory Pool : Slave Point Uuu  
Operator : Persta Resources Inc.



Decline Analysis Summary At 2016/09/01

Average Production Rates (Last 12 months ending 2016/08/31)

Reserves Classification	Reserves ( Mbbbl )			Rates ( bbl/d )		Decline	
	Ultimate	Cum Prd	Remain	Initial	Final	Initial	Exponent
Pv Prd - A	66	47	19	13	2	19.3	0.00
P + P Prd - G	72	47	25	13	2	14.8	0.00
PPP Prd - P	80	47	33	13	2	11.4	0.00

	Gas :	6.7 Mcf/d	0.0 Mcf/cd	WGR :	>9999.9 MMcf
Oil :	56.6 bbl/d	0.4 bbl/cd	GOR :	117.5 scf/stb	
On Prod :	2.7 days		WC :	64.3%	

Cumulative Production			
Oil :	46.9 Mbbbl	Gas :	6.4 MMcf
		Water :	56.1 Mbbbl

Entity: 00/16-22-080-17W5/3  
Zone: SLAVE POINT UUU

Effective date: September 30, 2016

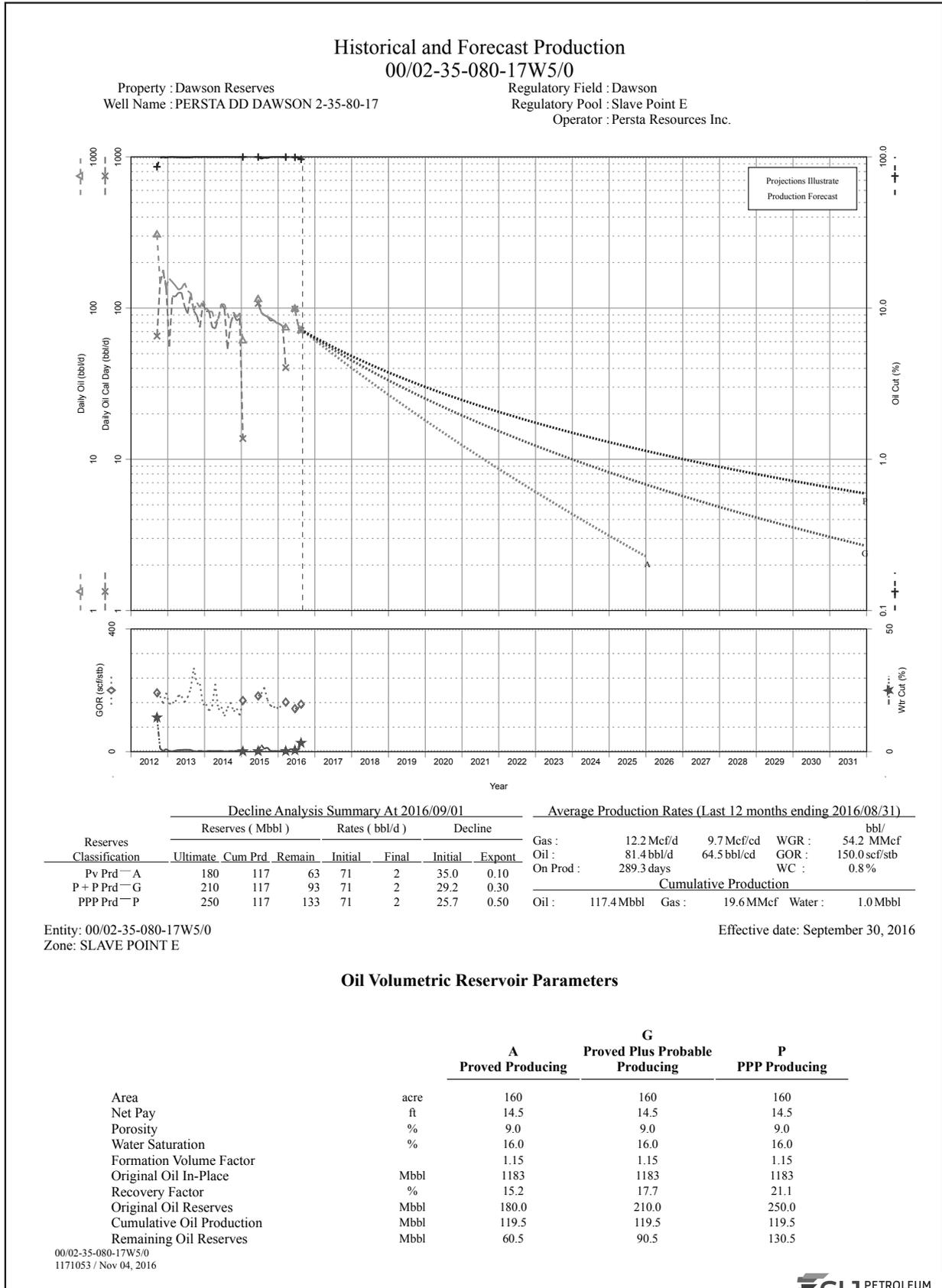
Oil Volumetric Reservoir Parameters

		A Proved Producing	G Proved Plus Probable Producing	P PPP Producing
Area	acre	60	60	60
Net Pay	ft	14.5	14.5	14.5
Porosity	%	8.7	8.7	8.7
Water Saturation	%	22.8	22.8	22.8
Formation Volume Factor		1.15	1.15	1.15
Original Oil In-Place	Mbbl	394	394	394
Recovery Factor	%	16.7	18.3	20.3
Original Oil Reserves	Mbbl	65.7	72.0	80.0
Cumulative Oil Production	Mbbl	47.3	47.3	47.3
Remaining Oil Reserves	Mbbl	18.4	24.7	32.7

Notes

- 2016-Nov-03 No production since March 2014. Production has resumed in August 2016.  
00/16-22-080-17W5/3  
1171053 / Nov 04, 2016





**PERSTA RESOURCES INC.**

**KAYDEE-VOYAGER**

**Effective September 30, 2016**

Prepared by  
Nelda Radford, P. Geoph.  
T. Mark Jobin, P. Geol.  
John N. Cowie, P. Eng.

*The analysis of this property as reported herein was conducted within the context of an evaluation of a distinct group of properties in aggregate. Extraction and use of this analysis outside this context may not be appropriate without supplementary due diligence.*

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Company: Persta Resources Inc.  
Property: Kaydee-Voyager

Resource Class: Various  
Development Class: Classifications  
Pricing: GLJ (2016-10)  
Effective Date: September 30, 2016

### Summary of Risked Resources

	Low Estimate Prospective Resources -	Best Estimate Prospective Resources -	High Estimate Prospective Resources -
	Prospect	Prospect	Prospect
Chance of Development	80	80	80
Chance of Discovery	30	30	30
<b>MARKETABLE RESOURCES</b>			
<b><u>Residue Gas (MMcf)</u></b>			
Gross Lease	64,109	91,273	118,389
Total Company Interest	64,109	91,273	118,389
Net After Royalty	58,351	79,696	99,759
<b><u>Natural Gas Liquids (Mbbbl)</u></b>			
Gross Lease	547	778	1,009
Total Company Interest	547	778	1,009
Net After Royalty	431	587	732
<b><u>Oil Equivalent (Mboe)</u></b>			
Gross Lease	11,232	15,990	20,741
Total Company Interest	11,232	15,990	20,741
Net After Royalty	10,156	13,869	17,358

BOE Factors: HVY OIL 1.0 RES GAS 6.0 PROPANE 1.0 ETHANE 1.0  
COND 1.0 SLN GAS 6.0 BUTANE 1.0 SULPHUR 0.0

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November 20, 2016 13:58:43

 PETROLEUM  
CONSULTANTS

Company: Persta Resources Inc.  
Property: Kaydee-Voyager

Resource Class: Various  
Development Class: Classifications  
Pricing: GLJ (2016-10)  
Effective Date: September 30, 2016

### Summary of Unrisked Resources

	Low Estimate Prospective Resources -	Best Estimate Prospective Resources -	High Estimate Prospective Resources -
	Prospect	Prospect	Prospect
<b>MARKETABLE RESOURCES</b>			
<b><u>Residue Gas (MMcf)</u></b>			
Gross Lease	267,123	380,306	493,288
Total Company Interest	267,123	380,306	493,288
Net After Royalty	243,128	332,065	415,663
<b><u>Natural Gas Liquids (Mbbbl)</u></b>			
Gross Lease	2,278	3,243	4,206
Total Company Interest	2,278	3,243	4,206
Net After Royalty	1,797	2,445	3,049
<b><u>Oil Equivalent (Mboe)</u></b>			
Gross Lease	46,798	66,627	86,421
Total Company Interest	46,798	66,627	86,421
Net After Royalty	42,318	57,789	72,327

BOE Factors: HVY OIL 1.0 RES GAS 6.0 PROPANE 1.0 ETHANE 1.0  
COND 1.0 SLN GAS 6.0 BUTANE 1.0 SULPHUR 0.0

Run Date: November 20, 2016 13:54:02

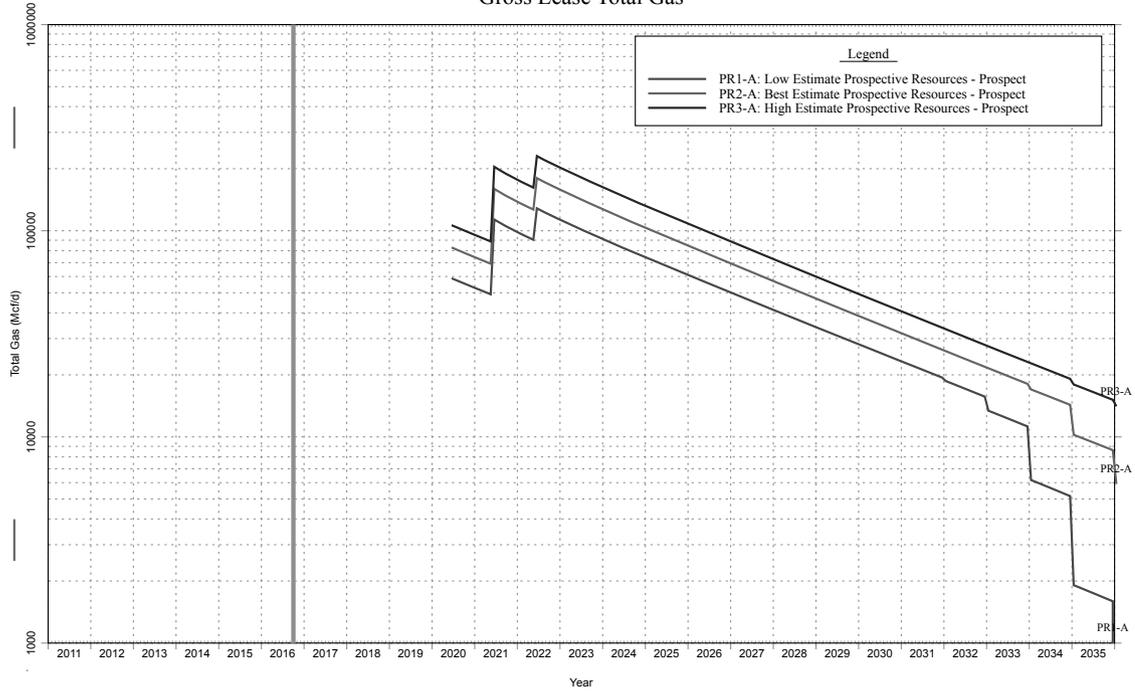
1171053 Class (PR1-A,PR2-A,PR3-A), GLJ (2016-10), psum

November 20, 2016 14:07:08

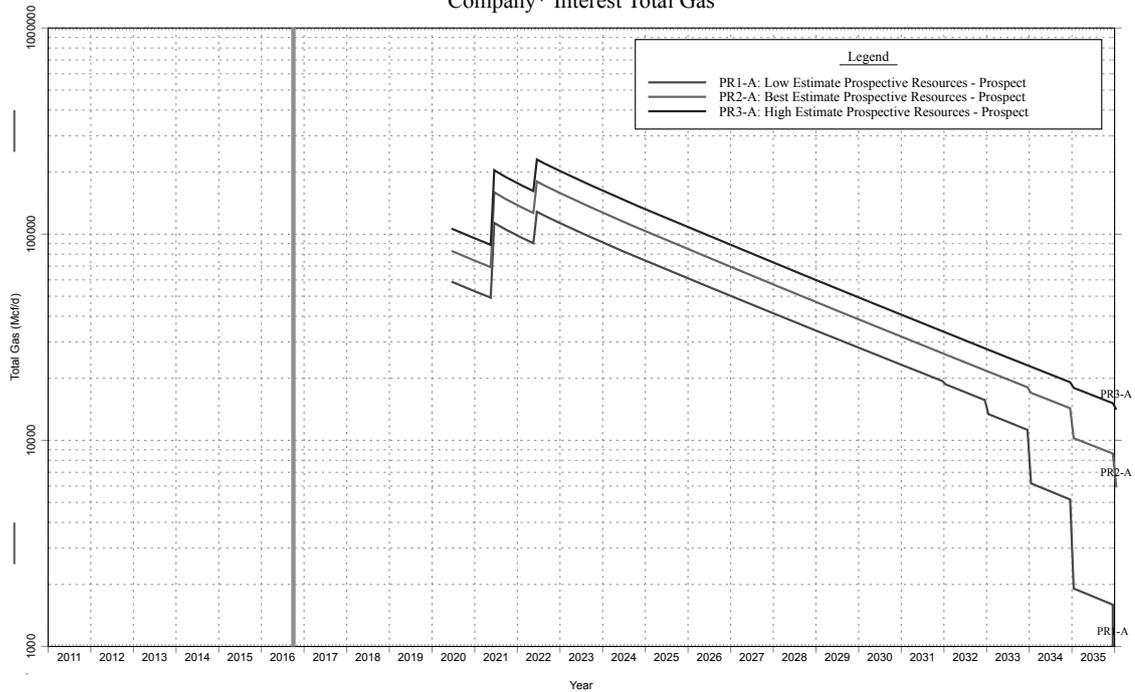
 PETROLEUM  
CONSULTANTS

Company: **Persta Resources Inc.** Pricing: **GLJ (2016-10)**  
 Property: **Kaydee-Voyager** Effective Date: **September 30, 2016**

Gross Lease Total Gas



Company\* Interest Total Gas



\*Note: Historical company interest production is based on current interests in the evaluated resources entities applied to reported actual gross lease production. Consequently, company actuals may differ from the history shown due to changes in ownership.

Company Interest Total Gas  
 1171053 / Nov 20, 2016



### GENERAL

The Kaydee-Voyager property is located in Townships 045 to 047, Ranges 19 and 20 W5M approximately 50 miles southwest of Edson, Alberta. Persta Resources Inc. (Persta) holds 100 percent working interest in 41600 acres of land in the property.

GLJ Petroleum Consultants (GLJ) has evaluated numerous prospective horizontal well locations in the property. The evaluated locations targets include the Wilrich, Cardium, and Mountain Park Formations.

Estimates of prospective resources were generally prepared using well information, engineering, geophysical and geological information provided by Persta, available as of June 30, 2016. Pertinent offset well data was obtained from publically available sources. Persta has confirmed that, to the best of its knowledge, all information provided to GLJ is correct and complete as of the effective date.

This evaluation has been prepared in accordance with resource and reserves definitions, procedures and standards contained in the Petroleum Resource Management System (PRMS) published by the Society of Petroleum Engineers (SPE).

There is no certainty that any portion of the prospective resources will be discovered. If discovered, there is no certainty that the prospective resources will be commercially viable to produce any portion of the resources.

## GEOPHYSICS

Persta has 3D seismic over the southern half of their landholdings in Voyager. Observations and findings on the seismic data quality and character are similar to those at Basing. The seismic character for the Cretaceous reservoirs is the same as at Basing, and is based on interpretation of the coal units. The base of the Cretaceous Mountain Park and Moosebar Formations was not picked, and seismic cannot be used to determine reservoir thickness. Seismic can be used to map structure for the reservoir units.

The Basing checkshot survey from the 02-21-047-19W5 is also used at Voyager to convert from time to depth. Lateral variations in the subsurface between Basing and Voyager are sufficient to cause the depth surfaces calculated from the Basing checkshot to be inaccurate at Voyager. Seismic character for the reservoir units and surrounding coal units is similar between Basing and Voyager.

The Turner Valley seismic event is adequate to determine structure. The faulted edge of the Turner Valley is more complicated than at Basing, and more than two thrust lobes have been identified through drilling. The seismic data cannot be used to accurately pinpoint the fault edge for the Turner Valley or to determine reservoir thickness. Mapping of the Turner Valley at Voyager had not been completed as of the date of this seismic review.

## GEOLOGY

The lower Cretaceous/Albian Moosebar and Mountain Park Formations reside within the Luscar Group. The Kaydee Voyager area stratigraphy is equivalent to the nearby, and more extensively exploited, Deep Basin area (West-Central Plains), where the Moosebar is referred to as the Wilrich and the Mountain Park as the Notikewin. Similarly, the upper Luscar Group is more commonly referred to as the Spirit River Group in the Deep Basin.

Other strata in Kaydee Voyager, that are potentially hydrocarbon bearing within the Company's acreage, are the late Cretaceous/Turonian Cardium and the Mississippian Turner Valley Formations. Though successfully developed by other operators on and adjacent to the Company's land, the Turner Valley was not assessed in this evaluation.

Given the relatively limited well control and the subsequent difficulty to prepare reasonable sensitivities, all mapping presented in this report reflects a best estimate of net pays.

### *Moosebar (Wilrich)*

The Moosebar was deposited as predominantly siltstone and fine to very fine grained sandstone interbedded with marine shale in coarsening-upward cycles and is indicative of a prograding depositional tract. The reservoir consists of low permeability and low porosity, plagioclase laden sand with a relatively high gamma ray signature.

Net pay was determined by subjecting vertical well logs to petrophysical analyses. Reservoir parameters (net pay, porosity, and water saturation) were determined by applying cutoffs of porosity greater than 3 percent, water saturation less than 50 percent and volume of shale less than 40 percent. Notably the density log porosity was calculated using a matrix density of 2,700 kg/m<sup>3</sup> and the average of the neutron and density log porosity values were used to estimate reservoir porosity. Where present, the sonic log was used to corroborate pay assignments using a shale corrected Wylie formula.

A formation water resistivity of 0.063 ohmm @ 25C and a, m and n values of 0.9, 1.7 and 1.5, respectively, were used in the Archie formula to estimate water saturations. It is notable that water production from the Moosebar is negligible and that in situ water is considered to be irreducible. This unique hydrodynamic regime characterized by immobile water is replicated by production from the Wilrich and Falher producers in regions such as Minehead, Ansell and West Edson of the Deep Basin. The allocation of immobile water saturation in the Kaydee Voyager pay assignments is

corroborated by core analyses conducted by using Dean Stark methods on analogue wells that employed invert drilling fluids.

The Company provided a net pay isopach map interpretation of the Moosebar and after it was reconciled to GLJ pay values (Map 5) it was factored by the grid of porosity and water saturation values to arrive at in place hydrocarbon pore volumes (HCPV).

Informally known as the Deformed Belt or the Disturbed Belt, the Voyager area post depositional environment was subjected to active margin orogenic evolution of the Canadian Cordillera during late Mesozoic and early Tertiary time. Influenced by the accretion of eastward moving terranes colliding with the Pacific margin of North American continental plate, the sediments of the region are highly deformed by folding and thrust faulting. Consistent with the deformed nature of this Deformed Belt is the well established productivity in the nearby Basing field of liquids rich natural gas from the hanging wall in the crest of northwest to southeast trending anticlinally folded structures.

The 3D seismic coverage in Voyager depicts the presence of similar fault related folds which are present in Basing that are considered to provide fracture induced permeability.

#### ***Mountain Park (Notikewin)***

The Mountain Park was deposited in a moderate energy barrier island and deltaic environments and is comprised of fine sandstones interbedded with shale. It represents the uppermost preserved strata of the Luscar Group in Kaydee and Voyager. In the both areas, a sand body rests conformably atop what is identified as the Mountain Park and it is interpreted as the Viking Formation equivalent. For the purpose of this evaluation, the Viking is considered to be part of the Mountain Park and is included in the Mountain Park net pay mapping. Figure 4 displays a type well of the Mountain Park.

Net pay was determined by subjecting vertical well logs to petrophysical analyses. Reservoir parameters (net pay, porosity, and water saturation) were determined by applying cutoffs of porosity greater than 5 percent, water saturation less than 50 percent and volume of shale less than 40 percent.

Porosity was estimated using a neutron density cross plot and, when possible, it was corroborated by the porosity determined from the sonic log. A formation water resistivity of 0.1 ohmm @ 25C and a, m and n values of 0.9, 1.7 and 1.5, respectively, were used in the Archie formula to estimate water saturations.

The Company provided a net pay isopach map interpretation of the Mountain Park and after it was reconciled to GLJ pay values (Map 3) it was factored by the grid of porosity and water saturation values to arrive at in-place hydrocarbon pore volumes (HCPV).

The structural setting of the Mountain Park is very much like that of the Moosebar and fracture enhanced permeability is considered necessary for adequate productivity to occur. A similar chance of success rationale was applied to the Mountain Park as was done for the Moosebar.

### ***Cardium***

The Cardium was deposited as a marine near shore and shore face clastic event that is part of a regionally extensive progradational sequence. Sand units are assigned porosity based on well logs and no cutoffs were applied to arrive at a net pay map (Map 2). A universal Sw of 40 percent was applied to determine HCPV.

### ***Geological Chance of Success***

In order for a prospect to be successful, certain conditions must exist. Each of these conditions contributes to the probability of success.

*Source Rock* – There must be a rock that contains kerogen or organic matter that will generate hydrocarbons under the correct temperatures.

*Thermal History (Maturity)* – The source rock must have been buried to depths that are sufficient to heat the kerogen to the point of producing hydrocarbons.

*Migration* – There must be a migration path to permit the hydrocarbons to move away from the source rock.

*Reservoir Rock* – There must be porous and permeable sandstone that could contain the hydrocarbons, and eventually permit them to be produced at commercial rates. Notably the degree of permeability required to sustain appreciable productivity arises from tectonic induced fracturing.

*Seal* – This reservoir rock must be capped by tight rock (top seal) to prevent the hydrocarbons from migrating up section.

*Trap* – Stratigraphic traps are the dominant trapping configuration. In the case of structure traps, the reservoir rock must exist in a configuration that prevents the lateral migration of hydrocarbons. This can be formed by either dip closure, by sealing faults, or by a combination of the two.

*Timing* – All of the above must occur in the correct sequence. The hydrocarbons must be expelled after the creation of the migration paths, the reservoir rock and the seals.

The accumulated knowledge from historical activity in the disturbed belt indicates the risks of Source, Maturity, Migration, Seal, Trap and Timing can be eliminated for the Company's future drilling plans. The remaining risk to these prospective locations is whether adequate reservoir exists.

#### Summary of Geological Chance of Success

Formation Target	Source	Maturity	Migration	Reservoir	Trap	Timing	Seal	Chance of Discovery
Wilrich	1.00	1.00	1.00	0.30	1.0	1.00	1.00	<b>0.3</b>
Mountain Park	1.00	1.00	1.00	0.30	1.0	1.00	1.00	<b>0.3</b>

## RESOURCES AND PRODUCTION FORECAST

Low, best and high estimate prospective resources have been assigned using a deterministic analysis. A probabilistic approach was not feasible due to the limited number of close offsetting analog wells which target the formations of interest within the disturbed belt region.

The offset analog horizontal wells that were considered are those located in the Basing property. Although these offset wells did not provide enough data for a statistical analysis, they were used to help define a reasonable range of recovery factors and production profiles for each target formation. These recovery factors were then applied to mapped volumes to determine expected recoverable volumes.

Proposed locations have been removed from this analysis in instances where the best case prospective resource assignment is found to be uneconomic. These specific locations are associated with a low chance of development.

The development plan provided by Persta was evaluated for multiple zones of interest including the Wilrich, Cardium, and Mountain Park. Additional details by zone are described below:

### *Wilrich*

Wilrich prospective resources have been forecast by analogy. The best estimate recovery factor is based on four producing horizontal Wilrich (Hanging Wall) producers that have been developed in the Basing property. The current production results, at these wells, indicate a best estimate recovery factor of approximately 70 percent over drainage areas averaging 410 acres. Based on these results a best estimate prospective resource recovery factor of 70 percent was used in Kaydee-Voyager over a 320 acre drainage area. The smaller drainage area was implemented based on the proposed well spacing of two wells per section.

Based on GLJ mapping and economic forecasts, 52 planned locations are expected to be economic based on our best case scenario. This amounts to 21 Wilrich wells assigned in Kaydee and 31 assigned in Voyager.

### *Cardium*

A single analog horizontal Cardium well in Basing located at 00/16-29-047-19W5/0 has been developed, however, no resources or reserves have been assigned in this zone, based on poor production results.

Based on GLJ mapping, there appears to be limited pay in the Cardium over interest lands in Kaydee and Voyager. A test case was run for a horizontal well in the thickest mapped area using an assumed 70 percent recovery factor over 320 acres. The production forecast and economic results are illustrated in Appendix II. Under current economic conditions, this test case was found to be uneconomic.

Based on the poor results in Basing and the results of the economic test case, no prospective locations have been assigned to the Cardium.

#### ***Mountain Park (Notikewin)***

Prospective resources in the Mountain Park Formation have been forecast by analogy. There is currently one successfully producing horizontal Notikewin well in the Basing property at 00/10-36-047-20W5/4. The current production results for this well indicate a recovery factor of 70 percent over a drainage area of 120 acres. This recovery factor and drainage area has been applied to the proposed Mountain Park locations in Kaydee-Voyager. The current development plan is for two wells per section, however, only 120 acres of drainage area has been assigned to each prospective location. This is an indication that the current proposed development plan spacing may not access the entire reservoir.

Economic prospective drilling locations have been assigned to the Mountain Park in Voyager, however GLJ mapped volumes in Kaydee were insufficient for the assignment of economic locations in the best case classification. A total of 10 Notikewin locations have been assigned in Voyager.

#### ***Chance of Development***

If the thickest portions of the mapped Wilrich and Notikewin reservoirs are discovered to have similar properties to what has been shown in Basing, there is a corresponding high chance of development. This has clearly been demonstrated by the successful development of the Basing property as well as positive economic results forecast based on Persta's development plan. The chance of development has been estimated to be 80 percent.

#### ***Chance of Commerciality***

The total chance of commerciality for this development program is estimate by multiplying the chance of discovery with the chance of development. In this case the total chance of commerciality is estimated to be 24 percent.

### ECONOMIC ANALYSIS

Economic parameters used in the evaluation, including product prices, product yields, operating costs and capital costs, are detailed in Table 4. Operating costs and price adjustment were derived from a review of operating statements provided by Persta for the Basing property. The economic conditions at Kaydee-Voyager are expected to mirror the results obtained at Basing.

These economics are scoping in nature, as individual well development and operating costs are estimated based on recent costs to develop and operate similar wells in the Basing area. The field level facility costs have been determined by scaling the estimates provided by Persta proportionally based on the reduced number of development locations assigned resources in this analysis.

#### *Other Economic Considerations*

This report *does not* address the following issue:

- non-reserves well abandonment, wellsite reclamation and facility abandonment/salvage, including possible environmental concerns,

Company: Property:		Persia Resources Inc. Kaydee-Voyager		Resource Class: Development Class: Pricing: Effective Date:		Prospective Resources High Estimate - Prospect GLJ (2016-10) September 30, 2016		Summary of Well Interests and Burdens										
								Working Interest		Royalty Interest		Other Royalty Burdens		Note				
								BPO %	APO %	Rem PO (000's)	Type	BPO %	APO %		Rem PO (000's)	Type	BPO %	APO %
Kaydee-Voyager																		
XX/XX-16-045-19W5/WLR	100.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[1]
XX/13-16-045-19W5/WLR	100.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[1]
XX/XX-20-045-19W5/WLR	100.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[1]
XX/09-20-045-19W5/WLR	100.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[1]
XX/12-29-045-19W5/WLR	100.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[1]
XX/XX-30-045-19W5/WLR	100.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[1]
XX/02-30-045-19W5/WLR	100.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[1]
XX/XX-31-045-19W5/WLR	100.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[1]
XX/08-31-045-19W5/WLR	100.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[1]
XX/XX-36-045-20W5/WLR	100.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[1]
XX/XX-04-046-19W5/MP	100.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[1]
XX/05-04-046-19W5/MP	100.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[1]
XX/XX-07-046-19W5/MP	100.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[1]
XX/XX-07-046-19W5/WLR	100.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[1]
XX/13-07-046-19W5/MP	100.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[1]
XX/13-07-046-19W5/WLR	100.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[1]
XX/XX-08-046-19W5/MP	100.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[1]
XX/XX-08-046-19W5/WLR	100.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[1]
XX/01-08-046-19W5/MP	100.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[1]
XX/01-08-046-19W5/WLR	100.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[1]
XX/XX-18-046-19W5/WLR	100.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[1]
XX/03-18-046-19W5/WLR	100.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[1]
XX/XX-01-046-20W5/WLR	100.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[1]

Summary of Well Interests and Burdens

Entity Description	Working Interest			Royalty Interest			Other Royalty Burdens				Note		
	BPO %	APO %	Rem PO (000's)	Type	BPO %	APO %	Rem PO (000's)	Lessor Royalty	Type	BPO %		APO %	Rem PO (000's)
<i>Kayde-Voyager (Cont.)</i>													
XX/12-01-046-20W5/WLR	100.000	-	-	-	-	-	-	AB CR AARF GAS		-	-	-	[1]
XX/XX-13-046-20W5/WLR	100.000	-	-	-	-	-	-	NWRR 500.0 MMcf/18 months		-	-	-	[1]
XX/12-13-046-20W5/WLR	100.000	-	-	-	-	-	-	AB CR AARF GAS		-	-	-	[1]
XX/XX-16-046-20W5/WLR	100.000	-	-	-	-	-	-	NWRR 500.0 MMcf/18 months		-	-	-	[1]
XX/01-16-046-20W5/WLR	100.000	-	-	-	-	-	-	AB CR AARF GAS		-	-	-	[1]
XX/XX-17-046-20W5/WLR	100.000	-	-	-	-	-	-	NWRR 500.0 MMcf/18 months		-	-	-	[1]
XX/13-17-046-20W5/WLR	100.000	-	-	-	-	-	-	AB CR AARF GAS		-	-	-	[1]
XX/XX-20-046-20W5/WLR	100.000	-	-	-	-	-	-	NWRR 500.0 MMcf/18 months		-	-	-	[1]
XX/XX-21-046-20W5/WLR	100.000	-	-	-	-	-	-	AB CR AARF GAS		-	-	-	[1]
XX/01-21-046-20W5/WLR	100.000	-	-	-	-	-	-	NWRR 500.0 MMcf/18 months		-	-	-	[1]
XX/XX-28-046-20W5/WLR	100.000	-	-	-	-	-	-	AB CR AARF GAS		-	-	-	[1]
XX/08-28-046-20W5/WLR	100.000	-	-	-	-	-	-	NWRR 500.0 MMcf/18 months		-	-	-	[1]
XX/15-07-048-22W5/WLR	100.000	-	-	-	-	-	-	AB CR AARF GAS		-	-	-	[1]
XX/XX-08-048-22W5/WLR	100.000	-	-	-	-	-	-	NWRR 500.0 MMcf/18 months		-	-	-	[1]
XX/13-08-048-22W5/WLR	100.000	-	-	-	-	-	-	AB CR AARF GAS		-	-	-	[1]
XX/XX-09-048-22W5/WLR	100.000	-	-	-	-	-	-	NWRR 500.0 MMcf/18 months		-	-	-	[1]
XX/02-09-048-22W5/WLR	100.000	-	-	-	-	-	-	AB CR AARF GAS		-	-	-	[1]
XX/XX-14-048-23W5/WLR	100.000	-	-	-	-	-	-	NWRR 500.0 MMcf/18 months		-	-	-	[1]
XX/01-14-048-23W5/WLR	100.000	-	-	-	-	-	-	AB CR AARF GAS		-	-	-	[1]
XX/XX-22-048-23W5/WLR	100.000	-	-	-	-	-	-	NWRR 500.0 MMcf/18 months		-	-	-	[1]
XX/13-22-048-23W5/WLR	100.000	-	-	-	-	-	-	AB CR AARF GAS		-	-	-	[1]
XX/XX-23-048-23W5/WLR	100.000	-	-	-	-	-	-	NWRR 500.0 MMcf/18 months		-	-	-	[1]
XX/01-23-048-23W5/WLR	100.000	-	-	-	-	-	-	AB CR AARF GAS		-	-	-	[1]
XX/XX-24-048-23W5/WLR	100.000	-	-	-	-	-	-	NWRR 500.0 MMcf/18 months		-	-	-	[1]

Summary of Well Interests and Burdens

Entity Description	Working Interest			Royalty Interest			Other Royalty Burdens			Note		
	BPO %	APO %	Rem PO (000's)	Type	BPO %	APO %	Rem PO (000's)	Type	BPO %		APO %	Rem PO (000's)
<i>Kynlee-Voyager (Cont.)</i>												
XX/01-24-048-23W5/WLR	100.000	-	-	-	-	-	-	-	-	-	-	[1]
XX/XX-26-048-23W5/WLR	100.000	-	-	-	-	-	-	-	-	-	-	[1]
XX/13-26-048-23W5/WLR	100.000	-	-	-	-	-	-	-	-	-	-	[1]
XX/XX-27-048-23W5/WLR	100.000	-	-	-	-	-	-	-	-	-	-	[1]
XX/13-27-048-23W5/WLR	100.000	-	-	-	-	-	-	-	-	-	-	[1]
XX/XX-34-048-23W5/WLR	100.000	-	-	-	-	-	-	-	-	-	-	[1]
XX/01-34-048-23W5/WLR	100.000	-	-	-	-	-	-	-	-	-	-	[1]
XX/XX-35-048-23W5/WLR	100.000	-	-	-	-	-	-	-	-	-	-	[1]
XX/01-35-048-23W5/WLR	100.000	-	-	-	-	-	-	-	-	-	-	[1]
Facilities	100.000	-	-	-	-	-	-	-	-	-	-	-

Glossary

AB: Alberta  
 APO=BPO interests unless otherwise specified  
 CR: Crown Royalty  
 NWRR: New Well Royalty Reduction Program

Notes

1. Alberta Deep Development Gas Royalty Holiday remaining balance is 2187.5 of qualifying amount of 2187.5 M\$.

Land and Mineral Rights Summary  
 Kaydee-Voyager  
 Effective September 30, 2016

Agreement NO.	Date	Mineral Rights	LAND DESCRIPTION			WI		Area, Ha		Term Status			
			Sec.	Twp.	Rge.	Mer.	Total	Developed	Term	Commenced	Expiry	Status	
551010375	2010-11-18	P&NG from Surface to Base of the Basement, Except NG in Rundle	13	45	19	5	100%	256	No	Initial	November 18, 2010	January 1, 2017	Active
551010376	2010-11-18	P&NG from Surface to Base of the Rundle, Except NG in Rundle	28	45	19	5	100%	256	No	Initial	November 18, 2010	January 1, 2017	Active
551010377	2010-11-18	P&NG from Surface to Base of the Rundle, Except NG in Rundle	29	45	19	5	100%	256	No	Initial	November 18, 2010	January 1, 2017	Active
551010378	2010-11-18	P&NG from Surface to Base of the Rundle, Except NG in Rundle	34	45	19	5	100%	256	No	Initial	November 18, 2010	January 1, 2017	Active
5513010293	2013-01-10	P&NG from Surface to Base of the Basement	48	48	23	5	100%	2048	No	Initial	January 10, 2013	January 10, 2018	Active
		<u>Details:</u>	14	48	23	5		256	No				
			22	48	23	5		256	No				
			23	48	23	5		256	No				
			24	48	23	5		256	No				
			26	48	23	5		256	No				
			27	48	23	5		256	No				
			34	48	23	5		256	No				
			35	48	23	5		256	No				
5514080126	2014-08-07	P&NG from Surface to Base of the Basement, Except NG in Rundle	22	45	19	5	100%	256	No	Initial	August 7, 2014	August 7, 2019	Active
5514080127	2014-08-07	P&NG from Surface to Base of the Basement	27	45	19	5	100%	256	No	Initial	August 7, 2014	August 7, 2019	Active
5514080128	2014-08-07	P&NG from Surface to Base of the Basement	4	46	19	5	100%	256	No	Initial	August 7, 2014	August 7, 2019	Active
5514102063	2014-10-30	P&NG from Surface to Base of the Basement	4	47	20	5	100%	256	No	Initial	October 30, 2014	October 30, 2019	Active
5514120044	2014-12-04	P&NG from Surface to Base of the Basement, Except NG in Wabamun & Rundle	14	45	19	5	100%	256	No	Initial	December 4, 2014	December 4, 2019	Active
5514120045	2014-12-04	P&NG from Surface to Base of the Basement	20	45	19	5	100%	256	No	Initial	December 4, 2014	December 4, 2019	Active
5514120046	2014-12-04	P&NG from Surface to Base of the Basement	33	45	19	5	100%	256	No	Initial	December 4, 2014	December 4, 2019	Active
5515010164	2015-01-15	P&NG from Surface to Base of the Basement	15	45	19	5	100%	256	No	Initial	January 15, 2015	January 15, 2020	Active
5515010165	2015-01-15	P&NG from Surface to Base of the Basement, Except NG in Rundle	31	45	19	5	100%	256	No	Initial	January 15, 2015	January 15, 2020	Active
5515010166	2015-01-15	P&NG from Surface to Base of the Basement, Except NG in Rundle	1	46	20	5	100%	256	No	Initial	January 15, 2015	January 15, 2020	Active
5515030166	2015-03-12	P&NG from Surface to Base of the Basement	7	46	19	5	100%	768	No	Initial	March 12, 2015	March 12, 2020	Active
		<u>Details:</u>	8	46	19	5		256	No				
			18	46	19	5		256	No				
55150301667	2015-03-12	P&NG from Surface to Base of the Basement	16	46	20	5	100%	768	No	Initial	March 12, 2015	March 12, 2020	Active
		<u>Details:</u>	17	46	20	5		256	No				
			20	46	20	5		256	No				
5515040167	2015-04-30	P&NG from Surface to Base of the Basement	9	45	19	5	100%	1280	No	Initial	April 30, 2015	April 29, 2020	Active
		<u>Details:</u>	10	45	19	5		256	No				
			11	45	19	5		256	No				
			12	45	19	5		256	No				
			16	45	19	5		256	No				
5515040168	2015-04-30	P&NG from Surface to Base of the Basement	13	46	20	5	100%	512	No	Initial	April 30, 2015	April 29, 2020	Active
		<u>Details:</u>	24	46	20	5		256	No				
5515040169	2015-04-30	Track 1: P&NG from Surface to Base of the Basement	21	46	20	5	100%	768	No	Initial	April 30, 2015	April 29, 2020	Active
		<u>Details:</u>	28	46	20	5		256	No				
			33 SW	46	20	5		64	No				
			33 N, SE	46	20	5		192	No				
5515050122	2015-05-28	Track 2: P&NG below of the Rundle to Base of the Basement	45	45	19	5	100%	512	No	Initial	May 28, 2015	May 27, 2020	Active
		<u>Details:</u>	30	45	19	5		256	No				
			36	45	20	5		256	No				
5515050124	2015-05-28	Track 1: P&NG from Surface to Base of the Basement, Except Natural Gas in Rundle	7	48	22	5	100%	1280	No	Initial	May 28, 2015	May 27, 2020	Active
		<u>Details:</u>	7	48	22	5		256	No				



Land and Mineral Rights Summary  
 Kaydee-Voyager  
 Effective September 30, 2016

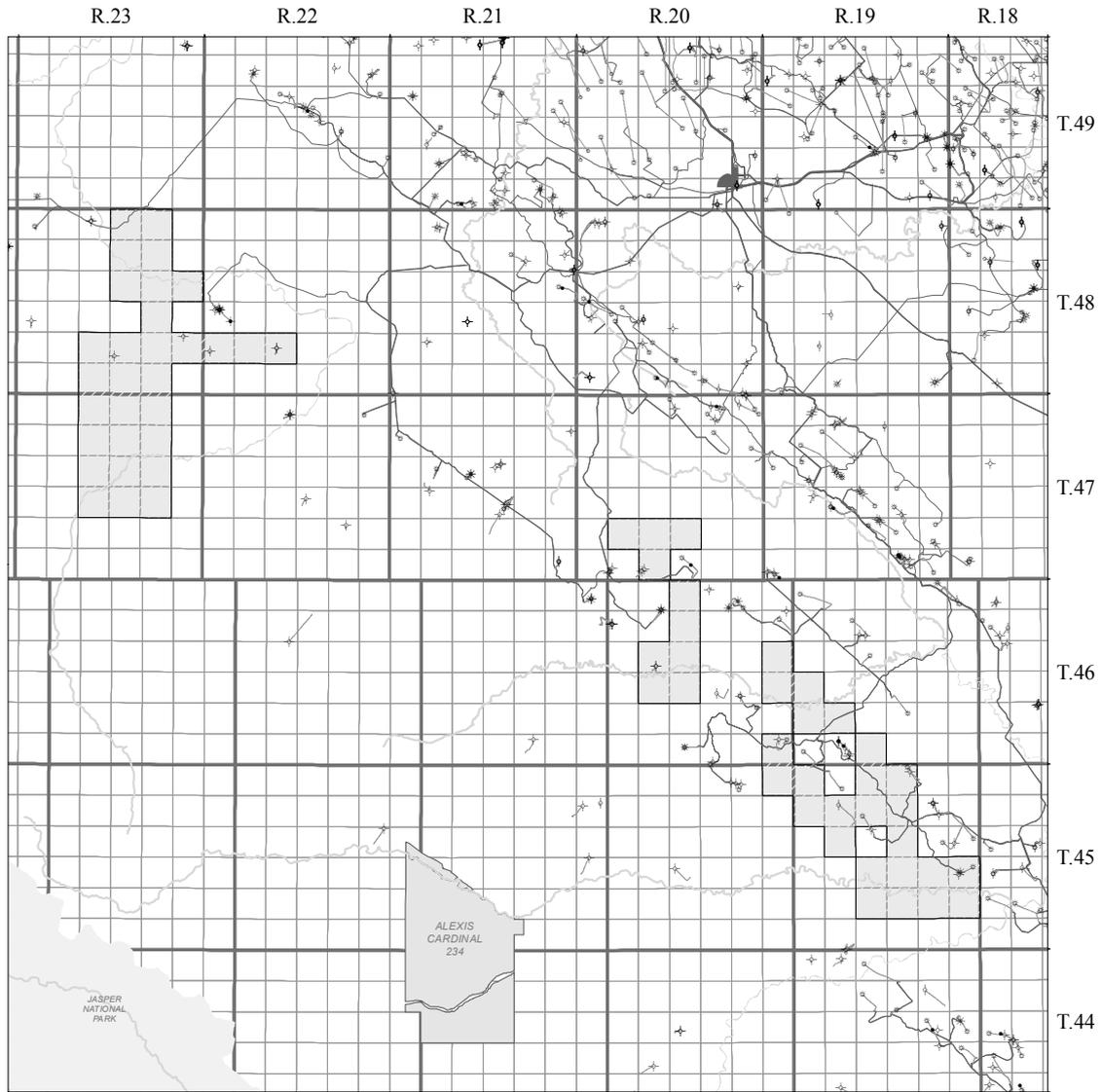
Agreement NO.	Date	Mineral Rights	LAND DESCRIPTION				WI	Area, Ha		Term Status						
			Sec.	Twp.	Rge.	Mer.		Total	Developed	Term	Commenced	Expiry	Status			
5515070159	2015-07-09	P&NG from Surface to Base of the Basement	8	48	22	5	100%	256	No	Initial	July 9, 2015	July 8, 2020	Active			
			9	48	22	5		256	No							
			11	48	23	5		256	No							
			12	48	23	5		256	No							
			<u>Details:</u>			14		47	23					5	256	No
			15	47	23	5		256	No							
			16	47	23	5		256	No							
			21	47	23	5		256	No							
			22	47	23	5		256	No							
			23	47	23	5		256	No							
5515080329	2015-08-20	P&NG from Surface to Base of the Basement	26	47	23	5	100%	256	No	Initial	August 20, 2015	August 19, 2020	Active			
			27	47	23	5		256	No							
			28	47	23	5		256	No							
			33	47	23	5		256	No							
			34	47	23	5		256	No							
			35	47	23	5		256	No							
			2	48	23	5		256	No							
			3	48	23	5		256	No							
			4	48	23	5		256	No							
			9	48	23	5		256	No							
<u>Details:</u>			10	48	23	5	256	No								
8	47	20	5	768	No											
9	47	20	5	256	No											
10	47	20	5	256	No											



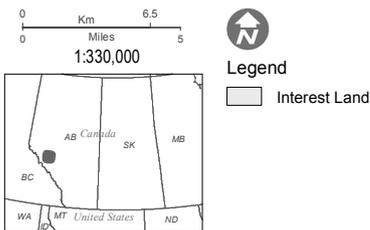
Map 1  
Land Map

Company: Persta Resources Inc.  
Property: Kaydee-Voyager

Effective Date: September 30, 2016  
Project: s1171053/kavm01



W5M



NAD 1983 UTM Zone 11N

Well Source: IHS (November 4, 2016)

Geologist:

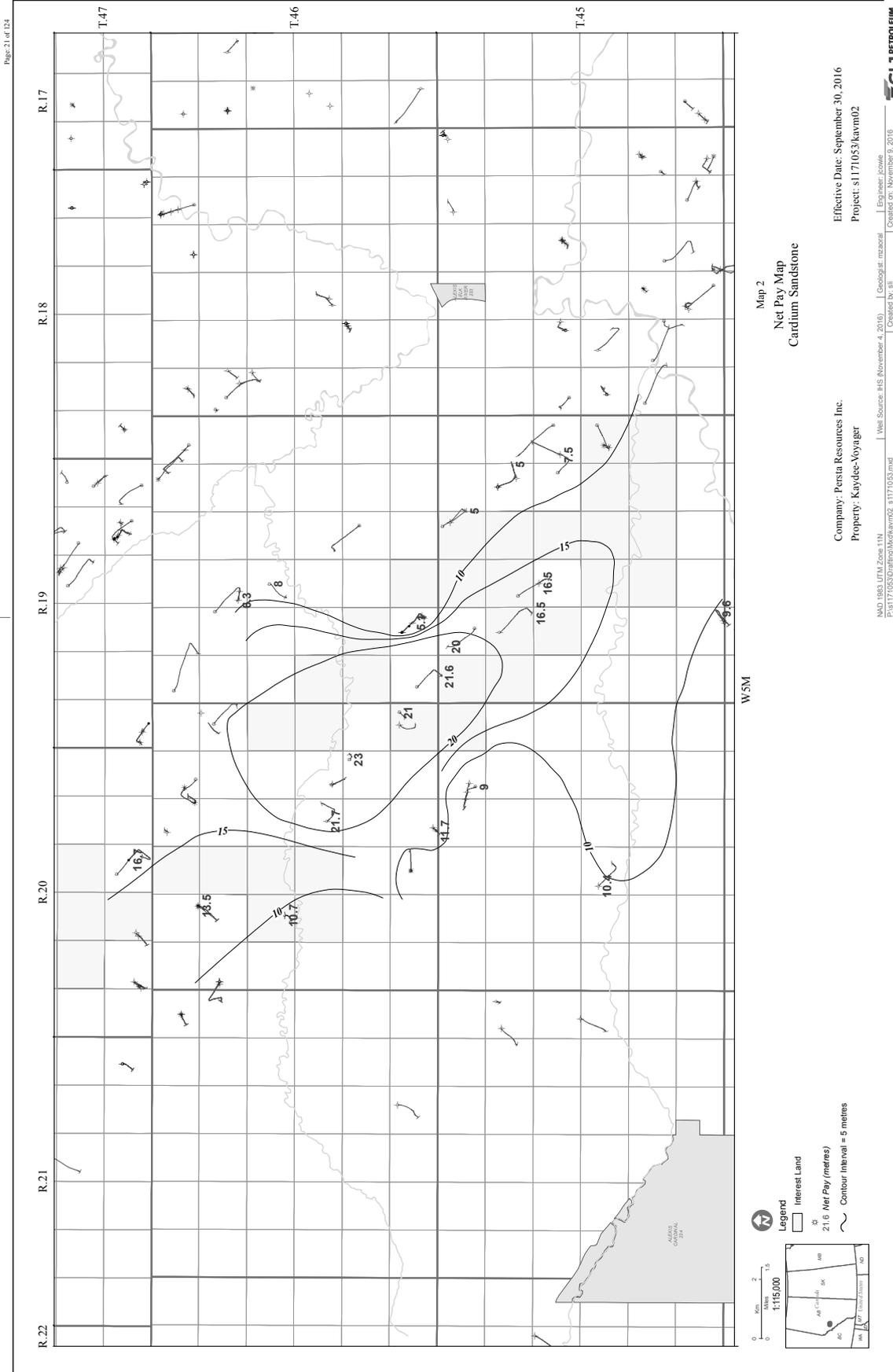
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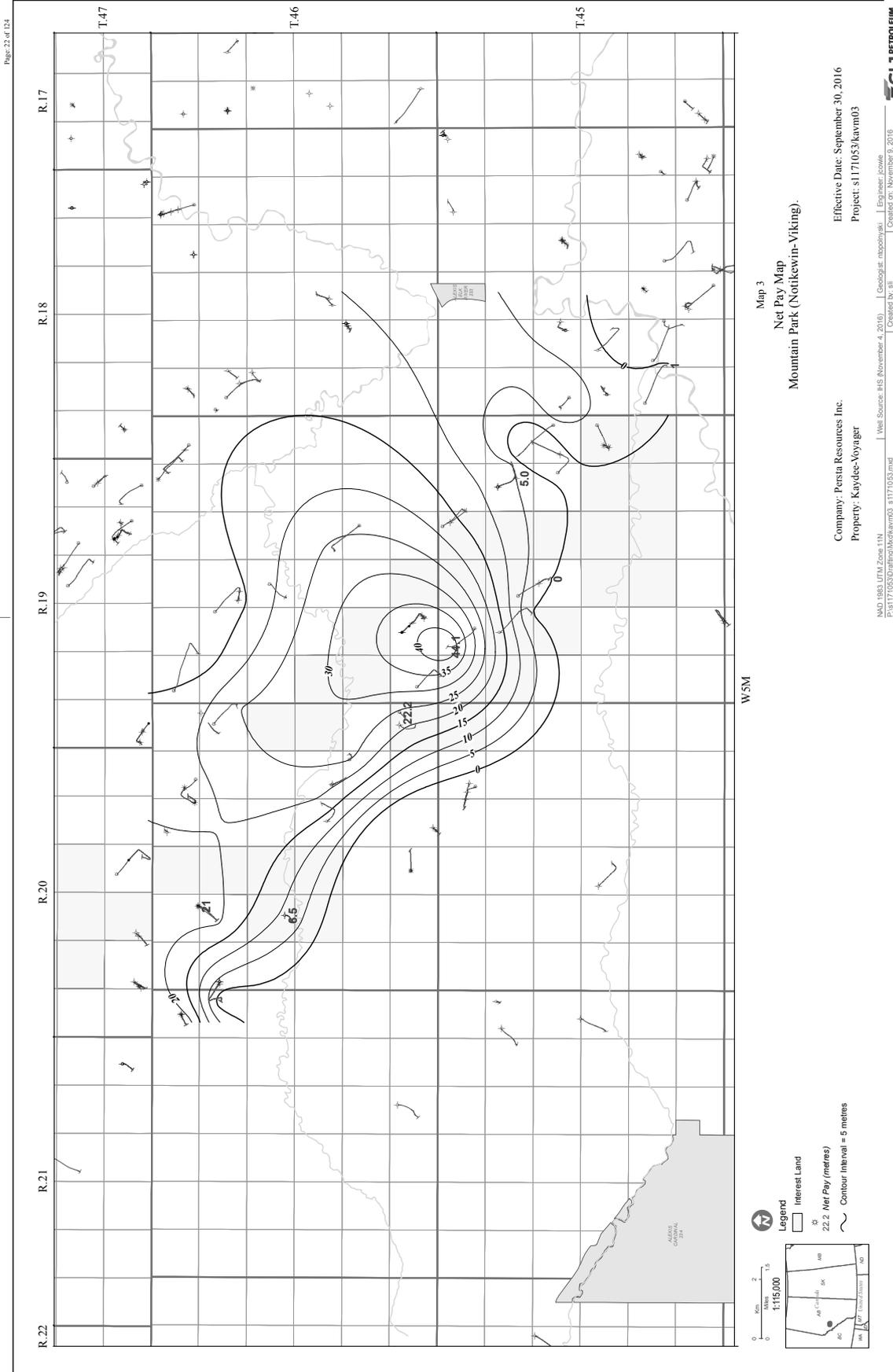
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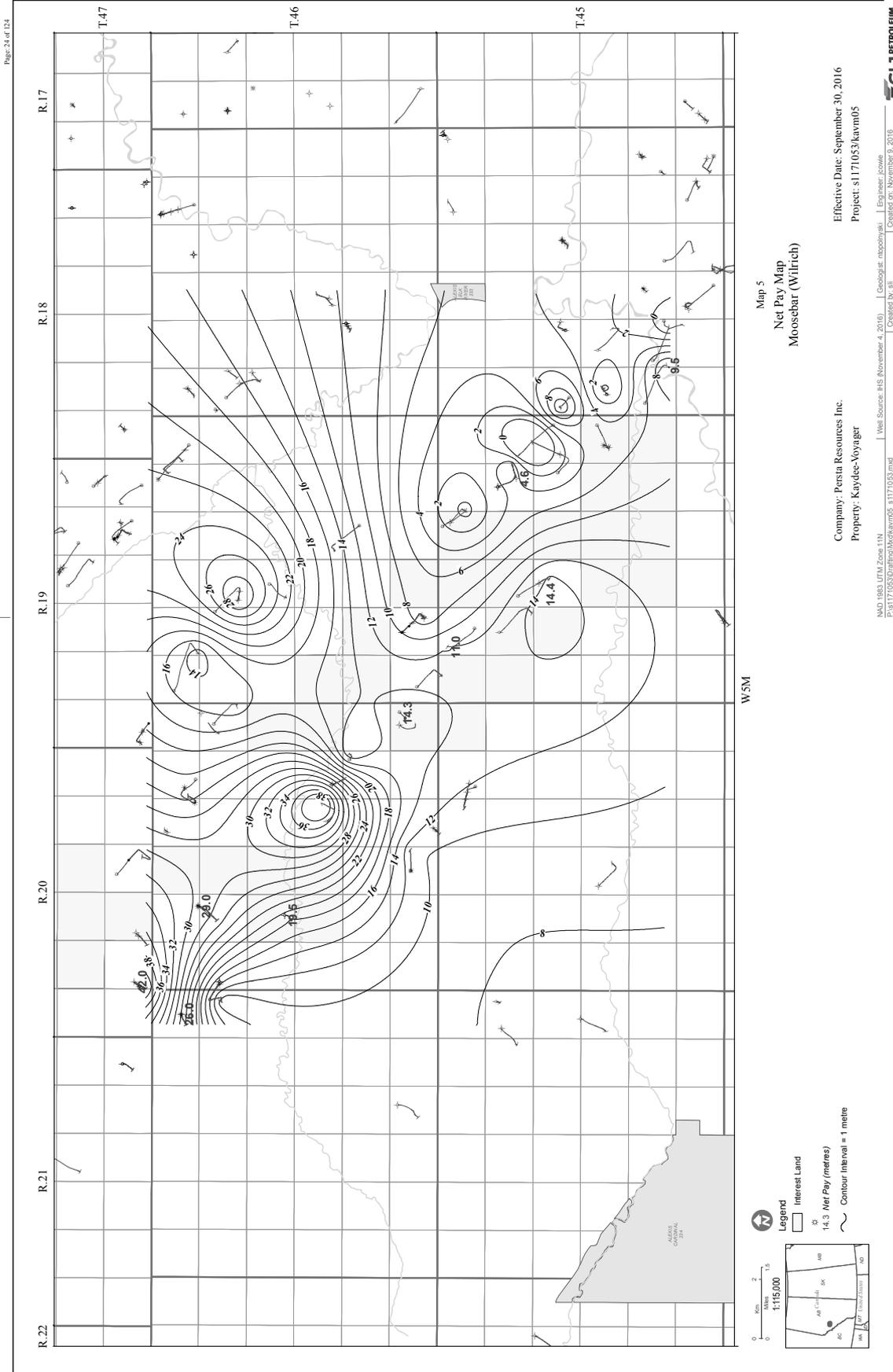
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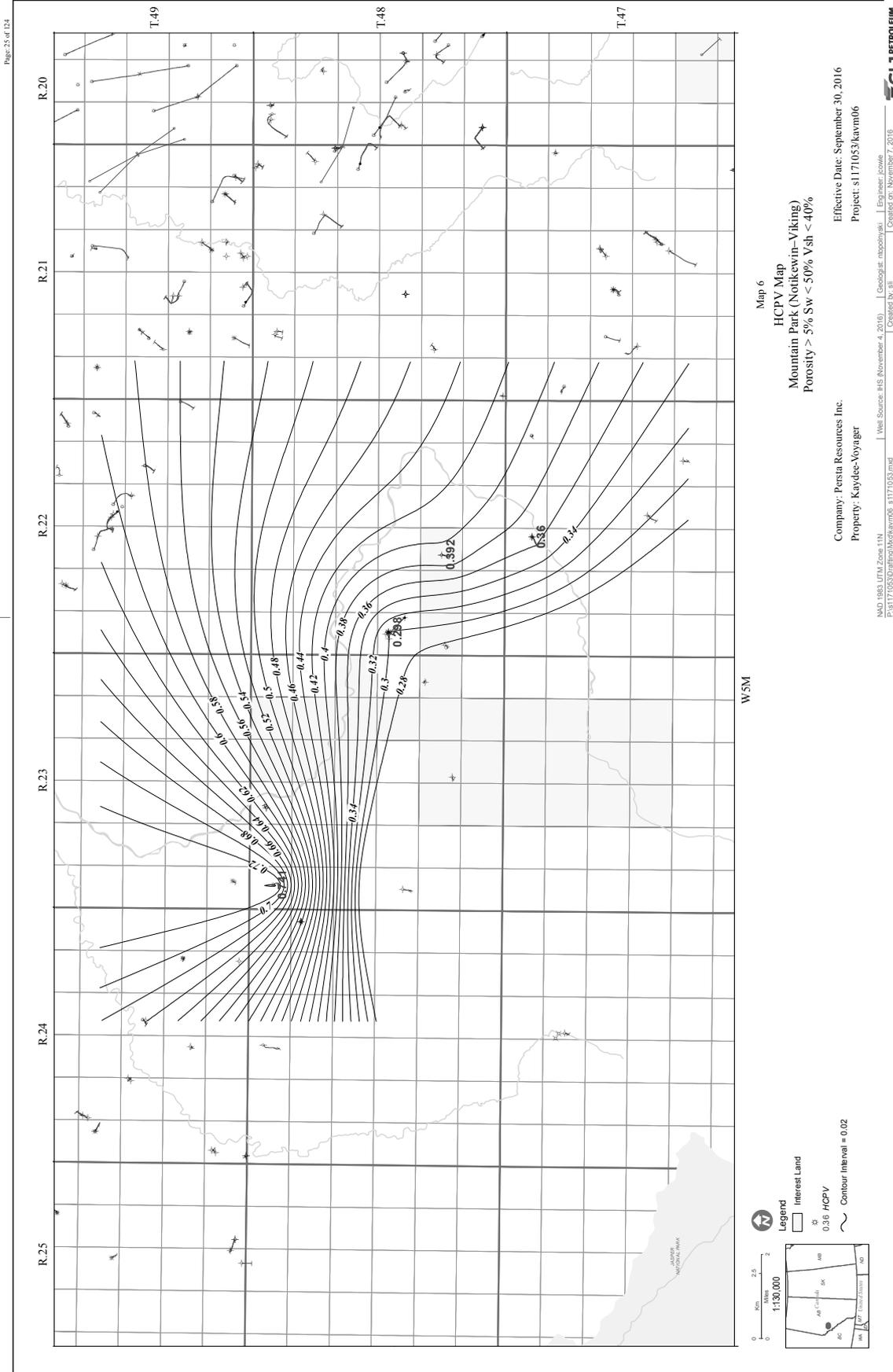


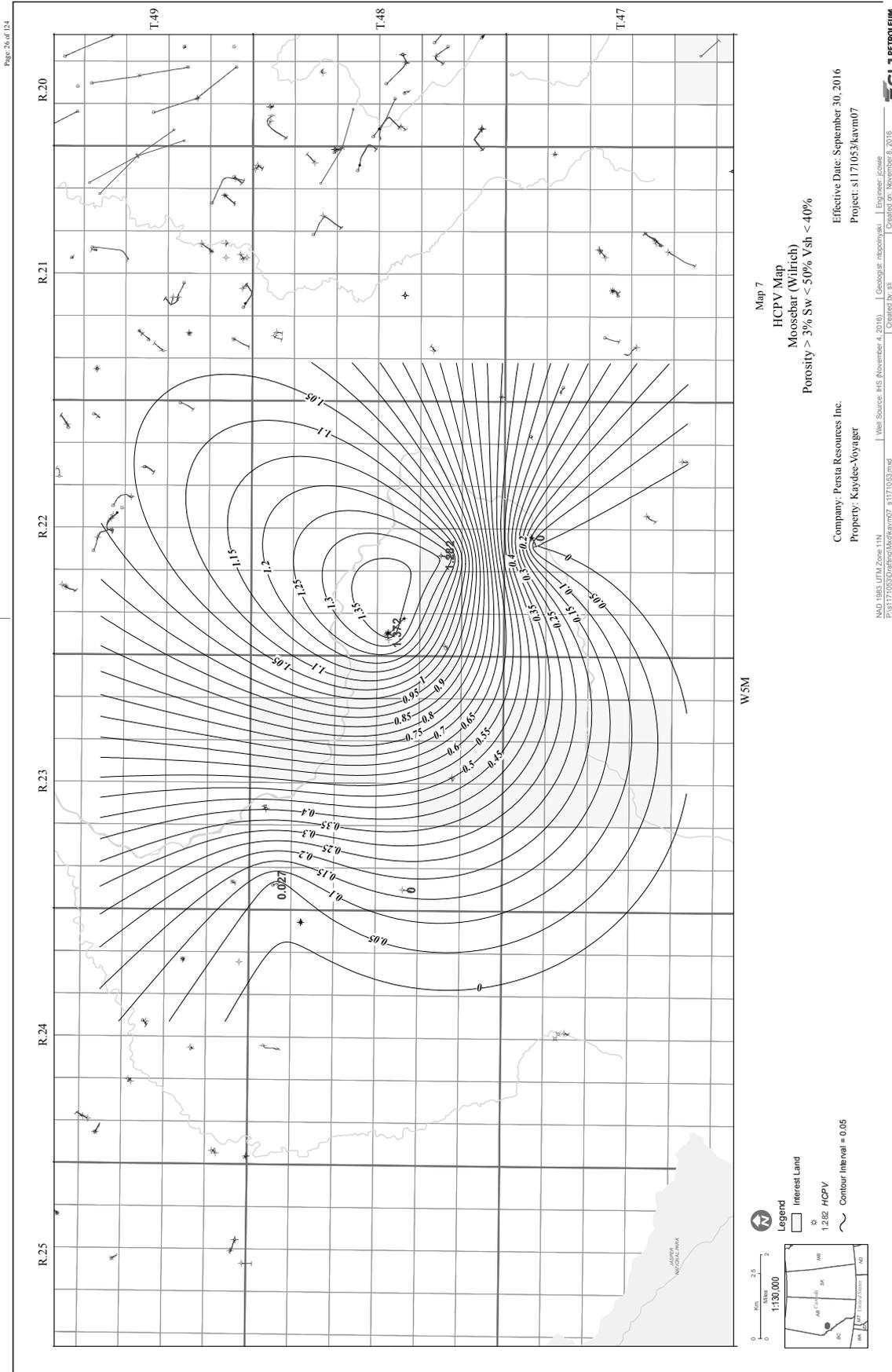


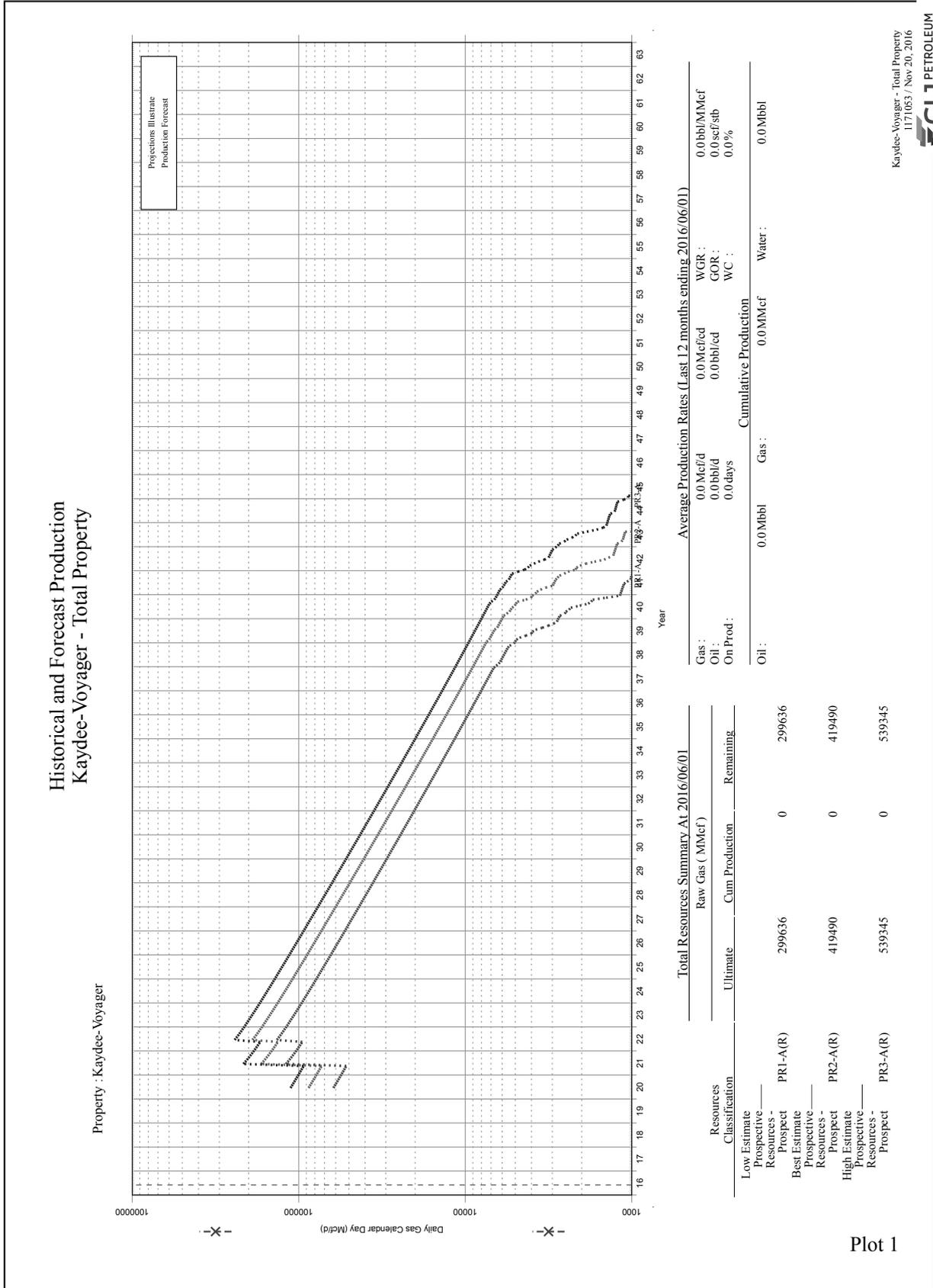








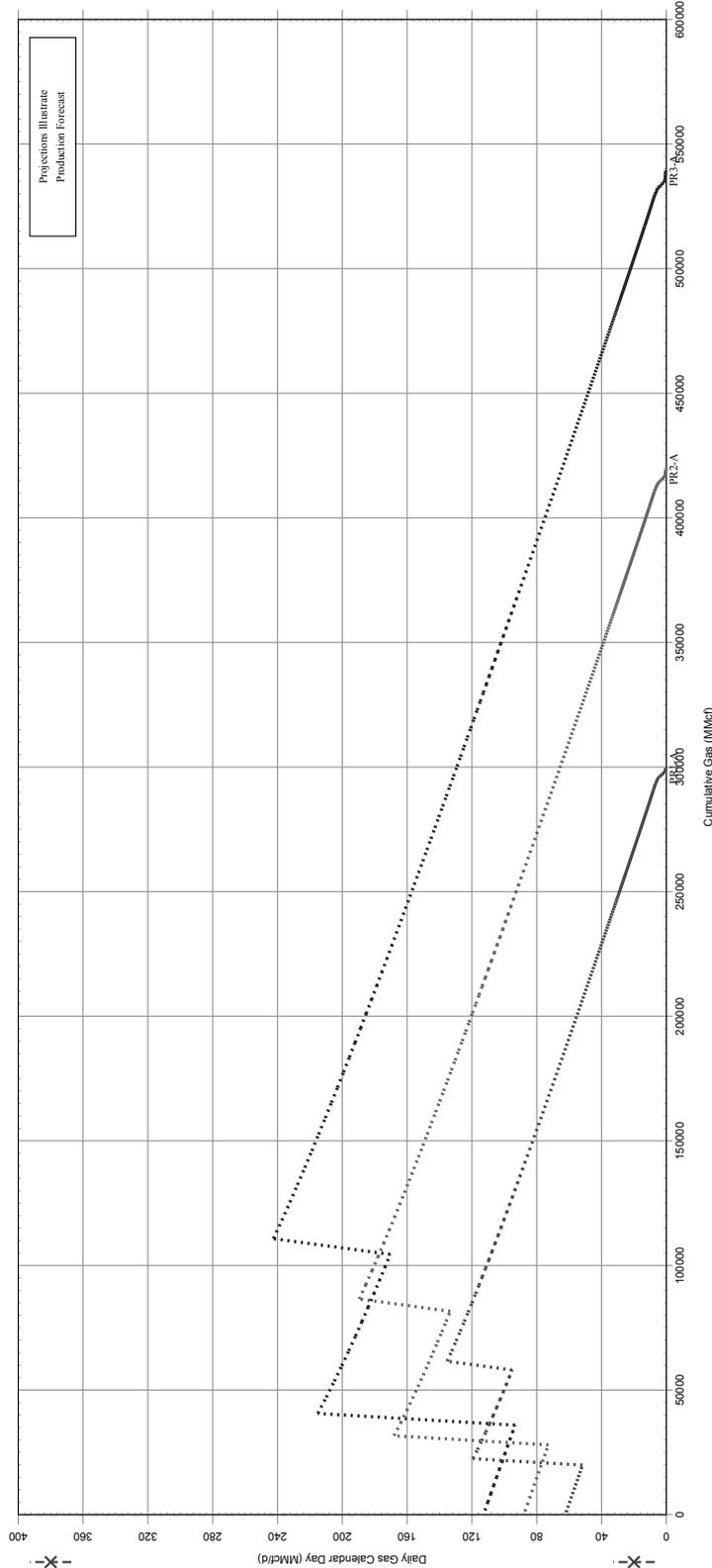




Plot 1

Historical and Forecast Production  
Kaydee-Voyager - Total Property

Property : Kaydee- Voyager



Total Resources Summary At 2016/06/01			
Resources Classification	Ultimate	Cum Production	Remaining
Low Estimate Prospect			
Resources - Prospect	299636	0	299636
Best Estimate Prospect			
Resources - Prospect	419490	0	419490
High Estimate Prospect			
Resources - Prospect	539345	0	539345

Average Production Rates (Last 12 months ending 2016/06/01)			
Gas :	Oil :	On Prod :	Cumulative Production
0.0 Mcf/d	0.0 Mcf/cd	0.0 Mcf/cd	0.0 MMcf
0.0 bbl/d	0.0 bbl/cd	0.0 bbl/cd	0.0 Mbbl
0.0 days	0.0 days	0.0 days	0.0 MMcf
			Water :
			0.0 Mbbl

Cumulative Gas (MMcf)			
Gas :	Oil :	On Prod :	Cumulative Production
0.0 Mcf/cd	0.0 Mcf/cd	0.0 Mcf/cd	0.0 MMcf
0.0 bbl/cd	0.0 bbl/cd	0.0 bbl/cd	0.0 Mbbl
0.0 %	0.0 %	0.0 %	0.0 MMcf

Plot 2

Table 1

Company: Perista Resources Inc.  
Property: Kaylee-Voyager

Resource Class: Various  
Development Class: GLJ (2016-10)  
Pricing: September 30, 2016  
Effective Date:

Gross Lease Unrisked Resources Summary

Entity Description	Resource Class	Methodology	Oil (Mbbbl)				Non-Associated Gas (MMcf)				Other Gross Lease Resources			
			Initial Recoverable	Cumulative Production	Resources	Initial Recoverable	Cumulative Production	Raw Gas	Resources	So'n Gas MMcf	Cond Mbbbl	LPG Mbbbl	Sulphur Mlt	
<b>Low Estimate Prospective Resources - Prospect</b>														
XX/XX-16-045-19W5/WLR	PRI-A	Vol	0	0	0	3,424	0	3,191	3,032*	0	18	8	0	
XX/13-16-045-19W5/WLR	PRI-A	Vol	0	0	0	3,424	0	3,191	3,032*	0	18	8	0	
XX/XX-20-045-19W5/WLR	PRI-A	Vol	0	0	0	3,882	0	3,583	3,404*	0	20	9	0	
XX/09-20-045-19W5/WLR	PRI-A	Vol	0	0	0	3,882	0	3,583	3,404*	0	20	9	0	
XX/12-29-045-19W5/WLR	PRI-A	Vol	0	0	0	3,601	0	3,352	3,184*	0	19	8	0	
XX/XX-30-045-19W5/WLR	PRI-A	Vol	0	0	0	3,705	0	3,422	3,251*	0	20	8	0	
XX/02-30-045-19W5/WLR	PRI-A	Vol	0	0	0	3,705	0	3,422	3,251*	0	20	8	0	
XX/XX-31-045-19W5/WLR	PRI-A	Vol	0	0	0	3,607	0	3,356	3,188*	0	19	8	0	
XX/08-31-045-19W5/WLR	PRI-A	Vol	0	0	0	3,607	0	3,356	3,188*	0	19	8	0	
XX/XX-36-045-20W5/WLR	PRI-A	Vol	0	0	0	3,699	0	3,418	3,247*	0	19	8	0	
XX/13-36-045-20W5/WLR	PRI-A	Vol	0	0	0	3,699	0	3,418	3,247*	0	19	8	0	
XX/XX-04-046-19W5/MP	PRI-A	Vol	0	0	0	3,692	0	2,924	2,778*	0	17	7	0	
XX/05-04-046-19W5/MP	PRI-A	Vol	0	0	0	3,692	0	2,924	2,778*	0	17	7	0	
XX/XX-07-046-19W5/MP	PRI-A	Vol	0	0	0	3,739	0	3,029	2,878*	0	17	7	0	
XX/XX-07-046-19W5/WLR	PRI-A	Vol	0	0	0	3,751	0	3,494	3,319*	0	20	8	0	
XX/13-07-046-19W5/MP	PRI-A	Vol	0	0	0	3,739	0	3,029	2,878*	0	17	7	0	
XX/13-07-046-19W5/WLR	PRI-A	Vol	0	0	0	3,751	0	3,494	3,319*	0	20	8	0	
XX/XX-08-046-19W5/MP	PRI-A	Vol	0	0	0	3,946	0	3,175	3,017*	0	18	8	0	
XX/XX-08-046-19W5/WLR	PRI-A	Vol	0	0	0	3,946	0	3,175	3,017*	0	18	8	0	
XX/01-08-046-19W5/MP	PRI-A	Vol	0	0	0	3,452	0	3,210	3,050*	0	18	8	0	
XX/01-08-046-19W5/WLR	PRI-A	Vol	0	0	0	3,452	0	3,210	3,050*	0	18	8	0	
XX/XX-18-046-19W5/WLR	PRI-A	Vol	0	0	0	4,389	0	4,134	3,927*	0	24	10	0	
XX/03-18-046-19W5/WLR	PRI-A	Vol	0	0	0	4,389	0	4,134	3,927*	0	24	10	0	
XX/XX-01-046-20W5/WLR	PRI-A	Vol	0	0	0	4,065	0	3,828	3,636*	0	22	9	0	
XX/12-01-046-20W5/WLR	PRI-A	Vol	0	0	0	4,065	0	3,828	3,636*	0	22	9	0	
XX/XX-13-046-20W5/WLR	PRI-A	Vol	0	0	0	4,729	0	4,451	4,229*	0	25	11	0	
XX/12-13-046-20W5/WLR	PRI-A	Vol	0	0	0	4,729	0	4,451	4,229*	0	25	11	0	
XX/XX-16-046-20W5/WLR	PRI-A	Vol	0	0	0	7,107	0	6,834	6,492*	0	39	16	0	
XX/01-16-046-20W5/WLR	PRI-A	Vol	0	0	0	7,107	0	6,834	6,492*	0	39	16	0	
XX/XX-17-046-20W5/WLR	PRI-A	Vol	0	0	0	4,807	0	4,507	4,282*	0	26	11	0	
XX/13-17-046-20W5/WLR	PRI-A	Vol	0	0	0	4,807	0	4,507	4,282*	0	26	11	0	
XX/XX-20-046-20W5/WLR	PRI-A	Vol	0	0	0	5,537	0	5,266	5,003*	0	30	13	0	
XX/13-20-046-20W5/WLR	PRI-A	Vol	0	0	0	5,537	0	5,266	5,003*	0	30	13	0	
XX/XX-21-046-20W5/WLR	PRI-A	Vol	0	0	0	7,516	0	7,215	6,854*	0	41	17	0	
XX/01-21-046-20W5/WLR	PRI-A	Vol	0	0	0	7,516	0	7,215	6,854*	0	41	17	0	
XX/XX-28-046-20W5/WLR	PRI-A	Vol	0	0	0	7,805	0	7,579	7,200*	0	43	18	0	
XX/08-28-046-20W5/WLR	PRI-A	Vol	0	0	0	7,805	0	7,579	7,200*	0	43	18	0	
XX/15-07-048-22W5/WLR	PRI-A	Vol	0	0	0	7,495	0	7,197	6,838*	0	41	17	0	
XX/XX-08-048-22W5/WLR	PRI-A	Vol	0	0	0	8,265	0	8,006	7,606*	0	46	19	0	
XX/13-08-048-22W5/WLR	PRI-A	Vol	0	0	0	8,265	0	8,006	7,606*	0	46	19	0	
XX/XX-09-048-22W5/WLR	PRI-A	Vol	0	0	0	8,424	0	8,161	7,753*	0	47	20	0	
XX/02-09-048-22W5/WLR	PRI-A	Vol	0	0	0	8,424	0	8,161	7,753*	0	47	20	0	
XX/XX-14-048-23W5/WLR	PRI-A	Vol	0	0	0	5,895	0	5,602	5,322*	0	32	13	0	
XX/01-14-048-23W5/WLR	PRI-A	Vol	0	0	0	5,895	0	5,602	5,322*	0	32	13	0	
XX/XX-22-048-23W5/WLR	PRI-A	Vol	0	0	0	4,594	0	4,318	4,102*	0	25	10	0	
XX/13-22-048-23W5/WLR	PRI-A	Vol	0	0	0	4,594	0	4,318	4,102*	0	25	10	0	
XX/XX-23-048-23W5/WLR	PRI-A	Vol	0	0	0	6,109	0	5,828	5,536*	0	33	14	0	



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Gross Lease Unrisked Resources Summary

Entity Description	Resource Class	Methodology	Oil (Mbbbl)				Non-Associated Gas (MMcf)				Other Gross Lease Resources					
			Initial Recoverable	Cumulative Production	Resources	Initial Recoverable	Cumulative Production	Resources	Raw Gas	Sol'n Gas	Cond	LPG	Sulphur			
<b>Low Estimate Prospective Resources - Prospect (Cont.)</b>																
XX/01-23-048-23W5/WLR	PR1-A	Vol	0	0	0	6,109	0	5,828	0	5,536*	0	33	14	0		
XX/XX-24-048-23W5/WLR	PR1-A	Vol	0	0	0	7,655	0	7,352	0	6,985*	0	42	18	0		
XX/01-24-048-23W5/WLR	PR1-A	Vol	0	0	0	7,655	0	7,352	0	6,985*	0	42	18	0		
XX/XX-26-048-23W5/WLR	PR1-A	Vol	0	0	0	5,955	0	5,678	0	5,394*	0	32	14	0		
XX/13-26-048-23W5/WLR	PR1-A	Vol	0	0	0	5,955	0	5,678	0	5,394*	0	32	14	0		
XX/XX-27-048-23W5/WLR	PR1-A	Vol	0	0	0	4,512	0	4,258	0	4,045*	0	24	10	0		
XX/13-27-048-23W5/WLR	PR1-A	Vol	0	0	0	4,512	0	4,258	0	4,045*	0	24	10	0		
XX/XX-34-048-23W5/WLR	PR1-A	Vol	0	0	0	4,349	0	4,105	0	3,899*	0	23	10	0		
XX/01-34-048-23W5/WLR	PR1-A	Vol	0	0	0	4,349	0	4,105	0	3,899*	0	23	10	0		
XX/XX-35-048-23W5/WLR	PR1-A	Vol	0	0	0	5,661	0	5,392	0	5,122*	0	31	13	0		
XX/01-35-048-23W5/WLR	PR1-A	Vol	0	0	0	5,661	0	5,392	0	5,122*	0	31	13	0		
<b>Total: Low Estimate Prospective Resources - Prospect</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>299,656</b>	<b>0</b>	<b>281,182</b>	<b>0</b>	<b>267,123*</b>	<b>0</b>	<b>1,603</b>	<b>675</b>	<b>0</b>		
<b>Best Estimate Prospective Resources - Prospect</b>																
XX/XX-16-045-19W5/WLR	PR2-A	Vol	0	0	0	4,794	0	4,549	0	4,322*	0	26	11	0		
XX/13-16-045-19W5/WLR	PR2-A	Vol	0	0	0	4,794	0	4,549	0	4,322*	0	26	11	0		
XX/XX-20-045-19W5/WLR	PR2-A	Vol	0	0	0	5,435	0	5,188	0	4,929*	0	30	12	0		
XX/09-20-045-19W5/WLR	PR2-A	Vol	0	0	0	5,435	0	5,188	0	4,929*	0	30	12	0		
XX/12-29-045-19W5/WLR	PR2-A	Vol	0	0	0	5,042	0	4,749	0	4,511*	0	27	11	0		
XX/XX-30-045-19W5/WLR	PR2-A	Vol	0	0	0	5,187	0	4,889	0	4,645*	0	28	12	0		
XX/02-30-045-19W5/WLR	PR2-A	Vol	0	0	0	5,187	0	4,889	0	4,645*	0	28	12	0		
XX/XX-31-045-19W5/WLR	PR2-A	Vol	0	0	0	5,050	0	4,755	0	4,517*	0	27	11	0		
XX/08-31-045-19W5/WLR	PR2-A	Vol	0	0	0	5,050	0	4,755	0	4,517*	0	27	11	0		
XX/XX-36-045-20W5/WLR	PR2-A	Vol	0	0	0	5,178	0	4,930	0	4,683*	0	28	12	0		
XX/13-36-045-20W5/WLR	PR2-A	Vol	0	0	0	5,178	0	4,930	0	4,683*	0	28	12	0		
XX/XX-04-046-19W5/MP	PR2-A	Vol	0	0	0	5,169	0	4,225	0	4,014*	0	24	10	0		
XX/05-04-046-19W5/MP	PR2-A	Vol	0	0	0	5,169	0	4,225	0	4,014*	0	24	10	0		
XX/XX-07-046-19W5/MP	PR2-A	Vol	0	0	0	5,235	0	4,344	0	4,127*	0	25	10	0		
XX/XX-07-046-19W5/WLR	PR2-A	Vol	0	0	0	5,235	0	4,344	0	4,127*	0	25	10	0		
XX/13-07-046-19W5/MP	PR2-A	Vol	0	0	0	5,252	0	5,018	0	4,767*	0	29	12	0		
XX/13-07-046-19W5/WLR	PR2-A	Vol	0	0	0	5,252	0	5,018	0	4,767*	0	29	12	0		
XX/13-07-046-19W5/WLR	PR2-A	Vol	0	0	0	5,252	0	5,018	0	4,767*	0	29	12	0		
XX/XX-08-046-19W5/MP	PR2-A	Vol	0	0	0	5,524	0	5,018	0	4,767*	0	29	12	0		
XX/XX-08-046-19W5/WLR	PR2-A	Vol	0	0	0	5,524	0	5,018	0	4,767*	0	29	12	0		
XX/01-08-046-19W5/MP	PR2-A	Vol	0	0	0	4,833	0	4,562	0	4,331*	0	26	11	0		
XX/01-08-046-19W5/WLR	PR2-A	Vol	0	0	0	4,833	0	4,562	0	4,331*	0	26	11	0		
XX/XX-18-046-19W5/WLR	PR2-A	Vol	0	0	0	6,145	0	5,855	0	5,562*	0	33	14	0		
XX/03-18-046-19W5/WLR	PR2-A	Vol	0	0	0	6,145	0	5,855	0	5,562*	0	33	14	0		
XX/XX-01-046-20W5/WLR	PR2-A	Vol	0	0	0	5,690	0	5,414	0	5,144*	0	31	13	0		
XX/12-01-046-20W5/WLR	PR2-A	Vol	0	0	0	5,690	0	5,414	0	5,144*	0	31	13	0		
XX/XX-13-046-20W5/WLR	PR2-A	Vol	0	0	0	6,621	0	6,365	0	6,047*	0	36	15	0		
XX/12-13-046-20W5/WLR	PR2-A	Vol	0	0	0	6,621	0	6,365	0	6,047*	0	36	15	0		
XX/XX-16-046-20W5/WLR	PR2-A	Vol	0	0	0	9,949	0	9,716	0	9,230*	0	55	23	0		
XX/01-16-046-20W5/WLR	PR2-A	Vol	0	0	0	9,949	0	9,716	0	9,230*	0	55	23	0		
XX/XX-17-046-20W5/WLR	PR2-A	Vol	0	0	0	6,730	0	6,479	0	6,155*	0	37	16	0		
XX/13-17-046-20W5/WLR	PR2-A	Vol	0	0	0	6,730	0	6,479	0	6,155*	0	37	16	0		
XX/XX-20-046-20W5/WLR	PR2-A	Vol	0	0	0	7,752	0	7,457	0	7,084*	0	43	18	0		
XX/13-20-046-20W5/WLR	PR2-A	Vol	0	0	0	7,752	0	7,457	0	7,084*	0	43	18	0		
XX/XX-21-046-20W5/WLR	PR2-A	Vol	0	0	0	10,523	0	10,266	0	9,753*	0	59	25	0		
XX/01-21-046-20W5/WLR	PR2-A	Vol	0	0	0	10,523	0	10,266	0	9,753*	0	59	25	0		
XX/XX-28-046-20W5/WLR	PR2-A	Vol	0	0	0	10,926	0	10,650	0	10,118*	0	61	26	0		



Class (PR1-A, PR2-A, PR3-A), GLJ (2016-10), ult

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**Gross Lease Unrisked Resources Summary**

Entity Description	Resource Class	Methodology	Oil (Mbbh)			Non-Associated Gas (MMcf)			Other Gross Lease Resources				
			Initial Recoverable	Cumulative Production	Resources	Initial Recoverable	Cumulative Production	Resources	Sol'n Gas MMcf	Cond Mbbh	LPG Mbbh	Sulphur Mft	
<b>Best Estimate Prospective Resources - Prospect (Cont.)</b>													
XX08-28-046-20W5/WLR	PR2-A	Vol	0	0	0	10,926	0	10,650	0	0	61	26	0
XX15-07-048-22W5/WLR	PR2-A	Vol	0	0	0	10,492	0	10,240	0	0	58	25	0
XXXX-08-048-22W5/WLR	PR2-A	Vol	0	0	0	11,571	0	11,281	0	0	64	27	0
XX13-08-048-22W5/WLR	PR2-A	Vol	0	0	0	11,571	0	11,281	0	0	64	27	0
XXXX-09-048-22W5/WLR	PR2-A	Vol	0	0	0	11,794	0	11,571	0	0	66	28	0
XX02-09-048-22W5/WLR	PR2-A	Vol	0	0	0	11,794	0	11,571	0	0	66	28	0
XXXX-14-048-23W5/WLR	PR2-A	Vol	0	0	0	8,253	0	7,996	0	0	46	19	0
XX01-14-048-23W5/WLR	PR2-A	Vol	0	0	0	8,253	0	7,996	0	0	46	19	0
XXXX-22-048-23W5/WLR	PR2-A	Vol	0	0	0	6,432	0	6,188	0	0	35	15	0
XX13-22-048-23W5/WLR	PR2-A	Vol	0	0	0	6,432	0	6,187	0	0	35	15	0
XXXX-23-048-23W5/WLR	PR2-A	Vol	0	0	0	8,553	0	8,292	0	0	47	20	0
XX01-23-048-23W5/WLR	PR2-A	Vol	0	0	0	8,553	0	8,292	0	0	47	20	0
XXXX-24-048-23W5/WLR	PR2-A	Vol	0	0	0	10,716	0	10,451	0	0	60	25	0
XX01-24-048-23W5/WLR	PR2-A	Vol	0	0	0	10,716	0	10,451	0	0	60	25	0
XXXX-26-048-23W5/WLR	PR2-A	Vol	0	0	0	8,336	0	8,089	0	0	46	19	0
XX13-26-048-23W5/WLR	PR2-A	Vol	0	0	0	8,336	0	8,089	0	0	46	19	0
XXXX-27-048-23W5/WLR	PR2-A	Vol	0	0	0	6,316	0	6,017	0	0	34	14	0
XX13-27-048-23W5/WLR	PR2-A	Vol	0	0	0	6,316	0	6,017	0	0	34	14	0
XXXX-34-048-23W5/WLR	PR2-A	Vol	0	0	0	6,088	0	5,859	0	0	33	14	0
XX01-34-048-23W5/WLR	PR2-A	Vol	0	0	0	6,088	0	5,859	0	0	33	14	0
XXXX-35-048-23W5/WLR	PR2-A	Vol	0	0	0	7,925	0	7,701	0	0	44	18	0
XX01-35-048-23W5/WLR	PR2-A	Vol	0	0	0	7,925	0	7,701	0	0	44	18	0
<b>Total: Best Estimate Prospective Resources - Prospect</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>419,490</b>	<b>0</b>	<b>400,322</b>	<b>0</b>	<b>0</b>	<b>2,282</b>	<b>961</b>	<b>0</b>
<b>High Estimate Prospective Resources - Prospect</b>													
XXXX-16-045-19W5/WLR	PR3-A	Vol	0	0	0	6,163	0	5,869	0	0	33	14	0
XX13-16-045-19W5/WLR	PR3-A	Vol	0	0	0	6,163	0	5,869	0	0	33	14	0
XXXX-20-045-19W5/WLR	PR3-A	Vol	0	0	0	6,988	0	6,712	0	0	38	16	0
XX09-20-045-19W5/WLR	PR3-A	Vol	0	0	0	6,988	0	6,712	0	0	38	16	0
XX12-29-045-19W5/WLR	PR3-A	Vol	0	0	0	6,482	0	6,255	0	0	36	15	0
XXXX-30-045-19W5/WLR	PR3-A	Vol	0	0	0	6,669	0	6,431	0	0	37	15	0
XX02-30-045-19W5/WLR	PR3-A	Vol	0	0	0	6,669	0	6,431	0	0	37	15	0
XXXX-31-045-19W5/WLR	PR3-A	Vol	0	0	0	6,493	0	6,263	0	0	36	15	0
XX08-31-045-19W5/WLR	PR3-A	Vol	0	0	0	6,493	0	6,263	0	0	36	15	0
XXXX-36-045-20W5/WLR	PR3-A	Vol	0	0	0	6,658	0	6,394	0	0	36	15	0
XX13-36-045-20W5/WLR	PR3-A	Vol	0	0	0	6,658	0	6,394	0	0	36	15	0
XXXX-04-046-19W5/MP	PR3-A	Vol	0	0	0	6,646	0	6,548	0	0	32	13	0
XX05-04-046-19W5/MP	PR3-A	Vol	0	0	0	6,646	0	6,548	0	0	32	13	0
XXXX-07-046-19W5/MP	PR3-A	Vol	0	0	0	6,731	0	6,613	0	0	32	13	0
XX07-07-046-19W5/MP	PR3-A	Vol	0	0	0	6,731	0	6,613	0	0	32	13	0
XX13-07-046-19W5/MP	PR3-A	Vol	0	0	0	6,753	0	6,498	0	0	37	16	0
XX07-07-046-19W5/MP	PR3-A	Vol	0	0	0	6,753	0	6,498	0	0	37	16	0
XXXX-08-046-19W5/MP	PR3-A	Vol	0	0	0	7,103	0	6,975	0	0	34	14	0
XX08-08-046-19W5/MP	PR3-A	Vol	0	0	0	7,103	0	6,975	0	0	34	14	0
XXXX-08-046-19W5/MP	PR3-A	Vol	0	0	0	6,214	0	5,987	0	0	34	14	0
XX01-08-046-19W5/MP	PR3-A	Vol	0	0	0	6,214	0	5,987	0	0	34	14	0
XXXX-18-046-19W5/WLR	PR3-A	Vol	0	0	0	7,901	0	7,658	0	0	44	18	0
XX03-18-046-19W5/WLR	PR3-A	Vol	0	0	0	7,901	0	7,658	0	0	44	18	0
XXXX-01-046-20W5/WLR	PR3-A	Vol	0	0	0	7,316	0	7,028	0	0	40	17	0
XX12-01-046-20W5/WLR	PR3-A	Vol	0	0	0	7,316	0	7,028	0	0	40	17	0
1171053 Class (PR1-A, PR2-A, PR3-A), GLJ (2016-10), ult. November 20, 2016 14:07:37													



Gross Lease Unrisked Resources Summary

Entity Description	Resource Class	Methodology	Oil (Mbbbl)			Non-Associated Gas (MMcf)			Other Gross Lease Resources				
			Initial Recoverable	Cumulative Production	Resources	Initial Recoverable	Cumulative Production	Resources	Sol'n Gas MMcf	Cond Mbbbl	LPG Mbbbl	Sulphur Mft	
<b>High Estimate Prospective Resources - Prospect (Cont.)</b>													
XX/XX-13-046-20W5/WLR	PR3-A	Vol	0	0	0	8,513	0	8,259	7,846*	0	47	20	0
XX/12-13-046-20W5/WLR	PR3-A	Vol	0	0	0	8,513	0	8,259	7,846*	0	47	20	0
XX/XX-16-046-20W5/WLR	PR3-A	Vol	0	0	0	12,792	0	12,531	11,904*	0	71	30	0
XX/01-16-046-20W5/WLR	PR3-A	Vol	0	0	0	12,792	0	12,531	11,904*	0	71	30	0
XX/XX-17-046-20W5/WLR	PR3-A	Vol	0	0	0	8,653	0	8,397	7,977*	0	48	20	0
XX/13-17-046-20W5/WLR	PR3-A	Vol	0	0	0	8,653	0	8,397	7,977*	0	48	20	0
XX/XX-20-046-20W5/WLR	PR3-A	Vol	0	0	0	9,966	0	9,731	9,244*	0	55	23	0
XX/13-20-046-20W5/WLR	PR3-A	Vol	0	0	0	9,966	0	9,731	9,244*	0	55	23	0
XX/XX-21-046-20W5/WLR	PR3-A	Vol	0	0	0	13,530	0	13,246	12,584*	0	76	32	0
XX/01-21-046-20W5/WLR	PR3-A	Vol	0	0	0	13,530	0	13,246	12,584*	0	76	32	0
XX/XX-28-046-20W5/WLR	PR3-A	Vol	0	0	0	14,048	0	13,752	13,065*	0	78	33	0
XX/08-28-046-20W5/WLR	PR3-A	Vol	0	0	0	14,048	0	13,752	13,065*	0	78	33	0
XX/15-07-048-23W5/WLR	PR3-A	Vol	0	0	0	13,490	0	13,212	12,551*	0	75	32	0
XX/XX-08-048-22W5/WLR	PR3-A	Vol	0	0	0	14,877	0	14,646	13,914*	0	83	35	0
XX/13-08-048-22W5/WLR	PR3-A	Vol	0	0	0	14,877	0	14,646	13,914*	0	83	35	0
XX/XX-09-048-22W5/WLR	PR3-A	Vol	0	0	0	15,163	0	14,916	14,171*	0	85	36	0
XX/02-09-048-22W5/WLR	PR3-A	Vol	0	0	0	15,163	0	14,916	14,171*	0	85	36	0
XX/XX-14-048-23W5/WLR	PR3-A	Vol	0	0	0	10,611	0	10,341	9,824*	0	59	25	0
XX/01-14-048-23W5/WLR	PR3-A	Vol	0	0	0	10,611	0	10,341	9,824*	0	59	25	0
XX/XX-22-048-23W5/WLR	PR3-A	Vol	0	0	0	8,270	0	8,010	7,609*	0	46	19	0
XX/13-22-048-23W5/WLR	PR3-A	Vol	0	0	0	8,270	0	8,010	7,609*	0	46	19	0
XX/XX-23-048-23W5/WLR	PR3-A	Vol	0	0	0	10,997	0	10,710	10,175*	0	61	26	0
XX/01-23-048-23W5/WLR	PR3-A	Vol	0	0	0	10,997	0	10,710	10,175*	0	61	26	0
XX/XX-24-048-23W5/WLR	PR3-A	Vol	0	0	0	13,778	0	13,499	12,824*	0	77	32	0
XX/01-24-048-23W5/WLR	PR3-A	Vol	0	0	0	13,778	0	13,499	12,824*	0	77	32	0
XX/XX-26-048-23W5/WLR	PR3-A	Vol	0	0	0	10,718	0	10,453	9,930*	0	60	25	0
XX/13-26-048-23W5/WLR	PR3-A	Vol	0	0	0	10,718	0	10,453	9,930*	0	60	25	0
XX/XX-27-048-23W5/WLR	PR3-A	Vol	0	0	0	8,121	0	7,887	7,493*	0	45	19	0
XX/13-27-048-23W5/WLR	PR3-A	Vol	0	0	0	8,121	0	7,887	7,493*	0	45	19	0
XX/XX-34-048-23W5/WLR	PR3-A	Vol	0	0	0	7,828	0	7,598	7,218*	0	43	18	0
XX/01-34-048-23W5/WLR	PR3-A	Vol	0	0	0	7,828	0	7,598	7,218*	0	43	18	0
XX/XX-35-048-23W5/WLR	PR3-A	Vol	0	0	0	10,189	0	9,940	9,443*	0	57	24	0
XX/01-35-048-23W5/WLR	PR3-A	Vol	0	0	0	10,189	0	9,940	9,443*	0	57	24	0
<b>Total: High Estimate Prospective Resources - Prospect</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>539,345</b>	<b>0</b>	<b>519,250</b>	<b>493,288*</b>	<b>0</b>	<b>2,960</b>	<b>1,246</b>	<b>0</b>

Notes  
1. [\*] Remaining resources are less than the estimate due to economic limit.

September 30, 2016

Effective Date:

Table 1.1

Gas Reservoir Parameters

Company: Perista Resources Inc.  
Property: Kaydee-Voyager

Low Estimate Prospective Resources - Prospect

Kaydee-Voyager (Prospective Resources)

Kaydee

Resource Entity	Zone	Method	Resource Class	Area acre	Net Pay ft	Porosity %	Water Satn %	Oil Satn %	Resid Pressure psi	Reservoir Temp R	Zi Factor	Original Gas In Place MMcf	Recovery Factor %	Recoverable Raw Gas MMcf	Cum Production 2016-10-01 MMcf	Remaining Raw Gas 2016-09-30 MMcf	Surface Loss %	Remaining Sales Gas MMcf	
Wilrich - Kaydee																			
XX/15-07-048-22W5/WLR	Wilrich	Vol	PRI-A	320	96.6	5.0	26.0	-	5,500	630	1.030	14,989	50.0	7,495	-	7,495	5.0	7,120	
XX/XX-08-048-22W5/WLR	Wilrich	Vol	PRI-A	320	106.5	5.0	26.0	-	5,500	630	1.030	16,530	50.0	8,265	-	8,265	5.0	7,852	
XX/13-08-048-22W5/WLR	Wilrich	Vol	PRI-A	320	106.5	5.0	26.0	-	5,500	630	1.030	16,530	50.0	8,265	-	8,265	5.0	7,852	
XX/XX-09-048-22W5/WLR	Wilrich	Vol	PRI-A	320	108.6	5.0	26.0	-	5,500	630	1.030	16,848	50.0	8,424	-	8,424	5.0	8,003	
XX/02-09-048-22W5/WLR	Wilrich	Vol	PRI-A	320	108.6	5.0	26.0	-	5,500	630	1.030	16,848	50.0	8,424	-	8,424	5.0	8,003	
XX/XX-14-048-23W5/WLR	Wilrich	Vol	PRI-A	320	76.0	5.0	26.0	-	5,500	630	1.030	11,790	50.0	5,895	-	5,895	5.0	5,600	
XX/01-14-048-23W5/WLR	Wilrich	Vol	PRI-A	320	76.0	5.0	26.0	-	5,500	630	1.030	11,790	50.0	5,895	-	5,895	5.0	5,600	
XX/XX-22-048-23W5/WLR	Wilrich	Vol	PRI-A	320	59.2	5.0	26.0	-	5,500	630	1.030	9,188	50.0	4,594	-	4,594	5.0	4,364	
XX/13-22-048-23W5/WLR	Wilrich	Vol	PRI-A	320	59.2	5.0	26.0	-	5,500	630	1.030	9,188	50.0	4,594	-	4,594	5.0	4,364	
XX/XX-23-048-23W5/WLR	Wilrich	Vol	PRI-A	320	78.7	5.0	26.0	-	5,500	630	1.030	12,219	50.0	6,109	-	6,109	5.0	5,804	
XX/01-23-048-23W5/WLR	Wilrich	Vol	PRI-A	320	78.7	5.0	26.0	-	5,500	630	1.030	12,219	50.0	6,109	-	6,109	5.0	5,804	
XX/XX-24-048-23W5/WLR	Wilrich	Vol	PRI-A	320	98.7	5.0	26.0	-	5,500	630	1.030	15,309	50.0	7,655	-	7,655	5.0	7,272	
XX/01-24-048-23W5/WLR	Wilrich	Vol	PRI-A	320	98.7	5.0	26.0	-	5,500	630	1.030	15,309	50.0	7,655	-	7,655	5.0	7,272	
XX/XX-26-048-23W5/WLR	Wilrich	Vol	PRI-A	320	76.8	5.0	26.0	-	5,500	630	1.030	11,909	50.0	5,955	-	5,955	5.0	5,657	
XX/13-26-048-23W5/WLR	Wilrich	Vol	PRI-A	320	76.8	5.0	26.0	-	5,500	630	1.030	11,909	50.0	5,955	-	5,955	5.0	5,657	
XX/XX-27-048-23W5/WLR	Wilrich	Vol	PRI-A	320	58.2	5.0	26.0	-	5,500	630	1.030	9,023	50.0	4,512	-	4,512	5.0	4,286	
XX/13-27-048-23W5/WLR	Wilrich	Vol	PRI-A	320	58.2	5.0	26.0	-	5,500	630	1.030	9,023	50.0	4,512	-	4,512	5.0	4,286	
XX/XX-34-048-23W5/WLR	Wilrich	Vol	PRI-A	320	56.1	5.0	26.0	-	5,500	630	1.030	8,697	50.0	4,349	-	4,349	5.0	4,131	
XX/01-34-048-23W5/WLR	Wilrich	Vol	PRI-A	320	56.1	5.0	26.0	-	5,500	630	1.030	8,697	50.0	4,349	-	4,349	5.0	4,131	
XX/XX-35-048-23W5/WLR	Wilrich	Vol	PRI-A	320	73.0	5.0	26.0	-	5,500	630	1.030	11,321	50.0	5,660	-	5,660	5.0	5,377	
XX/01-35-048-23W5/WLR	Wilrich	Vol	PRI-A	320	73.0	5.0	26.0	-	5,500	630	1.030	11,321	50.0	5,660	-	5,660	5.0	5,377	
Voyager																			
Mountain Park - Voyager																			
XX/XX-04-046-19W5/MP	Mountain Park	Vol	PRI-A	120	103.9	6.0	20.0	-	5,450	632	1.080	7,385	50.0	3,692	-	3,692	5.0	3,508	
XX/05-04-046-19W5/MP	Mountain Park	Vol	PRI-A	120	103.9	6.0	20.0	-	5,450	632	1.080	7,385	50.0	3,692	-	3,692	5.0	3,508	
XX/XX-07-046-19W5/MP	Mountain Park	Vol	PRI-A	120	105.2	6.0	20.0	-	5,450	632	1.080	7,478	50.0	3,739	-	3,739	5.0	3,552	
XX/13-07-046-19W5/MP	Mountain Park	Vol	PRI-A	120	105.2	6.0	20.0	-	5,450	632	1.080	7,478	50.0	3,739	-	3,739	5.0	3,552	
XX/XX-08-046-19W5/MP	Mountain Park	Vol	PRI-A	120	111.0	6.0	20.0	-	5,450	632	1.080	7,892	50.0	3,946	-	3,946	5.0	3,749	
XX/01-08-046-19W5/MP	Mountain Park	Vol	PRI-A	120	111.0	6.0	20.0	-	5,450	632	1.080	7,892	50.0	3,946	-	3,946	5.0	3,749	
Wilrich - Voyager																			
XX/XX-16-045-19W5/WLR	Wilrich	Vol	PRI-A	320	41.9	5.2	25.0	-	5,500	630	1.030	6,848	50.0	3,424	-	3,424	5.0	3,253	
XX/13-16-045-19W5/WLR	Wilrich	Vol	PRI-A	320	41.9	5.2	25.0	-	5,500	630	1.030	6,848	50.0	3,424	-	3,424	5.0	3,253	
XX/XX-20-045-19W5/WLR	Wilrich	Vol	PRI-A	320	47.5	5.2	25.0	-	5,500	630	1.030	7,764	50.0	3,882	-	3,882	5.0	3,688	
XX/09-20-045-19W5/WLR	Wilrich	Vol	PRI-A	320	47.5	5.2	25.0	-	5,500	630	1.030	7,764	50.0	3,882	-	3,882	5.0	3,688	
XX/12-29-045-19W5/WLR	Wilrich	Vol	PRI-A	320	44.0	5.2	25.0	-	5,500	630	1.030	7,203	50.0	3,601	-	3,601	5.0	3,421	
XX/XX-30-045-19W5/WLR	Wilrich	Vol	PRI-A	320	45.3	5.2	25.0	-	5,500	630	1.030	7,409	50.0	3,705	-	3,705	5.0	3,520	
XX/02-30-045-19W5/WLR	Wilrich	Vol	PRI-A	320	45.3	5.2	25.0	-	5,500	630	1.030	7,409	50.0	3,705	-	3,705	5.0	3,520	
XX/XX-31-045-19W5/WLR	Wilrich	Vol	PRI-A	320	44.1	5.2	25.0	-	5,500	630	1.030	7,214	50.0	3,607	-	3,607	5.0	3,427	
XX/08-31-045-19W5/WLR	Wilrich	Vol	PRI-A	320	44.1	5.2	25.0	-	5,500	630	1.030	7,214	50.0	3,607	-	3,607	5.0	3,427	
XX/XX-36-045-20W5/WLR	Wilrich	Vol	PRI-A	320	45.2	5.2	25.0	-	5,500	630	1.030	7,397	50.0	3,699	-	3,699	5.0	3,514	
XX/13-36-045-20W5/WLR	Wilrich	Vol	PRI-A	320	45.2	5.2	25.0	-	5,500	630	1.030	7,397	50.0	3,699	-	3,699	5.0	3,514	
XX/XX-07-046-19W5/WLR	Wilrich	Vol	PRI-A	320	45.9	5.2	25.0	-	5,500	630	1.030	7,503	50.0	3,751	-	3,751	5.0	3,564	
XX/13-07-046-19W5/WLR	Wilrich	Vol	PRI-A	320	45.9	5.2	25.0	-	5,500	630	1.030	7,503	50.0	3,751	-	3,751	5.0	3,564	
XX/XX-08-046-19W5/WLR	Wilrich	Vol	PRI-A	320	42.2	5.2	25.0	-	5,500	630	1.030	6,905	50.0	3,452	-	3,452	5.0	3,280	
XX/01-08-046-19W5/WLR	Wilrich	Vol	PRI-A	320	42.2	5.2	25.0	-	5,500	630	1.030	6,905	50.0	3,452	-	3,452	5.0	3,280	
XX/XX-18-046-19W5/WLR	Wilrich	Vol	PRI-A	320	53.7	5.2	25.0	-	5,500	630	1.030	8,778	50.0	4,389	-	4,389	5.0	4,170	
XX/03-18-046-19W5/WLR	Wilrich	Vol	PRI-A	320	53.7	5.2	25.0	-	5,500	630	1.030	8,778	50.0	4,389	-	4,389	5.0	4,170	
XX/XX-01-046-20W5/WLR	Wilrich	Vol	PRI-A	320	49.7	5.2	25.0	-	5,500	630	1.030	8,129	50.0	4,065	-	4,065	5.0	3,861	

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Gas Reservoir Parameters

Resource Entity	Zone	Method	Resource Class	Area acre	Net Pay ft	Porosity %	Water Satn %	Resid Oil Satn %	Original Pressure psi	Reservoir Temp R	ZI Factor	Original Gas In Place MMcf	Recovery Factor %	Recoverable Raw Gas MMcf	Cum Production 2016-10-01 MMcf	Remaining 2016-09-30 Raw Gas	Surface Loss %	Remaining Sales Gas MMcf
<b>Low Estimate Prospective Resources - Prospect (Cont.)</b>																		
Kaydee-Voyager (Prospective Resources) (Cont.)																		
Voyager (Cont.)																		
Wilnich - Voyager (Cont.)																		
XX/12-01-046-20W5/WLR	Wilnich	Vol	PR1-A	320	49.7	5.2	25.0	-	5,500	630	1.030	8,129	50.0	4,065	-	4,065	5.0	3,861
XX/12-01-046-20W5/WLR	Wilnich	Vol	PR1-A	320	57.8	5.2	25.0	-	5,500	630	1.030	9,459	50.0	4,729	-	4,729	5.0	4,493
XX/12-13-046-20W5/WLR	Wilnich	Vol	PR1-A	320	57.8	5.2	25.0	-	5,500	630	1.030	9,459	50.0	4,729	-	4,729	5.0	4,493
XX/XX-16-046-20W5/WLR	Wilnich	Vol	PR1-A	320	86.9	5.2	25.0	-	5,500	630	1.030	14,213	50.0	7,107	-	7,107	5.0	6,751
XX/01-16-046-20W5/WLR	Wilnich	Vol	PR1-A	320	86.9	5.2	25.0	-	5,500	630	1.030	14,213	50.0	7,107	-	7,107	5.0	6,751
XX/XX-17-046-20W5/WLR	Wilnich	Vol	PR1-A	320	58.8	5.2	25.0	-	5,500	630	1.030	9,614	50.0	4,807	-	4,807	5.0	4,567
XX/13-17-046-20W5/WLR	Wilnich	Vol	PR1-A	320	58.8	5.2	25.0	-	5,500	630	1.030	9,614	50.0	4,807	-	4,807	5.0	4,567
XX/XX-20-046-20W5/WLR	Wilnich	Vol	PR1-A	320	67.7	5.2	25.0	-	5,500	630	1.030	11,074	50.0	5,537	-	5,537	5.0	5,260
XX/13-20-046-20W5/WLR	Wilnich	Vol	PR1-A	320	67.7	5.2	25.0	-	5,500	630	1.030	11,074	50.0	5,537	-	5,537	5.0	5,260
XX/XX-21-046-20W5/WLR	Wilnich	Vol	PR1-A	320	91.9	5.2	25.0	-	5,500	630	1.030	15,033	50.0	7,516	-	7,516	5.0	7,141
XX/01-21-046-20W5/WLR	Wilnich	Vol	PR1-A	320	91.9	5.2	25.0	-	5,500	630	1.030	15,033	50.0	7,516	-	7,516	5.0	7,141
XX/XX-28-046-20W5/WLR	Wilnich	Vol	PR1-A	320	95.4	5.2	25.0	-	5,500	630	1.030	15,609	50.0	7,805	-	7,805	5.0	7,414
XX/08-28-046-20W5/WLR	Wilnich	Vol	PR1-A	320	95.4	5.2	25.0	-	5,500	630	1.030	15,609	50.0	7,805	-	7,805	5.0	7,414
														<b>299,636</b>	<b>0</b>	<b>299,636</b>	<b>5.0</b>	<b>284,654</b>
<b>Total: Low Estimate Prospective Resources - Prospect</b>																		
<b>Best Estimate Prospective Resources - Prospect</b>																		
Kaydee-Voyager (Prospective Resources)																		
Kaydee																		
Wilnich - Kaydee																		
XX/15-07-048-22W5/WLR	Wilnich	Vol	PR2-A	320	96.6	5.0	26.0	-	5,500	630	1.030	14,989	70.0	10,492	-	10,492	5.0	9,968
XX/XX-08-048-22W5/WLR	Wilnich	Vol	PR2-A	320	106.5	5.0	26.0	-	5,500	630	1.030	16,530	70.0	11,571	-	11,571	5.0	10,992
XX/13-08-048-22W5/WLR	Wilnich	Vol	PR2-A	320	106.5	5.0	26.0	-	5,500	630	1.030	16,530	70.0	11,571	-	11,571	5.0	10,992
XX/XX-09-048-22W5/WLR	Wilnich	Vol	PR2-A	320	108.6	5.0	26.0	-	5,500	630	1.030	16,848	70.0	11,794	-	11,794	5.0	11,204
XX/02-09-048-22W5/WLR	Wilnich	Vol	PR2-A	320	108.6	5.0	26.0	-	5,500	630	1.030	16,848	70.0	11,794	-	11,794	5.0	11,204
XX/XX-14-048-23W5/WLR	Wilnich	Vol	PR2-A	320	76.0	5.0	26.0	-	5,500	630	1.030	11,790	70.0	8,253	-	8,253	5.0	7,841
XX/01-14-048-23W5/WLR	Wilnich	Vol	PR2-A	320	76.0	5.0	26.0	-	5,500	630	1.030	11,790	70.0	8,253	-	8,253	5.0	7,841
XX/XX-22-048-23W5/WLR	Wilnich	Vol	PR2-A	320	59.2	5.0	26.0	-	5,500	630	1.030	9,188	70.0	6,432	-	6,432	5.0	6,110
XX/13-22-048-23W5/WLR	Wilnich	Vol	PR2-A	320	59.2	5.0	26.0	-	5,500	630	1.030	9,188	70.0	6,432	-	6,432	5.0	6,110
XX/XX-23-048-23W5/WLR	Wilnich	Vol	PR2-A	320	78.7	5.0	26.0	-	5,500	630	1.030	12,219	70.0	8,553	-	8,553	5.0	8,125
XX/01-23-048-23W5/WLR	Wilnich	Vol	PR2-A	320	78.7	5.0	26.0	-	5,500	630	1.030	12,219	70.0	8,553	-	8,553	5.0	8,125
XX/XX-24-048-23W5/WLR	Wilnich	Vol	PR2-A	320	98.7	5.0	26.0	-	5,500	630	1.030	15,309	70.0	10,716	-	10,716	5.0	10,181
XX/01-24-048-23W5/WLR	Wilnich	Vol	PR2-A	320	98.7	5.0	26.0	-	5,500	630	1.030	15,309	70.0	10,716	-	10,716	5.0	10,181
XX/XX-26-048-23W5/WLR	Wilnich	Vol	PR2-A	320	76.8	5.0	26.0	-	5,500	630	1.030	11,909	70.0	8,336	-	8,336	5.0	7,920
XX/13-26-048-23W5/WLR	Wilnich	Vol	PR2-A	320	76.8	5.0	26.0	-	5,500	630	1.030	11,909	70.0	8,336	-	8,336	5.0	7,920
XX/XX-27-048-23W5/WLR	Wilnich	Vol	PR2-A	320	58.2	5.0	26.0	-	5,500	630	1.030	9,023	70.0	6,316	-	6,316	5.0	6,001
XX/13-27-048-23W5/WLR	Wilnich	Vol	PR2-A	320	58.2	5.0	26.0	-	5,500	630	1.030	9,023	70.0	6,316	-	6,316	5.0	6,001
XX/XX-34-048-23W5/WLR	Wilnich	Vol	PR2-A	320	56.1	5.0	26.0	-	5,500	630	1.030	8,697	70.0	6,088	-	6,088	5.0	5,784
XX/01-34-048-23W5/WLR	Wilnich	Vol	PR2-A	320	56.1	5.0	26.0	-	5,500	630	1.030	8,697	70.0	6,088	-	6,088	5.0	5,784
XX/XX-35-048-23W5/WLR	Wilnich	Vol	PR2-A	320	73.0	5.0	26.0	-	5,500	630	1.030	11,321	70.0	7,925	-	7,925	5.0	7,528
XX/01-35-048-23W5/WLR	Wilnich	Vol	PR2-A	320	73.0	5.0	26.0	-	5,500	630	1.030	11,321	70.0	7,925	-	7,925	5.0	7,528
<b>Total: Best Estimate Prospective Resources - Prospect</b>																		
Voyager																		
Mountain Park - Voyager																		
XX/XX-04-046-19W5/MIP	Mountain Park	Vol	PR2-A	120	103.9	6.0	20.0	-	5,450	632	1.080	7,385	70.0	5,169	-	5,169	5.0	4,911
XX/05-04-046-19W5/MIP	Mountain Park	Vol	PR2-A	120	103.9	6.0	20.0	-	5,450	632	1.080	7,385	70.0	5,169	-	5,169	5.0	4,911
XX/XX-07-046-19W5/MIP	Mountain Park	Vol	PR2-A	120	105.2	6.0	20.0	-	5,450	632	1.080	7,478	70.0	5,235	-	5,235	5.0	4,973
XX/13-07-046-19W5/MIP	Mountain Park	Vol	PR2-A	120	105.2	6.0	20.0	-	5,450	632	1.080	7,478	70.0	5,235	-	5,235	5.0	4,973
XX/XX-08-046-19W5/MIP	Mountain Park	Vol	PR2-A	120	111.0	6.0	20.0	-	5,450	632	1.080	7,892	70.0	5,524	-	5,524	5.0	5,248

Gas Reservoir Parameters

Resource Entity	Zone	Method	Resource Class	Area acre	Net Pay ft	Porosity %	Water Satn %	Resid Oil Satn %	Original Pressure psi	Reservoir Temp R	ZI Factor	Original Gas In Place MMcf	Recovery Factor %	Recoverable Raw Gas MMcf	Cum Production 2016-10-01 MMcf	Remaining 2016-09-30 Raw Gas	Surface Loss %	Remaining Sales Gas MMcf			
<b>Best Estimate Prospective Resources - Prospect (Cont)</b>																					
Kaydee-Voyager (Prospective Resources) (Cont.)																					
Voyager (Cont.)																					
Mountain Park - Voyager (Cont.)																					
XX/01-08-046-19W5/MP	Mountain Park	Vol	PR2-A	120	111.0	6.0	20.0	-	5,450	632	1.080	7,892	70.0	5,524	-	5,524	5.0	5,248			
Wilfrich - Voyager																					
XX/XX-16-045-19W5/WLR	Wilfrich	Vol	PR2-A	320	41.9	5.2	25.0	-	5,500	630	1.030	6,848	70.0	4,794	-	4,794	5.0	4,554			
XX/13-16-045-19W5/WLR	Wilfrich	Vol	PR2-A	320	47.5	5.2	25.0	-	5,500	630	1.030	7,764	70.0	5,435	-	5,435	5.0	5,163			
XX/XX-20-045-19W5/WLR	Wilfrich	Vol	PR2-A	320	44.0	5.2	25.0	-	5,500	630	1.030	7,203	70.0	5,042	-	5,042	5.0	4,790			
XX/09-20-045-19W5/WLR	Wilfrich	Vol	PR2-A	320	45.3	5.2	25.0	-	5,500	630	1.030	7,409	70.0	5,187	-	5,187	5.0	4,927			
XX/XX-30-045-19W5/WLR	Wilfrich	Vol	PR2-A	320	44.1	5.2	25.0	-	5,500	630	1.030	7,214	70.0	5,050	-	5,050	5.0	4,797			
XX/02-30-045-19W5/WLR	Wilfrich	Vol	PR2-A	320	45.2	5.2	25.0	-	5,500	630	1.030	7,397	70.0	5,178	-	5,178	5.0	4,919			
XX/XX-31-045-19W5/WLR	Wilfrich	Vol	PR2-A	320	45.2	5.2	25.0	-	5,500	630	1.030	7,397	70.0	5,178	-	5,178	5.0	4,919			
XX/XX-36-045-20W5/WLR	Wilfrich	Vol	PR2-A	320	45.2	5.2	25.0	-	5,500	630	1.030	7,397	70.0	5,178	-	5,178	5.0	4,919			
XX/13-36-045-20W5/WLR	Wilfrich	Vol	PR2-A	320	45.2	5.2	25.0	-	5,500	630	1.030	7,397	70.0	5,178	-	5,178	5.0	4,919			
XX/XX-07-046-19W5/WLR	Wilfrich	Vol	PR2-A	320	45.9	5.2	25.0	-	5,500	630	1.030	7,503	70.0	5,252	-	5,252	5.0	4,989			
XX/13-07-046-19W5/WLR	Wilfrich	Vol	PR2-A	320	45.9	5.2	25.0	-	5,500	630	1.030	7,503	70.0	5,252	-	5,252	5.0	4,989			
XX/XX-08-046-19W5/WLR	Wilfrich	Vol	PR2-A	320	42.2	5.2	25.0	-	5,500	630	1.030	6,905	70.0	4,833	-	4,833	5.0	4,592			
XX/01-08-046-19W5/WLR	Wilfrich	Vol	PR2-A	320	42.2	5.2	25.0	-	5,500	630	1.030	6,905	70.0	4,833	-	4,833	5.0	4,592			
XX/XX-18-046-19W5/WLR	Wilfrich	Vol	PR2-A	320	53.7	5.2	25.0	-	5,500	630	1.030	8,778	70.0	6,145	-	6,145	5.0	5,838			
XX/03-18-046-19W5/WLR	Wilfrich	Vol	PR2-A	320	53.7	5.2	25.0	-	5,500	630	1.030	8,778	70.0	6,145	-	6,145	5.0	5,838			
XX/XX-01-046-20W5/WLR	Wilfrich	Vol	PR2-A	320	49.7	5.2	25.0	-	5,500	630	1.030	8,129	70.0	5,690	-	5,690	5.0	5,406			
XX/12-01-046-20W5/WLR	Wilfrich	Vol	PR2-A	320	49.7	5.2	25.0	-	5,500	630	1.030	8,129	70.0	5,690	-	5,690	5.0	5,406			
XX/XX-13-046-20W5/WLR	Wilfrich	Vol	PR2-A	320	57.8	5.2	25.0	-	5,500	630	1.030	9,459	70.0	6,621	-	6,621	5.0	6,290			
XX/12-13-046-20W5/WLR	Wilfrich	Vol	PR2-A	320	57.8	5.2	25.0	-	5,500	630	1.030	9,459	70.0	6,621	-	6,621	5.0	6,290			
XX/XX-16-046-20W5/WLR	Wilfrich	Vol	PR2-A	320	86.9	5.2	25.0	-	5,500	630	1.030	14,213	70.0	9,949	-	9,949	5.0	9,452			
XX/01-16-046-20W5/WLR	Wilfrich	Vol	PR2-A	320	86.9	5.2	25.0	-	5,500	630	1.030	14,213	70.0	9,949	-	9,949	5.0	9,452			
XX/XX-17-046-20W5/WLR	Wilfrich	Vol	PR2-A	320	58.8	5.2	25.0	-	5,500	630	1.030	9,614	70.0	6,730	-	6,730	5.0	6,393			
XX/13-17-046-20W5/WLR	Wilfrich	Vol	PR2-A	320	58.8	5.2	25.0	-	5,500	630	1.030	9,614	70.0	6,730	-	6,730	5.0	6,393			
XX/XX-20-046-20W5/WLR	Wilfrich	Vol	PR2-A	320	67.7	5.2	25.0	-	5,500	630	1.030	11,074	70.0	7,752	-	7,752	5.0	7,364			
XX/13-20-046-20W5/WLR	Wilfrich	Vol	PR2-A	320	67.7	5.2	25.0	-	5,500	630	1.030	11,074	70.0	7,752	-	7,752	5.0	7,364			
XX/XX-21-046-20W5/WLR	Wilfrich	Vol	PR2-A	320	91.9	5.2	25.0	-	5,500	630	1.030	15,033	70.0	10,523	-	10,523	5.0	9,997			
XX/01-21-046-20W5/WLR	Wilfrich	Vol	PR2-A	320	91.9	5.2	25.0	-	5,500	630	1.030	15,033	70.0	10,523	-	10,523	5.0	9,997			
XX/XX-28-046-20W5/WLR	Wilfrich	Vol	PR2-A	320	95.4	5.2	25.0	-	5,500	630	1.030	15,609	70.0	10,926	-	10,926	5.0	10,380			
XX/08-28-046-20W5/WLR	Wilfrich	Vol	PR2-A	320	95.4	5.2	25.0	-	5,500	630	1.030	15,609	70.0	10,926	-	10,926	5.0	10,380			
<b>Total: Best Estimate Prospective Resources - Prospect</b>																<b>5.0</b>	<b>419,490</b>	<b>0</b>	<b>419,490</b>	<b>5.0</b>	<b>398,516</b>
<b>High Estimate Prospective Resources - Prospect</b>																					
Kaydee-Voyager (Prospective Resources)																					
Wilfrich - Kaydee																					
XX/15-07-048-22W5/WLR	Wilfrich	Vol	PR3-A	320	96.6	5.0	26.0	-	5,500	630	1.030	14,989	90.0	13,490	-	13,490	5.0	12,816			
XX/XX-08-048-22W5/WLR	Wilfrich	Vol	PR3-A	320	106.5	5.0	26.0	-	5,500	630	1.030	16,530	90.0	14,877	-	14,877	5.0	14,133			
XX/13-08-048-22W5/WLR	Wilfrich	Vol	PR3-A	320	106.5	5.0	26.0	-	5,500	630	1.030	16,530	90.0	14,877	-	14,877	5.0	14,133			
XX/XX-09-048-22W5/WLR	Wilfrich	Vol	PR3-A	320	108.6	5.0	26.0	-	5,500	630	1.030	16,848	90.0	15,163	-	15,163	5.0	14,405			
XX/02-09-048-22W5/WLR	Wilfrich	Vol	PR3-A	320	108.6	5.0	26.0	-	5,500	630	1.030	16,848	90.0	15,163	-	15,163	5.0	14,405			
XX/XX-14-048-23W5/WLR	Wilfrich	Vol	PR3-A	320	76.0	5.0	26.0	-	5,500	630	1.030	11,790	90.0	10,611	-	10,611	5.0	10,081			
XX/01-14-048-23W5/WLR	Wilfrich	Vol	PR3-A	320	76.0	5.0	26.0	-	5,500	630	1.030	11,790	90.0	10,611	-	10,611	5.0	10,081			
XX/XX-22-048-23W5/WLR	Wilfrich	Vol	PR3-A	320	59.2	5.0	26.0	-	5,500	630	1.030	9,188	90.0	8,269	-	8,269	5.0	7,856			
XX/13-22-048-23W5/WLR	Wilfrich	Vol	PR3-A	320	59.2	5.0	26.0	-	5,500	630	1.030	9,188	90.0	8,269	-	8,269	5.0	7,856			
XX/XX-23-048-23W5/WLR	Wilfrich	Vol	PR3-A	320	78.7	5.0	26.0	-	5,500	630	1.030	12,219	90.0	10,997	-	10,997	5.0	10,447			



Gas Reservoir Parameters

Resource Entity	Zone	Method	Resource Class	Area acre	Net Pay ft	Porosity %	Water Satn %	Resid Oil Satn %	Original Pressure psi	Reservoir Temp R	ZI Factor	Original Gas In Place MMcf	Recovery Factor %	Recoverable Raw Gas MMcf	Cum Production 2016-10-01 MMcf	Remaining 2016-09-30 Raw Gas	Surface Loss %	Remaining Sales Gas MMcf
<b>High Estimate Prospective Resources - Prospect (Cont.)</b>																		
<b>Kaydee-Voyager (Prospective Resources) (Cont.)</b>																		
<b>Kaydee (Cont.)</b>																		
<b>Winlich - Kaydee (Cont.)</b>																		
XX/01-23-048-23W5/WLR	Winlich	Vol	PR3-A	320	78.7	5.0	26.0	-	5,500	630	1.030	12,219	90.0	10,997	-	10,997	5.0	10,447
XX/XX-24-048-23W5/WLR	Winlich	Vol	PR3-A	320	98.7	5.0	26.0	-	5,500	630	1.030	15,309	90.0	13,778	-	13,778	5.0	13,089
XX/01-24-048-23W5/WLR	Winlich	Vol	PR3-A	320	98.7	5.0	26.0	-	5,500	630	1.030	15,309	90.0	13,778	-	13,778	5.0	13,089
XX/XX-26-048-23W5/WLR	Winlich	Vol	PR3-A	320	76.8	5.0	26.0	-	5,500	630	1.030	11,909	90.0	10,718	-	10,718	5.0	10,182
XX/13-26-048-23W5/WLR	Winlich	Vol	PR3-A	320	76.8	5.0	26.0	-	5,500	630	1.030	11,909	90.0	10,718	-	10,718	5.0	10,182
XX/XX-27-048-23W5/WLR	Winlich	Vol	PR3-A	320	58.2	5.0	26.0	-	5,500	630	1.030	9,023	90.0	8,121	-	8,121	5.0	7,715
XX/13-27-048-23W5/WLR	Winlich	Vol	PR3-A	320	58.2	5.0	26.0	-	5,500	630	1.030	9,023	90.0	8,121	-	8,121	5.0	7,715
XX/XX-34-048-23W5/WLR	Winlich	Vol	PR3-A	320	56.1	5.0	26.0	-	5,500	630	1.030	8,697	90.0	7,828	-	7,828	5.0	7,436
XX/01-34-048-23W5/WLR	Winlich	Vol	PR3-A	320	56.1	5.0	26.0	-	5,500	630	1.030	8,697	90.0	7,828	-	7,828	5.0	7,436
XX/XX-35-048-23W5/WLR	Winlich	Vol	PR3-A	320	73.0	5.0	26.0	-	5,500	630	1.030	11,321	90.0	10,189	-	10,189	5.0	9,679
XX/01-35-048-23W5/WLR	Winlich	Vol	PR3-A	320	73.0	5.0	26.0	-	5,500	630	1.030	11,321	90.0	10,189	-	10,189	5.0	9,679
<b>Voyager</b>																		
<b>Mountain Park - Voyager</b>																		
XX/XX-04-046-19W5/MP	Mountain Park	Vol	PR3-A	120	103.9	6.0	20.0	-	5,450	632	1.080	7,385	90.0	6,646	-	6,646	5.0	6,314
XX/05-04-046-19W5/MP	Mountain Park	Vol	PR3-A	120	103.9	6.0	20.0	-	5,450	632	1.080	7,385	90.0	6,646	-	6,646	5.0	6,314
XX/XX-07-046-19W5/MP	Mountain Park	Vol	PR3-A	120	105.2	6.0	20.0	-	5,450	632	1.080	7,478	90.0	6,731	-	6,731	5.0	6,394
XX/13-07-046-19W5/MP	Mountain Park	Vol	PR3-A	120	105.2	6.0	20.0	-	5,450	632	1.080	7,478	90.0	6,731	-	6,731	5.0	6,394
XX/XX-08-046-19W5/MP	Mountain Park	Vol	PR3-A	120	111.0	6.0	20.0	-	5,450	632	1.080	7,892	90.0	7,102	-	7,102	5.0	6,747
XX/01-08-046-19W5/MP	Mountain Park	Vol	PR3-A	120	111.0	6.0	20.0	-	5,450	632	1.080	7,892	90.0	7,102	-	7,102	5.0	6,747
<b>Winlich - Voyager</b>																		
XX/XX-16-045-19W5/WLR	Winlich	Vol	PR3-A	320	41.9	5.2	25.0	-	5,500	630	1.030	6,848	90.0	6,163	-	6,163	5.0	5,855
XX/13-16-045-19W5/WLR	Winlich	Vol	PR3-A	320	41.9	5.2	25.0	-	5,500	630	1.030	6,848	90.0	6,163	-	6,163	5.0	5,855
XX/XX-20-045-19W5/WLR	Winlich	Vol	PR3-A	320	47.5	5.2	25.0	-	5,500	630	1.030	7,764	90.0	6,988	-	6,988	5.0	6,638
XX/09-20-045-19W5/WLR	Winlich	Vol	PR3-A	320	47.5	5.2	25.0	-	5,500	630	1.030	7,764	90.0	6,988	-	6,988	5.0	6,638
XX/12-29-045-19W5/WLR	Winlich	Vol	PR3-A	320	44.0	5.2	25.0	-	5,500	630	1.030	7,203	90.0	6,482	-	6,482	5.0	6,158
XX/XX-30-045-19W5/WLR	Winlich	Vol	PR3-A	320	45.3	5.2	25.0	-	5,500	630	1.030	7,409	90.0	6,669	-	6,669	5.0	6,335
XX/02-30-045-19W5/WLR	Winlich	Vol	PR3-A	320	45.3	5.2	25.0	-	5,500	630	1.030	7,409	90.0	6,669	-	6,669	5.0	6,335
XX/XX-31-045-19W5/WLR	Winlich	Vol	PR3-A	320	44.1	5.2	25.0	-	5,500	630	1.030	7,214	90.0	6,493	-	6,493	5.0	6,168
XX/08-31-045-19W5/WLR	Winlich	Vol	PR3-A	320	44.1	5.2	25.0	-	5,500	630	1.030	7,214	90.0	6,493	-	6,493	5.0	6,168
XX/XX-36-045-20W5/WLR	Winlich	Vol	PR3-A	320	45.2	5.2	25.0	-	5,500	630	1.030	7,397	90.0	6,658	-	6,658	5.0	6,325
XX/13-36-045-20W5/WLR	Winlich	Vol	PR3-A	320	45.2	5.2	25.0	-	5,500	630	1.030	7,397	90.0	6,658	-	6,658	5.0	6,325
XX/XX-07-046-19W5/WLR	Winlich	Vol	PR3-A	320	45.9	5.2	25.0	-	5,500	630	1.030	7,503	90.0	6,753	-	6,753	5.0	6,415
XX/13-07-046-19W5/WLR	Winlich	Vol	PR3-A	320	45.9	5.2	25.0	-	5,500	630	1.030	7,503	90.0	6,753	-	6,753	5.0	6,415
XX/XX-08-046-19W5/WLR	Winlich	Vol	PR3-A	320	42.2	5.2	25.0	-	5,500	630	1.030	6,905	90.0	6,214	-	6,214	5.0	5,903
XX/01-08-046-19W5/WLR	Winlich	Vol	PR3-A	320	42.2	5.2	25.0	-	5,500	630	1.030	6,905	90.0	6,214	-	6,214	5.0	5,903
XX/XX-18-046-19W5/WLR	Winlich	Vol	PR3-A	320	53.7	5.2	25.0	-	5,500	630	1.030	8,778	90.0	7,901	-	7,901	5.0	7,506
XX/03-18-046-19W5/WLR	Winlich	Vol	PR3-A	320	53.7	5.2	25.0	-	5,500	630	1.030	8,778	90.0	7,901	-	7,901	5.0	7,506
XX/XX-01-046-20W5/WLR	Winlich	Vol	PR3-A	320	49.7	5.2	25.0	-	5,500	630	1.030	8,129	90.0	7,316	-	7,316	5.0	6,950
XX/12-01-046-20W5/WLR	Winlich	Vol	PR3-A	320	49.7	5.2	25.0	-	5,500	630	1.030	8,129	90.0	7,316	-	7,316	5.0	6,950
XX/XX-13-046-20W5/WLR	Winlich	Vol	PR3-A	320	57.8	5.2	25.0	-	5,500	630	1.030	9,459	90.0	8,513	-	8,513	5.0	8,087
XX/12-13-046-20W5/WLR	Winlich	Vol	PR3-A	320	57.8	5.2	25.0	-	5,500	630	1.030	9,459	90.0	8,513	-	8,513	5.0	8,087
XX/XX-16-046-20W5/WLR	Winlich	Vol	PR3-A	320	86.9	5.2	25.0	-	5,500	630	1.030	14,213	90.0	12,792	-	12,792	5.0	12,152
XX/01-16-046-20W5/WLR	Winlich	Vol	PR3-A	320	86.9	5.2	25.0	-	5,500	630	1.030	14,213	90.0	12,792	-	12,792	5.0	12,152
XX/XX-17-046-20W5/WLR	Winlich	Vol	PR3-A	320	58.8	5.2	25.0	-	5,500	630	1.030	9,614	90.0	8,653	-	8,653	5.0	8,220
XX/13-17-046-20W5/WLR	Winlich	Vol	PR3-A	320	58.8	5.2	25.0	-	5,500	630	1.030	9,614	90.0	8,653	-	8,653	5.0	8,220
XX/XX-20-046-20W5/WLR	Winlich	Vol	PR3-A	320	67.7	5.2	25.0	-	5,500	630	1.030	11,074	90.0	9,966	-	9,966	5.0	9,468
XX/13-20-046-20W5/WLR	Winlich	Vol	PR3-A	320	67.7	5.2	25.0	-	5,500	630	1.030	11,074	90.0	9,966	-	9,966	5.0	9,468
XX/XX-21-046-20W5/WLR	Winlich	Vol	PR3-A	320	91.9	5.2	25.0	-	5,500	630	1.030	15,033	90.0	13,529	-	13,529	5.0	12,853
XX/01-21-046-20W5/WLR	Winlich	Vol	PR3-A	320	91.9	5.2	25.0	-	5,500	630	1.030	15,033	90.0	13,529	-	13,529	5.0	12,853

**Gas Reservoir Parameters**

Resource Entity	Zone	Method	Resource Class	Area acre	Net Pay ft	Porosity %	Water Satn %	Resid Oil Satn %	Original Pressure psi	Reservoir Temp R	ZI Factor	Original Gas In Place MMcf	Recovery Factor %	Recoverable Raw Gas MMcf	Cum Production 2016-11-01 MMcf	Remaining 2016-09-30 Raw Gas	Surface Loss %	Remaining Sales Gas MMcf
<b>High Estimate Prospective Resources - Prospect (Cont.)</b>																		
Kaydee-Voyager (Prospective Resources) (Cont.)																		
Voyager (Cont.)																		
Wilrich - Voyager (Cont.)																		
XX/XX-28-046-20W5/WLR	Wilrich	Vol	PR3-A	320	95.4	5.2	25.0	-	5,500	630	1.030	15,609	90.0	14,048	-	14,048	5.0	13,346
XX/08-28-046-20W5/WLR	Wilrich	Vol	PR3-A	320	95.4	5.2	25.0	-	5,500	630	1.030	15,609	90.0	14,048	-	14,048	5.0	13,346
<b>Total: High Estimate Prospective Resources - Prospect</b>															<b>0</b>	<b>539,345</b>	<b>5.0</b>	<b>512,378</b>

The resources calculated above may not match the economic forecasts due to economic limit considerations.

**Glossary**

- PR1-A: Low Estimate Prospective Resources - Prospect
- PR2-A: Best Estimate Prospective Resources - Prospect
- PR3-A: High Estimate Prospective Resources - Prospect

September 30, 2016

Effective Date:

Table 1.2

Gas Decline Parameters

Company: Perista Resources Inc.  
Property: Kaydee-Voyager

Resource Entity	Zone	Method	Res. Class	Analysis Date	Analysis Data				Resource Life, yrs	Original Recoverable Gas, MMcf	Cum. Production @ Analysis, MMcf	Cum. Production 2016-04-01, MMcf	Remaining in 2016-09-30, MMcf	Surface Loss, %	Remaining Sales, G
					Initial Effective Decline	Initial Rate, Mcf/d	Final Rate, Mcf/d	Decline Exponent							
Witrich - Kaydee															
XX/15-07-048-22W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	4,100	75	-	7,495	-	-	7,495	5.0	7,120	
XX/XX-08-048-22W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	4,500	75	-	8,265	-	-	8,265	5.0	7,852	
XX/13-08-048-22W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	4,500	75	-	8,265	-	-	8,265	5.0	7,852	
XX/XX-09-048-22W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	4,600	75	-	8,424	-	-	8,424	5.0	8,003	
XX/02-09-048-22W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	4,600	75	-	8,424	-	-	8,424	5.0	8,003	
XX/XX-14-048-23W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	3,200	75	-	5,895	-	-	5,895	5.0	5,600	
XX/01-14-048-23W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	3,200	75	-	5,895	-	-	5,895	5.0	5,600	
XX/XX-22-048-23W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	2,500	75	-	4,594	-	-	4,594	5.0	4,364	
XX/13-22-048-23W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	2,500	75	-	4,594	-	-	4,594	5.0	4,364	
XX/XX-23-048-23W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	3,400	75	-	6,109	-	-	6,109	5.0	5,804	
XX/01-23-048-23W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	3,400	75	-	6,109	-	-	6,109	5.0	5,804	
XX/XX-24-048-23W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	4,200	75	-	7,655	-	-	7,655	5.0	7,272	
XX/01-24-048-23W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	4,200	75	-	7,655	-	-	7,655	5.0	7,272	
XX/XX-26-048-23W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	3,300	75	-	5,955	-	-	5,955	5.0	5,657	
XX/13-26-048-23W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	3,300	75	-	5,955	-	-	5,955	5.0	5,657	
XX/XX-27-048-23W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	2,500	75	-	4,512	-	-	4,512	5.0	4,286	
XX/13-27-048-23W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	2,500	75	-	4,512	-	-	4,512	5.0	4,286	
XX/XX-34-048-23W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	2,400	75	-	4,349	-	-	4,349	5.0	4,131	
XX/01-34-048-23W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	2,400	75	-	4,349	-	-	4,349	5.0	4,131	
XX/XX-35-048-23W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	3,100	75	-	5,660	-	-	5,660	5.0	5,377	
XX/01-35-048-23W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	3,100	75	-	5,660	-	-	5,660	5.0	5,377	
Voyager															
Mountain Park - Voyager															
XX/XX-04-046-19W5/MP	Mountain Park	Vol	PR1...	2016-06-01	-	3,700	75	0.80	3,692	-	-	3,692	5.0	3,508	
XX/05-04-046-19W5/MP	Mountain Park	Vol	PR1...	2016-06-01	-	3,700	75	0.80	3,692	-	-	3,692	5.0	3,508	
XX/XX-07-046-19W5/MP	Mountain Park	Vol	PR1...	2016-06-01	-	3,700	75	0.80	3,739	-	-	3,739	5.0	3,552	
XX/13-07-046-19W5/MP	Mountain Park	Vol	PR1...	2016-06-01	-	3,700	75	0.80	3,739	-	-	3,739	5.0	3,552	
XX/XX-08-046-19W5/MP	Mountain Park	Vol	PR1...	2016-06-01	-	3,900	75	0.80	3,946	-	-	3,946	5.0	3,749	
XX/01-08-046-19W5/MP	Mountain Park	Vol	PR1...	2016-06-01	-	3,900	75	0.80	3,946	-	-	3,946	5.0	3,749	
Witrich - Voyager															
XX/XX-16-045-19W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	1,900	75	-	3,424	-	-	3,424	5.0	3,253	
XX/13-16-045-19W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	1,900	75	-	3,424	-	-	3,424	5.0	3,253	
XX/XX-20-045-19W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	2,100	75	-	3,882	-	-	3,882	5.0	3,688	
XX/09-20-045-19W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	2,100	75	-	3,882	-	-	3,882	5.0	3,688	
XX/12-29-045-19W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	2,000	75	-	3,601	-	-	3,601	5.0	3,421	
XX/XX-30-045-19W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	2,000	75	-	3,705	-	-	3,705	5.0	3,520	
XX/02-30-045-19W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	2,000	75	-	3,705	-	-	3,705	5.0	3,520	
XX/XX-31-045-19W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	2,000	75	-	3,607	-	-	3,607	5.0	3,427	
XX/08-31-045-19W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	2,000	75	-	3,607	-	-	3,607	5.0	3,427	
XX/XX-36-045-20W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	2,000	75	-	3,699	-	-	3,699	5.0	3,514	
XX/13-36-045-20W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	2,000	75	-	3,699	-	-	3,699	5.0	3,514	
XX/XX-07-046-19W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	2,100	75	-	3,751	-	-	3,751	5.0	3,564	
XX/13-07-046-19W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	2,100	75	-	3,751	-	-	3,751	5.0	3,564	
XX/XX-08-046-19W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	1,900	75	-	3,452	-	-	3,452	5.0	3,280	
XX/01-08-046-19W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	1,900	75	-	3,452	-	-	3,452	5.0	3,280	
XX/XX-18-046-19W5/WLR	Witrich	Vol	PR1...	2016-06-01	-	2,400	75	-	4,389	-	-	4,389	5.0	4,170	

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Gas Decline Parameters

Analysis Data

Resource Entity	Zone	Method	Res. Class	Analysis Date	Initial Effective Decline	Initial Rate Me/f	Final Rate Me/f	Decline Exponent	Resource Life yrs	Original Recoverable Raw Gas MMcf	Cum. Production @ Analysis MMcf	Cum. Production 2016-10-01 MMcf	Remaining Raw Gas 2016-09-30 MMcf	Surface Loss %	Remaining Sales Gas MMcf
<b>Low Estimate Prospective Resources - Prospect (Cont.)</b>															
<b>Kaydee-Voyager (Prospective Resources) (Cont.)</b>															
<b>Wilrich - Voyager (Cont.)</b>															
XX/03-18-046-19W5/WLR	Wilrich	Vol	PR1...	2016-06-01	-	2,400	75	-	-	4,389	-	-	4,389	5.0	4,170
XX/XX-01-046-20W5/WLR	Wilrich	Vol	PR1...	2016-06-01	-	2,200	75	-	-	4,065	-	-	4,065	5.0	3,861
XX/12-01-046-20W5/WLR	Wilrich	Vol	PR1...	2016-06-01	-	2,200	75	-	-	4,065	-	-	4,065	5.0	3,861
XX/XX-13-046-20W5/WLR	Wilrich	Vol	PR1...	2016-06-01	-	2,600	75	-	-	4,729	-	-	4,729	5.0	4,493
XX/12-13-046-20W5/WLR	Wilrich	Vol	PR1...	2016-06-01	-	2,600	75	-	-	4,729	-	-	4,729	5.0	4,493
XX/XX-16-046-20W5/WLR	Wilrich	Vol	PR1...	2016-06-01	-	3,900	75	-	-	7,107	-	-	7,107	5.0	6,751
XX/01-16-046-20W5/WLR	Wilrich	Vol	PR1...	2016-06-01	-	3,900	75	-	-	7,107	-	-	7,107	5.0	6,751
XX/XX-17-046-20W5/WLR	Wilrich	Vol	PR1...	2016-06-01	-	2,600	75	-	-	4,807	-	-	4,807	5.0	4,567
XX/13-17-046-20W5/WLR	Wilrich	Vol	PR1...	2016-06-01	-	2,600	75	-	-	4,807	-	-	4,807	5.0	4,567
XX/XX-20-046-20W5/WLR	Wilrich	Vol	PR1...	2016-06-01	-	3,000	75	-	-	5,537	-	-	5,537	5.0	5,260
XX/13-20-046-20W5/WLR	Wilrich	Vol	PR1...	2016-06-01	-	3,000	75	-	-	5,537	-	-	5,537	5.0	5,260
XX/XX-21-046-20W5/WLR	Wilrich	Vol	PR1...	2016-06-01	-	4,100	75	-	-	7,516	-	-	7,516	5.0	7,141
XX/01-21-046-20W5/WLR	Wilrich	Vol	PR1...	2016-06-01	-	4,100	75	-	-	7,516	-	-	7,516	5.0	7,141
XX/XX-28-046-20W5/WLR	Wilrich	Vol	PR1...	2016-06-01	-	4,300	75	-	-	7,805	-	-	7,805	5.0	7,414
XX/08-28-046-20W5/WLR	Wilrich	Vol	PR1...	2016-06-01	-	4,300	75	-	-	7,805	-	-	7,805	5.0	7,414
<b>Total: Low Estimate Prospective Resources - Prospect</b>										<b>299,636</b>	<b>0</b>	<b>299,636</b>	<b>5.0</b>	<b>284,654</b>	
<b>Best Estimate Prospective Resources - Prospect</b>															
<b>Kaydee-Voyager (Prospective Resources)</b>															
<b>Wilrich - Kaydee</b>															
XX/15-07-048-22W5/WLR	Wilrich	Vol	PR2...	2016-06-01	-	5,800	75	-	-	10,492	-	-	10,492	5.0	9,968
XX/XX-08-048-22W5/WLR	Wilrich	Vol	PR2...	2016-06-01	-	6,400	75	-	-	11,571	-	-	11,571	5.0	10,992
XX/13-08-048-22W5/WLR	Wilrich	Vol	PR2...	2016-06-01	-	6,400	75	-	-	11,571	-	-	11,571	5.0	10,992
XX/XX-09-048-22W5/WLR	Wilrich	Vol	PR2...	2016-06-01	-	6,500	75	-	-	11,794	-	-	11,794	5.0	11,204
XX/02-09-048-22W5/WLR	Wilrich	Vol	PR2...	2016-06-01	-	6,500	75	-	-	11,794	-	-	11,794	5.0	11,204
XX/XX-14-048-23W5/WLR	Wilrich	Vol	PR2...	2016-06-01	-	4,500	75	-	-	8,253	-	-	8,253	5.0	7,841
XX/01-14-048-23W5/WLR	Wilrich	Vol	PR2...	2016-06-01	-	4,500	75	-	-	8,253	-	-	8,253	5.0	7,841
XX/XX-22-048-23W5/WLR	Wilrich	Vol	PR2...	2016-06-01	-	3,500	75	-	-	6,432	-	-	6,432	5.0	6,110
XX/13-22-048-23W5/WLR	Wilrich	Vol	PR2...	2016-06-01	-	3,500	75	-	-	6,432	-	-	6,432	5.0	6,110
XX/XX-23-048-23W5/WLR	Wilrich	Vol	PR2...	2016-06-01	-	4,700	75	-	-	8,553	-	-	8,553	5.0	8,125
XX/01-23-048-23W5/WLR	Wilrich	Vol	PR2...	2016-06-01	-	4,700	75	-	-	8,553	-	-	8,553	5.0	8,125
XX/XX-24-048-23W5/WLR	Wilrich	Vol	PR2...	2016-06-01	-	5,900	75	-	-	10,716	-	-	10,716	5.0	10,181
XX/01-24-048-23W5/WLR	Wilrich	Vol	PR2...	2016-06-01	-	5,900	75	-	-	10,716	-	-	10,716	5.0	10,181
XX/XX-26-048-23W5/WLR	Wilrich	Vol	PR2...	2016-06-01	-	4,600	75	-	-	8,336	-	-	8,336	5.0	7,920
XX/13-26-048-23W5/WLR	Wilrich	Vol	PR2...	2016-06-01	-	4,600	75	-	-	8,336	-	-	8,336	5.0	7,920
XX/XX-27-048-23W5/WLR	Wilrich	Vol	PR2...	2016-06-01	-	3,500	75	-	-	6,316	-	-	6,316	5.0	6,001
XX/13-27-048-23W5/WLR	Wilrich	Vol	PR2...	2016-06-01	-	3,500	75	-	-	6,316	-	-	6,316	5.0	6,001
XX/XX-34-048-23W5/WLR	Wilrich	Vol	PR2...	2016-06-01	-	3,300	75	-	-	6,088	-	-	6,088	5.0	5,784
XX/01-34-048-23W5/WLR	Wilrich	Vol	PR2...	2016-06-01	-	3,300	75	-	-	6,088	-	-	6,088	5.0	5,784
XX/XX-35-048-23W5/WLR	Wilrich	Vol	PR2...	2016-06-01	-	4,400	75	-	-	7,925	-	-	7,925	5.0	7,528
XX/01-35-048-23W5/WLR	Wilrich	Vol	PR2...	2016-06-01	-	4,400	75	-	-	7,925	-	-	7,925	5.0	7,528
<b>Voyager</b>															
<b>Mountain Park - Voyager</b>															
XX/XX-04-046-19W5/MP	Mountain Park	Vol	PR2...	2016-06-01	-	5,200	75	0.80	-	5,169	-	-	5,169	5.0	4,911
XX/05-04-046-19W5/MP	Mountain Park	Vol	PR2...	2016-06-01	-	5,200	75	0.80	-	5,169	-	-	5,169	5.0	4,911
XX/XX-07-046-19W5/MP	Mountain Park	Vol	PR2...	2016-06-01	-	5,200	75	0.80	-	5,235	-	-	5,235	5.0	4,973

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Gas Decline Parameters

Analysis Data

Resource Entity	Zone	Method	Res. Class	Analysis Date	Initial Effective Decline	Initial Rate Me/cf	Final Rate Me/cf	Decline Exponent	Resource Life yrs	Original Recoverable Raw Gas MMcf	Cum Production @ Analysis MMcf	Cum Production 2016-10-01 MMcf	Remaining Raw Gas 2016-09-30 MMcf	Surface Loss %	Remaining Sales Gas MMcf
<b>Best Estimate Prospective Resources - Prospect (Cont.)</b>															
Kaydee-Voyager (Prospective Resources) (Cont.)															
Mountain Park - Voyager (Cont.)															
Mountain Park	Mountain Park	Vol	PR2...	2016-06-01	-	5,200	75	0.80	-	5,235	-	-	5,235	5.0	4,973
XX/XX-08-046-19W5/MF	Mountain Park	Vol	PR2...	2016-06-01	-	5,500	75	0.80	-	5,524	-	-	5,524	5.0	5,248
XX/01-08-046-19W5/MF	Mountain Park	Vol	PR2...	2016-06-01	-	5,500	75	0.80	-	5,524	-	-	5,524	5.0	5,248
Wilnch - Voyager															
XX/XX-16-045-19W5/WLR	Wilnch	Vol	PR2...	2016-06-01	-	2,750	75	-	-	4,794	-	-	4,794	5.0	4,554
XX/13-16-045-19W5/WLR	Wilnch	Vol	PR2...	2016-06-01	-	2,750	75	-	-	4,794	-	-	4,794	5.0	4,554
XX/XX-20-045-19W5/WLR	Wilnch	Vol	PR2...	2016-06-01	-	3,000	75	-	-	5,435	-	-	5,435	5.0	5,163
XX/09-20-045-19W5/WLR	Wilnch	Vol	PR2...	2016-06-01	-	3,000	75	-	-	5,435	-	-	5,435	5.0	5,163
XX/12-29-045-19W5/WLR	Wilnch	Vol	PR2...	2016-06-01	-	2,800	75	-	-	5,042	-	-	5,042	5.0	4,790
XX/XX-30-045-19W5/WLR	Wilnch	Vol	PR2...	2016-06-01	-	2,900	75	-	-	5,187	-	-	5,187	5.0	4,927
XX/02-30-045-19W5/WLR	Wilnch	Vol	PR2...	2016-06-01	-	2,900	75	-	-	5,187	-	-	5,187	5.0	4,927
XX/XX-31-045-19W5/WLR	Wilnch	Vol	PR2...	2016-06-01	-	2,800	75	-	-	5,050	-	-	5,050	5.0	4,797
XX/08-31-045-19W5/WLR	Wilnch	Vol	PR2...	2016-06-01	-	2,800	75	-	-	5,050	-	-	5,050	5.0	4,797
XX/XX-36-045-20W5/WLR	Wilnch	Vol	PR2...	2016-06-01	-	2,800	75	-	-	5,178	-	-	5,178	5.0	4,919
XX/13-36-045-20W5/WLR	Wilnch	Vol	PR2...	2016-06-01	-	2,800	75	-	-	5,178	-	-	5,178	5.0	4,919
XX/XX-07-046-19W5/WLR	Wilnch	Vol	PR2...	2016-06-01	-	2,900	75	-	-	5,252	-	-	5,252	5.0	4,989
XX/13-07-046-19W5/WLR	Wilnch	Vol	PR2...	2016-06-01	-	2,900	75	-	-	5,252	-	-	5,252	5.0	4,989
XX/XX-08-046-19W5/WLR	Wilnch	Vol	PR2...	2016-06-01	-	2,700	75	-	-	4,833	-	-	4,833	5.0	4,592
XX/01-08-046-19W5/WLR	Wilnch	Vol	PR2...	2016-06-01	-	2,700	75	-	-	4,833	-	-	4,833	5.0	4,592
XX/XX-18-046-19W5/WLR	Wilnch	Vol	PR2...	2016-06-01	-	3,400	75	-	-	6,145	-	-	6,145	5.0	5,838
XX/03-18-046-19W5/WLR	Wilnch	Vol	PR2...	2016-06-01	-	3,400	75	-	-	6,145	-	-	6,145	5.0	5,838
XX/XX-01-046-20W5/WLR	Wilnch	Vol	PR2...	2016-06-01	-	3,100	75	-	-	5,690	-	-	5,690	5.0	5,406
XX/12-01-046-20W5/WLR	Wilnch	Vol	PR2...	2016-06-01	-	3,100	75	-	-	5,690	-	-	5,690	5.0	5,406
XX/XX-13-046-20W5/WLR	Wilnch	Vol	PR2...	2016-06-01	-	3,600	75	-	-	6,621	-	-	6,621	5.0	6,290
XX/12-13-046-20W5/WLR	Wilnch	Vol	PR2...	2016-06-01	-	3,600	75	-	-	6,621	-	-	6,621	5.0	6,290
XX/XX-16-046-20W5/WLR	Wilnch	Vol	PR2...	2016-06-01	-	5,500	75	-	-	9,949	-	-	9,949	5.0	9,452
XX/01-16-046-20W5/WLR	Wilnch	Vol	PR2...	2016-06-01	-	5,500	75	-	-	9,949	-	-	9,949	5.0	9,452
XX/XX-17-046-20W5/WLR	Wilnch	Vol	PR2...	2016-06-01	-	3,700	75	-	-	6,730	-	-	6,730	5.0	6,393
XX/13-17-046-20W5/WLR	Wilnch	Vol	PR2...	2016-06-01	-	3,700	75	-	-	6,730	-	-	6,730	5.0	6,393
XX/XX-20-046-20W5/WLR	Wilnch	Vol	PR2...	2016-06-01	-	4,300	75	-	-	7,752	-	-	7,752	5.0	7,364
XX/13-20-046-20W5/WLR	Wilnch	Vol	PR2...	2016-06-01	-	4,300	75	-	-	7,752	-	-	7,752	5.0	7,364
XX/XX-21-046-20W5/WLR	Wilnch	Vol	PR2...	2016-06-01	-	5,800	75	-	-	10,523	-	-	10,523	5.0	9,997
XX/01-21-046-20W5/WLR	Wilnch	Vol	PR2...	2016-06-01	-	5,800	75	-	-	10,523	-	-	10,523	5.0	9,997
XX/XX-28-046-20W5/WLR	Wilnch	Vol	PR2...	2016-06-01	-	6,000	75	-	-	10,926	-	-	10,926	5.0	10,380
XX/08-28-046-20W5/WLR	Wilnch	Vol	PR2...	2016-06-01	-	6,000	75	-	-	10,926	-	-	10,926	5.0	10,380
<b>Total: Best Estimate Prospective Resources - Prospect</b>										<b>419,490</b>	<b>0</b>	<b>0</b>	<b>419,490</b>	<b>5.0</b>	<b>398,516</b>
<b>High Estimate Prospective Resources - Prospect</b>															
Kaydee-Voyager (Prospective Resources)															
Wilnch - Kaydee															
XX/15-07-048-22W5/WLR	Wilnch	Vol	PR3...	2016-06-01	-	7,400	75	-	-	13,490	-	-	13,490	5.0	12,816
XX/XX-08-048-22W5/WLR	Wilnch	Vol	PR3...	2016-06-01	-	8,200	75	-	-	14,877	-	-	14,877	5.0	14,133
XX/13-08-048-22W5/WLR	Wilnch	Vol	PR3...	2016-06-01	-	8,200	75	-	-	14,877	-	-	14,877	5.0	14,133
XX/XX-09-048-22W5/WLR	Wilnch	Vol	PR3...	2016-06-01	-	8,300	75	-	-	15,163	-	-	15,163	5.0	14,405
XX/02-09-048-22W5/WLR	Wilnch	Vol	PR3...	2016-06-01	-	8,300	75	-	-	15,163	-	-	15,163	5.0	14,405
XX/XX-14-048-23W5/WLR	Wilnch	Vol	PR3...	2016-06-01	-	5,800	75	-	-	10,611	-	-	10,611	5.0	10,081

Total: Best Estimate Prospective Resources - Prospect

High Estimate Prospective Resources - Prospect

Kaydee-Voyager (Prospective Resources)

Wilnch - Kaydee



Gas Decline Parameters

Analysis Data

Resource Entity	Zone	Method	Res. Class	Analysis Date	Initial Effective Decline	Initial Rate Me/df	Final Rate Me/df	Decline Exponent	Resource Life yrs	Original Recoverable Raw Gas MMcf	Cum Production @ Analysis MMcf	Cum Production 2016-10-01 MMcf	Remaining Raw Gas 2016-09-30 MMcf	Surface Loss %	Remaining Sales Gas MMcf
<b>High Estimate Prospective Resources - Prospect (Cont.)</b>															
<b>Kaydee-Voyager (Prospective Resources) (Cont.)</b>															
<b>Kaydee (Cont.)</b>															
<b>Wilrich - Kaydee (Cont.)</b>															
XX/01-14-048-23W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	5,800	75	-	-	10,611	-	-	10,611	5.0	10,081
XX/XX-22-048-23W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	4,500	75	-	-	8,269	-	-	8,269	5.0	7,856
XX/13-22-048-23W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	4,500	75	-	-	8,269	-	-	8,269	5.0	7,856
XX/XX-23-048-23W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	6,000	75	-	-	10,997	-	-	10,997	5.0	10,447
XX/01-23-048-23W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	6,000	75	-	-	10,997	-	-	10,997	5.0	10,447
XX/XX-24-048-23W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	7,600	75	-	-	13,778	-	-	13,778	5.0	13,089
XX/01-24-048-23W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	7,600	75	-	-	13,778	-	-	13,778	5.0	13,089
XX/XX-26-048-23W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	5,900	75	-	-	10,718	-	-	10,718	5.0	10,182
XX/13-26-048-23W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	5,900	75	-	-	10,718	-	-	10,718	5.0	10,182
XX/XX-27-048-23W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	4,500	75	-	-	8,121	-	-	8,121	5.0	7,715
XX/13-27-048-23W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	4,500	75	-	-	8,121	-	-	8,121	5.0	7,715
XX/XX-34-048-23W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	4,300	75	-	-	7,828	-	-	7,828	5.0	7,436
XX/01-34-048-23W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	4,300	75	-	-	7,828	-	-	7,828	5.0	7,436
XX/XX-35-048-23W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	5,600	75	-	-	10,189	-	-	10,189	5.0	9,679
XX/01-35-048-23W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	5,600	75	-	-	10,189	-	-	10,189	5.0	9,679
<b>Voyager</b>															
<b>Mountain Park - Voyager</b>															
XX/XX-04-046-19W5/WLR	Mountain Park	Vol	PR3...	2016-06-01	-	6,600	75	0.80	-	6,646	-	-	6,646	5.0	6,314
XX/05-04-046-19W5/WLR	Mountain Park	Vol	PR3...	2016-06-01	-	6,600	75	0.80	-	6,646	-	-	6,646	5.0	6,314
XX/XX-07-046-19W5/WLR	Mountain Park	Vol	PR3...	2016-06-01	-	6,700	75	0.80	-	6,731	-	-	6,731	5.0	6,394
XX/13-07-046-19W5/WLR	Mountain Park	Vol	PR3...	2016-06-01	-	6,700	75	0.80	-	6,731	-	-	6,731	5.0	6,394
XX/XX-08-046-19W5/WLR	Mountain Park	Vol	PR3...	2016-06-01	-	7,100	75	0.80	-	7,102	-	-	7,102	5.0	6,747
XX/01-08-046-19W5/WLR	Mountain Park	Vol	PR3...	2016-06-01	-	7,100	75	0.80	-	7,102	-	-	7,102	5.0	6,747
<b>Wilrich - Voyager</b>															
XX/XX-16-045-19W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	3,400	75	-	-	6,163	-	-	6,163	5.0	5,855
XX/13-16-045-19W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	3,400	75	-	-	6,163	-	-	6,163	5.0	5,855
XX/XX-20-045-19W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	3,800	75	-	-	6,988	-	-	6,988	5.0	6,638
XX/09-20-045-19W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	3,800	75	-	-	6,988	-	-	6,988	5.0	6,638
XX/12-29-045-19W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	3,600	75	-	-	6,482	-	-	6,482	5.0	6,158
XX/XX-30-045-19W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	3,700	75	-	-	6,669	-	-	6,669	5.0	6,335
XX/02-30-045-19W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	3,700	75	-	-	6,669	-	-	6,669	5.0	6,335
XX/XX-31-045-19W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	3,600	75	-	-	6,493	-	-	6,493	5.0	6,168
XX/08-31-045-19W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	3,600	75	-	-	6,493	-	-	6,493	5.0	6,168
XX/XX-36-045-20W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	3,600	75	-	-	6,658	-	-	6,658	5.0	6,325
XX/13-36-045-20W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	3,600	75	-	-	6,658	-	-	6,658	5.0	6,325
XX/XX-07-046-19W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	3,700	75	-	-	6,753	-	-	6,753	5.0	6,415
XX/13-07-046-19W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	3,700	75	-	-	6,753	-	-	6,753	5.0	6,415
XX/XX-08-046-19W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	3,400	75	-	-	6,214	-	-	6,214	5.0	5,903
XX/01-08-046-19W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	3,400	75	-	-	6,214	-	-	6,214	5.0	5,903
XX/XX-18-046-19W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	4,300	75	-	-	7,901	-	-	7,901	5.0	7,506
XX/03-18-046-19W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	4,300	75	-	-	7,901	-	-	7,901	5.0	7,506
XX/XX-01-046-20W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	4,000	75	-	-	7,316	-	-	7,316	5.0	6,950
XX/12-01-046-20W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	4,000	75	-	-	7,316	-	-	7,316	5.0	6,950
XX/XX-13-046-20W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	4,700	75	-	-	8,513	-	-	8,513	5.0	8,087
XX/12-13-046-20W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	4,700	75	-	-	8,513	-	-	8,513	5.0	8,087
XX/XX-16-046-20W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	7,000	75	-	-	12,792	-	-	12,792	5.0	12,152
XX/01-16-046-20W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	7,000	75	-	-	12,792	-	-	12,792	5.0	12,152
XX/XX-17-046-20W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	4,800	75	-	-	8,653	-	-	8,653	5.0	8,220

Gas Decline Parameters

Analysis Data

Resource Entity	Zone	Method	Res. Class	Analysis Date	Initial Effective Decline	Initial Rate MeF/d	Final Rate MeF/d	Decline Exponent	Resource Life yrs	Original Recoverable Raw Gas MMcf	Cum Production @ Analysis MMcf	Cum Production 2016-10-01 MMcf	Remaining Raw Gas 2016-09-30 MMcf	Surface Loss %	Remaining Sales Gas MMcf
<b>High Estimate Prospective Resources - Prospect (Cont.)</b>															
<b>Kaydee-Voyager (Prospective Resources) (Cont.)</b>															
<b>Voyager (Cont.)</b>															
Wilrich - Voyager (Cont.)	Wilrich	Vol	PR3...	2016-06-01	-	4,800	75	-	-	8,653	-	-	8,653	5.0	8,270
XX/13-17-046-20W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	5,500	75	-	-	9,966	-	-	9,966	5.0	9,468
XX/XX-20-046-20W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	5,500	75	-	-	9,966	-	-	9,966	5.0	9,468
XX/13-20-046-20W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	7,400	75	-	-	13,529	-	-	13,529	5.0	12,853
XX/XX-21-046-20W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	7,400	75	-	-	13,529	-	-	13,529	5.0	12,853
XX/01-21-046-20W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	7,700	75	-	-	14,048	-	-	14,048	5.0	13,346
XX/XX-28-046-20W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	7,700	75	-	-	14,048	-	-	14,048	5.0	13,346
XX/08-28-046-20W5/WLR	Wilrich	Vol	PR3...	2016-06-01	-	7,700	75	-	-	14,048	-	-	14,048	5.0	13,346
<b>Total: High Estimate Prospective Resources - Prospect</b>										<b>539,345</b>	<b>0</b>	<b>0</b>	<b>539,345</b>	<b>5.0</b>	<b>512,378</b>

The resources calculated above may not match the economic forecasts due to economic limit considerations.

Glossary

- PR1-A: Low Estimate Prospective Resources - Prospect
- PR2-A: Best Estimate Prospective Resources - Prospect
- PR3-A: High Estimate Prospective Resources - Prospect



Unrisked Gross Lease Daily Sales Gas Production

Entity Description	Resource Class	Year (Mcfd)										Totals (MMcf)				
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Subtotal	Remainder	Total
<b>Low Estimate Prospective Resources - Prospect (Cont.)</b>																
XX01-23-048-23W5/WLR	PRI-A	0	0	0	0	0	1,788	2,607	2,138	1,757	1,436	1,177	965	4,332	1,204	5,536
XXXX-24-048-23W5/WLR	PRI-A	0	0	0	0	2,209	3,228	2,651	2,178	1,793	1,469	1,206	991	5,740	1,245	6,985
XX01-24-048-23W5/WLR	PRI-A	0	0	0	0	2,209	3,228	2,651	2,178	1,793	1,469	1,206	991	5,740	1,245	6,985
XXXX-26-048-23W5/WLR	PRI-A	0	0	0	0	1,736	2,533	2,079	1,706	1,403	1,148	942	773	4,497	897	5,394
XX13-26-048-23W5/WLR	PRI-A	0	0	0	0	0	1,736	2,533	2,084	1,705	1,399	1,148	942	4,497	1,523	5,994
XXXX-27-048-23W5/WLR	PRI-A	0	0	0	0	0	1,315	1,922	1,580	1,302	1,067	877	720	3,206	840	4,045
XX13-27-048-23W5/WLR	PRI-A	0	0	0	0	0	1,315	1,922	1,580	1,302	1,067	877	720	3,206	840	4,045
XXXX-34-048-23W5/WLR	PRI-A	0	0	0	0	0	0	1,847	1,524	1,250	1,028	846	846	2,832	1,068	3,899
XX01-34-048-23W5/WLR	PRI-A	0	0	0	0	0	1,263	1,847	1,524	1,250	1,028	846	846	2,832	1,068	3,899
XXXX-35-048-23W5/WLR	PRI-A	0	0	0	0	0	1,632	2,386	1,964	1,620	1,329	1,093	899	3,987	1,136	5,122
XX01-35-048-23W5/WLR	PRI-A	0	0	0	0	0	1,632	2,386	1,964	1,620	1,329	1,093	899	3,987	1,136	5,122
<b>Total: Low Estimate Prospective Resources - Prospect</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>32,842</b>	<b>83,248</b>	<b>109,779</b>	<b>101,525</b>	<b>82,689</b>	<b>67,468</b>	<b>55,410</b>	<b>45,603</b>	<b>211,175</b>	<b>55,947</b>	<b>267,123</b>
<b>Best Estimate Prospective Resources - Prospect</b>																
XXXX-16-045-19W5/WLR	PR2-A	0	0	0	0	0	1,444	2,098	1,711	1,399	1,138	928	757	3,458	863	4,322
XX13-16-045-19W5/WLR	PR2-A	0	0	0	0	0	1,444	2,098	1,711	1,399	1,138	928	757	3,458	863	4,322
XXXX-20-045-19W5/WLR	PR2-A	0	0	0	0	0	1,578	2,306	1,895	1,561	1,278	1,050	863	3,844	1,085	4,929
XX09-20-045-19W5/WLR	PR2-A	0	0	0	0	0	1,578	2,306	1,895	1,561	1,278	1,050	863	3,844	1,085	4,929
XX12-29-045-19W5/WLR	PR2-A	0	0	0	0	0	0	1,473	2,150	1,770	1,449	1,189	976	3,288	1,224	4,511
XXXX-30-045-19W5/WLR	PR2-A	0	0	0	0	0	0	1,525	2,224	1,827	1,493	1,224	1,003	3,393	1,251	4,645
XX02-30-045-19W5/WLR	PR2-A	0	0	0	0	0	0	1,525	2,224	1,827	1,493	1,224	1,003	3,393	1,251	4,645
XXXX-31-045-19W5/WLR	PR2-A	0	0	0	0	0	0	1,473	2,151	1,771	1,450	1,191	978	3,290	1,227	4,517
XX08-31-045-19W5/WLR	PR2-A	0	0	0	0	0	0	1,473	2,151	1,771	1,450	1,191	978	3,290	1,227	4,517
XXXX-36-045-20W5/WLR	PR2-A	0	0	0	0	0	0	1,475	2,162	1,789	1,472	1,215	1,002	3,327	1,356	4,683
XX13-36-045-20W5/WLR	PR2-A	0	0	0	0	0	0	1,475	2,162	1,789	1,472	1,215	1,002	3,327	1,356	4,683
XXXX-04-046-19W5/MP	PR2-A	0	0	0	0	0	2,241	2,249	1,409	1,008	771	620	515	3,217	797	4,014
XX05-04-046-19W5/MP	PR2-A	0	0	0	0	0	2,241	2,249	1,409	1,008	771	620	515	3,217	797	4,014
XXXX-07-046-19W5/MP	PR2-A	0	0	0	0	0	0	2,247	2,265	1,427	1,016	781	628	3,053	1,074	4,127
XXXX-07-046-19W5/MP	PR2-A	0	0	0	0	0	0	2,247	2,265	1,427	1,016	781	628	3,053	1,074	4,127
XX13-07-046-19W5/WLR	PR2-A	0	0	0	0	0	0	2,247	2,265	1,427	1,016	781	628	3,053	1,074	4,127
XX08-07-046-19W5/WLR	PR2-A	0	0	0	0	0	0	2,247	2,265	1,427	1,016	781	628	3,053	1,074	4,127
XXXX-08-046-19W5/MP	PR2-A	0	0	0	0	0	2,372	2,381	1,493	1,068	817	657	546	3,407	923	4,331
XXXX-08-046-19W5/MP	PR2-A	0	0	0	0	0	2,372	2,381	1,493	1,068	817	657	546	3,407	923	4,331
XX01-08-046-19W5/MP	PR2-A	0	0	0	0	0	0	1,420	2,071	1,703	1,393	1,142	937	3,163	1,171	4,334
XX01-08-046-19W5/MP	PR2-A	0	0	0	0	0	0	1,420	2,071	1,703	1,393	1,142	937	3,163	1,171	4,334
XXXX-18-046-19W5/WLR	PR2-A	0	0	0	0	0	0	1,788	2,611	2,148	1,758	1,443	1,184	3,990	1,572	5,562
XX03-18-046-19W5/WLR	PR2-A	0	0	0	0	0	0	1,788	2,611	2,148	1,758	1,443	1,184	3,990	1,572	5,562
XXXX-01-046-20W5/WLR	PR2-A	0	0	0	0	1,632	2,389	1,968	1,621	1,338	1,099	905	745	4,269	874	5,144
XX12-01-046-20W5/WLR	PR2-A	0	0	0	0	1,632	2,389	1,968	1,621	1,338	1,099	905	745	4,269	874	5,144
XXXX-13-046-20W5/WLR	PR2-A	0	0	0	0	0	0	1,895	2,774	2,284	1,885	1,547	1,274	4,049	1,409	6,047
XX12-13-046-20W5/WLR	PR2-A	0	0	0	0	0	0	1,895	2,774	2,284	1,885	1,547	1,274	4,049	1,409	6,047
XXXX-16-046-20W5/WLR	PR2-A	0	0	0	0	2,891	4,216	3,455	2,832	2,326	1,901	1,558	1,277	7,466	1,764	9,230
XX01-16-046-20W5/WLR	PR2-A	0	0	0	0	2,891	4,216	3,455	2,832	2,326	1,901	1,558	1,277	7,466	1,764	9,230
XXXX-17-046-20W5/WLR	PR2-A	0	0	0	0	1,947	2,844	2,336	1,919	1,580	1,294	1,063	874	5,058	1,097	6,155
XX13-17-046-20W5/WLR	PR2-A	0	0	0	0	1,947	2,844	2,336	1,919	1,580	1,294	1,063	874	5,058	1,097	6,155
XXXX-20-046-20W5/WLR	PR2-A	0	0	0	0	2,261	3,296	2,702	2,214	1,819	1,487	1,218	999	5,839	1,245	7,084
XX13-20-046-20W5/WLR	PR2-A	0	0	0	0	2,261	3,296	2,702	2,214	1,819	1,487	1,218	999	5,839	1,245	7,084
XXXX-21-046-20W5/WLR	PR2-A	0	0	0	0	3,050	4,448	3,647	2,990	2,458	2,009	1,647	1,351	7,884	1,869	9,753
XX01-21-046-20W5/WLR	PR2-A	0	0	0	0	3,050	4,448	3,647	2,990	2,458	2,009	1,647	1,351	7,884	1,869	9,753
XXXX-28-046-20W5/WLR	PR2-A	0	0	0	0	3,155	4,605	3,778	3,099	2,549	2,085	1,711	1,404	8,171	1,947	10,118

Table 2

Unrisked Gross Lease Daily Sales Gas Production

Resource Class	Entity Description	Year (Mcfd)											Totals (MMcf)			
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Subtotal	Remainder	Total
<b>Best Estimate Prospective Resources - Prospect (Cont.)</b>																
PR2-A	XX/08-28-046-20W5/WLR	0	0	0	0	3,155	4,605	3,778	3,099	2,549	2,085	1,711	1,404	8,171	1,947	10,118
PR2-A	XX/15-07-048-22W5/WLR	0	0	0	0	3,049	4,445	3,643	2,985	2,452	2,003	1,641	1,345	7,871	1,857	9,728
PR2-A	XX/XX-08-048-22W5/WLR	0	0	0	0	0	3,364	4,903	4,016	3,298	2,693	2,206	1,807	8,136	2,582	10,717
PR2-A	XX/13-08-048-22W5/WLR	0	0	0	0	0	3,364	4,903	4,016	3,298	2,693	2,206	1,807	8,136	2,582	10,717
PR2-A	XX/XX-09-048-22W5/WLR	0	0	0	0	0	3,417	4,984	4,085	3,357	2,743	2,248	1,843	8,277	2,715	10,992
PR2-A	XX/02-09-048-22W5/WLR	0	0	0	0	2,368	3,462	4,984	4,085	3,357	2,743	2,248	1,843	8,277	2,715	10,992
PR2-A	XX/XX-14-048-23W5/WLR	0	0	0	0	2,368	3,462	2,847	2,341	1,929	1,582	1,301	1,069	6,168	1,429	7,597
PR2-A	XX/01-14-048-23W5/WLR	0	0	0	0	2,368	3,462	2,847	2,341	1,929	1,582	1,301	1,069	6,168	1,429	7,597
PR2-A	XX/XX-22-048-23W5/WLR	0	0	0	0	0	0	1,842	2,696	2,226	1,827	1,504	1,239	4,137	1,741	5,878
PR2-A	XX/13-22-048-23W5/WLR	0	0	0	0	0	1,842	2,696	2,226	1,827	1,504	1,239	1,020	4,509	1,369	5,878
PR2-A	XX/XX-23-048-23W5/WLR	0	0	0	0	0	2,472	3,609	2,963	2,438	1,995	1,638	1,345	6,008	1,869	7,877
PR2-A	XX/01-23-048-23W5/WLR	0	0	0	0	0	2,472	3,609	2,963	2,438	1,995	1,638	1,345	6,008	1,869	7,877
PR2-A	XX/XX-24-048-23W5/WLR	0	0	0	0	3,102	4,526	3,711	3,043	2,502	2,045	1,677	1,376	8,024	1,905	9,929
PR2-A	XX/01-24-048-23W5/WLR	0	0	0	0	3,102	4,526	3,711	3,043	2,502	2,045	1,677	1,376	8,024	1,905	9,929
PR2-A	XX/XX-26-048-23W5/WLR	0	0	0	0	2,419	3,530	2,895	2,375	1,953	1,597	1,310	1,075	6,261	1,424	7,685
PR2-A	XX/13-26-048-23W5/WLR	0	0	0	0	0	0	2,419	3,530	2,902	2,374	1,947	1,597	5,390	2,294	7,685
PR2-A	XX/XX-27-048-23W5/WLR	0	0	0	0	0	1,841	2,686	2,204	1,813	1,483	1,216	998	4,468	1,248	5,716
PR2-A	XX/13-27-048-23W5/WLR	0	0	0	0	0	1,841	2,686	2,204	1,813	1,483	1,216	998	4,468	1,248	5,716
PR2-A	XX/XX-34-048-23W5/WLR	0	0	0	0	0	0	1,738	2,545	2,103	1,728	1,424	1,174	3,910	1,657	5,566
PR2-A	XX/01-34-048-23W5/WLR	0	0	0	0	0	0	1,738	2,545	2,103	1,728	1,424	1,174	3,910	1,657	5,566
PR2-A	XX/XX-35-048-23W5/WLR	0	0	0	0	2,313	3,372	2,763	2,270	1,854	1,519	1,245	5,598	1,719	7,316	
PR2-A	XX/01-35-048-23W5/WLR	0	0	0	0	2,313	3,372	2,763	2,270	1,854	1,519	1,245	5,598	1,719	7,316	
<b>Total: Best Estimate Prospective Resources - Prospect</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>46,280</b>	<b>117,051</b>	<b>153,783</b>	<b>141,770</b>	<b>115,156</b>	<b>93,713</b>	<b>76,761</b>	<b>63,007</b>	<b>294,745</b>	<b>85,561</b>	<b>380,306</b>
<b>High Estimate Prospective Resources - Prospect</b>																
PR3-A	XX/XX-16-045-19W5/WLR	0	0	0	0	0	1,789	2,612	2,145	1,766	1,446	1,188	975	4,351	1,224	5,575
PR3-A	XX/13-16-045-19W5/WLR	0	0	0	0	0	1,789	2,612	2,145	1,766	1,446	1,188	975	4,351	1,224	5,575
PR3-A	XX/XX-20-045-19W5/WLR	0	0	0	0	0	2,000	2,927	2,409	1,988	1,632	1,343	1,106	4,893	1,483	6,376
PR3-A	XX/09-20-045-19W5/WLR	0	0	0	0	0	2,000	2,927	2,409	1,988	1,632	1,343	1,106	4,893	1,483	6,376
PR3-A	XX/12-29-045-19W5/WLR	0	0	0	0	0	0	1,893	2,761	2,270	1,856	1,521	1,248	4,215	1,727	5,942
PR3-A	XX/XX-30-045-19W5/WLR	0	0	0	0	0	0	1,945	2,838	2,333	1,907	1,564	1,283	4,333	1,776	6,109
PR3-A	XX/02-30-045-19W5/WLR	0	0	0	0	0	0	1,945	2,838	2,333	1,907	1,564	1,283	4,333	1,776	6,109
PR3-A	XX/XX-31-045-19W5/WLR	0	0	0	0	0	0	1,893	2,762	2,271	1,857	1,523	1,250	4,218	1,732	5,950
PR3-A	XX/08-31-045-19W5/WLR	0	0	0	0	0	0	1,893	2,762	2,271	1,857	1,523	1,250	4,218	1,732	5,950
PR3-A	XX/XX-36-045-20W5/WLR	0	0	0	0	0	0	1,896	2,777	2,294	1,886	1,554	1,281	4,266	1,809	6,075
PR3-A	XX/13-36-045-20W5/WLR	0	0	0	0	0	0	1,896	2,777	2,294	1,886	1,554	1,281	4,266	1,809	6,075
PR3-A	XX/XX-04-046-19W5/WLR	0	0	0	0	0	2,831	2,819	1,759	1,255	959	770	639	4,027	1,244	5,271
PR3-A	XX/05-04-046-19W5/WLR	0	0	0	0	0	2,831	2,819	1,759	1,255	959	770	639	4,027	1,244	5,271
PR3-A	XX/XX-07-046-19W5/WLR	0	0	0	0	0	0	2,871	2,854	1,783	1,265	969	778	3,840	1,492	5,332
PR3-A	XX/XX-07-046-19W5/WLR	0	0	0	0	0	0	2,871	2,854	1,783	1,265	969	778	3,840	1,492	5,332
PR3-A	XX/13-07-046-19W5/WLR	0	0	0	0	0	0	2,871	2,854	1,783	1,265	969	778	3,840	1,492	5,332
PR3-A	XX/13-07-046-19W5/WLR	0	0	0	0	0	0	2,871	2,854	1,783	1,265	969	778	3,840	1,492	5,332
PR3-A	XX/XX-08-046-19W5/WLR	0	0	0	0	0	3,035	3,004	1,867	1,330	1,015	815	676	4,286	1,391	5,676
PR3-A	XX/XX-08-046-19W5/WLR	0	0	0	0	0	3,035	3,004	1,867	1,330	1,015	815	676	4,286	1,391	5,676
PR3-A	XX/01-08-046-19W5/WLR	0	0	0	0	0	0	1,789	2,617	2,158	1,770	1,456	1,197	4,010	1,678	5,688
PR3-A	XX/01-08-046-19W5/WLR	0	0	0	0	0	0	1,789	2,617	2,158	1,770	1,456	1,197	4,010	1,678	5,688
PR3-A	XX/XX-18-046-19W5/WLR	0	0	0	0	0	0	2,263	3,310	2,730	2,239	1,842	1,515	5,073	2,202	7,275
PR3-A	XX/03-18-046-19W5/WLR	0	0	0	0	0	0	2,263	3,310	2,730	2,239	1,842	1,515	5,073	2,202	7,275
PR3-A	XX/XX-01-046-20W5/WLR	0	0	0	0	2,105	3,077	2,530	2,080	1,714	1,405	1,155	950	5,481	1,196	6,677
PR3-A	XX/12-01-046-20W5/WLR	0	0	0	0	2,105	3,077	2,530	2,080	1,714	1,405	1,155	950	5,481	1,196	6,677

Unrisked Gross Lease Daily Sales Gas Production

Entity Description	Resource Class	Year (Mcf/d)											Totals (MMcf)			
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Subtotal	Remainder	Total
<b>High Estimate Prospective Resources - Prospect (Cont.)</b>																
XXXX-13-046-20W5/WLR	PR3-A	0	0	0	0	0	2,471	3,606	2,957	2,431	1,988	1,630	1,337	5,993	1,852	7,846
XX12-13-046-20W5/WLR	PR3-A	0	0	0	0	0	2,471	3,606	2,957	2,431	1,988	1,630	1,337	5,993	1,852	7,846
XXXX-16-046-20W5/WLR	PR3-A	0	0	0	0	3,682	5,374	4,411	3,620	2,978	2,437	2,000	1,641	9,542	2,363	11,904
XX01-16-046-20W5/WLR	PR3-A	0	0	0	0	3,682	5,374	4,411	3,620	2,978	2,437	2,000	1,641	9,542	2,363	11,904
XXXX-17-046-20W5/WLR	PR3-A	0	0	0	0	2,523	3,678	3,014	2,469	2,028	1,656	1,357	1,112	6,511	1,467	7,977
XX13-17-046-20W5/WLR	PR3-A	0	0	0	0	2,523	3,678	3,014	2,469	2,028	1,656	1,357	1,112	6,511	1,467	7,977
XXXX-20-046-20W5/WLR	PR3-A	0	0	0	0	2,892	4,218	3,458	2,835	2,330	1,904	1,561	1,280	7,474	1,770	9,244
XX13-20-046-20W5/WLR	PR3-A	0	0	0	0	2,892	4,218	3,458	2,835	2,330	1,904	1,561	1,280	7,474	1,770	9,244
XXXX-21-046-20W5/WLR	PR3-A	0	0	0	0	3,892	5,681	4,662	3,826	3,148	2,576	2,114	1,735	10,087	2,497	12,584
XX01-21-046-20W5/WLR	PR3-A	0	0	0	0	3,892	5,681	4,662	3,826	3,148	2,576	2,114	1,735	10,087	2,497	12,584
XXXX-28-046-20W5/WLR	PR3-A	0	0	0	0	4,049	5,908	4,846	3,975	3,269	2,673	2,193	1,799	10,480	2,584	13,065
XX08-28-046-20W5/WLR	PR3-A	0	0	0	0	4,049	5,908	4,846	3,975	3,269	2,673	2,193	1,799	10,480	2,584	13,065
XX15-07-048-22W5/WLR	PR3-A	0	0	0	0	3,891	5,678	4,657	3,820	3,141	2,568	2,107	1,728	10,070	2,481	12,551
XXXX-08-048-22W5/WLR	PR3-A	0	0	0	0	3,891	5,678	4,657	3,820	3,141	2,568	2,107	1,728	10,070	2,481	12,551
XX13-08-048-22W5/WLR	PR3-A	0	0	0	0	0	4,310	6,284	5,148	4,228	3,453	2,829	2,318	10,428	3,485	13,914
XXXX-09-048-22W5/WLR	PR3-A	0	0	0	0	0	4,310	6,284	5,148	4,228	3,453	2,829	2,318	10,428	3,485	13,914
XX02-09-048-22W5/WLR	PR3-A	0	0	0	0	0	4,365	6,370	5,225	4,297	3,515	2,884	2,366	10,593	3,578	14,171
XXXX-14-048-23W5/WLR	PR3-A	0	0	0	0	0	4,365	6,370	5,225	4,297	3,515	2,884	2,366	10,593	3,578	14,171
XX01-14-048-23W5/WLR	PR3-A	0	0	0	0	3,051	4,456	3,660	3,005	2,474	2,026	1,664	1,366	7,921	1,903	9,824
XX01-14-048-23W5/WLR	PR3-A	0	0	0	0	3,051	4,456	3,660	3,005	2,474	2,026	1,664	1,366	7,921	1,903	9,824
XXXX-22-048-23W5/WLR	PR3-A	0	0	0	0	0	2,368	3,463	2,856	2,342	1,927	1,585	1,304	5,783	1,826	7,609
XX13-22-048-23W5/WLR	PR3-A	0	0	0	0	0	2,368	3,463	2,856	2,342	1,927	1,585	1,304	5,783	1,826	7,609
XXXX-23-048-23W5/WLR	PR3-A	0	0	0	0	0	3,156	4,611	3,788	3,119	2,555	2,099	1,724	7,684	2,491	10,175
XX01-23-048-23W5/WLR	PR3-A	0	0	0	0	0	3,156	4,611	3,788	3,119	2,555	2,099	1,724	7,684	2,491	10,175
XXXX-24-048-23W5/WLR	PR3-A	0	0	0	0	3,995	5,824	4,771	3,909	3,210	2,622	2,148	1,760	10,308	2,516	12,824
XX01-24-048-23W5/WLR	PR3-A	0	0	0	0	3,995	5,824	4,771	3,909	3,210	2,622	2,148	1,760	10,308	2,516	12,824
XXXX-26-048-23W5/WLR	PR3-A	0	0	0	0	3,102	4,526	3,712	3,044	2,502	2,046	1,678	1,376	8,025	1,906	9,930
XX13-26-048-23W5/WLR	PR3-A	0	0	0	0	3,102	4,526	3,712	3,044	2,502	2,046	1,678	1,376	8,025	1,906	9,930
XXXX-27-048-23W5/WLR	PR3-A	0	0	0	0	0	2,366	3,450	2,828	2,324	1,899	1,556	1,276	5,730	1,763	7,493
XX13-27-048-23W5/WLR	PR3-A	0	0	0	0	0	2,366	3,450	2,828	2,324	1,899	1,556	1,276	5,730	1,763	7,493
XXXX-34-048-23W5/WLR	PR3-A	0	0	0	0	0	2,262	3,303	2,719	2,226	1,828	1,501	1,218	5,052	2,166	7,218
XX01-34-048-23W5/WLR	PR3-A	0	0	0	0	0	2,262	3,303	2,719	2,226	1,828	1,501	1,218	5,052	2,166	7,218
XXXX-35-048-23W5/WLR	PR3-A	0	0	0	0	2,945	4,298	3,526	2,900	2,372	1,946	1,597	1,148	7,148	2,295	9,443
XX01-35-048-23W5/WLR	PR3-A	0	0	0	0	2,945	4,298	3,526	2,900	2,372	1,946	1,597	1,148	7,148	2,295	9,443
<b>Total: High Estimate Prospective Resources - Prospect</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>59,370</b>	<b>149,805</b>	<b>196,636</b>	<b>181,233</b>	<b>147,203</b>	<b>119,794</b>	<b>98,123</b>	<b>80,538</b>	<b>376,936</b>	<b>116,351</b>	<b>493,288</b>

Company: Persta Resources Inc.  
Property: Kaylee-Voyager

Table 2.1

Unrisked Company Daily Sales Gas Production

Resource Class	Entity Description	Year (Mcf/d)											Totals (MMcf)							
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Subtotal	Remainder	Total				
	<b>Low Estimate Prospective Resources - Prospect</b>																			
PRI-A	XXXX-16-045-19W5/WLR	0	0	0	0	0	0	0	0	0	1,000	1,463	1,205	994	816	672	553	2,447	585	3,032
PRI-A	XXI3-16-045-19W5/WLR	0	0	0	0	0	0	0	0	0	1,000	1,463	1,205	994	816	672	553	2,447	585	3,032
PRI-A	XXXX-20-045-19W5/WLR	0	0	0	0	0	0	0	0	0	1,107	1,625	1,343	1,113	917	758	627	2,734	670	3,404
PRI-A	XX09-20-045-19W5/WLR	0	0	0	0	0	0	0	0	0	1,107	1,625	1,343	1,113	917	758	627	2,734	670	3,404
PRI-A	XXI2-29-045-19W5/WLR	0	0	0	0	0	0	0	0	0	0	1,053	1,540	1,270	1,042	857	705	2,360	824	3,184
PRI-A	XXXX-30-045-19W5/WLR	0	0	0	0	0	0	0	0	0	0	1,054	1,549	1,284	1,059	876	725	2,390	861	3,251
PRI-A	XX02-30-045-19W5/WLR	0	0	0	0	0	0	0	0	0	0	1,054	1,549	1,284	1,059	876	725	2,390	861	3,251
PRI-A	XXXX-31-045-19W5/WLR	0	0	0	0	0	0	0	0	0	0	1,053	1,540	1,271	1,043	858	706	2,362	826	3,188
PRI-A	XX08-31-045-19W5/WLR	0	0	0	0	0	0	0	0	0	0	1,053	1,540	1,271	1,043	858	706	2,362	826	3,188
PRI-A	XXXX-36-045-20W5/WLR	0	0	0	0	0	0	0	0	0	0	1,054	1,548	1,283	1,058	875	724	2,388	859	3,247
PRI-A	XXI3-36-045-20W5/WLR	0	0	0	0	0	0	0	0	0	0	1,054	1,548	1,283	1,058	875	724	2,388	859	3,247
PRI-A	XXXX-04-046-19W5/WP	0	0	0	0	0	0	0	0	0	1,614	1,653	1,049	755	580	468	389	2,376	401	2,778
PRI-A	XX05-04-046-19W5/WP	0	0	0	0	0	0	0	0	0	1,614	1,653	1,049	755	580	468	389	2,376	401	2,778
PRI-A	XX07-04-046-19W5/WP	0	0	0	0	0	0	0	0	0	0	1,619	1,665	1,062	761	587	474	2,251	626	2,878
PRI-A	XXXX-07-046-19W5/WP	0	0	0	0	0	0	0	0	0	0	1,619	1,665	1,062	761	587	474	2,251	626	2,878
PRI-A	XXI3-07-046-19W5/WP	0	0	0	0	0	0	0	0	0	0	1,105	1,613	1,328	1,087	893	733	2,467	852	3,319
PRI-A	XXI3-07-046-19W5/WP	0	0	0	0	0	0	0	0	0	0	1,105	1,613	1,328	1,087	893	733	2,467	852	3,319
PRI-A	XXXX-08-046-19W5/WP	0	0	0	0	0	0	0	0	0	1,703	1,747	1,110	800	614	496	413	2,512	504	3,017
PRI-A	XXXX-08-046-19W5/WP	0	0	0	0	0	0	0	0	0	1,703	1,747	1,110	800	614	496	413	2,512	504	3,017
PRI-A	XX01-08-046-19W5/WP	0	0	0	0	0	0	0	0	0	0	1,703	1,747	1,110	800	614	496	413	2,512	504
PRI-A	XX01-08-046-19W5/WP	0	0	0	0	0	0	0	0	0	0	1,703	1,747	1,110	800	614	496	413	2,512	504
PRI-A	XX01-08-046-19W5/WLR	0	0	0	0	0	0	0	0	0	0	1,001	1,466	1,212	996	821	677	2,253	797	3,050
PRI-A	XXXX-18-046-19W5/WLR	0	0	0	0	0	0	0	0	0	0	1,264	1,851	1,529	1,257	1,036	854	2,843	1,084	3,927
PRI-A	XX03-18-046-19W5/WLR	0	0	0	0	0	0	0	0	0	0	1,264	1,851	1,529	1,257	1,036	854	2,843	1,084	3,927
PRI-A	XXXX-01-046-20W5/WLR	0	0	0	0	0	0	0	0	1,159	1,701	1,406	1,162	962	793	655	541	3,058	578	3,636
PRI-A	XXI2-01-046-20W5/WLR	0	0	0	0	0	0	0	0	1,159	1,701	1,406	1,162	962	793	655	541	3,058	578	3,636
PRI-A	XXXX-13-046-20W5/WLR	0	0	0	0	0	0	0	0	0	1,368	2,002	1,647	1,359	1,115	918	755	3,345	884	4,229
PRI-A	XXI2-13-046-20W5/WLR	0	0	0	0	0	0	0	0	0	1,368	2,002	1,647	1,359	1,115	918	755	3,345	884	4,229
PRI-A	XXXX-16-046-20W5/WLR	0	0	0	0	0	0	0	0	2,052	2,998	2,463	2,024	1,667	1,365	1,122	922	5,334	1,159	6,492
PRI-A	XX01-16-046-20W5/WLR	0	0	0	0	0	0	0	0	2,052	2,998	2,463	2,024	1,667	1,365	1,122	922	5,334	1,159	6,492
PRI-A	XXXX-17-046-20W5/WLR	0	0	0	0	0	0	0	0	1,370	2,009	1,658	1,369	1,133	932	770	635	3,605	677	4,282
PRI-A	XXI3-17-046-20W5/WLR	0	0	0	0	0	0	0	0	1,370	2,009	1,658	1,369	1,133	932	770	635	3,605	677	4,282
PRI-A	XXXX-20-046-20W5/WLR	0	0	0	0	0	0	0	0	1,580	2,315	1,909	1,574	1,301	1,070	882	728	4,146	856	5,003
PRI-A	XXI3-20-046-20W5/WLR	0	0	0	0	0	0	0	0	1,580	2,315	1,909	1,574	1,301	1,070	882	728	4,146	856	5,003
PRI-A	XXXX-21-046-20W5/WLR	0	0	0	0	0	0	0	0	2,158	3,155	2,595	2,134	1,760	1,443	1,187	976	5,623	1,231	6,854
PRI-A	XX01-21-046-20W5/WLR	0	0	0	0	0	0	0	0	2,158	3,155	2,595	2,134	1,760	1,443	1,187	976	5,623	1,231	6,854
PRI-A	XXXX-28-046-20W5/WLR	0	0	0	0	0	0	0	0	2,262	3,301	2,709	2,224	1,829	1,497	1,229	1,008	5,861	1,338	7,200
PRI-A	XX08-28-046-20W5/WLR	0	0	0	0	0	0	0	0	2,262	3,301	2,709	2,224	1,829	1,497	1,229	1,008	5,861	1,338	7,200
PRI-A	XXI5-07-048-22W5/WLR	0	0	0	0	0	0	0	0	2,157	3,153	2,592	2,130	1,755	1,439	1,183	972	5,614	1,223	6,838
PRI-A	XXXX-08-048-22W5/WLR	0	0	0	0	0	0	0	0	2,368	3,463	2,848	2,348	1,926	1,584	1,303	5,782	1,824	7,606	
PRI-A	XXI3-08-048-22W5/WLR	0	0	0	0	0	0	0	0	2,368	3,463	2,848	2,348	1,926	1,584	1,303	5,782	1,824	7,606	
PRI-A	XXXX-09-048-22W5/WLR	0	0	0	0	0	0	0	0	2,420	3,537	2,908	2,396	1,963	1,614	1,327	5,900	1,853	7,753	
PRI-A	XX02-09-048-22W5/WLR	0	0	0	0	0	0	0	0	2,420	3,537	2,908	2,396	1,963	1,614	1,327	5,900	1,853	7,753	
PRI-A	XXXX-14-048-23W5/WLR	0	0	0	0	0	0	0	0	1,685	2,468	2,033	1,676	1,384	1,137	937	772	4,414	908	5,322
PRI-A	XX01-14-048-23W5/WLR	0	0	0	0	0	0	0	0	1,685	2,468	2,033	1,676	1,384	1,137	937	772	4,414	908	5,322
PRI-A	XXXX-22-048-23W5/WLR	0	0	0	0	0	0	0	0	1,685	2,468	2,033	1,676	1,384	1,137	937	772	4,414	908	5,322
PRI-A	XXI3-22-048-23W5/WLR	0	0	0	0	0	0	0	0	1,685	2,468	2,033	1,676	1,384	1,137	937	772	4,414	908	5,322
PRI-A	XXXX-23-048-23W5/WLR	0	0	0	0	0	0	0	0	1,317	1,929	1,591	1,316	1,082	892	736	3,235	867	4,102	
PRI-A	XX01-23-048-23W5/WLR	0	0	0	0	0	0	0	0	1,317	1,929	1,591	1,316	1,082	892	736	3,235	867	4,102	
PRI-A	XXXX-23-048-23W5/WLR	0	0	0	0	0	0	0	0	1,788	2,607	2,138	1,757	1,436	1,177	965	4,332	1,204	5,536	

Class (PRI-A, PR2-A, PR3-A), GLJ (2016-10), gas

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Unrisked Company Daily Sales Gas Production

Resource Class	Entity Description	Year (Mcf/d)										Totals (MMcf)				
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Subtotal	Remainder	Total
<b>Low Estimate Prospective Resources - Prospect (Cont.)</b>																
PR1-A	XX01-23-048-23W5/WLR	0	0	0	0	0	1,788	2,607	2,138	1,757	1,436	1,177	965	4,332	1,204	5,536
PR1-A	XXXX-24-048-23W5/WLR	0	0	0	0	2,209	3,228	2,651	1,793	1,469	1,206	991	5,740	1,245	6,985	
PR1-A	XX01-24-048-23W5/WLR	0	0	0	0	2,209	3,228	2,651	1,793	1,469	1,206	991	5,740	1,245	6,985	
PR1-A	XXXX-26-048-23W5/WLR	0	0	0	0	1,736	2,533	2,079	1,706	1,448	942	773	4,497	897	5,394	
PR1-A	XX13-26-048-23W5/WLR	0	0	0	0	0	1,736	2,533	2,084	1,705	1,399	1,148	5,999	1,323	5,394	
PR1-A	XXXX-27-048-23W5/WLR	0	0	0	0	0	1,315	1,922	1,580	1,302	1,067	877	720	3,206	840	4,045
PR1-A	XX13-27-048-23W5/WLR	0	0	0	0	0	1,315	1,922	1,580	1,302	1,067	877	720	3,206	840	4,045
PR1-A	XXXX-34-048-23W5/WLR	0	0	0	0	0	1,263	1,847	1,524	1,250	1,028	846	2,832	1,068	3,899	
PR1-A	XX01-34-048-23W5/WLR	0	0	0	0	0	1,263	1,847	1,524	1,250	1,028	846	2,832	1,068	3,899	
PR1-A	XXXX-35-048-23W5/WLR	0	0	0	0	0	1,632	2,386	1,964	1,620	1,329	1,093	899	3,987	1,136	5,122
PR1-A	XX01-35-048-23W5/WLR	0	0	0	0	0	1,632	2,386	1,964	1,620	1,329	1,093	899	3,987	1,136	5,122
<b>Total: Low Estimate Prospective Resources - Prospect</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>32,842</b>	<b>83,248</b>	<b>109,779</b>	<b>101,525</b>	<b>82,689</b>	<b>67,468</b>	<b>55,410</b>	<b>45,603</b>	<b>211,175</b>	<b>55,947</b>	<b>267,123</b>
<b>Best Estimate Prospective Resources - Prospect</b>																
PR2-A	XXXX-16-045-19W5/WLR	0	0	0	0	0	1,444	2,098	1,711	1,399	1,138	928	757	3,458	863	4,322
PR2-A	XX13-16-045-19W5/WLR	0	0	0	0	0	1,444	2,098	1,711	1,399	1,138	928	757	3,458	863	4,322
PR2-A	XXXX-20-045-19W5/WLR	0	0	0	0	0	1,578	2,306	1,895	1,561	1,278	1,050	863	3,844	1,085	4,929
PR2-A	XX09-20-045-19W5/WLR	0	0	0	0	0	1,578	2,306	1,895	1,561	1,278	1,050	863	3,844	1,085	4,929
PR2-A	XX12-29-045-19W5/WLR	0	0	0	0	0	1,473	2,150	1,770	1,449	1,189	976	3,288	1,224	4,511	
PR2-A	XXXX-30-045-19W5/WLR	0	0	0	0	0	1,525	2,224	1,827	1,493	1,224	1,003	3,393	1,251	4,645	
PR2-A	XX02-30-045-19W5/WLR	0	0	0	0	0	1,525	2,224	1,827	1,493	1,224	1,003	3,393	1,251	4,645	
PR2-A	XXXX-31-045-19W5/WLR	0	0	0	0	0	1,473	2,151	1,771	1,450	1,191	978	3,290	1,227	4,517	
PR2-A	XX08-31-045-19W5/WLR	0	0	0	0	0	1,473	2,151	1,771	1,450	1,191	978	3,290	1,227	4,517	
PR2-A	XXXX-36-045-20W5/WLR	0	0	0	0	0	1,475	2,162	1,789	1,472	1,215	1,002	3,327	1,356	4,683	
PR2-A	XX13-36-045-20W5/WLR	0	0	0	0	0	1,475	2,162	1,789	1,472	1,215	1,002	3,327	1,356	4,683	
PR2-A	XXXX-04-046-19W5/MP	0	0	0	0	0	2,241	2,249	1,409	1,008	771	620	515	3,217	797	4,014
PR2-A	XX05-04-046-19W5/MP	0	0	0	0	0	2,241	2,249	1,409	1,008	771	620	515	3,217	797	4,014
PR2-A	XXXX-07-046-19W5/MP	0	0	0	0	0	2,247	2,265	1,427	1,016	781	628	3,053	1,074	4,127	
PR2-A	XXXX-07-046-19W5/MP	0	0	0	0	0	2,247	2,265	1,427	1,016	781	628	3,053	1,074	4,127	
PR2-A	XX13-07-046-19W5/WLR	0	0	0	0	0	2,247	2,265	1,427	1,016	781	628	3,053	1,074	4,127	
PR2-A	XXXX-08-046-19W5/MP	0	0	0	0	0	2,372	2,381	1,493	1,068	817	657	546	3,407	923	4,331
PR2-A	XXXX-08-046-19W5/MP	0	0	0	0	0	2,372	2,381	1,493	1,068	817	657	546	3,407	923	4,331
PR2-A	XX01-08-046-19W5/MP	0	0	0	0	0	2,372	2,381	1,493	1,068	817	657	546	3,407	923	4,331
PR2-A	XX01-08-046-19W5/MP	0	0	0	0	0	2,372	2,381	1,493	1,068	817	657	546	3,407	923	4,331
PR2-A	XXXX-18-046-19W5/WLR	0	0	0	0	0	1,788	2,611	2,148	1,758	1,443	1,184	1,884	3,990	1,572	5,562
PR2-A	XX03-18-046-19W5/WLR	0	0	0	0	0	1,788	2,611	2,148	1,758	1,443	1,184	1,884	3,990	1,572	5,562
PR2-A	XXXX-01-046-20W5/WLR	0	0	0	0	1,632	2,389	1,968	1,621	1,338	1,099	905	745	4,269	874	5,144
PR2-A	XX12-01-046-20W5/WLR	0	0	0	0	1,632	2,389	1,968	1,621	1,338	1,099	905	745	4,269	874	5,144
PR2-A	XXXX-13-046-20W5/WLR	0	0	0	0	0	1,895	2,774	2,284	1,885	1,547	1,274	1,049	4,639	1,409	6,047
PR2-A	XX12-13-046-20W5/WLR	0	0	0	0	0	1,895	2,774	2,284	1,885	1,547	1,274	1,049	4,639	1,409	6,047
PR2-A	XXXX-16-046-20W5/WLR	0	0	0	0	2,891	4,216	3,455	2,832	2,326	1,901	1,558	1,277	7,466	1,764	9,230
PR2-A	XX01-16-046-20W5/WLR	0	0	0	0	2,891	4,216	3,455	2,832	2,326	1,901	1,558	1,277	7,466	1,764	9,230
PR2-A	XXXX-17-046-20W5/WLR	0	0	0	0	1,947	2,844	2,336	1,919	1,580	1,294	1,063	874	5,058	1,097	6,155
PR2-A	XX13-17-046-20W5/WLR	0	0	0	0	1,947	2,844	2,336	1,919	1,580	1,294	1,063	874	5,058	1,097	6,155
PR2-A	XXXX-20-046-20W5/WLR	0	0	0	0	2,261	3,296	2,702	2,214	1,819	1,487	1,218	999	5,839	1,245	7,084
PR2-A	XX13-20-046-20W5/WLR	0	0	0	0	2,261	3,296	2,702	2,214	1,819	1,487	1,218	999	5,839	1,245	7,084
PR2-A	XXXX-21-046-20W5/WLR	0	0	0	0	3,050	4,448	3,647	2,990	2,458	2,009	1,647	1,351	7,884	1,869	9,753
PR2-A	XX01-21-046-20W5/WLR	0	0	0	0	3,050	4,448	3,647	2,990	2,458	2,009	1,647	1,351	7,884	1,869	9,753
PR2-A	XXXX-28-046-20W5/WLR	0	0	0	0	3,155	4,605	3,778	3,099	2,549	2,085	1,711	1,404	8,171	1,947	10,118



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Class (PR1-A, PR2-A, PR3-A), GLJ (2016-10), gas

Unrisked Company Daily Sales Gas Production

Entity Description	Resource Class	Year (Mcfd)											Totals (MMcf)			
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Subtotal	Remainder	Total
<b>Best Estimate Prospective Resources - Prospect (Cont.)</b>																
XX/08-28-046-20W5/WLR	PR2-A	0	0	0	0	3,155	4,605	3,778	3,099	2,549	2,085	1,711	1,404	8,171	1,947	10,118
XX/15-07-048-22W5/WLR	PR2-A	0	0	0	0	3,049	4,445	3,643	2,985	2,452	2,003	1,641	1,345	7,871	1,857	9,728
XX/XX-08-048-22W5/WLR	PR2-A	0	0	0	0	0	3,364	4,903	4,016	3,298	2,693	2,206	1,807	8,136	2,582	10,717
XX/13-08-048-22W5/WLR	PR2-A	0	0	0	0	0	3,364	4,903	4,016	3,298	2,693	2,206	1,807	8,136	2,582	10,717
XX/XX-09-048-22W5/WLR	PR2-A	0	0	0	0	0	3,417	4,984	4,085	3,357	2,743	2,248	1,843	8,277	2,715	10,992
XX/02-09-048-22W5/WLR	PR2-A	0	0	0	0	2,368	3,462	4,984	4,085	3,357	2,743	2,248	1,843	8,277	2,715	10,992
XX/XX-14-048-23W5/WLR	PR2-A	0	0	0	0	2,368	3,462	2,847	2,341	1,929	1,582	1,301	1,069	6,168	1,429	7,597
XX/01-14-048-23W5/WLR	PR2-A	0	0	0	0	2,368	3,462	2,847	2,341	1,929	1,582	1,301	1,069	6,168	1,429	7,597
XX/XX-22-048-23W5/WLR	PR2-A	0	0	0	0	0	0	1,842	2,696	2,226	1,827	1,504	1,239	4,137	1,741	5,878
XX/13-22-048-23W5/WLR	PR2-A	0	0	0	0	0	1,842	2,696	2,226	1,827	1,504	1,239	1,020	4,509	1,369	5,878
XX/XX-23-048-23W5/WLR	PR2-A	0	0	0	0	0	2,472	3,609	2,963	2,438	1,995	1,638	1,345	6,008	1,869	7,877
XX/01-23-048-23W5/WLR	PR2-A	0	0	0	0	0	2,472	3,609	2,963	2,438	1,995	1,638	1,345	6,008	1,869	7,877
XX/XX-24-048-23W5/WLR	PR2-A	0	0	0	0	3,102	4,526	3,711	3,043	2,502	2,045	1,677	1,376	8,024	1,905	9,929
XX/01-24-048-23W5/WLR	PR2-A	0	0	0	0	3,102	4,526	3,711	3,043	2,502	2,045	1,677	1,376	8,024	1,905	9,929
XX/XX-26-048-23W5/WLR	PR2-A	0	0	0	0	2,419	3,530	2,895	2,375	1,953	1,597	1,310	1,075	6,261	1,424	7,685
XX/13-26-048-23W5/WLR	PR2-A	0	0	0	0	2,419	3,530	2,895	2,375	1,953	1,597	1,310	1,075	6,261	1,424	7,685
XX/XX-27-048-23W5/WLR	PR2-A	0	0	0	0	0	1,841	2,686	2,204	1,813	1,483	1,216	998	4,468	1,248	5,716
XX/13-27-048-23W5/WLR	PR2-A	0	0	0	0	0	1,841	2,686	2,204	1,813	1,483	1,216	998	4,468	1,248	5,716
XX/XX-34-048-23W5/WLR	PR2-A	0	0	0	0	0	1,738	2,545	2,103	1,728	1,424	1,174	3,910	1,657	5,566	
XX/01-34-048-23W5/WLR	PR2-A	0	0	0	0	0	1,738	2,545	2,103	1,728	1,424	1,174	3,910	1,657	5,566	
XX/XX-35-048-23W5/WLR	PR2-A	0	0	0	0	2,313	3,372	2,763	2,270	1,854	1,519	1,245	5,598	1,719	7,316	
XX/01-35-048-23W5/WLR	PR2-A	0	0	0	0	2,313	3,372	2,763	2,270	1,854	1,519	1,245	5,598	1,719	7,316	
<b>Total: Best Estimate Prospective Resources - Prospect</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>46,280</b>	<b>117,051</b>	<b>153,783</b>	<b>141,770</b>	<b>115,156</b>	<b>93,713</b>	<b>76,761</b>	<b>63,007</b>	<b>294,745</b>	<b>85,561</b>	<b>380,306</b>
<b>High Estimate Prospective Resources - Prospect</b>																
XX/XX-16-045-19W5/WLR	PR3-A	0	0	0	0	0	1,789	2,612	2,145	1,766	1,446	1,188	975	4,351	1,224	5,575
XX/13-16-045-19W5/WLR	PR3-A	0	0	0	0	0	1,789	2,612	2,145	1,766	1,446	1,188	975	4,351	1,224	5,575
XX/XX-20-045-19W5/WLR	PR3-A	0	0	0	0	0	2,000	2,927	2,409	1,988	1,632	1,343	1,106	4,893	1,483	6,376
XX/09-20-045-19W5/WLR	PR3-A	0	0	0	0	0	2,000	2,927	2,409	1,988	1,632	1,343	1,106	4,893	1,483	6,376
XX/12-29-045-19W5/WLR	PR3-A	0	0	0	0	0	1,893	2,761	2,270	1,856	1,521	1,248	4,215	1,727	5,942	
XX/XX-30-045-19W5/WLR	PR3-A	0	0	0	0	0	1,945	2,838	2,333	1,907	1,564	1,283	4,333	1,776	6,109	
XX/02-30-045-19W5/WLR	PR3-A	0	0	0	0	0	1,945	2,838	2,333	1,907	1,564	1,283	4,333	1,776	6,109	
XX/XX-31-045-19W5/WLR	PR3-A	0	0	0	0	0	1,893	2,762	2,271	1,857	1,523	1,250	4,218	1,732	5,950	
XX/08-31-045-19W5/WLR	PR3-A	0	0	0	0	0	1,893	2,762	2,271	1,857	1,523	1,250	4,218	1,732	5,950	
XX/XX-36-045-20W5/WLR	PR3-A	0	0	0	0	0	1,896	2,777	2,294	1,886	1,554	1,281	4,266	1,809	6,075	
XX/13-36-045-20W5/WLR	PR3-A	0	0	0	0	0	1,896	2,777	2,294	1,886	1,554	1,281	4,266	1,809	6,075	
XX/XX-04-046-19W5/WLR	PR3-A	0	0	0	0	0	2,831	2,819	1,759	1,255	959	770	639	4,027	1,244	5,271
XX/05-04-046-19W5/WLR	PR3-A	0	0	0	0	0	2,831	2,819	1,759	1,255	959	770	639	4,027	1,244	5,271
XX/XX-07-046-19W5/WLR	PR3-A	0	0	0	0	0	2,854	2,854	1,783	1,265	969	778	3,840	1,492	5,332	
XX/XX-07-046-19W5/WLR	PR3-A	0	0	0	0	0	2,854	2,854	1,783	1,265	969	778	3,840	1,492	5,332	
XX/13-07-046-19W5/WLR	PR3-A	0	0	0	0	0	2,871	2,846	1,783	1,265	969	778	3,840	1,492	5,332	
XX/13-07-046-19W5/WLR	PR3-A	0	0	0	0	0	2,871	2,846	1,783	1,265	969	778	3,840	1,492	5,332	
XX/XX-08-046-19W5/WLR	PR3-A	0	0	0	0	0	3,035	3,004	1,867	1,330	1,015	815	676	4,286	1,391	5,676
XX/XX-08-046-19W5/WLR	PR3-A	0	0	0	0	0	3,035	3,004	1,867	1,330	1,015	815	676	4,286	1,391	5,676
XX/01-08-046-19W5/WLR	PR3-A	0	0	0	0	0	3,035	3,004	1,867	1,330	1,015	815	676	4,286	1,391	5,676
XX/01-08-046-19W5/WLR	PR3-A	0	0	0	0	0	3,035	3,004	1,867	1,330	1,015	815	676	4,286	1,391	5,676
XX/XX-18-046-19W5/WLR	PR3-A	0	0	0	0	0	2,263	2,263	3,310	2,239	1,842	1,515	5,073	2,202	7,275	
XX/03-18-046-19W5/WLR	PR3-A	0	0	0	0	0	2,263	2,263	3,310	2,239	1,842	1,515	5,073	2,202	7,275	
XX/XX-01-046-20W5/WLR	PR3-A	0	0	0	0	2,105	3,077	2,530	2,080	1,714	1,405	1,155	950	5,481	1,196	6,677
XX/12-01-046-20W5/WLR	PR3-A	0	0	0	0	2,105	3,077	2,530	2,080	1,714	1,405	1,155	950	5,481	1,196	6,677

Unrisked Company Daily Sales Gas Production

Entity Description	Resource Class	Year (Mcf/d)											Totals (MMcf)			
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Subtotal	Remainder	Total
<b>High Estimate Prospective Resources - Prospect (Cont.)</b>																
XX/XX-13-046-20W5/WLR	PR3-A	0	0	0	0	0	2,471	3,606	2,957	2,431	1,988	1,630	1,337	5,993	1,852	7,846
XX/12-1-046-20W5/WLR	PR3-A	0	0	0	0	0	2,471	3,606	2,957	2,431	1,988	1,630	1,337	5,993	1,852	7,846
XX/XX-16-046-20W5/WLR	PR3-A	0	0	0	0	3,682	5,374	4,411	3,620	2,978	2,437	2,000	1,641	6,411	2,363	11,904
XX/01-16-046-20W5/WLR	PR3-A	0	0	0	0	3,682	5,374	4,411	3,620	2,978	2,437	2,000	1,641	6,411	2,363	11,904
XX/XX-17-046-20W5/WLR	PR3-A	0	0	0	0	2,523	3,678	3,014	2,469	2,028	1,656	1,357	1,112	6,511	1,467	7,977
XX/13-17-046-20W5/WLR	PR3-A	0	0	0	0	2,523	3,678	3,014	2,469	2,028	1,656	1,357	1,112	6,511	1,467	7,977
XX/XX-20-046-20W5/WLR	PR3-A	0	0	0	0	2,892	4,218	3,458	2,835	2,330	1,904	1,561	1,280	7,474	1,770	9,244
XX/13-20-046-20W5/WLR	PR3-A	0	0	0	0	2,892	4,218	3,458	2,835	2,330	1,904	1,561	1,280	7,474	1,770	9,244
XX/XX-21-046-20W5/WLR	PR3-A	0	0	0	0	3,892	5,681	4,662	3,826	3,148	2,576	2,114	1,735	10,087	2,497	12,584
XX/01-21-046-20W5/WLR	PR3-A	0	0	0	0	3,892	5,681	4,662	3,826	3,148	2,576	2,114	1,735	10,087	2,497	12,584
XX/XX-28-046-20W5/WLR	PR3-A	0	0	0	0	4,049	5,908	4,846	3,975	3,269	2,673	2,193	1,799	10,480	2,584	13,065
XX/08-28-046-20W5/WLR	PR3-A	0	0	0	0	4,049	5,908	4,846	3,975	3,269	2,673	2,193	1,799	10,480	2,584	13,065
XX/15-07-048-22W5/WLR	PR3-A	0	0	0	0	3,891	5,678	4,657	3,820	3,141	2,568	2,107	1,728	10,070	2,481	12,551
XX/XX-08-048-22W5/WLR	PR3-A	0	0	0	0	3,891	5,678	4,657	3,820	3,141	2,568	2,107	1,728	10,070	2,481	12,551
XX/13-08-048-22W5/WLR	PR3-A	0	0	0	0	0	4,310	6,284	5,148	4,228	3,453	2,829	2,318	10,428	3,485	13,914
XX/XX-09-048-22W5/WLR	PR3-A	0	0	0	0	0	4,365	6,370	5,225	4,297	3,515	2,884	2,366	10,593	3,578	14,171
XX/02-09-048-22W5/WLR	PR3-A	0	0	0	0	0	4,365	6,370	5,225	4,297	3,515	2,884	2,366	10,593	3,578	14,171
XX/XX-14-048-23W5/WLR	PR3-A	0	0	0	0	3,051	4,456	3,660	3,005	2,474	2,026	1,664	1,366	7,921	1,903	9,824
XX/01-14-048-23W5/WLR	PR3-A	0	0	0	0	3,051	4,456	3,660	3,005	2,474	2,026	1,664	1,366	7,921	1,903	9,824
XX/XX-22-048-23W5/WLR	PR3-A	0	0	0	0	0	2,368	3,463	2,856	2,349	1,927	1,585	1,304	5,783	1,826	7,609
XX/13-22-048-23W5/WLR	PR3-A	0	0	0	0	0	2,368	3,463	2,856	2,349	1,927	1,585	1,304	5,783	1,826	7,609
XX/XX-23-048-23W5/WLR	PR3-A	0	0	0	0	0	3,156	4,611	3,788	3,119	2,555	2,099	1,724	7,684	2,491	10,175
XX/01-23-048-23W5/WLR	PR3-A	0	0	0	0	0	3,156	4,611	3,788	3,119	2,555	2,099	1,724	7,684	2,491	10,175
XX/XX-24-048-23W5/WLR	PR3-A	0	0	0	0	3,995	5,824	4,771	3,909	3,210	2,622	2,148	1,760	10,308	2,516	12,824
XX/01-24-048-23W5/WLR	PR3-A	0	0	0	0	3,995	5,824	4,771	3,909	3,210	2,622	2,148	1,760	10,308	2,516	12,824
XX/XX-26-048-23W5/WLR	PR3-A	0	0	0	0	3,102	4,526	3,712	3,044	2,502	2,046	1,678	1,376	8,025	1,906	9,930
XX/13-26-048-23W5/WLR	PR3-A	0	0	0	0	3,102	4,526	3,712	3,044	2,502	2,046	1,678	1,376	8,025	1,906	9,930
XX/XX-27-048-23W5/WLR	PR3-A	0	0	0	0	0	2,366	3,450	2,828	2,324	1,899	1,556	1,276	5,730	1,763	7,493
XX/13-27-048-23W5/WLR	PR3-A	0	0	0	0	0	2,366	3,450	2,828	2,324	1,899	1,556	1,276	5,730	1,763	7,493
XX/XX-34-048-23W5/WLR	PR3-A	0	0	0	0	0	0	2,262	3,303	2,719	2,226	1,828	1,501	5,052	2,166	7,218
XX/01-34-048-23W5/WLR	PR3-A	0	0	0	0	0	0	2,262	3,303	2,719	2,226	1,828	1,501	5,052	2,166	7,218
XX/XX-35-048-23W5/WLR	PR3-A	0	0	0	0	2,945	4,298	3,526	2,900	2,372	1,946	1,597	1,148	2,295	9,443	
XX/01-35-048-23W5/WLR	PR3-A	0	0	0	0	2,945	4,298	3,526	2,900	2,372	1,946	1,597	1,148	2,295	9,443	
<b>Total: High Estimate Prospective Resources - Prospect</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>59,370</b>	<b>149,805</b>	<b>196,636</b>	<b>181,233</b>	<b>147,203</b>	<b>119,794</b>	<b>98,123</b>	<b>80,538</b>	<b>376,936</b>	<b>116,351</b>	<b>493,288</b>

Company: **Persta Resources Inc.**  
 Property: **Kaydee-Voyager**

Table 3

Effective Date: **September 30, 2016**

**Economic Parameters**

**A) Price Forecasts and By-Product Data**

GLJ (2016-10)  
 Gas Heat Content: 1080.00 Btu/scf  
 Surface Loss: 5.0 %  
 Price Adjustment:  
 Residue Gas: 0.24 \$/Mcf  
 Propane: 2.90 \$/bbl  
 Condensate: -5.30 \$/bbl  
 Yields (raw):  
 Propane: 2.4 bbl/MMcf  
 Condensate: 5.7 bbl/MMcf

Name	Oil Reference	Gas Reference
Kaydee-Voyager		
All Cases	EDM_L	ADS

**Glossary**

ADS: Alberta Direct Spot Plant-gate Price  
 COND: Alberta C5+ Product Pricing  
 EDM\_L: Light Crude to Edmonton, Ref. Quality 40 degree API, Sul. 0.3%  
 PROD: Alberta C2, C3, C4 and Sulphur Product Pricing

**B) Operating Costs (2016 Dollars)**

Major Stream Costs:  
 Fixed: 21500 \$/well/month  
 Plant Costs:  
 Variable: 0.67 \$/Mcf

All variable costs are \$/product (sales).

**C) Gas Cost Allowance (2016 Dollars)**

Operating Costs included in GCA Allowance:  
 Variable Plant: 0.67 \$/Mcf

**D) Abandonment Costs (2016 Dollars)**

Abandonment:  
 Well Costs: 95.0 M\$/well  
 Reclamation:  
 Well Costs: 30.0 M\$/well

**E) Capital Costs (2016 Dollars)**

**Unrisked Capital Summary (2016 Dollars)**

Year	On Stream	Well/Area	RC	Development Description	Gross Lease Capital Expenditures (MS)			Total	Company Capital Expenditures Total MS	Capital Interest %
					Development	Tangible	Plant & Gath.			
<i>Low Estimate Prospective Resources - Prospect</i>										
2020		Facilities		PR1-A Plants, Pipelines, & Compressors	0	0	80,860	80,860	80,860	100.00
Jun		XX/XX-01-046-20W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/12-01-046-20W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-16-046-20W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/01-16-046-20W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-17-046-20W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/13-17-046-20W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-20-046-20W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/13-20-046-20W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-21-046-20W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/01-21-046-20W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-28-046-20W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/08-28-046-20W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/15-07-048-22W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-14-048-23W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/01-14-048-23W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-24-048-23W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/01-24-048-23W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-26-048-23W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00

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**Table 3**  
**Economic Parameters**  
**Unrisked Capital Summary (2016 Dollars)**

Year	On Stream	Well/Area	RC	Development Description	Gross Lease Capital Expenditures (MS)			Company Capital Expenditures		Capital Interest %
					Development	Tangible	Plant & Gath.	Total	Total MS	
<i>Low Estimate Prospective Resources - Prospect (Cont.)</i>										
2021		Facilities		PR1-A Plants, Pipelines, & Compressors	0	0	38,170	38,170	38,170	100.00
Jun		XX/XX-16-045-19W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/13-16-045-19W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-20-045-19W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/09-20-045-19W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-04-046-19W5/MP		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/05-04-046-19W5/MP		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-08-046-19W5/MP		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/01-08-046-19W5/MP		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/03-18-046-19W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-13-046-20W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/12-13-046-20W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-08-048-22W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/13-08-048-22W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-09-048-22W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/02-09-048-22W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/13-22-048-23W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-23-048-23W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/01-23-048-23W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-27-048-23W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/13-27-048-23W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-35-048-23W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/01-35-048-23W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
2022		Facilities		PR1-A Plants, Pipelines, & Compressors	0	0	10,260	10,260	10,260	100.00
Jun		XX/12-29-045-19W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-30-045-19W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/02-30-045-19W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-31-045-19W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/08-31-045-19W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-36-045-20W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/13-36-045-20W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-07-046-19W5/MP		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-07-046-19W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/13-07-046-19W5/MP		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/13-07-046-19W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-08-046-19W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/01-08-046-19W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-18-046-19W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-22-048-23W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/13-26-048-23W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-34-048-23W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/01-34-048-23W5/WLR		PR1-A DCET	7,500	350	500	8,350	8,350	100.00
<b>Total: Low Estimate Prospective Resources - Prospect</b>					<b>435,000</b>	<b>20,300</b>	<b>158,290</b>	<b>613,590</b>	<b>613,590</b>	<b>100.00</b>
<i>Best Estimate Prospective Resources - Prospect</i>										
2020		Facilities		PR2-A Plants, Pipelines, & Compressors	0	0	80,860	80,860	80,860	100.00
Jun		XX/XX-01-046-20W5/WLR		PR2-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/12-01-046-20W5/WLR		PR2-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-16-046-20W5/WLR		PR2-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/01-16-046-20W5/WLR		PR2-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-17-046-20W5/WLR		PR2-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/13-17-046-20W5/WLR		PR2-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-20-046-20W5/WLR		PR2-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/13-20-046-20W5/WLR		PR2-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-21-046-20W5/WLR		PR2-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/01-21-046-20W5/WLR		PR2-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-28-046-20W5/WLR		PR2-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/08-28-046-20W5/WLR		PR2-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/15-07-048-22W5/WLR		PR2-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-14-048-23W5/WLR		PR2-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/01-14-048-23W5/WLR		PR2-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-24-048-23W5/WLR		PR2-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/01-24-048-23W5/WLR		PR2-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-26-048-23W5/WLR		PR2-A DCET	7,500	350	500	8,350	8,350	100.00
2021		Facilities		PR2-A Plants, Pipelines, & Compressors	0	0	38,170	38,170	38,170	100.00
Jun		XX/XX-16-045-19W5/WLR		PR2-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/13-16-045-19W5/WLR		PR2-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-20-045-19W5/WLR		PR2-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/09-20-045-19W5/WLR		PR2-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/XX-04-046-19W5/MP		PR2-A DCET	7,500	350	500	8,350	8,350	100.00
Jun		XX/05-04-046-19W5/MP		PR2-A DCET	7,500	350	500	8,350	8,350	100.00

**Table 3**  
**Economic Parameters**  
**Unrisked Capital Summary (2016 Dollars)**

Year	On Stream	Well/Area	RC	Development Description	Gross Lease Capital Expenditures (MS)			Total	Company Capital Expenditures	
					Development	Tangible	Plant & Gath.		Total MS	Capital Interest %
<i>Best Estimate Prospective Resources - Prospect (Cont.)</i>										
2021	Jun	XX/XX-08-046-19W5/MP	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/01-08-046-19W5/MP	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/03-18-046-19W5/WLR	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-13-046-20W5/WLR	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/12-13-046-20W5/WLR	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-08-048-22W5/WLR	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/13-08-048-22W5/WLR	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-09-048-22W5/WLR	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/02-09-048-22W5/WLR	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/13-22-048-23W5/WLR	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-23-048-23W5/WLR	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/01-23-048-23W5/WLR	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-27-048-23W5/WLR	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/13-27-048-23W5/WLR	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-35-048-23W5/WLR	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/01-35-048-23W5/WLR	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
2022		Facilities	PR2-A	Plants, Pipelines, & Compressors	0	0	10,260	10,260	10,260	100.00
	Jun	XX/12-29-045-19W5/WLR	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-30-045-19W5/WLR	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/02-30-045-19W5/WLR	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-31-045-19W5/WLR	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/08-31-045-19W5/WLR	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-36-045-20W5/WLR	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/13-36-045-20W5/WLR	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-07-046-19W5/MP	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-07-046-19W5/WLR	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/13-07-046-19W5/MP	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/13-07-046-19W5/WLR	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-08-046-19W5/WLR	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/01-08-046-19W5/WLR	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-18-046-19W5/WLR	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-22-048-23W5/WLR	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/13-26-048-23W5/WLR	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-34-048-23W5/WLR	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/01-34-048-23W5/WLR	PR2-A	DCET	7,500	350	500	8,350	8,350	100.00
<b>Total: Best Estimate Prospective Resources - Prospect</b>					<b>435,000</b>	<b>20,300</b>	<b>158,290</b>	<b>613,590</b>	<b>613,590</b>	<b>100.00</b>
<i>High Estimate Prospective Resources - Prospect</i>										
2020		Facilities	PR3-A	Plants, Pipelines, & Compressors	0	0	80,860	80,860	80,860	100.00
	Jun	XX/XX-01-046-20W5/WLR	PR3-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/12-01-046-20W5/WLR	PR3-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-16-046-20W5/WLR	PR3-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/01-16-046-20W5/WLR	PR3-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-17-046-20W5/WLR	PR3-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/13-17-046-20W5/WLR	PR3-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-20-046-20W5/WLR	PR3-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/13-20-046-20W5/WLR	PR3-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-21-046-20W5/WLR	PR3-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/01-21-046-20W5/WLR	PR3-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-28-046-20W5/WLR	PR3-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/08-28-046-20W5/WLR	PR3-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/15-07-048-22W5/WLR	PR3-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-14-048-23W5/WLR	PR3-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/01-14-048-23W5/WLR	PR3-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-24-048-23W5/WLR	PR3-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/01-24-048-23W5/WLR	PR3-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-26-048-23W5/WLR	PR3-A	DCET	7,500	350	500	8,350	8,350	100.00
2021		Facilities	PR3-A	Plants, Pipelines, & Compressors	0	0	38,170	38,170	38,170	100.00
	Jun	XX/XX-16-045-19W5/WLR	PR3-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/13-16-045-19W5/WLR	PR3-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-20-045-19W5/WLR	PR3-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/09-20-045-19W5/WLR	PR3-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-04-046-19W5/MP	PR3-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/05-04-046-19W5/MP	PR3-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-08-046-19W5/MP	PR3-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/01-08-046-19W5/MP	PR3-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/03-18-046-19W5/WLR	PR3-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-13-046-20W5/WLR	PR3-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/12-13-046-20W5/WLR	PR3-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-08-048-22W5/WLR	PR3-A	DCET	7,500	350	500	8,350	8,350	100.00
	Jun	XX/13-08-048-22W5/WLR	PR3-A	DCET	7,500	350	500	8,350	8,350	100.00

**Table 3**  
**Economic Parameters**  
**Unrisked Capital Summary (2016 Dollars)**

Year	On Stream	Well/Area	RC	Development Description	Gross Lease Capital Expenditures (MS)			Company Capital Expenditures		Capital Interest %
					Development	Tangible	Plant & Gath.	Total	Total MS	
<i>High Estimate Prospective Resources - Prospect (Cont.)</i>										
2021	Jun	XX/XX-09-048-22W5/WLR	PR3-A DCET		7,500	350	500	8,350	8,350	100.00
	Jun	XX/02-09-048-22W5/WLR	PR3-A DCET		7,500	350	500	8,350	8,350	100.00
	Jun	XX/13-22-048-23W5/WLR	PR3-A DCET		7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-23-048-23W5/WLR	PR3-A DCET		7,500	350	500	8,350	8,350	100.00
	Jun	XX/01-23-048-23W5/WLR	PR3-A DCET		7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-27-048-23W5/WLR	PR3-A DCET		7,500	350	500	8,350	8,350	100.00
	Jun	XX/13-27-048-23W5/WLR	PR3-A DCET		7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-35-048-23W5/WLR	PR3-A DCET		7,500	350	500	8,350	8,350	100.00
	Jun	XX/01-35-048-23W5/WLR	PR3-A DCET		7,500	350	500	8,350	8,350	100.00
2022	Jun	Facilities	PR3-A Plants, Pipelines, & Compressors		0	0	10,260	10,260	10,260	100.00
	Jun	XX/12-29-045-19W5/WLR	PR3-A DCET		7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-30-045-19W5/WLR	PR3-A DCET		7,500	350	500	8,350	8,350	100.00
	Jun	XX/02-30-045-19W5/WLR	PR3-A DCET		7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-31-045-19W5/WLR	PR3-A DCET		7,500	350	500	8,350	8,350	100.00
	Jun	XX/08-31-045-19W5/WLR	PR3-A DCET		7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-36-045-20W5/WLR	PR3-A DCET		7,500	350	500	8,350	8,350	100.00
	Jun	XX/13-36-045-20W5/WLR	PR3-A DCET		7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-07-046-19W5/MP	PR3-A DCET		7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-07-046-19W5/WLR	PR3-A DCET		7,500	350	500	8,350	8,350	100.00
	Jun	XX/13-07-046-19W5/MP	PR3-A DCET		7,500	350	500	8,350	8,350	100.00
	Jun	XX/13-07-046-19W5/WLR	PR3-A DCET		7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-08-046-19W5/WLR	PR3-A DCET		7,500	350	500	8,350	8,350	100.00
	Jun	XX/01-08-046-19W5/WLR	PR3-A DCET		7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-18-046-19W5/WLR	PR3-A DCET		7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-22-048-23W5/WLR	PR3-A DCET		7,500	350	500	8,350	8,350	100.00
	Jun	XX/13-26-048-23W5/WLR	PR3-A DCET		7,500	350	500	8,350	8,350	100.00
	Jun	XX/XX-34-048-23W5/WLR	PR3-A DCET		7,500	350	500	8,350	8,350	100.00
	Jun	XX/01-34-048-23W5/WLR	PR3-A DCET		7,500	350	500	8,350	8,350	100.00
<b>Total: High Estimate Prospective Resources - Prospect</b>					<b>435,000</b>	<b>20,300</b>	<b>158,290</b>	<b>613,590</b>	<b>613,590</b>	<b>100.00</b>

## APPENDIX I

## RESERVES ESTIMATION - SUPPORTING INFORMATION

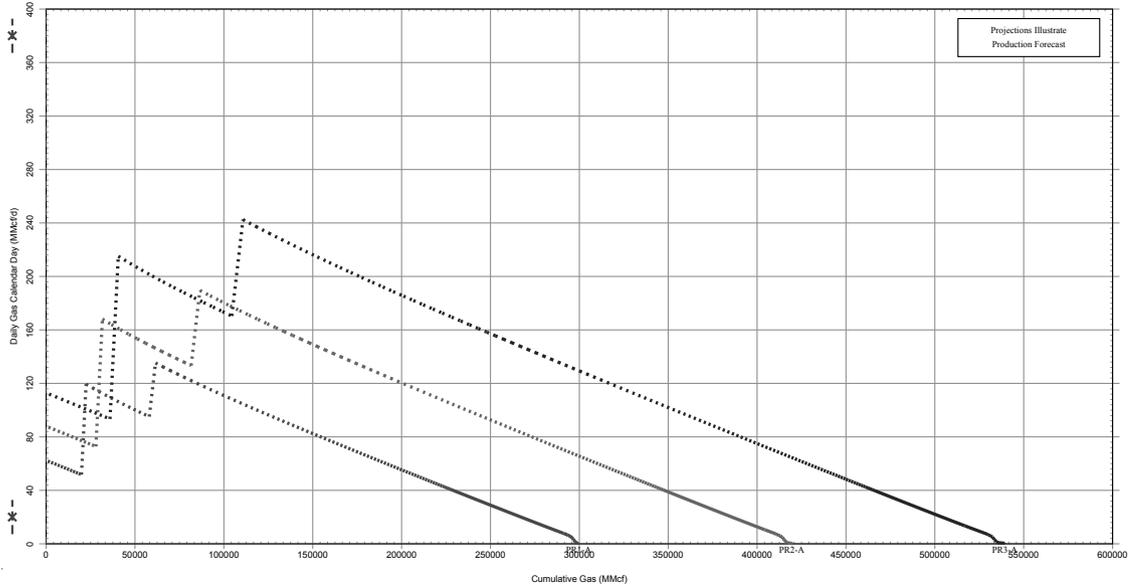
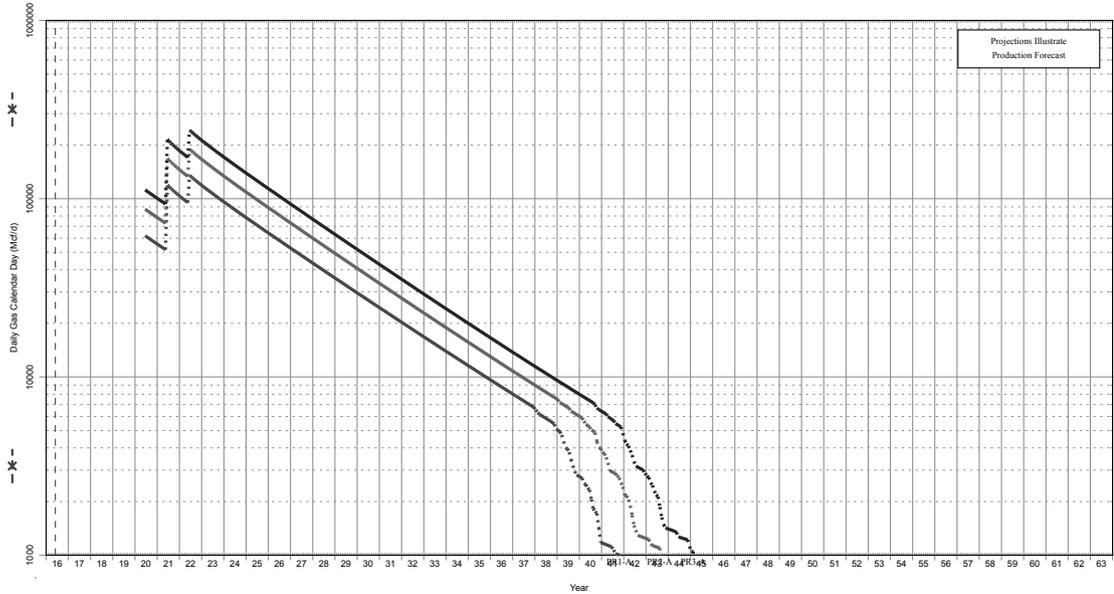
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Historical and Forecast Production  
 Kaydee-Voyager (Prospective Resources)

Property : Kaydee-Voyager



Total Resources Summary At 2016/06/01

Average Production Rates (Last 12 months ending 2016/06/01)

Resources Classification	Raw Gas ( MMcf )		
	Ultimate	Cum Production	Remaining
Low Estimate Prospective Resources - Prospect PR1-A(R)	299636	0	299636
Best Estimate Prospective Resources - Prospect PR2-A(R)	419490	0	419490
High Estimate Prospective Resources - Prospect PR3-A(R)	539345	0	539345
Kaydee-Voyager (Prospective Resources) 1171053 / Nov 20, 2016			

Gas :	0.0 Mcf/d	0.0 Mcf/cd	WGR :	0.0 bbl/MMcf
Oil :	0.0 bbl/d	0.0 bbl/cd	GOR :	0.0 scf/stb
On Prod :	0.0 days		WC :	0.0 %

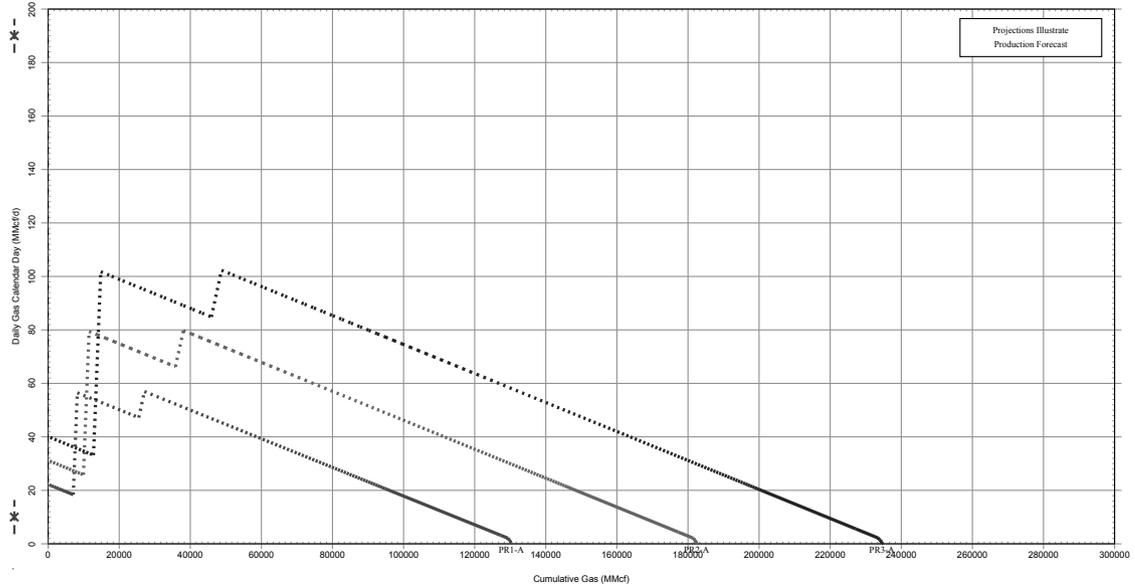
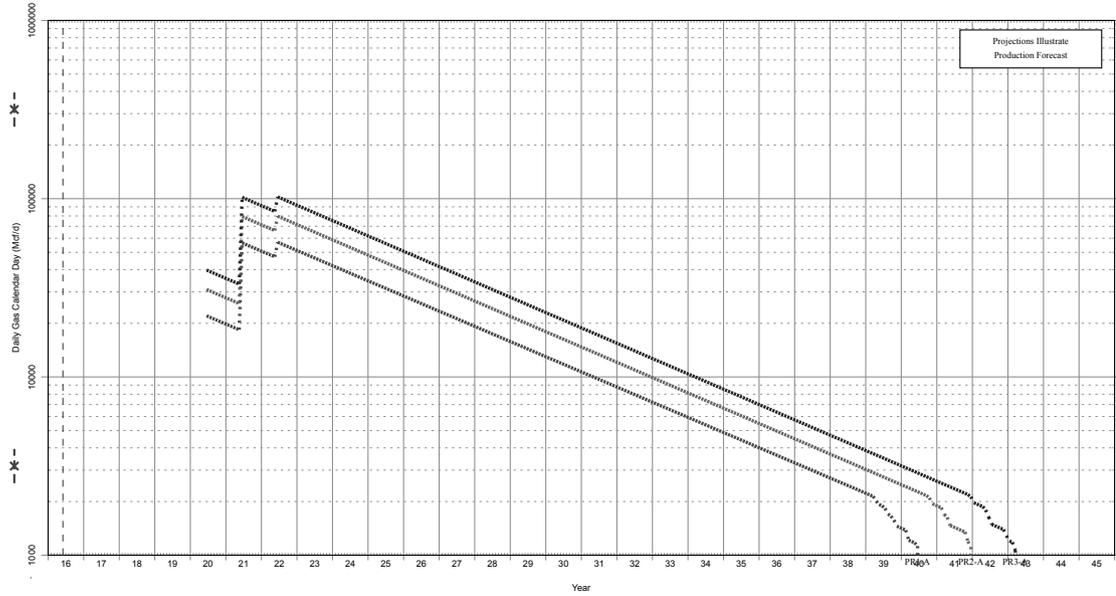
Cumulative Production

Oil :	0.0 Mbbl	Gas :	0.0 MMcf	Water :	0.0 Mbbl
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Historical and Forecast Production  
Kaydee

Property : Kaydee-Voyager



Total Resources Summary At 2016/06/01

Average Production Rates (Last 12 months ending 2016/06/01)

Resources Classification	Raw Gas ( MMcf )		
	Ultimate	Cum Production	Remaining
Low Estimate Prospective Resources - Prospect PR1-A(R)	130330	0	130330
Best Estimate Prospective Resources - Prospect PR2-A(R)	182462	0	182462
High Estimate Prospective Resources - Prospect PR3-A(R)	234594	0	234594

Kaydee  
1171053 / Nov 20, 2016

Gas :	0.0 Mcf/d	0.0 Mcf/cd	WGR :	0.0 bbl/MMcf
Oil :	0.0 bbl/d	0.0 bbl/cd	GOR :	0.0 scf/stb
On Prod :	0.0 days		WC :	0.0 %

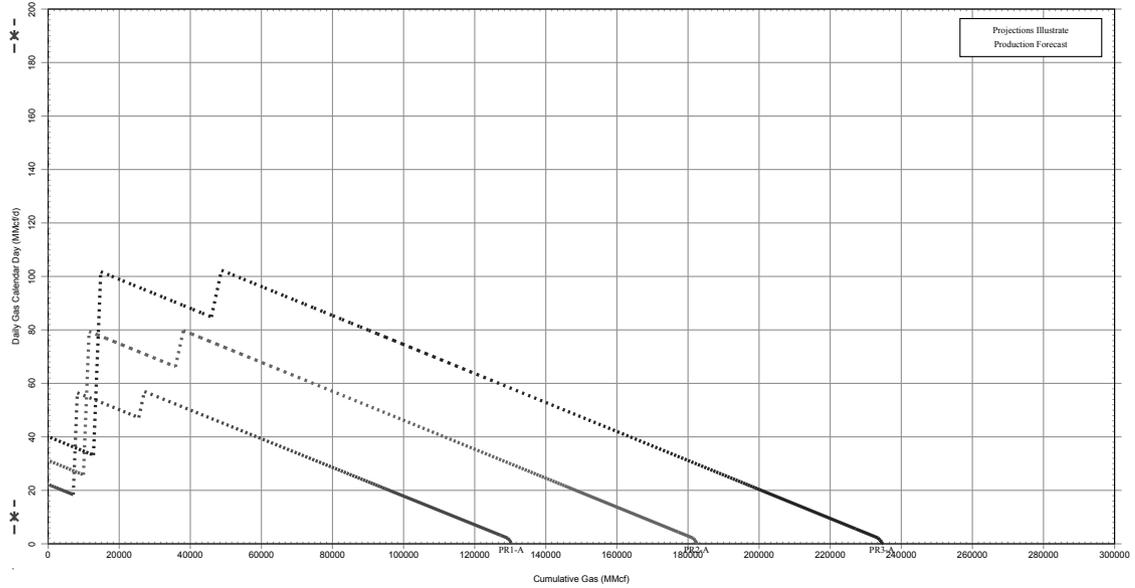
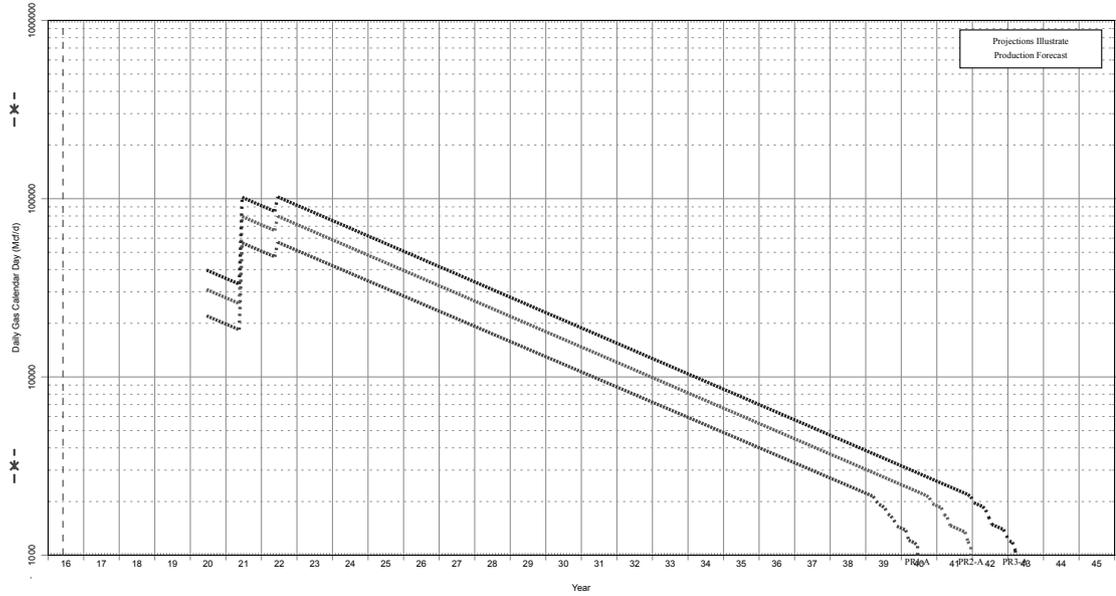
Cumulative Production

Oil :	0.0 Mbbbl	Gas :	0.0 MMcf	Water :	0.0 Mbbbl
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Historical and Forecast Production  
Wilrich - Kaydee

Property : Kaydee-Voyager



Total Resources Summary At 2016/06/01

Average Production Rates (Last 12 months ending 2016/06/01)

Resources Classification	Raw Gas ( MMcf )		
	Ultimate	Cum Production	Remaining
Low Estimate Prospective Resources - Prospect PR1-A(R)	130330	0	130330
Best Estimate Prospective Resources - Prospect PR2-A(R)	182462	0	182462
High Estimate Prospective Resources - Prospect PR3-A(R)	234594	0	234594

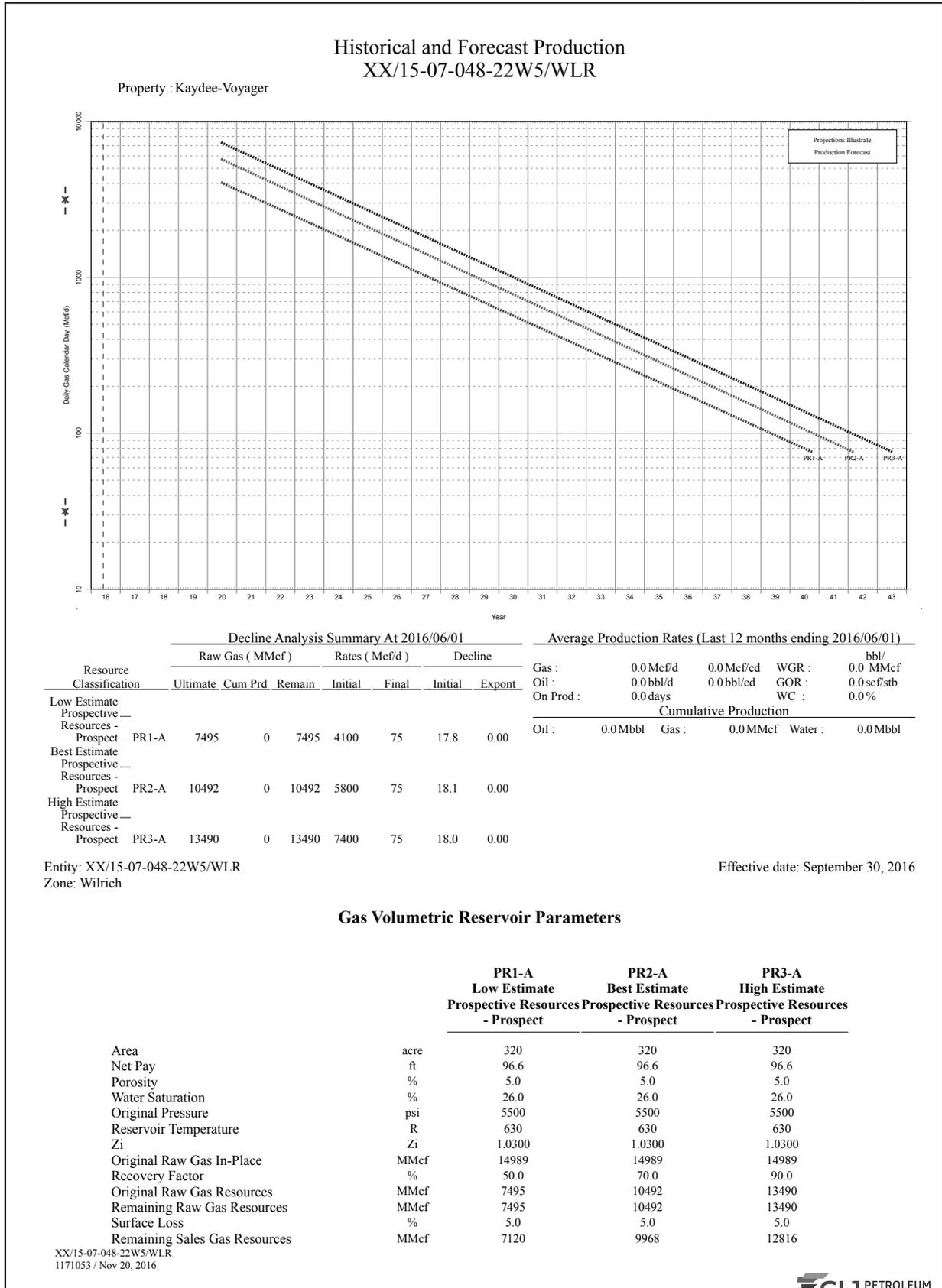
Wilrich - Kaydee  
1171053 / Nov 20, 2016

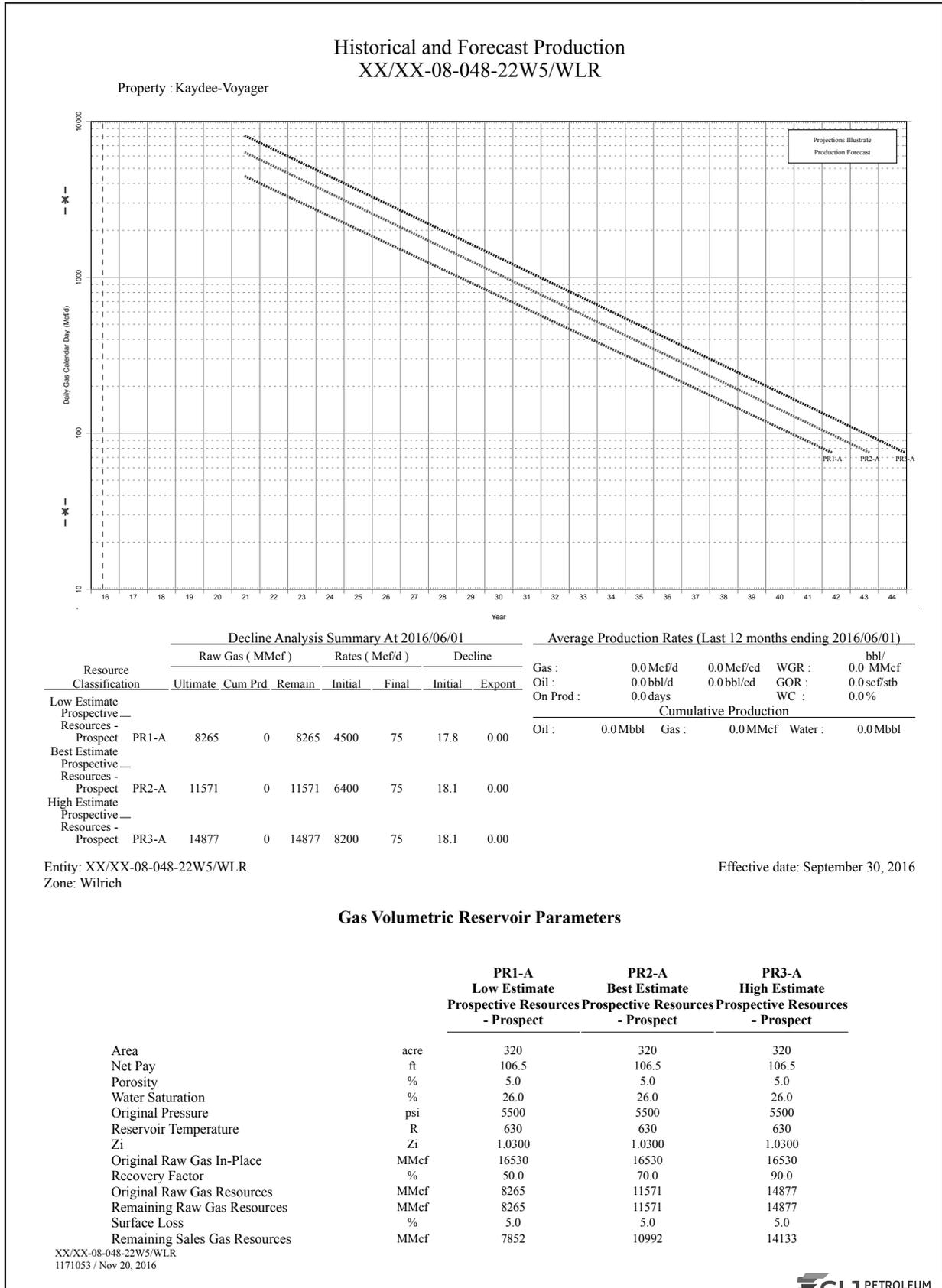
Gas :	0.0 Mcf/d	0.0 Mcf/cd	WGR :	0.0 bbl/MMcf
Oil :	0.0 bbl/d	0.0 bbl/cd	GOR :	0.0 scf/stb
On Prod :	0.0 days		WC :	0.0 %

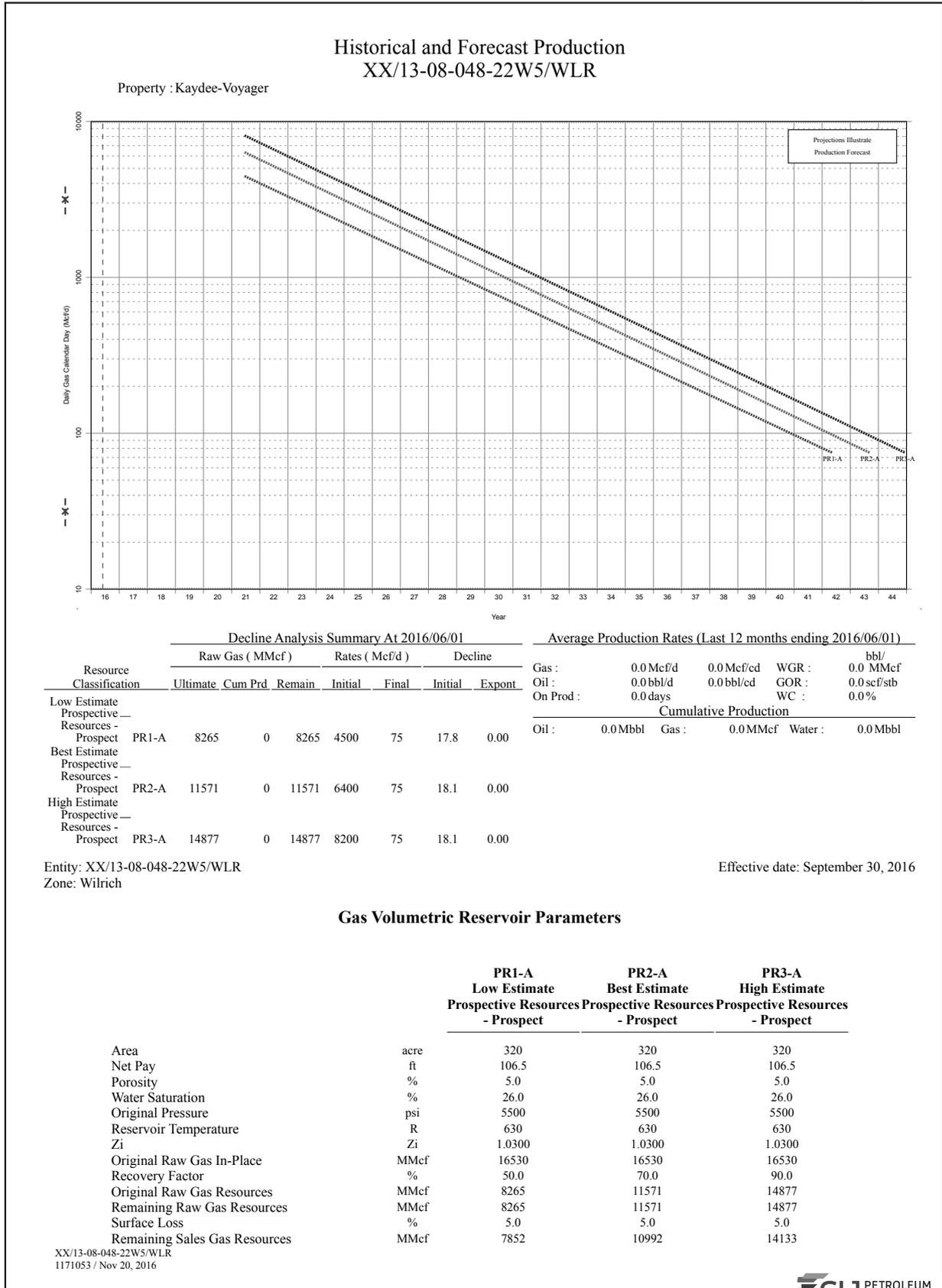
Cumulative Production

Oil :	0.0 Mbbbl	Gas :	0.0 MMcf	Water :	0.0 Mbbbl
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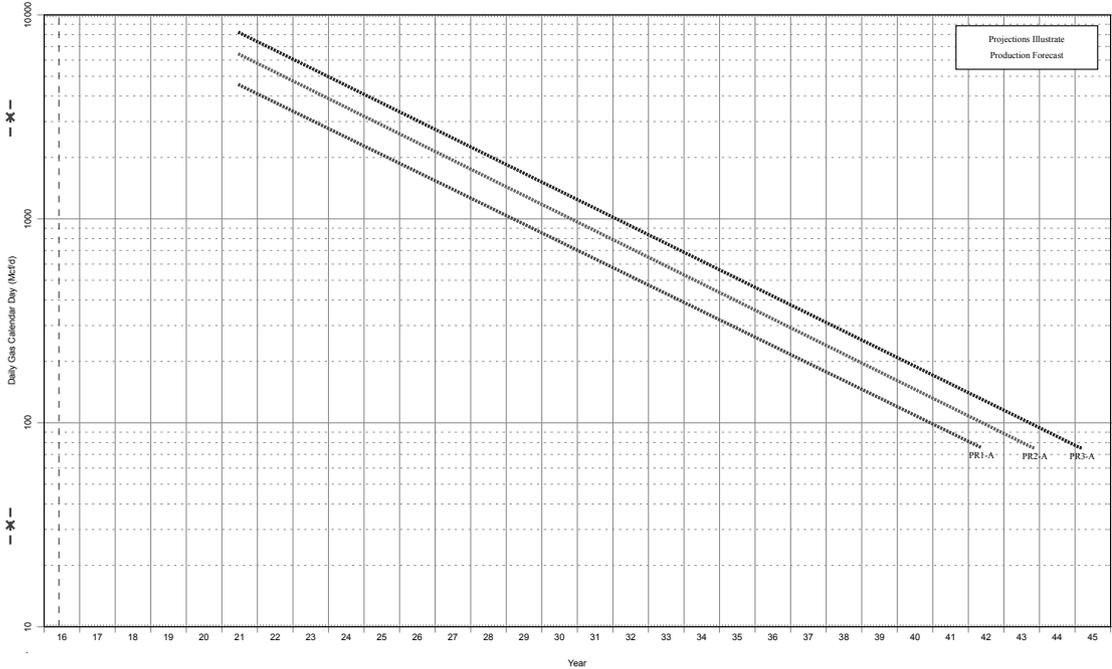






Historical and Forecast Production  
XX/XX-09-048-22W5/WLR

Property : Kaydee-Voyager



Resource Classification	Decline Analysis Summary At 2016/06/01				Average Production Rates (Last 12 months ending 2016/06/01)								
	Raw Gas ( MMcf )		Rates ( Mcf/d )		Decline		Gas :	Oil :	On Prod :				
	Ultimate	Cum Prd	Remain	Initial	Final	Initial	Exptnd	0.0 Mcf/d	0.0 Mcf/cd	WGR :	bbl/		
Low Estimate Prospective — Resources - Prospect PR1-A	8424	0	8424	4600	75	17.8	0.00	0.0 bbl/d	0.0 bbl/cd	GOR :	0.0 MMcf		
Best Estimate Prospective — Resources - Prospect PR2-A	11794	0	11794	6500	75	18.0	0.00	0.0 days	WC :	0.0%			
High Estimate Prospective — Resources - Prospect PR3-A	15163	0	15163	8300	75	18.0	0.00	Cumulative Production					
								Oil :	0.0 Mbbl	Gas :	0.0 MMcf	Water :	0.0 Mbbl

Entity: XX/XX-09-048-22W5/WLR  
Zone: Wilrich

Effective date: September 30, 2016

Gas Volumetric Reservoir Parameters

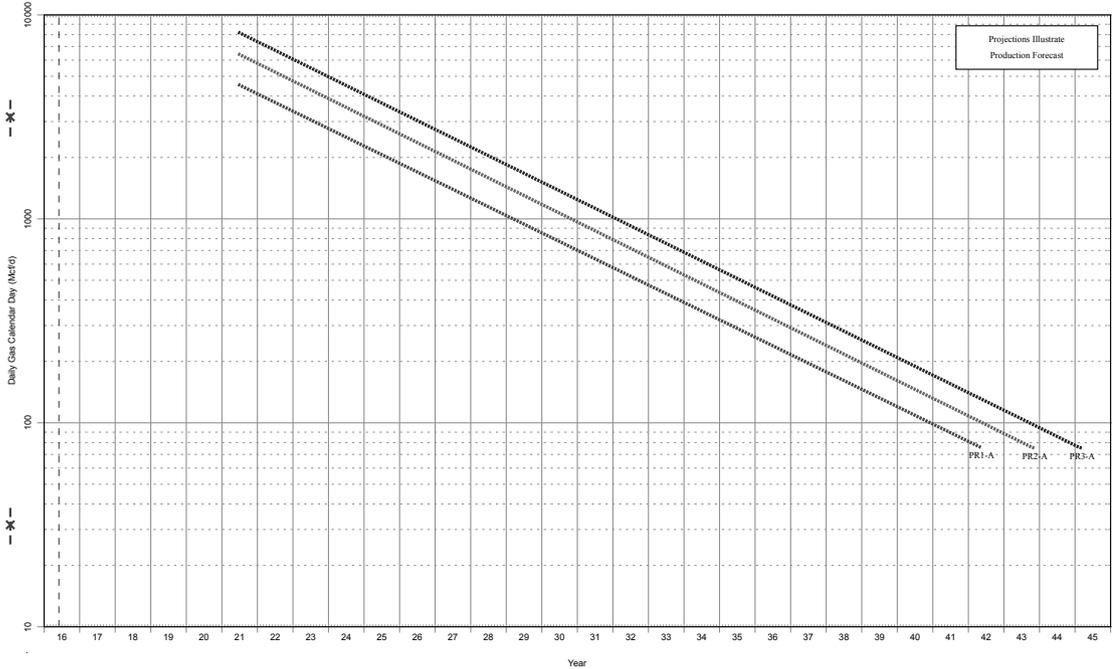
		PR1-A Low Estimate Prospective Resources - Prospect	PR2-A Best Estimate Prospective Resources - Prospect	PR3-A High Estimate Prospective Resources - Prospect
Area	acre	320	320	320
Net Pay	ft	108.6	108.6	108.6
Porosity	%	5.0	5.0	5.0
Water Saturation	%	26.0	26.0	26.0
Original Pressure	psi	5500	5500	5500
Reservoir Temperature	R	630	630	630
Zi	Zi	1.0300	1.0300	1.0300
Original Raw Gas In-Place	MMcf	16848	16848	16848
Recovery Factor	%	50.0	70.0	90.0
Original Raw Gas Resources	MMcf	8424	11794	15163
Remaining Raw Gas Resources	MMcf	8424	11794	15163
Surface Loss	%	5.0	5.0	5.0
Remaining Sales Gas Resources	MMcf	8003	11204	14405

XX/XX-09-048-22W5/WLR  
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Historical and Forecast Production  
XX/02-09-048-22W5/WLR

Property : Kaydee-Voyager



Resource Classification	Decline Analysis Summary At 2016/06/01				Average Production Rates (Last 12 months ending 2016/06/01)						
	Raw Gas ( MMcf)		Rates ( Mcf/d)		Decline		Gas :	Oil :	On Prod :		
	Ultimate	Cum Prd	Remain	Initial	Final	Initial	Exptnd	0.0 Mcf/d	0.0 Mcf/cd	WGR :	bbl/
Low Estimate Prospective Resources - Prospect PR1-A	8424	0	8424	4600	75	17.8	0.00	0.0 bbl/d	0.0 bbl/cd	GOR :	0.0 MMcf
Best Estimate Prospective Resources - Prospect PR2-A	11794	0	11794	6500	75	18.0	0.00	0.0 days	WC :	0.0%	
High Estimate Prospective Resources - Prospect PR3-A	15163	0	15163	8300	75	18.0	0.00	Cumulative Production			
								Oil :	Gas :	Water :	0.0 Mbbl

Entity: XX/02-09-048-22W5/WLR  
Zone: Wilrich

Effective date: September 30, 2016

Gas Volumetric Reservoir Parameters

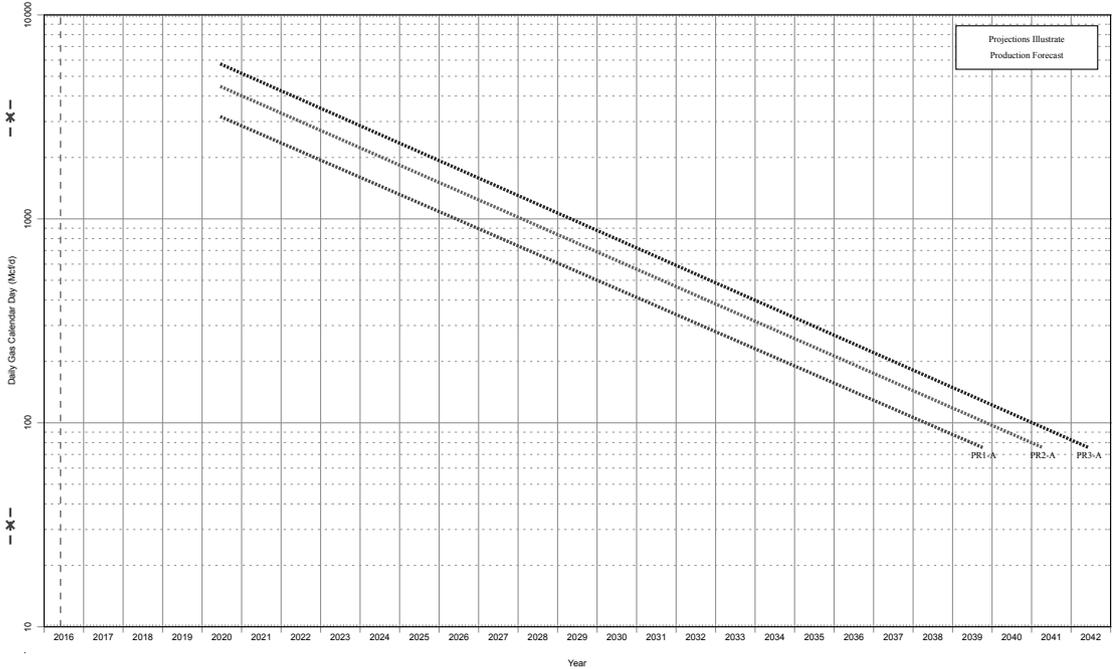
		PR1-A Low Estimate Prospective Resources - Prospect	PR2-A Best Estimate Prospective Resources - Prospect	PR3-A High Estimate Prospective Resources - Prospect
Area	acre	320	320	320
Net Pay	ft	108.6	108.6	108.6
Porosity	%	5.0	5.0	5.0
Water Saturation	%	26.0	26.0	26.0
Original Pressure	psi	5500	5500	5500
Reservoir Temperature	R	630	630	630
Zi	Zi	1.0300	1.0300	1.0300
Original Raw Gas In-Place	MMcf	16848	16848	16848
Recovery Factor	%	50.0	70.0	90.0
Original Raw Gas Resources	MMcf	8424	11794	15163
Remaining Raw Gas Resources	MMcf	8424	11794	15163
Surface Loss	%	5.0	5.0	5.0
Remaining Sales Gas Resources	MMcf	8003	11204	14405

XX/02-09-048-22W5/WLR  
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Historical and Forecast Production  
XX/XX-14-048-23W5/WLR

Property : Kaydee-Voyager



Resource Classification	Decline Analysis Summary At 2016/06/01				Average Production Rates (Last 12 months ending 2016/06/01)						
	Ultimate	Cum Prd	Remain	Initial	Final	Initial	Exprod	Gas :	Oil :	On Prod :	Water :
Low Estimate Prospective Resources - Prospect PR1-A	5895	0	5895	3200	75	17.6	0.00	0.0 Mcf/d	0.0 bbl/d	0.0 days	0.0 MMcf
Best Estimate Prospective Resources - Prospect PR2-A	8253	0	8253	4500	75	17.8	0.00	0.0 Mcf/cd	0.0 bbl/cd		0.0 Mbbl
High Estimate Prospective Resources - Prospect PR3-A	10611	0	10611	5800	75	17.9	0.00	WGR : 0.0 MMcf	GOR : 0.0 scf/stb	WC : 0.0%	0.0 Mbbl

Entity: XX/XX-14-048-23W5/WLR  
Zone: Wilrich

Effective date: September 30, 2016

Gas Volumetric Reservoir Parameters

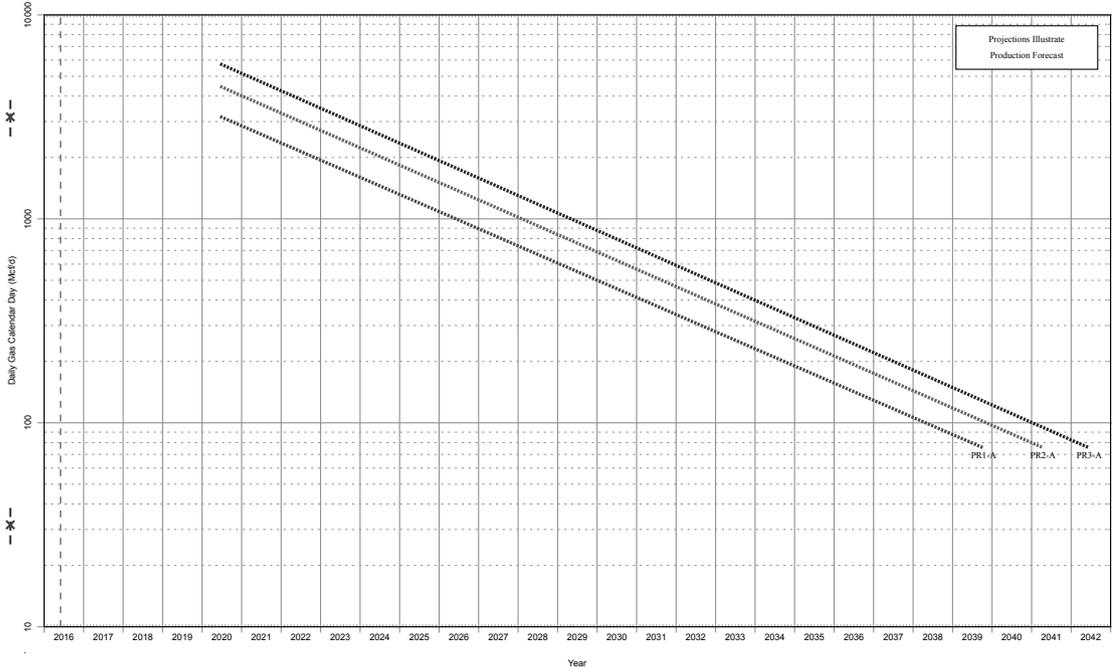
		PR1-A Low Estimate Prospective Resources - Prospect	PR2-A Best Estimate Prospective Resources - Prospect	PR3-A High Estimate Prospective Resources - Prospect
Area	acre	320	320	320
Net Pay	ft	76.0	76.0	76.0
Porosity	%	5.0	5.0	5.0
Water Saturation	%	26.0	26.0	26.0
Original Pressure	psi	5500	5500	5500
Reservoir Temperature	R	630	630	630
Zi	Zi	1.0300	1.0300	1.0300
Original Raw Gas In-Place	MMcf	11790	11790	11790
Recovery Factor	%	50.0	70.0	90.0
Original Raw Gas Resources	MMcf	5895	8253	10611
Remaining Raw Gas Resources	MMcf	5895	8253	10611
Surface Loss	%	5.0	5.0	5.0
Remaining Sales Gas Resources	MMcf	5600	7841	10081

XX/XX-14-048-23W5/WLR  
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Historical and Forecast Production  
XX/01-14-048-23W5/WLR

Property : Kaydee-Voyager



Resource Classification	Decline Analysis Summary At 2016/06/01				Average Production Rates (Last 12 months ending 2016/06/01)			
	Ultimate	Cum Prd	Remain	Initial	Final	Initial	Exprod	Decline
Low Estimate Prospective — Resources - Prospect PR1-A	5895	0	5895	3200	75	17.6	0.00	Gas : 0.0 Mcf/d Oil : 0.0 bbl/d On Prod : 0.0 days
Best Estimate Prospective — Resources - Prospect PR2-A	8253	0	8253	4500	75	17.8	0.00	WGR : 0.0 bbl/cd GOR : 0.0 scf/stb WC : 0.0%
High Estimate Prospective — Resources - Prospect PR3-A	10611	0	10611	5800	75	17.9	0.00	Cumulative Production Oil : 0.0 Mbbl Gas : 0.0 MMcf Water : 0.0 Mbbl

Entity: XX/01-14-048-23W5/WLR  
Zone: Wilrich

Effective date: September 30, 2016

Gas Volumetric Reservoir Parameters

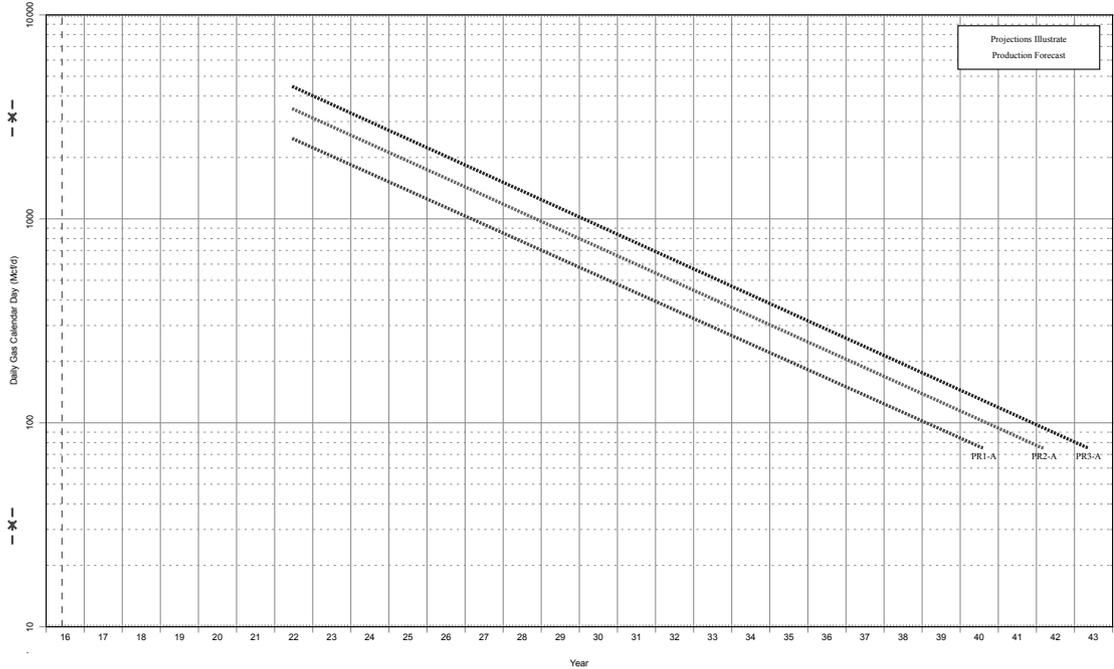
		PR1-A Low Estimate Prospective Resources - Prospect	PR2-A Best Estimate Prospective Resources - Prospect	PR3-A High Estimate Prospective Resources - Prospect
Area	acre	320	320	320
Net Pay	ft	76.0	76.0	76.0
Porosity	%	5.0	5.0	5.0
Water Saturation	%	26.0	26.0	26.0
Original Pressure	psi	5500	5500	5500
Reservoir Temperature	R	630	630	630
Zi	Zi	1.0300	1.0300	1.0300
Original Raw Gas In-Place	MMcf	11790	11790	11790
Recovery Factor	%	50.0	70.0	90.0
Original Raw Gas Resources	MMcf	5895	8253	10611
Remaining Raw Gas Resources	MMcf	5895	8253	10611
Surface Loss	%	5.0	5.0	5.0
Remaining Sales Gas Resources	MMcf	5600	7841	10081

XX/01-14-048-23W5/WLR  
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Historical and Forecast Production  
XX/XX-22-048-23W5/WLR

Property : Kaydee-Voyager



Resource Classification	Decline Analysis Summary At 2016/06/01				Average Production Rates (Last 12 months ending 2016/06/01)			
	Ultimate	Cum Prd	Remain	Initial	Final	Initial	Expond	Decline
Low Estimate Prospective — Resources - Prospect PR1-A	4594	0	4594	2500	75	17.5	0.00	Gas : 0.0 Mcf/d Oil : 0.0 bbl/d On Prod : 0.0 days
Best Estimate Prospective — Resources - Prospect PR2-A	6432	0	6432	3500	75	17.7	0.00	WGR : 0.0 MMcf GOR : 0.0 scf/stb WC : 0.0%
High Estimate Prospective — Resources - Prospect PR3-A	8269	0	8269	4500	75	17.7	0.00	Cumulative Production Oil : 0.0 Mbbl Gas : 0.0 MMcf Water : 0.0 Mbbl

Entity: XX/XX-22-048-23W5/WLR  
Zone: Wilrich

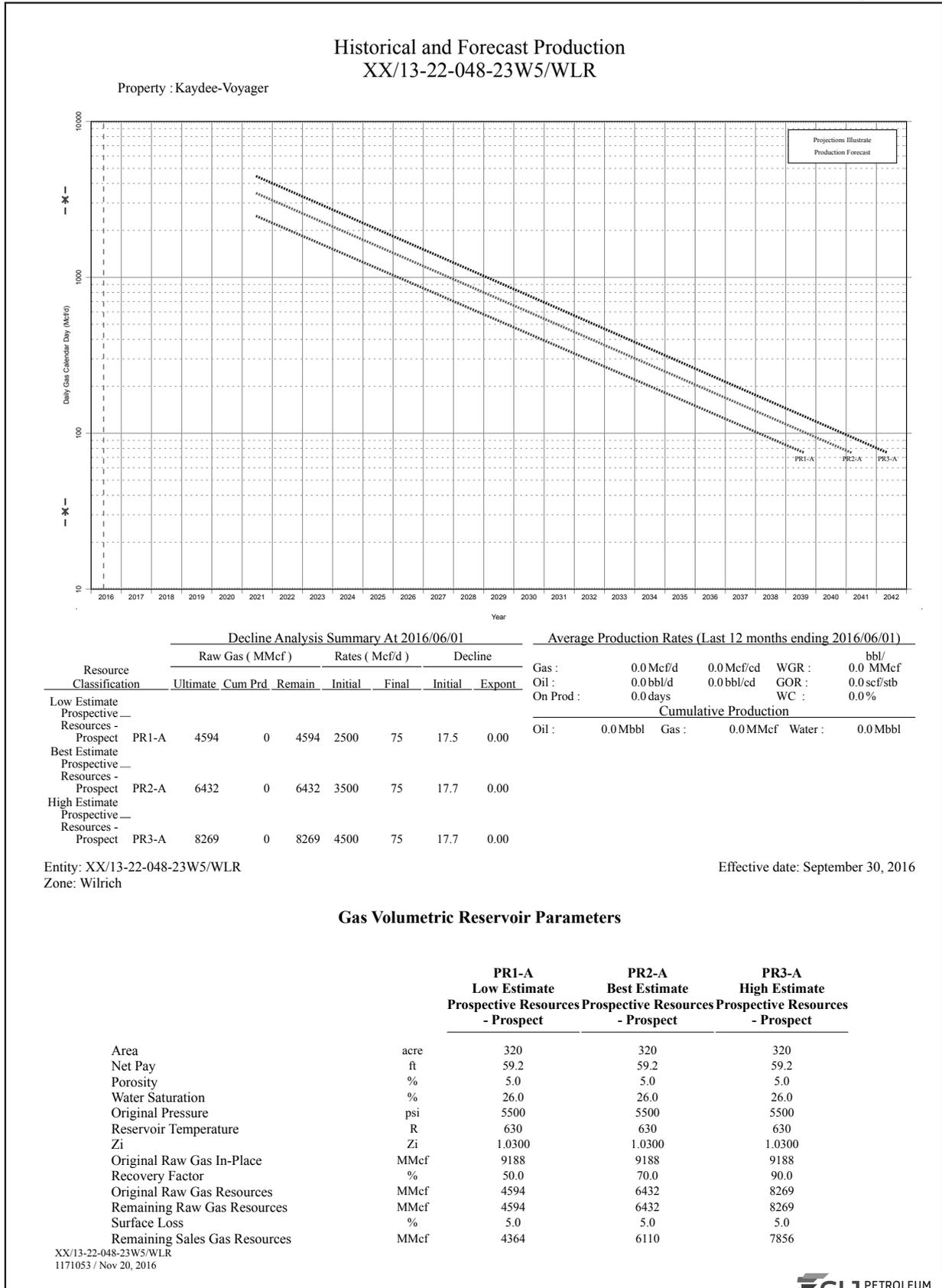
Effective date: September 30, 2016

Gas Volumetric Reservoir Parameters

		PR1-A Low Estimate Prospective Resources - Prospect	PR2-A Best Estimate Prospective Resources - Prospect	PR3-A High Estimate Prospective Resources - Prospect
Area	acre	320	320	320
Net Pay	ft	59.2	59.2	59.2
Porosity	%	5.0	5.0	5.0
Water Saturation	%	26.0	26.0	26.0
Original Pressure	psi	5500	5500	5500
Reservoir Temperature	R	630	630	630
Zi	Zi	1.0300	1.0300	1.0300
Original Raw Gas In-Place	MMcf	9188	9188	9188
Recovery Factor	%	50.0	70.0	90.0
Original Raw Gas Resources	MMcf	4594	6432	8269
Remaining Raw Gas Resources	MMcf	4594	6432	8269
Surface Loss	%	5.0	5.0	5.0
Remaining Sales Gas Resources	MMcf	4364	6110	7856

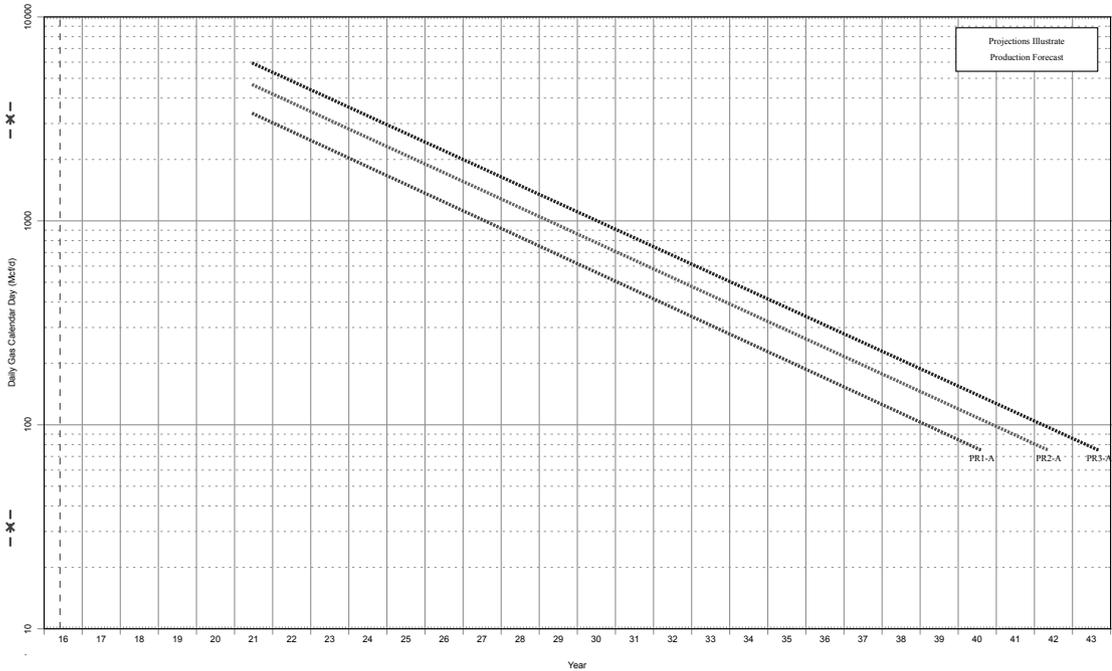
XX/XX-22-048-23W5/WLR  
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Historical and Forecast Production  
XX/XX-23-048-23W5/WLR

Property : Kaydee-Voyager



Resource Classification	Decline Analysis Summary At 2016/06/01				Average Production Rates (Last 12 months ending 2016/06/01)					
	Raw Gas ( MMcf )		Rates ( Mcf/d )		Decline		Gas :	Oil :	On Prod :	
	Ultimate	Cum Prd	Remain	Initial	Final	Initial	Exptnd	0.0 Mcf/d	0.0 Mcf/cd	WGR : 0.0 bbl/MMcf
Low Estimate Prospective — Resources - Prospect PR1-A	6109	0	6109	3400	75	18.0	0.00	0.0 bbl/d	0.0 bbl/cd	GOR : 0.0 scf/stb
Best Estimate Prospective — Resources - Prospect PR2-A	8553	0	8553	4700	75	17.9	0.00	0.0 days	WC :	0.0%
High Estimate Prospective — Resources - Prospect PR3-A	10997	0	10997	6000	75	17.9	0.00	Cumulative Production		
								Oil : 0.0 Mbbl	Gas : 0.0 MMcf	Water : 0.0 Mbbl

Entity: XX/XX-23-048-23W5/WLR  
Zone: Wilrich

Effective date: September 30, 2016

Gas Volumetric Reservoir Parameters

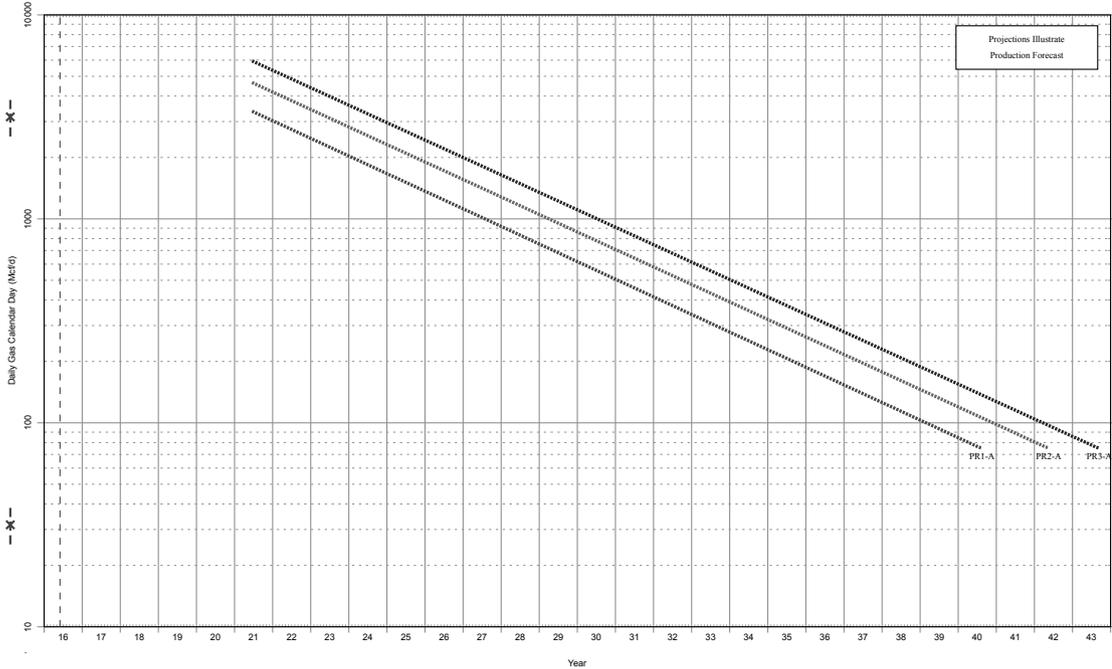
		PR1-A Low Estimate Prospective Resources - Prospect	PR2-A Best Estimate Prospective Resources - Prospect	PR3-A High Estimate Prospective Resources - Prospect
Area	acre	320	320	320
Net Pay	ft	78.7	78.7	78.7
Porosity	%	5.0	5.0	5.0
Water Saturation	%	26.0	26.0	26.0
Original Pressure	psi	5500	5500	5500
Reservoir Temperature	R	630	630	630
Zi	Zi	1.0300	1.0300	1.0300
Original Raw Gas In-Place	MMcf	12219	12219	12219
Recovery Factor	%	50.0	70.0	90.0
Original Raw Gas Resources	MMcf	6109	8553	10997
Remaining Raw Gas Resources	MMcf	6109	8553	10997
Surface Loss	%	5.0	5.0	5.0
Remaining Sales Gas Resources	MMcf	5804	8125	10447

XX/XX-23-048-23W5/WLR  
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Historical and Forecast Production  
XX/01-23-048-23W5/WLR

Property : Kaydee-Voyager



Resource Classification	Decline Analysis Summary At 2016/06/01				Average Production Rates (Last 12 months ending 2016/06/01)							
	Raw Gas ( MMcf )		Rates ( Mcf/d )		Decline		Gas :	Oil :	On Prod :	WGR :	GOR :	WC :
	Ultimate	Cum Prd	Remain	Initial	Final	Initial	Exponent	0.0 Mcf/d	0.0 Mcf/cd	0.0 bbl/cd	0.0 MMcf	0.0 %
Low Estimate Prospective — Resources - Prospect PR1-A	6109	0	6109	3400	75	18.0	0.00	0.0 Mcf/d	0.0 Mcf/cd	0.0 bbl/cd	0.0 MMcf	0.0 %
Best Estimate Prospective — Resources - Prospect PR2-A	8553	0	8553	4700	75	17.9	0.00	0.0 bbl/d	0.0 bbl/cd	0.0 scf/stb	0.0 MMcf	0.0 %
High Estimate Prospective — Resources - Prospect PR3-A	10997	0	10997	6000	75	17.9	0.00	0.0 days	0.0 days	0.0 %	0.0 MMcf	0.0 %

Entity: XX/01-23-048-23W5/WLR  
Zone: Wilrich

Effective date: September 30, 2016

Gas Volumetric Reservoir Parameters

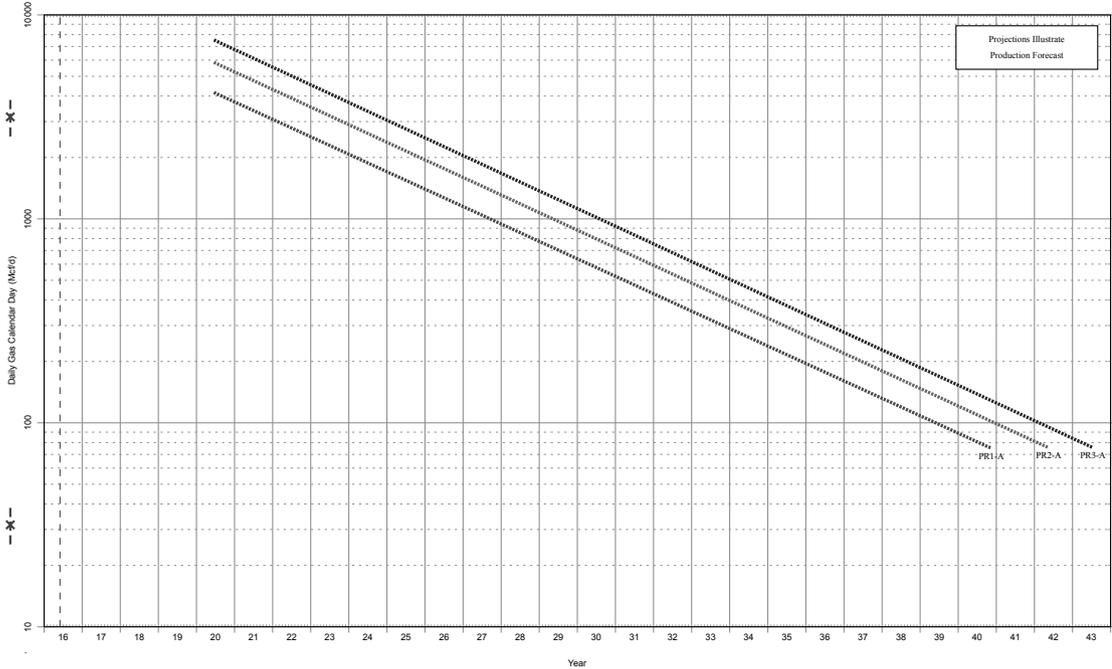
		PR1-A Low Estimate Prospective Resources - Prospect	PR2-A Best Estimate Prospective Resources - Prospect	PR3-A High Estimate Prospective Resources - Prospect
Area	acre	320	320	320
Net Pay	ft	78.7	78.7	78.7
Porosity	%	5.0	5.0	5.0
Water Saturation	%	26.0	26.0	26.0
Original Pressure	psi	5500	5500	5500
Reservoir Temperature	R	630	630	630
Zi	Zi	1.0300	1.0300	1.0300
Original Raw Gas In-Place	MMcf	12219	12219	12219
Recovery Factor	%	50.0	70.0	90.0
Original Raw Gas Resources	MMcf	6109	8553	10997
Remaining Raw Gas Resources	MMcf	6109	8553	10997
Surface Loss	%	5.0	5.0	5.0
Remaining Sales Gas Resources	MMcf	5804	8125	10447

XX/01-23-048-23W5/WLR  
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Historical and Forecast Production  
XX/XX-24-048-23W5/WLR

Property : Kaydee-Voyager



Resource Classification	Decline Analysis Summary At 2016/06/01				Average Production Rates (Last 12 months ending 2016/06/01)					
	Raw Gas ( MMcf)		Rates ( Mcf/d)		Decline		Gas :	Oil :	On Prod :	
	Ultimate	Cum Prd	Remain	Initial	Final	Initial	Exptnd	0.0 Mcf/d	0.0 Mcf/cd	WGR :
Low Estimate Prospective — Resources - Prospect PR1-A	7655	0	7655	4200	75	17.9	0.00	0.0 bbl/d	0.0 bbl/cd	GOR :
Best Estimate Prospective — Resources - Prospect PR2-A	10716	0	10716	5900	75	18.0	0.00	0.0 days	WC :	0.0%
High Estimate Prospective — Resources - Prospect PR3-A	13778	0	13778	7600	75	18.1	0.00	Cumulative Production		
								Oil :	Gas :	Water :
								0.0 Mbbl	0.0 MMcf	0.0 Mbbl

Entity: XX/XX-24-048-23W5/WLR  
Zone: Wilrich

Effective date: September 30, 2016

Gas Volumetric Reservoir Parameters

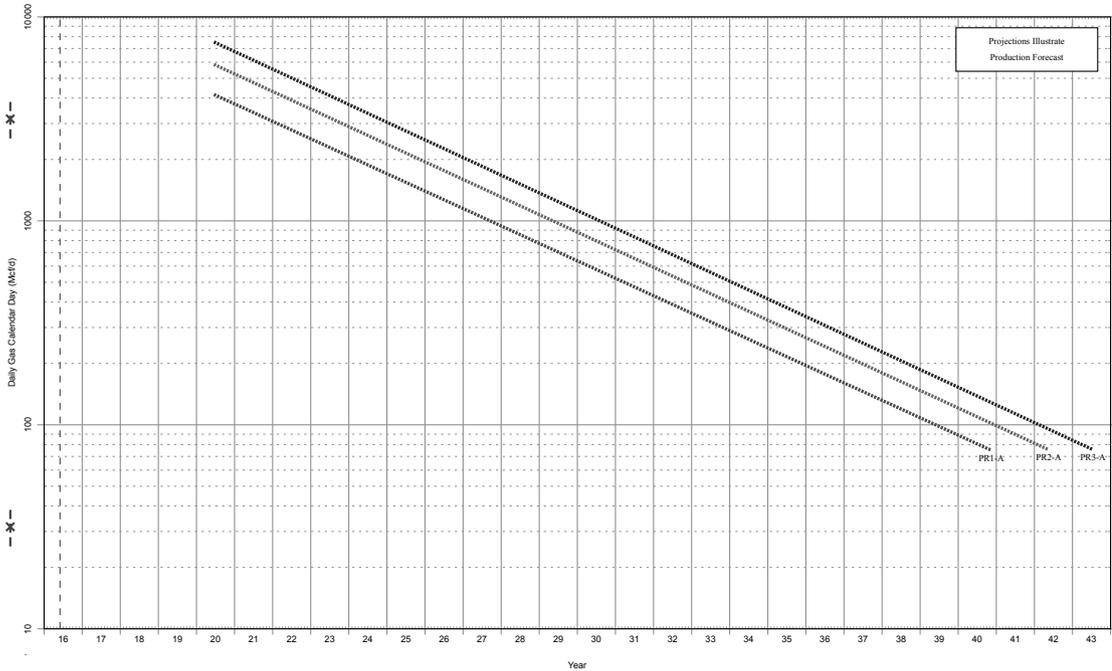
		PR1-A Low Estimate Prospective Resources - Prospect	PR2-A Best Estimate Prospective Resources - Prospect	PR3-A High Estimate Prospective Resources - Prospect
Area	acre	320	320	320
Net Pay	ft	98.7	98.7	98.7
Porosity	%	5.0	5.0	5.0
Water Saturation	%	26.0	26.0	26.0
Original Pressure	psi	5500	5500	5500
Reservoir Temperature	R	630	630	630
Zi	Zi	1.0300	1.0300	1.0300
Original Raw Gas In-Place	MMcf	15309	15309	15309
Recovery Factor	%	50.0	70.0	90.0
Original Raw Gas Resources	MMcf	7655	10716	13778
Remaining Raw Gas Resources	MMcf	7655	10716	13778
Surface Loss	%	5.0	5.0	5.0
Remaining Sales Gas Resources	MMcf	7272	10181	13089

XX/XX-24-048-23W5/WLR  
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Historical and Forecast Production  
XX/01-24-048-23W5/WLR

Property : Kaydee-Voyager



Resource Classification	Decline Analysis Summary At 2016/06/01				Average Production Rates (Last 12 months ending 2016/06/01)			
	Ultimate	Cum Prd	Remain	Rates (Mcf/d)	Decline	Gas :	Oil :	On Prod :
Low Estimate Prospective Resources - Prospect PR1-A	7655	0	7655	4200	75	17.9	0.00	0.0 Mcf/d 0.0 bbl/d 0.0 days
Best Estimate Prospective Resources - Prospect PR2-A	10716	0	10716	5900	75	18.0	0.00	0.0 Mcf/cd 0.0 bbl/cd 0.0 days
High Estimate Prospective Resources - Prospect PR3-A	13778	0	13778	7600	75	18.1	0.00	WGR : 0.0 MMcf GOR : 0.0 scf/stb WC : 0.0%

Entity: XX/01-24-048-23W5/WLR  
Zone: Wilrich

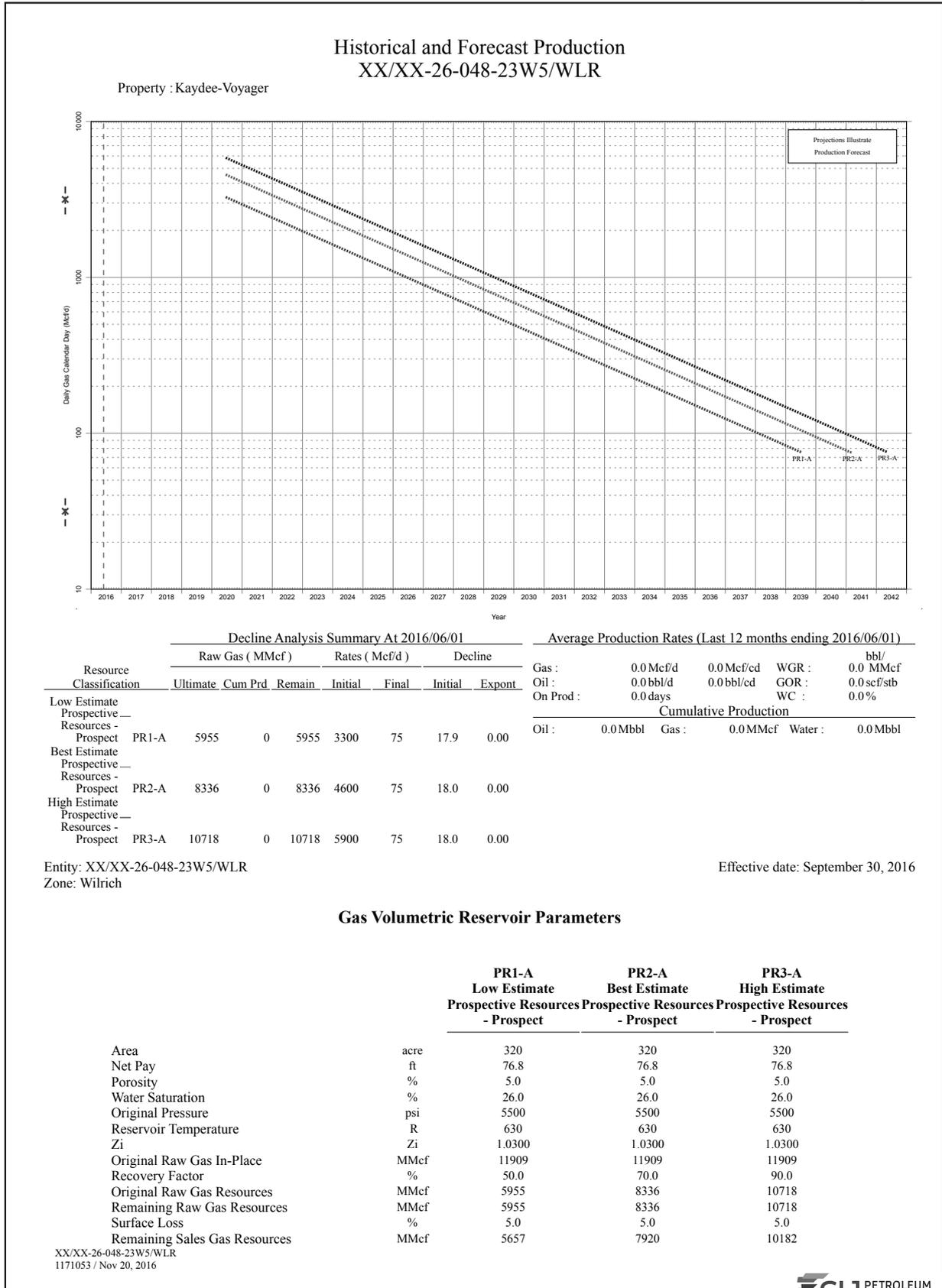
Effective date: September 30, 2016

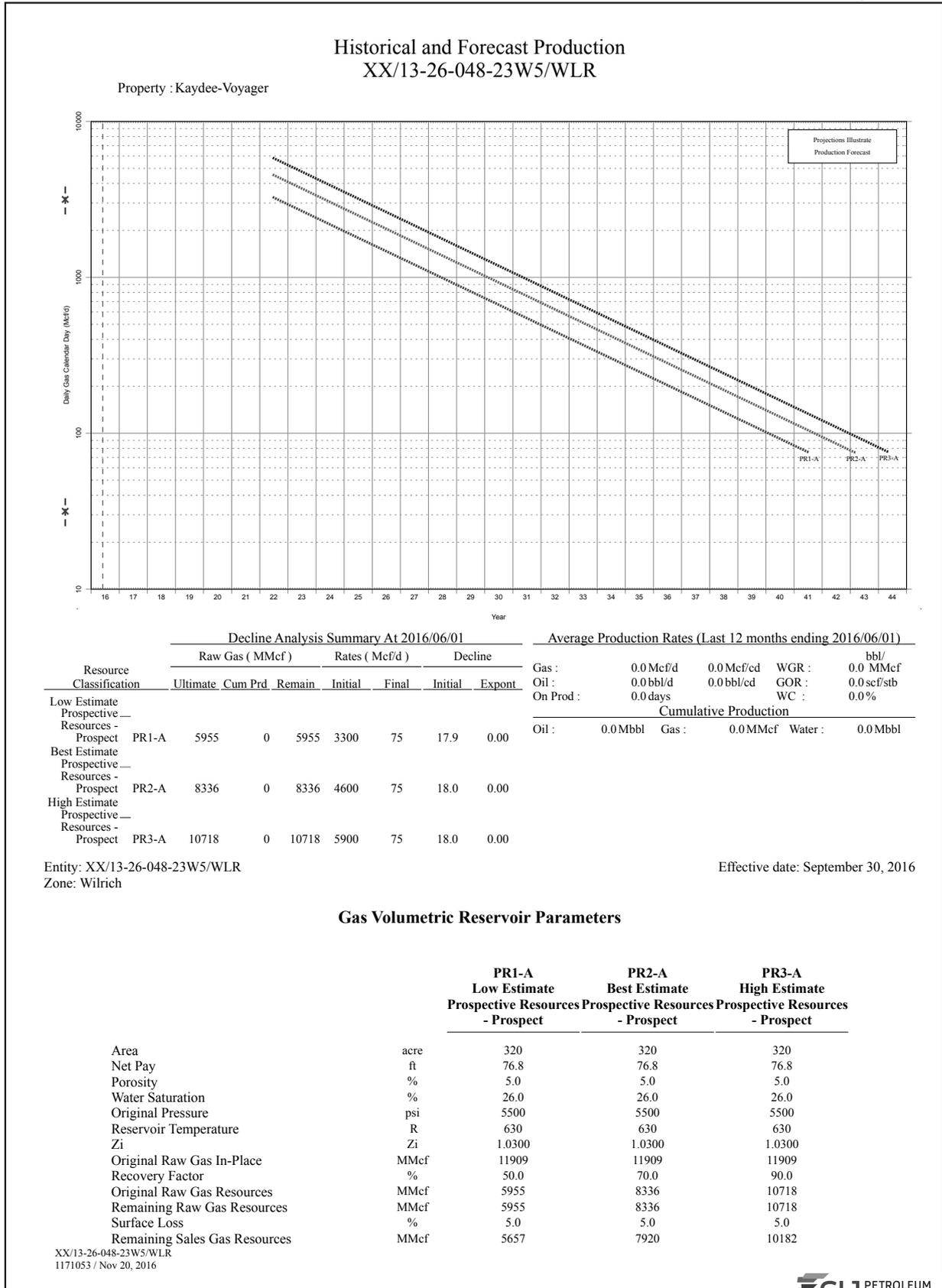
Gas Volumetric Reservoir Parameters

		PR1-A Low Estimate Prospective Resources - Prospect	PR2-A Best Estimate Prospective Resources - Prospect	PR3-A High Estimate Prospective Resources - Prospect
Area	acre	320	320	320
Net Pay	ft	98.7	98.7	98.7
Porosity	%	5.0	5.0	5.0
Water Saturation	%	26.0	26.0	26.0
Original Pressure	psi	5500	5500	5500
Reservoir Temperature	R	630	630	630
Zi	Zi	1.0300	1.0300	1.0300
Original Raw Gas In-Place	MMcf	15309	15309	15309
Recovery Factor	%	50.0	70.0	90.0
Original Raw Gas Resources	MMcf	7655	10716	13778
Remaining Raw Gas Resources	MMcf	7655	10716	13778
Surface Loss	%	5.0	5.0	5.0
Remaining Sales Gas Resources	MMcf	7272	10181	13089

XX/01-24-048-23W5/WLR  
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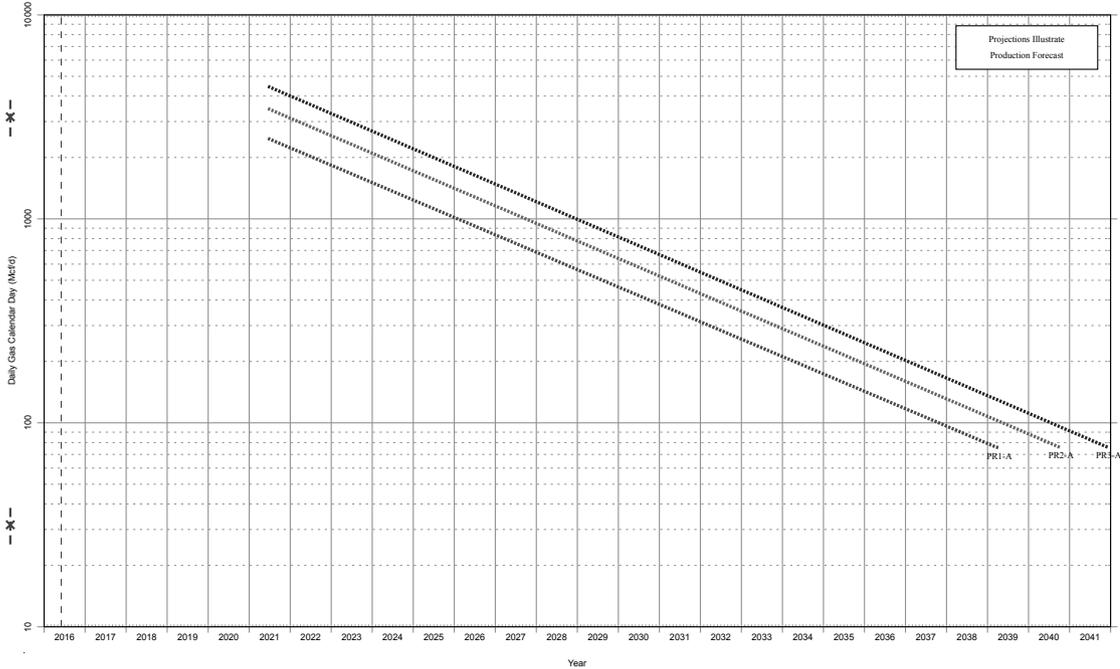






Historical and Forecast Production  
XX/XX-27-048-23W5/WLR

Property : Kaydee-Voyager



Decline Analysis Summary At 2016/06/01								Average Production Rates (Last 12 months ending 2016/06/01)					
Resource Classification	Raw Gas ( MMcf )			Rates ( Mcf/d )		Decline		Gas :	0.0 Mcf/d	0.0 Mcf/cd	WGR :	bbl/	
	Ultimate	Cum Prd	Remain	Initial	Final	Initial	Exptnd	Oil :	0.0 bbl/d	0.0 bbl/cd	GOR :	0.0 MMcf	
Low Estimate Prospective Resources - Prospect PR1-A	4512	0	4512	2500	75	17.8	0.00	On Prod :	0.0 days		WC :	0.0%	
Best Estimate Prospective Resources - Prospect PR2-A	6316	0	6316	3500	75	18.0	0.00	Cumulative Production					
High Estimate Prospective Resources - Prospect PR3-A	8121	0	8121	4500	75	18.0	0.00	Oil :	0.0 Mbbl	Gas :	0.0 MMcf	Water :	0.0 Mbbl

Entity: XX/XX-27-048-23W5/WLR  
Zone: Wilrich

Effective date: September 30, 2016

Gas Volumetric Reservoir Parameters

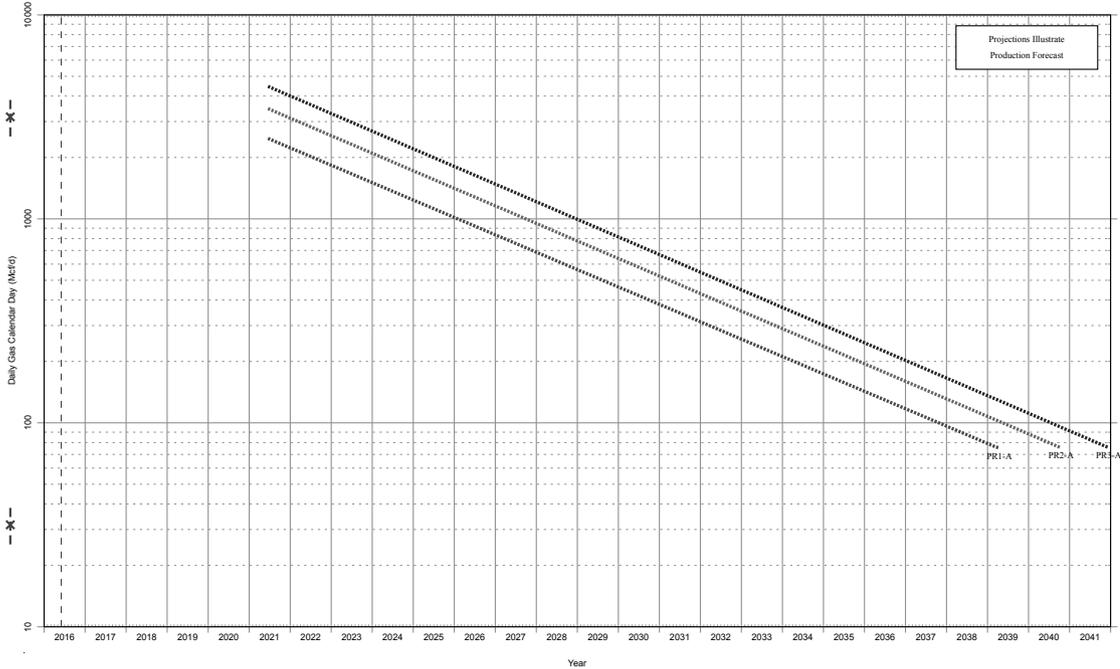
		PR1-A Low Estimate Prospective Resources - Prospect	PR2-A Best Estimate Prospective Resources - Prospect	PR3-A High Estimate Prospective Resources - Prospect
Area	acre	320	320	320
Net Pay	ft	58.2	58.2	58.2
Porosity	%	5.0	5.0	5.0
Water Saturation	%	26.0	26.0	26.0
Original Pressure	psi	5500	5500	5500
Reservoir Temperature	R	630	630	630
Zi	Zi	1.0300	1.0300	1.0300
Original Raw Gas In-Place	MMcf	9023	9023	9023
Recovery Factor	%	50.0	70.0	90.0
Original Raw Gas Resources	MMcf	4512	6316	8121
Remaining Raw Gas Resources	MMcf	4512	6316	8121
Surface Loss	%	5.0	5.0	5.0
Remaining Sales Gas Resources	MMcf	4286	6001	7715

XX/XX-27-048-23W5/WLR  
1171053 / Nov 20, 2016



Historical and Forecast Production  
XX/13-27-048-23W5/WLR

Property : Kaydee-Voyager



Resource Classification	Decline Analysis Summary At 2016/06/01				Average Production Rates (Last 12 months ending 2016/06/01)					
	Raw Gas ( MMcf )		Rates ( Mcf/d )		Decline		Gas :	Oil :	On Prod :	
	Ultimate	Cum Prd	Remain	Initial	Final	Initial	Exptnd	0.0 Mcf/d	0.0 Mcf/cd	WGR :
Low Estimate Prospective Resources - Prospect PR1-A	4512	0	4512	2500	75	17.8	0.00	0.0 bbl/d	0.0 bbl/cd	GOR :
Best Estimate Prospective Resources - Prospect PR2-A	6316	0	6316	3500	75	18.0	0.00	0.0 scf/stb	0.0 scf/stb	WC :
High Estimate Prospective Resources - Prospect PR3-A	8121	0	8121	4500	75	18.0	0.00	0.0%	0.0%	

Entity: XX/13-27-048-23W5/WLR  
Zone: Wilrich

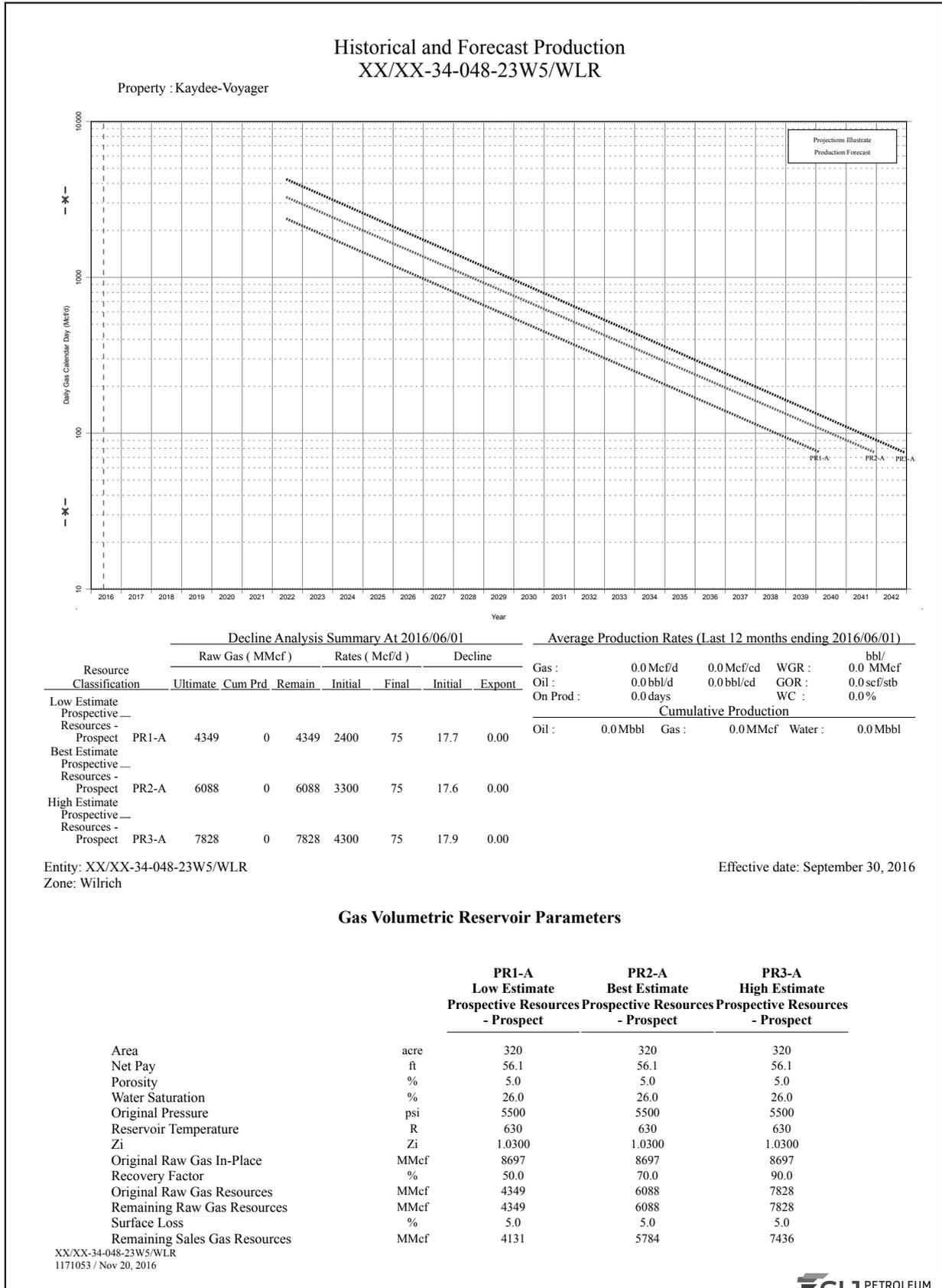
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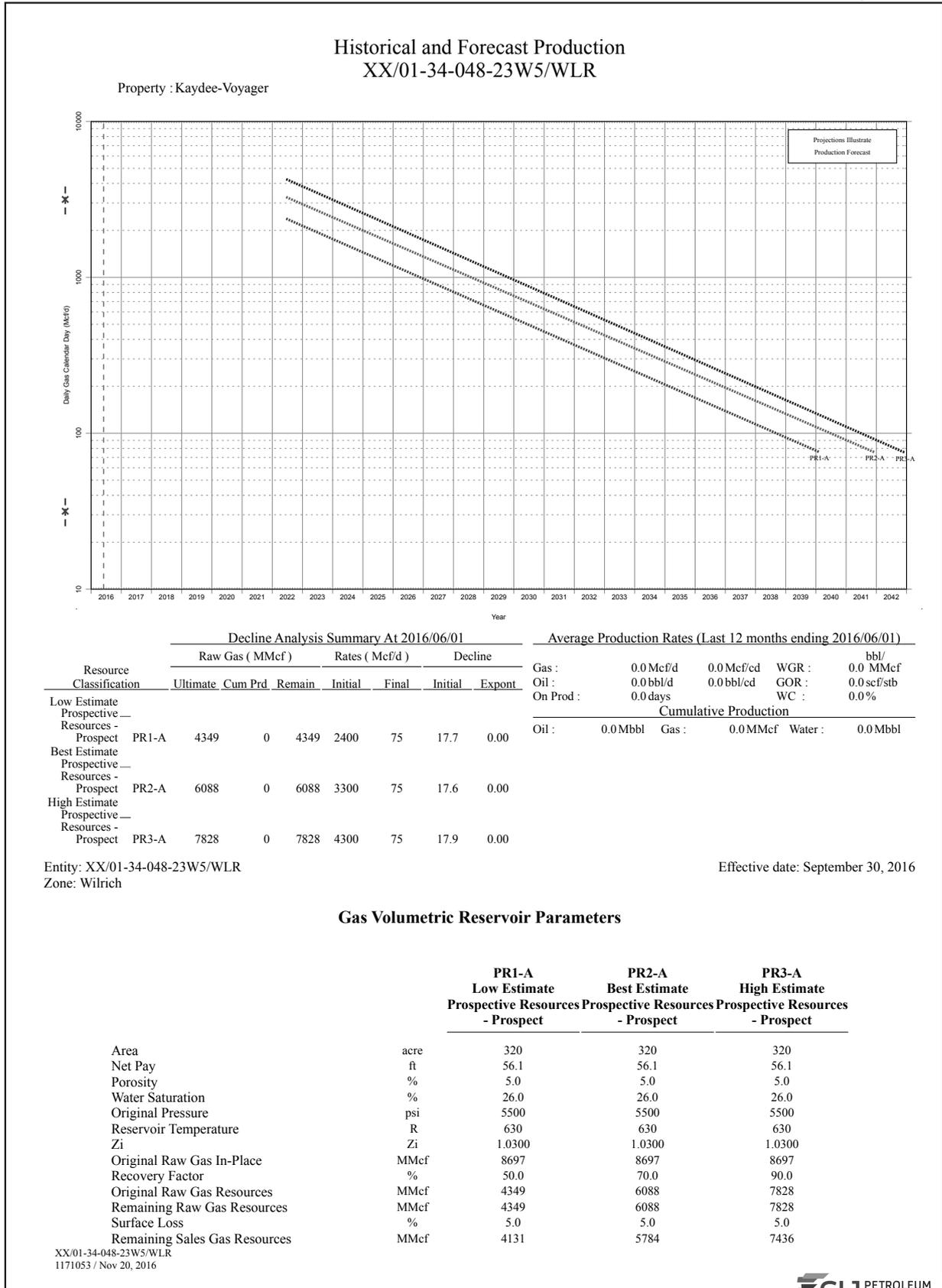
Gas Volumetric Reservoir Parameters

		PR1-A Low Estimate Prospective Resources - Prospect	PR2-A Best Estimate Prospective Resources - Prospect	PR3-A High Estimate Prospective Resources - Prospect
Area	acre	320	320	320
Net Pay	ft	58.2	58.2	58.2
Porosity	%	5.0	5.0	5.0
Water Saturation	%	26.0	26.0	26.0
Original Pressure	psi	5500	5500	5500
Reservoir Temperature	R	630	630	630
Zi	Zi	1.0300	1.0300	1.0300
Original Raw Gas In-Place	MMcf	9023	9023	9023
Recovery Factor	%	50.0	70.0	90.0
Original Raw Gas Resources	MMcf	4512	6316	8121
Remaining Raw Gas Resources	MMcf	4512	6316	8121
Surface Loss	%	5.0	5.0	5.0
Remaining Sales Gas Resources	MMcf	4286	6001	7715

XX/13-27-048-23W5/WLR  
1171053 / Nov 20, 2016

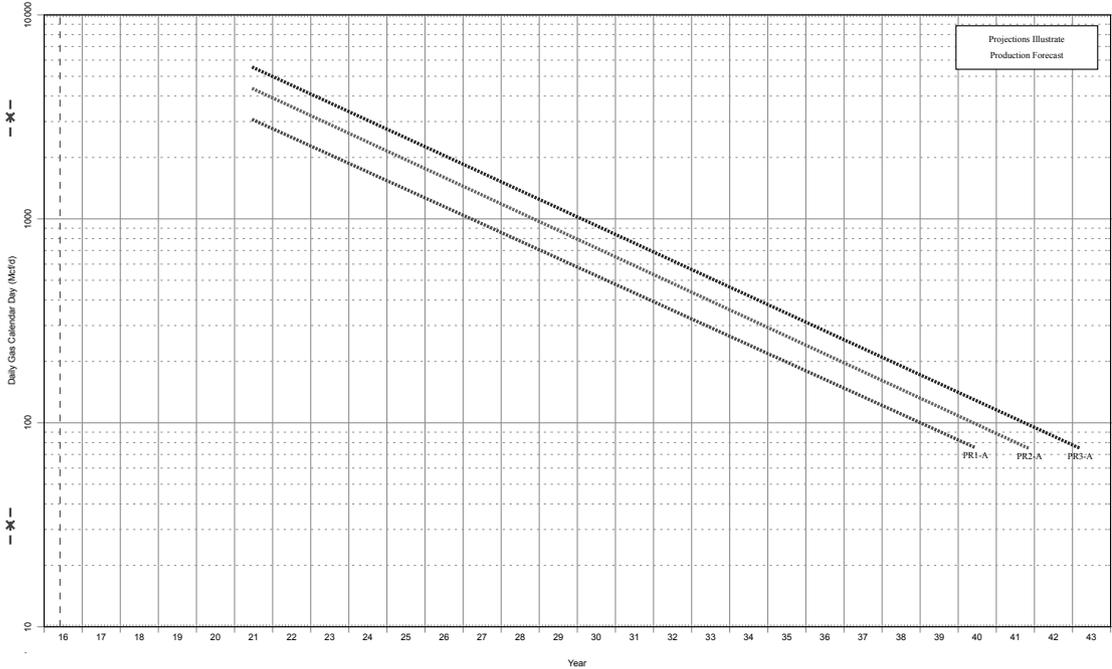






Historical and Forecast Production  
XX/XX-35-048-23W5/WLR

Property : Kaydee-Voyager



Decline Analysis Summary At 2016/06/01								Average Production Rates (Last 12 months ending 2016/06/01)						
Resource Classification		Raw Gas ( MMcf )			Rates ( Mcf/d )		Decline		Gas :	0.0 Mcf/d	0.0 Mcf/cd	WGR :	bbl/	
		Ultimate	Cum Prd	Remain	Initial	Final	Initial	Expond	Oil :	0.0 bbl/d	0.0 bbl/cd	GOR :	0.0 MMcf	
Low Estimate Prospective — Resources - Prospect	PR1-A	5660	0	5660	3100	75	17.7	0.00	On Prod :	0.0 days	WC :	0.0%		
Best Estimate Prospective — Resources - Prospect	PR2-A	7925	0	7925	4400	75	18.1	0.00	Cumulative Production					
High Estimate Prospective — Resources - Prospect	PR3-A	10189	0	10189	5600	75	18.0	0.00	Oil :	0.0 Mbbbl	Gas :	0.0 MMcf	Water :	0.0 Mbbbl

Entity: XX/XX-35-048-23W5/WLR  
Zone: Wilrich

Effective date: September 30, 2016

Gas Volumetric Reservoir Parameters

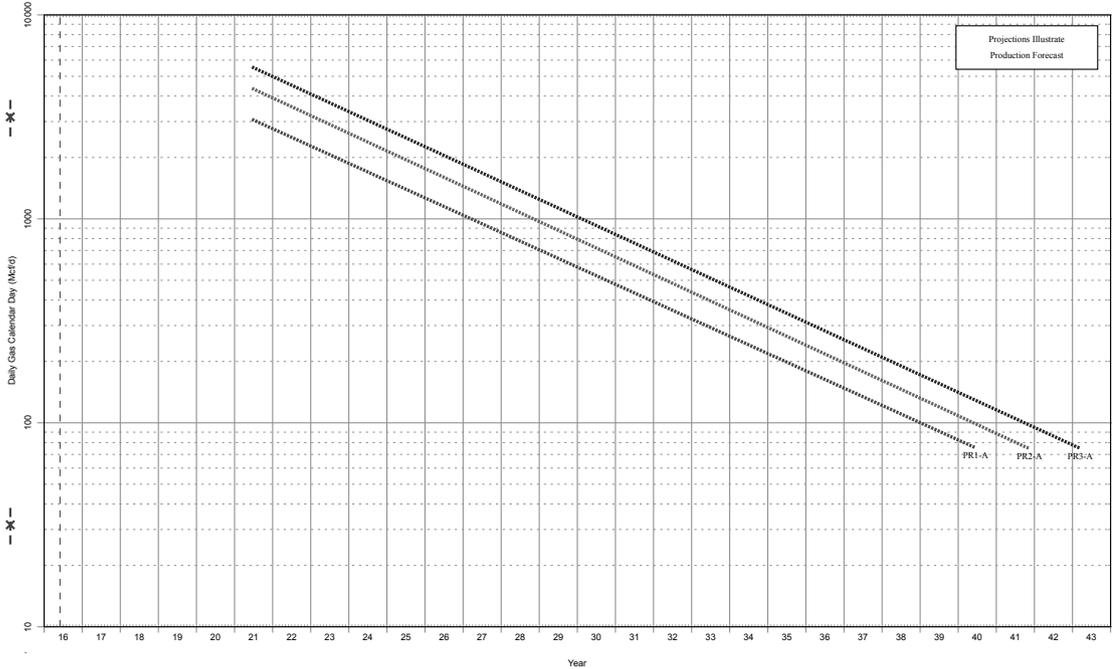
		PR1-A Low Estimate Prospective Resources - Prospect	PR2-A Best Estimate Prospective Resources - Prospect	PR3-A High Estimate Prospective Resources - Prospect
Area	acre	320	320	320
Net Pay	ft	73.0	73.0	73.0
Porosity	%	5.0	5.0	5.0
Water Saturation	%	26.0	26.0	26.0
Original Pressure	psi	5500	5500	5500
Reservoir Temperature	R	630	630	630
Zi	Zi	1.0300	1.0300	1.0300
Original Raw Gas In-Place	MMcf	11321	11321	11321
Recovery Factor	%	50.0	70.0	90.0
Original Raw Gas Resources	MMcf	5660	7925	10189
Remaining Raw Gas Resources	MMcf	5660	7925	10189
Surface Loss	%	5.0	5.0	5.0
Remaining Sales Gas Resources	MMcf	5377	7528	9679

XX/XX-35-048-23W5/WLR  
1171053 / Nov 20, 2016



Historical and Forecast Production  
XX/01-35-048-23W5/WLR

Property : Kaydee-Voyager



Decline Analysis Summary At 2016/06/01								Average Production Rates (Last 12 months ending 2016/06/01)						
Resource Classification		Raw Gas ( MMcf )			Rates ( Mcf/d )		Decline		Gas :	0.0 Mcf/d	0.0 Mcf/cd	WGR :	bbl/	
		Ultimate	Cum Prd	Remain	Initial	Final	Initial	Expond	Oil :	0.0 bbl/d	0.0 bbl/cd	GOR :	0.0 MMcf	
Low Estimate Prospective — Resources - Prospect	PR1-A	5660	0	5660	3100	75	17.7	0.00	On Prod :	0.0 days	WC :	0.0%		
Best Estimate Prospective — Resources - Prospect	PR2-A	7925	0	7925	4400	75	18.1	0.00	Cumulative Production					
High Estimate Prospective — Resources - Prospect	PR3-A	10189	0	10189	5600	75	18.0	0.00	Oil :	0.0 Mbbbl	Gas :	0.0 MMcf	Water :	0.0 Mbbbl

Entity: XX/01-35-048-23W5/WLR  
Zone: Wilrich

Effective date: September 30, 2016

Gas Volumetric Reservoir Parameters

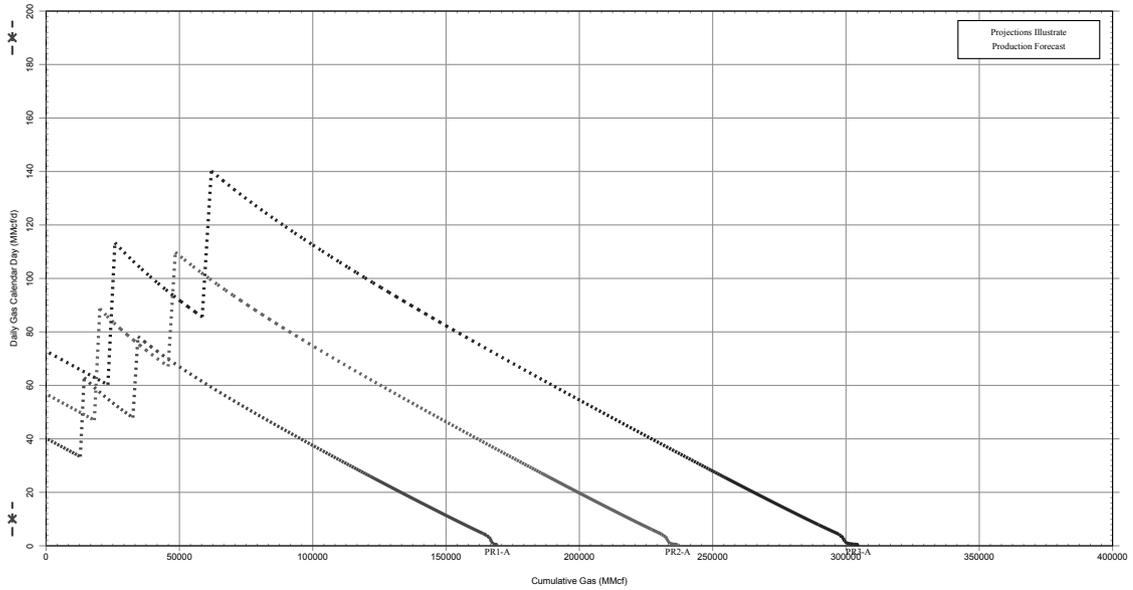
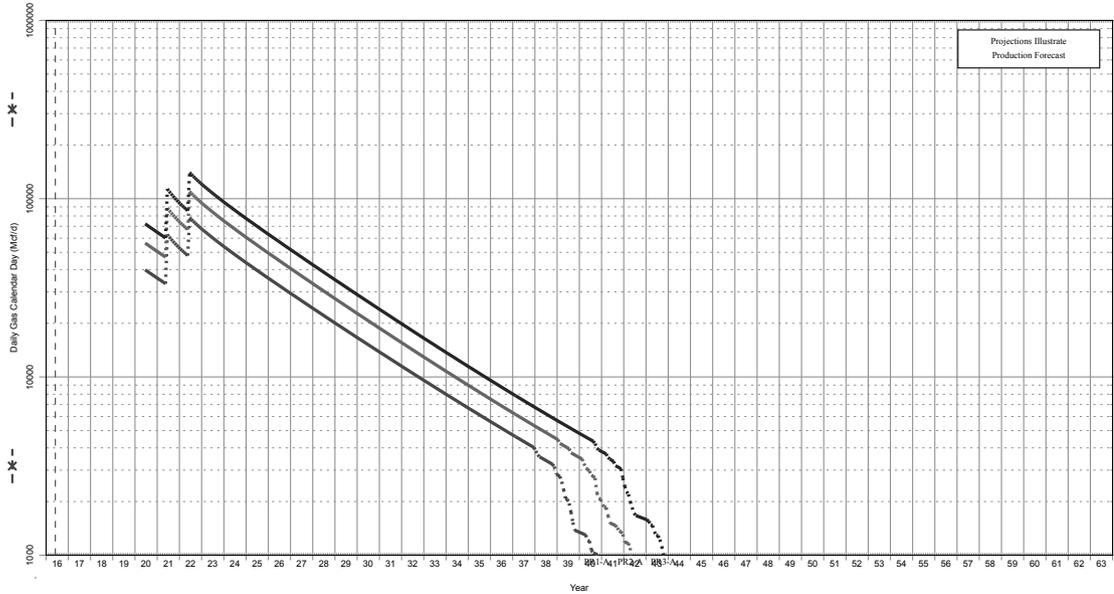
		PR1-A Low Estimate Prospective Resources - Prospect	PR2-A Best Estimate Prospective Resources - Prospect	PR3-A High Estimate Prospective Resources - Prospect
Area	acre	320	320	320
Net Pay	ft	73.0	73.0	73.0
Porosity	%	5.0	5.0	5.0
Water Saturation	%	26.0	26.0	26.0
Original Pressure	psi	5500	5500	5500
Reservoir Temperature	R	630	630	630
Zi	Zi	1.0300	1.0300	1.0300
Original Raw Gas In-Place	MMcf	11321	11321	11321
Recovery Factor	%	50.0	70.0	90.0
Original Raw Gas Resources	MMcf	5660	7925	10189
Remaining Raw Gas Resources	MMcf	5660	7925	10189
Surface Loss	%	5.0	5.0	5.0
Remaining Sales Gas Resources	MMcf	5377	7528	9679

XX/01-35-048-23W5/WLR  
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Historical and Forecast Production  
Voyager

Property : Kaydee-Voyager



Total Resources Summary At 2016/06/01

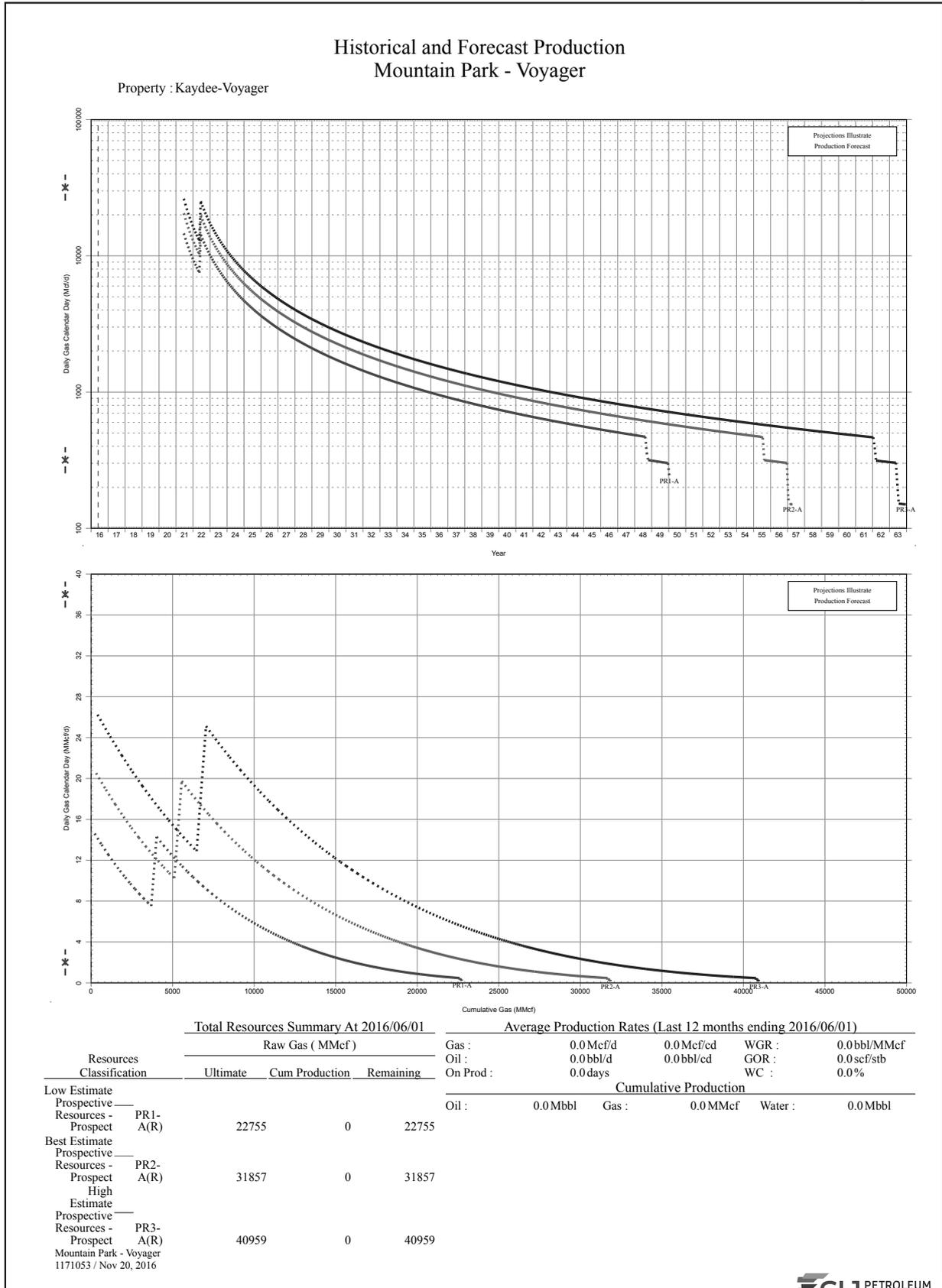
Average Production Rates (Last 12 months ending 2016/06/01)

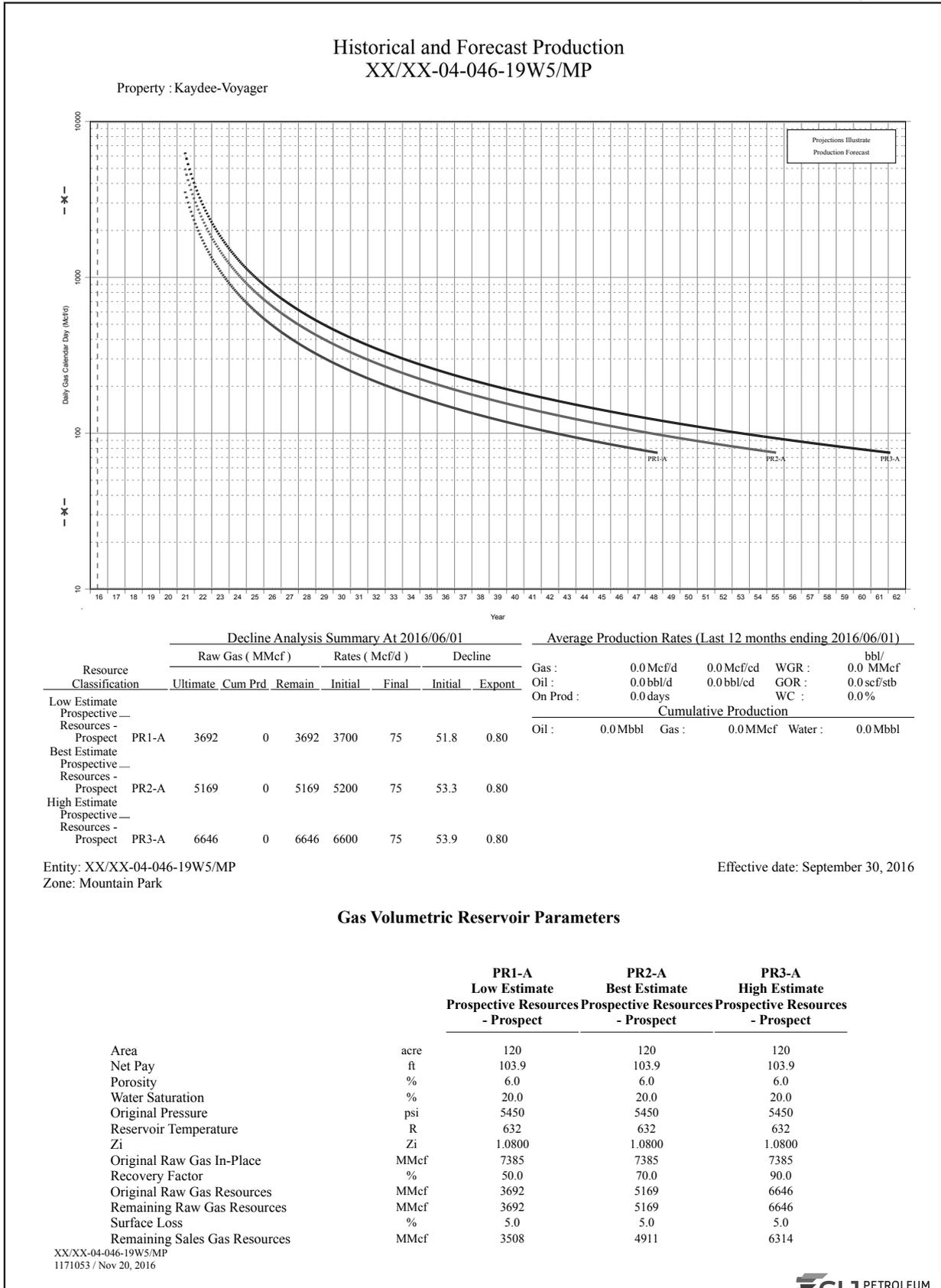
Resources Classification	Raw Gas ( MMcf )		
	Ultimate	Cum Production	Remaining
Low Estimate Prospective Resources - Prospect PR1-A(R)	169306	0	169306
Best Estimate Prospective Resources - Prospect PR2-A(R)	237028	0	237028
High Estimate Prospective Resources - Prospect PR3-A(R)	304751	0	304751

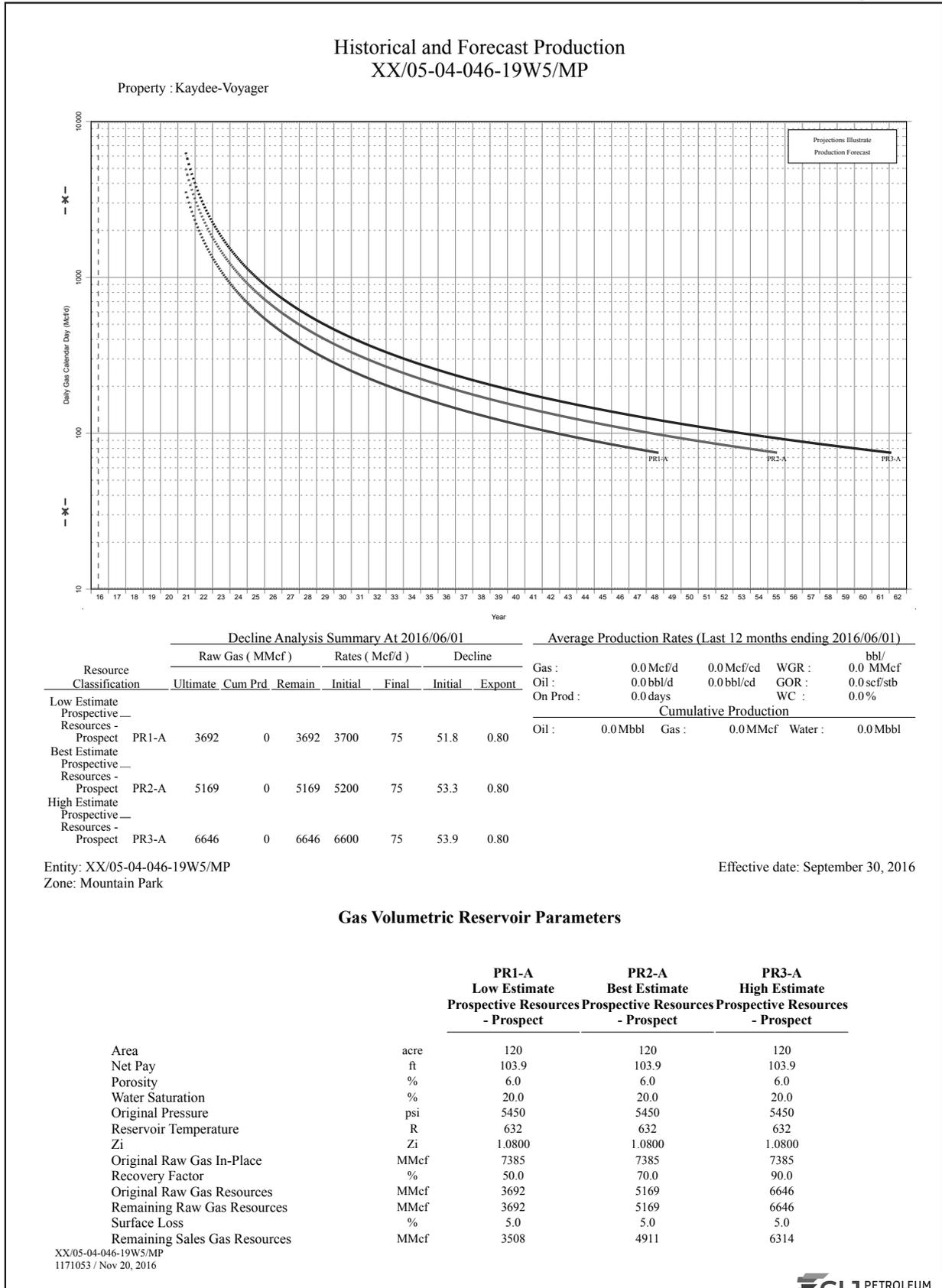
Voyager  
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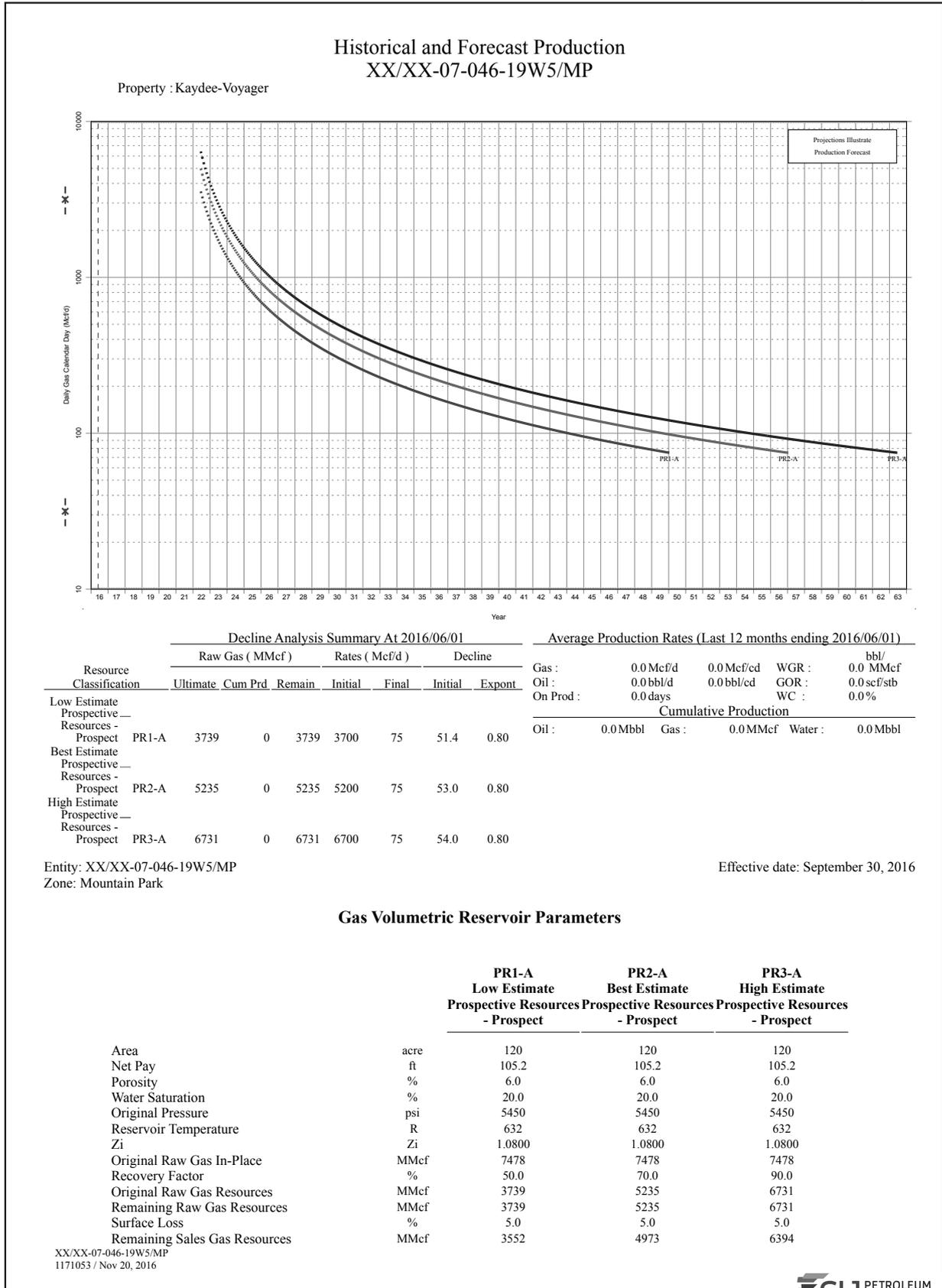
Gas :	0.0 Mcf/d	0.0 Mcf/cd	WGR :	0.0 bbl/MMcf	
Oil :	0.0 bbl/d	0.0 bbl/cd	GOR :	0.0 scf/stb	
On Prod :	0.0 days		WC :	0.0 %	
Cumulative Production					
Oil :	0.0 Mbbl	Gas :	0.0 MMcf	Water :	0.0 Mbbl

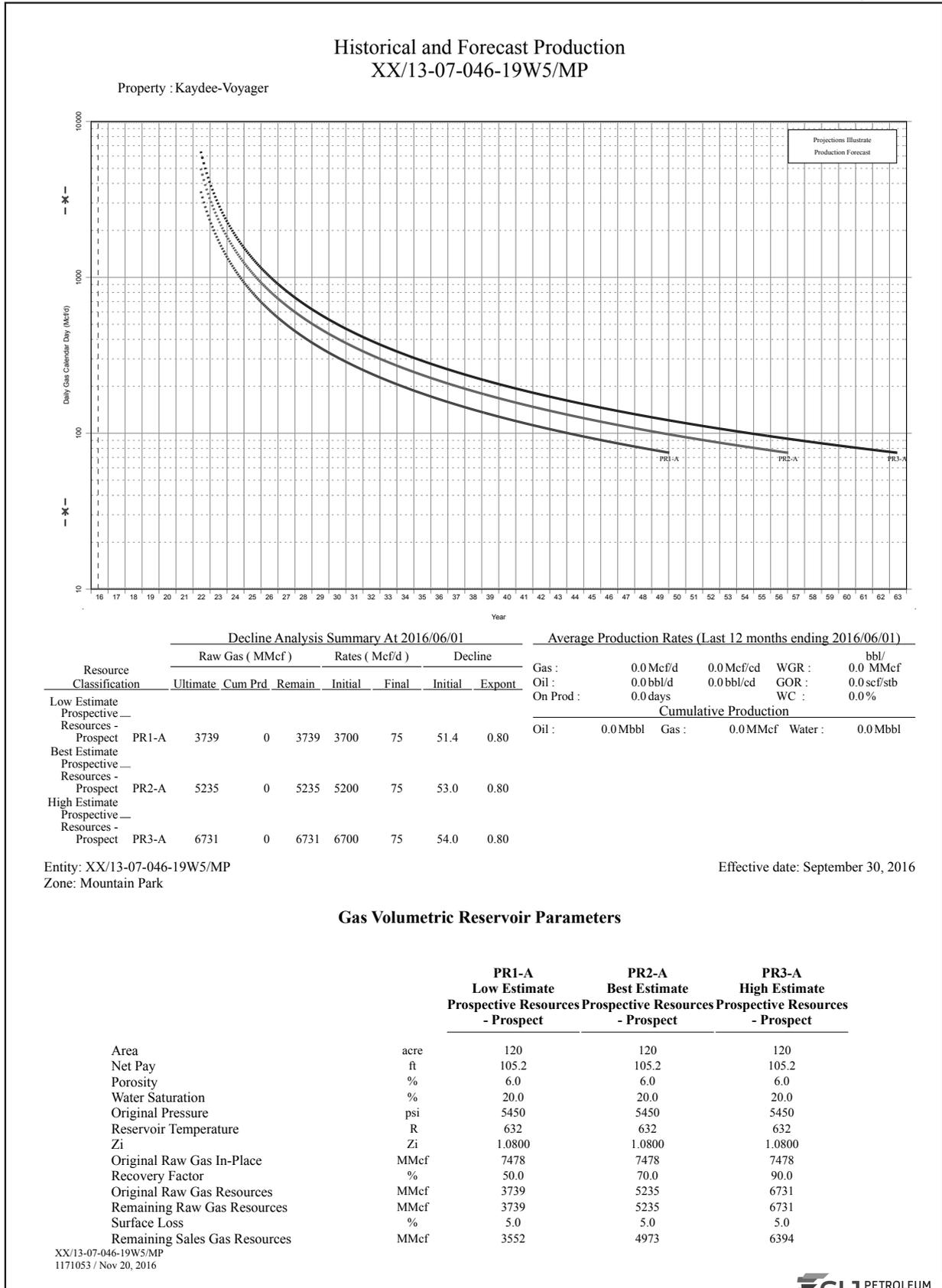


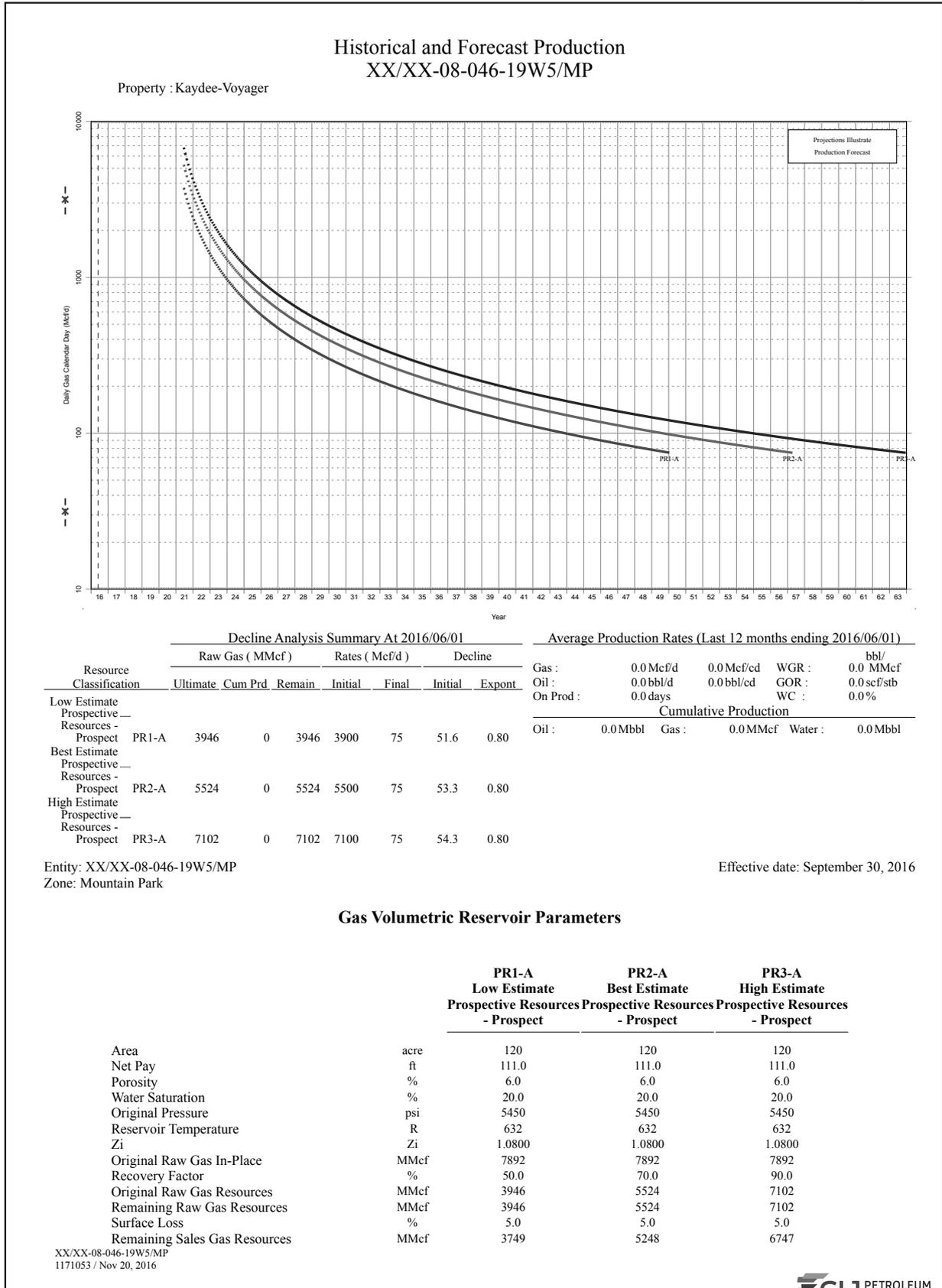


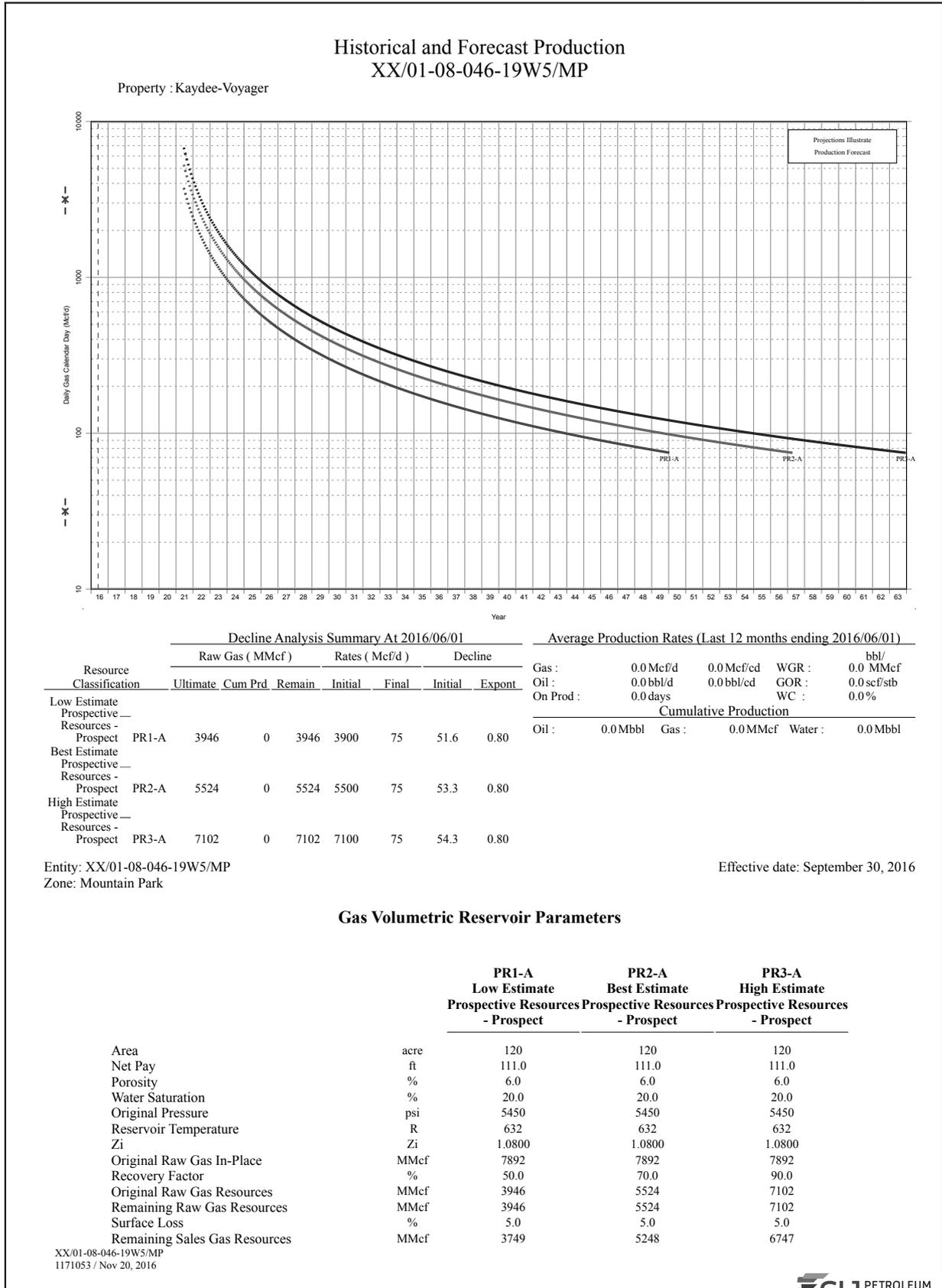






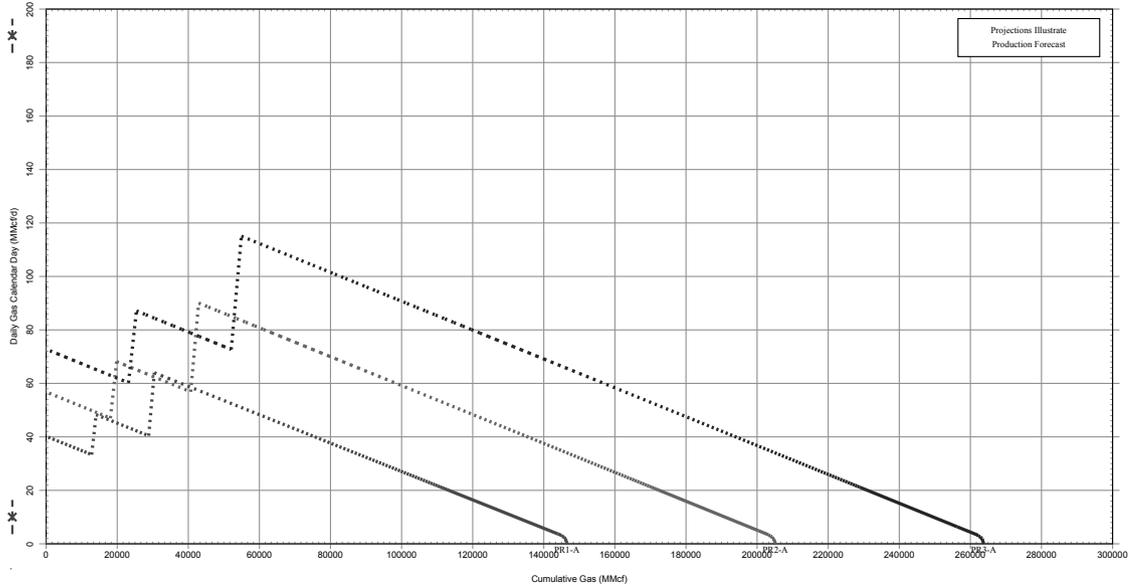
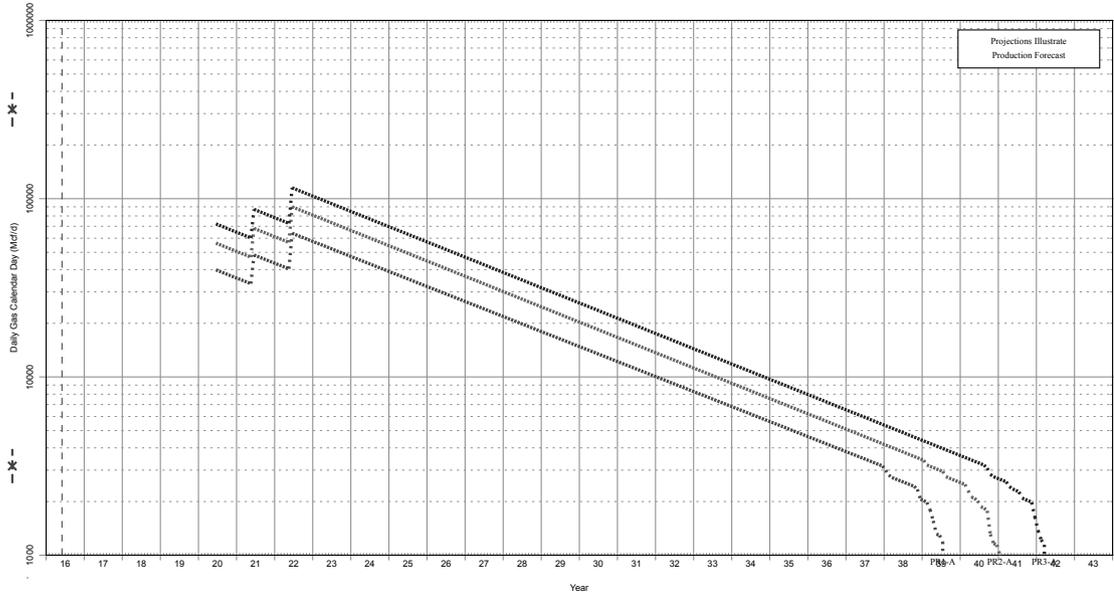






Historical and Forecast Production  
Wilrich - Voyager

Property : Kaydee-Voyager



Total Resources Summary At 2016/06/01

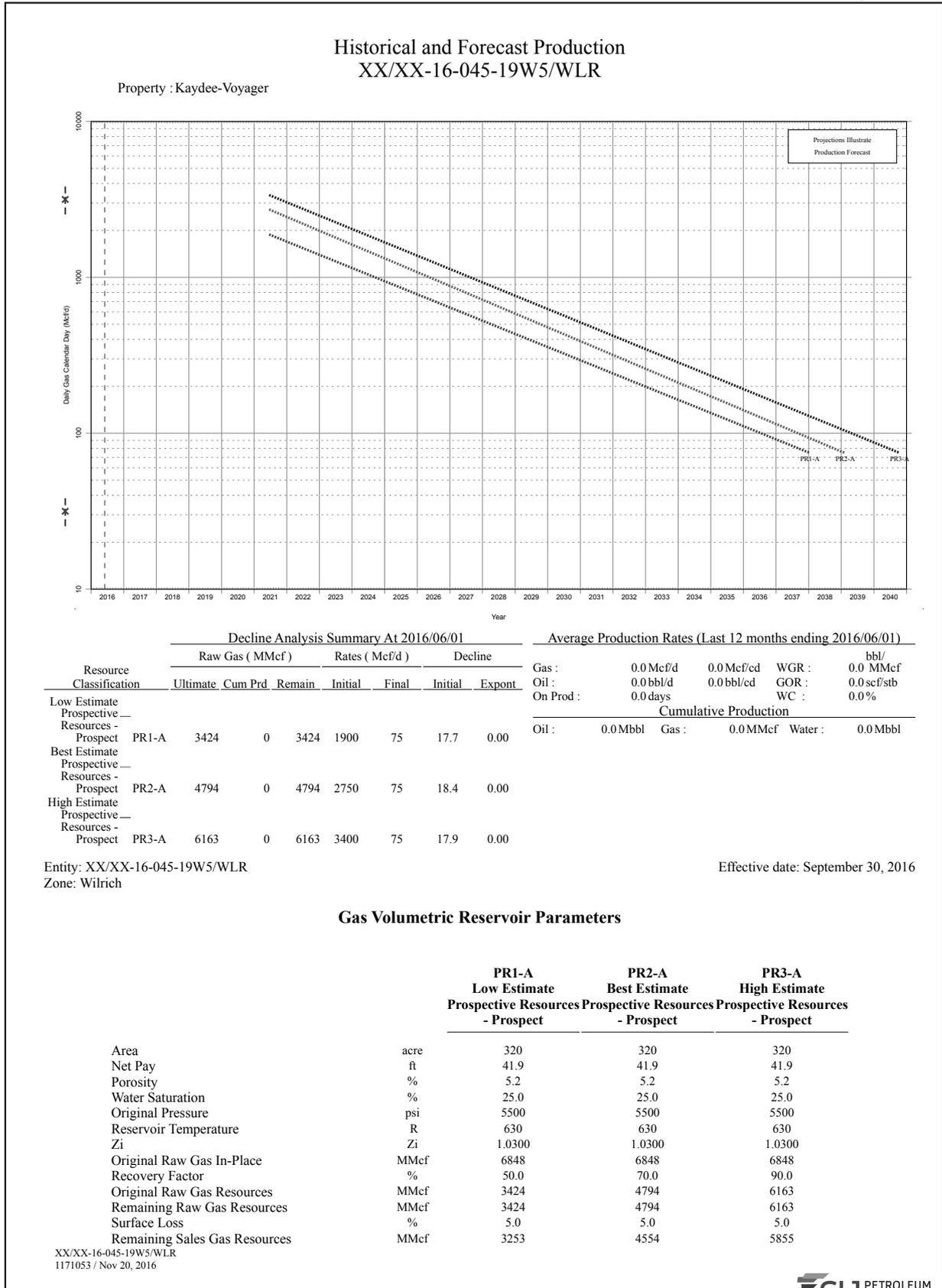
Average Production Rates (Last 12 months ending 2016/06/01)

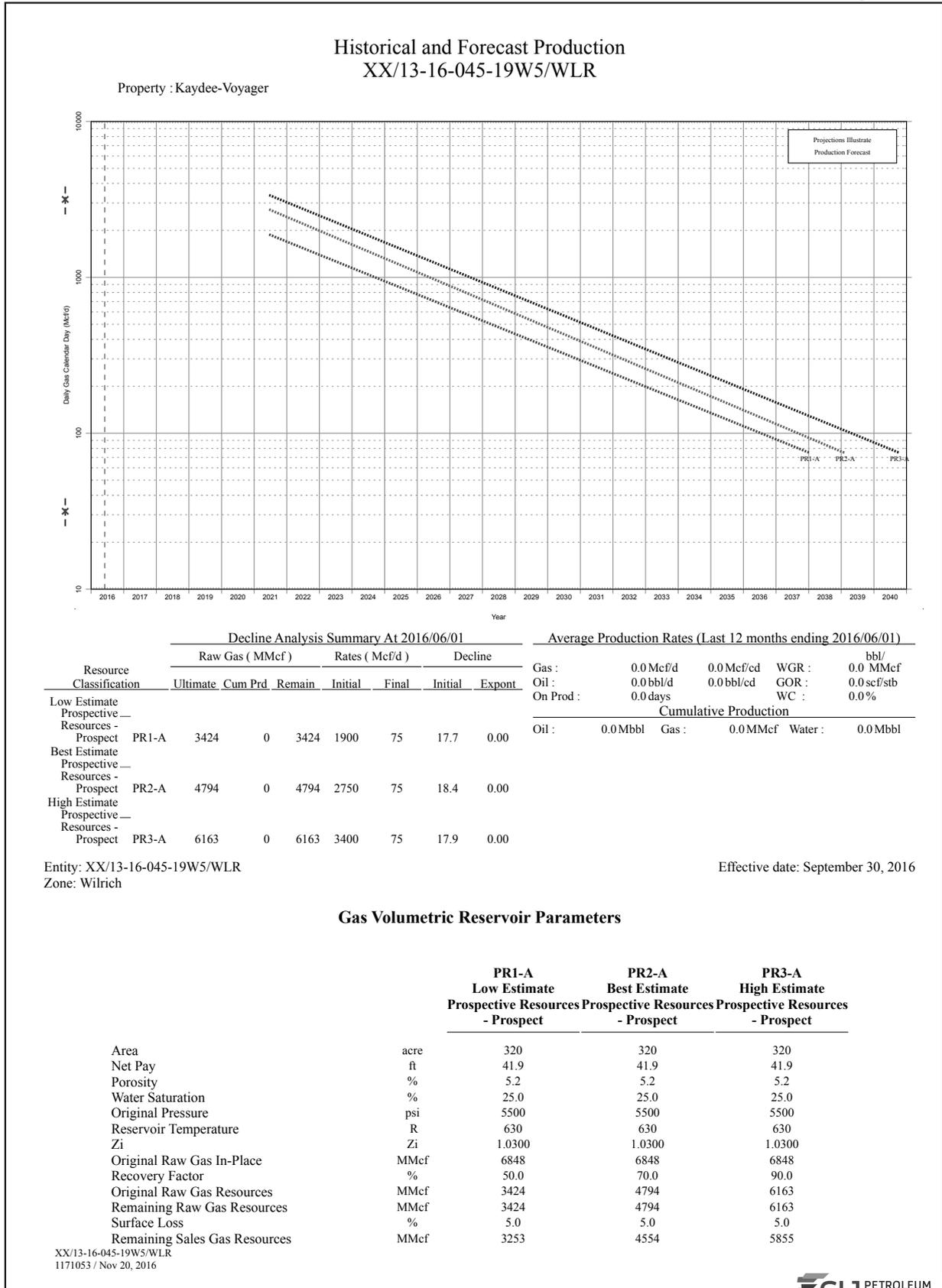
Resources Classification	Raw Gas ( MMcf )		
	Ultimate	Cum Production	Remaining
Low Estimate Prospective Resources - Prospect PR1-A(R)	146551	0	146551
Best Estimate Prospective Resources - Prospect PR2-A(R)	205171	0	205171
High Estimate Prospective Resources - Prospect PR3-A(R)	263792	0	263792

Wilrich - Voyager  
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Gas :	0.0 Mcf/d	0.0 Mcf/cd	WGR :	0.0 bbl/MMcf	
Oil :	0.0 bbl/d	0.0 bbl/cd	GOR :	0.0 scf/stb	
On Prod :	0.0 days		WC :	0.0 %	
Cumulative Production					
Oil :	0.0 Mbbl	Gas :	0.0 MMcf	Water :	0.0 Mbbl

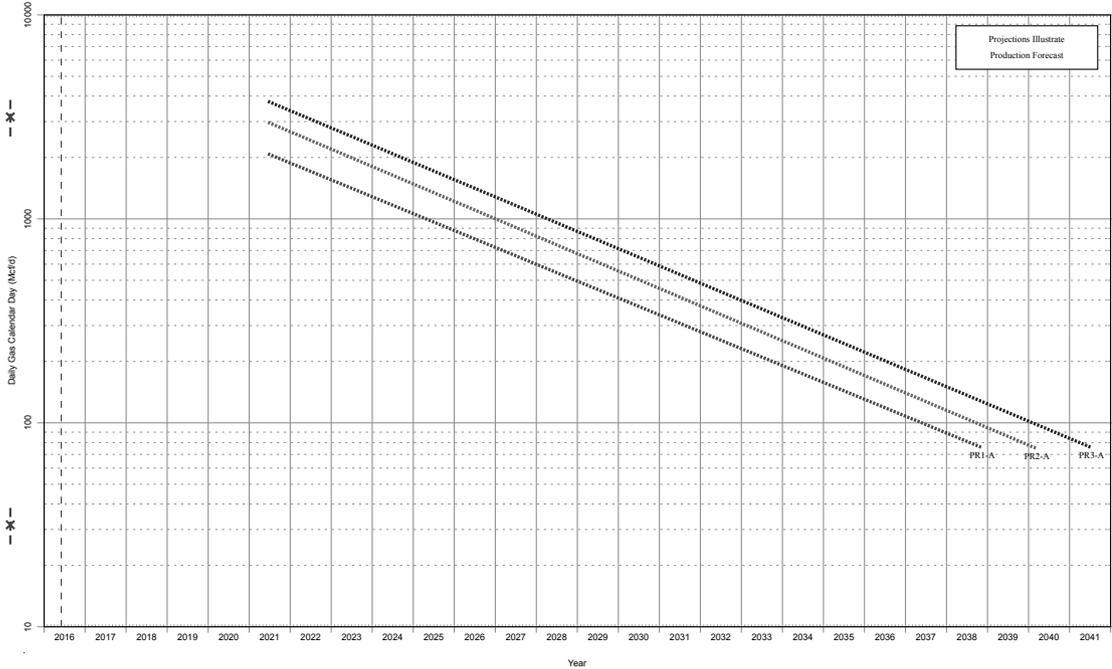






Historical and Forecast Production  
XX/XX-20-045-19W5/WLR

Property : Kaydee-Voyager



Decline Analysis Summary At 2016/06/01								Average Production Rates (Last 12 months ending 2016/06/01)					
Resource Classification	Raw Gas ( MMcf)			Rates ( Mcf/d )		Decline		Gas :	0.0 Mcf/d	0.0 Mcf/cd	WGR :	bbl/	
	Ultimate	Cum Prd	Remain	Initial	Final	Initial	Exptnd	Oil :	0.0 bbl/d	0.0 bbl/cd	GOR :	0.0 MMcf	
Low Estimate Prospective — Resources - Prospect PR1-A	3882	0	3882	2100	75	17.3	0.00	On Prod :	0.0 days		WC :	0.0%	
Best Estimate Prospective — Resources - Prospect PR2-A	5435	0	5435	3000	75	17.8	0.00	Cumulative Production					
High Estimate Prospective — Resources - Prospect PR3-A	6988	0	6988	3800	75	17.7	0.00	Oil :	0.0 Mbbl	Gas :	0.0 MMcf	Water :	0.0 Mbbl

Entity: XX/XX-20-045-19W5/WLR  
Zone: Wilrich

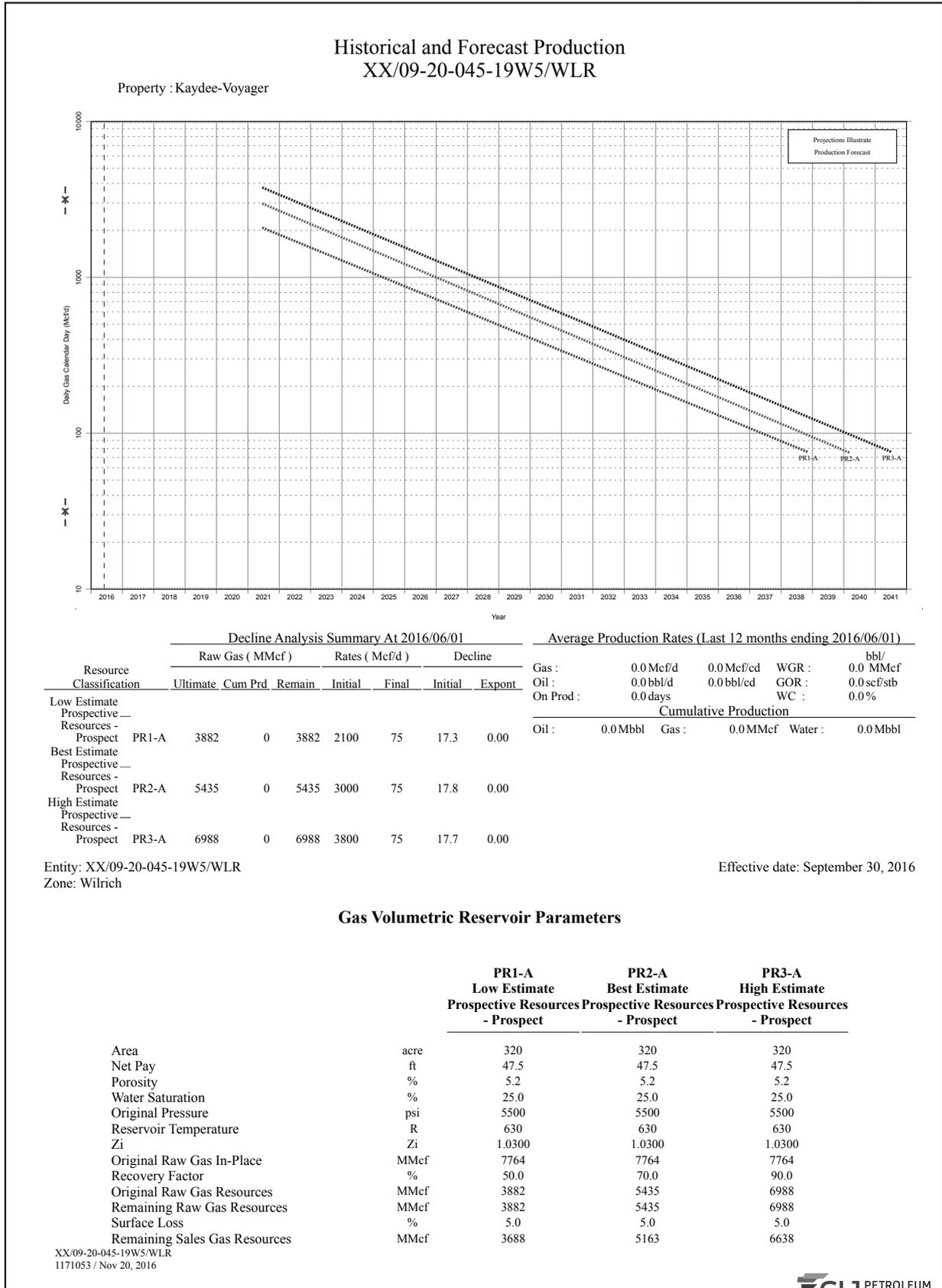
Effective date: September 30, 2016

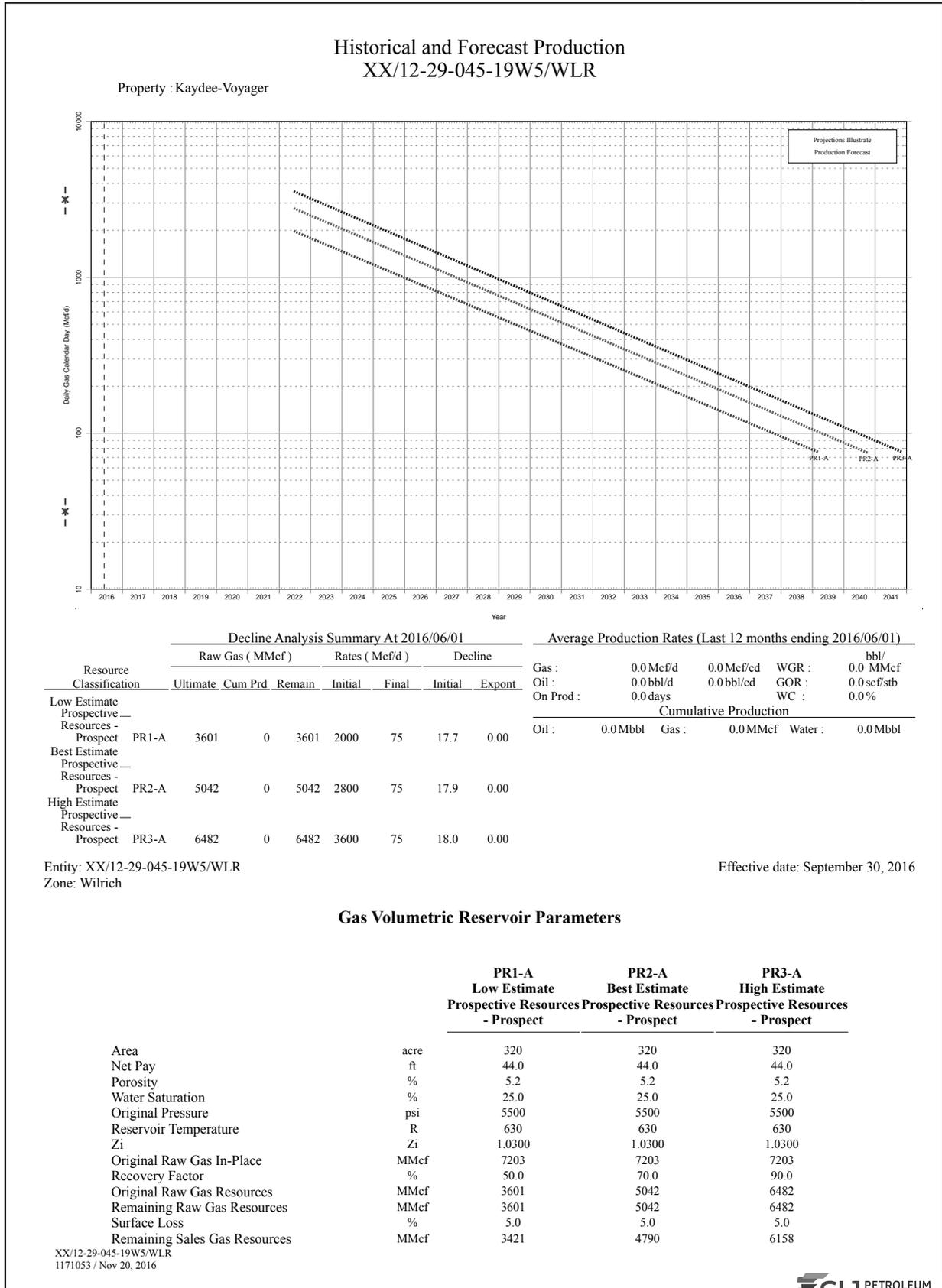
Gas Volumetric Reservoir Parameters

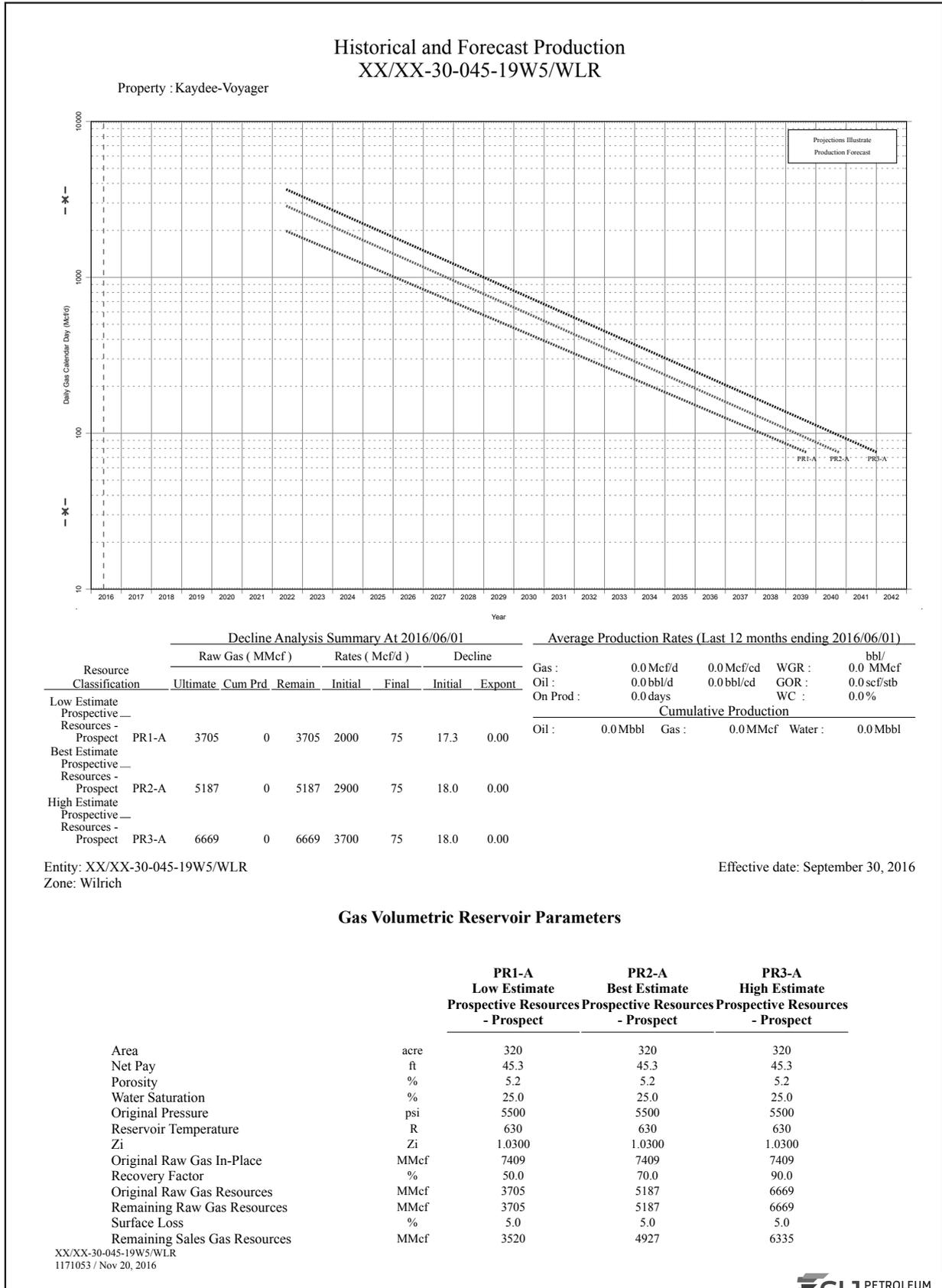
		PR1-A Low Estimate Prospective Resources - Prospect	PR2-A Best Estimate Prospective Resources - Prospect	PR3-A High Estimate Prospective Resources - Prospect
Area	acre	320	320	320
Net Pay	ft	47.5	47.5	47.5
Porosity	%	5.2	5.2	5.2
Water Saturation	%	25.0	25.0	25.0
Original Pressure	psi	5500	5500	5500
Reservoir Temperature	R	630	630	630
Zi	Zi	1.0300	1.0300	1.0300
Original Raw Gas In-Place	MMcf	7764	7764	7764
Recovery Factor	%	50.0	70.0	90.0
Original Raw Gas Resources	MMcf	3882	5435	6988
Remaining Raw Gas Resources	MMcf	3882	5435	6988
Surface Loss	%	5.0	5.0	5.0
Remaining Sales Gas Resources	MMcf	3688	5163	6638

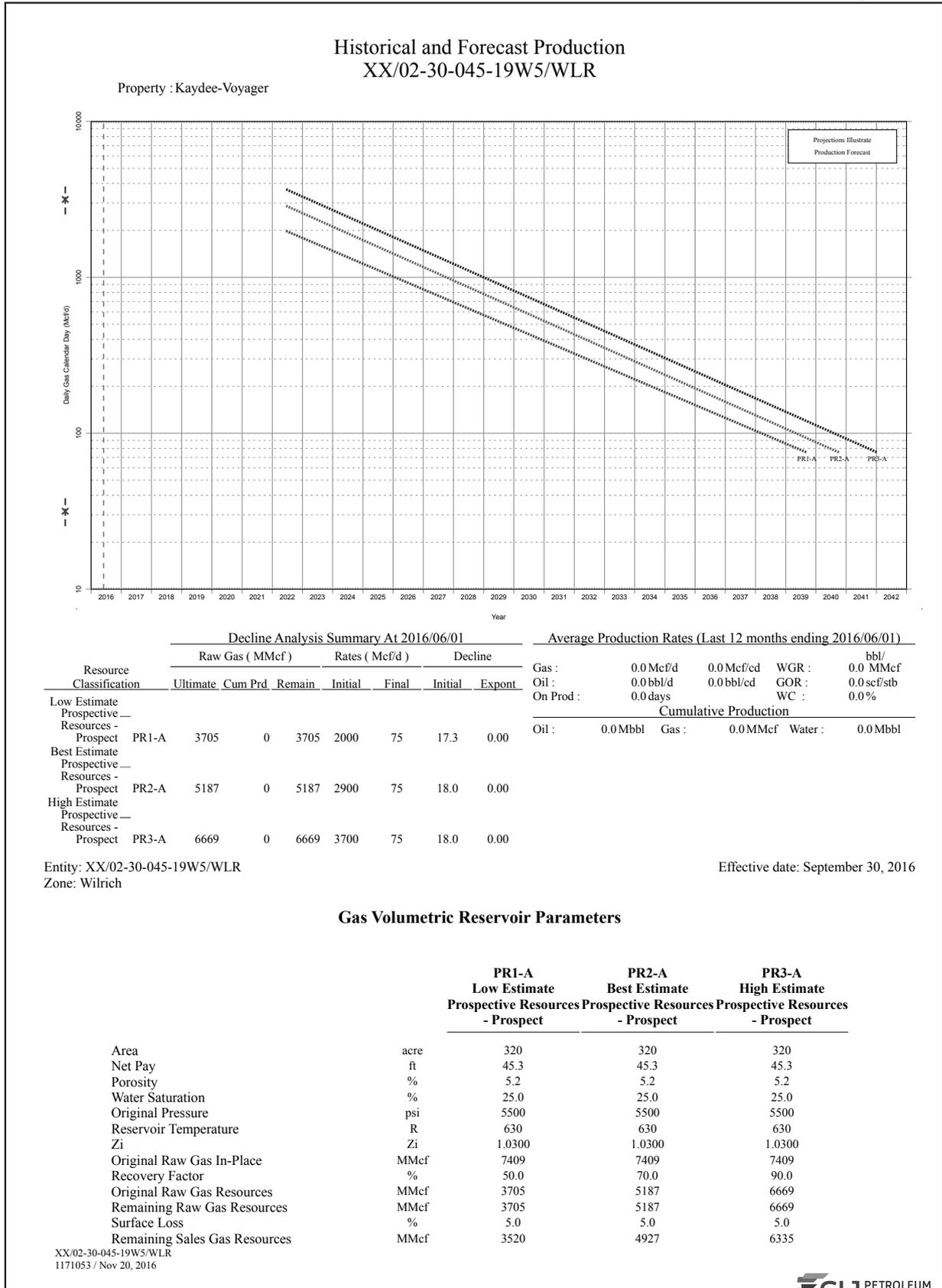
XX/XX-20-045-19W5/WLR  
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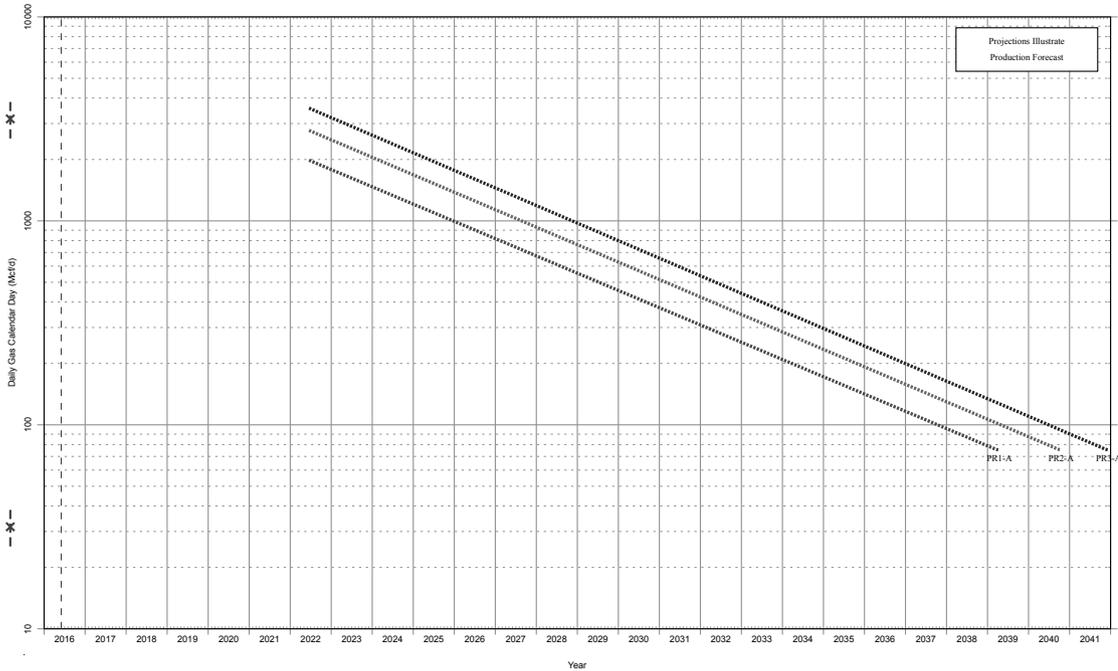






Historical and Forecast Production  
XX/XX-31-045-19W5/WLR

Property : Kaydee-Voyager



Resource Classification	Decline Analysis Summary At 2016/06/01			Average Production Rates (Last 12 months ending 2016/06/01)								
	Raw Gas (MMcf)	Rates (Mcf/d)	Decline	Gas :	Oil :	On Prod :	Water :					
Low Estimate Prospective — Resources - Prospect PR1-A	3607	0	3607	2000	75	17.7	0.00	0.0 Mcf/d	0.0 Mcf/cd	WGR : 0.0 MMcf/bbl	GOR : 0.0 scf/stb	WC : 0.0%
Best Estimate Prospective — Resources - Prospect PR2-A	5050	0	5050	2800	75	17.9	0.00	0.0 bbl/d	0.0 bbl/cd			
High Estimate Prospective — Resources - Prospect PR3-A	6493	0	6493	3600	75	18.0	0.00	0.0 days				

Entity: XX/XX-31-045-19W5/WLR  
Zone: Wilrich

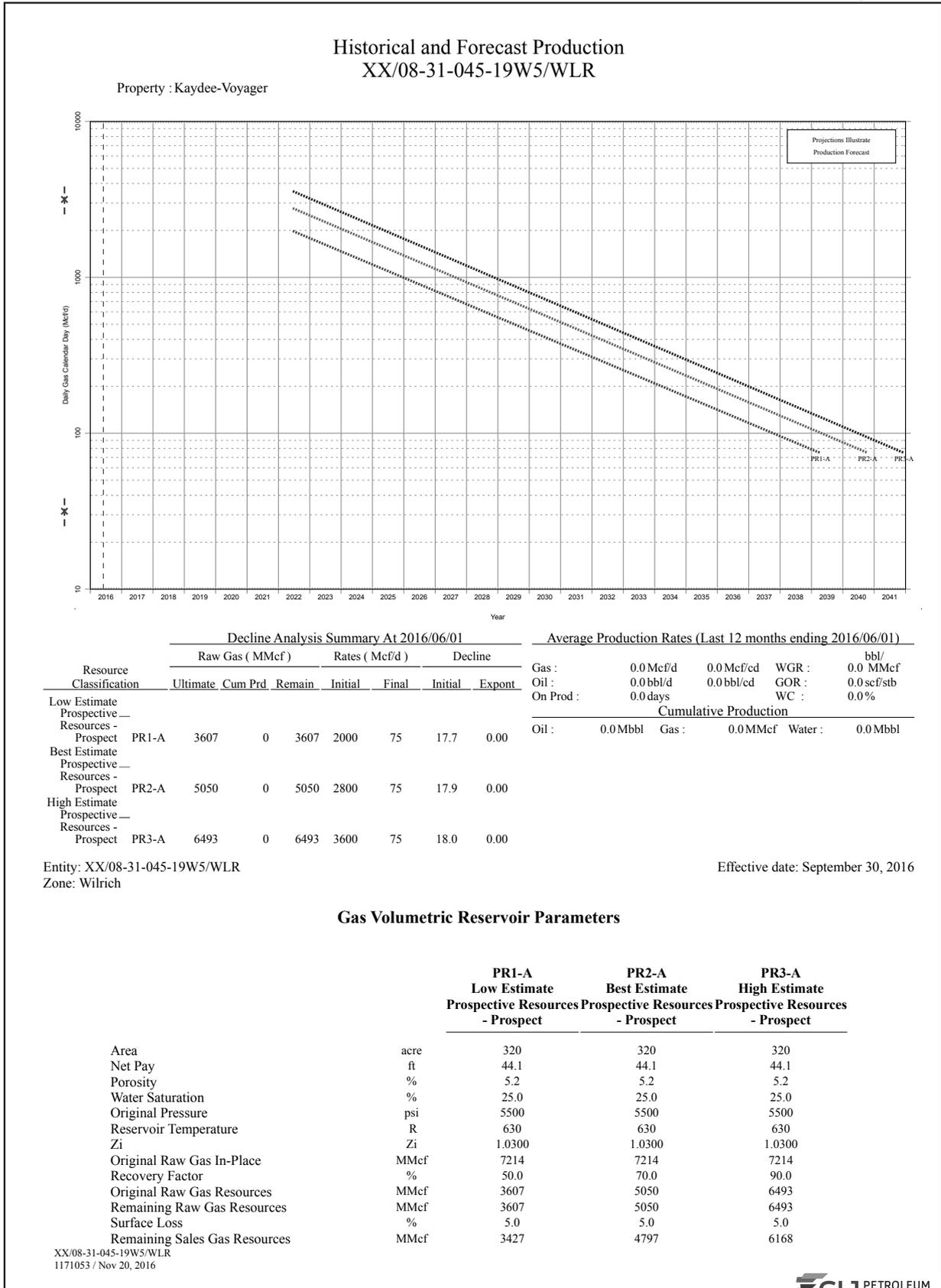
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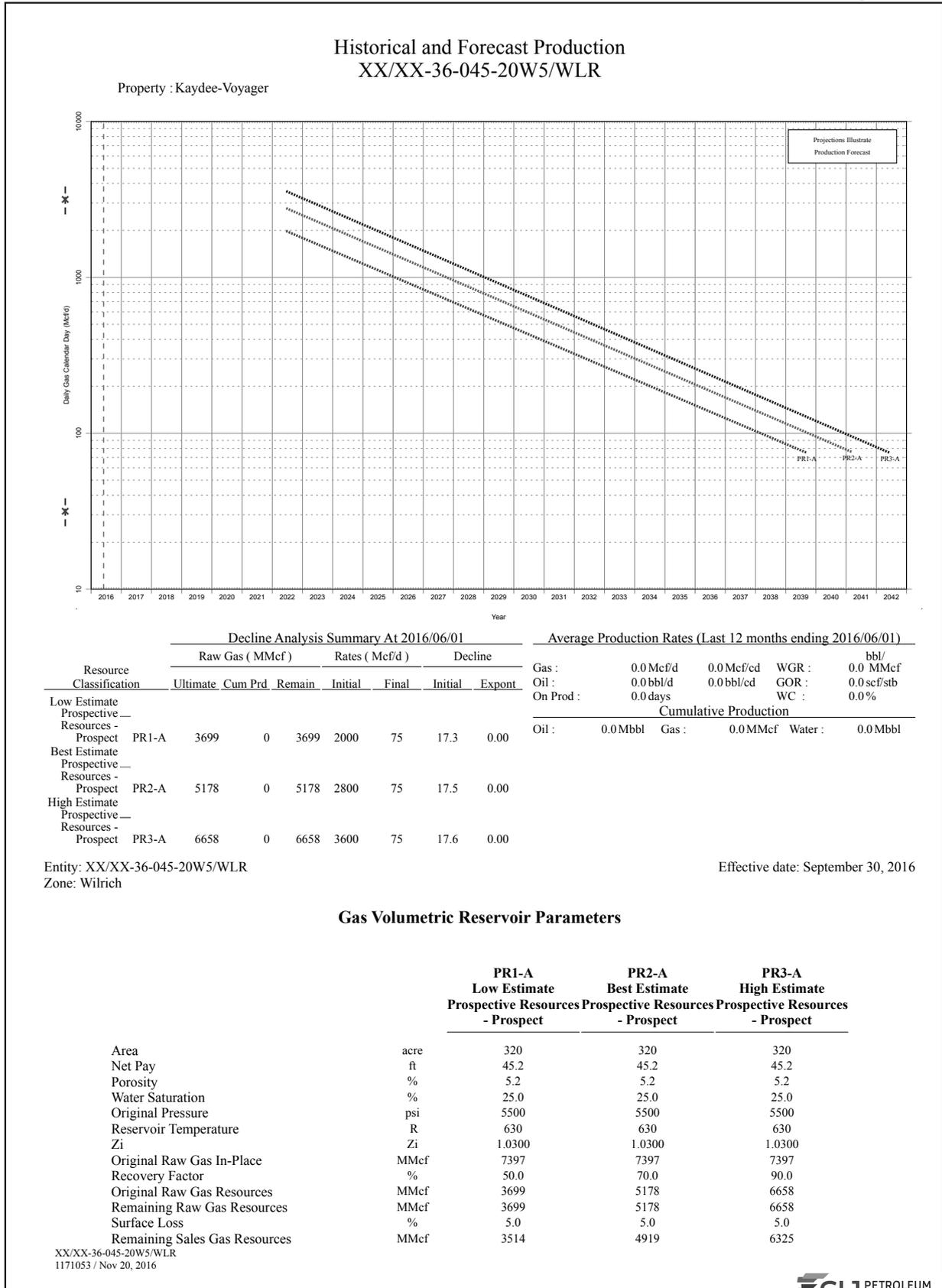
Gas Volumetric Reservoir Parameters

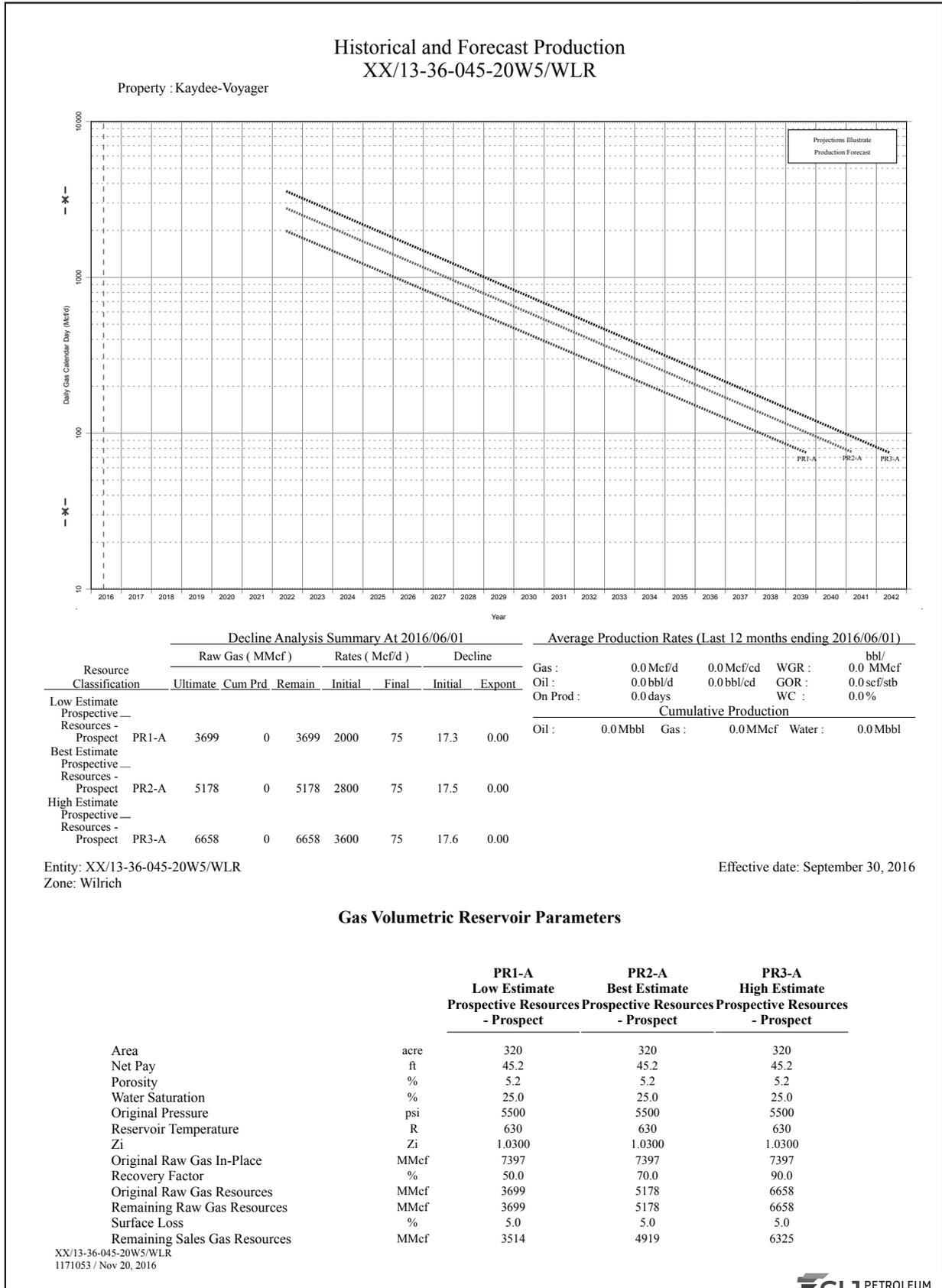
		PR1-A Low Estimate Prospective Resources - Prospect	PR2-A Best Estimate Prospective Resources - Prospect	PR3-A High Estimate Prospective Resources - Prospect
Area	acre	320	320	320
Net Pay	ft	44.1	44.1	44.1
Porosity	%	5.2	5.2	5.2
Water Saturation	%	25.0	25.0	25.0
Original Pressure	psi	5500	5500	5500
Reservoir Temperature	R	630	630	630
Zi	Zi	1.0300	1.0300	1.0300
Original Raw Gas In-Place	MMcf	7214	7214	7214
Recovery Factor	%	50.0	70.0	90.0
Original Raw Gas Resources	MMcf	3607	5050	6493
Remaining Raw Gas Resources	MMcf	3607	5050	6493
Surface Loss	%	5.0	5.0	5.0
Remaining Sales Gas Resources	MMcf	3427	4797	6168

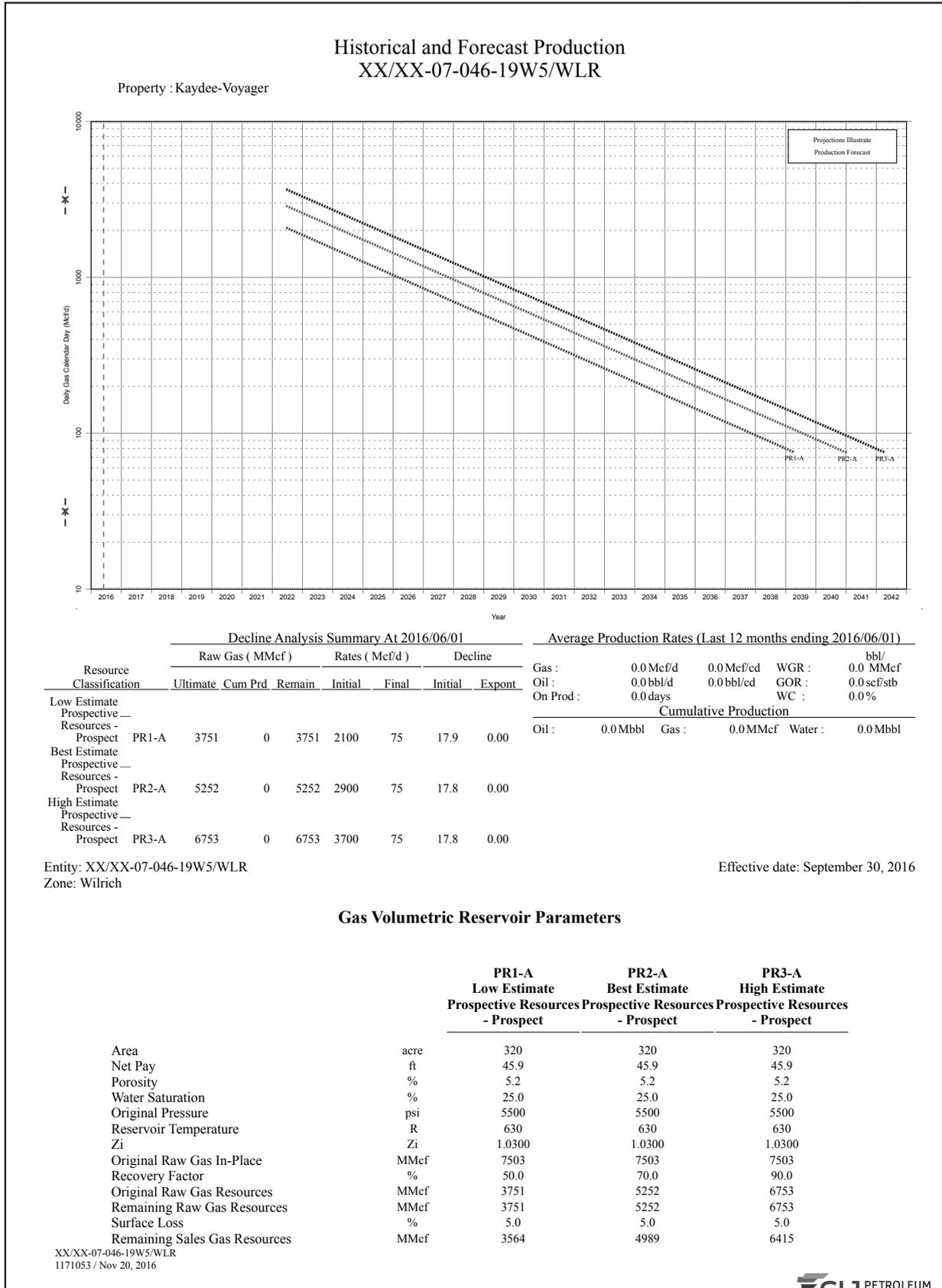
XX/XX-31-045-19W5/WLR  
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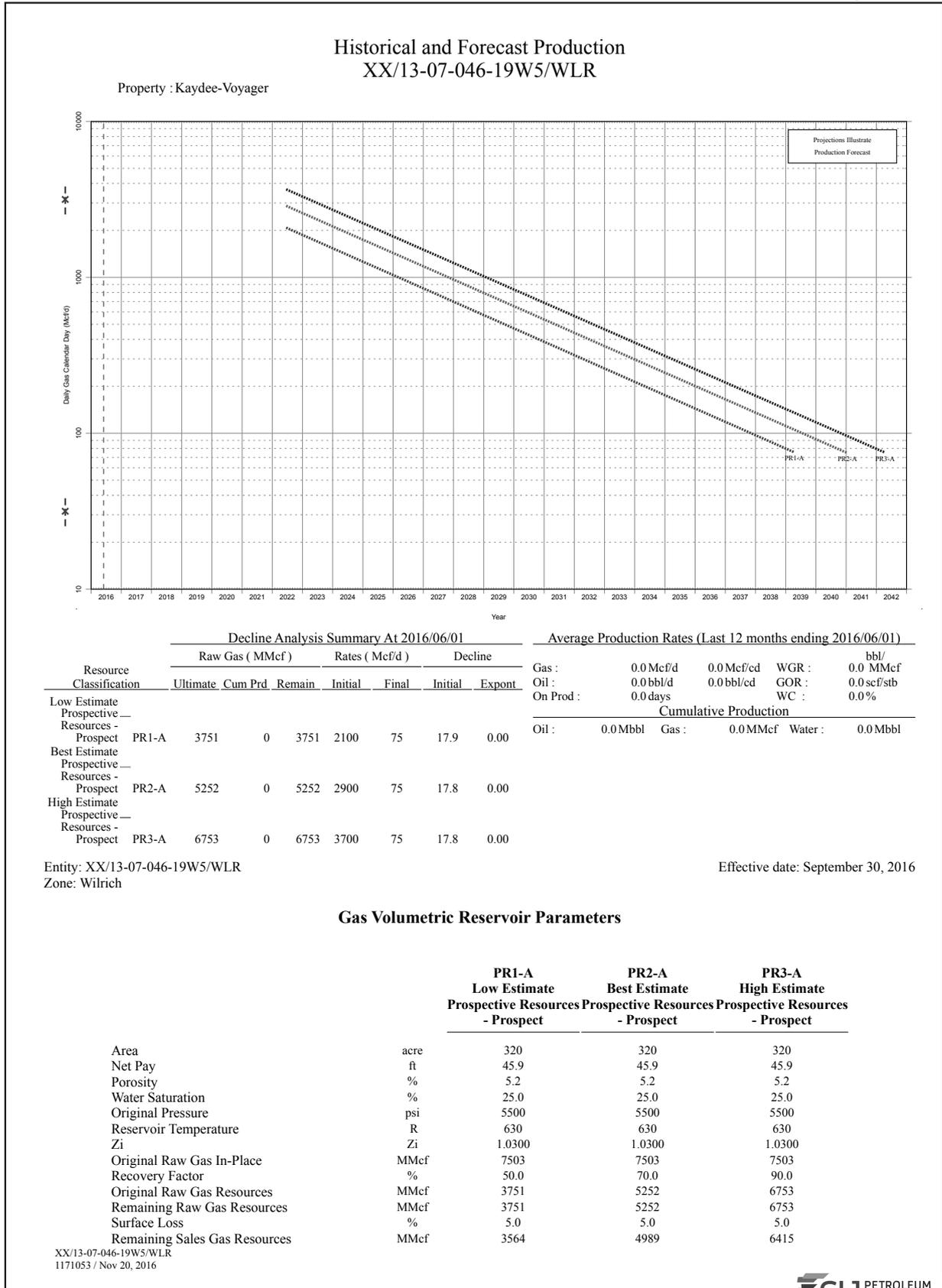


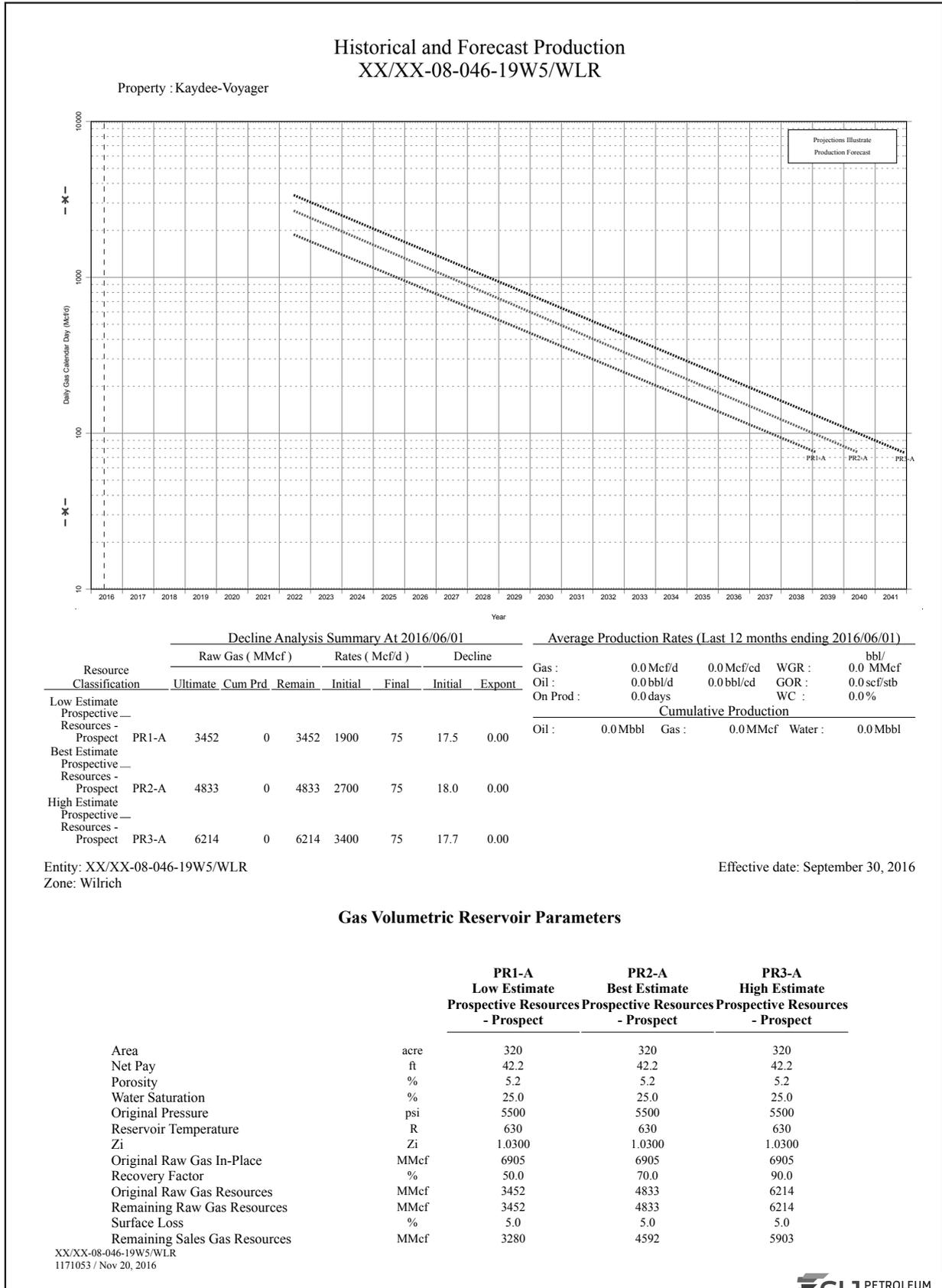


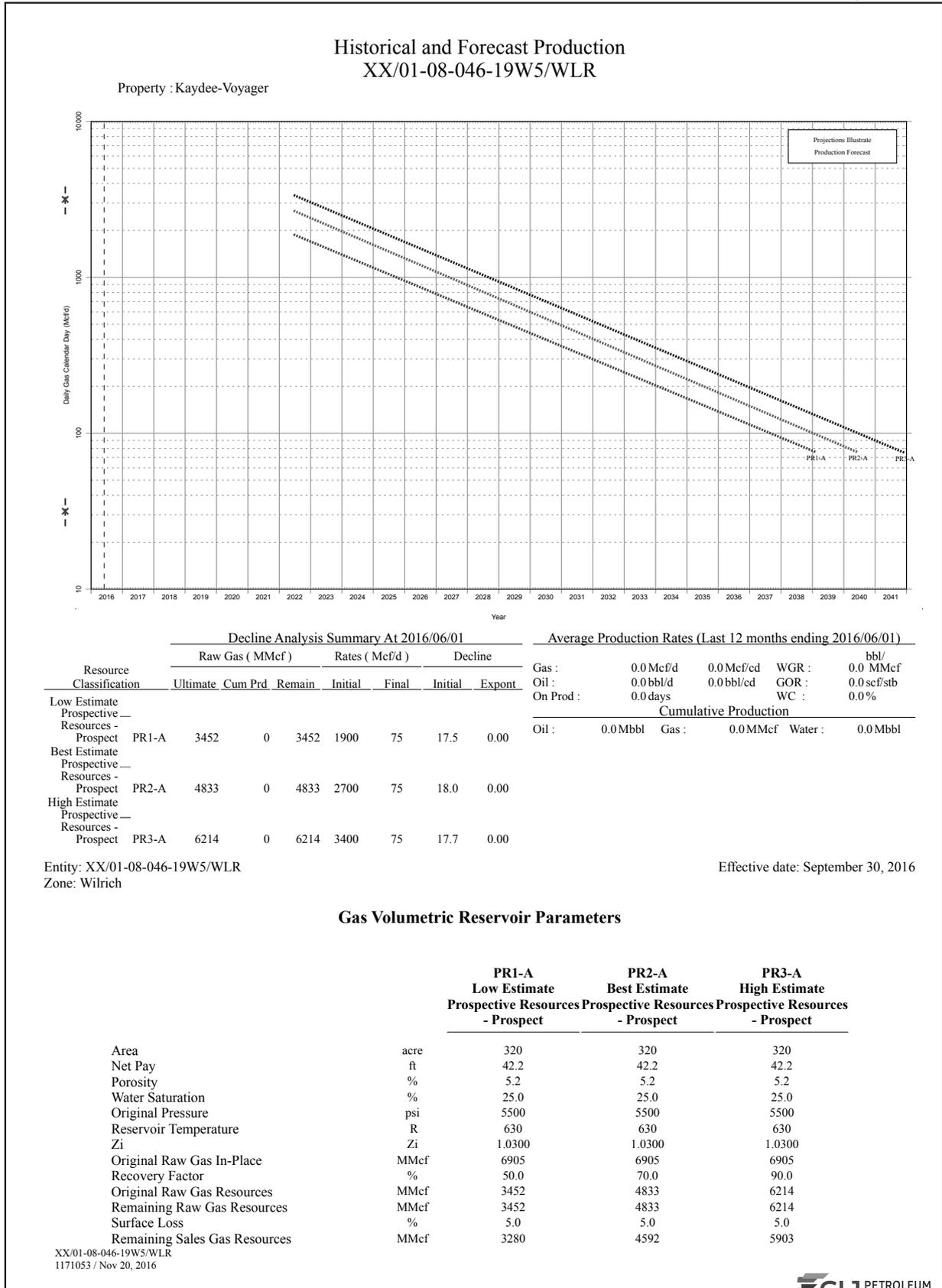






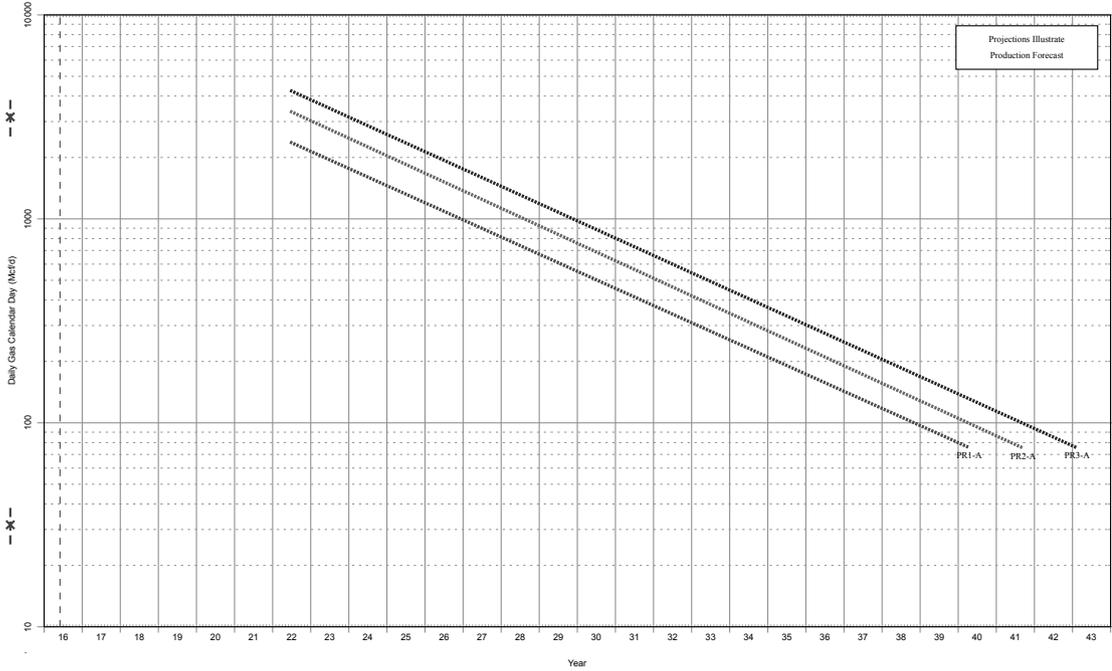






Historical and Forecast Production  
XX/XX-18-046-19W5/WLR

Property : Kaydee-Voyager



Resource Classification	Decline Analysis Summary At 2016/06/01				Average Production Rates (Last 12 months ending 2016/06/01)			
	Ultimate	Cum Prd	Remain	Initial	Final	Initial	Expond	Decline
Low Estimate Prospective — Resources - Prospect PR1-A	4389	0	4389	2400	75	17.6	0.00	Gas : 0.0 Mcf/d Oil : 0.0 bbl/d On Prod : 0.0 days
Best Estimate Prospective — Resources - Prospect PR2-A	6145	0	6145	3400	75	17.9	0.00	WGR : 0.0 MMcf GOR : 0.0 scf/stb WC : 0.0%
High Estimate Prospective — Resources - Prospect PR3-A	7901	0	7901	4300	75	17.7	0.00	Cumulative Production Oil : 0.0 Mbbl Gas : 0.0 MMcf Water : 0.0 Mbbl

Entity: XX/XX-18-046-19W5/WLR  
Zone: Wilrich

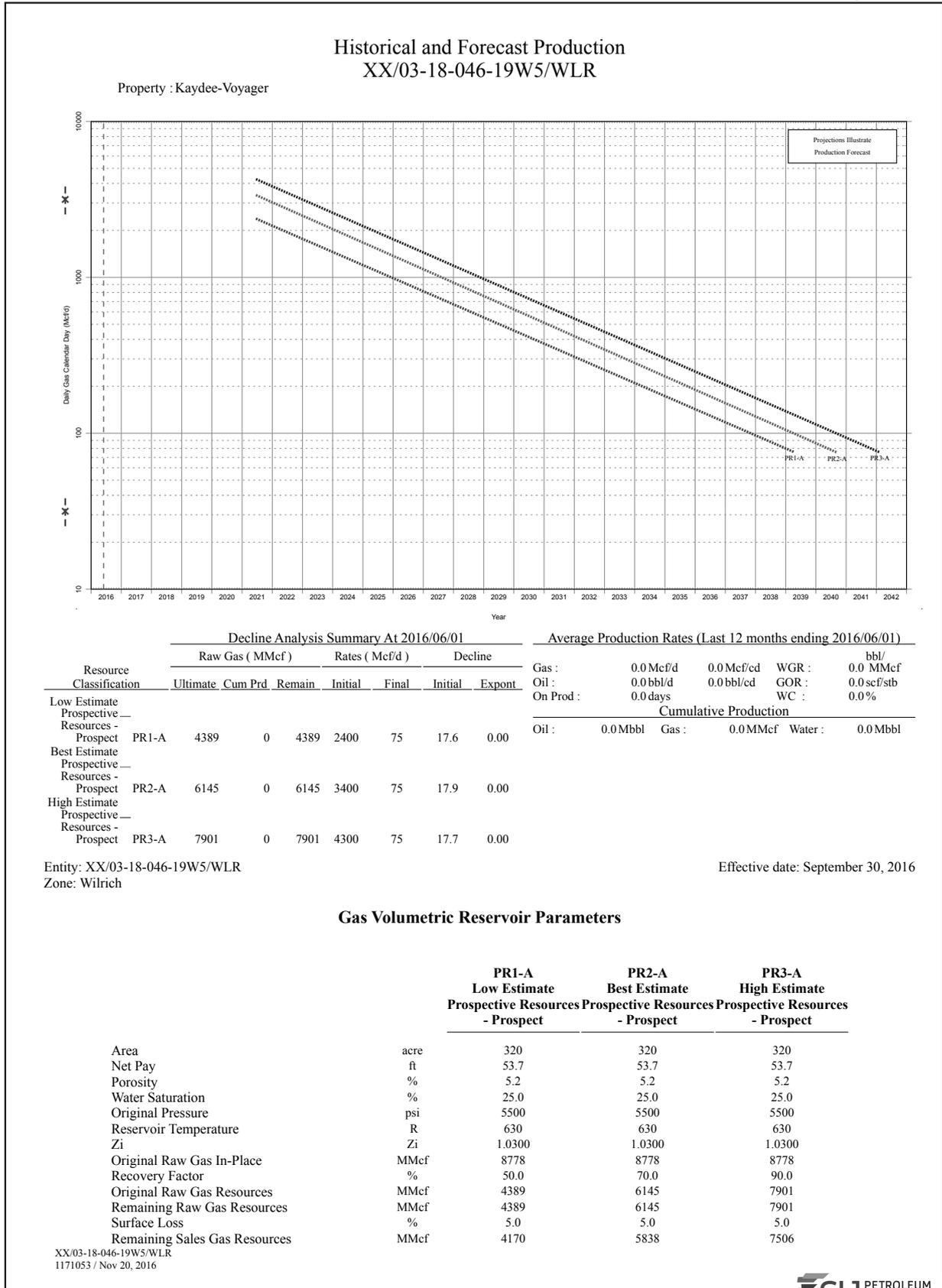
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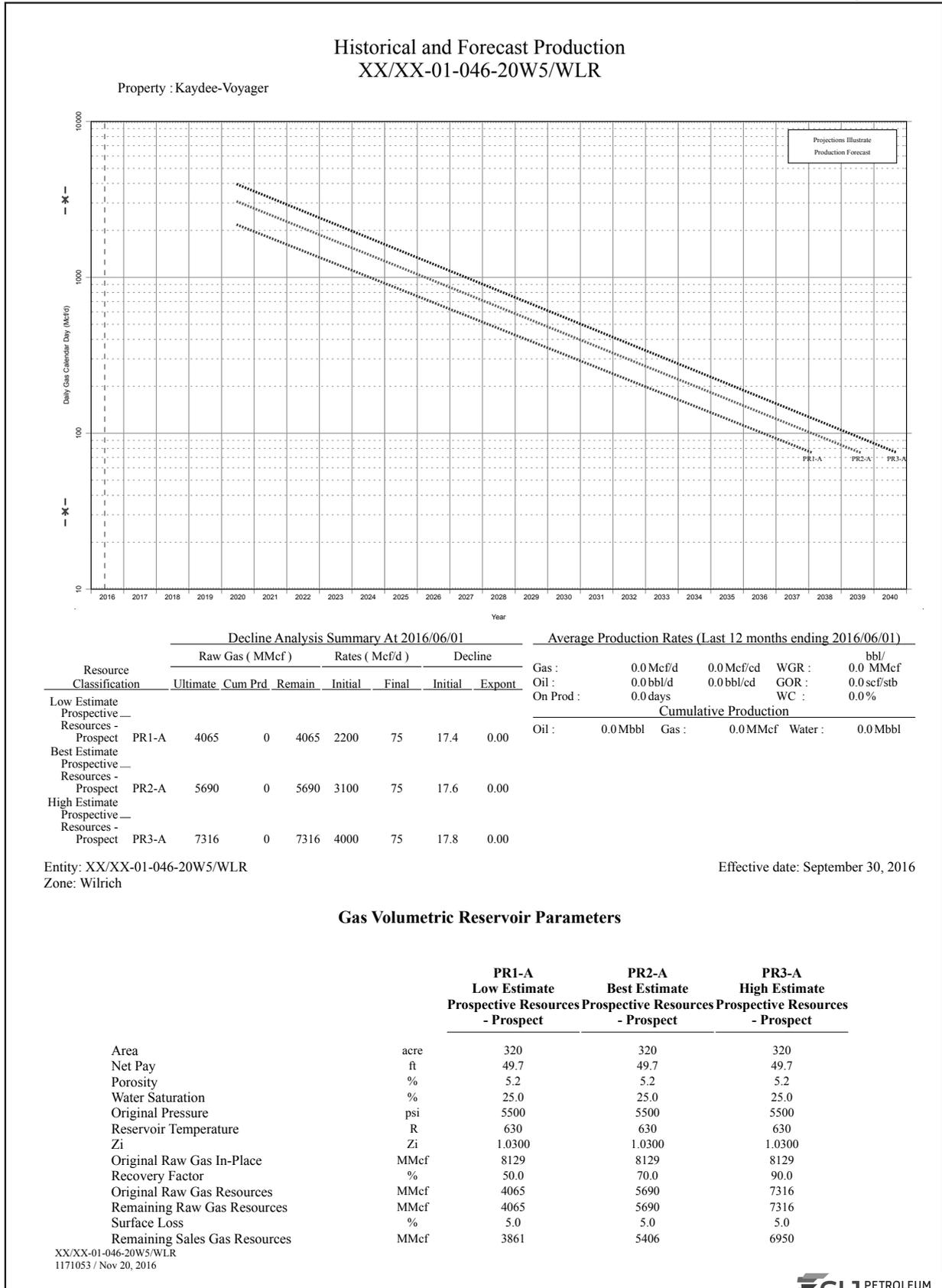
Gas Volumetric Reservoir Parameters

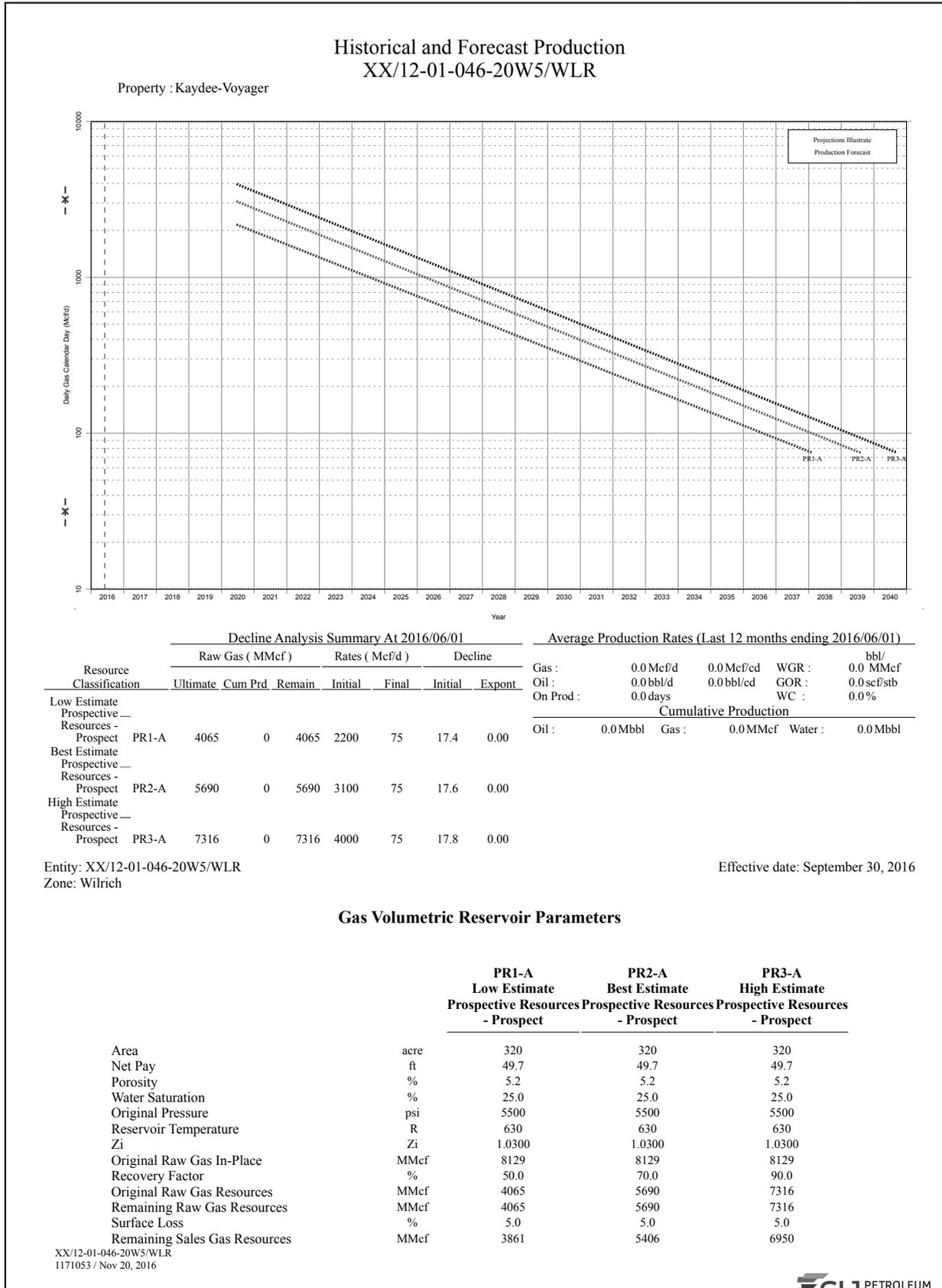
		PR1-A Low Estimate Prospective Resources - Prospect	PR2-A Best Estimate Prospective Resources - Prospect	PR3-A High Estimate Prospective Resources - Prospect
Area	acre	320	320	320
Net Pay	ft	53.7	53.7	53.7
Porosity	%	5.2	5.2	5.2
Water Saturation	%	25.0	25.0	25.0
Original Pressure	psi	5500	5500	5500
Reservoir Temperature	R	630	630	630
Zi	Zi	1.0300	1.0300	1.0300
Original Raw Gas In-Place	MMcf	8778	8778	8778
Recovery Factor	%	50.0	70.0	90.0
Original Raw Gas Resources	MMcf	4389	6145	7901
Remaining Raw Gas Resources	MMcf	4389	6145	7901
Surface Loss	%	5.0	5.0	5.0
Remaining Sales Gas Resources	MMcf	4170	5838	7506

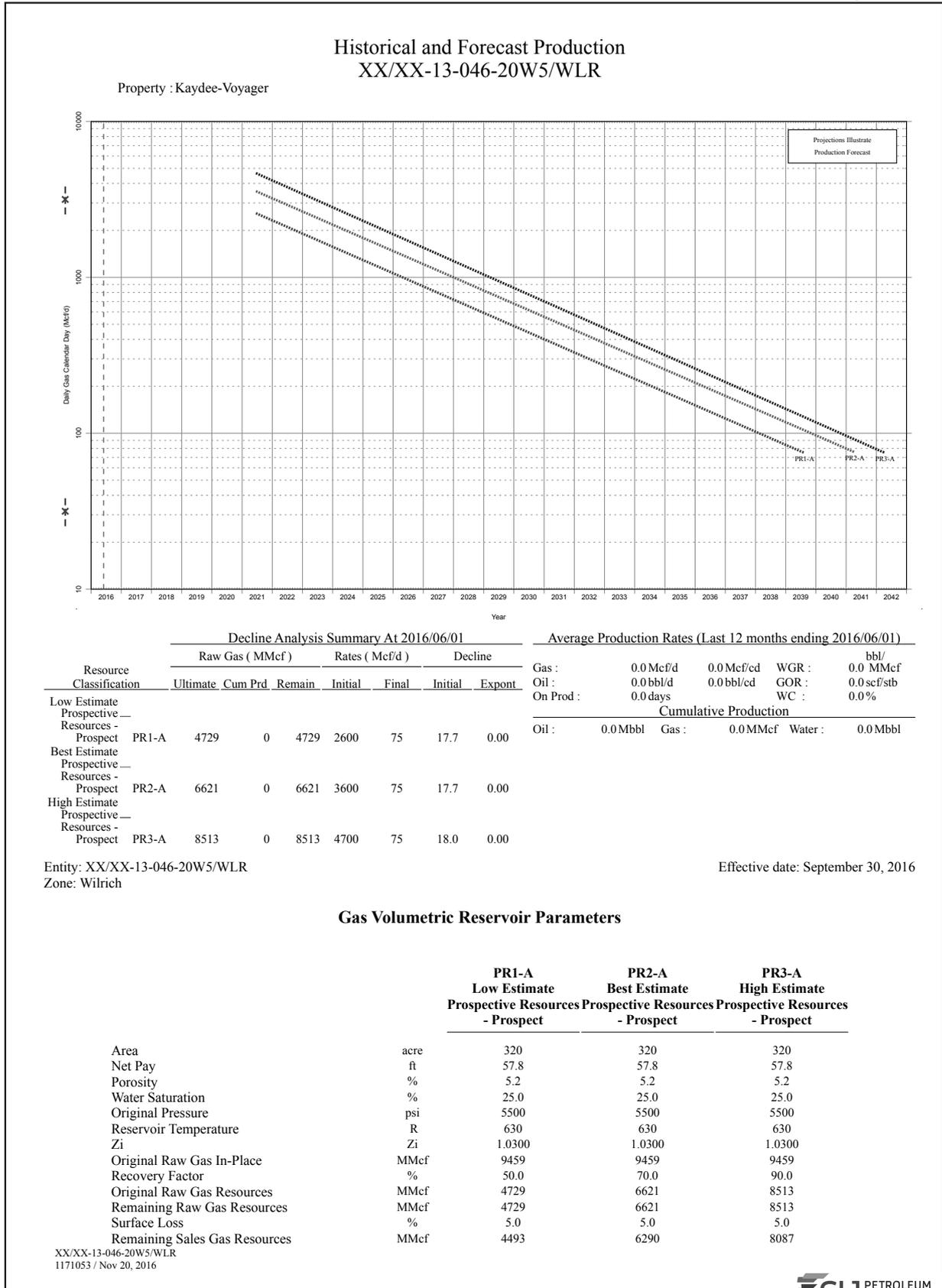
XX/XX-18-046-19W5/WLR  
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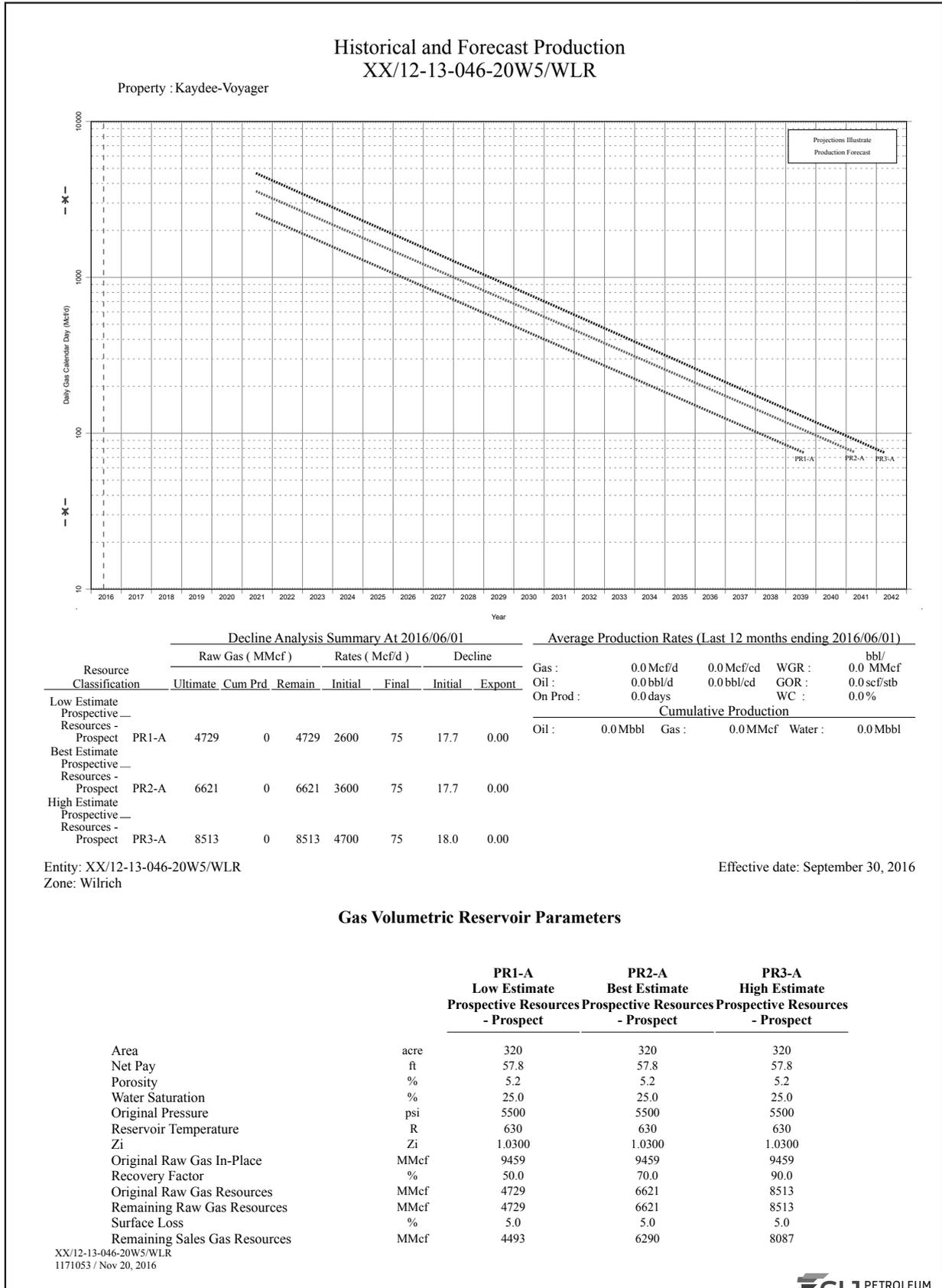






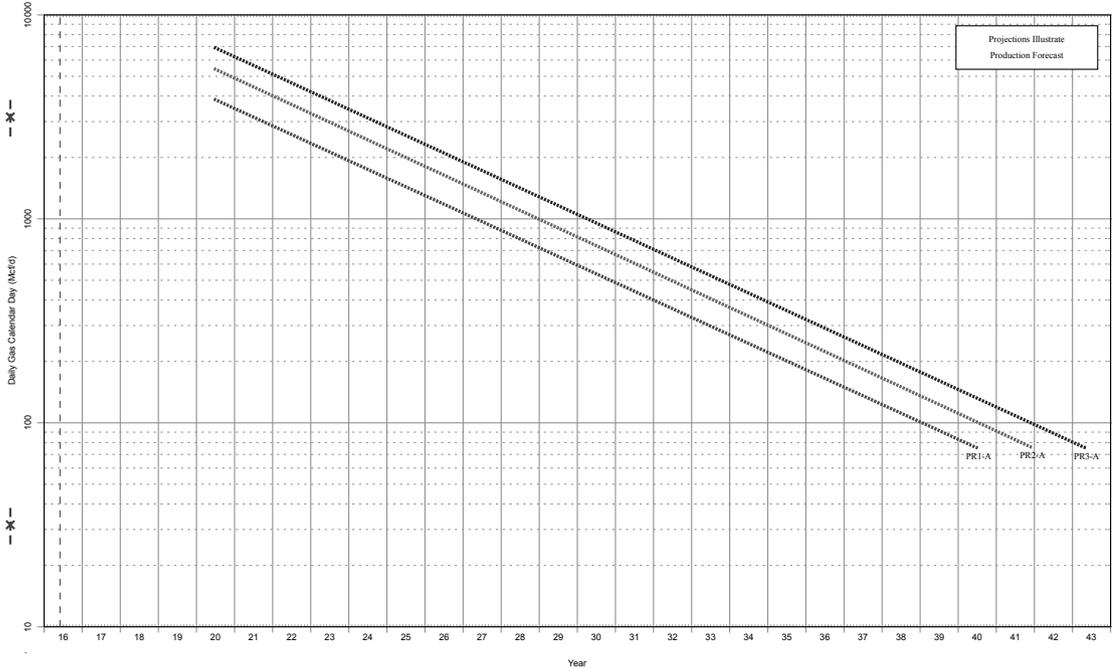






Historical and Forecast Production  
XX/XX-16-046-20W5/WLR

Property : Kaydee-Voyager



Resource Classification	Decline Analysis Summary At 2016/06/01				Average Production Rates (Last 12 months ending 2016/06/01)					
	Raw Gas ( MMcf )		Rates ( Mcf/d )		Decline		Gas :	Oil :	On Prod :	
	Ultimate	Cum Prd	Remain	Initial	Final	Initial	Exptnd	0.0 Mcf/d	0.0 Mcf/cd	WGR :
Low Estimate Prospective — Resources - Prospect PR1-A	7107	0	7107	3900	75	17.8	0.00	0.0 bbl/d	0.0 bbl/cd	GOR :
Best Estimate Prospective — Resources - Prospect PR2-A	9949	0	9949	5500	75	18.0	0.00	0.0 days	WC :	0.0%
High Estimate Prospective — Resources - Prospect PR3-A	12792	0	12792	7000	75	17.9	0.00	Cumulative Production		
								Oil :	Gas :	Water :
								0.0 Mbbl	0.0 MMcf	0.0 Mbbl

Entity: XX/XX-16-046-20W5/WLR  
Zone: Wilrich

Effective date: September 30, 2016

Gas Volumetric Reservoir Parameters

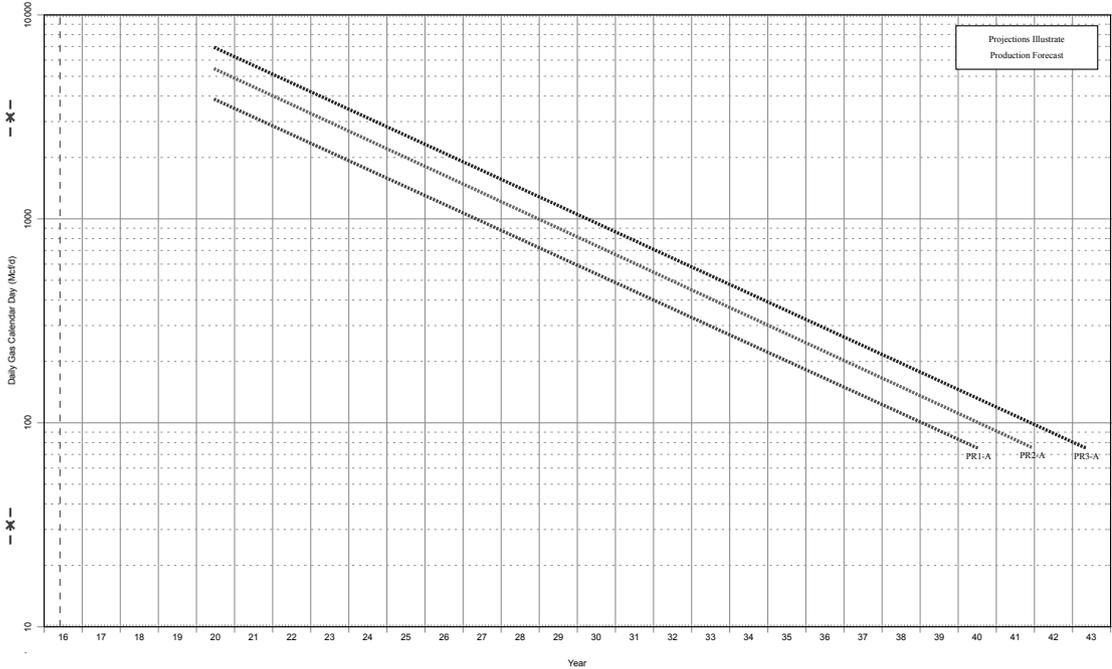
		PR1-A Low Estimate Prospective Resources - Prospect	PR2-A Best Estimate Prospective Resources - Prospect	PR3-A High Estimate Prospective Resources - Prospect
Area	acre	320	320	320
Net Pay	ft	86.9	86.9	86.9
Porosity	%	5.2	5.2	5.2
Water Saturation	%	25.0	25.0	25.0
Original Pressure	psi	5500	5500	5500
Reservoir Temperature	R	630	630	630
Zi	Zi	1.0300	1.0300	1.0300
Original Raw Gas In-Place	MMcf	14213	14213	14213
Recovery Factor	%	50.0	70.0	90.0
Original Raw Gas Resources	MMcf	7107	9949	12792
Remaining Raw Gas Resources	MMcf	7107	9949	12792
Surface Loss	%	5.0	5.0	5.0
Remaining Sales Gas Resources	MMcf	6751	9452	12152

XX/XX-16-046-20W5/WLR  
1171053 / Nov 20, 2016



Historical and Forecast Production  
XX/01-16-046-20W5/WLR

Property : Kaydee-Voyager



Resource Classification	Decline Analysis Summary At 2016/06/01				Average Production Rates (Last 12 months ending 2016/06/01)					
	Raw Gas ( MMcf )		Rates ( Mcf/d )		Decline		Gas :	Oil :	On Prod :	
	Ultimate	Cum Prd	Remain	Initial	Final	Initial	Exptnd	0.0 Mcf/d	0.0 Mcf/cd	WGR :
Low Estimate Prospective — Resources - Prospect PR1-A	7107	0	7107	3900	75	17.8	0.00	0.0 bbl/d	0.0 bbl/cd	GOR :
Best Estimate Prospective — Resources - Prospect PR2-A	9949	0	9949	5500	75	18.0	0.00	0.0 days	WC :	0.0%
High Estimate Prospective — Resources - Prospect PR3-A	12792	0	12792	7000	75	17.9	0.00	Cumulative Production		
								Oil :	Gas :	Water :
								0.0 Mmcf	0.0 MMcf	0.0 Mmcf

Entity: XX/01-16-046-20W5/WLR  
Zone: Wilrich

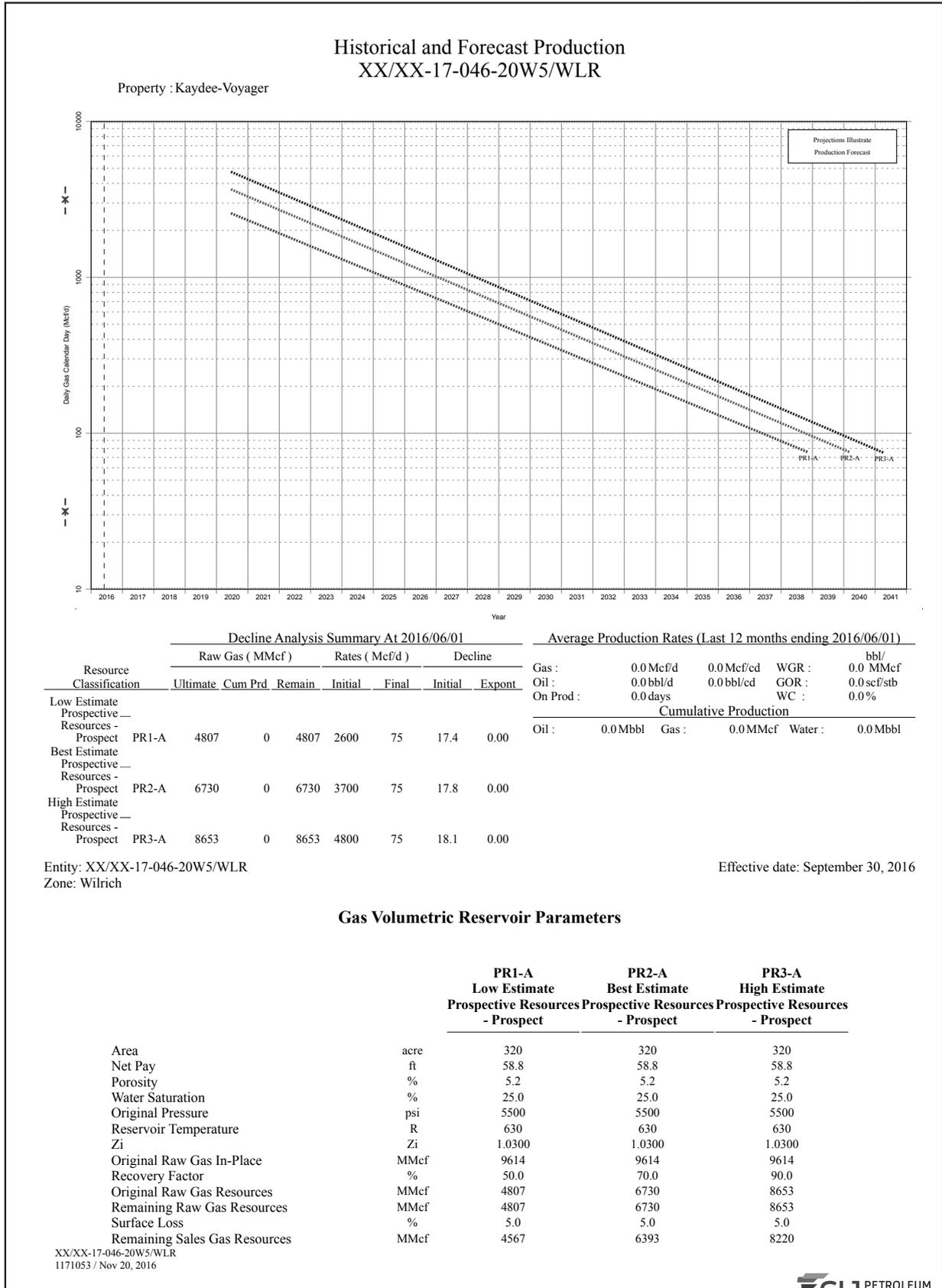
Effective date: September 30, 2016

Gas Volumetric Reservoir Parameters

		PR1-A Low Estimate Prospective Resources - Prospect	PR2-A Best Estimate Prospective Resources - Prospect	PR3-A High Estimate Prospective Resources - Prospect
Area	acre	320	320	320
Net Pay	ft	86.9	86.9	86.9
Porosity	%	5.2	5.2	5.2
Water Saturation	%	25.0	25.0	25.0
Original Pressure	psi	5500	5500	5500
Reservoir Temperature	R	630	630	630
Zi	Zi	1.0300	1.0300	1.0300
Original Raw Gas In-Place	MMcf	14213	14213	14213
Recovery Factor	%	50.0	70.0	90.0
Original Raw Gas Resources	MMcf	7107	9949	12792
Remaining Raw Gas Resources	MMcf	7107	9949	12792
Surface Loss	%	5.0	5.0	5.0
Remaining Sales Gas Resources	MMcf	6751	9452	12152

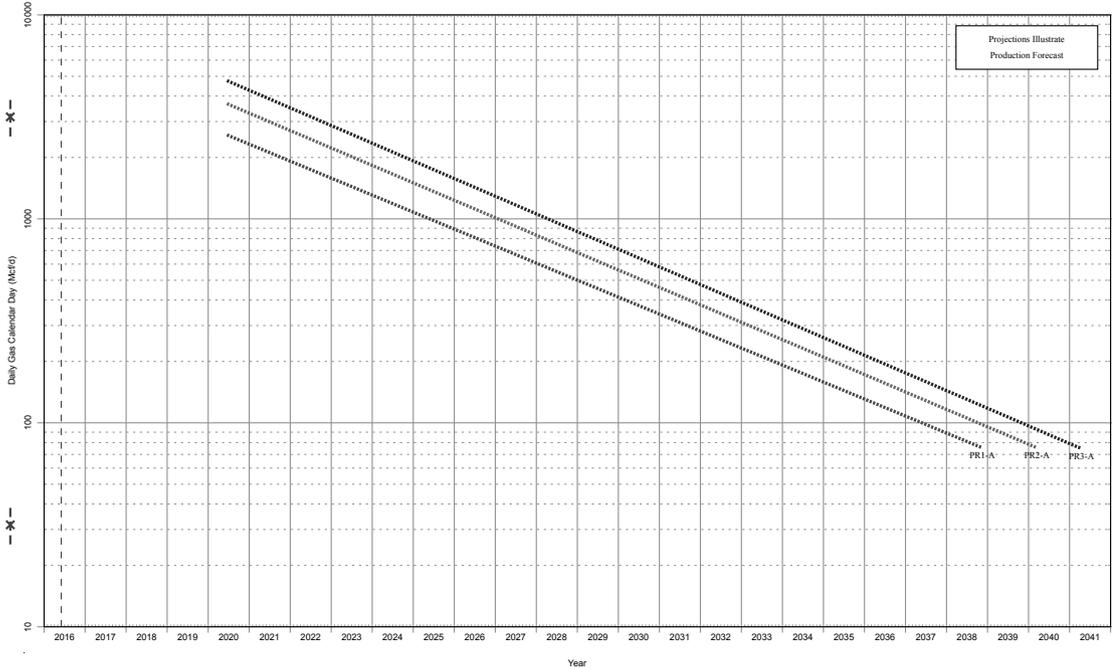
XX/01-16-046-20W5/WLR  
1171053 / Nov 20, 2016





Historical and Forecast Production  
XX/13-17-046-20W5/WLR

Property : Kaydee-Voyager



Decline Analysis Summary At 2016/06/01								Average Production Rates (Last 12 months ending 2016/06/01)				
Resource Classification	Raw Gas ( MMcf )			Rates ( Mcf/d )		Decline		Gas :	0.0 Mcf/d	0.0 Mcf/cd	WGR :	bbl/
	Ultimate	Cum Prd	Remain	Initial	Final	Initial	Exptnd	Oil :	0.0 bbl/d	0.0 bbl/cd	GOR :	0.0 MMcf
Low Estimate Prospective — Resources - Prospect	PR1-A	4807	0	4807	2600	75	17.4	0.0	0.0 days		WC :	0.0%
Best Estimate Prospective — Resources - Prospect	PR2-A	6730	0	6730	3700	75	17.8	0.0				
High Estimate Prospective — Resources - Prospect	PR3-A	8653	0	8653	4800	75	18.1	0.0				

Entity: XX/13-17-046-20W5/WLR  
Zone: Wilrich

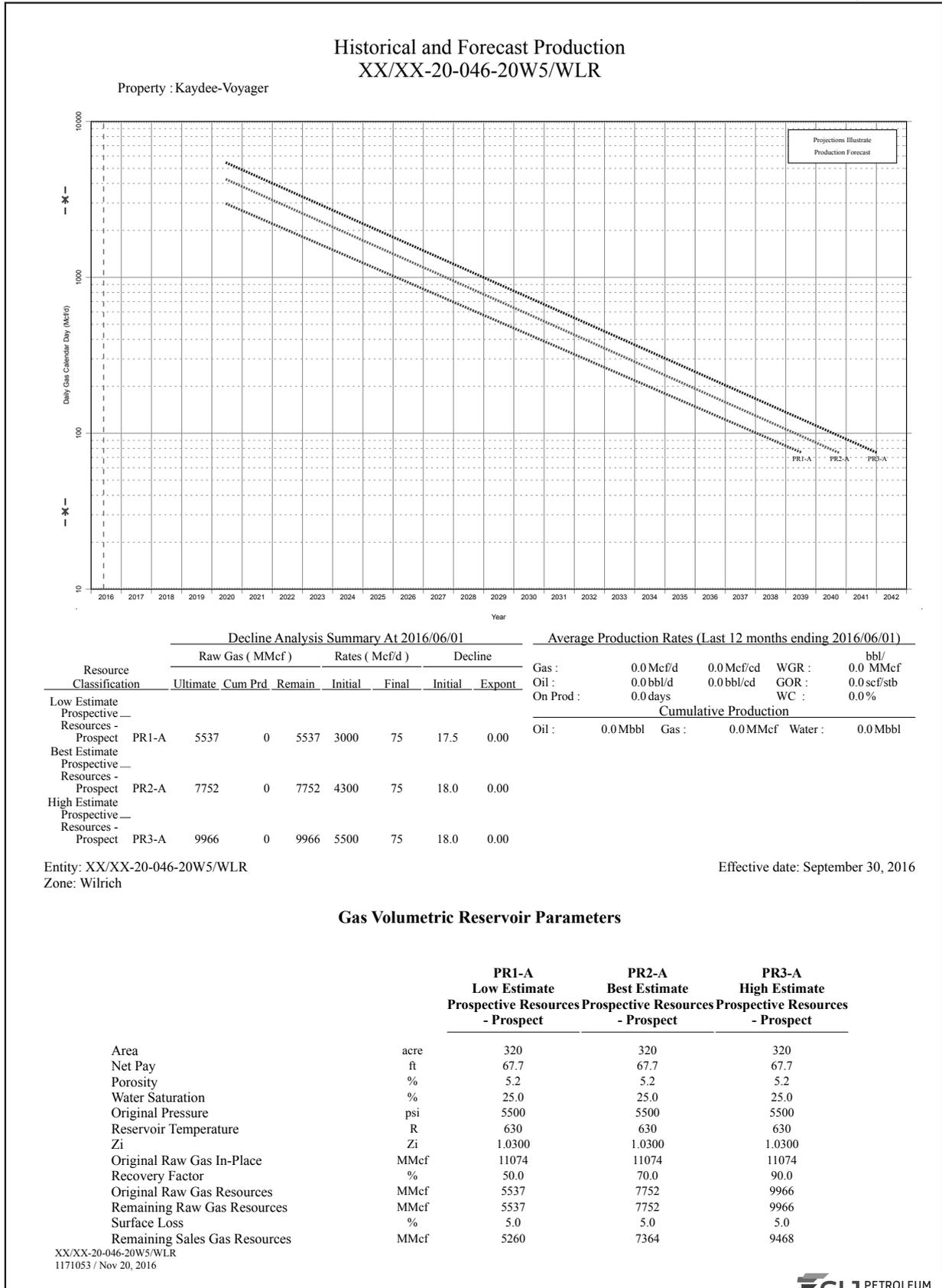
Effective date: September 30, 2016

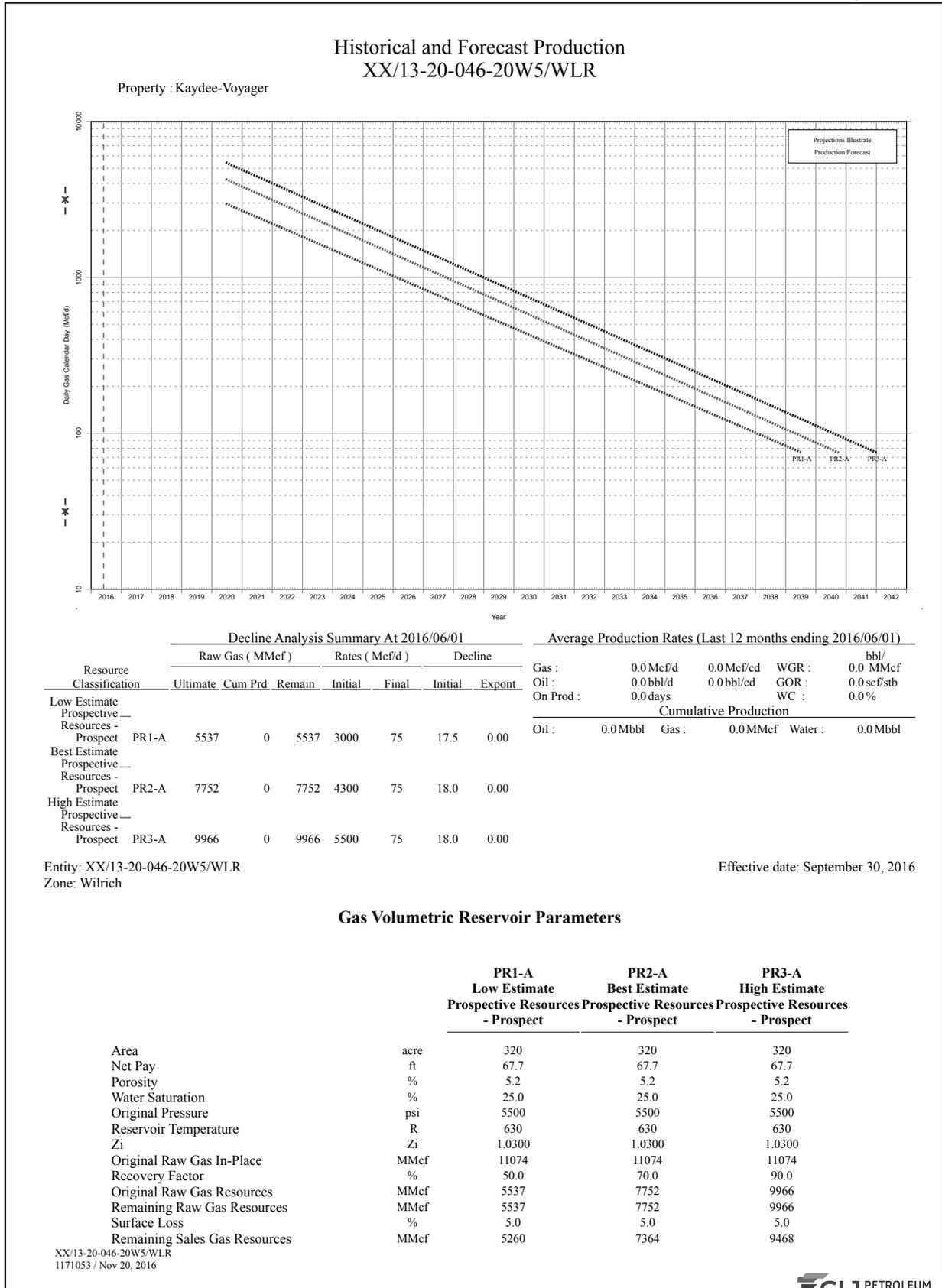
Gas Volumetric Reservoir Parameters

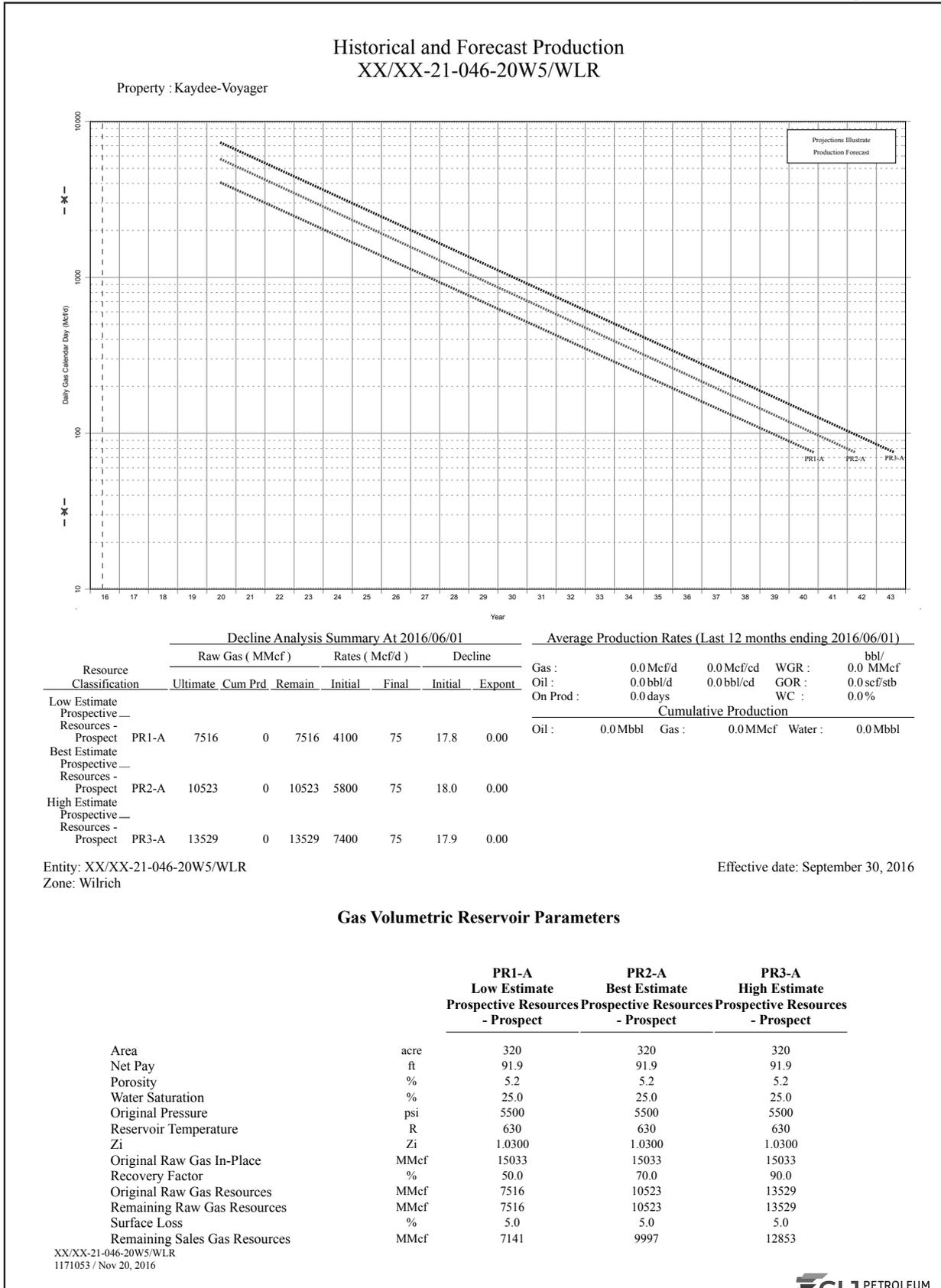
		PR1-A Low Estimate Prospective Resources - Prospect	PR2-A Best Estimate Prospective Resources - Prospect	PR3-A High Estimate Prospective Resources - Prospect
Area	acre	320	320	320
Net Pay	ft	58.8	58.8	58.8
Porosity	%	5.2	5.2	5.2
Water Saturation	%	25.0	25.0	25.0
Original Pressure	psi	5500	5500	5500
Reservoir Temperature	R	630	630	630
Zi	Zi	1.0300	1.0300	1.0300
Original Raw Gas In-Place	MMcf	9614	9614	9614
Recovery Factor	%	50.0	70.0	90.0
Original Raw Gas Resources	MMcf	4807	6730	8653
Remaining Raw Gas Resources	MMcf	4807	6730	8653
Surface Loss	%	5.0	5.0	5.0
Remaining Sales Gas Resources	MMcf	4567	6393	8220

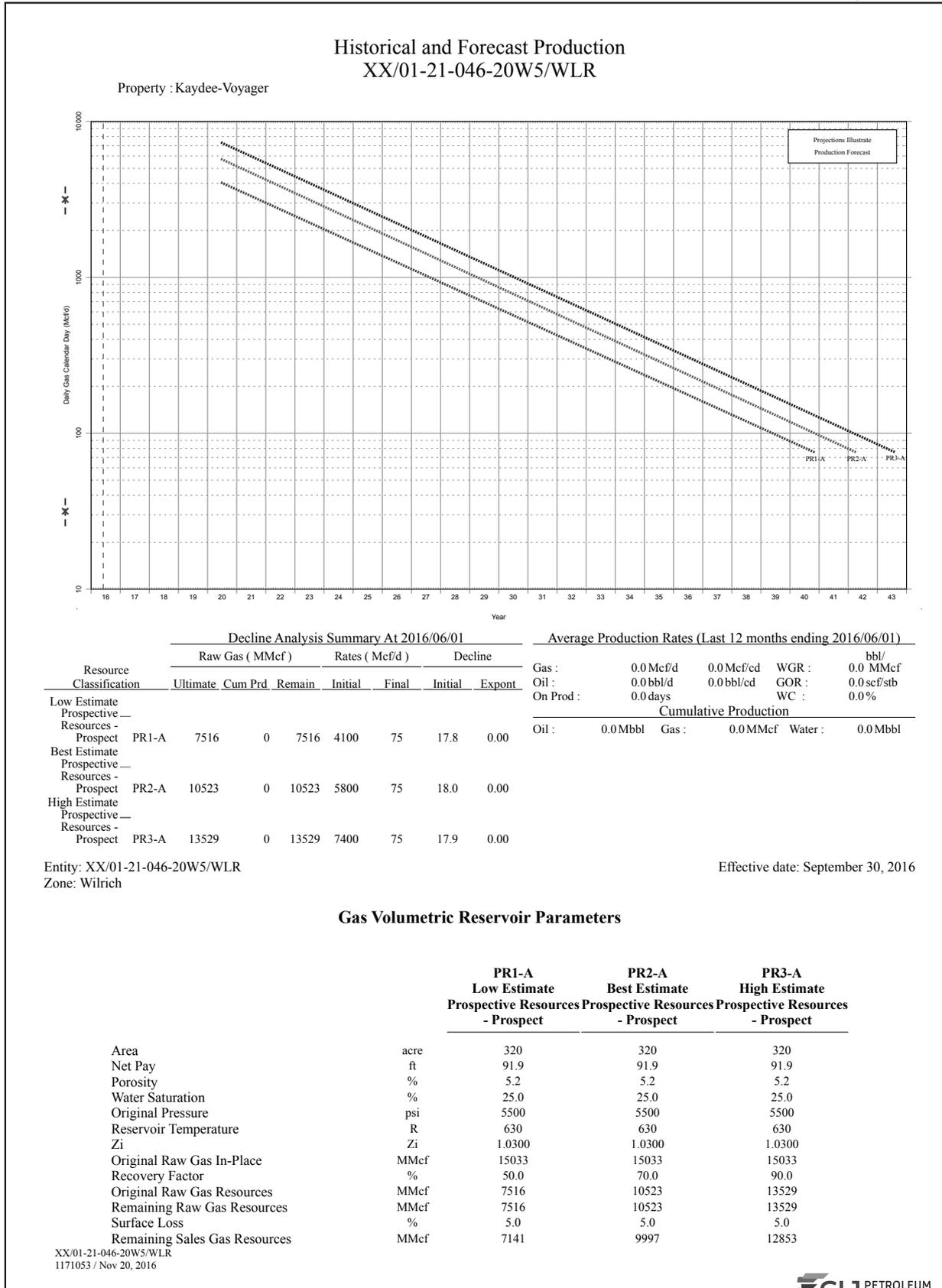
XX/13-17-046-20W5/WLR  
1171053 / Nov 20, 2016

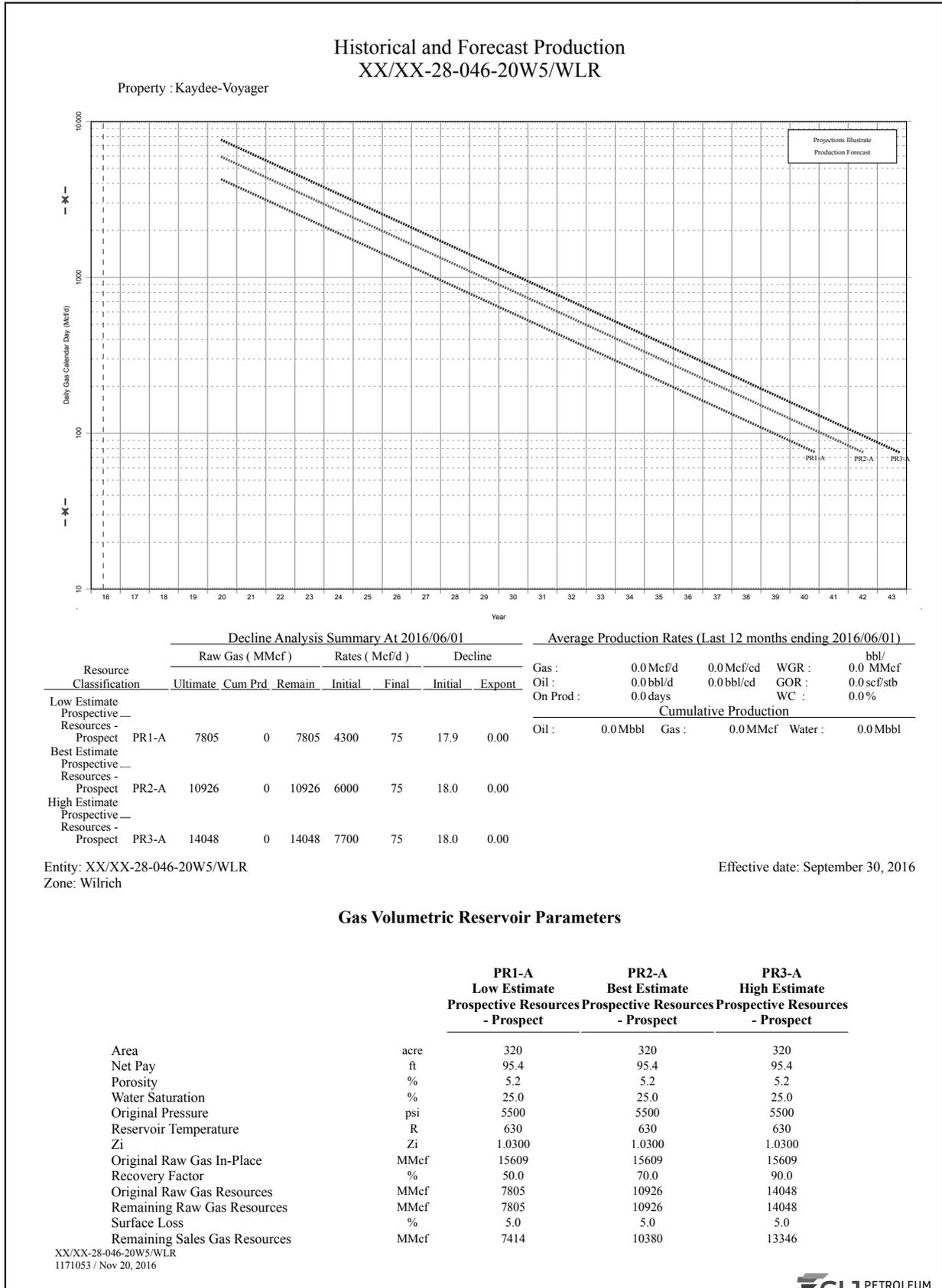


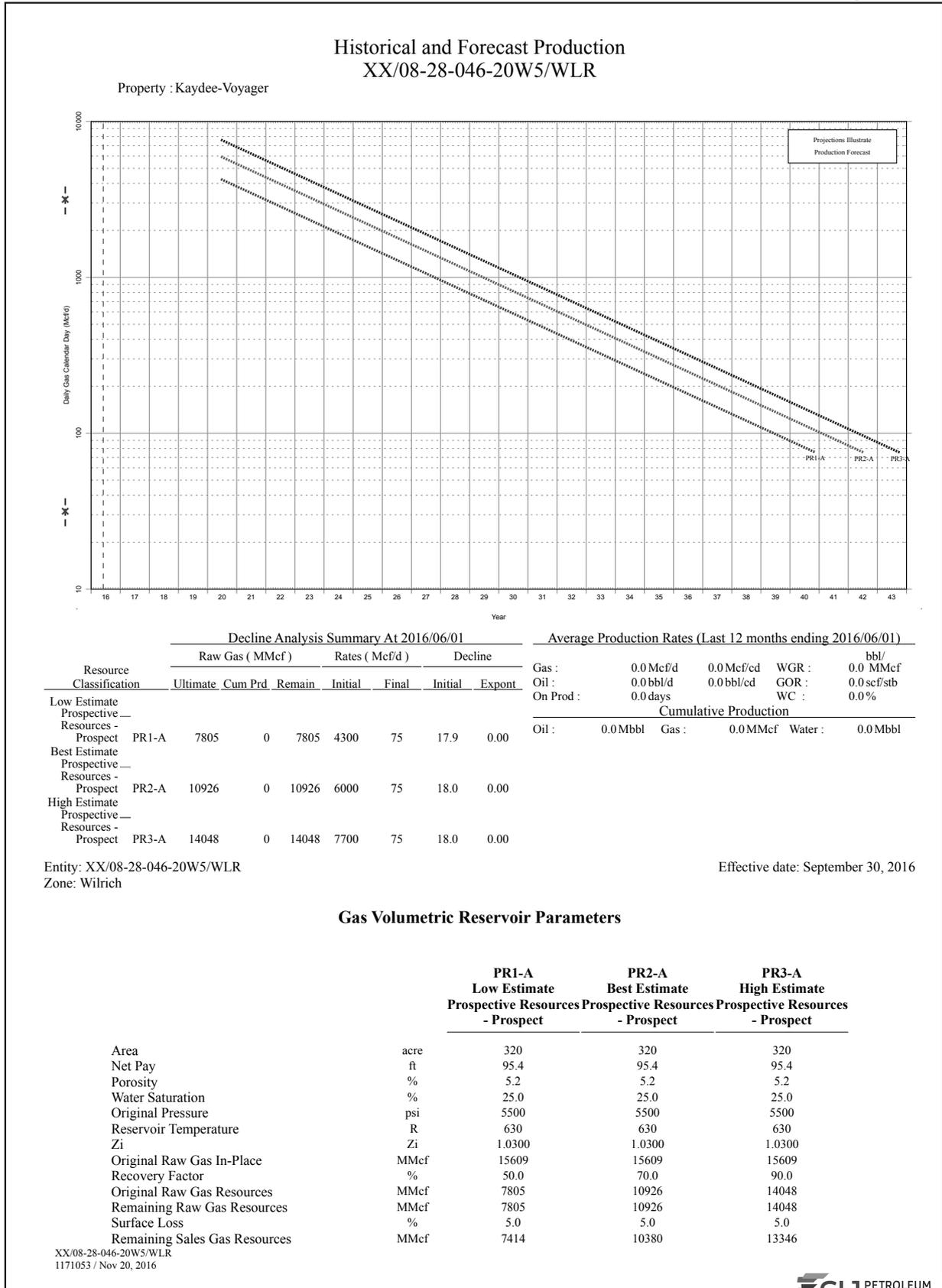






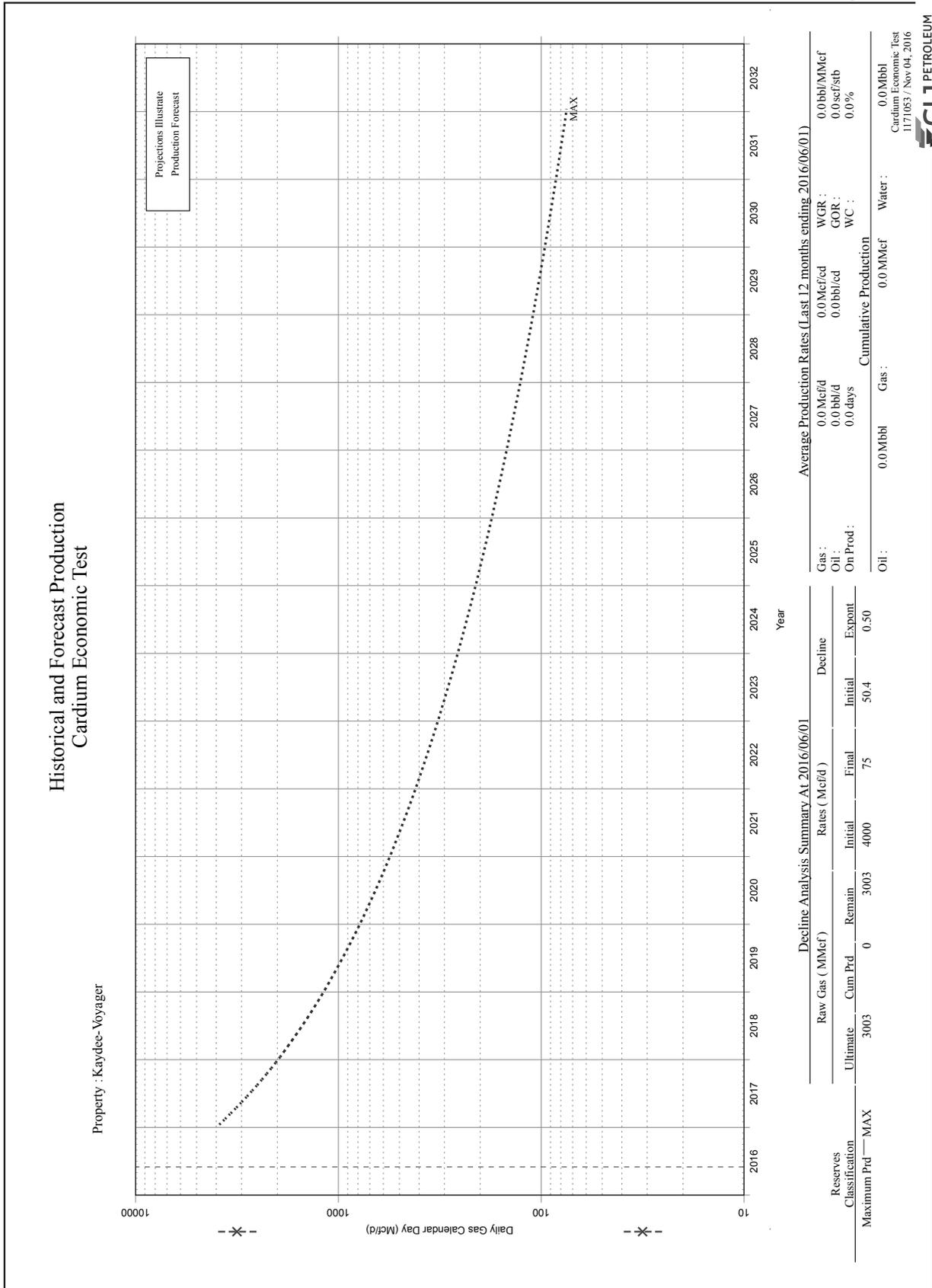






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Company: **Persta Resources Inc.**  
 Property: **Kaydee-Voyager**  
 Description: **Cardium Thickest Zone**

Reserve Class: **Maximum**  
 Development Class: **Producing**  
 Pricing: **GLJ (2016-10)**  
 Effective Date: **September 30, 2016**

**Economic Forecast**

**PRODUCTION FORECAST**

Year	Residue Gas Production						Condensate Production					Propane Production				
	Gross Gas Wells	Gross Daily Mcf/d	Company Daily Mcf/d	Company Yearly MMcf	Net Yearly MMcf	Price \$/Mcf	Gross Daily bbl/d	Company Daily bbl/d	Company Yearly Mbbl	Net Yearly Mbbl	Price \$/bbl	Gross Daily bbl/d	Company Daily bbl/d	Company Yearly Mbbl	Net Yearly Mbbl	Price \$/bbl
2016	0	0	0	0	0	0.00	0	0	0	0	0.00	0	0	0	0	0.00
2017	1	2,677	2,677	977	928	3.22	16	16	6	5	63.36	7	7	2	2	22.70
2018	1	1,455	1,455	531	507	3.23	9	9	3	3	65.99	4	4	1	1	23.64
2019	1	915	915	334	322	3.46	5	5	2	2	69.82	2	2	1	1	28.11
2020	1	630	630	230	222	3.70	4	4	1	1	72.09	2	2	1	0	29.08
2021	1	458	458	167	161	4.01	3	3	1	1	76.91	1	1	0	0	30.79
2022	1	348	348	127	118	4.22	2	2	1	0	81.32	1	1	0	0	32.50
2023	1	274	274	100	92	4.43	2	2	1	0	86.12	1	1	0	0	34.21
2024	1	222	222	81	75	4.64	1	1	0	0	90.45	1	1	0	0	35.93
2025	0	0	0	0	0	0.00	0	0	0	0	0.00	0	0	0	0	0.00
2026	0	0	0	0	0	0.00	0	0	0	0	0.00	0	0	0	0	0.00
2027	0	0	0	0	0	0.00	0	0	0	0	0.00	0	0	0	0	0.00
Sub.				2,547	2,424	3.49			15	13	69.08			6	6	26.07
Rem.				0	0	0.00			0	0	0.00			0	0	0.00
<b>Tot.</b>				<b>2,547</b>	<b>2,424</b>	<b>3.49</b>			<b>15</b>	<b>13</b>	<b>69.08</b>			<b>6</b>	<b>6</b>	<b>26.07</b>

Year	Natural Gas Liquids Production					Oil Equivalent Production				
	Gross Daily bbl/d	Company Daily bbl/d	Company Yearly Mbbl	Net Yearly Mbbl	Price \$/bbl	Gross Daily boe/d	Company Daily boe/d	Company Yearly Mboe	Net Yearly Mboe	Price \$/boe
2016		0	0	0	0.00	0	0	0	0	0.00
2017	23	23	8	8	51.31	469	469	171	162	20.89
2018	12	12	5	4	53.44	255	255	93	89	21.04
2019	8	8	3	2	57.46	160	160	58	56	22.57
2020	5	5	2	2	59.34	110	110	40	39	24.01
2021	4	4	1	1	63.25	80	80	29	28	25.94
2022	3	3	1	1	66.85	61	61	22	20	27.34
2023	2	2	1	1	70.74	48	48	18	16	28.75
2024	2	2	1	0	74.29	39	39	14	13	30.09
2025	0	0	0	0	0.00	0	0	0	0	0.00
2026	0	0	0	0	0.00	0	0	0	0	0.00
2027	0	0	0	0	0.00	0	0	0	0	0.00
Sub.			22	19	56.34			446	423	22.68
Rem.			0	0	0.00			0	0	0.00
<b>Tot.</b>			<b>22</b>	<b>19</b>	<b>56.34</b>			<b>446</b>	<b>423</b>	<b>22.68</b>

**REVENUE AND EXPENSE FORECAST**

Year	Revenue Before Burdens						Royalty Burdens Pre-Processing		Gas Processing Allowance		Total Royalty After Process.	Net Revenue After	Operating Expenses		
	Oil M\$	Gas M\$	NGL+Sul M\$	Total M\$	Royalty Interest Total M\$	Company Interest Total M\$	Crown M\$	Other M\$	Crown M\$	Other M\$	M\$	M\$	Fixed M\$	Variable M\$	Total M\$
2016	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2017	0	3,149	427	3,577	0	3,577	179	0	42	0	137	3,440	263	668	931
2018	0	1,716	242	1,958	0	1,958	98	0	27	0	71	1,887	268	370	639
2019	0	1,157	164	1,320	0	1,320	66	0	19	0	47	1,273	274	237	511
2020	0	850	116	967	0	967	48	0	14	0	34	933	279	167	446
2021	0	669	90	759	0	759	38	0	12	0	26	733	285	124	408
2022	0	537	73	609	0	609	65	0	21	0	44	565	291	96	387
2023	0	444	60	504	0	504	54	0	18	0	36	468	296	77	373
2024	0	376	51	427	0	427	46	0	15	0	31	396	302	64	366
2025	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub.	0	8,898	1,224	10,122	0	10,122	594	0	167	0	427	9,694	2,259	1,802	4,061
Rem.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Tot.</b>	<b>0</b>	<b>8,898</b>	<b>1,224</b>	<b>10,122</b>	<b>0</b>	<b>10,122</b>	<b>594</b>	<b>0</b>	<b>167</b>	<b>0</b>	<b>427</b>	<b>9,694</b>	<b>2,259</b>	<b>1,802</b>	<b>4,061</b>
Disc	0	7,018	965	7,983	0	7,983	446	0	122	0	324	7,659	1,527	1,439	2,967

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Year	Mineral Tax M\$	Capital Tax M\$	NPI Burden M\$	Net Prod'n Revenue M\$	Other Income M\$	Aband. & Recl. Costs M\$	Oper. Income M\$	Net Capital Investment				Before Tax Cash Flow			
								Dev. M\$	Plant M\$	Tang. M\$	Total M\$	Annual M\$	Cum. M\$	10.0% Def M\$	
2016	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2017	0	0	0	2,509	0	0	2,509	7,650	510	357	8,517	-6,008	-6,008	-5,594	
2018	0	0	0	1,248	0	0	1,248	0	0	0	1,248	-4,760	-4,537		
2019	0	0	0	762	0	0	762	0	0	0	762	-3,998	-3,951		
2020	0	0	0	487	0	0	487	0	0	0	487	-3,511	-3,610		
2021	0	0	0	324	0	0	324	0	0	0	324	-3,187	-3,404		
2022	0	0	0	178	0	0	178	0	0	0	178	-3,008	-3,301		
2023	0	0	0	94	0	0	94	0	0	0	94	-2,914	-3,251		
2024	0	0	0	31	0	0	31	0	0	0	31	-2,884	-3,237		
2025	0	0	0	0	0	0	0	0	0	0	0	-2,884	-3,237		
2026	0	0	0	0	0	0	0	0	0	0	0	-2,884	-3,237		
2027	0	0	0	0	0	0	0	0	0	0	0	-2,884	-3,237		
Sub.	0	0	0	5,633	0	0	5,633	7,650	510	357	8,517	-2,884	-3,237		
Rem.	0	0	0	0	0	162	-162	0	0	0	0	-162	-3,045	-3,285	
<b>Tot.</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,633</b>	<b>0</b>	<b>162</b>	<b>5,472</b>	<b>7,650</b>	<b>510</b>	<b>357</b>	<b>8,517</b>	<b>-3,045</b>	<b>-3,045</b>	<b>-3,285</b>	
Disc	0	0	0	4,693	0	48	4,645	7,122	475	332	7,929	-3,285	-3,285	-3,285	

**SUMMARY OF RESERVES**

Product	Units	Remaining Reserves at Oct 01, 2016			Oil Equivalents			Reserve Life Indic. (yr)				
		Gross	Working Interest	Roy/NPI Interest	Total Company	Net	Oil Eq. Factor	Company Mboe	% of Total	Reserve Life	Life Index	Half Life
Residue Gas	MMcf	2,547	2,547	0	2,547	2,424	6,000	425	95	8.3	2.6	2.6
Gas Heat Content	BBtu	2,751	2,751	0	2,751	2,618	0.000	0	0	8.3	2.6	2.6
Condensate	Mbbl	15	15	0	15	13	1.000	15	3	8.3	2.6	2.6
Propane	Mbbl	6	6	0	6	6	1.000	6	1	8.3	2.6	2.6
Total: NGL	Mbbl	22	22	0	22	19	1.000	22	5	8.3	2.6	2.6
Total: Oil Eq.	Mboe	446	446	0	446	423	1.000	446	100	8.3	2.6	2.6

**PRODUCT REVENUE AND EXPENSES**

Product	Units	Average First Year Unit Values					Net Revenue After Royalties					
		Base Price	Price Adjust.	Wellhead Price	Net Burdens	Operating Expenses	Other Expenses	Prod'n Revenue	Undisc M\$	% of Total	10% Disc M\$	% of Total
Residue Gas	\$/Mcf	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,642	89	6,814	89
Condensate	\$/bbl	0.00	0.00	0.00	0.00	0.00	0.00	0.00	900	9	725	9
Propane	\$/bbl	0.00	0.00	0.00	0.00	0.00	0.00	0.00	152	2	121	2
Total: NGL	\$/bbl	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,052	11	845	11
Total: Oil Eq.	\$/boe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9,694	100	7,659	100

**INTEREST AND NET PRESENT VALUE SUMMARY**

Revenue Interests and Burdens (%)				Net Present Value Before Income Tax				
	Initial	Average	Disc. Rate %	Prod'n Revenue M\$	Operating Income M\$	Capital Invest. M\$	Cash Flow	
							M\$	\$/boe
Working Interest	0.0000	100.0000	0.0	5,633	5,472	8,517	-3,045	-6.82
Capital Interest	0.0000	100.0000	5.0	5,117	5,030	8,211	-3,180	-7.13
Royalty Interest	0.0000	0.0000	8.0	4,853	4,792	8,039	-3,247	-7.28
Crown Royalty	0.0000	5.8707	10.0	4,693	4,645	7,929	-3,285	-7.36
Non-crown Royalty	0.0000	0.0000	12.0	4,543	4,505	7,823	-3,318	-7.43
Mineral Tax	0.0000	0.0000	15.0	4,338	4,310	7,669	-3,359	-7.53
			20.0	4,037	4,021	7,428	-3,408	-7.64

Evaluator: Cowie, John N.  
Run Date: November 04, 2016 18:11:02

Set out below is a summary of certain provisions of our Articles and By-Laws and the ABCA, the governing corporate law of our Company, that may be relevant to investors. As the information contained below is in summary form, it does not purport to contain all of the information that may be important to our Shareholders and potential investors. This Appendix should be read in conjunction with the section headed “Key Canadian Legal and Regulatory Matters” in this Prospectus, which summarizes the Canadian legal and regulatory provisions as well as a description of shareholder protection matters that are not at least equivalent to or broadly commensurate with those afforded to shareholders of companies incorporated in Hong Kong in effect as at the date of this Prospectus that may be relevant to investors.

## **GENERAL**

We were incorporated as a corporation in Alberta, Canada with limited liability on March 11, 2005 under the ABCA. Our Company’s constitutional documents consist of our Articles and By-Laws. The summary below refers to our Articles and By-Laws effective as at the Listing Date.

## **SHARE CAPITAL**

The rights and restrictions attaching to our Shares are detailed in our Articles and By-Laws, the ABCA and its regulations. There are no restrictions on the number of Shareholders we may have, or on the number of invitations we may make to the public to subscribe for our Shares. Set out below is a summary of some material attributes of our share capital.

### **Common Shares**

Holders of Common Shares are entitled to one vote per Common Share at all meetings of Shareholders of our Company. Holders of Common Shares, are entitled to: (a) receive dividends if, as and when declared by the Directors, subject to prior satisfaction of all preferential rights to dividends attached to all shares of any other classes ranking in priority to the Common Shares in respect of dividends; and (b) in the event of any liquidation, dissolution or winding up of our Company, whether voluntary or involuntary, or any other distribution of our assets for the purpose of winding up our affairs, subject to prior satisfaction of all preferential rights to return of capital on dissolution attached to all shares of any other classes ranking in priority to the Common Shares in respect of return of capital on dissolution, share rateably, together with the holders of shares of any other class ranking equally with the Common Shares in respect of return of capital on dissolution, in such assets of our Company as are available for distribution.

As at the Latest Practicable Date, there were 208,706,520 Common Shares issued and outstanding.

**Preferred Shares**

Holders of Preferred Shares are not entitled to attend meetings of Shareholders of our Company or to vote at any such meeting. Subject to the preferences provided to holders of any other shares ranking senior to Preferred Shares with respect to priority in the payment of dividends, the holders of the Preferred Shares shall be entitled to receive cumulative dividends at the rate not exceeding 10% per annum on the redemption price of such shares. Subject to the ABCA, and upon 10 days' written notice, our Company may redeem at any time all or from time to time any part of the outstanding Preferred Shares on payment to the holders thereof. Subject to the ABCA, and upon 10 days' written notice, the holders of Preferred Shares may require our Company to purchase or redeem at any time the whole or from time to time any part of the Preferred Shares held by such Shareholder at the redemption price. In the event of the liquidation, dissolution or winding up of our Company, whether voluntary or involuntary, holders of Preferred Shares shall be entitled, in priority to holders of Common Shares on a distribution of capital to be paid an amount equal to the redemption price thereof. No class of shares may be created ranking, as to capital or dividends, in priority to or on parity with the Preferred Shares without the approval of at least two-thirds of the holders of the Preferred Shares.

As at the Latest Practicable Date, there were no Preferred Shares issued and outstanding.

**SUMMARY OF KEY ALBERTA CORPORATE LAWS, OUR ARTICLES AND BY-LAWS**

Amendments to our Articles and By-Laws were respectively approved by special and ordinary resolutions of the Shareholders on February 26, 2016. The amendments to our Articles will become effective upon filing with the Registrar of Corporations appointed under the ABCA prior to the Listing and the amendments to our By-Laws will be effective conditional upon completion of the Listing. The following is a summary of some key provisions of the ABCA, our Articles and By-Laws.

**Objects**

We do not have an objects clause in our Articles because an Alberta company, unlike companies incorporated under the laws of Hong Kong, is not required to have an objects clause. Pursuant to section 16 of the ABCA, we have the capacity and, subject to the ABCA, the rights, powers and privileges of a natural person.

**Voting Rights**

Each Shareholder entitled to vote may vote in person or by proxy, attorney or representative of a body corporate at a general meeting. On a show of hands, and unless a poll vote is requested or required, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder holding a share carrying the right to vote, has one vote. In compliance with Rule 13.39(4) of the Listing Rules, we have amended our By-Laws that any vote of our Shareholders at a general meeting will be taken by way of a poll.

**Right to Speak at General Meetings**

Our Articles provide that all Shareholders who are eligible to attend and vote at a meeting of Shareholders shall have the right to speak at such meeting.

**Dividends**

Subject to the ABCA, the Directors may from time to time declare and authorize payments of such dividends as they may deem advisable, including the amount thereof and time and method of payment, provided that the record date for the purpose of determining Shareholders entitled to receive payment of the dividend must not precede the date on which the dividend is to be paid by more than 50 days.

We may pay a dividend by issuing fully paid shares, or in money or property. No dividend may be declared or paid if there are reasonable grounds for believing that: (a) we are, or would after the payment be, unable to pay our liabilities as they become due; or (b) the realizable value of our assets would thereby be less than the aggregate of our liabilities and stated capital of all classes.

In Alberta, the treatment of unclaimed dividends is governed by the UPPVP Act and the associated regulations which provide that a security is presumed to be abandoned five years from the date on which a dividend or other distribution is unclaimed by the apparent owner. The property is then held in trust by the minister under the UPPVP Act for a period of 10 years, during which time the owner of such property is able to make a claim for the return of such property under the UPPVP Act. After such period, the property will vest in the Crown in right of Alberta.

Under the Company's By-Laws, all dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise used by the Board for the Company's benefit until claimed. Any dividend or bonuses unclaimed after a period of six years from the date of declaration will be forfeited and revert to the Company.

**Liquidation and Dissolution**

The terms "liquidation" and "winding-up" are used interchangeably to refer to the collection of a company's property and funds, the conversion of that property into cash, and the distribution of the cash and unconvertible property to creditors in an effort to discharge all of a company's debts in anticipation of its dissolution. Although companies are required to cease business during liquidation, legally they still exist and, in Alberta, companies can sue and be sued during liquidation as at any other time. "Dissolution", on the other hand, refers to the termination of a company's legal existence after it has been wound-up.

In Alberta, we can be liquidated and dissolved in three ways: i) voluntarily; ii) by the registrar; and iii) by order of the court. Court-ordered wind-ups and dissolutions are usually ordered in the context of a dispute and/or as a remedy for oppressive conduct. Dissolution by the registrar is used in situations where companies are not conducting business for a length of time or are in violation of certain filing requirements under the ABCA. The ABCA provides detailed rules on voluntary liquidation and dissolution of a company, summarized below:

- (1) Companies that do not have to undergo a liquidation process or those that can be simply liquidated:
  - where a company has no property and no liabilities, and has not issued any shares, it can be dissolved at any time by a resolution of all of its directors.
  - companies that have no property and no liabilities but have issued shares can be dissolved by special resolutions passed by a majority of not less than two-thirds of the shareholders in each class of shareholders, whether or not each class is normally entitled to vote.
  - where a company's liabilities have been fully assumed by its parent company, it may be dissolved by special resolutions passed by a majority of not less than two-thirds of the shareholders in each class of shareholders, whether or not each class is normally entitled to vote, subject to the following conditions: first, the parent company must be a Canadian company; second, the parent company must own not less than ninety percent of the shares of the company; and third, an officer of the parent company must provide a statutory declaration that the liabilities of the company have been fully assumed by the parent company.
  - if a company has issued shares and has property or liabilities, or both, it may dissolve by having each class of shareholders, whether or not entitled to vote, pass a special resolution, of a majority of not less than two-thirds of the shareholders in such class voting in person or by proxy at a shareholders meeting or signed by all the shareholders entitled to vote on that resolution, authorizing the directors to cause the company to distribute all its property and discharge all its liabilities, and by distributing all of its property and discharging all of its liabilities before it sends articles of dissolution to the registrar.
- (2) Companies that require a more onerous liquidation process:
  - the directors or a voting shareholder of a company may make a proposal for voluntary liquidation and dissolution. The notice of any meeting at which the proposal is to be made must set out the terms of the liquidation and dissolution process. The prerequisite authority for liquidation and dissolution is the same as

above namely, passage of a special resolution by a majority of not less than two-thirds of the shareholders in each class of shareholders, whether or not each class is normally entitled to vote.

- once all required resolutions have been passed, the company must send a statement of intent to dissolve to the registrar. Upon receipt of such statement, the registrar issues a certificate of intent to dissolve. Once this certificate is issued, the company must immediately cease all business except to the extent necessary for the liquidation. This includes all share transfers, undertakings and alterations to shareholder status. The legal existence of the company, however, continues.
- the company must immediately deliver notice of the issuance of the certificate of intent to dissolve to all its creditors and publish similar notice in the Alberta Gazette (or the registrar's periodical) and in a newspaper published or distributed where the company has its head office, and must also take reasonable steps to give notice in every jurisdiction where the company was carrying on business at the time it sent the statement to dissolve to the registrar.
- the company may then proceed with its liquidation: collecting its property, converting what property it can into money, discharging all of its obligations and distributing its remaining property and money to its shareholders according to their rights.
- once the company has complied with the notice and liquidation requirements, it can send the articles of dissolution to the registrar. The registrar will then issue a certificate of dissolution.
- the registrar or any "interested person" may, at any time during the liquidation of a company, apply to the court for an order that the liquidation be continued under the supervision of the court. The application must state the reasons, verified by an affidavit, as to why the court should supervise the liquidation and dissolution process. If the court grants the application, the liquidation and dissolution thereafter continues under the supervision of the court.
- under the ABCA, an "interested person" means a shareholder, a director, an officer, an employee or a creditor of a dissolved company, a person who has a contractual relationship with a dissolved company, a trustee in bankruptcy for a dissolved company or a person designated as an interested person by court order.

### **Ownership and Transfer of Shares**

Subject to the provisions of the ABCA, there are no restrictions on the ownership and transfer of Shares under our Articles.

**Amendments to Our Articles and By-Laws**

Under the ABCA, any changes to our Articles, including changes to our authorized share structure, name, special rights and restrictions attaching to shares and corporate powers, require approval by a special resolution. Special resolutions are passed by no less than a two-thirds majority vote of the Shareholders at a special meeting of Shareholders of which no less than 21 days' notice has been given. In addition, in certain prescribed circumstances, the ABCA requires that holders of different classes or series of shares of a company be permitted to vote separately as a class or series in respect of a proposal to amend a company's articles, in which case each class or series must approve the special resolution.

Under the ABCA, changes to our By-Laws require approval by an ordinary resolution. Our By-Laws will be amended and conditional effective upon completion of the Listing to provide that any amendments to the By-Laws may only be made by way of a special resolution requiring a two-thirds majority.

**Variation of Rights**

Under the ABCA, any change in the designation of shares, or the addition, change, or removal of any rights, privileges, restrictions, and conditions attaching to shares must be effected by a special resolution of the Shareholders. In addition to the special resolution of the Shareholders, the holders of shares of a class or of a series are entitled to vote separately as a class or series on a proposal to amend the articles or by-laws that purports to affect the shares of that class or series. The holders of a series of shares of a class are entitled to vote separately as a series only if the series is affected by an amendment in a manner different from other shares of the same class.

The rights conferred on the holders of the shares of any class are deemed not to be varied by the creation or issue of further shares ranking equally with the first-mentioned shares unless otherwise:

- expressly provided by the terms of issue of the first-mentioned shares; or
- required or permitted by the ABCA.

**Borrowing Powers**

Pursuant to the ABCA, we, if authorized by the Directors, may from time to time:

- borrow money upon the credit of our Company;
- issue, reissue, sell or pledge bonds, debentures, notes or other evidence of indebtedness of our Company, whether secured or unsecured;
- give a guarantee on behalf of our Company to secure a performance of an obligation of any person; and

- mortgage, hypothecate, pledge or otherwise create a security interest in all or any of our property, owned or substantially acquired, to secure the payment of any obligation, or evidence of indebtedness, or guarantee of our Company.

In addition, unless our Articles or By-Laws provide otherwise, the Directors may, by resolution, delegate any or all of these powers to one of our Directors, a committee of Directors, or one of our officers.

### **Issue of Common Shares**

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, but subject to the ABCA, our unissued shares are under the control of the Directors. Our Directors may issue all or any of our unissued shares to such persons, at such times, and on such terms and conditions and, for the issue prices (including any premium at which shares with par value may be issued) that the Directors may determine. However, a share shall not be issued until the consideration for the share is fully paid in money, property or past service that is not less in value than the fair equivalent of the money that we would have received if the share had been issued for money.

### **Remuneration of Directors**

Under the ABCA, and subject to the Articles and By-Laws of our Company, the Directors are entitled to the remuneration for acting as Directors, if any, as the Directors may from time to time determine. That remuneration may be, in addition to any salary or other remuneration, paid to any officer or employee of our Company as such, who is also a Director. Disclosure of the aggregate remuneration of Directors, the aggregate remuneration of officers and the aggregate remuneration of employees shall be made as prescribed by the ABCA.

If any Director who is not an employee or officer performs any professional or other services for us that, in the opinion of the Directors, are beyond the ordinary duties of a Director who is not an employee or officer, or if any Director who is not an employee or officer is otherwise specially occupied in or about our business, he or she may be paid remuneration fixed by the Directors by ordinary resolution, and such remuneration may be either in addition to, or in substitution for, any other remuneration that he or she may be entitled to receive.

We shall comply with the prohibitions and be subject to the exceptions contained in the Companies Ordinance in relation to loans to Directors.

We shall not make any payment to any Director or past Director by way of compensation for loss of office, or as consideration for, or in connection with, his retirement from office (not being a payment to which the Director is contractually entitled), without particulars with respect to the proposed payment (including the amount thereof) being disclosed to the Shareholders and the proposal being approved by ordinary resolution at a general meeting.

**Indemnification**

The ABCA provides that except in respect of an action by or on behalf of our Company to procure a judgment in our favor, we may indemnify a Director or officer of our Company, a former Director or officer of our Company or a person who acts or acted at our request as a Director or officer of a body corporate of which we are or were a shareholder or creditor, and the Director's or officer's heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the Director or officer in respect of any civil, criminal or administrative action or proceeding to which the Director or officer is made a party by reason of being or having been a Director or officer of our Company or body corporate if: (a) the Director or officer acted honestly and in good faith with a view to the best interests of our Company; and (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the Director or officer had reasonable grounds for believing that the Director's or officer's conduct was lawful.

We may with the approval of the Court, indemnify a person referred to above in respect of an action by or on behalf of our Company or body corporate to procure a judgment in its favor, to which the person is made a party by reason of being or having been a Director or an officer of our Company or body corporate, against all costs, charges and expenses reasonably incurred by the person in connection with the action if the person fulfils the conditions set out above.

A person referred to above is entitled to indemnity from our Company in respect of all costs, charges and expenses reasonably incurred by the person in connection with the defence of any civil, criminal or administrative action or proceeding to which the person is made a party by reason of being or having been a Director or officer of our Company or body corporate, if the person seeking indemnity: (a) was substantially successful on the merits in the person's defence of the action or proceeding; (b) fulfils the conditions set out above; and (c) is fairly and reasonably entitled to indemnity.

**Disclosure of Directors' Interests**

A Director or an officer of our Company who:

- is a party to a material contract or material transaction or proposed material contract or proposed material transaction with our Company; or
- is a Director or an officer of, or has a material interest in any person who is a party to a material contract or material transaction or proposed material contract or proposed material transaction with our Company,

is required to disclose in writing to our Company or request to have entered in the minutes of meetings of Directors, the nature and extent of such Directors' or officers' interest, in the manner required by the ABCA. The ABCA also prohibits Directors from voting on matters relating to such disclosed interests in certain circumstances.

If a Director or officer fails to comply with the requirements to disclose their interests or abstain from voting as described above, subject to certain exemptions, a Court may set aside the material contract or material transaction on any terms that it thinks fit, or require the Director or officer to account to our Company for any profit or gain realized on it, or both.

If a material contract or material transaction is made between our Company and one or more of its Directors or officers, or between our Company and another person of which the Director or officer is a director or officer or in which the Director or officer has a material interest: (a) the contract or transaction is neither void nor voidable by reason only of that relationship, or by reason that a Director with an interest in the contract or transaction is present at or is counted to determine the presence of a quorum at the meeting of Directors or Committee of Directors that authorized the contract or transaction; and (b) a Director or officer or former director or officer of our Company to whom a profit accrues as a result of the making of the contract or transactions is not liable to account to our Company for that profit by reason only of holding office as a Director or officer, if the Director or officer disclosed the Directors' or officers' interest in accordance with the ABCA and the contract or transaction was approved by the Directors or the Shareholders and it was reasonable and fair of our Company at the time it was approved.

Even if the above conditions are met, a Director or officer acting honestly and in good faith is not accountable to our Company or to its Shareholders for any profit realized from a material contract or material transaction for which disclosure is required and the material contract or material transaction is not void or voidable by reason only of the interest of the Director or officer in the material contract or material transaction if: (a) the material contract or material transaction was approved or confirmed by special resolution at a meeting of the Shareholders; (b) disclosure of the interest was made to the Shareholders in a manner sufficient to indicate the nature before the material contract or material transaction was approved or confirmed; and (c) the material contract or material transaction was reasonable and fair to our Company when it was approved or confirmed.

### **Restrictions on Directors' Voting**

A Director required to disclose interests as noted above shall not vote on any resolution to approve the contract or transaction unless the contract or transaction is: (a) an arrangement by way of security for money lent to or obligations undertaken by the Director, or by a body corporate in which the Director has an interest, for the benefit of our Company or an affiliate; (b) a contract or transaction relating primarily to the Director's remuneration as a director, officer, employee or agent of our Company or an affiliate; (c) a contract or transaction for indemnity or insurance permitted under the ABCA; or (d) a contract or transaction with an affiliate. A Director who holds a disclosable interest in a contract or transaction into which our Company has entered or proposes to enter and who is present at the meeting of Directors at which the contract or transaction is considered for approval may be counted in the quorum at the meeting whether or not the Director votes on any or all resolutions considered at the meeting.

A situation where all Directors have a disclosable interest is extremely rare, but could arise for example, if we ever issue shares to all Directors outside the scope of their remuneration. In this circumstance, all the Directors would declare their interest in the transaction (with such declaration being noted in the minutes or consent resolution) and would then vote on the matter. Additionally, the Directors are subject to their overriding duties to act in the best interests of our Company.

### **Number of Directors**

Our Articles provide that the number of Directors will be a minimum of one Director and, upon the filing of the amendment of our Articles prior to Listing, a maximum of seven Directors. The number of Directors is fixed by ordinary resolution. All Directors must be individuals. At least one-quarter of the Directors must be resident Canadians. A Director is not required to hold Shares issued by our Company.

### **Directors' Term of Office**

Unless a Director dies, resigns or is removed from office in accordance with the ABCA, the term of office of each of the incumbent Directors ends at the conclusion of the next annual meeting of the Shareholders following his or her most recent election or appointment. There is no mandatory retirement age for Directors. Under the ABCA, a Director has to be at least 18 years of age.

### **General Meetings**

Unless an annual general meeting is deferred or waived by the court in accordance with the ABCA, we must hold an annual general meeting at least once in each calendar year and not more than 15 months after the date of the last annual general meeting at such time and place as may be determined by the Directors.

The Directors may, whenever and wherever they think fit, call a Shareholders' meeting. The ABCA provides that if we hold a Shareholders meeting, at least 21 days' and not more than 50 days' notice must be given to the Shareholders of such meeting.

Under the ABCA, Shareholders who hold in aggregate at least 5% of the issued Shares carrying the right to vote at general meetings may requisition a Shareholders' meeting. If the Directors do not, within 21 days after the date on which the requisition is received by us, send notice of a general meeting, any registered or beneficial holder of Shares who signed the requisition may call the meeting. Unless the Shareholders resolve otherwise by an ordinary resolution at the general meeting called by the requisitioning Shareholders, we must reimburse the requisitioning Shareholders for the expenses actually and reasonably incurred by them in requisitioning, calling and holding that meeting.

**Election of Directors**

At every annual general meeting, the Shareholders entitled to vote at such meeting for the election of Directors are entitled to elect a Board consisting of the number of Directors for the time being set under the Articles, and all the Directors cease to hold office immediately before such election but are eligible for re-election. If the Shareholders fail to elect the minimum number of Directors required by the Articles, the Directors elected at that meeting can proceed to exercise all the powers of the directors provided they have a quorum. In the event that a quorum is not obtained, the Directors then in office shall forthwith call a special meeting of Shareholders to fill the vacancy or if there are no Directors then in office, the meeting may be called by any Shareholder. Our By-Laws provide that Directors shall be elected by a separate resolution in compliance with the Listing Rules.

If we fail to hold an annual general meeting on or before the date by which such meeting is required to be held under the ABCA, or the Shareholders fail at the annual general meeting to elect or appoint any Directors, then each Director then in office continues to hold office until the earlier of:

- the date on which his or her successor is elected or appointed; and
- the date on which he or she otherwise ceases to hold office under the ABCA or the Articles.

Our Company has adopted a majority voting policy, pursuant to which each Director must be elected individually (rather than as a slate) by a majority (50% plus one vote) of the votes cast (i.e., more votes “for” than votes “withheld”) with respect to his or her election. If a Director nominee is not elected by at least a majority of the votes cast with respect to his or her election, he or she must immediately tender his or her resignation to the Board. The Board must, within 90 days, determine whether or not to accept the resignation and issue an announcement in relation to the Board’s decision in that regard. Notwithstanding the aforesaid, a director is validly elected if he or she has any votes “for” as, under Canadian corporate and securities law, votes can only be “withheld”, not voted “against”. A “withheld” vote will be considered to be an “against” vote for the purpose of appointment of Directors on the application of our majority voting policy. In the opinion of the Canadian Legal Advisers, the arrangement with the majority voting policy is not inconsistent with the requirements under the applicable Canadian corporate law.

**Categories of Shares**

We have two categories of shares: Common Shares without par value and Preferred Shares without par value.

Within the category of Common Shares, our Company has Common Shares authorized for issuance, each as so designated pursuant to our Articles as at the Listing Date. Upon completion of share split on April 29, 2016, we had 208,706,520 Shares issued and outstanding.

Within the category of Preferred Shares, our Company has Preferred Shares authorized for issuance. As at the Latest Practicable Date, we had no Preferred Shares issued and outstanding.

For a description relating to the share capital of our Company, please refer to the section headed “Share Capital” of this Prospectus.

### **Reduction of Capital**

We may by special resolution reduce our stated capital for any purpose including, without limiting the generality of the foregoing, the purpose of: (a) extinguishing or reducing a liability in respect of an amount unpaid on any Share; (b) distributing to the holders of the issued Shares of any class or series of shares an amount not exceeding the stated capital of the class or series; and (c) declaring our stated capital to be reduced by an amount that is not represented by realizable assets.

We shall not reduce our stated capital for any purpose, other than the purpose mentioned in (c) above, if there are reasonable grounds for believing that: (a) we are, or would after the reduction be, unable to pay our liabilities as they become due; or (b) the realizable value of our assets would thereby be less than the aggregate of our liabilities.

### **Share Repurchases**

Subject to the ABCA and our Articles, we may purchase or otherwise acquire our own shares unless there are reasonable grounds for believing that: (a) we are, or would after the payment be, unable to pay our liabilities as they become due; or (b) the realizable value of our assets would after the payment be less than the aggregate of our liabilities and stated capital of all classes.

Subject to a limited number of exemptions, we must comply with a detailed body of rules with the intended purpose that all of our Shareholders are treated equally. For further details, and a summary of the applicable Hong Kong requirements in relation to share repurchases, please refer to the section headed “Appendix VI — Statutory and General Information — A. Further Information About Our Company — 4. Repurchases of Our Own Shares” to this Prospectus.

### **Statutory Shareholders Remedies and Protection of Minority Shareholders**

The ABCA provides shareholders, directors and officers, creditors, and other aggrieved parties with a broad range of remedies against the misconduct of a company. Under the ABCA, the following statutory remedies are available to Shareholders:

- (a) leave from the court to bring a derivative action on behalf of a company or any of its subsidiaries;
- (b) a court order that any act or omission of a company or any of its affiliates is oppressive, unfairly prejudicial, or unfairly disregards the interests of the complainant (defined below); and

(c) a court order directing an investigation to be made of a company and any of its affiliates.

*Derivative Actions:* A shareholder (present or former/registered or beneficial), director (present or former), creditor or any other person as the court determines (the “**Complainant**”) may, with leave of a court of competent jurisdiction, prosecute a legal proceeding in the name and on behalf of the company for the purpose of prosecuting, defending, or discontinuing an action on behalf of the body corporate. A Complainant may also intervene in an existing action to which any such body corporate is a party.

With leave of a court of competent jurisdiction, a Complainant may, in the name and on behalf of the company, defend a legal proceeding brought against the company.

A court of competent jurisdiction may grant leave on terms it considers appropriate if:

- the Complainant has made reasonable efforts to cause the directors to prosecute or defend the legal proceeding;
- notice of the application for leave has been given to the company and any other person that the court may order;
- the Complainant is acting in good faith; and
- it appears to the court that it is in the best interests of the company for the legal proceeding to be prosecuted or defended.

*Oppressive Actions:* The ABCA provides that a court may make an order to rectify the matters complained of where a court is satisfied that, in respect of the company or any of its affiliates:

- any act or omission of the company or any of its affiliates effects a result;
- the business or affairs of the company or any of its affiliates are or have been carried on or conducted in a manner; or
- the powers of the directors of the company or any of its affiliates are or have been exercised in a manner,

that is oppressive or unfairly prejudicial to or that unfairly disregards the interests of any security holder, creditor, director or officer of the company.

On application, the court may, with a view to remedying or bringing to an end the matters complained of, make any interim or final order it considers appropriate, including an order:

- directing or prohibiting any act;
- directing an amendment of the company’s articles of incorporation or by-laws;

- appointing a receiver or receiver-manager;
- directing an issue or conversion or exchange of shares;
- appointing directors in place of or in addition to all or any of the directors then in office;
- directing the company to purchase some or all shares of a shareholder and, if required, to reduce its capital in the manner specified by the court, unless the company is insolvent or the purchase would render it insolvent;
- directing a shareholder to purchase some or all shares of any other shareholder;
- directing the company, unless the company is insolvent, or the payment would render it insolvent, or any other person, to pay to a shareholder all or any part of the money paid by that shareholder for shares of the company;
- varying or setting aside a transaction to which the company is a party and directing any party to the transaction to compensate any other party to the transaction;
- requiring the company, within a time specified by the court, to produce to the court or to an interested person financial statements or an accounting in any form the court may determine;
- directing the company to compensate an aggrieved person;
- directing correction of the registers or other records of the company;
- directing that the company be liquidated and dissolved and appointing one or more liquidators, with or without security;
- directing that an investigation be made under the ABCA;
- requiring the trial of any issue; or
- authorizing or directing that legal proceedings be commenced in the name of the company against any person on the terms the court directs.

*Investigation:* Under relevant provisions of the ABCA, any Shareholder of the Company may apply to the court either ex parte or on any notice that the court may require for an order directing an investigation to be made of the Company and any of its affiliated companies. If it appears to the court that there are sufficient grounds to conduct an investigation, the court is empowered to order an investigation into the business or affairs of the Company and any of its affiliated companies.

The court may make an investigation order if it appears to the court that there are sufficient grounds to conduct an investigation to determine whether:

- the business of the Company or any of its affiliates is or has been carried on with intent to defraud any person;
- the business or affairs of the Company or any of its affiliates are or have been carried on or conducted, or the powers of the Directors are or have been exercised, in a manner that is oppressive or unfairly prejudicial to or that unfairly disregards the interest of a Shareholder;
- the Company or any of its affiliates was formed for a fraudulent or unlawful purpose or is to be dissolved for a fraudulent or unlawful purpose; or
- persons concerned with the formation, business, or affairs of the Company or any of its affiliates have in that connection acted fraudulently or dishonestly.

### **Disposal of Assets**

Under the ABCA, we may not sell, lease or otherwise dispose of all or substantially all of our assets and undertaking unless we do so in the ordinary course of our business or we have been authorized to do so by our Shareholders pursuant to a special resolution. Otherwise, there are no specific restrictions under the ABCA on the power of the Directors to dispose of our assets. Under the ABCA, in the exercise of those powers, the Directors must discharge their duties of care to act in good faith, for a proper purpose and in the best interests of our Company.

### **Accounting and Auditing Requirements**

The ABCA requires that our financial statements, the auditor's report, and any further information respecting the financial position of our Company and the results of our operations be placed before the annual meeting of Shareholders. There is no requirement in the ABCA for the Shareholders to approve the financial statements or the report of the auditor, however this is often done as a matter of practice.

### **Securities Registers**

We must maintain, at a location designated by the Directors, a central securities register in which it registers the Shares issued by our Company, all transfers of Shares so issued and details of such issuances and transfers. Our Company may also maintain one or more branch registers at locations designated by the Directors. Our By-Laws provide that we shall maintain a branch register in Hong Kong on terms as set out in the Companies Ordinance at all times our securities may be listed on the Stock Exchange. Particulars of each issue or transfer of a Share registered in a branch securities register must also be promptly registered in the central securities register.

**Inspection of Books and Records**

A Shareholder may, during usual business hours and without charge, inspect our records, other than certain records prescribed under the ABCA as records that a Shareholder is not entitled to inspect.

**Special Resolutions**

The ABCA provides that a resolution of a company is a special resolution when it has been passed by a majority of at least two-thirds of the votes cast on the resolution.

**Subsidiary Owning Shares in Parent**

Except as provided in the ABCA, a company shall not own shares in its holding body corporate and shall not permit any of its subsidiaries to acquire shares of it. A subsidiary may hold shares in its holding body corporate provide not more than one percent (1%) of the issued shares of each class of shares of the holding body corporate are owned by all the subsidiaries. If a subsidiary holds more shares than permitted, it is only permitted to hold such shares in its holding body corporate for a maximum of 30 days, at which point the shares will be cancelled and the consideration returned. In any event, a holding body corporate shall cause its subsidiaries that hold shares of the holding body corporate to sell or otherwise dispose of those shares within five years from the date that the body corporate became a subsidiary of the holding body corporate, or the holding body corporate was continued under the ABCA.

Notwithstanding the above, a subsidiary may hold shares in its holding body corporate in the capacity of a legal representative unless it or the holding body corporate, or a subsidiary of either of them, has a beneficial interest in the shares. A company may hold shares in its holding body corporate by way of security for the purposes of a transaction entered into by it in the ordinary course of business that includes the lending of money. A company holding shares in its holding body corporate shall not vote or permit those shares to be voted unless the company holds the shares in the capacity of a legal representative and has complied with the ABCA.

**Arrangements and Other Fundamental Corporate Transactions**

The ABCA provides for arrangements and other fundamental corporate transactions involving our Company, Shareholders, creditors and other persons. The relevant provisions of the ABCA permit fundamental changes to take place with respect to our Company affecting Shareholders, creditors and other persons if certain approvals are obtained from the affected Shareholders, creditors and other persons. In the case of arrangements, the prior approval of a court of competent jurisdiction is also required.

Arrangements are typically used for numerous forms of acquisitions, going-private transactions, substitutions of new shares for arrears of dividends on existing shares, exchanges of shares for shares or other securities of our Company or of another body corporate, exchanges of shares or other securities for money and, in the case of creditors, debt reorganizations.

### **Dissent and Appraisal Rights**

The ABCA provides that Shareholders are entitled to exercise dissent rights in respect of certain matters and to be paid the fair value of their shares in connection therewith. The right of dissent is applicable in respect of:

- a resolution to alter the Articles, to add, change or remove any provisions restricting the issue or transfer of shares, to alter restrictions on the powers of our Company or on the business it is permitted to carry on;
- a resolution to adopt an amalgamation agreement or otherwise approve an amalgamation;
- a resolution to approve an arrangement, the terms of which arrangement permit dissent;
- a resolution to authorize or ratify the sale, lease or other disposition of all or substantially all of our Company's undertaking; or
- a resolution to authorize the continuation of our Company into a jurisdiction other than Alberta.

The ABCA sets out the process and procedures that must be followed for a Shareholder to exercise dissent rights.

### **Stamp Duty on Transfers**

No Canadian or Alberta stamp duty is payable on a transfer of shares of a company that is incorporated or continued in Alberta.

### **Purchase By Our Company of its Own Securities**

Except as provided in the ABCA, a company shall not own shares in itself. If a company holds shares in itself, it is only permitted to hold such shares for a maximum of 30 days, at which point the shares will be cancelled and the consideration returned.

Notwithstanding the above, a company may hold shares in itself in the capacity of a legal representative unless it or its subsidiaries, or a subsidiary of either of them, has a beneficial interest in the shares. A company may hold shares in itself by way of security for the purposes of a transaction entered into by it in the ordinary course of business that includes the lending of money.

A company holding shares in itself shall not vote or permit those shares to be voted unless the company holds the shares in the capacity of a legal representative and has complied with the ABCA.

Subject to the ABCA and our Articles, our Company may purchase or otherwise acquire shares issued by it. However, our Company shall not make any payment to purchase or otherwise acquire shares issued by it if there are reasonable grounds for believing that: (a) we are, or would after the payment be, unable to pay our liabilities as they become due; or (b) the realizable value of our assets would thereby be less than the aggregate of our liabilities and stated capital of all classes.

Subject to any unanimous shareholder agreement, a company that is not a distributing company shall, within 30 days after the purchase of any of its issued shares, notify its shareholders in accordance with the ABCA: (a) of the number of shares it has purchased; (b) of the names of the shareholders from whom it has purchased the shares; (c) of the price paid for the shares; (d) if the consideration was other than cash, of the nature of the consideration given and the value attributed to it; and (e) of the balance, if any, remaining due to shareholders from whom it purchased the shares. A shareholder of a company other than a distributing company is entitled on request and without charge to a copy of the agreement between the company and any of its other shareholders under which the company has agreed to purchase, or has purchased, any of its own shares.

#### **Voting For Directors and Auditors**

At the time of incorporation of an ABCA company, the incorporators file information relating to the first directors and these directors hold office as directors until the first meeting of shareholders. Thereafter, shareholders shall by ordinary resolution elect directors at the first and each subsequent annual meeting of the company. For details of election of directors, please refer to the paragraph under "Election of Directors" at page V-11 above.

Under the ABCA, the directors may appoint an auditor to hold office until the first annual meeting of shareholders. However, an auditor should be appointed at the first meeting of Shareholders following incorporation and, thereafter, at each annual meetings. The term of a company's auditor shall be until the close of the next annual meeting of shareholders, provided that if an auditor is not appointed at a meeting of shareholders, the auditor in office remains in office until a successor is appointed. The ABCA provides that the shareholders of a private company may resolve not to appoint an auditor. Such a resolution is valid only if the resolution is consented to by all shareholders, including shareholders not otherwise entitled to vote. A company, a shareholder or a director may apply to the Alberta courts to determine any controversy with respect to an election or appointment of a director or auditor of the company. Furthermore, shareholders are entitled to remove a director and/or an auditor by ordinary resolution in a special meeting of shareholders.

The remuneration of an auditor shall be fixed by ordinary resolution of the Shareholders at the annual general meeting or the Shareholders may delegate the fixing of such remuneration to the Board. Furthermore, subject to the ABCA, the Shareholders may, by ordinary resolution, at a special meeting, remove the auditor from office at any time before the expiration of his term of office and shall by ordinary resolution at that meeting appoint another auditor in his stead for the remainder of his term. We have amended our By-Laws in this regard.

Our Company has also adopted a majority voting policy for the election of our Directors. Please refer to the paragraph under “Election of Directors” at page V-11 above.

Our Audit and Risk Committee will determine, with delegated responsibility and in compliance with the requirements of the Listing Rules and on an annual basis, the appointment and reappointment of the auditor and put it to our Shareholders for approval at our Company’s annual general meeting.

#### **GENERAL**

Gowling WLG (Canada) LLP, our legal and tax advisers as to Canadian law has sent to us a letter of advice summarizing the Articles and the By-Laws and certain aspects of Alberta law and tax matters in relation to Alberta and Canadian federal laws. These letters are available for inspection, as referred to in the section headed “Appendix VII — Documents Delivered to the Registrar of Companies and Available for Inspection” in this Prospectus. **Any person wishing to receive a detailed summary of Alberta law or advice on differences between it and the laws of any other jurisdiction is recommended to seek independent legal advice.**

**A. FURTHER INFORMATION ABOUT OUR COMPANY****1. Incorporation**

We were incorporated as a corporation in Alberta, Canada on March 11, 2005 under the ABCA. Our principal place of business is located at 2717, 308-4th Avenue, SW, Calgary, Alberta, T2P0H7, Canada. Our principal place of business in Hong Kong is at Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong and we are registered as a non-Hong Kong company under Part 16 of the Companies Ordinance. Ms. Chau Hing Ling has been appointed as our agent for the acceptance of service of process and notices in Hong Kong. The address for service of process on us in Hong Kong is the same as our registered place of business in Hong Kong set out above. As we are incorporated in Alberta, our corporate structure, our Articles and By-Laws are subject to the relevant laws of Alberta, Canada. A summary of the relevant provisions of our Articles and By-Laws and certain relevant aspects of Alberta company law are set out in Appendix V to this Prospectus.

**2. Changes in Share Capital of Our Company**

As at the date of incorporation, our Company's authorized share capital was an unlimited number of Class A Shares. As at June 21, 2006, our Articles were amended to create an unlimited number of Class B Shares, Class C Shares, First Preferred Shares and Second Preferred Shares. Pursuant to the Annual and Special Meeting of the Shareholders of our Company held on February 26, 2016, our Articles were further amended to re-designate the Class A Shares as Common Shares and to convert all Class B Shares and all Class C Shares for Common Shares on a 1:1 basis.

The following shows the changes in our Company's shareholdings within two years immediately preceding the date of this Prospectus:

***Class A Shares***

- (1) on December 18, 2015, JLHY and Aspen entered into a share transfer agreement pursuant to which Aspen purchased, among others, 499 Class A Shares in our Company from JLHY as part of the Reorganization at a consideration equal to market fair value thereof; and
- (2) on December 18, 2015, 164 Co and Aspen entered into a share transfer agreement pursuant to which Aspen purchased, among others, 501 Class A Shares in our Company from 164 Co as part of the Reorganization at a consideration equal to market fair value thereof;

*Class B Shares*

- (1) on December 18, 2015, 164 Co and Aspen entered into a share transfer agreement pursuant to which Aspen purchased, among others, 9,500,353 Class B Shares in our Company from 164 Co as part of the Reorganization at a consideration equal to fair market value thereof;
- (2) on January 18, 2016, our Company and Ge Ji entered into a subscription agreement pursuant to which our Company allotted and issued 40,000 Class B Shares to Ge Ji at a subscribing price of C\$1.2 per share amounting to C\$48,000;
- (3) on January 18, 2016, our Company and Yue Mao entered into a subscription agreement pursuant to which our Company allotted and issued 41,665 Class B Shares to Yue Mao at a subscribing price of C\$1.2 per share amounting to C\$49,998;
- (4) on February 24, 2016, our Company and Ting Ma entered into a subscription agreement pursuant to which our Company allotted and issued 40,000 Class B Shares to Ting Ma at a subscription price of C\$0.9 per share amounting to C\$36,000;
- (5) on February 24, 2016, our Company and Jun Xiang entered into a subscription agreement pursuant to which our Company allotted and issued 100,000 Class B Shares to Jun Xiang at a subscription price of C\$1.2 per share amounting to C\$120,000; and
- (6) on February 24, 2016, our Company and Ge Ji entered into a subscription agreement pursuant to which our Company allotted and issued 40,000 Class B Shares to Ge Ji at a subscription price of C\$1.2 per share amounting to C\$48,000;

*Class C Shares*

- (1) on October 14, 2015, our Company and Neil J. Bliss entered into a share repurchase agreement pursuant to which our Company purchased 25,000 Class C Shares in our Company from Neil J. Bliss at the purchase price of C\$50,000;
- (2) on October 28, 2015, JLHY and Jie Xiong entered into a share repurchase agreement pursuant to which Jie Xiong purchased 111,112 Class C Shares in our Company from JLHY at the purchase price of C\$0.9 per share amounting to C\$100,000.80;
- (3) on December 16, 2015, our Company and Han Jinguo entered into a subscription agreement pursuant to which our Company allotted and issued 1,100,000 Class C Shares to Han Jinguo at a subscribing price of C\$1.8 per share amounting to C\$1,980,000;
- (4) on December 18, 2015, JLHY and Aspen entered into a transfer agreement pursuant to which Aspen purchased, among others, 83,490,062.2 Class C Shares in our Company from JLHY as part of the Reorganization at the consideration equal to the fair market value thereof;

- (5) on January 6, 2016, our Company and Yujuan Ma entered into a subscription agreement pursuant to which our Company allotted and issued 117,516 Class C Shares to Yujuan Ma at a subscribing price of C\$2.0 per share amounting to C\$235,032;
- (6) on January 6, 2016, our Company and Mr. Jing entered into a subscription agreement pursuant to which our Company allotted and issued 213,666 Class C Shares to Mr. Jing at a subscribing price of C\$2.0 per share amounting to C\$427,332;
- (7) on January 6, 2016, our Company and Shuyuan Wang entered into a subscription agreement pursuant to which our Company allotted and issued 106,833 Class C Shares to Shuyuan Wang at a subscribing price of C\$2.0 per share amounting to C\$213,666;
- (8) on January 6, 2016, our Company and Shufen Cheng entered into a subscription agreement pursuant to which our Company allotted and issued 53,417 Class C Shares to Shufen Cheng at a subscribing price of C\$2.0 per share amounting to C\$106,834;
- (9) on January 6, 2016, our Company and Qingyan Liu entered into a subscription agreement pursuant to which our Company allotted and issued 26,708 Class C Shares to Qingyan Liu at a subscribing price of C\$2.0 per share amounting to C\$53,416;
- (10) on January 6, 2016, our Company and Li Mo entered into a subscription agreement pursuant to which our Company allotted and issued 53,417 Class C Shares to Li Mo at a subscribing price of C\$2.0 per share amounting to C\$106,834;
- (11) on January 6, 2016, our Company and Jun Yu entered into a subscription agreement pursuant to which our Company allotted and issued 74,783 Class C Shares to Jun Yu at a subscribing price of C\$2.0 per share amounting to C\$149,566;
- (12) on January 6, 2016, our Company and Hongbiao Xu entered into a subscription agreement pursuant to which our Company allotted and issued 53,417 Class C Shares to Hongbiao Xu at a subscribing price of C\$2.0 per share amounting to C\$106,834;
- (13) on January 6, 2016, our Company and Dapeng Ren entered into a subscription agreement pursuant to which our Company allotted and issued 85,466 Class C Shares to Dapeng Ren at a subscribing price of C\$2.0 per share amounting to C\$170,932;
- (14) on January 6, 2016, our Company and Chuping Wang entered into a subscription agreement pursuant to which our Company allotted and issued 58,758 Class C Shares to Chuping Wang at a subscribing price of C\$2.0 per share amounting to C\$117,516;
- (15) on February 25, 2016, our Company allotted and issued 0.8 Class C Share to Aspen which then holds a total of 83,490,063 Class C Shares of our Company; and

*Common Shares*

- (1) on April 29, 2016, (a) all Class A Shares were re-designated as Common Shares; (b) all Class B and Class C Shares were converted for Common Shares on a 1:1 basis; and (c) every one Common Share was split into two Common Shares.

Save as disclosed in this Prospectus, there has been no alteration in our Common Shares within two years immediately preceding the date of this Prospectus.

**3. Resolutions of Our Shareholders**

Pursuant to the Annual and Special Meeting, our Shareholders resolved, among other things, that:

- (a) the Articles of our Company, the terms of which are summarized in Appendix V to this Prospectus, to be amended;
- (b) the By-Laws of our Company, the terms of which are summarized in Appendix V to this Prospectus, to be amended effective as at the date of Listing;
- (c) the redesignation of Class A Shares as Common Shares and conversion of all Class B Shares and all Class C Shares for Common Shares;
- (d) a share split of the issued and outstanding Common Shares of our Company on every one Common Share for two Common Shares basis;
- (e) conditional upon the Global Offering, a general unconditional mandate was given to the Directors to allot, issue and deal with Shares (otherwise than pursuant to: (i) a rights issue; or (ii) an issue of Shares upon exercise of any subscription warrants issued by our Company; or (iii) the exercise of options granted under any option scheme; or (iv) any scrip dividends scheme; or (v) any issues of Shares in lieu of the whole or part of a dividend on Shares) with an aggregate of not more than 20% of the total number of Shares in issue immediately upon the completion of the Global Offering (excluding Shares which may be issued under the Over-Allotment Option);
- (f) conditional upon the Global Offering, a general unconditional mandate was given to the Directors to exercise all the powers of our Company to repurchase Shares to be listed on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange with a total number of not more than 10% of total number of Shares in issue immediately following completion of the Global Offering (excluding Shares which may be issued under the Over-Allotment Option);

the resolutions referred to in paragraphs (a) and (b) are revocable at the discretion of the Board until they become effective. The amended Articles of our Company will become effective upon filing of the Articles of Amendment with the corporate registry of Alberta, which will be completed prior to the Listing. The matters referred to in paragraphs (c) and (d) were approved by a written resolution of the Board dated February 5, 2016 and the share conversion and share split were completed on April 29, 2016. Each of the general mandates referred to in paragraphs (e) and (f) above will remain in effect until whichever is the earliest of: (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or our Articles or our By-Laws; or (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders of our Company in a Shareholders' general meeting; and

- (g) the issuing mandate in paragraph (e) above was extended by the addition to the aggregate number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted and issued by the Board pursuant to such issuing mandate of an amount representing the aggregate number of Shares repurchased by the Company pursuant to the repurchase mandate referred to in paragraph (f) above provided that such extended amount shall not exceed 10% of the total number of Shares immediately following the share split and the completion of the Listing (excluding any Shares which may be issued pursuant to the exercise of the Over-Allotment Option).

Pursuant to the special meeting of Shareholders held on January 10, 2017, our Shareholders resolved, among other things, that conditional on the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this Prospectus and such approval not subsequently having been revoked prior to the commencement of dealings in the Shares, the Global Offering and the grant of the Over-Allotment Option were approved, and the Directors were authorized to allot and issue the Offer Shares and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-Allotment Option pursuant to the Global Offering to rank *pari passu* with the Shares then in issue in all respects, on and subject to the terms and conditions stated in this Prospectus and to do such acts and things as they shall deem necessary or appropriate in connection with the Global Offering.

Pursuant to the meeting of the Board held on January 17, 2017, our Board resolved, among other things, that conditional on the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue, the Shares to be issued as mentioned in this Prospectus, the Global Offering and the Over-allotment Option were approved and the Directors were authorised to allot and issue the Offer Shares.

#### 4. Repurchases of Our Own Shares

This section includes information relating to the repurchase of our Shares, including information required by the Stock Exchange to be included in this Prospectus concerning such repurchase.

(a) *Relevant legal and regulatory requirements*

The Listing Rules permit our Shareholders to grant our Directors a general mandate to repurchase our Shares that are listed on the Stock Exchange. Such mandate is required to be given by way of an ordinary resolution passed by our Shareholders in a general meeting.

(i) *Shareholders' approval*

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

On February 26, 2016, our Directors were granted a general unconditional mandate to repurchase up to 10% of the Shares of our Company in issue immediately following completion of the Global Offering on the Stock Exchange, or on any other stock exchange on which our securities may be listed, and which is recognized by the SFC and the Stock Exchange for this purpose, before any exercise of the Over-Allotment Option. This mandate will expire at the earliest of:

- a. the conclusion of our next annual Shareholders' general meeting;
- b. the date by which our next Shareholders' general meeting is required by applicable laws and our Articles and By-Laws to be held; or
- c. the revocation, variation or renewal of such mandate by an ordinary resolutions of our Shareholders in a general meeting (the "**Mandate Period**").

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and By-Laws and the applicable laws of Alberta, Canada. We may not repurchase our Shares on the Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the trading rule of the Stock Exchange. Subject to the above, we may make repurchases with funds which would otherwise be available for dividend or distribution or out of an issue of Shares for the purpose of the repurchase.

*(iii) Trading Restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange or on another stock exchange recognized for this purpose by the SFC and the Stock Exchange under the Code on Share Buy-backs is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue as at the date of the passing of the ordinary resolution approving the mandate. A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing any of its securities if the result of which are the number of its shares in the hands of the public would be below the relevant prescribed minimum percentage as required by the Stock Exchange. A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

*(iv) Status of Repurchased Shares*

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed as soon as reasonably practicable following settlement of any such repurchase.

*(v) Suspension of Repurchase*

We may not make any repurchase of securities at any time after inside information has come to our knowledge until such time that the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (b) the deadline for publication of an announcement of our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements, we may not repurchase our Shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if we have breached the Listing Rules.

(vi) *Reporting Requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, our annual report and account are required to disclose details regarding repurchases of securities made during the year, including a monthly breakdown of the number of securities repurchased, the purchase price per Share or the highest and lowest price paid for all such repurchase, where relevant, and the aggregate prices paid.

(vii) *Connected Persons*

We are prohibited from knowingly repurchasing securities on the Stock Exchange from a “core connected person”, that is, a director, chief executive or substantial shareholder of our Company or any of our subsidiaries or their close associates and a core connected person is prohibited from knowingly selling his securities to us.

**(b) *Reasons for repurchases***

Our Directors believe that it is in both our and our Shareholders’ best interests as a whole for our Directors to have general authority to execute repurchases of our shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders. Our Directors sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by our Directors at the relevant time having regard to the circumstances then pertaining.

**(c) *Funding of repurchases***

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with our Articles and By-Laws, the applicable laws of Alberta, Canada and Hong Kong and the Listing Rules.

On the basis of our current financial position, as disclosed in this Prospectus, and taking into account our current working capital position, our Directors believe that, if the repurchase mandate were to be exercised in full at any time during the Mandate Period, it might have a material adverse effect on our working capital and/or the gearing position (as compared with the position disclosed in this Prospectus). Further, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

**(d) *Share capital***

The exercise in full of the current repurchase mandate, on the basis of approximately 278,286,520 Shares being issued and outstanding immediately after completion of the Global Offering, could accordingly result in up to approximately 27,828,652 Shares being repurchased by us during the Mandate Period.

**(e) *General***

None of our Directors nor any of their close associates (as defined in the Listing Rules) currently intends to sell any of our Shares to us.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, our Articles and By-Laws, the ABCA and any other applicable laws of Alberta.

If, as a result of any repurchase of our Shares, a Shareholders' proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code.

No core connected person (as defined by the Listing Rules) has notified us that he or it has a present intention to sell his or its Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

**B. FURTHER INFORMATION ABOUT OUR BUSINESS****1. Summary of Material Contracts**

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this Prospectus that are or may be material:

- (1) a share repurchase agreement for Class C Shares dated October 14, 2015 made between Neil J. Bliss and our Company in respect of the purchase of 25,000 Class C Shares in our Company at a purchase price of C\$50,000;
- (2) a subscription agreement for Class C Shares dated December 16, 2015 made between Han Jinguo as the subscriber and our Company in respect of subscribing 1,100,000 Class C Shares at a subscribing price of C\$1.8 per share amounting to C\$1,980,000;
- (3) a subscription agreement for Class C Shares dated January 6, 2016 made between Yujuan Ma as the subscriber and our Company in respect of subscribing 117,516 Class C Shares at a subscribing price of C\$2.0 per share amounting to C\$235,032;
- (4) a subscription agreement for Class C Shares dated January 6, 2016 made between Mr. Jing as the subscriber and our Company in respect of subscribing 213,666 Class C Shares at a subscribing price of C\$2.0 per share amounting to C\$427,332;
- (5) a subscription agreement for Class C Shares dated January 6, 2016 made between Shuyuan Wang as the subscriber and our Company in respect of subscribing 106,833 Class C Shares at a subscribing price of C\$2.0 per share amounting to C\$213,666;
- (6) a subscription agreement for Class C Shares dated January 6, 2016 made between Shufen Cheng as the subscriber and our Company in respect of subscribing 53,417 Class C Shares at a subscribing price of C\$2.0 per share amounting to C\$106,834;
- (7) a subscription agreement for Class C Shares dated January 6, 2016 made between Qingyan Liu as the subscriber and our Company in respect of subscribing 26,708 Class C Shares at a subscribing price of C\$2.0 per share amounting to C\$53,416;
- (8) a subscription agreement for Class C Shares dated January 6, 2016 made between Li Mo as the subscriber and our Company in respect of subscribing 53,417 Class C Shares at a subscribing price of C\$2.0 per share amounting to C\$106,834;
- (9) a subscription agreement for Class C Shares dated January 6, 2016 made between Jun Yu as the subscriber and our Company in respect of subscribing 74,783 Class C Shares at a subscribing price of C\$2.0 per share amounting to C\$149,566;

- (10) a subscription agreement for Class C Shares dated January 6, 2016 made between Hongbiao Xu as the subscriber and our Company in respect of subscribing 53,417 Class C Shares at a subscribing price of C\$2.0 per share amounting to C\$106,834;
- (11) a subscription agreement for Class C Shares dated January 6, 2016 made between Dapeng Ren as the subscriber and our Company in respect of subscribing 85,466 Class C Shares at a subscribing price of C\$2.0 per share amounting to C\$170,932;
- (12) a subscription agreement for Class C Shares dated January 6, 2016 made between Chuping Wang as the subscriber and our Company in respect of subscribing 58,758 Class C Shares at a subscribing price of C\$2.0 per share amounting to C\$117,516;
- (13) a subscription agreement for Class B Shares dated January 18, 2016 made between Ge Ji as the subscriber and our Company in respect of subscribing 40,000 Class B Shares at a subscribing price of C\$1.2 per share amounting to C\$48,000;
- (14) a subscription agreement for Class B Shares dated January 18, 2016 made between Yue Mao as the subscriber and our Company in respect of subscribing 41,665 Class B Shares at a subscribing price of C\$1.2 per share amounting to C\$49,998;
- (15) a subscription agreement for Class B Shares dated February 24, 2016 made between Ting Ma as the subscriber and our Company in respect of subscribing 40,000 Class B Shares at a subscribing price of C\$0.9 per share amounting to C\$36,000;
- (16) a subscription agreement for Class B Shares dated February 24, 2016 made between Jun Xiang as the subscriber and our Company in respect of subscribing 100,000 Class B Shares at a subscribing price of C\$1.2 per share amounting to C\$120,000;
- (17) a subscription agreement for Class B Shares dated February 24, 2016 made between Ge Ji as the subscriber and our Company in respect of subscribing 40,000 Class B Shares at a subscribing price of C\$1.2 per share amounting to C\$48,000;
- (18) a co-existence agreement dated 24 November 2016 made between Siepmann-Werke GmbH & Co. KG and our Company in respect of the co-existence of the “PERSTA” mark in the Canadian marketplace;
- (19) the Deed of Non-Competition dated January 17, 2017 given by the Controlling Shareholders in favor of our Company (for ourselves and as trustee for our subsidiaries), as further described in the section headed “Relationship with Controlling Shareholders — Deed of Non-Competition” in this Prospectus;
- (20) the Deed of Tax Indemnity dated January 17, 2017 given by the Controlling Shareholders in favor of our Company (for ourselves and as trustee for our subsidiaries) as further described in the section headed “Appendix VI — Statutory and General Information — E. Other information — 1. Estate Duty and Tax Indemnity” to this Prospectus; and

(21) the Hong Kong Underwriting Agreement dated February 27, 2017 relating to the Hong Kong Public Offering entered into by, among others, our Company, the Joint Global Coordinators and the Hong Kong Underwriters as further described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement” in this Prospectus.

## 2. Intellectual Property Rights

As at the Latest Practicable Date, our Company has registered and has applied for the registration of the following intellectual property rights which are material in relation to our Company’s business.

### (a) Trademarks

As at the Latest Practicable Date, we had registered the following trademarks:

Trademark	Name of Registered Owner	Territory of Registration	Classes	Registration Number	Valid Period
	Persta Resources Inc.	Hong Kong	4, 37, 39, 40, 42	303576952	October 27, 2015 to October 26, 2025
	Persta Resources Inc.	Hong Kong	4, 37, 39, 40, 42	303576961	October 27, 2015 to October 26, 2025

As at the Latest Practicable Date, we had applied for the registration of the following trademarks:

Trademark	Applicant	Territory of Application	Classes	Application Date	Application Number
PERSTA	Persta Resources Inc.	Canada	4	January 14, 2016	1763407
Persta	Persta Resources Inc.	Canada	4	January 14, 2016	1763409
	Persta Resources Inc.	Canada	4	January 14, 2016	1763415
	Persta Resources Inc.	Canada	4	January 14, 2016	1763416

### (b) Domain Names

As at the Latest Practicable Date, we had registered the following domain names:

Domain Name	Registrant	Term
persta.ca	Persta Resources Inc.	From May 27, 2005 to May 27, 2019
persta.hk	Persta Resources Inc.	From September 8, 2016 to September 8, 2021
persta.com.hk	Persta Resources Inc.	From September 8, 2016 to September 8, 2021

Other than our intellectual property right sets out above, there are no trade or service marks, patents, or other intellectual property rights which are or may be material in relation to our business.

### 3. Legal Proceedings and Regulatory Matters

#### *Legal proceedings*

Save as disclosed in this Prospectus, as at the Latest Practicable Date, our Company is neither engaged in nor aware of any litigation, arbitration or claim of material importance pending or threatened against our Company.

#### *Regulatory matters*

The following table shows the key licences and permits that we have obtained for our operations and their respective validity periods.

<u>Licence/ Approval Permit</u>	<u>Authorized Entity</u>	<u>Issuance Authority</u>	<u>Issuance Date</u>	<u>Expiry Date</u>	<u>Description</u>
APEGA Permit to Practice #10965	Persta Resources Inc.	APEGA	March 1, 2016	February 28, 2017	Licence to practice engineering in Alberta, Canada

### 4. Properties

#### (a) *Our Leased Property*

As at the Latest Practicable Date, we have the following leased property (“**Leased Property**”) with the details set out below.

<u>Address and Description of location</u>	<u>Use</u>	<u>Size of area</u>	<u>Monthly rent</u>	<u>Book value</u>	<u>Restriction on use</u>	<u>Lease expiry date</u>	<u>Material encumbrances</u>	<u>Material litigations, breaches and defects</u>	<u>Future plans for construction, renovation, improvement or development and estimated associated costs</u>	<u>Other remarks</u>
#2717, 308 4th Avenue SW, Calgary, AB, Canada T2P 0H7	General business office	8,725	CS 27,866.67	N/A	N/A	31-Dec-17	N/A	N/A	N/A	N/A

**(b) PNG Licences and Crown Leases**

The following table shows the number of our PNG Licences and Crown Leases, the number of sections and the amount of hectare corresponding to each area as at the Latest Practicable Date:

Property	PNG Licences	Crown Leases	Land Section (Note 1)		Land Area			
			Gross	Net	Gross		Net	
					Acres	Hectares	Acres	Hectares
<b>Alberta Foothills</b>	<b>36</b>	<b>5</b>	<b>108</b>	<b>105</b>	<b>68,800</b>	<b>27,520</b>	<b>67,008</b>	<b>26,803</b>
Basing	8	3	15	15	9,600	3,840	9,600	3,840
Voyager	21	0	35	35	22,400	8,960	22,400	8,960
Kaydee	3	0	30	30	19,200	7,680	19,200	7,680
Stolberg	3	2	16	13	10,240	4,096	8,448	3,379
Colombia	1	0	12	12	7,360	2,944	7,360	2,944
<b>Peace River</b>	<b>0</b>	<b>17</b>	<b>5</b>	<b>5</b>	<b>3,200</b>	<b>1,280</b>	<b>3,200</b>	<b>1,280</b>
Dawson	0	17	5	5	3,200	1,280	3,200	1,280
<b>Deep Basin Devonian</b>	<b>4</b>	<b>0</b>	<b>69</b>	<b>69</b>	<b>44,320</b>	<b>17,728</b>	<b>44,320</b>	<b>17,728</b>
<b>Total</b>	<b>40</b>	<b>22</b>	<b>182</b>	<b>179</b>	<b>116,320</b>	<b>46,528</b>	<b>114,528</b>	<b>45,811</b>

Note 1: 1 Section = 256 Ha

The following table shows all PNG Licences and Crown Leases held by our Company or our brokers as at the Latest Practicable Date:

Licence or Lease No.	Mineral Rights	Working Interest	Commencement Date	Expiry Date	Location
5507010513	PNG from Surface to Base of the Spirit River	100%	11/01/2007	Indefinite	Basing
5507010514	PNG to Base of the Spirit River	100%	11/01/2007	Indefinite	Basing
Pending	PNG from Surface to Base of the Cardium	100%	11/01/2007	11/01/2018	Basing
Pending	PNG from Surface to Base of the Spirit River	100%	11/01/2007	11/01/2018	Basing
Pending	PNG from Surface to Base of the Spirit River	100%	11/01/2007	11/01/2018	Basing
5507110258	PNG from Surface to Base of the Turner Valley	30%*	01/11/2007	01/11/2017*	Stolberg
5508030752	PNG below Base of Cardium to Base of the Bluesky-Bullhead	100%	20/03/2008	20/03/2018	Basing
5508030753	PNG below Base of Cardium to Base of the Bluesky-Bullhead	100%	20/03/2008	20/03/2018	Basing
5508030754	PNG below Base of Cardium to Base of the Bluesky-Bullhead	100%	20/03/2008	20/03/2018	Basing
5510110375	PNG from Surface to Base of the Rundle, Except NG in Rundle	100%	18/11/2010	31/03/2017*	Voyager
5510110376	PNG from Surface to Base of the Rundle, Except NG in Rundle	100%	18/11/2010	31/03/2017*	Voyager
5510110377	PNG from Surface to Base of the Rundle, Except NG in Rundle	100%	18/11/2010	31/03/2017*	Voyager

<b>Licence or Lease No.</b>	<b>Mineral Rights</b>	<b>Working Interest</b>	<b>Commencement Date</b>	<b>Expiry Date</b>	<b>Location</b>
5510110378	PNG from Surface to Base of the Rundle, Except NG in Rundle	100%	18/11/2010	31/03/2017*	Voyager
5513010293	PNG from Surface to Base of the Basement	100%	10/01/2013	10/01/2018	Kaydee
5514040199	PNG from Surface to Base of the Mannville	100%	17/04/2014	17/04/2019	Stolberg
5514040200	Track 1: PNG from Surface to Base of the Mannville Track 2: PNG from Surface to Base of the Bullhead	100%	17/04/2014	17/04/2019	Stolberg
5514080126	PNG from Surface to Base of the Basement, Except NG in Rundle	100%	07/08/2014	07/08/2019	Voyager
5514080127	PNG from Surface to Base of the Basement	100%	07/08/2014	07/08/2019	Voyager
5514080128	PNG from Surface to Base of the Basement	100%	07/08/2014	07/08/2019	Voyager
5514100263	PNG from Surface to Base of the Basement	100%	30/10/2014	30/10/2019	Voyager
5514120044	PNG from Surface to Base of the Basement, Except NG in Wabamun & Rundle	100%	02/12/2014	04/12/2019	Voyager
5514120045	PNG from Surface to Base of the Basement	100%	04/12/2014	04/12/2019	Voyager
5514120046	PNG from Surface to Base of the Basement	100%	04/12/2014	04/12/2019	Voyager
5515010164	PNG from Surface to Base of the Basement	100%	15/01/2015	15/01/2020	Voyager
5515010165	PNG from Surface to Base of the Basement, Except NG in Rundle	100%	15/01/2015	15/01/2020	Voyager
5515010166	PNG from Surface to Base of the Basement, Except NG in Rundle	100%	15/01/2015	15/01/2020	Voyager
0615020072	PNG from Surface to Base of the Basement	100%	11/02/2015	12/02/2020	Stolberg
0615020074	PNG from Surface to Base of the Basement	100%	11/02/2015	12/02/2020	Stolberg
5515030166	PNG from Surface to Base of the Basement	100%	11/03/2015	12/03/2020	Voyager
5515030167	PNG from Surface to Base of the Basement	100%	11/03/2015	12/03/2020	Voyager
5515040167	PNG from Surface to Base of the Basement	100%	30/04/2015	30/04/2020	Voyager
5515040168	PNG from Surface to Base of the Basement	100%	30/04/2015	30/04/2020	Voyager
5515040169	Track 1: PNG from Surface to Base of the Basement Track 2: PNG below of the Rundle to Base of the Basement	100%	30/04/2015	30/04/2020	Voyager
5515050122	Track 1: PNG from Surface to Base of the Basement Track 2: PNG from Surface to Base of the Basement, Except Natural Gas in Rundle	100%	28/05/2015	28/05/2020	Voyager
5515050124	PNG from Surface to Base of the Basement	100%	28/05/2015	28/05/2020	Kaydee
5515070159	PNG from Surface to Base of the Basement	100%	09/07/2015	09/07/2020	Kaydee
0401030198	PNG from Below Base of the Viking to Base of the Mannville	50%*	08/03/2006	Indefinite	Provost
0506100512	PNG from Surface to Base of the Pekisko	100%	19/10/2006	Indefinite	Dawson
0507030819	PNG below Base of the Bluesky-Bullhead to Base of the Slave Point	100%	22/03/2007	Indefinite	Dawson
0508040251	PNG from Surface to Base of the Slave Point	100%	03/04/2013	Indefinite	Dawson
0510090472	PNG from Surface to Base of the Slave Point	100%	16/09/2010	09/03/2017*	Dawson
0510090473	PNG from Surface to Base of the Slave Point	100%	16/09/2010	09/03/2017*	Dawson
0510090474	PNG from Surface to Base of the Slave Point	100%	16/09/2010	09/03/2017*	Dawson
0510090475	PNG from Surface to Base of the Slave Point	100%	16/09/2010	09/03/2017*	Dawson
0511070482	PNG from Surface to Base of the Basement	100%	28/07/2011	28/07/2017*	Dawson
0511070483	PNG from Surface to Base of the Basement	100%	28/07/2011	28/07/2017*	Dawson
0511070484	PNG from Surface to Base of the Basement	100%	28/07/2011	28/07/2017*	Dawson

<b>Licence or Lease No.</b>	<b>Mineral Rights</b>	<b>Working Interest</b>	<b>Commencement Date</b>	<b>Expiry Date</b>	<b>Location</b>
0511070485	PNG from Surface to Base of the Basement	100%	28/07/2011	28/07/2017*	Dawson
0511090149	PNG from Surface to Base of the Basement	100%	08/09/2011	08/09/2017*	Dawson
0513030178	PNG from Surface to Base of the Basement	100%	07/03/2013	07/03/2018	Dawson
0513030179	PNG from Surface to Base of the Basement	100%	07/03/2013	07/03/2018	Dawson
0513030182	PNG from Surface to Base of the Basement	100%	07/03/2013	07/03/2018	Dawson
0513030183	PNG from Surface to Base of the Basement	100%	07/03/2013	07/03/2018	Dawson
0513030184	PNG from Surface to Base of the Basement	100%	07/03/2013	07/03/2018	Dawson
5415030249	Track 1: PNG below Base of Belly River to Base of the Basement Track 2: PNG below Base of the Bluesky- Bullhead to Base of the Basement Track 3: PNG below Base of the Rock Creek to Base of the Basement Track 4: PNG below Base of the Nordegg to Base of the Basement Track 5: PNG below Base of the Shunda to Base of the Basement Track 6: PNG below Base of the Nisku to Base of the Basement	100%	26/03/2015	26/03/2019	Deep Basin Denovian
5415030251	Track 1: PNG below Base of the Spirit River to Base of the Basement Track 2: PNG below Base of the Spirit River to Base of the Basement, Except NG in Bluesky- Gething Track 3: PNG below Base of the Bluesky- Bullhead to Base of the Basement Track 4: PNG below Base of the Rock Creek to Base of the Basement Track 5: PNG below Base of the Rock Creek to Base of the Basement, Except NG in Elkton- Shunda Track 6: PNG below Base of the Nordegg to Base of the Basement	100%	26/03/2015	26/03/2019	Deep Basin Denovian
5415080319	Track 1: PNG below base Rock Creek Track 2: PNG below base Duvernay	100%	19/08/2015	20/08/2019	Deep Basin Denovian
5415080320	Track 1: PNG below base Rock Creek Track 2: PNG below base Duvernay	100%	19/08/2015	20/08/2020	Deep Basin Denovian
5515080329	All PNG	100%	19/08/2015	20/08/2020	Voyager
5416010103	PNG below base Cardium	100%	14/01/2016	14/01/2020	Columbia
0616040110	PNG from Surface to Base of the Basement	100%	28/04/2016	28/04/2021	Basing
0616040111	PNG from Surface to Base of the Basement	100%	28/04/2016	28/04/2021	Basing

\*: Application for renewal will be submitted.

A crude oil and/or natural gas lease has been defined by Canadian case law to constitute a “profit a prendre” or an incorporeal interest in land providing a licence to explore for and extract minerals from the specified formation or range. As such, our PNG Licences and Crown Leases are considered to be a type of interest in land under Alberta law.

**(c) Miscellaneous**

Except as disclosed in this Prospectus, there are no environmental issues, pending litigation, breaches of law or title defects in respect of our Property which would have a material adverse impact on the businesses and operations of the Company. As at the Latest Practicable Date, except as disclosed in this Prospectus, our Company does not intend to undertake any major plans for construction, renovation, improvement or development of our Properties in the next 12 months. We confirm that, as at the Latest Practicable Date, no single property interest owned or leased by our Company is material to our Company as a whole and has a carrying amount of 15% or above of the total assets of our Company. We further confirm that none of our Property is individually material to our Company in terms of revenue contribution and/or rental expense. We hold the appropriate documents evidencing title for the Leased Property.

**C. FURTHER INFORMATION ABOUT OUR DIRECTORS, MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS****1. Disclosure of Interests**

So far as the Directors are aware, as at the Latest Practicable Date and immediately following completion of the Global Offering (taking no account of any Shares which may be taken up under the Global Offering and assuming that the Over-Allotment Option is not exercised), the interests and short positions of our Directors and our Chief Executive Officer in the equity or debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) once our Shares are listed, or which will be required, pursuant to section 347 of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to us and the Stock Exchange or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein once our Shares are listed, are as follows:

<u>Name of Director/chief executive officer</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares</u> <i>(Note 4)</i>	<u>Approximate percentage of shareholding interests of our Company</u>
Mr. Bo <i>(Notes 1 and 3)</i>	Beneficial owner, interest of spouse, interest in controlled corporation and parties acting in concert	187,290,164 (L)	67.30%
Mr. Jing <i>(Notes 2 and 3)</i>	Beneficial owner, interest in controlled corporation and parties acting in concert	187,290,164 (L)	67.30%

*Notes:*

1. Mr. Bo holds 440,000 Common Shares, equivalent to approximately 0.16% of our total issued Common Shares. He is the spouse of Ms. Hou and is therefore deemed to be interested in 440,000 Common Shares held by Ms. Hou under the SFO. Mr. Bo is one of the trustees of The Bo Family Trust.

Mr. Bo also holds 1,000 class D voting preferred shares in 164 Co, representing approximately 99.01% of the voting rights of 164 Co.

Pursuant to the Unanimous Shareholders Agreement and the First Supplemental Unanimous Shareholders Agreement, Aspen, Mr. Jing, JLHY, Mr. Bo, 164 Co and Liyuan become parties acting in concert and therefore Mr. Bo is deemed to be interested in the Common Shares in which Aspen, Mr. Jing, JLHY, 164 Co and Liyuan are interested in under the SFO, which in aggregate represent approximately 67.30% of our total issued Common Shares.

2. Mr. Jing holds 427,332 Common Shares, equivalent to approximately 0.15% of our total issued Common Shares. Mr. Jing is also interested in 60% of the equity interest in JLHY.

Pursuant to the Unanimous Shareholders Agreement and the First Supplemental Unanimous Shareholders Agreement, Aspen, Mr. Jing, JLHY, Mr. Bo, 164 Co and Liyuan become parties acting in concert and therefore Mr. Jing is deemed to be interested in the Common Shares in which Aspen, JLHY, Mr. Bo, 164 Co and Liyuan are interested in under the SFO, which in aggregate represent approximately 67.30% of our total issued Common Shares.

3. Aspen holds 185,982,832 Common Shares and is owned as to 41.09%, 39.69% and 19.22% by JLHY, 164 Co and Liyaun respectively. Pursuant to the Unanimous Shareholders Agreement and the First Supplemental Unanimous Shareholders Agreement, Aspen, Mr. Jing, JLHY, Mr. Bo, 164 Co and Liyuan become parties acting in concert and therefore Aspen is deemed to be interested in all the Common Shares in which Mr. Jing and Mr. Bo are interested in under the SFO, which in aggregate represent approximately 67.3% of our total issued Common Shares.

4. The letter “L” denotes the person’s long position in our Shares.

## **2. Substantial Shareholders**

Please refer to the section headed “Substantial Shareholders” in this Prospectus for information about the substantial Shareholders.

## **3. Particulars of Service Agreement and Letters of Appointment**

Our executive Director has entered into a service agreement with our Company for a term of three years commencing from February 26, 2016. Each of our non-executive Director and independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from February 26, 2016.

Save as disclosed in this Prospectus, none of our Directors has or is proposed to have a service contract or letter of appointment with our Company (other than contracts expiring or determinable by our Company within one year without payment of compensation other than statutory compensation).

#### 4. Directors' Remuneration

The remuneration that our executive Director received (including fees, salaries, discretionary bonus, contributions to defined contribution benefit plans, housing and other allowances, share-based compensation, and other benefits in kind) for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016 were C\$402,356, C\$740,426, C\$432,480 and C\$296,378 respectively. Our executive Director will receive a remuneration (including fees, salaries, discretionary bonus, contributions to defined contribution benefit plans, housing and other allowances, and other benefits in kind) of approximately C\$390,000 for 2016.

Each of our Directors has been appointed for a term of three years commencing from February 26, 2016. Our Non-executive Director will not receive any director's fee for his service. We intend to pay a director's fee to each of our Independent non-executive Directors who are entitled to participate in the Phantom Unit Plan for payment of part of their remuneration, details of which are disclosed in the section headed "D. Phantom Unit Plan" in this Appendix VI.

The aggregate annual remuneration of our executive Director, non-executive Director and each of our independent non-executive Directors payable by us for the year ended December 31, 2016 and the year ending December 31, 2017 are set out below:

	<u>For year ended December 31, 2016</u>	<u>For year ending December 31, 2017</u>
<i>Executive Director</i>		
Mr. Bo	approximately C\$390,000	approximately C\$430,000
<i>Non-executive Director</i>		
Mr. Jing	Nil	Nil
<i>Independent non-executive Directors</i>		
Mr. Richard Dale Orman	approximately C\$83,333	approximately C\$100,000
Mr. Bryan Daniel Pinney	approximately C\$83,333	approximately C\$100,000
Mr. Peter David Robertson	approximately C\$83,333	approximately C\$100,000

Under the arrangement currently in force, the aggregate remuneration payable to, and benefits in kind receivable by, our Directors in respect of the financial year ended December 31, 2016 and the financial year ending December 31, 2017 are approximately C\$640,000 and C\$730,000 respectively.

## D. PHANTOM UNIT PLAN

### Background

On May 2, 2016, our Board approved and established a phantom unit plan (the “**Phantom Unit Plan**” or the “**Plan**”) for the benefit of our Company’s independent non-executive directors, who are neither salaried employees, officers, employees of our Company or a related Company, but shall not include any public in Hong Kong (“**Eligible Directors**”). The Plan was established to provide the Eligible Directors with compensation opportunities which: (a) are compatible with shareholder interests; (b) will encourage a sense of ownership; and (c) will enhance our Company’s ability to retain key personnel and reward significant performance achievements.

Our Board intends to use the phantom units issued under the Plan (the “**Phantom Units**”) as part of our Company’s compensation plan for our Eligible Directors. As the value of the Phantom Units will fluctuate with the price of our Shares, by increasing or decreasing based on the market value of our Shares, the Phantom Units reflect an alignment of the interests of the Eligible Directors with those of our Shareholders by tying the value of compensation to the performance of our Shares.

The Plan will become effective once our Shares commence trading on the Main Board.

### Summary of the Plan

Under the Plan, a percentage (the “**Designated Percentage**”) of the Eligible Director’s fees, as determined by the Administrator (defined below), payable to the Eligible Directors for their participation on our Board and on committees of our Board, including all annual retainer fees (including annual fees on a prorated basis) but excluding any reimbursement of expenses paid to such Eligible Directors (the “**Fees**”) will be paid in Phantom Units. For the Fee Period (defined below) ending December 2016, the Designated Percentage is 60%.

Pursuant to the Plan each Eligible Director shall agree in writing prior to the commencement of the next fee period to receive the applicable Designated Percentage of Fees in the form of Phantom Units under the Plan for each twelve-month period commencing on January 1 and ending on December 31 (the “**Fee Period**”). The first Fee Period for the Plan will commence on the date on which our Shares commence trading on the Main Board of the Stock Exchange and shall end on December 31 of that calendar year. Once such participation becomes effective, it is irrevocable in respect of that Fee Period and no modifications to such participation shall be permitted.

On each date in which Phantom Units are to be allotted (the “**Unit Allotment Date**”) to an Eligible Director participating in the Plan (a “**Participant**”), a number of Phantom Units (including fractional Phantom Units calculated to two decimal points) determined by dividing (i) an amount equal to the Designated Percentage of the Fees to have credited in Phantom Units on that Unit Allotment Date, by (ii) the Fair Market Value (defined below) of a Share on that Unit Allotment Date, shall be credited to the Participant’s Account (defined below).

For purposes of the Plan, the “**Fair Market Value of a Share**” means, as applicable: (i) the weighted average trading price of our Shares on any exchange where our Shares are listed (including the Main Board for the last five trading days prior to such day; or (ii) on a day during any period when our Shares are not listed on an exchange: (A) the weighted average trading price of our Shares on an over-the-counter market for the last five trading days prior to such day on which at least one board lot of our Shares was traded, or (B) the value attributed to our Shares on such day by our Board, in its sole discretion.

### **Administration of the Plan**

The Plan is currently administered by our Board and may be administered by such other person(s) as our Board may designate from time to time (the “**Administrator**”). It is anticipated that our Board will designate the remuneration committee, as the Administrator. The Administrator has the power and authority to:

- (a) adopt rules and regulations for implementing the Plan;
- (b) determine the eligibility of persons to participate in the Plan;
- (c) determine the Designated Percentage for each Fee Period: (i) on or after the 10th trading day following the release of the financial results of our Company for the period ended September 30, 2016 and prior to December 31, 2016 in respect of the Fee Period ending December 31, 2017; and (ii) on or after the 10th trading day following the release of the financial results of our Company for the fiscal period ended September 30 and prior to December 31 of the year ending prior to the commencement of each subsequent Fee Period;
- (d) interpret and construe the provisions of the Plan;
- (e) make exceptions to the Plan in circumstances which it determines to be exceptional, provided that any such exceptions are made in compliance with the ITA; and
- (f) make all other determinations and take all other actions as it determines to be necessary or desirable to implement, administer and give effect to the Plan.

### **Redemption of Phantom Units**

Subject to the Plan, as at a Participant's Termination Date (being the date on which the Participant ceases to be a member of our Board by way of retirement, non-re-election as a director, resignation or death), the Participant (or his or her legal representative) is entitled to, by giving written notice to our Company, redeem all or a portion of the Phantom Units recorded on his or her account as at a particular date (the "**Redemption Date**").

The Participant is entitled on the Redemption Date to receive an amount equal to the number of Phantom Units to be redeemed on such Redemption Date multiplied by the Fair Market Value of a Share on such Redemption Date, net of any applicable deductions and withholdings.

The Redemption Date may not be a date on which: (a) the Participant possesses inside information in relation to our Shares; (b) our Company's quarterly, half-yearly or annual financial results are published; (c) during the period of 60 days immediately preceding the publication date of the annual financial results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; (d) during the period of 30 days immediately preceding the publication date of the quarterly or half-yearly financial results, or if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results; and (e) prior to the 10th trading day following the release of our Company's quarterly, half-yearly or annual financial results immediately following the Participant's Termination Date or (e) later than December 1 of the first calendar year commencing after such Termination Date.

Upon our Company making payment to a Participant (or the Participant's legal representative, as the case may be) pursuant to the Redemption provisions of the Plan, the Phantom Units upon which such payment was based shall be cancelled and no further payments shall be made from the Plan in relation to such Phantom Units and, upon our Company making payment in respect of the last applicable Redemption Date, the Participant's (or the Participant's legal representative's, as the case may be) participation in the Plan will be terminated.

### **Limitations**

Notwithstanding any provisions of the Plan: (a) all amounts that may be received under the Plan by a Participant (or his or her legal representative) shall be received after the Termination Date for the Participant, and no later than the end of the first calendar year commencing after the Termination Date; (b) the aggregate of all amounts, each of which may be received by each Participant under the Plan, depends on the Fair Market Value of our Shares, the number of which are equivalent to the number of Phantom Units recorded in each Participant's Account, within the period that commences one year before the Termination Date and ends at the time such amounts are received; and (c) if an Eligible Director becomes a salaried officer or an employee of our Company or a related corporation, he or she shall be suspended from further participation in the Plan and shall not be entitled to redeem any

Phantom Units until the date which is 10 days following the release of our Company's quarterly, half-yearly or annual financial results immediately following the Termination Date, being the later of: (i) his or her cessation of employment with our Company or our related corporation; and (ii) his or her Termination of Service and that all such redemptions must occur by December 1 of the first calendar year commencing after the applicable Termination Date.

#### **No Rights as a Shareholder**

Under no circumstances shall the Phantom Units be considered Shares nor shall the Phantom Units entitle any Participant to exercise voting rights or any other rights attaching to the ownership of Shares.

#### **Transferability**

A Participant is not entitled to transfer, assign, charge, pledge or hypothecate, or otherwise alienate, whether by operation of law or otherwise, his or her Phantom Units or any rights he/she has under the Plan, other than pursuant to a will or by the laws of descent and distribution as provided thereunder.

#### **Accounts**

A separate notional account shall be maintained for each Participant (an "**Account**"). Each Account will be credited with Phantom Units issued to the Participant from time to time pursuant to the Plan by way of a bookkeeping entry in the books of our Company. The Phantom Units credited to the Participant's Account will be cancelled as at the applicable Redemption Date and following redemption of all Phantom Units credited to the Participant's Account, such Participant's Account will be closed.

#### **Adjustments**

Appropriate adjustments with respect to the number of Phantom Units recorded in each Participant's Account may be made by the Administrator in its sole discretion to give effect to any change in the number of Shares resulting from rights offerings or subdivisions, consolidations or reclassifications of the Shares, the payment of cash or stock dividends by our Company or other relevant changes in the capital stock of our Company.

#### **Funding of the Plan**

Unless otherwise determined by the Administrator, the Plan shall remain an unfunded obligation of our Company. Neither our Company nor the Administrator is or may be deemed to be a trustee of any amounts to be paid under the Plan.

### Amendments to and Termination of the Plan

Our Board may from time to time in its absolute discretion amend, modify and change the provisions of the Plan or terminate the Plan. The Plan prohibits any amendment of the Plan to operate in a manner which will deprive a Participant of any rights acquired prior to the date of such amendment without such Participant's consent in writing. Any such amendment or termination shall be such that the Plan continuously meets the requirements of ITA. The Plan may be terminated pursuant to and in accordance with the terms of the Plan. If the Administrator terminates the Plan, no additional Phantom Units will be credited to the Accounts of Participants following such termination.

## E. OTHER INFORMATION

### 1. Estate Duty and Tax Indemnity

Our Controlling Shareholders (the “**Indemnifiers**”) have, under the Deed of Tax Indemnity, given joint and several indemnities to our Company in connection with, among other things:

- (a) any taxation liability of our Company which has arisen or may arise wholly or partly:
  - (i) in respect of or in consequence of any act, omission or event occurring or deemed to occur on or before the date on which the Global Offering becomes unconditional; or
  - (ii) in respect of income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which the Global Offering becomes unconditional;
- (b) any taxation liability under or by virtue of the provisions of section 35 and section 43 of the Estate Duty Ordinance (Cap. 111 of the Laws of Hong Kong) or any similar laws and regulations of any relevant jurisdiction arising on the death of any person at any time by reason of any transfer of any property to our Company made or deemed to have been made on or before the date on which the Global Offering becomes unconditional or by reason of any property of any of the companies being deemed for the purpose of estate duty to be included in the property passing on death of any of the Indemnifiers by reason of that person making or having made a transfer to our Company on or before the date on which the Global Offering becomes unconditional; and
- (c) any costs, fees or expenses incurred by our Company in investigating, assessing or contesting any such taxation liability or taking or defending any action under paragraph (a) or (b) above.

The Indemnifiers will, however, not be liable under the Deed of Tax Indemnity for taxation to the extent that, among others:

- (a) specific provision or reserve (if any) has been made for such taxation liabilities and claims in the audited accounts of our Company for the Track Record Period as set out in the Accountants' Report in Appendix I to this Prospectus;
- (b) the taxation liability would not have arisen but for any voluntary act of our Company after the date on which the Global Offering becomes unconditional which our Company ought reasonably to have known would give rise to such taxation liability but excluding any act:
  - (i) carried out pursuant to a legally binding obligation of our Company entered into or incurred on or before the date on which the Global Offering becomes unconditional; or
  - (ii) pursuant to an obligation imposed by any law, regulation or requirement having the force of law; or
  - (iii) taking place with the written approval of the Indemnifiers or pursuant to the Global Offering or any document executed pursuant to the Global Offering; or
  - (iv) occurring in the ordinary course of business of our Company; or
- (c) the taxation liability arises in the ordinary course of business of our Company after September 30, 2016 up to and including the date on which the Global Offering becomes unconditional;
- (d) taxation liability arises or is increased as a result only of:
  - (i) an increase in the rates of taxation made after the date on which the Global Offering becomes unconditional with retrospective effect; or
  - (ii) the passing of any legislation after the date on which the Global Offering becomes unconditional with retrospective effect.

Our Directors have been advised that no material liability for estate duty under the laws of Canada is likely to fall on our Company.

## **2. Expenses**

Our estimated aggregated expenses in respect of the Global Offering are approximately HK\$39.4 million (approximately C\$6.5 million) and are payable by us.

### 3. Qualifications of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given their opinions or advice in this Prospectus are as follows:

Changjiang Corporate Finance (HK) Limited	a licensed corporation to conduct type 6 (advising on corporate finance) regulated activities under the SFO
KPMG LLP	Chartered Professional Accountants, Calgary, Canada
KPMG	Certified Public Accountants, Hong Kong
Gowling WLG (Canada) LLP	Canadian solicitors and barristers
GLJ Petroleum Consultants Ltd.	Competent Person
Frost & Sullivan (Singapore) Pte Ltd	Industry consultant

### 4. Consents

Each of Changjiang Corporate Finance (HK) Limited, KPMG LLP, KPMG, Gowling WLG (Canada) LLP, GLJ Petroleum Consultants Ltd. and Frost & Sullivan (Singapore) Pte Ltd has given and has not withdrawn their respective written consents to the issue of this Prospectus with the inclusion of their reports and/or letters and/or opinions and/or advice and the references to their names included herein in the form and context in which they respectively appear.

None of the experts named above has any shareholding interests in our Company or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company.

### 5. Share Register

Our principal register of members will be maintained by the Principal Share Registrar, Computershare Trust Company of Canada, in Canada and our Hong Kong Share Register will be maintained by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

Dealings in the Shares will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice. Unless otherwise determined by our Board, dividends will be paid to Shareholders whose names are listed on our register of members in Hong Kong, by ordinary post at the Shareholders' risk, in Hong Kong dollars. We have not declared or paid any dividends during the Track Record Period, nor do we have any present intentions of

paying any dividends in the near future. We do not have a fixed dividend payout ratio. Our determination of future dividend is further described in the section headed “Financial Information — Dividend” in this Prospectus.

## **6. Application for Listing of the Shares and Admission into CCASS**

We have applied to the Listing Committee for the granting of listing of, and permission to deal in, our Shares in issue and to be issued, including: (i) our Offer Shares to be issued pursuant to the Global Offering; and (ii) any Shares which may be issued pursuant to the exercise of the Over-Allotment Option.

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

## **7. Taxation**

### ***Hong Kong***

Dealings in Shares will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred. Profits from dealings in the Shares derived by persons carrying on a business of trading or dealing in securities in Hong Kong arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

### ***Alberta***

In general, there are no specific taxes eligible in Alberta in respect of the acquisition or disposition of Shares other than tax on gains arising on the disposition of Shares for those Shareholders that are resident in or have been resident in Alberta, or that have or have had a permanent establishment in Alberta, at any time during which the Shareholders dealt with such Shares.

**Professional Advice**

Applicants for the Offer Shares are recommended to consult their professional tax advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of and dealing in the Shares. It is emphasized that neither we, nor our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our/their respective affiliates, directors, supervisors, employees, agents or advisers or any other party involved in the Global Offering accepts responsibility for any tax affects or liabilities resulting from the subscription, purchase, holding, dealing or disposal of the Shares or the exercise of any rights attaching to the Shares.

**8. Promoter**

We have no promoter for the purposes of the Listing Rules or the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

**9. Preliminary Expenses**

Our estimated preliminary expenses are approximately C\$1,000 (equivalent to approximately HK\$6,122.8) and have been paid by us.

**10. Sole Sponsor**

The Sole Sponsor made an application on our behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Shares. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

The Sole Sponsor satisfies the independence criteria applicable to sponsors under Rule 3A.07 of the Listing Rules. Our Company agreed to pay the Sole Sponsor a fee of approximately HK\$4.68 million to act as the sole sponsor to our Company in relation to the Global Offering. The Sole Sponsor is further entitled to a fee of HK\$1 million upon the successful listing of our Company.

**11. Bilingual Prospectus and Language**

The English language and Chinese language versions of this Prospectus are being published separately in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**12. Binding Effect**

This Prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**F. MISCELLANEOUS****1. Save as otherwise disclosed in this Prospectus:**

- (a) none of our Directors nor any of the parties listed in the section headed “E. Other Information — 3. Qualifications of Experts” in this Appendix VI is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this Prospectus, been acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to our Company;
- (b) none of our Directors nor any of the parties listed in the section headed “E. Other Information — 3. Qualifications of Experts” in this Appendix VI is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to our business;
- (c) our Company has no subsidiary as at the date of this Prospectus;
- (d) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
- (e) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;
- (f) within the two years preceding the date of this Prospectus, no commission has been paid or was payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in our Company;
- (g) no cash or securities or other benefit has been paid or allotted or given or is proposed to be paid, allotted or given to any promoters within the two years preceding the date of this Prospectus;
- (h) no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being proposed to be sought in the near future. At present, our Company is not seeking or proposing to seek such listing of or permission to deal in the share or loan capital of our Company on any other stock exchange;
- (i) none of our Directors is interested in any business apart from our Company’s business which competes or is likely to compete, directly or indirectly, with the business of our Company;
- (j) save for the Underwriting Agreements, none of the parties listed in the section headed “E. Other Information — 3. Qualifications of Experts” in this Appendix VI:
  - (i) is interested legally or beneficially in any of our Shares; or

- (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribed for our securities;
- (k) within the two years preceding the date of this Prospectus, we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;
- (l) we have no outstanding convertible equity or debt securities or debentures;
- (m) within the two years immediately preceding the date of this Prospectus, no commissions, discounts, brokerages or other special items have been granted in connection with the issue or sale of any share or loan capital of our Company; and
- (n) there is no arrangement under which financial dividends are waived or agreed to be waived.

Our Directors confirm that there has not been any interruption in the business of our Company which may have or has had a significant effect on the financial position of our Company in the 12 months preceding the date of this Prospectus.

**1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to a copy of this Prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) written consents referred to in the section headed “Appendix VI — Statutory and General Information — E. Other Information — 4. Consents” to this Prospectus; and
- (c) copies of each of the material contracts referred to in the section headed “Appendix VI — Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts” to this Prospectus.

**2. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of King & Wood Mallesons at 13th Floor, Gloucester Tower, The Landmark, 15 Queen’s Road Central, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this Prospectus:

- (a) our Articles and By-Laws;
- (b) the Accountants’ Report prepared by the Joint Reporting Accountants, the text of which is set out in “Appendix I — Accountants’ Report” to this Prospectus;
- (c) the audited financial statements of our Company for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016;
- (d) the report on the unaudited pro forma financial information from the Joint Reporting Accountants, the text of which is set out in “Appendix II — Unaudited Pro Forma Financial Information” to this Prospectus;
- (e) the letters of loss estimate of our Company for the year ended December 31, 2016 prepared by the Joint Reporting Accountants and the Sole Sponsor, the texts of which are set out in “Appendix III — Loss Estimate” to this Prospectus;
- (f) the legal opinions and reports prepared by Gowling WLG (Canada) LLP, our legal advisers as to Canadian law, on our operations and office lease and title to our natural gas and oil rights;
- (g) the letter of advice prepared by Gowling WLG (Canada) LLP, our legal advisers as to Canadian law, summarising the constitution of our Company and certain aspects of the Canadian laws referred to in this Prospectus;

- (h) the Competent Person's Report prepared by GLJ, the summary text of which is set out in Appendix IV to this Prospectus;
- (i) the material contracts referred to in the section headed "Appendix VI — Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" to this Prospectus;
- (j) the written consents referred to in the section headed "Appendix VI — Statutory and General Information — E. Other Information — 4. Consents" to this Prospectus;
- (k) the ABCA;
- (l) the Industry Report, prepared by Frost & Sullivan (Singapore) Pte Ltd, our Industry Consultant; and
- (m) the service agreement and letters of appointment referred to under the section "Appendix VI — Statutory and General Information — C. Further Information About Our Directors, Management and Substantial Shareholders" to this Prospectus.

In addition:

- (a) the ABCA and the UPPVP Act can be accessed via the internet at [http://www.qp.alberta.ca/Laws\\_Online.cfm](http://www.qp.alberta.ca/Laws_Online.cfm);
- (b) the ICA and the ITA can be accessed via the internet at <http://www.laws.justice.gc.ca/eng/acts>; and
- (c) other laws of Alberta can be accessed via the internet at [http://www.qp.alberta.ca/Laws\\_Online.com](http://www.qp.alberta.ca/Laws_Online.com) and the federal laws of Canada can be accessed via the internet at <http://www.laws.justice.gc.ca/eng/acts>.

Any information contained in, or that can be accessed via the above websites does not constitute a part of this Prospectus.

