Persta Resources Inc.

(incorporated under the laws of Alberta with limited liability)

Stock code: 3395

INTERIM REPORT **2017**

PERSTA RESOURCES INC.

Persta Resources Inc. (the "**Company**" or "**Persta**") is a Calgary-based oil and gas exploration and development company focusing on liquids-rich gas and light crude oil in Western Canada with three core areas of operations comprising: Alberta Foothills liquids-rich natural gas properties; Deep Basin Devonian natural gas properties; and Peace River light oil properties.

CONTENTS

Corporate Information 2

Financial and Operating Highlights 4

Management's Discussion and Analysis 5

Condensed Interim Statement of Financial Position 39

Condensed Interim Statement of Loss and Other Comprehensive Loss 40

Condensed Interim Statement of Changes in Shareholders' Equity 41

Condensed Interim Statement of Cash Flows 42

Notes to the Condensed Interim Financial Statements 44

CORPORATE INFORMATION

Board of Directors

Executive Director

Mr. Le Bo *(Chairman and Chief Executive Officer)*

Non-executive Director

Mr. Yuan Jing

Independent Non-executive Directors

Mr. Richard Dale Orman
Mr. Bryan Daniel Pinney
Mr. Peter David Robertson

Joint Company Secretaries

Mr. Bennett Ka-Ying Wong *(Gowling WLG (Canada) LLP)*
Ms. Chau Hing Ling *(FCIS, FCS)*

Authorised Representatives

Mr. Le Bo
Ms. Chau Hing Ling *(FCIS, FCS)*

Audit and Risk Committee

Mr. Bryan Daniel Pinney *(Chairman)*
Mr. Richard Dale Orman
Mr. Peter David Robertson

Remuneration Committee

Mr. Richard Dale Orman *(Chairman)*
Mr. Le Bo
Mr. Bryan Daniel Pinney

Nomination Committee

Mr. Le Bo *(Chairman)*
Mr. Bryan Daniel Pinney
Mr. Peter David Robertson

Auditors

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Canada

Registered Office

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Principal Place of Business in Hong Kong

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Principal Banker

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Competent Person

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Compliance Adviser

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Central, Hong Kong

Legal Advisers

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As to Canadian law

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Principal Share Registrar and Transfer Office

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Hong Kong Branch Share Registrar

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183 Queen's Road East
Wanchai
Hong Kong

Stock Code and Board Lot

Stock Code: 3395
Board Lot: 1,000

Website

www.persta.ca

Place of Share Listing and Stock Code

The Stock Exchange of Hong Kong Limited: 3395

FINANCIAL AND OPERATING HIGHLIGHTS

(UNAUDITED)	Six months ended June 30, 2017 C$	2016 C$	Increase/ (Decrease) %
Revenue from crude oil and natural gas sales	**12,170,445**	8,384,603	45.2
Operating Netback [(Note 1)]	**7,090,246**	5,089,330	39.3
Adjusted EBITDA [(Note 2)]	**3,976,987**	3,813,590	4.3
Loss and total comprehensive loss for the period attributable to owners of the Company	**(7,199,125)**	(3,653,242)	97.1
Loss per share	**(0.03)**	(0.02)	
Total production volume (Boe)	**607,118**	542,496	11.9
Daily average production volume (Boe/d)	**3,354**	2,981	12.5

Note 1: Operating Netback is defined as revenue less royalties and operating costs. Operating Netback is a non-IFRS financial measure, see "Non-IFRS Financial Measure" on pages 28 to 32 of this interim report.

Note 2: Adjusted EBITDA is earnings before deduction of finance expenses, income taxes, depletion and depreciation, impairment losses and write-offs, transaction costs and share-based compensation. Adjusted EBITDA is a non-IFRS financial measure, see "Non-IFRS Financial Measure" on pages 28 to 32 of this interim report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("**MD&A**") should be read in conjunction with the Company's unaudited condensed interim financial statements and notes thereto for the six months ended June 30, 2017 and the audited annual financial statement and MD&A for the year ended December 31, 2016. All amounts and tabular amounts in MD&A are stated in thousands of Canadian dollars unless indicated otherwise.

Forward Looking Information

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

Non-IFRS Financial Measures

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

This MD&A also includes references to financial measures commonly used in the oil and natural gas industry. These financial measures are not defined by IFRS as issued by IASB and, therefore, are referred to as non-IFRS measures. The non-IFRS measures used by the Company may not be comparable to similar measures presented by other companies. See "Non-IFRS Financial Measures" for information regarding the following non-IFRS financial measures used in this MD&A: "operating netback", "adjusted EBITDA", "net operating cash flow", "debt", "total debt" and "adjusted present value (reserve based)".

Overview

The Company was incorporated in Calgary, Alberta, Canada under the Business Corporations Act (Alberta) in 2005. Persta is an exploration and development company pursuing petroleum and natural gas production and reserves in Alberta, Canada. Persta focuses on long-term growth through acquisition, exploration, development and production in the Western Canadian Sedimentary Basin ("**WCSB**"). The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on March 10, 2017 (the "**Listing Date**") pursuant to an initial public offering ("**IPO**") and trades under the stock code of "3395". The Company is currently pursuing an application to become a reporting issuer in Alberta, Canada with the Alberta Securities Commission.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Persta commenced operations on March 11, 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. The Company acquired its first 6,400 net acres of land in an area in the WCSB in January 2007 known as the Alberta Foothills and drilled and commercially produced liquids-rich natural gas from the Company's first deep well in this area in December 2008. Since then, the Company's natural gas and crude oil production rate has organically grown and reached an average production of 3,354 Boe/d for the six months ended June 30, 2017. As at June 30, 2017, the Company held 115,968 net acres of land in the WCSB, which the Company intends to explore through drilling in locations listed in the Company's multi-year inventory.

Presently, the Company has three core areas of operations:

- 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.

The Company's long-term business strategy is to increase shareholder value by continuing to exploit and develop its oil and natural gas asset base in the three core exploration and production areas to increase its reserves, production and cash flows. The Company believes that it has a number of key strengths that will help the Company to execute its long-term business strategies, which include:

- economics and quality of resource base;
- size of resources within the 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.

Future Prospects

The 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 Petroleum Consultants Ltd. ("**GLJ**") to hold approximately 77 drilling locations.

The Company acquired Petroleum and Natural Gas ("**PNG**") Licenses for Basing, Voyager and Kaydee in the Alberta Foothills and for Dawson in Peace River between 2006 and 2017. The Company plans to initially develop its natural gas assets in Basing as part of its three-year development plan in addition to constructing certain facilities to support future increases in production and to lower production costs in the long run.

The Company also intends to explore and develop its resources in Voyager and Kaydee in the Alberta Foothills and Dawson in Peace River into reserves and also the undeveloped lands in Stolberg, Columbia and Deep Basin Devonian in the future.

The Company intends to focus on drilling on a total of 13 well locations in Basing in the Alberta Foothills with the capital expenditure of C$6 million per well as estimated by GLJ. The Company will have 100% working interest on these 13 well locations.

Operational Highlights

For the six months ended June 30, 2017, the Company achieved progress in the following areas:

- Acquired a total of 1,920 acres of land in the Alberta Foothills areas with 100% working interest to further expand the Company's land position in core areas.
- Drilled one new well with a total depth of 4,386 metres and discovered natural gas resources in the Voyager area.
- Completed the workover of an existing well to improved its performance and production.
- Initiated Front End Engineering Design (FEED) for proposed future gas gathering and processing facilities.

Results of Operations

Project Development and Production Volume

There are three phases in the Company's operations, comprising the exploration phase, the development phase and the production phase. During the exploration phase, the Company conducts geological and geophysical studies combined with seismic mapping to propose drilling locations which might generate natural gas and crude oil prospects on the undeveloped land the Company has acquired. As at December 31, 2016, as estimated by GLJ, the Company's land held 77 possible drilling locations.

During the development and production phases, the Company's production volumes largely depend on its drilling and production schedule. There were 5 natural gas producing wells both as at June 30, 2017 and 2016. Due to the recovery of market prices, the Company increased the production volume of natural gas, natural gas liquids ("**NGLs**") and condensate are the by-products from the production of natural gas and their production volumes increased accordingly.

Price forecasts may directly affect the production volume of the Company. Producing wells may be shut in due to economic limit considerations and the production plan may be delayed or scaled down should there be unfavourable prices on the natural resources. The number of crude oil wells in production increased from 1 during the six months ended June 30, 2016 to 3 during the six months ended June 30, 2017 was mainly due to the recovery of the market price of crude oil since the second half of 2016, and the production volumes of crude oil were increased accordingly.

For the six months ended June 30, 2017, the Company's total production volume increased by 64,622 Boe to 607,118 Boe compared to 542,496 Boe for the same period in 2016.

The following table shows the number of producing wells and production volume for the Company's natural gas, crude oil, NGLs and condensate for the six months ended June 30, 2017 and 2016:

	Six months ended June 30,		
	2017	2016	Change
Natural gas			
Producing wells	**5**	5	0.0%
Production volume (Mcf)	**3,409,868**	3,055,797	11.6%
Crude oil			
Producing wells	**3**	1	200.0%
Production volume (Bbl)	**11,739**	8,553	37.3%
NGLs and Condensate (by-product of natural gas)			
Producing wells	**5**	5	0.0%
Production volume (Bbl)	**27,068**	24,644	9.8%
Total			
Producing wells	**8**	6	33.3%
Production volume (Boe)	**607,118**	542,496	11.9%

Average Sales Price

The Company mainly sells its 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 its natural gas benchmarks to Canadian Gas Price Reporter, which is also known as the Alberta Energy Company natural gas price ("**AECO natural gas price**"), while the natural gas related products (NGLs and condensate) and crude oil products benchmark to the Edmonton light, sweet crude oil commodity price. During the six months ended June 30, 2017, the Company also had in place one-year (January 1, 2017 to December 31, 2017) sales agreements to forward sell its natural gas at a specified price and volume. These sales values accounted for 63.6% of the Company's total revenue from crude oil and natural gas sales for the six months ended June 30, 2017 compared with 50.8% for the same period in 2016. The sales of remaining production accounted for 36.4% of its total revenue from crude oil and natural gas sales for the six months ended June 30, 2017, compared with 49.2% for the same period in 2016.

The following table shows the average market prices and average sales prices for the Company's natural gas, crude oil, NGLs and condensate and the average realized price and forward sales price for the Company's natural gas for the six months ended June 30, 2017:

	Six months ended June 30,		
	2017 C$	2016 C$	Change %
Natural gas			
Average market price (C$ per Mcf) (Note 1)	**2.81**	1.68	67.3
Average realized price (C$ per Mcf) (Note 2)	**2.92**	1.60	82.5
Average forward sales price (C$ per Mcf) (Note 3)	**3.00**	3.26	(8.0)
Average sales price (C$ per Mcf) (Note 4)	**2.98**	2.31	29.0
Crude oil			
Average market price (C$ per Bbl) (Note 5)	**62.32**	47.92	30.1
Average sales price (C$ per Bbl) (Note 4)	**57.57**	43.01	33.9
NGLs			
Average market price (C$ per Bbl) (Note 6)	**32.92**	19.17	71.7
Average sales price (C$ per Bbl) (Note 4)	**27.34**	15.70	74.1
Condensate			
Average market price (C$ per Bbl) (Note 6)	**67.06**	52.10	28.7
Average sales price (C$ per Bbl) (Note 4)	**59.58**	47.55	25.3

Notes:

(1) The average market price was the AECO same day spot price averaged over the period.

(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 the Company's natural gas at a specified price and volume.

(4) The average sales price was the weighted average price calculated by the Company.

(5) The average market price was the average Edmonton light, sweet crude oil settlement price over the period.

(6) The average market price was the average Alberta natural gas liquids price over the period.

Natural Gas

The Company's average sales price of natural gas consists of two parts, 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.

For the six months ended June 30, 2017, and comparing to the same period of 2016, the market price of natural gas has increased from C$1.68 per Mcf to C$2.81 per Mcf. The price recovery has helped the average realized price of natural gas to increase by 82.5% from C$1.60 per Mcf to C$2.92 per Mcf. This was then offset by the 8.0% decrease of average forward sales price during the same period. The aforementioned factors collectively led to a 29.0% increase of the average natural gas sales price from C$2.31 per Mcf to C$2.98 per Mcf for the six months ended June 30, 2017, compared to the same period of 2016.

Crude oil

The market price of crude oil increased from C$47.92 per Bbl for the six months ended June 30, 2016 to C$62.32 per Bbl for the same period in 2017, as a result, the Company's average sales price increased by 33.9% from C$43.01 per Bbl for the six months ended June 30, 2016 to C$57.57 per Bbl for the same period in 2017.

NGLs

The market price of NGLs increased from C$19.17 per Bbl for the six months ended June 30, 2016 to C$32.92 per Bbl for the same period in 2017, as a result, the Company's average sales price increased 74.1% from C$15.70 per Bbl for the six months ended June 30, 2016 to C$27.34 per Bbl for the same period in 2017.

Condensate

The market price of condensate increased from C$52.10 per Bbl for the six months ended June 30, 2016 to C$67.06 per Bbl for the same period in 2017, as a result, the Company's average sales price increased by 25.3% from C$47.55 per Bbl for the six months ended June 30, 2016 to C$59.58 per Bbl for the same period in 2017.

The Company sells its natural gas benchmarked to the AECO natural gas price, crude oil benchmarked to the Edmonton light, and its NGLs and condensate benchmarked to the average Alberta natural gas liquids prices. The Company also enters into forward sales agreements to sell its natural gas over a time period at a specified price and volume. Since the Company uses weighted average to calculate the average sales prices, the volatilities in price and volume sold each day will cause the average sales price of crude oil, NGLs and condensate and the average realized price of natural gas to be either lower or higher than the average market price for the same periods in 2017 and 2016.

Revenue

The following table shows the breakdown of the Company's revenue before royalties by types of natural resources for the six months ended June 30, 2017 and 2016:

	Six months ended June 30,		
	2017 C$'000	2016 C$'000	Change %
Natural gas	**10,162**	7,061	43.9
Crude oil	**676**	368	83.7
NGLs and condensate	**1,332**	956	39.3
Total revenue	**12,170**	8,385	45.1

Sales of Natural Gas

The following table shows the sales volume and average sales price of the Company's natural gas for the six months ended June 30, 2017 and 2016:

	Six months ended June 30,		
	2017	2016	Change %
Sales volume (Mcf)	**3,409,868**	3,055,797	11.6
Average sales price (C$/Mcf)	**2.98**	2.31	29.0

The revenue derived from the Company's sales of natural gas was mainly subject to the average sales price and the sales volume of natural gas. The Company's average sales price of natural gas consisted of the weighted average of the realized price and the forward sales price of natural gas; and the sales volume of the Company's natural gas was dependent on the Company's production capacity influenced by its drilling plan and production wells in Alberta Foothills. Due to the improvement in market price, the average sales price increased, and the Company increased its production volume to take advantage of the improvement in the market price.

Sales of Crude Oil

The following table shows the sales volume and average sales price of the Company's crude oil for the six months ended June 30, 2017 and 2016:

	Six months ended June 30,		
	2017	2016	Change %
Sales volume (Bbl)	**11,739**	8,553	37.3
Average sales price (C$/Bbl)	**57.57**	43.01	33.9

The revenue derived from the Company's sales of crude oil was mainly subject to the average sales price and the sales volume of crude oil. The average sales price of the Company's crude oil was highly sensitive to Edmonton light, sweet crude oil price; and the sales volume of its crude oil was dependent on the Company's production capacity influenced by its drilling plan and production wells in Peace River. Due to the improvement in market price, the average sales price increased, and the Company resumed the production from two oil wells in Dawson area since August 2016 and increased its production volume in response to the improvement in the market price.

Sales of NGLs and Condensate

The following table shows the sales volume and average sales price of the Company's NGLs and condensate for the six months ended June 30, 2017 and 2016:

	Six months ended June 30,		
	2017	2016	Change %
Sales volume (Bbl)	**27,068**	24,644	9.8
Average sales price (C$/Bbl)	**49.22**	38.78	26.9

The revenue derived from the Company's sales of NGLs and condensate was mainly affected by the average sales price and sales volume of such products. Both the average sales price of the Company's NGLs and condensate were highly sensitive to the Alberta natural gas liquids commodity price and demand of petrochemical industry, and the sales volume of its NGLs and condensate was dependent on the Company's production capacity influenced by its drilling plan and production wells in the Alberta Foothills. Due to the improvement in market price, the average sales price increased, and as a by-product, the production volume increased as a result of the increase of natural gas production volume.

Royalties

The following table shows the breakdown of the Company's royalties by types of natural resources for the six months ended June 30, 2017 and 2016.

	Six months ended June 30,		
	2017 C$'000	2016 C$'000	Change %
Natural gas, NGLs and condensate	**1,611**	463	247.9
Crude oil	**196**	97	102.1
Total royalties	**1,807**	560	222.7

For the six months ended June 30, 2017, the effective average royalty rate increased by 8.1% to 14.8% compared to 6.7% for the same period in 2016. The increase of the effective average royalty rate was primarily due to expiry of a royalty holiday effective April 2017 for a natural gas well drilled in 2013.

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. Royalty rates will drop to match declining production rates when the well reaches a Maturity Threshold.

During the six months ended June 30, 2017, the Company's royalty rate for natural gas ranged from 5% to 21%, the royalty rate for NGLs (propane and butane) was 30%, the royalty rate for condensate was 40%, and the royalty rate for crude oil ranged from 18% to 35%. The Company's royalty rate was also influenced by the Modernizing Alberta's Royalty Framework under which a company will pay a flat royalty of 5% on a well's early production until the well's total revenue, from all hydrocarbon products, equals the Drilling and Completion Cost Allowance.

Natural gas, NGLs and condensate

For the six months ended June 30, 2017, the royalties paid for natural gas, NGLs and condensate increased by C$1,148,376 to C$1,611,179 compared to C$462,803 for the same period in 2016, representing 89.2% and 82.6% of the total royalties respectively. The increase of royalties was primarily due to expiry of a royalty holiday during April 2017 for a natural gas well drilled in 2013.

Crude oil

For the six months ended June 30, 2017, the royalties paid for crude oil increased by C$98,014 to C$195,522 compared to C$97,508 for the same period in 2016, representing 10.8% and 17.4% of the total royalties respectively. The increase of royalties was primarily due to the resume of production from two oil wells in Dawson area since August 2016 and increase of production volume in response to the improvement in the market price.

Operating Costs

The following table shows the breakdown of the Company's operating costs by types of natural resources for the six months ended June 30, 2017 and 2016:

	Six months ended June 30,		
	2017	2016	Change
Total operating costs	**C$'000**	C$'000	%
Natural gas, NGLs and condensate	**3,057**	2,656	15.1
Crude oil	**216**	79	173.4
Total	**3,273**	2,735	19.7
Average operating costs	**C$**	C$	%
Natural gas, NGLs and condensate (Per Boe)	**5.13**	4.98	3.0
Crude oil (Per Bbl)	**18.47**	9.18	101.2
Average Cost (Per Boe)	**5.39**	5.04	6.9

For the six months ended June 30, 2017, the operating costs increased to C$3,273,498 compared to C$2,734,962 for the same period in 2016, which was mainly due to the increase in production volumes of natural gas, crude oil and NGLs and condensate.

Natural Gas, NGLs and Condensate

Most of the Company's revenue was generated from the sales of natural gas, NGLs and condensate. As a result, the majority of operating costs come from the natural gas related business.

For the six months ended June 30, 2017, and comparing to the same period of 2016, the market price of natural gas has increased, and the Company increased its production volume to take advantage of the improvement in the market price, which also led to the increase of total operating costs.

The average operating costs for the six months ended June 30, 2017 increased to C$5.13 per Boe compared to C$4.98 per Boe for the same period in 2016, which was due to the increase of maintenance and operating support costs for pipeline integrity management.

Crude Oil

During the first half of 2016, the Company shut in two production wells in Dawson area due to the weak market price of crude oil, which led to the decrease in both total and per unit operating costs. The market price increased since the second half of 2016, therefore the Company resumed the production from the two oil wells in Dawson area starting from the second half of 2016 which then led to the increase in both total and per unit operating costs for the first half of 2017.

The average operating costs for the six months ended June 30, 2017 increased to C$18.47 per Bbl compared to C$9.18 per Bbl for the same period in 2016, which was due to the increase of liquid trucking and treatment cost and consumptions cost for recovery of production as a result of two oil wells being brought back into production.

General and Administrative Costs

The following table shows the breakdown of the general and administrative costs for the six months ended June 30, 2017 and 2016:

	Six months ended June 30,		
	2017	2016	Change
	C$'000	C$'000	%
Staff costs	**1,619**	677	139.1
Accounting, legal and consulting fees	**852**	139	512.9
Office rent	**286**	256	11.7
Other	**366**	208	76.0
General and administrative expense	**3,123**	1,280	144.0
Capitalized staff costs	**331**	222	49.1

For the six months ended June 30, 2017 and 2016, the general and administrative costs mainly consisted of staff costs, accounting, legal and consulting fees, office rental and others. Others mainly includes office supplies, insurance and travel and accommodation, etc..

For the six months ended June 30, 2017, the general and administrative costs increased by C$1,843,868 to C$3,123,289 compared to C$1,279,421 for the same period in 2016, which was mainly due to an increase in staff cost and accounting, legal and consulting fees. The increase in staff costs was mainly due to: (i) compensation for the independent non-executive directors of the Company; and (ii) bonus for management of the Company after successful listing on the Stock Exchange. The increase in accounting, legal and consulting fee was mainly due: (i) audit and review fees; (ii) lawyers' fees for legal matters; and (iii) compliance and consulting fees after successful listing on the Stock Exchange.

Phantom Unit Plan for independent non-executive Directors

The Company has in place a Phantom Unit Plan for its independent non-executive directors effective on March 10, 2017. In order for the eligible directors to receive phantom units, they need to complete a participation form prior to the commencement of each fee period (i.e. twelve-month period commencing January 1 and ending on December 31). For 2016 and 2017, each eligible director agreed in writing to receive 60% of their fees (i.e. the designated percentage) relating to future services as a director in the form of phantom units under the Phantom Unit Plan.

During the six months ended June 30, 2017, the Company recorded C$105,735 of directors' compensation per the Phantom Unit Plan. As at June 30, 2017, the total accrued compensation for independent non-executive directors per the Phantom Unit Plan was C$245,736.

Finance Expenses

The following table shows the breakdown of the finance expenses for the six months ended June 30, 2017 and 2016:

	Six months ended June 30,		
	2017 C$'000	2016 C$'000	Change %
Interest expense and financing costs	**4,171**	1,487	180.5
Amortization of debt issuance costs	**158**	158	0.0
Accretion expense	**30**	10	200.0
Total finance expenses	**4,359**	1,655	163.4

For the six months ended June 30, 2017 and 2016, the finance expenses mainly consisted of interest expense on bank debt, foreign exchange gains and losses, financing costs, amortization of debt issuance costs and accretion expense. For the six months ended June 30, 2017, finance expenses increased by C$2,703,753 to C$4,359,019 compared to C$1,655,266 for the same period in 2016. The increase of finance expenses was mainly due to the increase of finance expenses for termination of the existing facility and entering into the new facility (see further explanation in page 21 of this interim report) costs. For details, please refer to the paragraphs under "Bank Loan" and "Events after the Reporting Period" as contained in this report.

Amortization of debt issuance costs represented legal fees, commissions and commitment fees, which had been incurred due to closing of the credit and term facility arrangement in 2014. These costs were capitalized against the bank loan account and then amortized as a debt issuance costs account.

The accretion expense is an expense recognized when updating the present value of the decommissioning provision.

Depletion and Depreciation

The following table shows the breakdown of the depletion and depreciation expenses for the six months ended June 30, 2017 and 2016:

	Six months ended June 30,		
	2017	2016	Change
	C$'000	C$'000	%
Depletion	**3,498**	3,052	14.6
Depreciation	**3**	4	(25.0)
Total depletion and depreciation	**3,501**	3,056	14.6
	C$	C$	%
Average depletion and depreciation (Per Boe)	**5.77**	5.63	2.5

Depletion is calculated using the depletion base and the depletion ratio. Depletion is based upon the net book value of developed and producing assets at the end of the period and future development costs, while the depletion ratio is calculated based upon the production volume for the period to the total proved and probable reserves at the beginning of the period.

For the six months ended June 30, 2017, the depletion expense comprised the depletion of developed and producing assets, and the depreciation expense comprised the depreciation of office fixed assets, such as office furniture, office equipment, vehicles, computer hardware and computer software.

For the six months ended June 30, 2017, the Company's depletion and depreciation expense increased by C$444,887 to C$3,501,167 compared to C$3,056,280 for the same period in 2016, which was mainly due to the increase in production volumes of natural gas in the Alberta Foothills.

Direct Write-offs

During the six months ended June 30, 2017 and 2016, the change in impairment losses and write-offs was mainly due to the expiry of certain Crown Leases and PNG Licenses.

Exploration and Evaluation ("**E&E**") Assets

For the six months ended June 30, 2017, the Company recorded direct write-offs of exploration and evaluation lands totaling C$273,969 compared to C$450,061 for the same period in 2016. The direct write-offs resulted from the Company's decision to allow certain non-core lands with no future prospective value to expire.

Property, Plant and Equipment

For the six months ended June 30, 2017, the Company recorded direct write-offs of developing and producing lands totaling C$38,607 as a result of the Company's decision to allow certain non-core lands with no future prospective value to expire; the Company had no direct write-offs for the six months ended June 30, 2016.

There were no indicators of impairment identified at June 30, 2017.

Share-based Compensation

There was no share-based compensation during the six months ended June 30, 2017. During the six months ended June 30, 2016, the 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.

Transaction Costs

Transaction costs represents listing expenses incurred in the process of getting the Company listed on the Stock Exchange.

For the six months ended June 30, 2017, transaction costs increased by C$919,457 to C$3,003,350 compared to C$2,083,893 for the same period in 2016.

On March 10, 2017, the Company was successfully listed on the Stock Exchange and the Company issued 69,580,000 new shares at HK$3.16 per share (C$0.54 per share), raising gross proceeds of HK$220 million (approximately C$38 million). The costs associated with the issuance of new shares, including the deferred financing cost of C$1 million up to December 31, 2016, were approximately C$3 million and therefore the net amount to be recorded as share capital was approximately C$35 million.

Realized Gain/(Loss) on Financial Derivative Instruments

The Company holds a number of financial instruments, the most significant of which are accounts receivable, accounts payable, cash and loans. The financial instruments are recorded at fair market values on the balance sheet.

The Company did not enter into any financial derivatives for the six months ended June 30, 2017 and 2016.

For the six months ended June 30, 2017, foreign exchange loss increased by C$327,642 to C$342,373 compared to C$14,731 for the same period in 2016. The loss is related to the revaluation of monetary items held in Hong Kong Dollars and the value changes with the fluctuation in the Hong Kong Dollars/Canadian Dollars exchange rates. The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates for the monetary assets and liabilities denominated in the currencies other than the functional currencies to which they relate. The Company has not hedged its exposure to currency fluctuation and the Company currently does not have a foreign currency hedging policy. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Net Loss

As a result of the above mentioned reasons, the net loss for the six months ended June 30, 2017 increased by C$3,545,883 to C$7,199,125 compared to C$3,653,242 for the same period in 2016.

Dividend

The Board did not approve the payment of an interim dividend for the six months ended June 30, 2017 (six months ended June 30, 2016: nil).

Liquidity and Capital Resources

Capital management

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

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

Capital Structure of the Company

The Company's capital structure is as follows:

	As at June 30, 2017 C$'000	As at December 31, 2016 C$'000
Bank loan[1]	**22,967**	35,622
Net working capital[2]	**(15,044)**	(5,122)
Net debt	**7,923**	30,500
Shareholders' equity	**79,131**	51,211
Total Capital	**87,054**	81,711
Net debt as a percentage of total capital (%)	**9.1%**	37.3%

Notes:

(1) This is bank loan amount excluding the unamortized debt issue cost.

(2) Net working capital consists of current assets less current liabilities.

Bank Loan

As at June 30, 2017, the Company had a C$190 million credit facility in place comprised of a C$100 million revolving credit facility and a C$90 million term facility. All advances under the credit facility and term facility are required to be approved by the lender. Under the revolving credit facility, C$50 million is firmly committed. With respect to the term facility, it is comprised of Tranche A to a maximum of C$10 million which could be used for drilling, completion and acquisition of surface equipment; and Tranche B to a maximum of C$90 million for future development costs. The Tranche A term facility expired during the year ended December 31, 2016 and the Tranche B remains available, with any advances subject to the approval by the lender. No amounts were outstanding under the term facility as at June 30, 2017 and December 31, 2016. In addition, the Company maintains C$558,000 of letters of credit outstanding as at June 30, 2017 (December 31, 2016: C$558,000) for transportation service.

All amounts outstanding under the revolving credit facility bear interest at the Canadian Dealer Offered Rate ("**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 and the term facility bears interest at 7% fixed per annum. As at June 30, 2017, the applicable effective interest rate on the revolving credit facility was 6.5%. The facility is secured by a C$400 million debenture with a floating charge over all present and after-acquired real and personal property.

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.

The Company is required to meet certain financial based covenants under the terms of this facility. On June 30, 2017, the Company's actual financial based covenants under the terms of the credit facility were as follows:

1) Working capital ratio (the ratio of current assets to current liabilities) was 3.20 to 1 at June 30, 2017 (required ratio: greater than 1 to 1);

2) Debt coverage ratio (the ratio of total debt to net operating cash flow as defined below) was 0.51 to 1 at June 30, 2017 (required ratio: less than 3 to 1);

3) Interest coverage ratio (the ratio of net operating cash flow to interest expense for all debt of the Company) was 6.14 to 1 at June 30, 2017 (required ratio: greater than 4 to 1); and

4) Adjusted present value ratio (ratio of total adjusted present value (reserve based) as defined below to total debt) was 3.01 to 1 at June 30, 2017 (required ratio: greater than 1.7 to 1).

In addition, the Company cannot exceed a maximum of general and administrative expenses equal to 11% of net operating cash flow unless funded through advances of equity (the "**G&A cap**"). The Company has been funded through advances of equity which could cover the exceeded portion of general and administrative expenses above 11% of net operating cash flows.

As at June 30, 2017, the Company was in compliance with all covenants and terms under the facility. All terms included in the covenants and terms described above are as defined by the lender.

During the six months ended June 30, 2017, the Company entered into negotiations with its lender for early termination of its existing facility and enter into a new facility. An amending agreement to the existing credit agreement and a term sheet for an amended and restated credit facility with the lender were signed on August 24, 2017 and a financing fee totaling C$4.3 million has been paid on August 31, 2017 upon termination of the existing facility and entering into the new facility. Approximately C$2.8 million has been recorded during the six months ended June 30, 2017 representing the cumulative impact of the financing fee.

The new facility is subject to closing and will be to a maximum of C$100 million, which will mature 36 months from closing and will be subject to a semi-annual review of the borrowing base by the lender. The new facility will carry interest of 4% plus one month CDOR calculated on a 365 day basis on drawn amounts and payable in cash on a monthly basis in arrears and a commitment fee equal to 1% per annum will be payable on all amounts committed but undrawn, payable quarterly in arrears. The initial available amount will be C$24 million. Approval is required from lender for any loan advance above C$24 million. The principal and all accrued and unpaid interest and fees are due on the maturity date or in accordance with the terms of the new facility.

The new facility will be subject to the following financial covenants: (a) maintenance at the end of each fiscal quarter a working capital ratio not less than 1.0:1.0; and (b) as measured at the end of each fiscal quarter, total debt to adjusted EBITDA not exceeding 3.0/1.0 though the fiscal quarter ending September 30, 2017 and 2.5/1.0 thereafter.

The new facility will be secured by fixed and floating first priority perfected security interests in the properties and all assets, tangible and intangible, owned by the Company and thereafter acquired by the Company, including, but not limited to, all real and personal property, goods, accounts, contract rights, assignable licenses, assignable permits, etc..

Shareholders' Equity

On April 29, 2016, Class A shares were re-designated as common shares, all Class B and Class C shares were converted into common shares on a 1:1 basis, and a share split of the issued and outstanding shares of the Company on the basis of one common share for every two common shares held. As a result, all share and per share data has been retrospectively presented to take into account the share split. As at December 31, 2016, there were 208,706,520 common shares outstanding. The Company successfully listed on the Stock Exchange on March 10, 2017 with the issuance of 69,580,000 new shares at a price of HK$3.16 per share, resulting in the gross proceeds of HK$220 million (approximately C$38 million). There were 278,286,520 common shares outstanding as at June 30, 2017 and as at the date of this report.

Liquidity

During the six months ended June 30, 2017, the Company's principal sources of liquidity and capital resources were generally cash flows from operating activities and financing activities. The Company's principal use of liquidity and capital resources was for the drilling of a new production well and purchase of undeveloped land. The following table shows the Company's cash flows during the six months ended June 30, 2017:

	Six months ended June 30,		
	2017	2016	Change
	C$'000	C$'000	%
Cash flows			
Net cash (used in)/generated from operating activities	**(214)**	640	(133.4)
Net cash (used in)/generated from investing activities	**(5,369)**	429	(1,351.5)
Net cash generated from/(used in) financing activities	**20,602**	(4,538)	(554.0)
Effect of exchange rate fluctuations on cash and cash equivalents	**(262)**	—	100
Net increase/(decrease) in cash and cash equivalents	**14,757**	(3,469)	(525.4)
Cash and cash equivalents at the beginning of the period	**3,966**	5,413	(26.7)
Cash and cash equivalents at the end of the period	**18,723**	1,944	863.1

Net Cash (Used in)/Generated from Operating Activities

The Company's cash flows (used in)/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.

Net cash used in operating activities for the six month ended June 30, 2017 increased by C$854,067 to C$213,722 compared to cash generated of C$640,345 for the same period in 2016. Net cash (used in)/generated from operating activities which includes movement in working capital of C$(167,848) for the six month ended June 30, 2017 compared to movement of C$398,089 for the same period in 2016.

Net Cash (Used in)/Generated from Investing Activities

The cash outflows from investing activities during the six months ended June 30, 2017 were mainly attributable to the Company's investments (Guaranteed Investment Certificate), capital expenditures on property, plant and equipment and E&E assets.

For the six months ended June 30, 2017 net cash used in investing activities increased by C$5,797,626 to C$5,368,554 compared to C$429,072 cash generated from investing activities for the same period in 2016. The increase was primarily due to the investments of C$3,333,500 and the increase of property, plant and equipment and E&E assets of C$2,035,054 related to the gas gathering and processing facilities and new drilled well for the six months ended June 30, 2017.

Net Cash Generated from/(Used in) Financing Activities

The Company's financing activities during the six months ended June 30, 2017 and 2016 mainly comprised of proceeds from share issuance, proceeds from bank loan, repurchase of shares and repayment of loans.

For the six months ended June 30, 2017 net cash generated from financing activities increased by C$25,139,787 to C$20,601,394 compared to C$4,538,393 cash used in financing activities for the six months ended June 30, 2016. The increase was primarily due to the net proceeds from issue of common shares of C$36,146,428 (the gross proceeds from issue of common shares of C$38,131,133, less the share issue cost of C$1,984,705 during the three months ended March 31, 2017), partially offset by increase of repayment to bank loan of C$15,545,034.

Gearing ratio

Gearing ratio is defined as the ratio of total debt to total equity. As at June 30, 2017, the Company's total debt was C$22,966,657 and the total equity was C$79,130,758. The Company's gearing ratio was 29.0% as at June 30, 2017 and 61.8% as at December 31, 2016.

Use of net proceeds from listing

The net proceeds from listing, after deducting share issue cost of C$3.0 million and transaction costs of C$3.0 million, amounted to C$32.0 million. For the six months ended June 30, 2017, the Company has utilized these net proceeds as follows: C$2.0 million for the drilling of a new well as per the three year development plan, C$2.8 million for working capital and general corporate purposes. The net IPO proceeds were and will be used for the same purposes as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated February 28, 2017.

Capital Resources

The Company operates in a capital intensive industry. The Company's liquidity requirements arise principally from the need for financing the expansion, exploration and development activities and acquisition of land leases and PNG licenses. The Company's principal sources of funds have been proceeds from bank borrowings, equity financings, and cash generated from operations. The Company's liquidity primarily depends on its ability to generate cash flow from its operations and to obtain external financing to meet its debt obligations as they become due, as well as the Company's future operating and capital expenditure requirements.

As at June 30, 2017, the Company had bank borrowings of C$22.6 million and a working capital surplus of C$15.0 million. The Company's cash balance at June 30, 2017 was C$18.7 million.

Under the revolving credit facility, C$50 million is firm committed of which C$22.6 million was drawn with an unutilized portion of C$27.4 million at June 30, 2017. On March 10, 2017, the Company was successfully listed on the Stock Exchange and the Company issued 69,580,000 new shares at HK$3.16 per share (C$0.54 per share), raising gross proceeds of HK$220 million (approximately C$38 million). The costs associated with the issuance of new shares, including the deferred financing cost of C$1 million up to December 31, 2016, were approximately C$3 million and therefore the net amount to be recorded as share capital was approximately C$35 million. The Company plans to drill 3 wells in 2017 with an estimated capital expenditure of C$18 million. The management believes that its forecast cash flows are sufficient to cover the next twelve months of the Company's operations including its planned capital expenditures and current debt repayments.

Capital Expenditures

The Company's capital expenditures primarily consisted of the addition of exploration and evaluation assets and property, plant and equipment to increase the Company's operating efficiency execution capacity. During the six months ended June 30, 2017 and 2016, the Company's capital expenditures were principally funded by cash flows generated from the operations as well as its equity issuance.

The following table shows the Company's capital expenditures during the six months ended June 30, 2017 and 2016:

	Six months ended June 30,	
	2017 C$'000	2016 C$'000
PPE		
Well site	**282**	—
Facilities and pipeline	**1,143**	—
Office	**—**	13
Sub-total	**1,425**	13
E&E Assets		
Undeveloped lands	**190**	120
General and administrative costs capitalized	**331**	222
Unevaluated drilling and completion costs	**3,858**	64
Sub-total	**4,379**	406
Change in non-cash working capital:	**(3,769)**	252
Total	**2,035**	671

For the six months ended June 30, 2017, the total capital expenditures (including change in non-cash working capital) increased by C$1,364,125 to C$2,035,054 compared to C$670,929 for the same period of 2016.

For the six months ended June 30, 2017, the capital expenditures on PPE were mainly attributed to: (i) well facility and pipeline cost of C$1,142,730; and (ii) workover costs of C$281,574 on the well site in Foothill area, and an increase in E&E assets due to: (i) purchase of land for C$190,414 in Alberta Foothills and Dawson; (ii) capitalized G&A costs of C$330,580; and (iii) an increase in unevaluated drilling and completion costs of C$3,857,942 on the new well drilled in the Alberta Foothills.

For the six months ended June 30, 2016, the capital expenditure on PPE were mainly attributed to office costs of C$12,791, and an increase in E&E assets due to: (i) purchase of land for C$120,384 in the Alberta Foothills; (ii) capitalized G&A costs of C$222,228; and (iii) an increase in unevaluated drilling and completion costs of C$63,826 resulting from well site construction in the Alberta Foothills.

During the six months ended June 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 PPE. The recovery of PPE is not included in the capital expenditure table.

Decommissioning Liabilities

During the six months ended June 30, 2017 and the year ended December 31, 2016, the decommissioning obligations were estimated based on the Company's net ownership interest in petroleum and natural gas assets including well sites, gathering systems and facilities, the estimated costs to abandon and reclaim the petroleum and natural gas assets and the estimated timing of the costs to be incurred in future periods.

The following reconciles the Company's decommissioning liabilities:

	As at June 30, 2017 C$'000	As at December 31, 2016 C$'000
Balance, beginning of the period	**1,708**	1,765
Change in estimate	**1**	(84)
Liabilities incurred	**122**	—
Accretion expense	**30**	27
Balance, end of the period	**1,861**	1,708
Which includes:		
Less than 1 year	**208**	—
After 1 year	**1,653**	1,708

As at June 30, 2017, the Company's decommissioning liabilities increased by C$152,481 to C$1,860,528 compared to C$1,708,047 as at December 31, 2016. The increase was mainly due to the new well drilled in March 2017.

The Company's Liability Management Rating ("**LMR**") with the Alberta Energy Regulator ("**AER**") was 52.65 as at September 2, 2017. The LMR reflects the results of a comparison of the Corporation's deemed assets to its deemed liabilities and is updated monthly. An LMR rating less than 1.0 would require the Company to pay a deposit to the AER.

Related Party Transactions

(a) Transactions with key management personnel

Key management compensation for the six months ended June 30, 2017 totalled C$1,349,110 (2016: C$619,557).

During the six months ended June 30, 2017, the Company accrued C$105,735 of directors' compensation per the Phantom Unit Plan. As at June 30, 2017, the accrued compensation for independent non-executive directors per the Phantom Unit Plan was C$245,736.

(b) Transactions with other related parties

Transactions during the six months ended June 30, 2017:

The Company settled C$156,283 of withholding tax on behalf of Ji Lin Hong Yuan Trade Group Limited ("**JLHY**") in 2015 relating to the repurchase of common shares, and this amount was fully collected in February 2017.

Transactions during the six months ended June 30, 2016:

In January 2016, the Company issued 1,687,964 (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 were transferred from JLHY (collected by JLHY from the individual shareholders) to the Company in December 2015. The payment of the remaining C$1,135,925 of the new shares issuing proceeds was received in December 2016.

Off-Balance Sheet Transactions

Persta was not involved in any off-balance sheet transactions during the six months ended June 30, 2017 and 2016.

Pledged Assets

As disclosed in this report, all assets are pledged in support of the banking arrangements and there are no other pledges.

Commitments

Commitments and contingencies exist under various agreements and operations in the normal course of the Company's business.

	Total	**Less than 1 year**	**1–3 years**	**4–5 years**	**After 5 years**
	C$'000	C$'000	C$'000	C$'000	C$'000
As at June 30, 2017					
Office premise lease	4,065	372	821	1,231	1,641
Lease of compressors	38	38	—	—	—
Transportation commitment	52,261	1,137	13,431	13,000	24,693
Total contractual obligations	56,364	1,547	14,252	14,231	26,334

Office premise lease:

— In October 2011, the Company entered into an office lease for a term from October 2011 to December 2017. The average cost of the lease is approximately C$46,875 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.

— In June 2017, the Company entered into an office lease for a term starting January 2018 to February 2025. The rent payable is as follow:

- January 1, 2018 to December 31, 2018, rent payable of C$17,098 per month
- January 1, 2019 to December 31, 2019, rent payable of C$34,197 per month
- January 1, 2020 to February 27, 2025, rent payable of C$51,295 per month

In addition, office premise lease costs will include an estimate of the Company's share of operating costs for its office premises for the duration of the lease term.

Lease of compressors:

— The Company entered into a lease agreement for a compressor and the lease term is from September 8, 2012 to September 7, 2017 requiring monthly lease payments of C$12,650.

Transportation Commitment:

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

Description	Volume (MMcf/d)	Effective date	Expiring date	Duration
Persta Existing FT-R with NGTL	8.00	2013-11-01	2021-10-31	8 years
Persta New FT-R with NGTL	102.00	2018-07-01	2026-06-30	8 years
Persta FT-R from ConocoPhillips — first agreement	7.24	2016-09-01	2018-08-31	2 years
Persta FT-R from ConocoPhillips — second agreement	3.40	2016-09-01	2018-04-30	1 year and 8 months

The firm service transportation agreements cover the period from November 1, 2013 to June 30, 2026 (the firm service fee varies and is subject to review by the counter-party on an annual basis). The amounts presented in the Commitments table above for the transportation service commitment fee is based on fixed transportation capacity as per these agreements and management's best estimate of future transportation charges.

The Company also entered into the following fixed price physical commodity contracts to forward sell natural gas during the six months ended June 30, 2017:

Commodity	Term	Quantity	Price
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

Contingent Liabilities

As at June 30, 2017, the Company had no material contingent liabilities.

Events After the Reporting Period

There was no significant event after the Reporting Period up to the date of this report other than as disclosed in the Bank Loan section.

Non-IFRS Financial Measures

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

Operating netback

	Six months ended June 30,		
	2017 C$'000	2016 C$'000	Change %
Revenue from crude oil and natural gas sales	**12,170**	8,385	45.1
Royalties	**(1,807)**	(560)	222.7
Operating costs	**(3,273)**	(2,735)	19.7
Operating netback	**7,090**	5,090	39.3

Adjusted EBITDA

	Six months ended June 30,		
	2017 C$'000	2016 C$'000	Change %
Revenue from crude oil and natural gas sales	**12,170**	8,385	45.1
Royalties	**(1,807)**	(560)	222.7
Operating costs	**(3,273)**	(2,735)	19.7
General and administrative costs	**(3,123)**	(1,280)	144.0
Other income	**10**	4	150.0
Adjusted EBITDA	**3,977**	3,814	4.3

The terms "net operating cash flow", "debt", "total debt" and "adjusted present value (reserve based)" are not used by management in measuring performance but are used in the financial covenants under the Company's credit facility. Under the credit facility agreement "net operating cash flow" is defined, on a cash basis, as the Company's gross cash receipts from the sale of production volumes and all other cash receipts from whatever source less cash operating costs and royalty expenses paid, "debt" is defined as the consolidated debt of the Company and including any current asset or liability; "total debt" is defined as the consolidated debt of the Company and including any liability; and "adjusted present value (reserve based)" is defined as the sum of the present value (discounted at ten percent (10%)) of Proved Developed Producing Reserves (PDP), plus the Proved Developed Non Producing Reserves (PDNP), plus the Proved Undeveloped Reserves (PUD), based on the most recently received independent reserve report.

Net operating cash flow[1]

	Six months ended June 30,		
	2017 C$'000	2016 C$'000	Change %
Cash received from revenue	**13,080**	7,802	67.6
Cash paid to royalty	**(1,127)**	(218)	417.0
Cash paid to operating expense	**(3,691)**	(3,201)	15.3
Net operating cash flow	**8,262**	4,383	88.5
Reconciliation:			
Adjustment of oil revenue[2]	**170**	98	73.5
Adjustment of oil royalty[2]	**(170)**	(98)	73.5
NGDDP refund[3]	**–**	1,068	(100.0)
Cash paid for G&A costs[4]	**(3,637)**	(1,601)	127.2
Cash paid for finance expenses[4]	**(1,128)**	(1,728)	(34.7)
Cash paid for transaction costs[4]	**(3,667)**	(1,984)	84.8
Timing difference[5]	**(306)**	502	(161.0)
Net cash (used in)/generated from operating activities	**(476)**	640	(174.4)

Notes:

(1) As defined in Credit Agreement for the purposes of calculating financial based covenants.

(2) Net operating cash flow calculation does not include the royalty for oil which was directly deducted by Government at well head.

(3) Net operating cash flow calculation does not include one-off NGDDP refund.

(4) Net operating cash flow calculation does not include cash payment for G&A costs, finance expense and transaction costs (which are also cash basis).

(5) Net operating cash flow is calculated on a monthly basis and includes the cash payment for operating activities from the 15th day of previous month to the 15th day of current month, whilst 'cash flow from operating activities' is calculated by calendar month (i.e from the first day of each calendar month to the last day of it).

Debt[1]

	As at June 30, 2017 C$'000	As at December 31, 2016 C$'000	Change %
Bank loan[2]	**20,077**	35,622	(43.6)
Letter of credit	**3,892**	558	597.5
Current assets	**(21,891)**	(8,579)	155.2
Current liabilities	**6,847**	3,457	98.1
Debt	**8,925**	31,058	(71.3)

Note:

(1) As defined in Credit Agreement for the purposes of calculating financial based covenants.

(2) This amount only includes the actual drawdown from the credit facility.

Total debt[1]

	As at June 30, 2017 C$'000	As at December 31, 2016 C$'000	Change %
Bank Loan[2]	**20,077**	35,622	(43.6)
Letter of credit	**3,892**	558	597.5
Current liabilities	**6,847**	3,457	98.1
Total debt	**30,816**	39,637	(22.3)

Note:

(1) As defined in Credit Agreement for the purposes of calculating financial based covenants.

(2) This amount only includes the actual drawdown from the credit facility.

Adjusted present value (reserve based)[1]

	December 31, 2016 C$'000	Change %
PDP present value[2]	48,204	(1.3)
PNDP present value[2]	—	—
PUD present value[2]	44,584	0.0
Adjusted present value (reserve based)	92,788	(0.7)

Notes:

(1) As defined in Credit Agreement for the purposes of calculating financial based covenants.

(2) The present values are discounted at ten percent (10%) after tax based on the most recently received independent report effective on December 31, 2016.

Application of Critical Accounting Estimates

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of IFRS accounting policies and reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months are described in Note 4 of the audited annual financial statements for the year ended December 31, 2016.

Future Plans for Material Investments and Capital Assets

Save as disclosed in this report, the Company did not have other plans for material investments or capital assets as of the date of this report.

Significant Investments, Acquisitions and Disposals of Subsidiaries

Save as disclosed in this report, the Company has neither any other significant investments nor significant acquisitions and disposals of the relevant subsidiaries during the first half of 2017.

Human Resources

The Company had 10 employees as of June 30, 2017 and December 31, 2016. The employees of the Company are employed under employment contracts which set out, among other things, their job scope and remuneration. Further details of their employment terms are set out in the employee handbook of the Company. The Company determines the employees' salaries based on their job nature, scope of duty, and individual performance. The Company also provides reimbursements, allowances for site visits and a discretionary annual bonus for the employees. For details, please refer to note 13 to the unaudited interim financial information as contained in this report.

Corporate Governance Practices

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

Mr. Le Bo is the chairman of the Board and chief executive officer of the Company. Although this deviates from the practice under code provision A.2.1 of the CG Code, 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 the Company, the Board believes that it is in the best interests of the Company and its shareholders as a whole to continue to have Mr. Bo as chairman of the Board so that it can benefit from his experience and capability in leading the Board in the long-term development of the Company. From a corporate governance point of view, the decisions of the Board are made collectively by way of voting and therefore the chairman should not be able to monopolize the decision-making of the Board. The Board considers that the balance of power between the Board and the management can still be maintained under the current structure. The Board shall review the structure from time to time to ensure appropriate action be taken should the need arise.

Save as disclosed above, for the six months ended June 30, 2017 (the "**Reporting Period**"), the Company has complied with the CG Code.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its code of conduct regarding dealings in the securities of the Company by the directors and the Company's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company's securities.

Upon specific enquiry, all directors confirmed that they have complied with the Model Code during the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Company during the Reporting Period.

Purchase, Sale or Redemption of Listed Securities of the Company

The shares of the Company were first listed on the Main Board of the Stock Exchange on the Listing Date. The Company has not purchased, redeemed or sold any of its listed securities during the Reporting Period.

Review of the Interim Report

The Company established an audit and risk committee of the Company (the "**Audit and Risk Committee**") with written terms of reference in compliance with the CG Code. As at the date of this report, the Audit Committee comprises three independent non-executive directors, namely Mr. Bryan Daniel Pinney (Chairman), Mr. Richard Dale Orman and Mr. Peter David Robertson.

The Audit and Risk Committee has reviewed the Company's interim report for the six months ended June 30, 2017 and has also discussed with management the internal control, the accounting principles and practices adopted by the Company. The Audit and Risk Committee is of the opinion that the interim report has been prepared in accordance with the applicable accounting standards, laws and regulations and the Listing Rules and that adequate disclosures have been made.

In addition, the Company's auditor, KPMG LLP, has performed an independent review of the Company's unaudited condensed interim financial statements for the six months ended June 30, 2017 in accordance with International Standard on Review Engagements No. 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Directors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at June 30, 2017, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interest in Shares of the Company

Name of Director	Nature of Interest	Number and class of Shares	Approximate percentage of shareholding
Le Bo (Notes 1 and 3)	Beneficial owner, interest of spouse, interest in controlled corporation and parties acting in concert	187,290,164 (Long Position)	67.30%
Yuan Jing (Notes 2 and 3)	Beneficial owner, interest in controlled corporation and parties acting in concert	187,290,164 (Long Position)	67.30%

Notes:

1. Mr. Le Bo ("Mr. Bo") holds 440,000 common shares, equivalent to approximately 0.16% of the total issued common shares of the Company. He is the spouse of Ms. Jing Hou ("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 1648557 Alberta Ltd. ("**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 Investment Holdings Ltd. ("**Aspen**"), Mr. Jing, Ji Lin Hong Yuan Trade Group Limited (吉林省弘原經貿集團有限公司) ("**JLHY**"), Mr. Bo, 164 Co and Changchun Liyuan Investment Co., Ltd. (長春市麗源投資有限公司) ("**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 the total issued common shares of the Company.

2. Mr. Jing holds 427,332 common shares, equivalent to approximately 0.15% of the total issued common shares of the Company. 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 the total issued common shares of the Company.

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 the total issued common shares of the Company.

Interest in shares of the associated corporation of the Company

Name of Directors	Name of associated corporation	Capacity/Nature of interest	Long/Short position	Number of shares	Approximate % of issued share capital
Le Bo (Note 1)	Aspen	Interest in controlled corporation	Long position	36,907,603	39.69%
Yuan Jing (Note 2)	Aspen	Interest in controlled corporation	Long position	38,213,630	41.09%

Notes:

1. Mr. Bo holds 1,000 class D voting preferred shares in 164 Co., representing approximately 99.01% voting rights of 164 Co, which in turn holds 36,907,603 shares in Aspen representing approximately 39.69% of the total number of the issued shares of Aspen.

2. Mr. Jing holds 60% of JLHY which in turn holds 38,213,603 shares in Aspen representing approximately 41.09% of the total number of the issued shares of Aspen.

Save as disclosed above, as at June 30, 2017, none of the directors and the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at June 30, 2017, to the best knowledge of the directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which are to be disclosed by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Aspen (Note 1)	Beneficial owner and parties acting in concert	187,290,164 (Long Position)	67.30%
JLHY (Notes 1 and 3)	Interest in controlled corporation and parties acting in concert	187,290,164 (Long Position)	67.30%
Jing Hou (Note 4)	Beneficial owner, interest of spouse and parties acting in concert	187,290,164 (Long Position)	67.30%
164 Co (Notes 1 and 5)	Interest in controlled corporation and parties acting in concert	187,290,164 (Long Position)	67.30%
Liyuan (Note 6)	Interest in controlled corporation and parties acting in concert	187,290,164 (Long Position)	67.30%
Guang Jing (Note 7)	Interest in controlled corporation	187,290,164 (Long Position)	67.30%

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 the issued Common Shares of the Company.

2. Mr. Jing holds 427,332 common shares, equivalent to approximately 0.15% of the total issued common shares of the Company. 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 the issued common shares of the Company.

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 the issued common shares of the Company.

4. 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.

5. 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 the issued common shares of the Company.

6. JLHY, Zhou Li Mei and Jing Yue Li hold 98%, 1% and 1% of Liyuan 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 the issued common shares of the Company.

7. 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.

Save as disclosed above, and as at June 30, 2017, the directors were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

Changes in the Board and the Director's Information

There were no changes in the board of directors and the information of the directors of the Company since the date of the Company's 2016 annual report.

Continuing Disclosure Obligations Pursuant to the Listing Rules

The Company does not have any disclosure obligations under rules 13.20, 13.21 and 13.22 of the Listing Rules.

Publication of Information

This interim report is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.persta.ca).

This report is prepared in both English and Chinese and in the event of inconsistency, the English text of this report shall prevail over the Chinese text.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at June 30, 2017
(Expressed in Canadian dollars)
Unaudited

	Note	As at June 30, 2017 C$	As at December 31, 2016 C$
ASSETS			
Current assets			
Cash and cash equivalents		18,722,842	3,966,154
Accounts receivable	8	1,874,482	3,228,055
Prepaid expenses, deposits and deferred financing costs		1,293,997	1,385,198
		21,891,321	8,579,407
Non-current assets			
Investments	6	3,333,500	—
Exploration and evaluation assets	4	18,667,778	14,562,811
Property, plant and equipment	5	66,295,656	68,288,825
		88,296,934	82,851,636
Total assets		110,188,255	91,431,043
LIABILITIES AND TOTAL EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	9	6,639,905	3,457,229
Decommissioning liabilities		207,490	—
		6,847,395	3,457,229
Non-current liabilities			
Bank loan	10	22,557,064	35,055,200
Decommissioning liabilities		1,653,038	1,708,047
		24,210,102	36,763,247
Total liabilities		31,057,497	40,220,476
Total equity			
Share capital	11	204,366,683	169,247,367
Accumulated deficit		(125,235,925)	(118,036,800)
Total equity		79,130,758	51,210,567
Total liabilities and total equity		110,188,255	91,431,043

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

The financial statements were approved and authorized for issue by the board of directors on September 15, 2017 and are signed on its behalf by:

Mr. Le Bo
Director

Mr. Yuan Jing
Director

CONDENSED INTERIM STATEMENT OF LOSS AND OTHER COMPREHENSIVE LOSS

For the six months ended June 30, 2017
(Expressed in Canadian dollars)
Unaudited

	Note	Six months ended June 30, 2017 C$	2016 C$
Revenue from crude oil and natural gas sales	12	**12,170,445**	8,384,603
Royalties		**(1,806,701)**	(560,311)
Net revenue		**10,363,744**	7,824,292
Operating costs		**(3,273,498)**	(2,734,962)
General and administrative costs		**(3,123,289)**	(1,279,421)
Depletion and depreciation		**(3,501,167)**	(3,056,280)
Direct write-offs of exploration and evaluation assets		**(273,969)**	(450,061)
Direct write-offs of property, plant and equipment		**(38,607)**	—
Share-based compensation		**—**	(221,332)
Profit from operations		**153,214**	82,236
Other income		**10,030**	3,681
Transaction costs		**(3,003,350)**	(2,083,893)
Finance expenses		**(4,359,019)**	(1,655,266)
Loss before income taxes		**(7,199,125)**	(3,653,242)
Income taxes	14	**—**	—
Loss and total comprehensive loss for the period attributable to owners of the Company		**(7,199,125)**	(3,653,242)
Loss per share	15		
Basic and diluted		**(0.03)**	(0.02)

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

CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended June 30, 2017
(Expressed in Canadian dollars)
Unaudited

	Note	Common shares Class A C$	Common shares Class B C$	Common shares Class C C$	Common shares to be issued C$	Share capital C$	Accumulated deficit C$	Total equity C$
Balance as at January 1, 2016		10	18,796,475	148,239,590	552,037	–	(115,750,996)	51,837,116
Loss and total comprehensive loss for the period		–	–	–	–	–	(3,653,242)	(3,653,242)
New shares issued		–	523,330	1,687,962	(552,037)	–	–	1,659,255
Share conversion and split		(10)	(19,319,805)	(149,927,552)	–	169,247,367	–	–
Balance as at June 30, 2016		–	–	–	–	169,247,367	(119,404,238)	49,843,129
Balance as at January 1, 2017		**–**	**–**	**–**	**–**	**169,247,367**	**(118,036,800)**	**51,210,567**
Loss and total comprehensive loss for the period		**–**	**–**	**–**	**–**	**–**	**(7,199,125)**	**(7,199,125)**
New shares issued	11	**–**	**–**	**–**	**–**	**38,131,133**	**–**	**38,131,133**
Share issue costs	11	**–**	**–**	**–**	**–**	**(3,011,817)**	**–**	**(3,011,817)**
Balance as at June 30, 2017		**–**	**–**	**–**	**–**	**204,366,683**	**(125,235,925)**	**79,130,758**

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

CONDENSED INTERIM STATEMENT OF CASH FLOWS

For the six months ended June 30, 2017
(Expressed in Canadian dollars)
Unaudited

	Note	Six months ended June 30, 2017 C$	2016 C$
Operating activities			
Loss for the period		**(7,199,125)**	(3,653,242)
Adjustments for:			
Depletion and depreciation	5	**3,501,167**	3,056,280
Non-cash finance expenses		**3,077,078**	167,825
Share-based compensation		**—**	221,332
Unrealized foreign exchange loss		**262,430**	—
Direct write-offs on exploration and evaluation assets		**273,969**	450,061
Direct write-offs on property, plant and equipment		**38,607**	—
Funds from operations		**(45,874)**	242,256
Changes in non-cash working capital	7	**(167,848)**	398,089
Net cash (used in)/generated from operating activities		**(213,722)**	640,345
Investing activities			
Expenditures on property, plant and equipment		**(419,377)**	(12,791)
Recovery of expenditure on property, plant and equipment		**—**	1,100,000
Expenditures on exploration and evaluation assets		**(1,615,677)**	(658,137)
Investments	6	**(3,333,500)**	—
Net cash (used in)/generated from investing activities		**(5,368,554)**	429,072
Financing activities			
Proceeds for common shares to be issued		**—**	301,998
Proceeds from share issuance, net of issue cost		**36,146,428**	—
Repayment of loans		**(15,545,034)**	(4,538,569)
Other cash flows relating to financing activities		**—**	(301,822)

CONDENSED INTERIM STATEMENT OF CASH FLOWS

For the six months ended June 30, 2017
(Expressed in Canadian dollars)
Unaudited

	Six months ended June 30,	
	2017	2016
	C$	C$
Net cash generated from/(used in) financing activities	**20,601,394**	(4,538,393)
Effect of exchange rate fluctuation on cash and cash equivalents	**(262,430)**	—
Increase/(decrease) in cash and cash equivalents	**14,756,688**	(3,468,976)
Cash and cash equivalents at the beginning of the period	**3,966,154**	5,413,473
Cash and cash equivalents at the end of the period	**18,722,842**	1,944,497
Supplementary information:		
Interest paid	**879,636**	1,405,274

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended June 30, 2017
(Expressed in Canadian dollars unless otherwise indicated)

1 Corporate Information

Persta Resources Inc. ("**Persta**" or the "**Company**") was incorporated in Calgary, Alberta, Canada under the Business Corporations Act (Alberta) in 2005. Persta is an exploration and development company pursuing petroleum and natural gas production and reserves in Alberta, Canada. The Company's registered office is located at 1600, 421-7th Avenue SW, Calgary, Alberta T2P 4K9, Canada and head office is located at #2717, 308-4th Avenue SW, Calgary, Alberta T2P 0H7, Canada. The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on March 10, 2017 pursuant to an initial public offering and trades under the stock code of "3395". The Company is currently pursuing an application to become a reporting issuer in Alberta with the Alberta Securities Commission.

At June 30, 2017 and December 31, 2016, Aspen Investment Holdings Ltd. ("**Aspen**"), a private corporation in Alberta, holds 66.83% and 89.11% of the total common shares, respectively and individual investors held 33.17% and 10.89%, respectively of the total common shares of the Company.

At June 30, 2017 and December 31, 2016, Ji Lin Hong Yuan Trade Group Limited ("**JLHY**"), which is a private corporation in the People's Republic of China (the "**PRC**") of which 60% of its equity interest is controlled by Mr. Yuan Jing, a director of the Company, held approximately 41.09% of the total common shares of Aspen, and 1648557 Alberta Limited ("**164 Co**"), which is a private corporation incorporated in Alberta and controlled by Mr. Le Bo, the president, chief executive officer and executive director of the Company, held 39.69% of the total common shares of Aspen. JLHY and 164 Co are the controlling shareholders of Aspen.

On December 18, 2015 and as amended on April 29, 2016, JLHY, 164 Co, Mr. Le Bo, Mr. Yuan Jing and Changchun Liyuan Investment Co. Ltd., an entity controlled by JLHY, (collectively the "**unanimous shareholder parties**") entered into a unanimous shareholders agreement which confirmed, among other things, that the unanimous shareholder parties will act in concert as to voting in the shareholders and board meetings of the Company and/or Aspen.

As at June 30, 2017 and December 31, 2016, the directors consider the ultimate controlling parties of the Company to be JLHY and 164 Co.

2 Basis of Preparation

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

2 Basis of Preparation (Continued)

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended December 31, 2016. These unaudited condensed interim financial statements have been prepared following the same accounting policies as the annual audited financial statements for the year ended December 31, 2016 and should be read in conjunction with the annual audited financial statements and the notes thereto. The disclosures provided below are incremental to those included in the 2016 annual financial statements. These unaudited condensed interim financial statements were approved by the board of directors on September 15, 2017.

The financial statements are presented in Canadian dollars ("**C$**"), which is the Company's functional currency.

3 Future Changes in Accounting Policies

The following pronouncements from the IASB will become effective or were amended for financial reporting periods beginning on or after January 1, 2018 and have not yet been adopted by the Company. These new or revised standards permit early adoption with transitional arrangements depending upon the date of initial application.

IFRS 9 – Financial Instruments replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018 with early adoption permitted. The Company currently does not apply hedge accounting to its financial instruments and does not currently intend to apply hedge accounting to any of its financial instruments upon adoption of IFRS 9.

IFRS 15 – Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts and IFRIC 13 Customer Loyalty Programmes*. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018 with early adoption permitted. The Company is currently in the process of identifying and reviewing revenue contracts with customers to determine the impact, if any, that the adoption of IFRS 15 will have on its financial statements, including enhanced disclosures of disaggregation of revenue.

IFRS 16 – Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor') and replaces the previous leases standard, IAS 17 Leases. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. The Company is in the early stages of evaluating the impact of IFRS 16 on its financial statements and the extent of the impact has not yet been determined.

The Company does not plan to early adopt the above new standards or amendments. With respect to IFRSs 9, 15 and 16, 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.

4 Exploration and evaluation ("E&E") Assets

A continuity of the net book value of E&E assets is set out below:

	As at June 30, 2017 C$	As at December 31, 2016 C$
Balance, beginning of period	**14,562,811**	14,419,800
Additions	**4,378,936**	955,463
Direct write-offs	**(273,969)**	(812,452)
Balance, end of period	**18,667,778**	14,562,811

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 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 expiries.

During the six months ended June 30, 2017, the Company drilled a well and incurred cost totalling C$4,378,936 (June 30, 2016: nil). As at June 30, 2017, this well remained incomplete. The cost incurred up to June 30, 2017 and any further cost will be transferred to property, plant and equipment once the well is completed. Included in the cost incurred to June 30, 2017 is general and administrative costs amounting to C$330,580 (June 30, 2016: C$222,228) that were capitalized relating to development activities related to this well and exploration.

During the six months ended June 30, 2017, the Company directly wrote-off C$273,969 (June 30, 2016: C$450,061) of E&E assets as a result of the expiry of certain land leases that were considered not to have further prospective value.

There were no indicators of impairment identified at June 30, 2017.

5 Property, Plant and Equipment

Net book value of property, plant and equipment to June 30, 2017 is set out below:

	Note	Cost C$	Accumulated depletion and depreciation C$	Net book value C$
Balance, January 1, 2016		152,995,734	(76,038,623)	76,957,111
Additions		280,155	—	280,155
Change in decommissioning obligations		(84,046)	—	(84,046)
Depletion and depreciation		—	(7,764,395)	(7,764,395)
Recovery of expenditure on property, plant and equipment		(1,100,000)	—	(1,100,000)
Balance, December 31, 2016		152,091,843	(83,803,018)	68,288,825
Balance, January 1, 2017		**152,091,843**	**(83,803,018)**	**68,288,825**
Additions		**1,424,304**	**—**	**1,424,304**
Change in decommissioning obligations		**122,301**	**—**	**122,301**
Direct write-offs		**(38,607)**	**—**	**(38,607)**
Depletion and depreciation		**—**	**(3,501,167)**	**(3,501,167)**
Balance, June 30, 2017		**153,599,841**	**(87,304,185)**	**66,295,656**

Substantially all of property, plant and equipment consists of development and production assets.

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 statement of loss and other comprehensive loss. The depletion calculation as at June 30, 2017, includes estimated future development costs of C$25,871,000 (June 30, 2016: C$30,250,000) associated with the development of the Company's proved plus probable reserves.

During the six month ended June 30, 2017, the Company directly wrote-off C$38,607 (June 30, 2016: nil) of property, plant and equipment as a result of the expiry of certain land leases that were considered not to have further prospective value.

There were no indicators of impairment identified at June 30, 2017.

6 Investments

	As at June 30, 2017 C$	As at December 31, 2016 C$
Investments	**3,333,500**	—

The Company holds a Guaranteed Investment Certificate ("**GIC**") amounting to C$3,223,500 that is in place as a security against a C$3,223,500 irrevocable standby letter of credit for the construction of the necessary facilities related to the Company's Dismal Creek South Meter Station. This GIC is for a period of one year from the date of issuance on March 15, 2017 and carries a 0.45% interest per annum. The irrevocable standby letter of credit expires on March 16, 2018 provided that the expiration date in effect at any time shall automatically extend for one year thereafter unless terminated. The letter of credit will remain in place until the completion of the construction of the facilities related to the meter station which is expected to be July 2018.

The Company also holds a GIC amounting to C$110,000 that is in place as a security against a C$110,000 irrevocable letter of credit for transportation services. This GIC is for a period of one year from the date of issuance on January 5, 2017 and carries a 0.45% interest per annum. The irrevocable standby letter of credit expires on January 5, 2018 provided that the expiration date in effect at any time shall automatically extend for one year thereafter unless terminated. The letter of credit will remain in place for the duration of the transportation services.

7 Changes in non-cash working capital

The following table details the changes in non-cash working capital for the six months ended June 30, 2017 and 2016:

	Six months ended June 30,	
	2017 C$	2016 C$
Change in non-cash working capital:		
Accounts receivable	**1,353,573**	230,614
Prepaid expenses, deposits and deferred financing costs	**91,201**	307,920
Accounts payable and accrued liabilities	**3,182,676**	(693,996)
	4,627,450	(155,462)
Add: Movement in non-cash working capital directly included in investing and financing activities	**(4,795,298)**	553,551
Movement in non-cash working capital directly included in operating activities	**(167,848)**	398,089

8 Accounts Receivable

	As at June 30, 2017 C$	As at December 31, 2016 C$
Trade receivables	**1,874,482**	3,069,420
Other receivable		
— Amount due from JLHY (note)	**—**	156,283
— Others	**—**	2,352
	1,874,482	3,228,055

Note: As at December 31, 2016, the amount due from Ji Lin Hong Yuan Trade Group Limited ("**JLHY**") was attributable to the settlement of withholding tax on behalf of JLHY by the Company. The amount was non-trade in nature, unsecured, non-interest bearing and due on demand, which was fully settled in February 2017.

(a) Aging analysis of trade receivables

As at June 30, 2017 and December 31, 2016, the aging analysis of trade receivables (included in accounts receivable), based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	As at June 30, 2017 C$	As at December 31, 2016 C$
Within 1 month	**1,859,617**	3,054,555
1 to 2 months	**—**	428
2 to 3 months	**—**	—
Over 3 months	**14,865**	14,437
	1,874,482	3,069,420

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

(b) Impairment of accounts receivable

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Company determines that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. No impairment loss has been recognized in respect of trade receivables for the six months ended June 30, 2017 and 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.

9 Accounts Payable and Accrued Liabilities

	As at June 30, 2017 C$	As at December 31, 2016 C$
Trade payables	**389,788**	921,300
Accrued liabilities	**4,753,188**	1,511,302
Accrued compensation for independent non-executive directors per Phantom Unit Plan (Note)	**245,736**	140,000
Subtotal	**5,388,712**	2,572,602
Other payables	**1,251,193**	884,627
Total	**6,639,905**	3,457,229

All accounts payable are expected to be settled within one year or are payable on demand.

Aging analysis of trade payables and accrued liabilities

As at June 30, 2017 and December 31, 2016, the aging analysis of trade payables and accrued liabilities (included in accounts payable and accrued liabilities), is as follows:

	As at June 30, 2017 C$	As at December 31, 2016 C$
Within 1 month	**4,495,831**	1,394,933
1 to 3 months	**749,515**	1,169,331
Over 3 months but within 6 months	**143,366**	8,338
	5,388,712	2,572,602

Note: The accrued compensation for independent non-executive directors per Phantom Unit Plan will be accrued quarterly and paid on the "Redemption Date" as set out in the Phantom Unit Plan.

10 Bank and Other Debts

	As at June 30, 2017 C$	As at December 31, 2016 C$
Bank loan	**22,966,657**	35,622,328
Less: unamortized debt issue costs	**(409,593)**	(567,128)
Balance, end of period	**22,557,064**	35,055,200

As at June 30, 2017, the Company had a C$190,000,000 credit facility in place comprised of a C$100,000,000 revolving credit facility and a C$90,000,000 term facility. All advances under the credit facility and term facility are required to be approved by the lender. Under the revolving credit facility, C$50,000,000 is firm committed. With respect to the term facility, it was 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 future development costs. The Tranche A term facility expired during the year ended December 31, 2016 and the Tranche B remains available, with any advances subject to the approval by the lender. No amounts were outstanding under the term facility as at June 30, 2017 and December 31, 2016. In addition, the Company maintains C$558,000 of letters of credit as at June 30, 2017 (December 31, 2016: C$558,000) for transportation service.

All amounts outstanding under the revolving credit facility bear interest at the Canadian Dealer Offered Rate ("**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 and the term facility bears interest at 7% fixed per annum. As at June 30, 2017, the applicable effective interest rate on the revolving credit facility was 6.5%. The facility is secured by a C$400 million debenture with a floating charge over all present and after-acquired real and personal property.

10 Bank and Other Debts (Continued)

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.

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 below) of less than 3 to 1; 3) maintain an interest coverage ratio (the ratio of net operating cash flow to interest expense for all debt of the Company) of greater than 4 to 1; and 4) maintain an adjusted present value ratio (ratio of total adjusted present value (reserve based) as defined below to total debt) of greater than 1.7 to 1. In addition, the Company cannot exceed a maximum of general and administrative expenses equal to 11% of net operating cash flows unless funded through advances of equity (the "**G&A cap**"). Under the credit facility agreement "net operating cash flow" is defined, on a cash basis, as the Company's gross cash receipts from the sale of production volumes and all other cash receipts from whatever source less cash operating costs and royalty expenses paid, "debt" is defined as the consolidated debt of the Company and including any current asset or liability; "total debt" is defined as the consolidated debt of the Company and including any liability; and "adjusted present value (reserve based)" is defined as the sum of the Proved Developed Producing Reserves (PDP) present value (discounted at ten percent (10%)) plus the Proved Developed Non Producing Reserves (PDNP) present value (discounted at ten percent (10%)) plus the Proved Undeveloped Reserves (PUD) present value (discounted at ten percent (10%)) based on the most recently received independent reserve report. As at June 30, 2017 and December 31, 2016, the Company was in compliance with all covenants and terms under the facility. All terms included in the covenants and terms described above are as defined by the lender.

During the six months ended June 30, 2017, the Company entered into negotiations with its lender for early termination of its existing facility and enter into a new facility. An amending agreement to the existing credit agreement and a term sheet for an amended and restated credit facility with the lender were signed on August 24, 2017 and a financing fee totaling C$4.3 million has been paid on August 31, 2017 upon termination of the existing facility and entering into the new facility. Approximately C$2.8 million has been recorded during the six months ended June 30, 2017 representing the cumulative impact of the financing fee.

The new facility is subject to closing and will be to a maximum of C$100 million, which will mature 36 months from closing and will be subject to a semi-annual review of the borrowing base by the lender. The new facility will carry interest of 4% plus one month CDOR calculated on a 365 day basis on drawn amounts and payable in cash on a monthly basis in arrears and a commitment fee equal to 1% per annum will be payable on all amounts committed but undrawn, payable quarterly in arrears. The initial available amount will be C$24 million. Approval is required from lender for any loan advance above C$24 million. The principal and all accrued and unpaid interest and fees are due on the maturity date or in accordance with the terms of the new facility.

10 Bank and Other Debts (Continued)

The new facility will be subject to the following financial covenants: (a) maintenance at the end of each fiscal quarter a working capital ratio not less than 1.0:1.0; and (b) as measured at the end of each fiscal quarter, total debt to adjusted EBITDA not exceeding 3.0/1.0 though the fiscal quarter ending September 30, 2017 and 2.5/1.0 thereafter.

The new facility will be secured by fixed and floating first priority perfected security interests in the properties and all assets, tangible and intangible, owned by the Company and thereafter acquired by the Company, including, but not limited to, all real and personal property, goods, accounts, contract rights, assignable licenses, assignable permits, etc..

11 Share Capital

(a) Authorized:

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

(b) Issued:

	Class A		Class B		Class C		Common Shares		Total
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Amount
		C$		C$		C$		C$	C$
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	–	–	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	(2,000)	(10)	(24,000,347)	(19,319,805)	(184,704,173)	(149,927,552)	208,706,520	169,247,367	–
At December 31, 2016	–	–	–	–	–	–	208,706,520	169,247,367	169,247,367
At January 1, 2017	–	–	–	–	–	–	208,706,520	169,247,367	169,247,367
Shares issued for cash	–	–	–	–	–	–	69,580,000	38,131,133	38,131,133
Share issue costs	–	–	–	–	–	–	–	(3,011,817)	(3,011,817)
At June 30, 2017	–	–	–	–	–	–	278,286,520	204,366,683	204,366,683

Share issue costs

On March 10, 2017, the Company was successfully listed on the Stock Exchange of Hong Kong and issued 69,580,000 new shares at a price of HK$3.16 per share (C$0.54 per share), raising gross proceeds of HK$219,872,800 (C$38,131,133). The costs associated with the issuance of new shares amounted to C$3,011,817 (initially recorded as deferred financing cost on the Statement Financial Position and were reclassified against share capital upon issuance of the new shares in March 2017) and therefore the net amount recorded as share capital was C$35,119,316.

12 Revenue

The amount of each significant category of revenue recognized for the six months ended June 30, 2017 and 2016 is as follows:

	Six months ended June 30,	
	2017	2016
	C$	C$
Sales of natural gas, natural gas liquids ("**NGLs**") and condensate	**11,494,634**	8,016,727
Sales of crude oil	**675,811**	367,876
	12,170,445	8,384,603

13 Personnel Costs and Remuneration Policy

Personnel costs incurred during the six months ended June 30, 2017 and 2016 were as follows:

	Six months ended June 30,	
	2017	2016
	C$	C$
Personnel costs		
Salaries, wages and other benefits	**1,594,360**	655,735
Retirement benefits contribution	**24,322**	21,173
Share-based compensation	**–**	221,332
	1,618,682	898,240

The Company's remuneration and bonus policies are determined by the performance of individual employees.

The emolument of the executives are recommended by the Remuneration Committee of the Company, having regard to the Company's operating results, the executives' duties and responsibilities within the Company and comparable market statistics.

13 Personnel Costs and Remuneration Policy (Continued)

Phantom Unit Plan for independent non-executive directors

The Company has in place a Phantom Unit Plan for its independent non-executive directors effective March 10, 2017. In order for the eligible directors to receive phantom units, they need to complete a participation form prior to the commencement of each fee period (i.e. twelve-month period commencing January 1 and ending on December 31). For 2016 and 2017, each eligible Director agreed in writing to receive 60% of their fees (i.e. the designated percentage) relating to future services as a director in the form of phantom units under the Phantom Unit Plan.

During the six months ended June 30, 2017, the Company accrued C$105,735 of directors' compensation per the Phantom Unit Plan. As at June 30, 2017, the accrued compensation for independent non-executive directors per the Phantom Unit Plan was C$245,736.

14 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 before income taxes. The difference results from the following items.

	Six months ended June 30,	
	2017	2016
	C$	C$
Loss before income taxes	**(7,199,125)**	(3,653,242)
Combined Federal and Provincial tax rate	**27%**	27%
Expected tax benefit	**(1,943,764)**	(986,375)
Increase/(decrease) in taxes resulting from:		
— Non-deductible expenses	**398**	61,987
— Change in unrecognized deferred tax assets	**1,943,617**	925,164
— Change in enacted tax rate and others	**(251)**	(776)
Income tax expense	**—**	—

During the six months ended June 30, 2017, the blended statutory tax rate was 27% (2016: 27%).

14 Income Taxes (Continued)

The components of unrecognized deferred tax assets are as follows:

	Six months ended June 30,	
	2017 C$	2016 C$
Deferred tax assets have not been recognized in respect of the following temporary differences:		
Property, plant and equipment ("**PP&E**") and exploration and evaluation ("**E&E**") assets	**18,129,745**	24,114,130
Decommissioning liabilities	**1,860,529**	1,708,048
Share issue costs	**7,356,157**	—
Non-capital losses and other	**8,686,140**	—
Total	**36,032,571**	25,822,178

At June 30, 2017, the Company has approximately C$119.5 million of tax deductions, which include loss carry forwards of approximately C$8.7 million that will expire in 2037.

15 Loss per Share

The calculation of basic loss per share is based on the loss of C$7,199,125 and C$3,653,242 attributable to the owners of the Company for each of the six months ended June 30, 2017 and 2016 respectively and is calculated as follows:

	Six months ended June 30,	
Weighted average number of common shares	**2017 Number of shares**	2016 Number of shares
At the beginning of the period	**208,706,520**	206,495,226
Effect of new shares issued	**43,439,448**	2,098,497
At the end of the period	**252,145,968**	208,593,723
	C$	C$
Loss and total comprehensive loss for the period	**(7,199,125)**	(3,653,242)
Loss per share Basic and diluted	**(0.03)**	(0.02)

15 Loss per Share (Continued)

On April 29, 2016, the Company completed a re-designation of Class A common shares as common shares, a conversion of all Class B and Class C common shares for common shares on a 1:1 basis, and a share split of the issued and outstanding shares on the basis of every one common share for two common shares.

There were no dilutive potential common shares for the six months ended June 30, 2017 and 2016 due to the loss and therefore, diluted loss per share is the same as basic loss per share.

16 Dividend

The Board did not approve the payment of an interim dividend for the six months ended June 30, 2017.

17 Related Party Transactions

(a) Transactions with key management personnel

Key management compensation for the six months ended June 30, 2017 totalled C$1,349,110 (2016: C$619,557).

During the six months ended June 30, 2017, the Company accrued C$105,735 of directors' compensation per the Phantom Unit Plan. As at June 30, 2017, the accrued compensation for independent non- executive directors per the Phantom Unit Plan was C$245,736.

(b) Transactions with other related parties

Transactions during the six months ended June 30, 2017:

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 was fully collected in February 2017.

Transactions during the six months ended June 30, 2016:

In January 2016, the Company issued 1,687,964 (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 were transferred from JLHY (collected by JLHY from the individual shareholders) to the Company in December 2015. The payment of the remaining C$1,135,925 of the new shares issuing proceeds was received in December 2016.

18 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, and joint venture partners and the counterparties to financial derivative contracts. As at June 30, 2017, the Company's accounts receivables consisted of C$1,874,482 (December 31, 2016: C$3,069,420) due from purchasers of the Company's crude oil and natural gas and nil (December 31, 2016: C$158,635) of other receivables.

Receivables from purchasers of the Company's crude oil and natural gas when outstanding are normally collected on the 25th day of the month following production. The carrying amount of accounts receivable and cash balances represents the maximum credit exposure. The Company has determined that no allowance for doubtful accounts was necessary as at June 30, 2017. The Company has also not written-off any material receivables during the six months ended June 30, 2017 and accounts receivables were subsequently collected in full. There are no material financial assets that the Company considers past due and at risk of collection. As at June 30, 2017, C$1,859,617 (December 31, 2016: C$3,054,983) of the trade receivables are less than 90 days old and were subsequently collected in full.

(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 will 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 adverse changes in cash flow, working capital levels or debt balances, which may also have a direct impact on the Company's results and financial position. These and other factors may adversely affect the Company's liquidity and the Company's ability to generate profits in the future. Based on current available information, management expects to comply with all financial covenants in the next 12 months from June 30, 2017.

18 Financial Instruments and Risk Management (Continued)

Overview (Continued)

(b) Liquidity risk (Continued)

The following are the contractual maturities of financial liabilities:

	As at June 30, 2017			
	Total C$	1 year C$	1–3 years C$	3–5 years C$
Accounts payable and accrued liabilities	**6,639,905**	**6,639,905**	**—**	**—**
Bank loan	**22,966,657**	**—**	**22,966,657**	**—**
Total	**29,606,562**	**6,639,905**	**22,966,657**	**—**

	As at December 31, 2016			
	Total C$	1 year C$	1–3 years C$	3–5 years C$
Accounts payable and accrued liabilities	3,457,229	3,457,229	—	—
Bank loan	35,622,328	—	35,622,328	—
Total	39,079,557	3,457,229	35,622,328	—

(c) Market risk

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

Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for crude oil and natural gas are impacted by not only the relationship between the Canadian and United States dollar but also world economic events that dictate the levels of supply and demand. The Company may utilize commodity contracts as a risk management technique to mitigate exposure to commodity price volatility.

The Company did not enter into any financial derivatives during the six months ended June 30, 2017.

Interest rate risk

As at June 30, 2017, the Company was exposed to changes in interest rates with respect to its bank loans. As at June 30, 2017, a one percent change in the prevailing interest rate for its bank loans would result in an estimated change to net loss of C$229,667 for the six months ended June 30, 2017 (June 30, 2016: C$410,416).

18 Financial Instruments and Risk Management (Continued)

Overview (Continued)

(c) Market risk (Continued)

Foreign currency risk

The Company manages foreign exchange risk by monitoring foreign exchange rates and evaluating their effects on using Canadian or Hong Kong vendors as well as timing of transactions. The Company recognizes a foreign exchange gain/loss based on the revaluation of monetary items held in Hong Kong Dollars and the value changes with the fluctuation in the HKD/CAD exchange rates.

(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 is the capital structure of the Company:

	As at June 30, 2017 C$	As at December 31, 2016 C$
Bank loan	**22,966,657**	35,622,328
Net working capital	**(15,043,926)**	(5,122,178)
Net debt	**7,922,731**	30,500,150
Shareholders' equity	**79,130,758**	51,210,567
Total capital	**87,053,489**	81,710,717

19 Commitments

Commitments and contingencies exist under various agreements and operations in the normal course of the Company's business.

	Total	Less than 1 year	1–3 years	4–5 years	After 5 years
	C$	C$	C$	C$	C$
As at June 30, 2017					
Office premise lease	4,065,652	372,412	820,720	1,231,080	1,641,440
Lease of compressors	37,950	37,950	—	—	—
Transportation commitment	52,261,101	1,136,658	13,431,003	13,000,671	24,692,769
Total contractual obligations	56,364,703	1,547,020	14,251,723	14,231,751	26,334,209

Office premise lease:

— In October 2011, the Company entered into an office lease for a term from October 2011 to December 2017. The average cost of the lease is approximately C$46,875 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.

— In June 2017, the Company entered into an office lease for a term starting January 2018 to February 2025. The rent payable is as follow:

- January 1, 2018, to December 31, 2018: rent payable of C$17,098 per month;
- January 1, 2019, to December 31, 2019: rent payable of C$34,197 per month; and
- January 1, 2020, to February 27, 2025: rent payable of C$51,295 per month.

In addition, Office premise lease costs will include an estimate of the Company's share of operating costs for its office premises for the duration of the lease term.

Lease of compressors:

— The Company entered into a lease agreement for a compressor and the lease term is from September 8, 2012 to September 7, 2017 requiring monthly lease payments of C$12,650.

19 Commitments (Continued)

Transportation Commitment:

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

Description	Volume (MMcf/d)	Effective date	Expiring date	Duration
Persta Existing FT-R with NGTL	8.00	2013-11-01	2021-10-31	8 years
Persta New FT-R with NGTL	102.00	2018-07-01	2026-06-30	8 years
Persta FT-R from ConocoPhillips — first agreement	7.24	2016-09-01	2018-08-31	2 years
Persta FT-R from ConocoPhillips — second agreement	3.40	2016-09-01	2018-04-30	1 year and 8 months

The Company also entered into the following fixed price physical commodity contracts to forward sell natural gas during the six months ended June 30, 2017:

Commodity	Term	Quantity	Price
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

20 Events After the Reporting Period

There was no significant event after the Reporting Period up to the date of this report other than as disclosed in the Bank Loan section.