INTERIM REPORT 2019

Persta Resources Inc.

(incorporated under the laws of Alberta with limited liability)

Stock code: 3395

PERSTA RESOURCES INC.

Persta Resources Inc. 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.

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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 (*Dentons 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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Principal Place of Business in Hong Kong

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Competent Person

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CORPORATE INFORMATION

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Central, Hong Kong

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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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 CORPORATE HIGHLIGHTS

Financial Highlights

(Unaudited)

	Three months ended June 30,			Six months ended June 30,		
C$ except boe amounts	**2019**	2018	Change	**2019**	2018	Change
Production revenue	**2,082,155**	3,480,033	(40%)	**7,147,466**	8,913,957	(20%)
Trading revenue (net)	**248,215**	281,627	(12%)	**218,708**	295,448	(26%)
Operating netback(Note 1)	**306,228**	2,822,935	(89%)	**2,330,373**	5,954,727	(61%)
Adjusted EBITDA(Note 2)	**(918,387)**	1,593,673	(158%)	**89,874**	3,402,095	(97%)
Loss and total comprehensive loss	**(10,743,765)**	(341,871)	3,043%	**(12,753,683)**	(886,706)	1,338%
Loss per share	**(0.04)**	(0.00)	100%	**(0.04)**	(0.00)	100%
Daily average sales volumes (boe/d)	**1,622**	2,328	(30%)	**2,341**	2,772	(16%)

Notes:

(1) Operating netback is defined as revenue less royalties, trading cost and operating costs. Operating netback is a non-IFRS financial measure. See "Non-IFRS Financial Measures" of this interim report for further information.

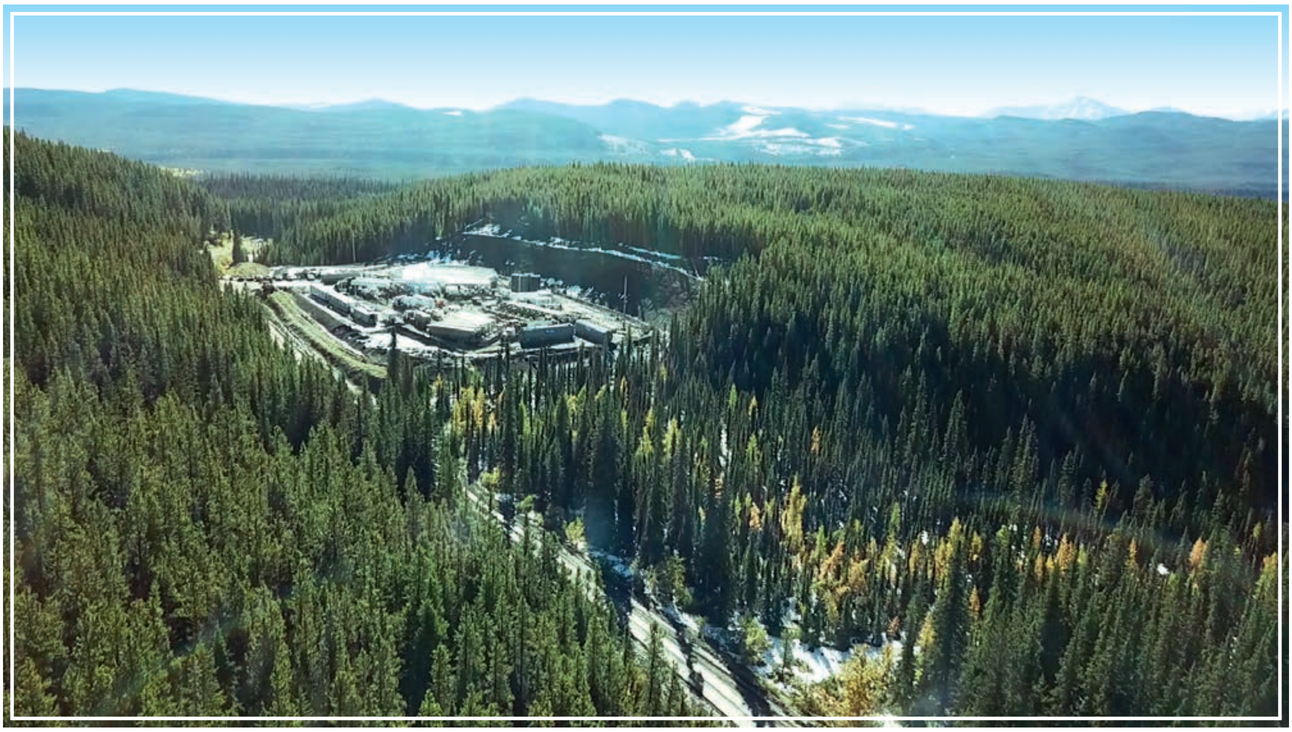
(2) Adjusted EBITDA is defined as earnings before deduction of finance expenses, income taxes, depletion and depreciation, impairment losses and write-offs, transaction costs and share-based compensation. Adjusted EBITDA is a non-IFRS financial measure. See "Non-IFRS Financial Measures" of this interim report for further information.

Corporate Highlights for the six months ended June 30, 2019

- On May 9, 2019, the Company announced it entered into a gas handling agreement (the "**Gas Handling Agreement**") with Jixing Energy (Canada) Ltd. ("**Jixing**") whereby the Company will transport its natural gas and associated products through Jixing's Voyager gas gathering system and pipeline. The Gas Handling Agreement will allow for tie-in and production from the Company's Voyager area gas wells. The Company currently forecasts first production from Voyager under the Gas Handling Agreement in the first quarter of 2020. The Gas Handling Agreement will also allow for future expansion of the Company's natural gas exploration and production from the Voyager and surrounding area.

- On March 25, 2019, the Company announced it entered into a subscription agreement with a subscriber to conditionally issue 23.6 million common shares at a price of HK$1.50 per share for gross proceeds of HK$35.4 million (approximately C$6 million) (the "**Subscription**"). The subscriber is a company incorporated under the laws of the British Virgin Islands, and is principally engaged in the investment of clean energy worldwide. On May 14, 2019, the Company announced the completion of the Subscription. It intends to apply the net proceeds from the Subscription to the expansion of its existing business, the development of new business, bank debt and general working capital.

MANAGEMENT'S DISCUSSION AND ANALYSIS



This Management's Discussion and Analysis ("**MD&A**") should be read in conjunction with Persta Resources Inc. (the "**Company**" or "**Persta**") unaudited condensed interim financial statements and notes thereto for the three and six months ended June 30, 2019, and the audited annual financial statements and MD&A for the year ended December 31, 2018. All amounts and tabular amounts in this MD&A are stated in thousands of Canadian dollars unless indicated otherwise. This MD&A is dated September 25, 2019.

Forward Looking Information

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

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

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

Non-IFRS Financial Measures

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

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

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 and trades under the stock code of "3395". The Company has been a reporting issuer under the Securities Act (Alberta) since October 2, 2018.

Future Prospects

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

On March 25, 2019, the Company announced it entered into a subscription agreement with a subscriber to conditionally issue 23.6 million common shares at a price of HK$1.50 per share for gross proceeds of HK$35.4 million (C$6.0 million). The subscriber is a company incorporated under the laws of the British Virgin Islands, and is principally engaged in the investment of clean energy worldwide. On May 14, 2019, the Company announced the completion of the Subscription. It intends to apply the net proceeds from the Subscription to the expansion of its existing business, the development of new business, bank debt and general working capital. Refer to the Company's announcement dated March 25, 2019, the Company's clarification announcement dated March 25, 2019 and the completion announcement dated May 14, 2019 for additional information regarding the Subscription.

On May 9, 2019, the Company announced it entered into the Gas Handling Agreement with Jixing, whereby the Company will transport its natural gas and associated products through Jixing's Voyager gas gathering system and pipeline. The Company, as the project management party, has assisted Jixing in completing pipeline engineering design, budget and risk assessment, procurement of equipment and materials, environmental assessment and obtaining approvals to allow for the start of pipeline construction. On July 11, 2019, Jixing and Challand Pipeline Ltd. established a pipeline construction execution plan. The construction execution plan consists of 5 natural gas pipelines and auxiliary facilities at Voyager and Basing. The total length of the gas pipeline is 35.4 km with a designed capacity of 1.3 billion cubic meters per year at 9,930 KPa, connecting to the TransCanada Gas Transmission System. The total investment budget is C$36.0 million and the project is forecast to be completed and commissioned by the end of 2019.

The Gas Handling Agreement will allow for tie-in and production from the Company's Voyager area gas wells. The Company currently forecasts first production from the Voyager area under the Gas Handling Agreement in the first quarter of 2020. The Gas Handling Agreement will also allow for future expansion of the Company's natural gas exploration and production from the Voyager and surrounding area.

Results of Operations

Daily Production and Sales Volumes

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

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	Change	**2019**	2018	Change
Production						
Natural gas (mcf/d)	**6,717**	11,397	(41%)	**11,813**	14,446	(18%)
Oil (bbl/d)	**76**	68	12%	**83**	81	3%
NGLs (bbl/d)	**21**	22	(4%)	**31**	32	(2%)
Condensate (bbl/d)	**38**	49	(23%)	**55**	70	(21%)
Total production (boe/d)	**1,255**	2,039	(38%)	**2,138**	2,590	(17%)
Trading						
Natural gas (mcf/d)	**2,205**	1,735	27%	**1,220**	1,089	12%
Total trading (boe/d)	**367**	289	27%	**203**	182	12%
Total sales volume (boe/d)	**1,622**	2,328	(30%)	**2,341**	2,772	(16%)

Total sales volume for the three months ended June 30, 2019 averaged 1,622 boe/d, 38% lower than the same period in 2018. As natural gas prices were weak during the quarter, the Company periodically shut-in production from its natural gas wells to preserve its reserves and resources for later periods. To meet its forward sale obligations, the Company traded an average of 367 boe/d of natural gas, an increase of 27% over the comparative period.

Total sales volume for the six months ended June 30, 2019 averaged 2,341 boe/d, 16% lower than the same period in 2018. Production decreased 17% while trading volumes increased 12% as the Company shut-in production and traded gas to meet its forward sale obligations.

Natural gas liquids ("**NGLs**") and condensate production are by-products of natural gas. Production for both the three and six months ended June 30, 2019 decreased over the comparative periods in 2018, consistent with the reduction in natural gas production year over year. Oil production for both the three and six month periods ended June 30, 2019 were consistent with the prior year reflecting the stable production from the Company's Dawson area oil wells.

With the completion of the Voyager pipeline, production is expected to increase as the Company will tie-in four wells drilled in 2017 and 2018. The pipeline is forecast to be completed by the end of 2019, with first gas from Voyager anticipated in the first quarter of 2020. The natural gas market remains below historical averages, to exploit weakness in the market the Company will continue to shut-in production and trade gas to fulfil its forward sale contracts when it is economically advantageous.

Revenue

	Three months ended June 30,			Six months ended June 30,		
C$ 000s	2019	2018	Change	2019	2018	Change
Production						
Natural gas	1,293	2,990	(57%)	5,318	7,225	(26%)
Crude oil	490	467	5%	962	1,014	(5%)
NGLs	17	75	(78%)	148	200	(26%)
Condensate	283	374	(24%)	719	996	(28%)
Total production revenue	2,082	3,906	(47%)	7,147	9,435	(24%)
Trading						
Natural gas revenue	382	426	(10%)	435	521	(17%)
Natural gas cost	(134)	(144)	(7%)	(216)	(226)	(4%)
Net trading revenue	248	282	(12%)	219	295	(26%)

Production revenue for the three months ended June 30, 2019 decreased 47% over the same quarter in 2018. The decrease is primarily attributed to lower natural gas, NGL and condensate production volumes and lower realized natural gas prices in the current period. Production revenue for the six months ended June 30, 2019 decreased 24% over the same period in 2018, also attributed to lower production volumes and lower realized natural gas prices.

Crude oil revenues were consistent with the prior year for both the three and six month periods ended June 30, 2019, as marginally higher production rates were offset by lower realized pricing during the period.

Net trading revenue for the three and six months ended June 30, 2019 decreased over the comparative periods in 2018. As the Company strategically trades gas in periods of significant weakness in the market, trading revenues earned are a function of the gains realized on the quantity and price of gas traded over a given time to meet its forward sales obligations, and therefore not directly comparable to prior periods. While the Company traded higher volumes of gas for both the three and six months ended June 30, 2019, the lower net revenue in both periods is a function of the reduced spread between the forward sales price and market price in 2019.

Commodity Prices

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	Change	2019	2018	Change
Natural gas (C$/mcf)						
Average market price (AECO)	1.16	1.19	(2%)	1.44	1.76	(18%)
Average forward sales price	2.25	2.84	(21%)	2.27	2.76	(18%)
Average trading price	1.13	2.67	(58%)	3.32	2.63	26%
Average sales price	2.04	2.48	(18%)	2.43	2.56	(5%)
Crude oil (C$/bbl)						
Average market price (Edmonton Par)	73.81	72.81	1%	70.11	74.33	(6%)
Average sales price	69.84	74.33	(6%)	63.69	68.89	(8%)
NGLs (C$/bbl)						
Average market price (Propane/Butane)	19.67	32.40	(39%)	25.24	36.91	(32%)
Average sales price	8.59	36.90	(77%)	26.06	34.70	(25%)
Condensate (C$/bbl)						
Average market price (Pentane Plus)	74.21	78.57	(6%)	70.75	82.09	(14%)
Average sales price	80.90	82.72	(2%)	71.80	78.03	(8%)

Realized gas price for the three months ended June 30, 2019 averaged C$2.04/mcf. As the benchmark AECO price was below historical averages, during the second quarter of 2019, the Company's gas sales were largely comprised of delivering its forward sales volumes of 6,900GJ/d at a price of C$2.08/GJ (C$2.25/mcf). In periods of extreme weakness in the AECO market, the Company shut-in its production and purchased gas on the spot market to meet its forward sales obligations.

Realized gas prices for the six months ended June 30, 2019 averaged C$2.43/mcf, reflecting the arbitrage the Company earned acquiring gas on the spot market to meet its forward sales obligations, and higher winter gas prices received in the first quarter of 2019.

NGL prices are volatile, as their production is tied to natural gas production. The Company's natural gas wells produce varying amounts of propane and butane, which are sold at different prices in the market. As some wells are shut-in, the NGL production matrix is impacted, resulting in a changing realized price dependent on the composition of NGLs. Generally the more butane produced, the higher the realized price for NGLs. During the second quarter of 2019, the Company realized NGL price was significantly below the benchmark, as NGLs sales were primarily comprised of propane. For the six months ended June 30, 2019 and in both comparative periods, the Company's realized price was consistent with the market price. As the Company's natural gas production increases, it expects realized NGL prices will revert to market levels.

The Company's realized condensate prices for both the three and six months ended June 30, 2019 were generally consistent with the market, variations from the benchmark are a function of condensate sales occurring periodically over the period, compared to the average daily reference price.

Royalties

	Three months ended June 30,			Six months ended June 30,		
C$ 000s	**2019**	2018	Change	**2019**	2018	Change
Natural gas, NGLs and condensate	**38**	(424)	(109%)	**578**	247	134%
Crude oil	**176**	163	8%	**294**	331	(11%)
Total royalties	**214**	(261)	(182%)	**872**	578	51%
Effective average royalty rate	**10%**	(7%)	(254%)	**12%**	6%	99%

For the three and six months ended June 30, 2019, the effective average royalty rate (total royalties divided by total revenues) was 10% and 12% respectively, compared to (7%) and 6% for the comparative periods in 2018. The change in the effective average royalty rate was primarily due to changes in market prices and oil and natural gas production. The royalty recovery in the prior year was attributable to allowances received in respect of processing and transport during the period.

In Alberta, royalties are set by a sliding scale formula containing separate elements that account for market price and well production. Royalty rates will fluctuate to reflect changes in production rates and market prices. During the three and six months ended June 30, 2019, the Company's royalty rate for natural gas ranged from 5% to 18%, 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 5% to 20%.

The Company expects its effective royalty rate to be stable between 10–12% until production from the Voyager area commences. Voyager wells will benefit from the Modernizing Alberta's Royalty Framework, under which a company will pay a flat royalty of 5% on a well's early production until the well's total revenue, from all hydrocarbon products, equals the drilling and completion cost allowance.

Operating Costs

	Three months ended June 30,			Six months ended June 30,		
C$ 000s	2019	2018	Change	2019	2018	Change
Natural gas, NGLs and condensate	1,700	1,017	67%	3,929	2,357	67%
Crude oil	110	183	(40%)	235	319	(26%)
Total operating costs	1,810	1,200	51%	4,164	2,676	56%
Unit Cost (C$/boe)						
Natural gas, NGLs and condensate	15.68	5.61	179%	10.51	5.16	104%
Crude oil	15.64	29.11	(46%)	15.57	21.67	(28%)
Average cost	15.68	6.40	145%	10.70	5.68	88%

For the three and six months ended June 30, 2019, operating costs increased 51% and 56% respectively over the same periods in 2018. The increase in the current year is attributable to the fixed FT-Volume obligations which commenced in December 2018 (refer to note 27 in the audited financial statements for the year ended December 31, 2018 for additional information).

These FT-Volume obligations are fixed and provide Persta with transport capacity of up to 110 MMcf/d. As the Company's production increases in the future, these costs will reduce on a per unit basis. The Company is actively seeking to transfer its unused FT-Volume to other producers in the area, which will reduce its monthly burden in the short-term, while taking back the capacity in the future when the Company's production increases.

General and Administrative ("G&A") Costs

	Three months ended June 30,			Six months ended June 30,		
C$ 000s	2019	2018	Change	2019	2018	Change
Staff costs	479	551	(13%)	1,028	1,051	(2%)
Accounting, legal and consulting fees	544	424	28%	803	1,031	(22%)
Office	38	39	(2%)	72	100	(28%)
Other	183	224	(18%)	363	384	(5%)
Total G&A costs	1,245	1,238	1%	2,266	2,566	(12%)
Capitalized staff costs	82	125	(35%)	164	299	(45%)

Total G&A costs for the three months ended June 30, 2019 were equivalent to the same period in 2018. Reductions in staff costs were offset by increases in accounting, legal and consulting fees incurred in the current period. For the six months ended June 30, 2019, total G&A costs were 12% lower than the comparable period, reflecting lower accounting, legal, consulting and office costs in 2019. Advisory fees in 2018 were incurred as part of the Company's fundraising initiatives and advisory costs for corporate and assets acquisitions the Company was evaluating at the time. Other costs include memberships, insurance, travel and accommodation. Capitalized G&A costs are lower than the comparative periods as qualifying expenditures in respect of geological and geophysical activities were lower throughout 2019.

Finance Expenses

	Three months ended June 30,			Six months ended June 30,		
C$ 000s	**2019**	2018	Change	**2019**	2018	Change
Interest expense and financing costs	**927**	678	37%	**1,742**	1,048	66%
Amortization of debt issuance costs	**183**	35	423%	**251**	35	617%
Accretion expense	**(3)**	1	400%	**31**	42	(26%)
Total finance expenses	**1,107**	714	55%	**2,024**	1,125	80%

For the three and six months ended June 30, 2019, interest and financing costs were incurred from the Company's bank debt, subordinated debt and capitalized leases. The increase over the prior periods is primarily attributable to the C$20 million subordinated debt which carries interest at 12% per annum. This facility was not in place until May 2018. Additional interest costs were incurred in respect of capitalized leases under IFRS 16, which came into effect January 1, 2019. The Company has adopted the standard using the modified retrospective approach which does not require restatement of prior period financial information (refer to note 3 to the unaudited condensed interim financial statements for the three and six months ended June 30, 2019 for additional information).

Amortization of debt issuance costs includes legal fees, commissions and commitment fees which were incurred from the closing of the subordinated debt facility in May 2018. These costs are capitalized against the debt and amortized over the term.

Depletion, Depreciation and Amortization ("DD&A")

	Three months ended June 30,			Six months ended June 30,		
C$ 000s except per unit costs	**2019**	2018	Change	**2019**	2018	Change
Depletion	**726**	1,212	(40%)	**2,438**	3,145	(22%)
Depreciation	**8**	9	(12%)	**16**	18	(12%)
Amortization of right of use assets	**161**	—	100%	**322**	—	100%
Total DD&A	**895**	1,221	(27%)	**2,776**	3,164	(12%)
Per boe	**7.75**	6.51	19%	**7.13**	6.71	6%

For the three and six months ended June 30, 2019, depletion expense comprised the depletion of developed and producing assets, and the depreciation expense comprised the depreciation of office fixed assets, including office furniture, office equipment, vehicles, computer hardware and computer software. The decrease of depletion expense for the three and six months ended June 30, 2019 over 2018 is consistent with the reduction in the Company's production over the same periods. Amortization of right of use assets were incurred in respect of capitalized leases under IFRS 16, which came into effect January 1, 2019. The Company has adopted the standard using the modified retrospective approach which does not require restatement of prior period financial information (refer to note 3 in the unaudited condensed interim financial statements for the three and six months ended June 30, 2019 for additional information).

Impairment Losses and Write-offs

	Three months ended June 30,			Six months ended June 30,		
C$ 000s	**2019**	2018	Change	**2019**	2018	Change
PP&E impairment	7,825	—	100%	7,825	—	100%
E&E write-offs	—	—	0%	220	—	100%
Total impairment and write-offs	7,825	—	100%	8,045	—	100%

Impairment is assessed based on the recoverable amount compared with the asset's carrying amount to measure the amount of the impairment. In addition, where a non-financial asset does not generate largely independent cash inflows, the Company is required to perform its test at a CGU, which is the smallest identifiable grouping of assets that generates largely independent cash inflows. Refer to note 3 in the audited financial statements for the year ended December 31, 2018 for additional disclosures in respect of the Company's significant accounting policies.

As at June 30, 2019, the Company has identified indicators of impairment in its property, plant and equipment ("**PP&E**") assets in the Basing Alberta CGU attributable to declines in natural gas prices. The recoverable amount of the Basing Alberta CGU was estimated based upon the higher of the value in use or the fair value in use less cost of disposal. In each case, the value in use methodology was used. In determining value in use, forecasted cash flows from proved plus probable reserves using an after tax discount rate of 12 percent was used, with future development costs as obtained from the independent reserve report dated December 31, 2018, and escalated prices as described in note 7 of the Company's unaudited condensed interim financial statements for the three and six months ended June 30, 2019.

Based on the assessment as at June 30, 2019, the carrying amount of the Company's Basing CGU was higher than its recoverable amount and the Company recognised an impairment loss of C$7.8 million for this CGU. No impairment loss was recognized in the three and six month period ending June 30, 2018.

For the six months ended June 30, 2019, the Company wrote-off C$0.22 million in exploration and evaluation ("**E&E**") assets attributable to land lease expiries during the period. No E&E write-offs were incurred over the same period in 2018.

Share-based Compensation

There was no share-based compensation incurred during the three and six months ended June 30, 2019 and 2018.

Financial Instruments

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

The Company did not enter into any financial derivatives contracts for the three and six months ended June 30, 2019.

For the three and six months ended June 30, 2019, the Company experienced a foreign exchange loss of C$11,271 and C$18,602 respectively. These foreign exchange gains and losses are related to the revaluation of monetary items held in Hong Kong Dollars and the value changes with the fluctuation in the Hong Kong Dollars/Canadian Dollars exchange rates. The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates for the monetary assets and liabilities denominated in the currencies other than the functional currencies to which they relate. The Company has not hedged its exposure to currency fluctuation and the Company currently does not have a foreign currency hedging policy, however, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Net Loss and Comprehensive Loss

Net loss and comprehensive loss for the three months ended June 30, 2019 totaled C$10.7 million, compared to C$0.3 million in 2018. Net loss and comprehensive loss for the six months ended June 30, 2019 totaled C$12.8 million, compared to C$0.9 million in 2018. The increase for both periods over the prior year is attributable to lower revenues, higher operating and finance costs and C$8.0 million of impairment losses and write-offs experienced during the second quarter of this year.

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 loans and subordinated debt, other liabilities 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:

C$ 000s	As at June 30, 2019	As at December 31, 2018
Long term debt[(1)]	20,430	23,064
Other liabilities	888	4,226
Net working capital deficit[(2)]	3,441	1,646
Net debt	24,759	28,936
Shareholders' equity[(3)]	61,307	68,061
Total capital	86,066	96,996
Gearing Ratio[(4)]	29%	30%

Notes:

(1) This is long term debt amount including the unamortized debt issue cost.

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

(3) As at June 30, 2019 and the date of this MD&A, the Company has 301,886,520 common shares issued and outstanding and 8 million warrants issued with a strike price of HK$3.16 per warrant.

(4) Gearing Ratio is defined as Net debt as a percentage of total capital.

Capital Resources

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

On May 14, 2019 the Company issued 23.6 million common shares at a price of HK$1.50 per share for gross proceeds of HK$35.4 million (C$6.0 million). Net proceeds from the Subscription will be used for the expansion of its existing business, the development of new business, bank debt, and general working capital. Refer to Use of Proceeds from the Subscription below.

The Company has developed a range of planned expenditures for the remainder of 2019 which will be funded from free cashflow, working capital, remaining debt capacity, the Master Turnkey Drilling and Completion Contract and the Subscription. Management believes that its forecast cash flows, working capital, remaining debt capacity and proceeds from the Subscription are sufficient to cover the next 12 months of the Company's operations, including capital expenditures and current debt repayments.

Use of Proceeds from the Subscription

C$ millions

Business objective as stated in the announcement[1]	Percentage of total net proceeds	Planned use of net proceeds from the Closing Date to June 30, 2019[2]	Actual use of net proceeds from the Closing Date to June 30, 2019[2]	Proceeds unused	Expected timeline
Expansion of existing business[3]	83%	5.0	4.5	0.5	Q3 2019
Development of new business[4]	3%	0.2	0.2	—	—
General working capital	14%	0.8	0.8	—	—
Total	**100%**	**6.0**	**5.5**	**0.5**	**Q3 2019**

Notes:

1. Refer to the Company's announcement dated March 25, 2019
2. The Subscription was closed on May 14, 2019 (the "**Closing Date**")
3. Activities associated with the expansion of existing business includes testing and preparation of the Company's Voyager wells for tie-in and first production following completion of the Jixing pipeline and repayment of the Company's senior debt facility
4. Activities associated with development of new business included front end engineering for the Company's Voyager production and evaluation of the Company's future drilling inventory

Commitments

Commitments and contingencies exist under various agreements and operations in the normal course of the Company's business. For a detailed discussion regarding the Company's commitments and contingencies, please refer to note 21 in the Company's unaudited condensed interim financial statements and notes thereto for the three and six months ended June 30, 2019, and to note 28 in the audited financial statements and notes thereto for the year ended December 31, 2018.

The following table summarizes the timing of the Company's commitments as at June 30, 2019:

C$ 000s	Total	Less than 1 year	1–3 years	4–5 years	After 5 years
Transportation commitment	44,354	6,661	13,001	12,359	12,333
PSG facility	1,500	1,500	—	—	—
Total contractual obligations	**45,854**	**8,161**	**13,001**	**12,359**	**12,333**

Related Party Transactions

(a) Transactions with key personnel

Key management compensation for the three and six months ended June 30, 2019 totaled C$479,409 and C$1,027,675 respectively (2018 three months: C$374,050, 2018 six months: C$748,100).

During the three and six months ended June 30, 2019, the Company incurred directors' compensation of C$38,193 and C$58,421 respectively, per the Phantom Unit Plan (2018 three months: C$70,824, 2018 six months: C$68,634). As at June 30, 2019 the accrued compensation for independent non-executive directors per the Phantom Unit Plan was C$432,063 (December 31, 2018: C$373,642).

(b) Transactions with other related parties

There were no other related party transactions for the three and six months ended June 30, 2019 and 2018.

Stock Option Plan

The Company has a stock option plan which was approved and adopted by the shareholders of the Company by ordinary resolution passed on June 8, 2018 (the "**Stock Option Plan**"). No options were granted, exercised, cancelled by the Company or lapsed under the Stock Option Plan during the period from June 8, 2018 to June 30, 2019 and there were no outstanding options issued under the Stock Option Plan as at June 30, 2019 and up to the date of this interim report.

Off-Balance Sheet Transactions

The Company was not involved in any off-balance sheet transactions during the three and months ended June 30, 2019 and 2018.

Pledged Assets

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

Contingent Liabilities

As at June 30, 2019 and up to the date of this MD&A, the Company had no material contingent liabilities.

Events After the Reporting Period

Proposed Issue of Warrants

On July 26, 2019, the Company conditionally agreed to issue 52,377,304 warrants to an arm's length investor for gross proceeds of HK$556,000 (C$0.1 million). The sale is subject to both of approval from the Stock Exchange and shareholder of the Company and is anticipated to close on or before October 31, 2019.

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" 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

	Three months ended June 30,			Six months ended June 30,		
C$ 000s	**2019**	2018	Change	**2019**	2018	Change
Oil and natural gas sales	**2,082**	3,480	(40%)	**7,147**	8,914	(20%)
Net trading revenue	**248**	282	(12%)	**219**	295	(26%)
Royalties	**(214)**	261	(182%)	**(872)**	(578)	51%
Operating costs	**(1,810)**	(1,200)	51%	**(4,164)**	(2,676)	56%
Operating netback	**306**	2,823	(89%)	**2,330**	5,955	(61%)

Adjusted EBITDA

	Three months ended June 30,			Six months ended June 30,		
C$ 000s	2019	2018	Change	2019	2018	Change
Oil and natural gas sales	2,082	3,480	(40%)	7,147	8,914	(20%)
Net trading revenue	248	282	(12%)	219	295	(26%)
Royalties	(214)	261	(182%)	(872)	(578)	51%
Operating costs	(1,810)	(1,200)	51%	(4,164)	(2,676)	56%
General and administrative costs	(1,245)	(1,238)	1%	(2,266)	(2,566)	(12%)
Other income	21	7	189%	26	13	98%
Adjusted EBITDA	(918)	1,594	(158%)	90	3,402	(97%)

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 12 months are described in note 4 of the audited annual financial statements for the year ended December 31, 2018.

Changes in Accounting Policies

The Company's accounting policies are described in note 3 to the December 31, 2018 audited annual financial statements. Those accounting policies have been applied consistently to all periods presented in the interim condensed financial statements except as noted below.

Recent Accounting Standards

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Change in Accounting Policies

Leases

In January 2016, the IASB issued IFRS 16 Leases ("**IFRS 16**"), which replaces the existing IFRS guidance on leases: IAS 17 Leases ("**IAS 17**"). Under IAS 17, lessees were required to determine if the lease is a finance or operating lease, based on specified criteria of whether the lease transferred significantly all the risks and rewards associated with ownership of the underlying asset. Finance leases are recognized on the statement of financial position while operating leases are recognized in the statement of loss and comprehensive loss when the expense is incurred. Under IFRS 16, lessees must recognize a lease liability and a right-of-use asset for most lease contracts. The recognition of the present value of minimum lease payments for certain contracts previously classified as operating leases resulted in increases to assets, liabilities, depletion, depreciation and amortization, and finance expense, and decreases to production, operating and transportation expense and general and administrative expenses.

The Company has adopted IFRS 16 on January 1, 2019 using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively. Accordingly, comparative information in the Company's financial statements are not restated.

On adoption, lease liabilities were measured at the present value of the remaining lease payments discounted using the Company's incremental borrowing rate on January 1, 2019. Right-of-use assets were measured at an amount equal to the lease liability. For leases previously classified as operating leases, the Company applied the exemption not to recognize right-of-use assets and liabilities for leases with a lease term of less than 12 months, excluded initial direct costs from measuring the right-of-use asset at the date of initial application, and applied a single discount rate to a portfolio of leases with similar characteristics. On adoption, and as at June 30, 2019, the Company held no leases that were previously classified as finance leases under IAS 17, or leases where the Company was a lessor.

Financial Statement Impact

The recognition of the present value of minimum lease payments resulted in an additional C$3.05 million of right-of-use assets and associated lease liabilities at January 1, 2019. The Company has recognized lease liabilities in relation to lease arrangements previously disclosed as operating lease commitments under IAS 17 that meet the criteria of a lease under IFRS 16. Upon recognition, the Company's weighted average incremental borrowing rate used in measuring lease liabilities was 8.4%.

The nature of the Company's leasing activities includes equipment for the use of producing reserves from its oil and gas properties and office space. Refer to note 8 of the unaudited condensed interim financial statements for the three and six months ended June 30, 2019 for the values recognized upon implementation in each asset class.

Future Plans for Material Investments and Capital Assets

Save as disclosed in this MD&A, the Company did not have other plans for material investments and capital assets as of the date of this MD&A.

Significant Investments, Acquisitions and Disposals of Subsidiaries

Save as otherwise disclosed in this MD&A, the Company has no significant investments, acquisitions or disposals planned or in process.

Human Resources

The Company had 10 employees as of June 30, 2019 and 2018. The employees of the Company are employed under employment contracts which set out, among other things, their job scope, eligible training schemes and remuneration. Further details of their employment terms are set out in the employee handbook of the Company. The Company determines the employees' salaries based on their job nature, scope of duty, and individual performance. The Company also provides reimbursements, allowances for site visits and a discretionary annual bonus for the employees. Employee remuneration for the three and six months ended June 30, 2019 totaled C$479,409 and C$1,027,675 respectively (2018 three months: C$374,050, 2018 six months: C$748,100).

Risk Factors

The business of resource exploration, development and extraction involves a high degree of risk. Material risks and uncertainties affecting the Company, their potential impact and the Company's principal risk management strategies are substantially unchanged from those disclosed in the Company's Annual Information Form ("**AIF**") for the year ended December 31, 2018. The AIF is available at *www.sedar.com*.

Disclosure Controls and Procedures

Mr. Le Bo, Chairman of the Board and Chief Executive Officer ("**CEO**"), and Mr. Jesse Meidl, Chief Financial Officer ("**CFO**"), have designed, or caused to be designed under their supervision, disclosure controls and procedures ("**DC&P**") to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's CEO and CFO by others, particularly during the period in which the annual and quarterly filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

Internal Controls over Financial Reporting

Mr. Le Bo, Chairman of the Board and CEO, and Mr. Jesse Meidl, CFO, have designed, or caused to be designed under their supervision, internal controls over financial reporting ("**ICFR**") to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Furthermore, the Company used the criteria established in "Internal Control — Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission (2013 COSO Framework).

No material changes in the Company's ICFR were identified during the three and six months ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud. In reaching a reasonable level of assurance, management necessarily is required to apply its judgment in evaluating the cost/benefit relationship of possible controls and procedures.

Dividends

The Company has not declared or paid any dividends during the three and six months ended June 30, 2019.

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. Bo is the chairman of the Board and CEO 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, 2019 (the "**Reporting Period**"), the Company has complied with the CG Code.

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.

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 of the Company (the "**Directors**") and the Company's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company's securities. Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Company during the Reporting Period.

Purchase, Sale or Redemption of Listed Securities of the Company

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

Review of the Interim Results

The Company established an audit and risk committee of the Company (the "**Audit and Risk Committee**") with written terms of reference in compliance with the CG Code. As at the date of this interim report, the Audit and Risk 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 results for the six months ended June 30, 2019 and has also discussed with management internal controls, accounting principles and practices adopted by the Company. The Audit and Risk Committee is of the opinion that the interim results have been prepared in accordance with the applicable accounting standards, laws and regulations and the Listing Rules and that adequate disclosures have been made.

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, 2019 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, 2019, 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	186,862,832 (Long Position)	61.90%
Yuan Jing (Notes 2 and 3)	Interest in controlled corporation and parties acting in concert	186,862,832 (Long Position)	61.90%

Notes:

1. Mr. Le Bo ("**Mr. Bo**") holds 440,000 common shares, equivalent to approximately 0.15% 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 dated December 18, 2015 (the "**Unanimous Shareholders Agreement**") and the first supplemental unanimous shareholders agreement dated April 29, 2016 (the "**First Supplemented Unanimous Shareholders Agreement**"), Aspen Investment Holdings Ltd. ("**Aspen**"), Mr. Yuan Jing ("**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 61.90% of the total issued common shares of the Company.

2. Mr. Jing is 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 61.90% 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 61.90% 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, 2019, 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, 2019, 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 (Notes 1 and 8)	Beneficial owner and parties acting in concert	186,862,832 (Long Position)	61.90%
JLHY (Notes 1 and 3)	Interest in controlled corporation and parties acting in concert	186,862,832 (Long Position)	61.90%
Jing Hou (Note 4)	Beneficial owner, interest of spouse and parties acting in concert	186,862,832 (Long Position)	61.90%
164 Co (Notes 1 and 5)	Interest in controlled corporation and parties acting in concert	186,862,832 (Long Position)	61.90%
Liyuan (Note 6)	Interest in controlled corporation and parties acting in concert	186,862,832 (Long Position)	61.90%
Guang Jing (Note 7)	Interest in controlled corporation	186,862,832 (Long Position)	61.90%
Jixing Gas Holdings Limited (Note 8)	Beneficial owner	23,600,000	7.82%
Changchun City Jixing Gas Service for Auto Co. Ltd. (Note 8) (長春市吉星車用氣有限公司)	Interest in controlled corporation	23,600,000	7.82%
Liu Yongtan (Note 8)	Interest in controlled corporation	23,600,000	7.82%
Zhang Lijun (Note 8)	Interest in controlled corporation	23,600,000	7.82%

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 61.90% of the total number of the issued common shares of the Company.

2. 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 61.90% 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 61.90% 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 61.90% 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 61.90% 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.

8. Jixing Gas Holdings Limited is owned as to 100% by Changchun City Jixing Gas Service for Auto Co. Ltd. (長春市吉星車用氣有限公司) which is owned as to 66.70% and 33.30% by Mr. Liu Yongyan and Ms. Zhang Lijun, respectively.

Save as disclosed above, and as at June 30, 2019, 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 change in the Board during the six months ended June 30, 2019.

There were no change in the information of Directors since the date of the Company's 2018 annual report.

Save as disclosed above, the Company is not aware of other information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Selected Quarterly Information

Average Daily Production	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Natural gas (mcf/d)	6,717	17,023	10,786	9,236	11,397	17,987	13,708	12,196
Crude oil (bbls/d)	76	90	64	75	68	94	73	77
NGLs and Condensate (bbls/d)	59	114	95	66	71	133	131	129
Total Production (boe/d)	1,255	3,041	1,957	1,680	1,989	3,225	2,490	2,239
Average Daily Trading								
Natural gas (boe/d)	367	39	315	222	289	75	208	159

Financial

C$ 000s except share amounts	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Production revenue	2,082	5,065	3,286	3,164	3,480	5,434	4,772	4,501
Royalties	(214)	(658)	(266)	(319)	261	(840)	(591)	(396)
Net trading revenue	248	(30)	256	293	282	95	562	679
Operating costs	(1,810)	(2,353)	(1,581)	(1,096)	(1,200)	(1,476)	(1,272)	(1,201)
Operating netback (Note 1)	306	2,315	1,614	1,940	2,823	3,132	3,209	3,345
Net loss	(10,744)	(2,010)	(5,335)	(1,071)	(342)	(545)	(2,859)	(1,579)
Net working capital (Note 2)	(3,441)	(6,446)	(1,646)	3,638	4,033	(2,639)	(22,252)	660
Total assets	94,131	103,665	103,582	111,604	113,438	110,406	111,091	115,238
Capital expenditures (net)	(109)	282	872	18	201	(21,943)	507	3,728
Profit (loss) per shares — basic	(0.04)	(0.01)	(0.02)	0.00	0.00	0.00	(0.01)	(0.01)
Profit (loss) per share — diluted	(0.04)	(0.01)	(0.02)	0.00	0.00	0.00	(0.01)	(0.01)

Notes:

1 Non-IFRS measure — see discussion under the heading "Non-IFRS Financial Measures".

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

The oil and gas exploration and production industry is cyclical. The Company's financial position, results of operations and cash flows are principally impacted by production levels and commodity prices, particularly natural gas prices. Commodity price fluctuations can indirectly impact expected production by changing the amount of funds available to reinvest in exploration, development and acquisition activities in the future. Changes in commodity prices impact revenue and cash flow available for exploration, and also the economics of potential capital projects as low commodity prices can potentially reduce the quantities of reserves that are commercially recoverable. The Company's capital program is dependent on cash flow generated from operations and access to capital markets.

The Company's total production has fluctuated over the past 8 quarters reflecting changes in natural gas prices over the same period as the Company has strategically shut-in wells when the market price of gas rendered production uneconomic. Changes in quarterly revenue over the same period reflect production levels and realized commodity prices. Operating costs have increased in 2019 as the Company's firm services contract was initiated at the start of the year. Changes in quarterly net loss are attributable to movements in revenues, operating costs, DD&A and impairment. The higher net loss in Q4 2018 includes C$2.0 million of impairment losses and write-offs, and Q2 2019 net loss of C$10.7 million includes C$8.0 million of impairment losses and write-offs.

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

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

C$ (Unaudited)	Note	As at June 30, 2019	As at December 31, 2018
Assets			
Current assets:			
Cash and cash equivalents	4	**1,002,718**	2,605,709
Accounts receivable	5	**1,843,224**	1,196,062
Prepaid expenses and deposits		**726,782**	796,744
Total current assets		**3,572,724**	4,598,515
Exploration and evaluation assets	6	**43,310,620**	43,484,822
Property, plant and equipment	7	**44,515,014**	55,498,465
Right of use assets	8	**2,732,167**	—
Total Assets		**94,130,525**	103,581,802
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	9	**6,300,019**	6,038,478
Current portion of lease liabilities	8	**508,006**	—
Decommissioning liabilities	11	**205,836**	205,836
Total current liabilities		**7,013,861**	6,244,314
Other liabilities	12	**887,968**	4,225,734
Lease liabilities	8	**2,350,802**	—
Long term debt	10	**20,430,385**	23,063,945
Decommissioning liabilities	11	**2,140,528**	1,987,145
Total liabilities		**32,823,544**	35,521,138
Shareholders' equity:			
Share capital	13	**210,366,683**	204,366,683
Warrants	13	**647,034**	647,034
Accumulated deficit		**(149,706,736)**	(136,953,053)
Total shareholders' equity		**61,306,981**	68,060,664
Total Liabilities and Shareholders' Equity		**94,130,525**	103,581,802
Subsequent Event	22		

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

CONDENSED INTERIM STATEMENT OF LOSS AND OTHER COMPREHENSIVE LOSS

		Three months ended June 30,		Six months ended June 30,	
C$ (Unaudited)	Note	2019	2018	2019	2018
Revenue					
Oil and natural gas sales	14	**2,082,155**	3,480,033	**7,147,466**	8,913,957
Royalties		**(213,726)**	261,225	**(872,161)**	(578,353)
Net revenue from oil and natural gas sales		**1,868,429**	3,741,258	**6,275,305**	8,335,604
Net trading revenue from natural gas sales	14	**248,215**	281,627	**218,708**	295,448
Total net revenue		**2,116,644**	4,022,885	**6,494,013**	8,631,052
Expenses					
Operating costs		**(1,810,416)**	(1,199,950)	**(4,163,641)**	(2,676,325)
General and administrative costs		**(1,244,594)**	(1,237,527)	**(2,265,926)**	(2,565,997)
Depletion, depreciation and amortization		**(894,531)**	(1,220,837)	**(2,776,332)**	(3,163,571)
Impairment losses and write-offs	6, 7	**(7,824,863)**	—	**(8,044,705)**	—
Total expenses		**(11,774,404)**	(3,658,314)	**(17,250,604)**	(8,405,893)
Loss from operations		**(9,657,760)**	364,571	**(10,756,591)**	225,159
Other income		**20,980**	7,265	**26,428**	13,365
Finance expenses	15	**(1,106,985)**	(713,707)	**(2,023,520)**	(1,125,230)
Loss before taxes		**(10,743,765)**	(341,871)	**(12,753,683)**	(886,706)
Income taxes	16	**—**	—	**—**	—
Loss and comprehensive loss		**(10,743,765)**	(341,871)	**(12,753,683)**	(886,706)
Loss per share	17				
Basic and diluted		**(0.04)**	(0.00)	**(0.04)**	(0.00)

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

CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

C$ (Unaudited)	Note	Share Capital	Warrants	Accumulated Deficit	Total Equity
Balance at January 1, 2019	13	204,366,683	647,034	(136,953,053)	68,060,664
Shares issued for cash		6,000,000	—	—	6,000,000
Loss for the period		—	—	(12,753,683)	(12,753,683)
Balance at June 30, 2019		210,366,683	647,034	(149,706,736)	61,306,981
Balance at January 1, 2018	13	204,366,683	—	(129,673,592)	74,693,091
Loss for the period		—	—	(886,706)	(886,706)
Balance at June 30, 2018		204,366,683	—	(130,560,298)	73,806,385

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

CONDENSED INTERIM STATEMENT OF CASH FLOWS

C$ (Unaudited)	Note	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Cash provided by (used in):					
Operations					
Net loss		**(10,743,765)**	(341,871)	**(12,753,683)**	(886,706)
Items not involving cash:					
Depletion, depreciation and amortization		**894,531**	1,220,837	**2,776,332**	3,163,571
Non-cash finance expenses		**867,654**	60,009	**1,562,030**	101,648
Unrealized foreign exchange loss (gain)		**11,270**	(552)	**18,602**	(10,519)
Impairment losses and write-offs		**7,824,863**	—	**8,044,705**	—
Funds (used in) from operations		**(1,145,447)**	938,423	**(352,014)**	2,367,994
Changes in non-cash working capital	4	**(990,130)**	(443,038)	**(1,643,229)**	460,778
Total cash (used in) from operating activities		**(2,135,577)**	495,385	**(1,995,243)**	2,828,772
Investing					
Cost recovery of property, plant and equipment		**848,377**	(38,350)	**764,379**	(40,468)
Expenditures on exploration and evaluation assets		**(1,745,539)**	(3,101,701)	**(2,189,280)**	(5,459,793)
Investments		**—**	3,333,500	**—**	3,333,500
Net cash from (used in) investing activities		**(897,162)**	193,449	**(1,424,901)**	(2,166,761)
Financing					
Proceeds from debt, net	10	**—**	18,695,000	**—**	18,695,000
Proceeds from warrants, net	13	**—**	652,500	**—**	652,500
Proceeds from share issuance		**6,000,000**	—	**6,000,000**	—
Repayment of bank loan		**(2,664,243)**	(12,602,500)	**(4,164,243)**	(13,802,500)
Changes in non-cash working capital		**(40,823)**	—	**—**	—
Net cash from financing activities		**3,294,934**	6,745,000	**1,835,757**	5,545,000
Increase (decrease) in cash and cash equivalents		**262,195**	7,433,834	**(1,584,387)**	6,207,011
Effect of exchange rate changes on cash and cash equivalents		**(11,273)**	552	**(18,604)**	10,519
Cash and cash equivalents, beginning of period		**751,796**	1,146,326	**2,605,709**	2,363,183
Cash and cash equivalents, end of period		**1,002,718**	8,580,712	**1,002,718**	8,580,712
Supplementary information:					
Interest paid		**59,147**	546,955	**154,727**	854,072

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three and six months ended June 30, 2019
(Expressed in Canadian dollars unless otherwise indicated)
Unaudited

1 Corporate Information

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

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

2 Basis of Preparation

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

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended December 31, 2018. 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, 2018 except as described in note 3 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 2018 annual financial statements. These unaudited condensed interim financial statements were approved by the board (the "**Board**") of directors (the "**Directors**") on September 25, 2019.

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

3 Significant Accounting Policies

Recent Accounting Standards

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Change in Accounting Policies

Leases

In January 2016, the IASB issued IFRS 16 Leases ("**IFRS 16**"), which replaces the existing IFRS guidance on leases: IAS 17 Leases ("**IAS 17**"). Under IAS 17, lessees were required to determine if the lease is a finance or operating lease, based on specified criteria of whether the lease transferred significantly all the risks and rewards associated with ownership of the underlying asset. Finance leases are recognized on the statement of financial position while operating leases are recognized in the statement of loss and comprehensive loss when the expense is incurred. Under IFRS 16, lessees must recognize a lease liability and a right-of-use asset for most lease contracts. The recognition of the present value of minimum lease payments for certain contracts previously classified as operating leases resulted in increases to assets, liabilities, depletion, depreciation and amortization, and finance expense, and decreases to production, operating and transportation expense and general and administrative expenses.

The Company has adopted IFRS 16 on January 1, 2019 using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively. Accordingly, comparative information in the Company's financial statements are not restated.

On adoption, lease liabilities were measured at the present value of the remaining lease payments discounted using the Company's incremental borrowing rate on January 1, 2019. Right-of-use assets were measured at an amount equal to the lease liability. For leases previously classified as operating leases, the Company applied the exemption not to recognize right-of-use assets and liabilities for leases with a lease term of less than 12 months, excluded initial direct costs from measuring the right-of-use asset at the date of initial application, and applied a single discount rate to a portfolio of leases with similar characteristics. On adoption, and as at June 30, 2019, the Company held no leases that were previously classified as finance leases under IAS 17, or leases where the Company was a lessor.

Financial Statement Impact

The recognition of the present value of minimum lease payments resulted in an additional C$3.05 million of right-of-use assets and associated lease liabilities at January 1, 2019. The Company has recognized lease liabilities in relation to lease arrangements previously disclosed as operating lease commitments under IAS 17 that meet the criteria of a lease under IFRS 16. Upon recognition, the Company's weighted average incremental borrowing rate used in measuring lease liabilities was 8.4%.

The nature of the Company's leasing activities includes equipment for the use of producing reserves from its oil and gas properties and office space. Refer to note 8 for the values recognized upon implementation in each asset class.

(Expressed in Canadian dollars unless otherwise indicated)

4 Cash and Cash Equivalents

(a) Cash and cash equivalents

C$	As at June 30, 2019	As at December 31, 2018
Deposits with banks and other financial institutions	**997,421**	2,600,381
Cash on hand	**5,297**	5,328
Cash and cash equivalents in the statement of financial position and statement of cash flows	**1,002,718**	2,605,709

(b) Supplementary cash flows information

	Three months ended June 30,		Six months ended June 30,	
C$	2019	2018	2019	2018
Change in non-cash working capital:				
Accounts receivable	**32,572**	(1,990,041)	**647,162**	(773,184)
Prepaid expenses, deposits and deferred financing costs	**30,851**	(375,087)	**(69,962)**	(246,579)
Accounts payable and accrued liabilities	**2,911,776**	1,314,113	**3,076,223**	2,370,312
Lease liabilities	**97,529**	—	**195,057**	—
	3,072,728	(1,051,015)	**3,848,480**	1,350,549
Change in non-cash working capital included in investing and financing activities	**(4,062,858)**	607,976	**(5,491,709)**	(889,771)
Change in non-cash working capital included in operating activities	**(990,130)**	(443,039)	**(1,643,229)**	460,778

5 Accounts Receivable

C$	As at June 30, 2019	As at December 31, 2018
Trade receivables	**533,821**	1,196,062
Other receivables	**1,309,403**	—
Total	**1,843,224**	1,196,062

Trade receivables comprise balances due through the sale of the Company's oil, natural gas, natural gas liquids and condensate production. Other receivables include C$1.3 million for repayment of past costs incurred by the Company on its Voyager gas gathering system and pipeline project (refer to note 6).

(Expressed in Canadian dollars unless otherwise indicated)

5 Accounts Receivable (Continued)

(a) Aging analysis of accounts receivable

As at June 30, 2019 and December 31, 2018, the aging analysis of accounts receivable, based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

C$	As at June 30, 2019	As at December 31, 2018
Within 1 month	**1,831,652**	1,196,062
1 to 3 months	**11,572**	—
Over 3 months	**—**	—
Total	**1,843,224**	1,196,062

Trade receivables are to be collected within 25 days from the date of billing, other receivables are to be collected within 30 days of the date of billing.

(b) Impairment of accounts receivable

Impairment losses in respect of accounts receivable 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 receivables directly. No impairment loss has been recognized in respect of trade or other accounts receivable for the three and six months ended June 30, 2019 and 2018.

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

C$	As at June 30, 2019	As at December 31, 2018
Balance, beginning of period	**43,484,822**	40,065,106
Additions	**344,299**	5,210,599
Cost recovery	**(298,659)**	—
Write-offs	**(219,842)**	(1,790,883)
Balance, end of period	**43,310,620**	43,484,822

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 uneconomic drilling and completion activities and lease expiries.

Based on the Company's accounting policy, once the technical feasibility and commercial viability of the extraction of resources in an area of interest are demonstrable based on technical data available to support the possible recovery of reserves, E&E assets attributable to that area are assessed for impairment with any impairment loss recognized in profit or loss. The remaining carrying value of the relevant E&E assets is then reclassified as development and production assets within PP&E.

(Expressed in Canadian dollars unless otherwise indicated)

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

On May 9, 2019, the Company announced it entered into a gas handling agreement with Jixing Energy (Canada) Ltd. ("**Jixing**") whereby the Company will transport its natural gas and associated products through Jixing's Voyager gas gathering system and pipeline. Pursuant to the agreement, past costs incurred by the Company in respect of the Voyager gas gathering system and pipeline project would be repaid by Jixing. As at June 30, 2019, a total of C$1.3 million of past costs, comprised of C$0.3 million in E&E and C$1.0 million in PP&E was classified as accounts receivable.

The Company has not capitalized any E&E G&A in 2019. C$524,625 was capitalized in 2018 in accordance with the Company's accounting policies. As at June 30, 2019 and December 31, 2018, all E&E write-offs are attributable to land lease expiries. As at June 30, 2019, the Company has concluded that there were no triggers for impairment on its E&E assets.

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

C$	Cost	Accumulated Depletion and Depreciation	Net Book Value
Balance, January 1, 2018	152,627,692	(89,982,395)	62,645,297
Additions	203,679	—	203,679
Change in decommissioning obligations	(19,405)	—	(19,405)
Depletion and depreciation	—	(5,368,826)	(5,368,826)
Impairment	(1,962,280)	—	(1,962,280)
Balance, December 31, 2018	150,849,686	(95,351,221)	55,498,465
Balance, January 1, 2019	**150,849,686**	**(95,351,221)**	**55,498,465**
Additions	**173,180**	**—**	**173,180**
Change in decommissioning obligations	**122,037**	**—**	**122,037**
Cost recovery	**(999,170)**	**—**	**(999,170)**
Depletion and depreciation	**—**	**(2,454,635)**	**(2,454,635)**
Impairment	**(7,824,863)**	**—**	**(7,824,863)**
Balance, June 30, 2019	**142,320,870**	**(97,805,856)**	**44,515,014**

Substantially all of PP&E consists of development and production assets. Pursuant to the Jixing agreement (as described in note 6), past costs incurred by the Company in respect of the Voyager gas gathering system and pipeline project would be repaid by Jixing. As at June 30, 2019, a total of C$1.3 million of past costs, comprised of C$0.3 million in E&E and C$1.0 million in PP&E was classified as accounts receivable.

During 2019 the Company capitalized PP&E G&A costs of C$163,500 (2018: C$3,358) in accordance with the Company's accounting policies.

(Expressed in Canadian dollars unless otherwise indicated)

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

Depletion and depreciation

Depletion, depreciation and impairment of PP&E, and any reversal thereof, are recognized as separate line items in the condensed interim statement of loss and other comprehensive loss. The depletion calculation for the three and six months ended June 30, 2019 includes estimated future development costs of C$24,490,000 associated with the development of the Company's proved plus probable reserves. For the three and six months ended June 30, 2019, there were no write-offs of PP&E attributable to land lease expiries.

Impairment

Impairment is assessed based on the recoverable amount compared with the asset's carrying amount to measure the amount of the impairment. In addition, where a non-financial asset does not generate largely independent cash inflows, the Company is required to perform its test at a cash generating unit ("**CGU**"), which is the smallest identifiable grouping of assets that generates largely independent cash inflows. Refer to note 3 in the audited financial statements for the year ended December 31, 2018 for additional disclosures in respect of the Company's significant accounting policies.

As at June 30, 2019, the Company has identified indicators of impairment in its PP&E assets in the Basing Alberta CGU attributable to declines in natural gas prices. The recoverable amount of the Basing Alberta CGU was estimated based upon the higher of the value in use or the fair value less costs of disposal. In each case, the value in use methodology was used. In determining value in use, forecasted cash flows from proved plus probable reserves using an after tax discount rate of 12 percent was used, with future development costs as obtained from the independent reserve report dated December 31, 2018, and escalated prices as described below.

Based on the assessment as at June 30, 2019, the carrying amount of the Company's Basing CGU was higher than its recoverable amount and the Company recognised an impairment loss of C$7.8 million for this CGU.

As at June 30, 2019, the Company utilised the following benchmark prices to determine the forecast prices in the value in use calculation:

Year	AECO Gas C$/mmbtu	Propane C$/bbl	Condensate C$/bbl
2019	1.60	14.48	71.06
2020	1.90	21.62	77.27
2021	2.15	25.92	79.75
2022	2.40	30.75	83.13
2023	2.55	36.28	86.88
2024	2.75	37.69	90.00
2025	2.85	39.09	93.13
2026	2.95	40.50	96.25
2027	3.04	41.72	98.96
2028	3.11	42.62	100.96
2029(1)	+2.0%/yr	+2.0%/yr	+2.0%/yr

(1) Approximate percentage change in each year after 2029 to the end of the reserve life.

(Expressed in Canadian dollars unless otherwise indicated)

8 Right of Use Assets and Leases

(a) Right of Use Assets

C$	Oil and Gas Production	Office Space	Total
Balance, January 1, 2019	–	–	–
Initial recognition	338,418	2,715,446	3,053,864
Amortization	(101,526)	(220,171)	(321,697)
Balance, June 30, 2019	236,892	2,495,275	2,732,167

(b) Leases

C$	As at June 30, 2019
Statement of Financial Position	
Current lease liabilities	508,006
Long term lease liabilities	2,350,802
Total lease liabilities	2,858,808
Reconciliation to Operating Lease Commitments	
Operating leases included in commitments as at December 31, 2018	3,884,060
Discounting	(830,195)
Additional lease liability recognized due to adoption of IFRS 16 on January 1, 2019	3,053,865

C$	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Results of Operations		
Interest expense on lease liabilities	64,462	128,923
Cash Flow Summary		
Total cash flow used for leases	323,980	647,960

(Expressed in Canadian dollars unless otherwise indicated)

9 Accounts Payable and Accrued Liabilities

C$	As at June 30, 2019	As at December 31, 2018
Trade payables	490,667	651,209
Accrued liabilities	1,077,021	1,432,903
Accrued compensation per Phantom Unit Plan	432,063	373,642
	1,999,751	2,457,754
Other payables	4,300,268	3,580,724
Total	6,300,019	6,038,478

The accrued compensation for independent non-executive directors per Phantom Unit Plan is accrued quarterly and will be paid in accordance with the terms set out in the Phantom Unit Plan as defined in note 19 of the audited financial statements for the year ended December 31, 2018.

As at June 30, 2019 there were C$4.1 million of unpaid capital expenditures included in other payables (December 31, 2018: C$3.0 million).

All trade payables and accrued liabilities 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, 2019 and December 31, 2018, the aging analysis of trade payables and accrued liabilities is as follows:

C$	As at June 30, 2019	As at December 31, 2018
Within 1 month	1,137,978	1,585,347
1 to 3 months	413,960	402,866
Over 3 months but within 6 months	15,750	95,899
Total	1,567,688	2,084,112

(Expressed in Canadian dollars unless otherwise indicated)

10 Long Term Debt

C$	As at June 30, 2019	As at December 31, 2018
Bank loan	—	4,164,243
Subordinated debt	**21,000,000**	20,000,000
Accrued and unpaid interest on subordinated debt	**1,376,268**	—
Less: deferred financing costs	**(1,945,883)**	(1,100,298)
Balance, end of period	**20,430,385**	23,063,945
Current	—	—
Long term	**20,430,385**	23,063,945

(a) Bank Loan

On May 15, 2019, the Company repaid the bank loan and closed the facility.

(b) Subordinated debt

On May 16, 2018, the Company completed a subordinated debt (the "**SubDebt**") financing with an arm's length lender (the "**SubLender**") totaling C$25 million. The SubDebt has a term of 60 months, and bears interest at 12% per annum, compounded and payable monthly. The Company has the option to prepay as follows: (i) after 12 months, the right to prepay C$10 million subject to a prepayment fee of 1% of the amount prepaid; and (ii) after 18 and up to 36 months, the right to prepay any SubDebt amount outstanding in tranches of C$5 million, subject to a prepayment fee of 3% of the amount prepaid; and (iii) after 37 months, the right to prepay any SubDebt amount outstanding in tranches of C$5 million, subject to a prepayment fee of 1% of the amount prepaid. An exit fee of C$0.75 million is payable when the SubDebt facility is repaid or at maturity on May 16, 2023. In connection with the SubDebt, the Company sold 8 million share purchase warrants to the SubLender for C$0.75 million. The Company completed an initial draw of C$20.0 million from the SubDebt at closing.

The SubDebt is secured by a general security agreement over all present and after-acquired property of the Company subject to the fixed and floating first priority held by the Lender. Prior to December 2018, the SubDebt was subject to the following 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, net debt to run rate EBITDA not exceeding 4.0/1.0 through the fiscal quarter ending March 2019, and 3.0/1.0 through the fiscal quarter ending March 31, 2020 and 2.5/1.0 thereafter; and (c) net debt to total proved reserves not exceeding 0.75/1.0 through the fiscal quarter ending March 31, 2019, and not exceeding 0.60/1.0 thereafter; and (d) maintaining the Company's Alberta Energy liability management ratio above 2.0/1.0. Pursuant to the SubDebt agreement, no later than September 30 in each year, the Company must enter into arrangements to protect against fluctuations in commodity prices for 80% of its forecast production volume from proved Developed Producing Reserves.

10 Long Term Debt (Continued)

(b) Subordinated debt (Continued)

Effective December 31, 2018, the Company and SubLender amended the SubDebt agreement (the "**First Amending Agreement**") such that run rate EBITDA for the covenant calculation was changed to trailing twelve months ("**TTM**") EBITDA, and for the fiscal quarter ended December 31, 2018, net debt to TTM EBITDA would not exceed 4.75/1.0. Under the terms of the SubDebt agreement, "net debt" is defined as the consolidated debt of the Company, less cash held, and excluding debt defined as other liabilities (note 12). Under the terms of the First Amending Agreement, TTM EBITDA is defined as the annualized earnings before deduction of interest expenses/income, income taxes, depletion and depreciation, write-offs, unrealized hedging gains/losses and share-based compensation for the four most recent fiscal quarters.

In March 2019, the Company and SubLender further amended the SubDebt agreement (the "**Second Amending Agreement**"). The Second Amending Agreement eliminates the TTM EBITDA covenant for 2019, and implements a deferral of the monthly interest payable to the SubLender starting January 1, 2019 until the earlier of the repayment of the New Facility or January 1, 2020. The Company incurred a fee of C$1.0 million pursuant to the Second Amending Agreement. The fee was deemed to be incurred with the signing of the agreement, but capitalized as an increase of the SubDebt principal, such that the total amount owed under the SubDebt increased to C$21 million, and the total SubDebt available subject to SubLender approval increases to C$26 million. As such, no cash cost will be incurred in relation to the fee in 2019. Pursuant to the Second Amending Agreement, subject to approval by the SubLender, the Company has an additional C$3.6 million of SubDebt available. In total, C$1.25 million in costs have been incurred in relation to the SubDebt and such amounts have been paid to the SubLender. These costs have been capitalised in long term debt and amortised over the maturity of the SubDebt.

As at June 30, 2019, the Company was in compliance with all covenants in respect of the SubDebt. In light of the current volatility in oil and gas prices and uncertainty regarding the timing for recovery in such prices as well as pipeline and transportation capacity constraints, management's ability to prepare financial forecasts is challenging. Due to this volatile economic environment, it is possible that the Company could breach the covenants noted within its facility and SubDebt agreements in future periods. If a covenant violation does occur, this will represent an event of default under the facility and the lenders will have the right to demand repayment of all amounts owed under the facility and SubDebt.

(Expressed in Canadian dollars unless otherwise indicated)

11 Decommissioning Liabilities

The total future decommissioning obligations were estimated based on the Company's net ownership interest in petroleum and natural gas assets including well sites, gathering systems and facilities, the estimated costs to abandon and reclaim the petroleum and natural gas assets and the estimated timing of the costs to be incurred in future periods. As at June 30, 2019, the Company estimated the total undiscounted amount of cash flows required to settle its decommissioning obligations to be approximately C$3.0 million which will be incurred between 2019 and 2067. The majority of these costs will be incurred by 2037. As at June 30, 2019, an average risk free rate of 2.04% (December 31, 2018: 2.04%) and an inflation rate of 2% (December 31, 2018: 2%) were used to calculate the decommissioning obligations.

The following reconciles the Company's decommissioning liabilities:

C$	**As at June 30, 2019**	As at December 31, 2018
Balance, beginning of period	**2,192,981**	2,172,148
Change in estimate	**122,037**	(19,406)
Accretion expense	**31,346**	40,239
Balance, end of period	**2,346,364**	2,192,981
Current	**205,836**	205,836
Long term	**2,140,528**	1,987,145

12 Other Liabilities

C$	**As at June 30, 2019**	As at December 31, 2018
Other liabilities	**887,968**	4,225,734

Other liabilities are primarily comprised of costs incurred pursuant to the Master Turnkey Drilling and Completion Contract (the "**Contract**"). For additional information on the Contract refer to the Company's audited financial statements for the year ended December 31, 2018. As at June 30, 2019, the Company has completed one well per the Contract with a total outstanding balance of C$4.8 million. In accordance with the payment terms, the Company has accrued C$4.1 million in current liabilities with the C$0.7 million as other liabilities.

The remaining C$0.2 million balance in other liabilities is comprised of capitalized rent inducement in respect of the Company's office lease.

(Expressed in Canadian dollars unless otherwise indicated)

13 Share Capital

(a) Authorized:

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

(b) Issued:

	Common Shares	Amount C$
Balance at January 1, 2018 and December 31, 2018	278,286,520	204,366,683
Shares issued for cash	23,600,000	6,000,000
Balance at June 30, 2019	**301,886,520**	**210,366,683**

On May 14, 2019, the Company completed a private placement issuing 23.6 million shares at a price of HK$1.50 per share for gross proceeds of HK$35.4 million (C$6.0 million).

(c) Warrants:

On August 13, 2018, the Company issued 8.0 million warrants to the SubLender for total consideration of C$750,000. The warrants have an exercise price of HK$3.16 per warrant and a term of 5 years. The fair value of these warrants was estimated to be C$750,000 using the Black-Scholes-Merton option pricing model based on a volatility of 59.9%, risk-free interest rate of 2.12%, expected life of 5 years, no dividend yield and an exchange rate of HK$1 per C$0.1650. As at June 30, 2019, C$102,966 in costs were incurred for the sale of the warrants.

(d) Dividend:

The Board did not approve a dividend during the three and six months ended June 30, 2019 or 2018.

(Expressed in Canadian dollars unless otherwise indicated)

14 Revenue

The Company sells its products pursuant to variable-price contracts. The transaction price for variable price contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Commodity prices are based on market indices that are determined on a monthly or daily basis.

The contracts generally have a term of one year or less, whereby delivery takes place throughout the contract period. Revenues are typically collected on the 25th day of the month following production.

The amount of each significant category of revenue recognized for the three and six months ended June 30, 2019 and 2018 is as follows:

	Three months ended June 30,		Six months ended June 30,	
C$	2019	2018	2019	2018
Production				
Natural gas, natural gas liquids and condensate	**1,592,156**	3,013,074	**6,185,409**	7,899,919
Crude oil	**489,999**	466,959	**962,057**	1,014,038
Total production revenue	**2,082,155**	3,480,033	**7,147,466**	8,913,957
Trading				
Natural gas revenue	**381,710**	426,436	**434,741**	521,018
Natural gas cost	**(133,495)**	(144,809)	**(216,033)**	(225,570)
Net trading revenue	**248,215**	281,627	**218,708**	295,448

15 Finance Expenses

	Three months ended June 30,		Six months ended June 30,	
C$	2019	2018	2019	2018
Interest expense and financing costs	**927,142**	674,965	**1,741,092**	1,047,748
Amortization of debt issuance costs	**182,684**	17,563	**251,082**	35,125
Accretion expense	**(2,841)**	21,179	**31,346**	42,357
Total finance expenses	**1,106,985**	713,707	**2,023,520**	1,125,230

(Expressed in Canadian dollars unless otherwise indicated)

16 Income Taxes

The blended statutory tax rate was 27% for the three and six month periods ended June 30, 2019 and 2018. 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 from changes in unrecognized deferred tax assets.

As at June 30, 2019, the Company has approximately C$50.0 million of unrecognised deferred tax assets comprised of temporary differences in PP&E and E&E assets, decommissioning liabilities, share issue costs, non-capital losses and others (June 30, 2018: C$41.1 million). As at June 30, 2019, the Company has approximately C$150.0 million of tax deductions, which includes loss carry forwards of approximately C$14.0 million which expire in 2037 (June 30, 2018: C$143.0 million tax deductions including C$8.0 million loss carry forwards).

Inquiries from regulatory bodies may also arise in the normal course of business, to which the Company responds as required. There can be no assurance that any particular claim will be resolved in the Company's favour or that such claims may not have a material adverse effect on Persta. In June 2019 the Company received a Notice of Collection ("**NOC**") from the Canada Revenue Agency ("**CRA**"). The Company has filed a Notice of Objection ("**NOO**") in respect of this matter, evidencing the Company's position that the NOC has been issued in error. The CRA acknowledged receipt of the NOO on September 2, 2019, initiating an appeals process where it will review the evidence the Company has provided. No provision for any potential tax liability has been provided for in these financial statements, as management is of the opinion that the likelihood of any material economic outflows in respect of this matter is remote.

17 Loss per Share

	Three months ended June 30,		Six months ended June 30,	
C$ except share amounts	**2019**	2018	**2019**	2018
Loss and comprehensive loss	**(10,743,765)**	(341,871)	**(12,753,683)**	(886,706)
Weighted average number of common shares	**290,610,964**	278,286,520	**284,448,742**	278,286,520
Loss per share — basic and diluted	**(0.04)**	(0.00)	**(0.04)**	(0.00)

There were 8.0 million warrants excluded from the weighted-average share calculations for the three and six month periods ended June 30, 2019 because they were anti-dilutive (three and six months ended June 30, 2018 — 8.0 million warrants).

18 Dividend

The Board did not approve the payment of a dividend for the three and six months ended June 30, 2019 and 2018.

19 Related Party Transactions, Personnel Costs and Remuneration Policy

(a) Remuneration Policy

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

(b) Transactions with key personnel

Key management compensation for the three and six months ended June 30, 2019 totaled C$479,409 and C$1,027,675 respectively (2018 three months: C$374,050, 2018 six months: C$748,100).

During the three and six months ended June 30, 2019, the Company incurred directors' compensation of C$38,193 and C$58,421 respectively, per the Phantom Unit Plan (2018 three months: C$70,824, 2018 six months: C$68,634). As at June 30, 2019 the accrued compensation for independent non-executive directors per the Phantom Unit Plan was C$432,063 (December 31, 2018: C$373,642).

(c) Transactions with other related parties

There were no other related party transactions for the three and six months ended June 30, 2019 and 2018.

20 Financial Instruments and Risk Management

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, 2019 the Company's trade accounts receivable consisted of C$533,821 (December 31, 2018: C$1,196,062) due from purchasers of the Company's crude oil and natural gas and C$1,309,403 (December 31, 2018: C$nil) of other receivables due for past costs incurred by the Company on its Voyager gas gathering system and pipeline project (refer to note 6).

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, other receivables are to be collected within 30 days of the date of billing. 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, 2019. The Company has also not written off any receivables during the three or six months ended June 30, 2019 as accounts receivables were subsequently collected in full. There are no material financial assets that the Company considers past due and at risk of collection.

(Expressed in Canadian dollars unless otherwise indicated)

20 Financial Instruments and Risk Management (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company 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, the Company's ability to generate profits in the future and the Company's ability to comply with its debt covenants in the future.

The following are the contractual maturities of financial liabilities as at June 30, 2019:

C$	Total	1 year or less	1-3 years	4+ years
Accounts payable and accrued liabilities	6,300,019	6,300,019	—	—
Other liabilities	887,969	—	887,969	—
Lease liabilities	2,858,808	508,006	1,207,049	1,143,753
Long term debt	22,376,268	—	—	22,376,268
Total	**32,423,064**	**6,808,025**	**2,095,018**	**23,520,021**

As at June 30, 2019, the Company has a working capital deficiency of C$3.4 million and incurred a loss for the six months ended June 30, 2019 of C$12.8 million. As at June 30, 2019 the Company had C$22.4 million of subordinated debt and accrued and unpaid interest outstanding (refer to note 10).

In March 2019 the Company and the SubLender amended the SubDebt agreement such that the net debt to run rate EBITDA covenant was eliminated for calendar 2019. The SubLender further agreed to defer the monthly interest due for the SubDebt starting January 1, 2019. The interest will be deferred until the earlier of the repayment of the bank loan or January 1, 2020.

Additional funds are required to enable the Company to further develop its oil and gas properties. Subject to approval by the SubLender, an additional C$3.6 million of SubDebt is available under the amended SubDebt agreement. There can be no guarantees that the Company will be able to access any additional funds pursuant to the amended SubDebt agreement. Management believes that its current cash and cash equivalents, working capital and cash generated from its operations will enable it to meet its obligations as they become due.

20 Financial Instruments and Risk Management (Continued)

(c) Market risk

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

Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for crude oil and natural gas are impacted by not only the relationship between the Canadian and United States dollar but also world economic events that dictate the levels of supply and demand. The Company may utilize commodity contracts as a risk management technique to mitigate exposure to commodity price volatility. The Company did not enter into any financial derivatives during the three and six months ended June 30, 2019 and 2018.

Interest rate risk

Prior to May 14, 2019, the Company was exposed to changes in interest rates with respect to its bank loan. With the closing of its bank facility, the Company's remaining borrowings are held at fixed rates and the Company is not materially exposed to changes in the prevailing interest rate.

Foreign currency risk

The Company manages foreign exchange risk by monitoring foreign exchange rates and evaluating their effects on using Canadian or Hong Kong vendors as well as timing of transactions. The Company recognizes a foreign exchange gain/loss based on the revaluation of monetary items held in Hong Kong Dollars and the value changes with the fluctuation in the HKD/CAD exchange rates. As at June 30, 2019 the Company held HK$2.4 million (C$0.4 million based on HKD/CAD exchange rate at the same date). Changes in the HKD/CAD foreign exchange rate of less than 10% would not materially change the Company's financial statements.

(d) Performance services guarantee ("PSG") facility

On April 25, 2018, the Company obtained a PSG from Economic Development Canada ("**EDC**") totaling C$4.4 million. Under the terms of the PSG facility, EDC will guarantee qualifying letters of credit ("**L/C**") on behalf of the Company. Previously, these L/C's were cash collateralized, following approval by EDC the requirement of the Company to hold cash to underwrite the L/C is relieved for the duration of the PSG approval. Under the terms of the PSG facility, the L/C guarantee period is the lesser of one year or the term of the L/C if less than 12 months. The guarantee can be renewed annually for long term L/C's subject to subsequent approval by the EDC. As at June 30, 2019 the Company has PSG coverage for the following L/C's:

Amount	Expiry
C$1,390,000	March 15, 2020
C$110,000	January 5, 2020

For the three and six months ended June 30, 2019, the Company incurred fees totaling C$27,840 in relation to the PSG facility.

(Expressed in Canadian dollars unless otherwise indicated)

21 Commitments

Commitments and contingencies exist under various agreements and operations in the normal course of the Company's business. The following table outlines the Company's commitments as at June 30, 2019:

C$	Total	Less than 1 year	1–3 years	4–5 years	After 5 years
Transportation commitment	44,354,338	6,660,897	13,000,671	12,359,083	12,333,687
PSG facility (note 20)	1,500,000	1,500,000	—	—	—
Total contractual obligations	45,854,338	8,160,897	13,000,671	12,359,083	12,333,687

Transportation Commitment:

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

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

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

As at June 30, 2019, the Company has entered into the following fixed price physical commodity contract to forward sell natural gas:

Commodity	Term	Quantity	Price
Natural gas	January 1, 2019 to December 31, 2019	6,900 GJ/day	C$2.08 per GJ

22 Subsequent Event

Proposed Issue of Warrants

On July 26, 2019, the Company conditionally agreed to issue 52,377,304 warrants to an arm's length investor for gross proceeds of HK$556,000 (C$0.1 million). The sale is subject to both Stock Exchange and shareholder approval and is anticipated to close on or before October 31, 2019.