PetroShale
Calgary • Denver

Consolidated Financial Statements

As at December 31, 2018
and for the years ended December 31, 2018 and 2017

KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB T2P 4B9
Tel (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of PetroShale Inc.

Opinion

We have audited the consolidated financial statements of PetroShale Inc. (the "Company"), which comprise:

- the consolidated statements of financial position as at December 31, 2018 and December 31, 2017
- the consolidated statements of operations and comprehensive income (loss) for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this auditors' report is Murray Suey.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
April 8, 2019

PetroShale
Calgary • Denver

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at (thousands of Canadian dollars)	NOTE	December 31, 2018	December 31, 2017
ASSETS			
Current assets			
Cash and cash equivalents		$ 491	$ 18,421
Accounts receivable		26,677	10,178
Prepaid expenses and deposits		213	253
		27,381	28,852
Non-current assets			
Restricted cash	15	273	225
Deferred income tax asset	14	3,305	-
Property, plant and equipment	5, 6	373,063	184,172
		376,641	184,397
		$ 404,022	$ 213,249
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		$ 44,049	$ 38,447
Financial derivative liability	9	-	3,149
		44,049	41,596
Non-current liabilities			
Senior loan	8	71,398	49,891
Subordinated loan	8,16	-	30,640
Preferred share obligation	10	88,912	-
Decommissioning obligation	5,7	4,934	2,473
		165,244	83,004
Total liabilities		209,293	124,600
SHAREHOLDERS' EQUITY			
Common shares	11	200,651	142,379
Preferred share equity component	10	7,510	-
Warrants	11,16	-	684
Contributed surplus	11	5,444	3,547
Deficit		(28,013)	(55,069)
Accumulated other comprehensive income (loss)		9,137	(2,892)
		194,729	88,649
Commitments	15		
Subsequent event	22		
		$ 404,022	$ 213,249

See accompanying notes to the consolidated financial statements.

Approved by Board of Directors

(Signed) "Brett Herman" — Director

(Signed) "M. Bruce Chernoff" — Executive Chairman

PetroShale
Calgary • Denver

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(thousands of Canadian dollars, except per share amounts)	NOTE	Years ended December 31, 2018	2017
Revenue			
Petroleum and natural gas	12	$ 121,797	$ 43,262
Royalties		(24,098)	(9,092)
		97,699	34,170
Other income and loss			
Realized loss on financial derivatives	9	(6,375)	-
Unrealized gain (loss) on financial derivatives	9	3,356	(3,127)
		(3,019)	(3,127)
		94,680	31,043
Expenses			
Production and operating	12	18,758	8,749
Transportation	12	2,769	914
General and administrative	6	4,860	3,342
Depletion and depreciation	6	31,036	12,631
Finance	10,19	13,838	8,137
Foreign exchange gain		-	(71)
Share-based compensation	11	2,020	434
		73,281	34,136
Net income (loss) before income taxes		21,399	(3,093)
Deferred income tax recovery	14	5,657	-
Net income (loss) after income taxes		27,056	(3,093)
Currency translation adjustment		12,029	(5,527)
Comprehensive income (loss) for the year		$ 39,085	$ (8,620)
Net income (loss) per common share, basic and diluted	13	$ 0.16	$ (0.03)

See accompanying notes to the consolidated financial statements.

PetroShale
Calgary • Denver

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2018 and 2017

(thousands of Canadian dollars, except share amounts)

	Non Voting Common Shares		Voting Common Shares			Preferred Share			Accumulated Other	
	Shares	Amount	Shares	Amount	Warrants	Equity Component	Contributed Surplus	Deficit	Comprehensive Income (Loss)	Shareholders' Equity (Deficit)
Balances, December 31, 2016	6,700,000	$ -	27,507,574	$ 35,658	$ 684	$ -	$ 3,597	$ (51,976)	$ 2,635	$ (9,402)
Issuance of voting common shares by prospectus, net of issue costs	-	-	122,649,615	106,135	-	-	-	-	-	106,135
Exercise of optons to purchase voting common shares for cash	-	-	280,578	586	-	-	(390)	-	-	196
Share-based compensation, gross	-	-	-	-	-	-	340	-	-	340
Conversion of non-voting common shares to voting common shares	(6,700,000)	-	6,700,000	-	-	-	-	-	-	-
Net loss	-	-	-	-	-	-	-	(3,093)	-	(3,093)
Other comprehensive loss	-	-	-	-	-	-	-	-	(5,527)	(5,527)
Balances, December 31, 2017	-	$ -	157,137,767	$ 142,379	$ 684	$ -	$ 3,547	$ (55,069)	$ (2,892)	$ 88,649
Issuance of voting common shares by prospectus, net of issue costs	-	-	24,865,300	42,451	-	-	-	-	-	42,451
Issuance of voting common shares by private placement, net of issue costs	-	-	6,756,905	12,460	-	-	-	-	-	12,460
Issuance of preferred shares - equity component	-	-	-	-	-	7,510	-	-	-	7,510
Exercise of warrants to purchase common shares for cash	-	-	2,000,000	2,184	(684)	-	-	-	-	1,500
Exercise of options to purchase common shares for cash	-	-	998,264	1,177	-	-	(478)	-	-	699
Share-based compensation, gross	-	-	-	-	-	-	2,375	-	-	2,375
Net income	-	-	-	-	-	-	-	27,056	-	27,056
Other comprehensive income	-	-	-	-	-	-	-	-	12,029	12,029
Balances, December 31, 2018	-	$ -	191,758,236	$ 200,651	$ -	$ 7,510	$ 5,444	$ (28,013)	$ 9,137	$ 194,729

See accompanying notes to the consolidated financial statements.

PetroShale
Calgary • Denver

CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands of Canadian dollars)	NOTE	December 31, 2018	2017
Operating Activities			
Net income (loss)		$ 27,056	$ (3,093)
Operating items not affecting cash:			
Depletion and depreciation		31,036	12,631
Deferred income recovery		(5,657)	-
Unrealized (gain) loss on financial derivatives		(3,356)	3,127
Share-based compensation		2,020	333
Finance		13,838	8,137
Change in non-cash working capital	19	4,575	(1,865)
		69,512	19,270
Investing Activities			
Acquisition of property, plant and equipment	5	(92,090)	(15,457)
Additions to property, plant and equipment	6	(100,633)	(50,260)
Change in non-cash working capital	19	(19,982)	23,984
		(212,705)	(41,733)
Financing Activities			
Proceeds from convertible preferred share issuance, net	10	89,990	-
Proceeds from share issuances, net	11	54,911	106,135
Proceeds from exercise of warrants	11	1,500	-
Proceeds from exercise of options		699	196
Payment of Long term Incentives		(56)	-
Repayment of subordinated loan, net	8, 16	(30,993)	(61,142)
Proceeds from senior loan, net	8	16,492	20,831
Payment of interest and preferred dividends		(9,328)	(3,726)
Payment of previously deferred interest	19	-	(22,330)
		123,215	39,964
Change in cash and cash equivalents		(19,978)	17,501
Effect of foreign exchange rate changes		2,048	(214)
Cash and cash equivalents, beginning of year		18,421	1,134
Cash and cash equivalents, end of year		$ 491	$ 18,421

See accompanying notes to the consolidated financial statements.

1. BUSINESS AND NATURE OF OPERATIONS

PetroShale Inc. (the "Company") is an oil company engaged in the acquisition, development and production of oil-weighted assets in the North Dakota Bakken/Three Forks.

The Company's Corporate head office is located at Suite 3230, 421 - 7th Avenue SW, Calgary, Alberta. The Company's US head office is located at 303 E. 17th Avenue, Suite 940, Denver, CO 80203.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and were authorized for issue by the Board of Directors on April 8, 2019.

These financial statements have been prepared using the historical cost basis, except for financial derivative instruments which are measured at fair value.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, PetroShale (US), Inc.

The Company's presentation and functional currency is the Canadian dollar. The functional currency of the Company's US subsidiary is the US dollar, and its results and balance sheet items are translated to Canadian dollars for purposes of these consolidated financial statements, in accordance with the Company's foreign currency translation accounting policy.

Effective as at June 30, 2017, the Company voluntarily changed its accounting policy in relation to classification of finance expense in its statements of cash flows. The Company now presents interest paid as a financing activity, instead of as an operating activity. The Company believes that the revised presentation better reflects the results of its operating activities, excluding the impact of how these activities were financed, and more properly reflects interest and dividends associated with its debt and preferred share obligations as a financing activity. There is no impact to the Company's statements of financial position or statements of operations as a result of this change.

Critical judgments in applying accounting policies

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

The Company's assets are aggregated into cash generating units for the purpose of calculating impairment. The aggregation of assets into a cash generating unit ("CGU" or "CGUs") is based on an assessment of the unit's ability to generate independent cash inflows. The determination of individual CGUs is based on management's judgment in regards to shared infrastructure, geographical proximity, petroleum type and similar exposure to market risk and materiality.

Judgments are required to assess when impairment indicators exist and impairment testing is required. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of oil and natural gas reserves, production rates, future oil and natural gas prices, future costs, discount rates, market value of undeveloped land and other relevant assumptions.

Judgments are made by management to determine the likelihood of whether deferred income tax assets at the end of the reporting period will be realized from future taxable earnings.

Key sources of estimation uncertainty

The following are key estimates and assumptions made by management affecting the measurement of balances and transactions in these financial statements.

Estimation of recoverable quantities of proven and probable oil and natural gas reserves include estimates and assumptions regarding future commodity prices, currency exchange rates, discount rates and production, processing and transportation costs for future cash flows as well as the interpretation of complex geological and geophysical models and data. Changes in reported reserves can affect the impairment of assets, the estimation of decommissioning obligations, the economic feasibility of exploration and evaluation assets and the amounts reported for depletion and depreciation of property, plant and equipment. These reserve estimates are evaluated by third party professional engineers, who work with information provided by the Company to establish reserve determinations in accordance with National Instrument 51-101.

The Company estimates the decommissioning obligations for oil and natural gas wells and their associated production facilities and pipelines. In most instances, removal of assets and remediation occurs many years into the future. Amounts recorded for the decommissioning obligations and related accretion expense require assumptions regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, inflation estimates, future removal technologies, and the estimate of the liability specific discount rates to determine the present value of these cash flows.

In a business combination, management makes estimates of the fair value of assets acquired and liabilities assumed which includes assessing the value of oil and natural gas properties based upon the estimation of recoverable quantities of proven and probable reserves being acquired as well as estimating the associated decommissioning obligation.

The Company's estimate of share-based compensation expense associated with stock option grants and the value of warrants issued is dependent upon estimates of expected volatility of the Company's share price and anticipated forfeiture rates of the related securities. The Company's estimate of share-based compensation expense associated with share based awards is dependent on an estimate of anticipated forfeiture rates of such securities.

The Company's deferred tax asset or liability is based on estimates as to the timing of the reversal of temporary differences, substantively enacted tax rates and the likelihood of deferred tax assets being realized.

The Company's estimate of the fair value of derivative financial instruments is dependent on estimated forward prices and volatility in those prices.

The Company's estimate of the preferred share obligation and preferred share equity component of its outstanding preferred shares is dependent on an estimate of the rate of interest which would be incurred by the Company on a similar debt obligation without a conversion feature.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in the financial statements.

a) Business Combinations and Consolidation

i) Subsidiaries and business acquisitions

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in consolidated financial statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of an acquisition over the fair value of the identifiable assets acquired net of liabilities assumed is recorded as goodwill. If the cost of an acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the statement of operations and comprehensive income.

ii) Jointly controlled operations and jointly controlled assets

The Company's oil and natural gas activities involve jointly controlled assets. The financial statements include the Company's share of these jointly controlled assets and a proportionate share of the relevant revenue and related costs.

iii) Transactions eliminated on consolidation

All intercompany balances and transactions have been eliminated upon consolidation.

b) Revenue Recognition

Revenues associated with the production and sale of petroleum products owned by the Company are recognized at the point in which control of the products is transferred to the buyer, which may be when the production enters that party's pipeline or processing facility. Processing or transportation costs associated with petroleum production are netted against the related revenue if they are incurred following the transfer of control to the entity who has purchased the commodity. If transportation or processing costs are incurred prior to the sale of the relevant commodity, such costs are reflected separately as an expense in the statement of operations.

In addition, the Company is required to evaluate its arrangements with its joint venture partners to determine if the Company acts as the principal or as an agent in respect of the sale of the partners' interest in production. In making this evaluation, management considers whether the Company obtains control of the product delivered, which is indicated by the Company having the primary responsibility for the delivery of the products, its ability to establish prices or assumption of inventory risk. In the Company's case, it is acting in the capacity of an agent rather than as a principal in commodity sales transactions on its operated properties, and so revenue is recognized on a Company net basis.

c) Foreign Currency Translation

The Company's consolidated financial statements are reported in Canadian dollars, which is the Company's presentation currency. Transactions of the Company's US subsidiary are recorded in US dollars, as this is the primary economic environment in which this subsidiary operates. The US subsidiary has a US dollar functional currency. In translating the financial results from US dollars to Canadian dollars, the Company uses the following method: assets and liabilities are translated at the exchange rate in effect as at the date of the consolidated statement of financial position; revenues and expenses are translated at the rate effective at the time of the transaction or the average rate for the period; and changes in shareholders' equity are translated at the rate effective at the time of the transaction. Unrealized gains and losses resulting from the translation to the Canadian dollar presentation currency are included in other comprehensive income.

Transactions of the US subsidiary that are denominated in a currency other than the US dollar are translated to the US dollar using the following method: monetary assets and liabilities are translated at the exchange rate in effect at the date of the consolidated statement of financial position; non-monetary assets and liabilities are translated at the exchange rate on the date such assets or liabilities are assumed; and revenues and expenses are translated at the average rate for the period. Realized gains and losses resulting therefrom are reflected in the statements of operations as foreign exchange gain or loss.

d) Property, Plant and Equipment

There are two categories of Property, Plant and Equipment ("PP&E"): Developed and Producing ("D&P") assets and Other PP&E assets.

D&P assets include capital costs (i) related to drilling projects where the drilling location is already determined to hold proven and/or probable reserves, (ii) incurred to improve an already technically feasible and commercially viable well, and (iii) related to facilities and equipment projects.

Other PP&E assets typically include furniture, fixtures, leasehold improvements and office equipment.

For statement of financial position presentation, both D&P assets and Other PP&E assets are included in the PP&E category.

i) Recognition and measurement

PP&E is measured at cost less accumulated depletion and depreciation and accumulated impairment losses. For purposes of determining depletion and depreciation expense, when significant parts of PP&E have different useful lives, they are accounted for separately so that depletion and depreciation rates appropriately reflect useful lives.

Gains and losses on disposal of PP&E, property swaps and farm-outs, are determined by comparing the proceeds from disposal with the carrying amount of the PP&E sold, and are recognized on a net basis in profit or loss.

The net carrying value of D&P assets is depleted using the unit-of-production method by calculating the ratio of production in the period to the related proven and probable reserves. Proven and probable reserves are expressed on a barrels of oil equivalent ("Boe") basis where natural gas volumes are converted to Boe using a ratio of 6,000 cubic feet of natural gas to one barrel of oil. The net carrying value to be depleted includes an estimate of future development costs required to bring any related non-producing or undeveloped reserves into production, which may include the costs of drilling and completing wells. These estimates are reviewed at least annually by independent engineers in conjunction with their evaluation of the Company's proven and probable reserves.

For Other PP&E assets, depreciation is recognized in the statement of operations and comprehensive income on a straight-line basis over their estimated useful lives. Finance lease assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

ii) Impairment

An assessment is made at each reporting period as to whether there are any facts or circumstances which suggest there may be an impairment of D&P assets. If such facts and circumstances exist, the Company would compare the carrying amount of D&P assets to their recoverable amount, on a CGU by CGU basis. The recoverable amount of a CGU is the greater of: (i) its value in use; and (ii) its fair value less selling costs. In assessing value in use for D&P assets, the estimated future cash flows from the production of proven and probable reserves are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses recognized in prior periods are assessed at each reporting date to evaluate if those losses have decreased or no longer exist. If those impairment losses have decreased or no longer exist, they are reversed accordingly. Previously recognized impairment losses may be recovered in future reporting periods due to changes in estimates used to determine the recoverable amount. An impairment loss recovery is recorded only to the extent that the D&P asset carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation expense, if no impairment loss had been recognized. Impairment losses and recoveries are recorded in the statement of operations.

The Company recognizes loss allowances for expected credit losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit loss and are discounted at the effective interest rate of the related financial asset.

iii) Subsequent costs

Costs incurred subsequent to the drilling and completion of a well, or the commissioning of production or transportation facilities, and the costs of replacing parts of property, plant and equipment are recognized as D&P assets only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized costs generally represent costs incurred in developing proven and/or probable reserves and bringing on or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day to day servicing of property, plant and equipment are recognized in profit or loss as incurred.

e) Decommissioning Obligation

An obligation is recognized if, as a result of a past event, the Company has a future legal or constructive obligation resulting from the retirement and reclamation of tangible long-lived assets and this obligation can be reliably estimated. The obligation is measured at the present value of management's best estimate of the expected expenditures required to settle this obligation and is recorded in the period the related assets are put into use with a corresponding increase to the carrying amount of the related assets. This increase in capitalized costs is depleted and depreciated on a basis consistent with the underlying assets. Subsequent changes in the estimated fair value of the obligation are capitalized and depleted over the remaining useful life of the underlying asset.

The obligation is carried in the statement of financial position at its discounted present value and is accreted over time for the change in its present value. The obligation is discounted at a rate that reflects a current market assessment of the time value of money and the risks specific to the obligation. Accretion of the obligation is included in finance expense in the statement of operations.

f) Income Taxes

Current income taxes are measured at the amount expected to be payable on taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period.

The Company follows the asset and liability method of accounting for deferred income taxes. Under this method, deferred income taxes are recognized based on the expected future tax consequences of differences between the carrying amount of statement of financial position items and their corresponding tax basis, using the enacted and substantively enacted income tax rates for the years in which the differences are expected to reverse.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

g) Share-based Payments

The Company uses the fair value method to recognize the cost associated with stock options granted to employees, directors and other service providers. The fair value of the stock options granted is measured using the Black-Scholes option pricing model. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Under the fair value method, the Company recognizes estimated compensation expense related to stock options over the vesting period of the options granted, with the related credit being charged to contributed surplus. Fair value is measured at the grant date and each vesting tranche is recognized using the graded vesting method over the period during which the options vest. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Upon exercise of any stock options, amounts previously credited to contributed surplus are reversed and credited to share capital.

Share-based awards to employees, directors and other service providers are measured at the market share price as at the date of grant. A forfeiture rate is estimated on the grant date and the related compensation expense is recognized over the vesting period of the share-based awards, using the graded vesting method, with the related credit being charged to contributed surplus.

h) Earnings per Share

Basic earnings per common share are calculated by dividing the net earnings for the period by the weighted average number of common shares outstanding in each respective period. Diluted earnings per common share reflect the maximum possible dilution from other securities, if dilutive.

i) Financial Instruments

i) Non-derivative financial instruments

These comprise cash and cash equivalents including bank overdrafts, accounts receivable, accounts payable and loans and borrowings. Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

a. Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short term deposits with an original maturity of three months or less.

   For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents defined above, net of outstanding bank overdrafts. These balances are reflected at cost.

b. Other non-derivative financial instruments, such as loans and borrowings, accounts receivable and accounts payable, are measured at amortized cost using the effective interest method, less any impairment losses.

ii) Derivative financial instruments

The Company may enter into certain financial derivative contracts in order to manage its exposure to market risks from fluctuations in commodity prices, interest rates and foreign exchange rates. These instruments are not used for trading or speculative purposes. The Company will not designate its financial derivative contracts as effective accounting hedges, and thus will not apply hedge accounting, even though the Company considers all commodities contracts to be economic hedges. As a result, all financial derivative contracts will be classified as fair value through profit and loss and recorded in the statement of financial position at fair value with changes in fair value recognized in net income. Related transaction costs such as trading commissions will be recognized in the statement of operations when incurred.

Forward physical delivery and sales contracts of oil and natural gas products are entered into in the normal course of business and therefore not recorded at fair value in the statement of financial position. These physical delivery contracts are not considered to be derivative financial instruments or hedges. Settlements on these physical delivery contracts are recognized in oil and natural gas revenue in the statement of operations.

j) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares, warrants and stock options are recognized as a reduction from equity, net of any tax effects.

k) Warrants

Common share purchase warrants are recorded at fair value when issued. The warrant amount is based on the fair value as at the grant date as estimated using the Black-Scholes model. There are various assumptions used in calculating the value of the warrants such as the expected share price volatility and the expected warrant life. If the warrants are exercised, the cash proceeds from issuance of the related common shares and the original warrant amount are recorded as share capital in the consolidated statement of financial position. The value of warrants issued in connection with a debt financing is amortized to finance expense over the term of the related debt obligation.

l) Capitalized Overhead

The Company capitalizes to D&P assets certain directly attributable general and administrative costs, including share-based compensation, associated with employees and consultants involved in acquiring licenses or other approvals and drilling, completion and construction activities on the Company's operated lands.

m) Preferred Share Compound Financial Instrument

Preferred shares which include both an equity conversion feature and a redemption obligation on the part of the Company are considered a compound financial instrument for accounting purposes. Such an instrument requires the Company to value each of the liability and equity residual components of the instrument and present them separately on the statement of financial position. The Company determines the fair value of the liability component by discounting contractual dividend and redemption payments over the term of the preferred shares at the rate of interest that would apply to an identical financial instrument without a conversion option. The liability component is presented as "preferred share obligation" under non-current liabilities on the statement of financial position and the equity residual component is presented as "preferred share equity component" under shareholders' equity on the statement of financial position. Related transaction and issuance costs reduce the carrying amounts of each of the liability and equity residual components on a pro rata basis. The liability component is accreted to the redemption amount of the preferred shares over the term of the preferred shares to maturity, with the related accretion expense included in finance expense on the statement of operations.

n) Changes to Accounting Policies

Adoption of IFRS 15 – "Revenue from Contracts with Customers"

Effective January 1, 2018, the Company adopted IFRS 15 using the retrospective method. The new standard did not have a material impact on net income in the statement of operations. However, the Company has provided enhanced disclosures related to its revenue which are reflected in Note 12 to these consolidated financial statements.

Adoption of IFRS 9 – "Financial Instruments"

The Company adopted IFRS 9 effective January 1, 2018. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost; fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and by contractual cash flow characteristics.

IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. The new impairment model applies to financial assets measured at amortized cost, and contract assets and debt investments at

FVOCI. Under IFRS 9, credit losses are recognized earlier than under IAS 39. There was no impact on the Company's financial statements as a result of adopting this new standard.

Cash and cash equivalents and trade and other receivables continue to be measured at amortized cost and are now classified as "amortized cost". The Company's financial liabilities continue to be measured at amortized cost. The Company has not designated any financial instruments as FVOCI or FVTPL, nor does the Company use hedge accounting for any of its commodity financial derivatives.

o) Future Accounting Pronouncements

IFRS 16 – *Leases*

In January 2016 the IASB issued IFRS 16 *Leases* which replaces IAS 17 *Leases* and IFRIC 4 *Determining Whether an Arrangement Contains a Lea*se. The standard will come into effect for annual periods beginning on or after January 1, 2019. IFRS 16 is required to be adopted either retrospectively or using a modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it applies the standard prospectively. IFRS 16 will be adopted using the modified retrospective approach on January 1, 2019. The extent of the impact of adoption of IFRS 16 is not expected to be material.

4. FAIR VALUE HIERARCHY

Several of the Company's accounting policies require a determination of fair value for certain assets and liabilities. Fair value for measurement or disclosure purposes is determined on the following basis.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques include the market, income and cost approach. The market approach uses information generated by market transactions involving identical or comparable assets or liabilities; the income approach converts estimated future amounts to a present value; and the cost approach is based on the amount that currently would be required to replace an asset.

The Company is required to classify its financial instruments within a hierarchy that prioritizes the inputs to fair market value. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in an active market for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and,

Level 3 – Inputs that are not based on observable market data.

a) Property, plant and equipment

The fair value of property, plant and equipment recognized in a business combination is based on market value. The market value of PP&E is the estimated amount for which PP&E could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted with knowledge and prudence and without compulsion. The market value of oil and natural gas interests included in PP&E is estimated with reference to the discounted future cash flows expected to be derived from oil and natural gas production based on internally and externally prepared reserve reports. The risk-adjusted discount rate is specific to the asset with reference to general market conditions.

(tabular amounts in $000's of Canadian dollars, unless otherwise noted)

b) Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, preferred shares, senior loan and subordinated loan

The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, senior loan and subordinated loan are estimated as the present value of related future cash flows, discounted at the market rate of interest at the reporting date. As at December 31, 2018 and 2017, the fair value of cash and cash equivalents, accounts receivable and accounts payable approximated their carrying value due to their short term maturity. The fair value of the senior and subordinated loans approximated their carrying values as their interest rates reflect current market conditions for such credit facilities.

c) Derivatives

The Company does not engage in the use of any derivative instruments for speculative purposes. If it enters into any contracts for the future delivery of non-financial assets, these are done in accordance with its expected sale requirements. As such, these contracts are not considered to be derivative instruments and have not been recorded at fair value in the financial statements. As the Company delivers petroleum products in accordance with the terms of these contracts, any associated revenue will be recorded as petroleum and natural gas,revenue. The fair value of financial forward contracts and swaps is determined by discounting the difference between the contracted prices and published forward price curves as at the statement of financial position date, using the remaining underlying amounts and a risk free interest rate. The fair value of options and costless collars is based on option models that use published information with respect to volatility, prices and interest rates. The Company classifies its derivatives as Level 2 in the fair value hierarchy.

The following table sets forth, by level within the fair value hierarchy, the fair value on a recurring basis of the financial derivatives as of December 31, 2018 (amounts in brackets reflect liabilities).

	Total	Level 1	Level 2	Level 3
Balance at December 31, 2017	$ (3,149)	$ -	$ (3,149)	$ -
Change	3,149	-	3,149	-
Balance at December 31, 2018	$ -	$ -	$ -	$ -

d) Share-based compensation

The fair value of employee stock options is measured using a Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the option, expected volatility of the underlying share price (based on historical experience), weighted average expected life of the option (based on historical experience and general option holder behavior), expected dividends, forfeiture rate and the risk-free interest rate (based on government bonds).

e) Restricted bonus award

The fair value of restricted bonus awards is measured using current market value at the related grant date. Measurement inputs include current market value of the Company's shares with consideration of an expected forfeiture rate.

(tabular amounts in $000's of Canadian dollars, unless otherwise noted)

5. ACQUISITIONS

Non-Producing Property Acquisitions

During the year ended December 31, 2018, the Company purchased oil and gas leases in its focus areas in North Dakota. These acquisitions represent increased working interests in potential drilling units with associated proved undeveloped and probable reserves. The consideration for these leases was approximately US$1.4 million ($1.8 million). There were no assumptions of liabilities associated with these purchases.

During the year ended December 31, 2017, the Company purchased oil and gas leases in its focus area in North Dakota. This represents increased working interests in potential drilling units with associated proved undeveloped and probable reserves. The consideration for these leases was approximately US $3.0 million ($3.8 million). There were no assumptions of liabilities associated with these purchases.

Producing Property Acquisitions

In August 2018, the Company acquired certain leases with associated proved undeveloped and probable reserves and oil and natural gas producing properties. The Company has treated the transaction as a business combination and has accounted for it using the acquisition method to reflect the fair value of the assets acquired and liabilities assumed. The decommissioning obligation assumed was determined using the Company's estimated timing and costs to remediate, reclaim and abandon the related wells and production infrastructure, discounted at a market rate. Results of operations from the assets acquired were included in the financial statements from the closing date of the transaction. The total purchase price of US$52.0 million was settled with a draw on the Company's senior credit facility and net proceeds from the Equity Offerings completed in August (see Note 11). The operating income from the associated producing properties included in these consolidated financial statements is US$2.2 million ($3.0 million). Revenue from the producing properties included in these consolidated financial statements is US$3.1 million ($4.1 million).

The aggregate purchase price was allocated as follows:

CONSIDERATION (US$51,978)	$	67,936
NET ASSETS ACQUIRED AT FAIR VALUE		
Developed and producing assets	$	69,313
Decommissioning obligation		(1,377)
	$	67,936

(tabular amounts in $000's of Canadian dollars, unless otherwise noted)

The following reflects selected pro forma financial information for the year ended December 31, 2018 as if the acquisition had occurred on January 1, 2018 instead of the closing date of the transaction:

		Year ended December 31, 2018
Petroleum and natural gas revenue, net of royalties	$	8,032
Production and operating expenses		(1,755)
Transportation expenses		(340)
Operating income		5,937
Operating income reported for the year		76,172
Pro forma operating income for the year	$	82,109
Revenue, net of royalties	$	8,032
Revenue, net of royalties reported for the year	$	97,699
Pro forma revenue, net of royalties for the year	$	105,731

In March 2018, the Company acquired certain leases with associated proved undeveloped and probable reserves and oil and natural gas producing properties. The Company has treated the transaction as a business combination and has accounted for it using the acquisition method to reflect the fair value of the assets acquired and liabilities assumed. The decommissioning obligation assumed was determined using the Company's estimated timing and costs to remediate, reclaim and abandon the related wells and production infrastructure, discounted at a market rate. Results of operations from the assets acquired were included in the financial statements from the closing date of the transaction. The total purchase price of US$17.9 million was settled with a draw on the Company's senior credit facility. The revenue and operating income from the associated producing property was immaterial for the period prior to the acquisition date and from the date of closing of the acquisition to December 31, 2018, and therefore we have not presented pro forma revenue or operating income for the period nor have we separately disclosed the associated revenue or operating income from the property included in the statement of operations.

The aggregate purchase price was allocated as follows:

CONSIDERATION (US$17,900)	$	22,668
NET ASSETS ACQUIRED AT FAIR VALUE		
Developed and producing assets	$	22,721
Decommissioning obligation		(53)
	$	22,668

In June 2017, the Company acquired certain leases with associated proved undeveloped and probable reserves and oil and natural gas producing properties. The Company has treated the transaction as a business combination and has accounted for it using the acquisition method to reflect the fair value of the assets acquired and liabilities assumed. The decommissioning obligation was determined using the Company's estimated timing and costs to remediate, reclaim and abandon the related wells and production infrastructure, discounted at a market rate. Results of operations from the assets acquired were included in the financial statements from the closing date of the transaction. The total purchase price of US$8.7 million was settled with cash funded through the Company's credit facilities and indirectly with proceeds from an equity offering (Note 11). The operating income from the associated producing properties included in these consolidated financial statements is US$0.6 million ($0.7 million). Revenue from the producing properties included in these consolidated financial statements is US$0.8 million ($1.0 million).

(tabular amounts in $000's of Canadian dollars, unless otherwise noted)

The aggregate purchase price was allocated as follows:

CONSIDERATION (US$8,659)	$	11,647
NET ASSETS ACQUIRED AT FAIR VALUE		
Developed and producing assets	$	11,942
Decommissioning obligation		(295)
	$	11,647

The following reflects selected pro forma financial information for the year ended December 31, 2017 as if the acquisition had occurred on January 1, 2017 instead of the closing date of the transaction:

		Year ended December 31, 2017
Oil and natural gas revenue, net of royalties	$	801
Production and operating expenses		(297)
Operating income		504
Operating income reported for the year		24,507
Pro forma operating income for the year	$	25,011

6. PROPERTY, PLANT AND EQUIPMENT

		Developed and Producing Assets		**Other**		**Total**
Balances as at December 31, 2016	$	139,841	$	25	$	139,866
Acquisitions (note 5)		15,897		-		15,897
Additions		51,121		91		51,212
Depletion and depreciation		(12,608)		(23)		(12,631)
Effect of foreign exchange rate changes		(10,170)		(2)		(10,172)
Balances as at December 31, 2017		184,081		91		184,172
Acquisitions (note 5)		93,520		-		93,520
Additions		101,532		160		101,692
Depletion and depreciation		(30,977)		(59)		(31,036)
Effect of foreign exchange rate changes		24,696		19		24,715
Balances as at December 31, 2018	$	372,852	$	211	$	373,063

Depletion, Depreciation, and Future Development Costs

For the years ended December 31, 2018 and 2017, the Company recorded $31.0 million and $12.6 million, respectively, of depletion and depreciation expense, which reflected an estimated US$404 million and US$274 million, respectively of future development costs associated with proven plus probable reserves.

Impairment Charges

As at December 31, 2018 and 2017 there were no facts or circumstances which suggested there is a trigger for impairment of the Company's Developed and Producing Assets. Therefore an impairment test was not required. No impairment test was required in 2017 either.

(tabular amounts in $000's of Canadian dollars, unless otherwise noted)

Capitalized Overhead

During the year ended December 31, 2018, the Company capitalized $1,269,000 of general and administrative costs and $411,000 of share-based compensation, which are directly attributable to the acquisition and exploitation activities of certain of its personnel in relation to the Company's operated properties ($815,000 and $7,000 respectively for the year ended December 31, 2017).

7. DECOMMISSIONING OBLIGATION

Balance as at December 31, 2016	$	1,218
Acquisition of petroleum and natural gas properties (Note 5)		295
Additions		721
Revisions of estimated cash flows		369
Accretion		5
Effect of foreign exchange rate changes		(135)
Balance as at December 31, 2017		2,473
Acquisitions of petroleum and natural gas properties (Note 5)		1,429
Additions		570
Revisions of estimated cash flows		76
Accretion		73
Effect of foreign exchange rate changes		313
Balance as at December 31, 2018	$	4,934

The Company's decommissioning obligation consists of remediation obligations resulting from its ownership interests in petroleum and natural gas assets. The total obligation is estimated based on the Company's net working interest in wells and related facilities, estimated costs to return these sites to their original condition, costs to plug and abandon wells and the estimated timing of the costs to be incurred in future years.

The total undiscounted amount of estimated future cash flows required to settle the obligation as at December 31, 2018 is $9.7 million (December 31, 2017 – $5.1 million) which includes an annual inflation factor of 2.4% (December 31, 2017 – 2.4%) applied to the estimated future costs of decommissioning and assumes that the liabilities are settled over approximately the next 35 years in accordance with estimates prepared by independent engineers. The estimated future cash flows as at December 31, 2018 have been discounted at the risk-free interest rate of 3.1% (December 31, 2017 – 2.6%).

(tabular amounts in $000's of Canadian dollars, unless otherwise noted)

8. DEBT

	Senior Loan	Subordinated Loan	Total Debt
Balances as at December 31, 2016	$ 30,209	$ 94,372	$ 124,581
Proceeds from (repayment of) loans, net	20,831	(61,142)	(40,311)
Net change in unamortized fees	-	733	733
Effect of foreign exchange rate changes	(1,149)	(3,323)	(4,472)
Balances as at December 31, 2017	49,891	30,640	80,531
Proceeds from (repayment of) loans, net	16,492	(30,993)	(14,501)
Net change in unamortized fees	-	108	108
Effect of foreign exchange rate changes	5,015	245	5,260
Balances as at December 31, 2018	$ 71,398	$ -	$ 71,398

Senior Loan

The Company's senior loan is a revolving credit facility, which as at December 31, 2018 had a borrowing base of US$125.0 million ($170.5 million). The facility terms out on June 30, 2019, at which point, the facility can be extended at the option of the lenders, or if not extended, the facility would be converted to a non-revolving facility with a term maturing on June 30, 2020. This facility is secured by all of the Company's assets. The facility bears interest at the bank's prime lending rate, bankers' acceptance rates or US$ LIBOR rates plus a margin which is determined by the Company's senior debt to EBITDA ratio. EBITDA used for determining this ratio is defined in our senior loan agreement ("bank EBITDA") and may be different from that measurement referred to in the Company's other disclosures including its Management's Discussion & Analysis. During the year ended December 31, 2018, the effective interest rate for the Company's LIBOR borrowings was 4.2% per annum (3.5% - December 31, 2017).

The borrowing base capacity of the senior loan facility is subject to a review performed at least twice annually by the lenders, based on reserve reports associated with the Company's U.S. petroleum and natural gas properties. A decrease in the borrowing base could result in the requirement to make a repayment to the lenders. The senior lenders completed their mid-year 2018 review and agreed to increase the borrowing base capacity of the facility from US$92 million to US$125 million. Lenders are expected to complete their year-end review by the end of May 2019.

The credit facility is subject to financial and certain non-financial covenants. The financial covenant consist of: (i) a requirement that the ratio of the senior loan amount to bank EBITDA, on a rolling four quarter basis, not exceed 3.0 to 1. Bank EBITDA is defined as net income plus interest expense, any provision for income tax, and adjusted for non-cash items, cash payments to settle non-cash items and EBITDA attributable to assets acquired or sold during the period. The senior loan to bank EBITDA ratio was 0.95 to 1. As a result, the Company is in compliance with the financial covenant as at that date and is also in compliance with all of the other covenants under the senior loan as at December 31, 2018.

The facility was drawn approximately US$52.4 million as at December 31, 2018 (December 31, 2017 – US$39.8 million).

Subordinated Loan

As at December 31, 2017, the Company had a secured, subordinated, revolving credit facility which was available to be drawn in US dollars and which had a capacity of US$80.0 million and a maturity date of January 15, 2019. The credit facility bore interest at a rate of 12% per annum, and the Company incurred a 2.5% loan origination fee. The credit facility was provided by two significant shareholders of the Company, one of whom is the Executive Chairman of our Board of Directors. This loan was secured by all of the assets of the Company, but subordinated to the senior loan facility. Among certain non-financial covenants, the subordinated loan required the Company to comply with the financial covenants of the senior loan agreement. Thus, a default under the terms of the senior loan would create a default under the subordinated loan agreement. This facility was drawn US$24.5 million as at December 31, 2017.

As described further in Note 10, the subordinated loan facility was settled with the proceeds of a preferred share financing completed in January 2018, and as a condition of that financing, the subordinated loan facility was terminated.

9. FINANCIAL DERIVATIVE INSTRUMENTS

The Company may use swaps,collars and options to reduce the effect of commodity price changes on a portion of its future oil, gas, and natural gas liquids production. The objective of the Company's use of derivative financial instruments is to achieve more predictable cash flows in an environment of volatile oil and natural gas prices and to manage its exposure to commodity price risk. While the use of these derivative instruments limits the downside risk of adverse price movements, such use may also limit the Company's ability to benefit from favorable price movements. The Company may, from time to time, add incremental derivatives to hedge additional production, restructure existing derivative contracts or enter into new transactions to modify the terms of current contracts in order to realize the current value of the Company's existing positions. The Company does not enter into derivative contracts for speculative purposes.

The Company's commodity derivative financial instruments are measured at fair value and are included in the statements of financial position as financial derivative assets or liabilities. Unrealized gains and losses are recorded based on the changes in the fair values of the derivative instruments. Both the unrealized and realized gains and losses resulting from the contract settlement of derivatives are recorded in the statement of operations.

The use of derivatives involves the risk that the counterparty to such instruments will be unable to meet the financial terms of such contracts. At at December 31, 2018 the Company did not have any derivative contracts outstanding.

The amount of unrealized gain recognized in the statement of operations related to the Company's derivative financial instruments was $3.4 million for the year ended December 31, 2018 ($3.1 million unrealized loss – December 31, 2017).

(tabular amounts in $000's of Canadian dollars, unless otherwise noted)

10. PREFERRED SHARES

	Number of Preferred Shares	Liability Component	Equity Component
Balances as at December 31, 2017			
Issuance of preferred shares	75,000	$ 79,949	$ 10,041
Accretion	-	2,099	-
Effect of foreign exchange rate changes	-	6,864	-
Deferred tax liability	-	-	(2,531)
Balances as at December 31, 2018	75,000	$ 88,912	$ 7,510

In January 2018, the Company's wholly-owned subsidiary (the "Subsidiary Issuer") issued 75,000 preferred shares to First Reserve (the "Investor") at a price of US$1,000 per share for gross proceeds of US$75 million. The preferred shares have a maturity date of January 25, 2023, which may be extended at the option of the Investor by one year. The preferred shares entitle the Investor to a cumulative annual dividend of 9.0% per annum, payable quarterly, except that no dividends shall be payable for the extension year, if any. The Company may elect to defer up to two quarterly dividend payments per twelve month period, subject to a cumulative limit of six quarterly dividend payments over the term of the preferred shares and only following the first anniversary of the issuance date. Any deferred dividend payments accrue at a rate of 12.0% per annum and are added to the issuance amount of the preferred shares to determine the redemption obligation at maturity or the amount which may be converted to common shares at the option of the Investor. The preferred shares may be converted by the Investor, in whole or in part, into common voting shares of the Company at a price of US$2.40 per share and using an exchange rate of C$1.00 = US$0.795, following the first anniversary of the issuance date. As part of the financing, the Investor also acquired voting preferred shares of the Company which entitle the Investor to the "as-exchanged" voting rights of the preferred shares. The Company may elect to redeem the preferred shares prior to the maturity date, by making a "make-whole" premium payment in addition to the maturity redemption amount otherwise determined. The make-whole premium is 5% of the redemption amount otherwise determined if redemption occurs prior to the third anniversary of the issuance date, 2.5% if made after the third anniversary date but before the fourth anniversary date, and is nil if made after the fourth anniversary. The Company's ability to exercise this early redemption right is conditional on the Company's common shares having a certain minimum price and minimum amount of trading liquidity in the thirty days preceding the optional redemption date.

The preferred shares are a compound financial instrument for accounting purposes and the Company has separately accounted for the liability component and the equity residual component in accordance with its accounting policy described in Note 3.

(tabular amounts in $000's of Canadian dollars, unless otherwise noted)

11. SHARE CAPITAL

a) Share capital

The Company's authorized share capital includes unlimited Class A preferred shares with rights and privileges to be determined by the Board of Directors prior to issuance, unlimited non-voting common shares, convertible into voting common shares on a 1 for 1 basis, and unlimited voting common shares. As at December 31, 2018, the Company had 191,758,236 voting common shares (December 31, 2017 – 157,137,767), no non-voting common shares and 39,308,176 special voting preferred shares (December 31, 2017 – nil) outstanding. The special voting preferred shares were issued in conjunction with the preferred shares issued by the Subsidiary Issuer in January 2018 (see Note 10). The special voting preferred shares issued to the Investor entitle the Investor to the "as-exchanged" voting rights of the preferred shares but no other redemption or distribution rights and no claims on the Company's assets.

The following table reflects the Company's outstanding common shares as at December 31, 2018:

	Number of Voting and Non-Voting Shares	Share Capital
Balance as at December 31, 2016	34,207,574	$ 35,658
Issuance of common shares by prospectus, net of issue costs	122,265,000	105,639
Issuance of common shares by private placement, net of issue costs	384,615	496
Exercise of options to purchase common shares	280,578	586
Balance as at December 31, 2017	157,137,767	142,379
Issuance of common shares by prospectus, net of issue costs	24,865,300	42,451
Issuance of common shares by private placement, net of issue costs	6,756,905	12,460
Exercise of warrants to purchase common shares	2,000,000	2,184
Exercise of options to purchase common shares	998,264	1,177
Balance as at December 31, 2018	191,758,236	$ 200,651

On August 14, 2018, the Company closed a $46.0 million subscription receipt prospectus financing through a syndicate of underwriters (the "Public Offering") at a price of $1.85 per share. The result of this transaction was the issuance of 24.9 million common shares for net proceeds of $42.5 million.

The Company also completed a separate private placement of subscription receipts, which closed at the same time and at the same price per share as the Public Offering, resulting in the issuance of 6.8 million common shares for net proceeds of $12.5 million (the "Private Offering", and together with the Pubic Offering, the "Equity Offerings"). The Company's Executive Chairman and the Investor in the Company's preferred shares each purchased 2.7 million common shares pursuant to the Private Offering at a price of $1.85 per share for $5.0 million.

On April 11, 2017, the Company completed an equity offering resulting in the issuance of 122.3 million common shares at a price of $0.90 per share for net proceeds of approximately $106 million. The Company's Executive Chairman participated in this offering, purchasing 44.4 million common shares.

(tabular amounts in $000's of Canadian dollars, unless otherwise noted)

Additionally, in June 2017, the Company completed a private placement of 384,615 common shares to the Company's President and CEO for net proceeds of $496,000.

During the year ended December 31, 2018, 998,264 stock options were exercised to purchase common shares at $0.70 per share for cash proceeds of $698,785. Under the Company's accounting policy, upon the exercise of stock options, related amounts previously credited to contributed surplus are transferred to share capital. The Company also issued 2.0 million common shares upon exercise of warrants discussed below. During 2017, 280,578 stock options were exercised at $0.70 per share for cash proceeds of $196,000. During 2017, the Company's outstanding 6.7 million non-voting common shares were converted to an equivalent number of voting common shares.

During the year ended December 31, 2018, the average trading price for the Company's common shares on the TSX Venture Exchange was $1.87.

b) Stock options

The following table presents stock option transactions for the years ended December 31, 2018 and December 31, 2017:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)
Balance as at December 31, 2016	2,736,736	$ 0.83	3.01
Exercised	(280,578)	(0.70)	(3.53)
Settled	(75,000)	(0.70)	(0.96)
Forfeited and expired	(832,894)	(1.13)	(1.74)
Balance as at December 31, 2017	1,548,264	0.70	2.13
Exercised	(998,264)	(0.70)	(1.28)
Balance as at December 31, 2018	550,000	$ 0.70	2.55

As at December 31, 2018, the following stock options were outstanding:

Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Number of Outstanding Options	Number of Options Exercisable
$0.70	2.55	550,000	419,999

The Company uses the fair value method to account for all share-based awards granted to employees, officers and directors. The estimated fair value of stock option grants is determined using the Black-Scholes option pricing model and is recorded as a charge to income over the vesting period with a corresponding increase to contributed surplus.

(tabular amounts in $000's of Canadian dollars, unless otherwise noted)

c) Warrants

The Company issued 2.0 million common share purchase warrants to the Company's subordinated lenders (see Note 13) on May 10, 2016. Each warrant entitled the holder to exercise and acquire one common share for $0.75 for a period of two years from the date of grant. In March 2018, the holders of warrants exercised their right to acquire 2.0 million common shares resulting in net proceeds to the Company of $1.5 million.

d) Restricted awards

The Company has granted restricted share bonus awards ("awards") to certain directors, officers and employees. These awards expire before the end of the third year from the date of grant and vest annually in three equal tranches following the date of issuance. The awards may be settled by the Company, in its sole discretion, in cash and or common shares of the Company. The estimated fair value of the awards is determined based on the current market value of the Company's common shares at the dates of grant and giving consideration to anticipated forfeiture rates. A charge to income is reflected as share based compensation expense in the statement of operations over the vesting period with a corresponding increase to contributed surplus.

	Number of Awards		Estimated Fair Value Price
Balance as at December 31, 2016	-	$	-
Granted	2,625,000		1.80
Balance as at December 31, 2017	2,625,000		1.80
Granted	710,000		1.58
Settled	(41,667)		(1.80)
Forfeited and expired	(108,333)		(1.80)
Balance as at December 31, 2018	3,185,000	$	1.75

12. REVENUE

The following reflects the breakdown of our oil and natural gas revenue, before royalties, by commodity type:

	Years ended December 31, 2018	2017
Oil	$ 116,980	$ 41,583
Natural gas	1,932	858
Natural gas liquids	2,885	821
Total revenue	$ 121,797	$ 43,262

The Company has a number of different commodity sales as well as transportation and processing contracts related to production from its properties. To the extent control of the relevant commodity is transferred to the purchaser prior to transportation or processing fees are incurred, such fees are netted against the relevant revenue in the statement of operations. To the extent control of the relevant commodity is transferred to a purchaser after transportation or processing fees are incurred, such fees are reflected as transportation expense and as operating expense, respectively in the statement of operations.

(tabular amounts in $000's of Canadian dollars, unless otherwise noted)

The Company sells its production pursuant to variable-priced contracts. The transaction price is based on the relevant 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.

13. NET INCOME (LOSS) PER COMMON SHARE

The following table presents the Company's net income (loss) per common share:

	Years ended December 31,	
(thousands, except for share and per share data)	**2018**	**2017**
Net income (loss)	$ 27,056	$ (3,093)
Weighted average number of basic common shares	170,866,944	123,279,448
Weighted average number of basic and diluted common shares	174,391,337	123,279,448
Net income (loss) per weighted average basic and diluted common share	$ 0.16	$ (0.03)

The Subsidiary Issuer has issued 75,000 preferred shares which are convertible, at the Investor's option, to 39,308,176 common shares of the Company at a fixed price of US$2.40 per share, subject to certain conditions. See Note 10. The preferred shares are not currently considered dilutive.

(tabular amounts in $000's of Canadian dollars, unless otherwise noted)

14. INCOME TAXES

The provision for income taxes recorded in the financial statements varies from the amount that would be computed by applying the Canadian statutory income tax rate of 26.50% as a result of the following:

	Year ended December 31, 2018	Year ended December 31, 2017
Net Income before income tax provision		
Canada	$ (2,696)	$ (1,051)
United States	24,095	(2,042)
Total Income/(loss) before taxes	21,399	(3,093)
Statutory rate	26.50%	26.50%
Income tax expense at statutory rate	5,671	(820)
Tax effect of the following:		
Effect of higher corporate tax rate in US	(440)	(183)
Non - deductible expense	2,755	210
Impact of rate change and other	(280)	1,588
Impact of Tax Cuts and Jobs Act (US)	-	6,734
Change in valuation allowance	(13,363)	(7,529)
Income tax expense/(recovery)	$ (5,657)	$ -

The components of the Company's deferred income tax assets and liabilities are as follows:

	December 31, 2018	December 31, 2017
Deferred income tax liabilities		
Preferred shares - equity component	$ (2,531)	$ -
Property, plant and equipment	(16,786)	(7,729)
Total deferred income tax liabilities	(19,317)	(7,729)
Deferred income tax assets		
Property, plant and equipment	125	130
Non-capital losses (CN)	1,808	1,622
Non-capital losses (US)	20,777	19,746
Capital losses	196	196
Unrealized loss on financial derivatives	-	794
Share issue costs	-	3
Share-based compensation	274	54
Accrued bonus	323	47
Decommissioning obligation	1,244	623
Other	5	5
Deferred income tax assets before valuation allowance	24,752	23,220
Valuation Allowance	(2,130)	(15,491)
Deferred income tax assets, net	22,622	7,729
Total deferred income tax asset	$ 3,305	$ -

(tabular amounts in $000's of Canadian dollars, unless otherwise noted)

As at December 31, 2018, the Company has the following tax losses available to shelter future taxable income:

		December 31, 2018	Expiration Dates
Canada			
Non-capital losses	$	6,824	2031 to 2038
Capital losses	$	739	2031 to 2038
United States			
Non-capital losses - Federal	$	83,240	2031 to 2037
Non-capital losses - Colorado	$	116	2037 to 2038
Non-capital losses - Montana	$	8,780	2019 to 2025
Non-capital losses - North Dakota	$	44,525	2031 to 2038

15. COMMITMENTS

The Company has an outstanding letter of credit in favor of an energy regulator in North Dakota in the amount of US$75,000. As security, the Company has set aside an equivalent amount in cash at the financial institution that issued the letter of credit. In addition, the Company has advanced funds to other regulatory agencies in the amount of US$125,000 as security in order to operate in North Dakota.

The Company is committed to monthly rental payments for office space of US$12,000 through July 2020 and monthly rental payments for compressor leases of $37,000 for a minimum of twelve to eighteen months.

16. RELATED PARTY TRANSACTIONS

Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Compensation of key management personnel

Key management personnel include the Chief Executive Officer (CEO) of the Company, the former President of PetroShale (U.S.), Inc. (resigned September 2017), the Chief Financial Officer (CFO) and the directors and other officers of the Company.

		Year Ended December 31, 2018		Year Ended December 31, 2017
Salaries and other short-term benefits	$	2,132	$	1,123
Consulting fees		-		274
Share-based compensation		2,137		342
	$	4,269	$	1,739

* The salaries and short term benefits includes $150k of severance to a former officer.

Subordinated loan facility

As at December 31, 2017, the Company had a secured, subordinated, revolving credit facility which was provided by two significant shareholders of the Company, one of whom is also the Executive Chairman of our Board of Directors. See further details in Note 8 – Debt - Subordinated loan. During the year ended December 31, 2017, fees and the value of warrants issued in connection with this facility were amortized to finance expense in the amount of $726,000. Following completion of an equity offering in April 2017, the Company settled accrued interest and origination fees of $22.3 million and paid principal of $53.3 million related to this facility.

The lenders to this facility agreed to enhance its terms in April 2016. As partial consideration for extending the term of the subordinated loan, increasing the facility capacity and agreeing to defer cash interest payments, the Company granted 2.0 million common share purchase warrants to the subordinated lenders, pro rata to their participation in the revised commitment amount. Each warrant entitled the holder to acquire one common share at $0.75 for a period of two years from the date of issuance. These warrants were valued at $684,000 on the date of issuance and reflected in shareholders' equity on the statement of financial position. During the nine months ended September 30, 2018, the lenders to the subordinated loan facility exercised their right to acquire 2.0 million common shares pursuant to these warrants, resulting in net proceeds to the Company of $1.5 million.

In January 2018, the Company repaid outstanding balances under, and terminated, the subordinated loan facility following completion of a US$75 million preferred equity financing. See Note 10.

Share capital issuance

The Company's Executive Chairman and the Investor in the Company's preferred shares each purchased 2.7 million common shares pursuant to the Private Offering at a price of $1.85 per share for $5.0 million. See Note 11.

17. RISK MANAGEMENT

a) Overview

The Company's activities expose it to a variety of financial risks such as credit risk, liquidity risk and market risk that arise as a result of its exploration, development, production and financing activities.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and market conditions.

b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The carrying amount of the Company's cash and cash equivalents and accounts receivable and the positive fair value of any financial derivatives represent the maximum credit exposure.

With respect to accounts receivable, the Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

To the extent the Company's oil and natural gas operations are conducted on a non-operated basis, its accounts receivable mainly reflect joint operations receivables from the operators of those properties. In relation to the Company's operated properties, the Company is exposed to collection risks on the sale of its oil and gas production and collection of well costs incurred on behalf of its working interest partners. The Company attempts to mitigate the risk from joint operations receivables by working with large reputable industry participants. However, the receivables are from participants in the petroleum and natural gas sector and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. Further risk exists with joint venture partners as disagreements occasionally arise, increasing the risk of non-collection. Sales of oil and natural gas production from our operated properties are made to large industry purchasers.

The Company does not typically obtain collateral from joint venture partners and believes that operators of its non-operated properties, who are responsible for marketing the production from those properties, do not typically obtain collateral from petroleum and natural gas marketers they may utilize. However, the Company mitigates this risk by working with large reputable operators.

With respect to its operated assets, the Company does not anticipate any default on collection of accounts receivable as it transacts with credit-worthy customers. As such, a provision for doubtful accounts has not been recorded as at December 31, 2018 or December 31, 2017.

All of the Company's accounts receivable are from the production of petroleum and natural gas and joint venture receivables. As at December 31, 2018 there are receivables of $1.1 million that are greater than 90 days outstanding however the full amount was received in the first quarter of 2019.

Should the value of the Company's financial derivative instruments have a positive value, the Company is exposed to that amount should the counterparty to such instruments default.

c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they come due. The financial liabilities in the statement of financial position consist of accounts payable which are all considered due within one year and the senior loan and preferred share obligation. The Company anticipates it will continue to have adequate liquidity to fund its financial liabilities as they come due. The Company forecasts its cash flows from operating activities as well as obligations related to capital spending and settlement of accounts payable in relation to available liquidity from its revolving credit facilities. The Company's accounts payable and accrued liabilities balance at December 31, 2018 is approximately $44.0 million (December 31, 2017 - $38.4 million). It is the Company's practice to pay suppliers within 60 days. As at December 31, 2018, substantially all of the account balances were less than 90 days old.

The Company anticipates its senior loan facility will either be renewed for a further twelve months, following the senior lender's review expected to be completed in May 2019, or converted to a term facility maturing on June 30, 2020.

The Company's preferred shares may either be converted, at the option of the Investor, to common shares of the Company, or subject to redemption on January 25, 2023, which date may be extended at the option of the Investor by one year.

The Company has no financial derivative liability as at December 31, 2018 ($3.1 million – December 31, 2017). Depending on market oil prices at the time, the Company may need to pay the counterparty to such contracts a monthly amount which reflects the positive difference between the market WTI price and the upper price band of the related collars. The Company will fund such liabilities from proceeds of its oil production which will be sold in the market at prices reflecting such higher WTI prices.

The following are the contractual maturities of the Company's debt and preferred share obligations and anticipated timing of settlements of its other financial liabilities as at December 31, 2018, including estimated interest and dividend payments:

(in thousands)	Contractual Cash Flow	Less than 1 Year	1-2 Years	3-5 Years	Thereafter
Accounts payable and accrued liabilities	$ 44,049	$ 44,049	$ -	$ -	$ -
Senior loan [1]	76,646	3,499	73,147	-	-
Preferred share obligation[2]	139,358	9,180	9,180	120,998	-
Total	$ 260,053	$ 56,728	$ 82,327	$ 120,998	$ -

[1]Includes future interest expense at the rate of 4.9% being the rate applicable at December 31, 2018 to the current maturity date of June 30, 2020.

[2] The amount differs from that presented on the statement of financial position due, in part, to the unamortized portion of issuance costs (which are offset against the preferred share obligation on the statement of financial position), the preferred share equity component (which is presented separately under Shareholders' Equity) and finance cost at the coupon rate of 9.0% per annum. The table reflects the full dividend payment obligation to the maturity date of January 25, 2023. These preferred shares may be converted to common shares at the option of the investor.

d) Market risk

Market risk is the risk that changes in market prices relating to currency, commodity prices and interest rates will affect the Company's net earnings, future cash flows, the value of financial instruments, or the fair value of its assets and liabilities. The objective of market risk management is to manage and control market risk exposure within acceptable parameters.

Although the Company does not generally sell or transact in foreign currencies, its US subsidiaries conduct their operations primarily in US dollars. Our US Operations are directly exposed to fluxuations in the US dollar when translated to our Canadian dollar denominated financial statements. Our oil and gas revenues are positively impacted when the Canadian dollar weakens relative to the U.S. dollar. However, our capital spending, transportation and operating costs, interest expense and U.S. dollar denominated debt are negatively impacted with a weak Canadian dollar. Furthermore, exchange rate fluctuations can affect the fair value and cash flow from derivative contracts. For the years ended December 31, 2018 and December 31, 2017, the Company did not enter into any foreign currency derivative contracts.

Commodity prices for crude oil, natural gas liquids and natural gas are also impacted by political events, meteorological conditions and changes in supply and demand. The Company may enter into commodity derivative contracts that provide downside price protection in order to provide some stability of cash flows for capital spending and planning purposes. The Company's risk management activities are conducted pursuant to its risk management policies approved by the Board of Directors.

(tabular amounts in $000's of Canadian dollars, unless otherwise noted)

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in interest rates. The Company's interest rate risk arises from its floating rate senior loan. For the years ended December 31, 2018 and 2017, the Company did not enter into any interest rate derivative contracts. The impact of a 1% increase in the interest rate associated with the senior loan for the year ended December 31, 2018, would have been an increase in net loss of approximately $0.6 million (December 31, 2017 - $0.3 million).

18. CAPITAL MANAGEMENT

The Company's objective when managing capital is to maintain a flexible capital structure which will allow it to execute on its capital expenditure program, which includes expenditures on oil and gas activities which may or may not be successful. Therefore, the Company monitors the level of risk incurred in its capital expenditures to balance the proportion of debt and equity in its capital structure.

The Company manages its capital structure and makes adjustments by continually monitoring its business conditions, including: current economic conditions; the risk characteristics of the Company's petroleum and natural gas assets; the depth of its investment opportunities; current and forecasted net debt levels; current and forecasted commodity prices; and other factors that influence realized commodity prices and funds flow from operations such as quality and basis differential, royalties, operation costs and transportation and processing costs. The Company considers its capital structure to include working capital, any debt, preferred shares and shareholders' equity. The Company monitors capital based on current funds flow from operations compared to forecasted capital and operating requirements.

In order to maintain or adjust the capital structure, the Company will consider: its forecasted funds flow from operations while attempting to finance an acceptable capital expenditure program which may in the future include acquisition opportunities; the current level of credit available from its lenders; the level of credit that may become available from its lenders as a result of petroleum and natural gas reserve growth; the availability of other sources of debt with different characteristics than bank debt; the sale of assets; limiting the size of the capital expenditure program and new equity if available on favorable terms. The Company's share capital is not subject to external restrictions. Access to any bank credit facility is determined by the lenders and is generally based upon the lenders' borrowing base models which are based upon the Company's petroleum and natural gas reserves.

19. FINANCE

Years ended December 31	**2018**	**2017**
Interest - senior debt	$ 3,379	$ 1,228
Interest - subordinated loan	-	5,952
Dividends - Preferred Shares	8,179	-
Accretion of Preferred Shares	2,099	-
Accretion of decommissioning obligation	73	5
Other finance expenses	108	952
Finance Expense	$ 13,838	$ 8,137

(tabular amounts in $000's of Canadian dollars, unless otherwise noted)

20. SUPPLEMENTAL CASH FLOW DISCLOSURES

Changes in non-cash working capital is comprised of:

	Years ended December 31, 2018	2017
Source / (use) of cash:		
Accounts receivable	$ (16,499)	$ (5,516)
Prepaid expenses and deposits	40	(116)
Accounts payable and accrued liabilities	5,602	8,874
	$ (10,857)	$ 3,242
Related to operating activities	$ 4,575	$ (1,865)
Related to investing activities	(19,982)	23,984
Accrued and unpaid dividends on preferred shares	2,231	-
Payment of previously deferred interest	-	(22,330)
Deferred interest and fees	-	3,673
Difference due to foreign exchange	2,319	(220)
	$ (10,857)	$ 3,242
Interest and preferred dividends paid	$ 9,328	$ 3,726
Income taxes paid	nil	nil

(tabular amounts in $000's of Canadian dollars, unless otherwise noted)

21. SEGMENT DISCLOSURES

The Company operates in one industry segment, the production of petroleum and natural gas and development of oil and natural gas properties.

The Company and its subsidiary operated in two geographical segments during the periods reported below, being Canada and the United States.

	Years ended December 31,	
	2018	**2017**
Revenue, net of royalties		
United States	$ 97,632	$ 34,095
Canada	67	75
	$ 97,699	$ 34,170
Net income (loss)		
United States	$ 29,752	$ (2,042)
Canada	(2,696)	(1,051)
	$ 27,056	$ (3,093)

As at	**December 31, 2018**	**December 31, 2017**
Property, plant and equipment		
United States	$ 372,493	$ 183,567
Canada	570	605
	$ 373,063	$ 184,172

22. SUBSEQUENT EVENT

In February 2019, the Company commenced a normal course issuer bid (the "NCIB") pursuant to which the Company may purchase for cancellation, from time to time, up to a maximum of 9,839,663 Common Shares, which at the time of commencement of the NCIB, represented 10% of our "pubic float" of Common Shares. The NCIB commenced on February 8, 2019 and will terminate on February 8, 2020 or such earlier time as the NCIB is completed or terminated. To the date hereof, the Company has not purchased any Common Shares pursuant to the NCIB. Shareholders may obtain a copy of the NCIB documents without charge by contacting PetroShale at info@petroshaleinc.com.