



Persta Resources Inc.

(incorporated under the laws of Alberta with limited liability)

Stock code: 3395



Environmental, Social and Governance Report **2016**



PERSTA RESOURCES INC.

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



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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This is the first environmental, social and governance report (the “**ESG Report**”) to be presented by Persta Resources Inc. (the “**Company**”, “**Persta**”, “**we**”, “**us**” or “**our**”), and is based on the guidelines set out in Appendix 27 to the Rules (“**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The reporting period covered by the ESG Report is from 1 January 2016 to 31 December 2016. The ESG Report is a mandatory requirement for financial years commencing on or after 1 January 2016 under the Listing Rules.

The purpose of the ESG Report is to inform the Company’s stakeholders of the approach, policies and procedures the Company has in place or are currently being developed. These policies and procedures shall enable the Company to create and maintain a business model that is ethical, environmentally and socially-responsible.

The Company recognizes corporate responsibility as integral to the successful achievement of the Company’s wider business objectives and strategies while creating value for its stakeholders with integrity and accountability. Within the Company’s operations in Canada, the Company works to foster a corporate culture that embraces a high standard of corporate governance, environmental protection and social development.

The report below addresses the Company’s environmental, social and governance aspects in Canada and in compliance with Appendix 27 to the Listing Rules. For information on the Company’s corporate governance framework and policies, please refer to the Corporate Governance Report section in the Annual Report 2016 of the Company.

We value your feedback on the ESG Report and please feel free to contact us by email to ir@persta.ca.

Management’s Approach

The Company operates its business as a responsible corporate citizen while remaining firmly committed to creating value for its shareholders and other stakeholders. Within the Company, the directors are responsible for developing the board policies and procedures in relation to:

- Environmental Management and Sustainability;
- Employment and Labour Practice;
- Operating Practices; and
- Community.

Regulatory and Health, Safety and Environmental (“HSE”) Program Compliance

All personnel are knowledgeable of and have complied with the applicable regulatory requirements, with the industry best practices and with the requirements of their HSE program as implemented on the Company’s worksites.

Environmental Protection

Protection of the environment is an integral part of the Company’s operations and has been managed at all stages during the planning and execution of projects.

Hazard Reporting and Right to Refuse Unsafe Work

Worksite hazards must be immediately reported and eliminated or controlled. Worksite personnel have the right and the responsibility to refuse to conduct assigned work when unsafe conditions exist or where they are insufficiently trained to safely complete the work.

Work Procedures

Only approved work procedures have been used. Worksite personnel (including Company's employees and contractors) must be suitably trained in the procedures applicable to their work and must be supervised where required.

Employee Awareness and Training

Company's employees have been trained in the content and implementation of the Company's Health, Safety and Environment Management System and in procedures applicable to their work. Contractors have ensured that their personnel assigned to the Company's worksites are trained in the Company's applicable work procedures, and in the requirements of their specific HSE programs as implemented on the Company's worksites.

Emergency Planning and Response

The Company maintains documented and updated emergency response procedures to ensure a prompt and efficient response to foreseeable emergencies and ensures its employees and contractors are trained in this area.

Environmental

Environmental Management and Sustainability

1. Emissions

The Company is aware of the impacts and potential risks that its oil and gas operations may pose to the environment and surrounding ecosystem. The Company conducts its operations in an environmentally conscious and responsible manner. During the reporting period to its knowledge, the Company has complied with relevant laws and regulations which reduce greenhouse gas emission and control hazardous and non-hazardous wastes to protect air, water and land. Meanwhile, generally-accepted industry safety standards are in place to ensure the Company's crude oil and natural gas exploration, production and transportation operations comply with the relevant environmental laws and regulations.

For the Company's gas and oil production activities, the Company has in place effective produced water management practices. Produced water coming out from the wellheads along with the gas or oil contain elevated levels of dissolved ions (salts), hydrocarbons, and trace elements. Discharge of any produced water would be harmful to the surrounding environment. The Company has implemented produced water management procedures for the collection and storage of the produced water with on-site water tankage. The produced water in the water tanks will be trucked out for disposal to third parties authorized by the local governmental authority.

The Company has implemented various measures to reduce the noise level in its well site operations, such as use of mufflers, noise and vibration dampening and absorbing materials, and isolation and enclosure of noisy equipment. In 2016, the Company engaged a third party service provider to conduct noise impact assessments for the compressors at its facility locations. The results of the assessment showed that the noise level in well sites has been mitigated to lower level, which has complied with relevant laws and regulations.

The Company is committed to meeting its responsibilities to protect the environment wherever it operates. The Company's internal procedures are designed to ensure that the environmental aspects of new developments are taken into account prior to proceeding. The concept of sustainability is incorporated into the Company's business development strategies and day-to-day operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The Company strives to ensure that the Company's environmental goals and standards are well understood and followed at all levels throughout the Company. Initially, ongoing and periodic refresher trainings are provided to the Company's management team and employees to ensure their understanding of the proper protective measures to mitigate potential hazards the Company's operations may pose to the surrounding environment.

2. Use of Resources

Using non-renewable and renewable resources efficiency is essential to the Company's social responsibility on environment. Meanwhile, it is crucial for the Company to reduce costs and save funds through enhancing all applicable resources. Thus, the Company had set improving resource efficiency as the business's core goal and has been striving to utilize applicable resources in an efficient and environmental way.

In order to maximize all kinds of resource utilization and minimize operating costs, the Company had actively created a series of practices in the office to managing applicable resource utilization, and employees have been responsibly complying with these practices. For instance, the Company recommends two-sided printing to reduce paper usage. In addition, the Company encourages computers and projectors utilization to reduce paper handout distribution.

The Company believes that enhancing resource utilization efficiency is the best way to demonstrate the Company's commitment to protect the environment. The Company will continue to enhance resource utilization through applying new technology, improving management expertise and employee awareness.

3. The Environment and Natural Resources

Environmental Planning and Monitoring

We incorporate environmental considerations and planning into all phases of our projects and work co-operatively and effectively with communities, government agencies and stakeholders to reduce the potential impacts of our operations.

A key component in our environmental planning process is the Environmental Effect Evaluation ("EEE"). An EEE provides long-term management and mitigation strategies to ensure our major projects meet environmental, social and economic commitments which are developed in consultation with stakeholders. EEEs are an important tool in our regulatory applications that support our growth and development plans by providing a thorough understanding of the potential project related impacts. Environmental effect evaluations highlight any regional risks to be addressed in project planning. For example, Persta documents traditional ecological knowledge that is shared by aboriginal communities and considers its use when compiling baseline environmental information, developing monitoring programs and planning mitigation (e.g., reclamation).

When developing new projects, we recognize environmental and historical aspects associated with operating in or near these areas, and work very closely with the respective administrative authorities for these areas, following our corporate statement regarding the environment. Our approach includes:

- Title search — this identifies ownership of the lands for the proposed development, as to whether or not our proposed development is on crown land, freehold land, provincial or federal park, etc.
- Review of the provincial "Listing of Historic Resources" to determine if a proposed development may affect historic resources, including archeological and paleontological sites, aboriginal traditional use sites of a historic resource nature (burial, ceremonial sites etc.), and/or historic structures.
- If the proposed development falls on provincial or federal park lands, we will work closely with provincial parks or Parks Canada to determine steps involved, including EEEs as required.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

- If the proposed development falls on any historic lands identified in the listing, we will work with the provincial culture and tourism authorities, and perform Historic Resources Effect evaluations with professional archeologists as required.
- In some cases, we are required to consult with respective aboriginal communities for development on these lands.
- In all cases, efforts are committed to minimizing our footprint.

We also work with government, industry, and other stakeholders to implement and advance environmental policy and initiatives involving air, land and water.

The Provinces of Alberta, Saskatchewan and British Columbia have established frameworks for the management of air, land and water. As part of our commitment to protect the environment, Persta has adopted these frameworks into our operating practices to implement comprehensive mitigation plans for sensitive landscapes, wildlife and aquatic systems. We also participate in research programs for land planning, caribou restoration and reclaimed land. These environmental frameworks establish, for instance, limits on emissions to protect the air, restrictions on water use to protect water quality and water withdrawals, tailings reclamation timelines, increasing the amount of conserved land, etc.

Persta supports environmental monitoring as a part of its managing development in a responsible manner. We support openness, transparency, and the generation of scientifically reliable data that addresses the public/stakeholder concerns related to natural gas operations. Environmental monitoring allows us to continually measure our performance, establish targets, and work towards improvement. Monitoring of air emissions, water use and land disturbance occurs at our larger facilities.

Risk and Incident Management

Persta's management systems ensure we evaluate, prevent and mitigate the risk of incidents occurring. Response plans are documented within the Emergency Response Plan ("ERP") to predict the extent and magnitude of all risks. Rare events, such as an equipment malfunction that results in an incident, are managed quickly in accordance to our structured emergency response plans. These procedures help manage the event as systematically and thoroughly as possible to mitigate any additional impacts and facilitate the safe return to normal operations in a timely manner. Protocols are in place to identify the sequence of response actions to incidents such as the shutdown of the incident source, communication to government and public, and clean-up of any effects.

We continue to develop strategies that will enable Persta to deal with the risks and opportunities associated with new greenhouse gas and air emissions policies. In addition, we will work with relevant parties to ensure that new policies encourage technological innovation, energy efficiency, and targeted research and development while not impacting competitiveness.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Social

Employment and Labour Practices

1. Employment

Equal Opportunities Policy

The Company is an equal opportunities employer and believes in the fair treatment of all of its potential and existing employees. We will not discriminate, harass or vilify any applicants or employees on the grounds of their gender, age, marital status, pregnancy, nationality, ethnicity, sexual orientation, disability, race, ethnic origins or religion.

The Company bases all employment related decisions, such as recruitment, promotion, dismissal or redundancy, on consistent evaluation and selection criteria, such as qualification, skills, experience and performance. During the reporting period, the Company has complied with the relevant equal opportunities legislation and relevant labor laws and regulations in Canada.

Due to the Company being listed on the Stock Exchange, all employees are required to comply with the Company's non-disclosure/confidentiality policy. Any violation of such policy may result in the termination of employment, subject to the minimum requirements of the relevant laws and regulations.

Employment Policy

- **Probationary Period**
All employees at Persta are subject to a three month probationary period, which begins on the first day of employment (NOTE: this provision does not apply to secondees or contractors.). This probationary period provides an opportunity for the employees to assess their desire to be part of the Persta team and for the Company to assess the employees' ability to meet the performance standards and requirements of the role.
- **Performance Reviews**
Persta is committed to and strongly encourages employee growth and development through ongoing coaching and feedback. Formal performance reviews are an important part of this process. Each year, in discussion with their supervisor, our employees will establish objectives, discuss their performance and accomplishments, review their skills and behaviors, and discuss their career development needs. Performance reviews will be conducted at least annually, in conjunction with salary and bonus reviews.
- **Disciplinary Action**
Persta believes in the merits of a "progressive discipline" approach for dealing with workplace related issues (i.e. discuss/clarify expectations and concerns, identify opportunities for improvement, etc.). Notwithstanding, management retains the discretion to determine the nature and extent of any disciplinary actions (up to and including dismissal) based on a review of the specific circumstances of each individual case. A copy of all written warnings will remain in the employee's personnel file and receipt of such warnings without commensurate performance improvement could result in dismissal of the employee from the Company.
- **Working Hours**
The usual work schedule is 40 hours per week, Monday to Friday from 8:00 am to 5:00 pm. The working hours are in compliance with the Alberta Employment Standards Regulation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Relationship with our Employees

The Company values its employees, and recognizes their efforts and contributions. Building a committed, competent and loyal workforce is key to the long-term success of the Company. The Company offers competitive compensation to its employees, with salary levels and benefits packages comparable with local market rates of similar roles and responsibilities.

The Company aims to promote and build a harmonious culture based on the values of trust, mutual respect and dialogue. As the Company's management aims to create and maintain positive individual and collective relationships, procedures and established mechanisms are in place to manage complaints that may be made, where appropriate, on a confidential basis.

All employees will have sufficient access to ongoing training and support from the Company that would enhance their understanding of the rights and obligations in relation to the terms and conditions of their employment.

The Company's policy further reinforces its commitment to long-term business development through an open dialogue with its employees.

As at 31 December 2016, the Company had a total of 10 full-time employees and 3 consultants were engaged to work at the Calgary head office. All of the employees are located in Canada. The relationship and cooperation between the Company's management team and employees has been positive and is expected to remain positive in the future. There has not been any incidence of work strikes or labor disputes which have had an adverse impact on the Company's operations.

- **Responsibility**

Persta is committed to providing a safe, professional and rewarding work environment where employees, secondees, contractors and visitors are treated with dignity and respect. All employees play a role and share in this process through their treatment of and daily interactions with others.

Persta's senior management recognizes it also plays a key role in promoting and maintaining a positive work environment by:

- partnering with and supporting employees in successfully resolve issues that arise,
- encouraging employees to report inappropriate behavior of any nature and investigating every complaint of workplace harassment with the utmost sensitivity and confidentiality, and
- imposing strict disciplinary measures if a complaint is founded.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

- **Handling Conflicts**

Conflicts do happen from time to time and when handled effectively, they are opportunities to improve the relationships and systems within the Company. We encourage our employees to handle conflicts as soon as they arise by speaking directly with those involved in the conflict.

If the conflict cannot be resolved directly by those involved, our employees may ask their immediate supervisor to assist with the matter. However, as a matter of principle and practice both parties should be present in all discussions whenever possible.

- **Harassment**

Harassment, abuse, violence, or other vindictive behaviours in the workplace will not be tolerated and will be dealt with immediately. While not subject to a precise definition, this includes, but is not limited to:

- unwelcome verbal or physical conduct, comments, gestures, or contact concerning a person's race, religious beliefs, colour, place of origin, gender, mental or physical disability, ancestry, marital status, family status or source of income, and
- is either implicitly or explicitly utilized as a basis for any employment decision (e.g. condition of employment/hire, promotion, determining compensation, job security, evaluation of performance, etc.), and/or
- has the purpose or the effect of interfering with the person's work performance or creating an intimidating, hostile or offensive work environment.

For the purposes of illustration only, some examples of behavior that constitute harassment and which are unacceptable at Persta include, but are not limited to:

- Verbal or physical abuse (whether actual, attempted, implied or threatened);
- Unwelcome verbal or physical conduct of a sexual nature (e.g. comments, suggestions, contact, innuendos, requests, or other inappropriate behavior);
- Unwelcome and/or derogatory jokes, innuendo or taunts about any person's appearance, religious beliefs, colour, place of origin, mental or physical disabilities, ancestry, marital status, family status, source of income, age or gender;
- Displays of pornographic, racist or other offensive signs or images; and
- Derogatory remarks which undermine, demean, belittle or humiliate an individual or group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

- **Making a Complaint**

Anyone who believes they, or a co-worker, are being harassed should:

- Keep a record of the incident(s) (i.e. date, time, location, possible witnesses, details of what happened, etc.) in order to aid in any investigations should they become necessary;
- Make an attempt, to tell the other individual that their behavior is inappropriate/unwelcome and ask them to stop as often this knowledge is enough to stop the unwelcome behaviour. (NOTE: if, however, our employees do not feel comfortable directly approaching the other individual and/or the situation is sufficiently serious, they should discuss their concerns immediately with their manager or Human Resources department); and
- Where the incident is sufficiently serious and/or bringing the matter to the other person's attention has not fully resolved the situation (i.e. the behavior continues), they should immediately report the incident(s) to their manager or Human Resources department.

- **Investigating a Complaint**

- All complaints will be taken seriously, involving a thorough and objective investigation of the facts.
- All pertinent information regarding a complaint will be kept confidential. Generally the Human Resources department will assist with the investigation and work with all relevant parties to determine the best method of resolution of the concerns.
- Where the investigation reveals evidence of inappropriate behavior, appropriate follow-up and disciplinary action will be initiated and documented accordingly.

- **Employee Privacy Policy**

Persta is committed to maintaining the accuracy, confidentiality and security of employee personal information and will make every reasonable effort to ensure that the collection, use, disclosure, access to, retention and copying of employee personal information is limited to that which is necessary for specific legal and business purposes.

It is the responsibility of every employee who collects, holds and has access to or uses employee personal information to be thoroughly familiar with the policy and take all necessary precautions to protect against unauthorized access, disclosure, copying, use, modification, destruction, loss or theft of such information, regardless of the format in which it is held.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

- **Vacation**

All permanent full-time employees of Persta are eligible for annual vacation with pay. Vacation is granted with two purposes in mind:

- To provide employees with a period of rest and relaxation away from work in order to recharge both mentally and physically, and
- As a means of recognizing years of service with the Company.

Vacation entitlement is based on the length of service with Persta, however prior work experience may be recognized only if the work experience is industry related and is directly relevant to the position.

Vacation is accrued on a monthly basis, with the “vacation year” based on the calendar year. Accordingly, new employees will have their annual vacation entitlement pro-rated based on their start date during the first year.

All vacation requests are to be made in writing to the employee's immediate supervisor by using the vacation request form adopted by the Company. Approval of vacation requests are at the discretion of the manager/supervisor who will review the request to determine if there are adequate resources available, competing requests for vacation, or other operational concerns that may impact the ability to grant the vacation during the time requests. Approved vacation requests are to be signed by the immediate supervisor and forwarded to the Human Resources department for tracking and filing.

- **Benefits While on Maternity and/or Parental Leave**

- All employee benefits (e.g. life insurance, extended health & dental coverage, health spending account, etc.) will be maintained by Persta for the duration of an employee's maternity leave. Long term disability coverage is an employee-paid benefit and will continue only if the employee provides post-dated cheques for the duration of the leave in order to ensure that there is no disruption of coverage. Our employees need to provide the Human Resources department with notice as to whether or not they wish to continue benefits at their own cost no later than four weeks after their maternity leave commences.
- For both maternity and adoptive leave, vacation will accrue for 6 weeks but will not accrue for the remainder of the leave. In the first year back from leave, the employees' vacation will be pro-rated based on the return to work date. During their maternity and parental leave, our employees may be eligible to receive employment insurance benefits provided they meet all qualifying requirements.

2. Health and Safety

The Company is aware of the impacts and potential risks that its oil and gas operations may pose to its employees and contractors. During the reporting period, the Company has complied with relevant laws and regulations applicable to implement its operations, and provided a safe working environment to protect employees from occupational hazards. Our commitment to occupational health and safety extends to the members of our management who report directly to the board of directors of the Company.

The Company recognizes and understands the potential hazards and that controlling these hazards is critical in avoiding any potential injuries. Generally-accepted industry safety standards are in place with the exploration, production, transportation and sale of crude oil and natural gas.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The Company has adopted operational occupational health and safety policies, which contain guidelines with respect to occupational safety, covering drilling and completions, well servicing, transportation of dangerous goods, procedures for handling chemicals and explosive materials and emergency plans. The Company's site operators are required to be properly licensed, and its safety management employees are certified by the relevant safety regulatory authorities.

The Company has implemented a system to monitor and record employee occupational health and safety statistics. To avoid any potential accident in the course of its operations, the Company has implemented certain safety measures and adopted an emergency response plan. Emergency planning and preparedness are essential to ensure that, in the event of an incident, all necessary actions are taken by the Company for the protection of the environment, the surrounding community and the Company's personnel and assets.

In 2016, the Company did not have any material accidents in the course of its operations nor any accidents related to the health or safety of its employees or contractors, and the Company had not received any claims for personal or property damage by its employees nor paid any compensation as a result.

Emergency Response Plan is concise, well organized, and include enough detail to ensure quick access to critical information required during an emergency. Preparedness can shorten an initial period of confusion and reduce the impact of the emergency.

The ERP identifies common types of emergencies and helps personnel in preparing an adequate response to the incident.

The emergency response community includes Company's personnel, local service providers, fire department, police, emergency medical services, mutual aid responders, and other governmental agencies.

Serious emergencies can arise from many sources and can be difficult to manage. Emergency management incorporates prevention, preparedness, response and recovery. It also involves a wide range of activities that prepare responders for incidents.

Emergency Preparedness Policy

Persta strives to provide and maintain a workplace free of incidents, but despite our best efforts to prevent incidents, there may be occasions where our actions, the actions of others or natural occurrences result in the need for emergency response actions.

All employees across our organization share responsibility for ensuring our Company's capability of an effective emergency response. By accepting this responsibility we take control of our own health and safety and contribute to the health and integrity of the Company and the communities in which we work.

Authority to Activate the ERP

Any employee or contractor detecting an incident has the authority to activate and implement any part of the plan to prevent the emergency situation from escalating. An immediate notification process must be followed as part of the activation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The employee or contractor detecting the incident has the responsibility to determine if the unplanned operational event has the potential to cause:

- A threat to worker or public health, and safety.
- Loss of property.
- A negative impact on the environment.
- A perception of risk by the public and neighbouring stakeholders.

If it is determined that there is an actual emergency situation (or the perception of an emergency by the public), the Company's employee or contractor must take appropriate response action to address the incident.

When the ERP is activated, it is of the utmost importance and urgency that the appropriate Company's personnel and government agencies are notified as outlined in the ERP.

Before any new or major modification to an existing facility is brought on-stream, relevant data will be added to the appropriate Field Area Section in the manual. It is the responsibility of the President and CEO to ensure that this data is included in the manual. Company's personnel and contractors will attend ERP review meetings before major facility modifications are commissioned.

Training and Testing the ERP

Emergency response training is a requisite and regulated activity where Persta's personnel are to demonstrate that they are able to take action, solve problems, and make decisions in a team structure as if they are responding to a real emergency. The training contains an appropriate balance between theoretical and practical hands on content and it is structured so that each new skill builds upon those previously acquired.

Simulated emergency response exercises, such as a tabletop exercise, are essential in developing, maintaining and improving Emergency Response Plan programs. Exercises are particularly important for training and evaluating roles and responsibilities during an emergency. Testing or exercising enables critical aspects of the Emergency Response Plan to be examined in a structured way, simulating conditions to reveal mistakes and omissions so that they can be subsequently corrected without consequences.

An appropriate exercise design process is composed of four main steps:

- Planning the exercise.
- Holding the exercise.
- Evaluating the outcomes.
- Reporting on the outcomes.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The training is designed to ensure that the following objectives are met:

- Appropriate assignment of personnel to fill the roles required to manage an efficient response.
- Effective communication amongst response personnel, agencies and support organizations.
- Accurate determination of the level of emergency.
- Worker and public safety considerations.
- Effective source control and incident mitigation.
- Coordinated and efficient response activities.
- Identification of gaps in the ERP and recommend changes to the ERP.
- Identification of additional training that may be required.

The Company undertakes training sessions on a regular basis for fulfilling functions defined in its ERP to ensure that responsible personnel retain competency in emergency response procedures. Personnel will be trained and capable of carrying out their responsibilities at all times. The Company will accomplish this by providing training sessions and response exercises.

3. Development and Training

Persta recognizes the importance of employee self-development as an important component of the continued success of the Company. Employees are encouraged to identify appropriate professional development and educational opportunities that are related to their current position and/or future career opportunities and discuss such opportunities with their immediate supervisor as part of the annual performance review process.

As a general guideline, educational courses required to maintain professional designations or certifications will be considered for reimbursement as well as expenses related to participation in relevant local, national, or international workshops and conferences may be covered. In addition, eligible courses should generally be sanctioned by a diploma, degree, certificate or trade ticket that is approved by relevant professional or government authorities. Employees who need to be away from work for attending and/or completing course are required to provide their supervisors with detail of such courses in advance prior to any approval being gained.

To be eligible for reimbursement of employee-initiated training and educational expenses, our employees must:

- be a permanent employee or a secondee at the time of application and have maintained a satisfactory level of performance (i.e. no documented performance issues),
- have all relevant expenses pre-approved (e.g. course fees and workbooks, travel (if required), meals, parking, etc.), and
- successfully complete the course and/or receive a passing grade (if the employees fail to complete the course and/or fail to achieve a passing grade, reimbursement of pre-approved expenses will not be made), and retain/present all relevant receipts.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Any requests of employees for financial assistance require pre-approval from their immediate supervisor prior to enrollment/registration, and should align with the business objectives of Persta. In addition:

- programs with a cumulative cost less than CAD\$1,000.00 require the approval of Vice President prior to enrollment/registration, and
- programs with a cumulative cost in excess of CAD\$1,000.00 and/or any program requiring attendance outside of Calgary require the approval of CEO prior to enrollment/registration.

4. Labour Standards

The Company has identified the following compelling reasons to establish a comprehensive system of minimum labour standards to guide the business operations:

- Ethical Responsibilities — the Company acknowledges its obligations towards its employees, stakeholders and the communities in which the Company works and operates. The Company wishes to carry out work and to do business in an ethical fashion.
- Adverse Publicity and Damage to the Company's Reputation — adverse publicity from the discovery of poor labour standards within the Company's business operations presents reputational and structural risks to the Company not only in terms of revenue, but also in respect of staff recruitment and retention. Poor labour standards can also lead to a loss of trust and confidence with suppliers and also within the wider community. The Company therefore wants to do what is right and be seen to do what is right.
- Reduced Quality of Service — the Company recognises that there is commonly a link between poor labour standards and poor quality of services. To this end, it is in the interest of the Company to ensure that the Company reaches and exceeds minimum labour standards requirements at all times.

The Company also commits to:

- Compliance with relevant legal and other requirements to which the Company subscribes;
- Ensuring that all our key contractors, sub-contractors and suppliers are aware of the employment policy through communications; and
- Making available sufficient resources for the implementation of the employment policy.

The Company has prevented and effectively eliminated all forms of forced labour and child labour in accordance with the principles of Alberta Employment Standards Regulation.

Operating Practices

5. Supply Chain Management

The Company believes that effective management of supply chain can improve how the Company conducts business. The Company maintains a list of suppliers and contractors and renews it annually after conducting an assessment on each of them, amongst others, to ensure their policies are in line with the Company's requirements on occupational health, safety and environment protection. The Company may add some new vendors, suppliers and contractors into the list after the completion of due-diligence check on it conducted either by the Company itself or by some professionals entrusted by the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The Company keeps a procurement procedure in which all procurement of equipment, facilities, goods, materials, supplies and services are in compliance with the procedure, amongst others, safety management and environmental protection, and are obtained as a result of competitive bidding technically and commercially, and all purchase orders and contracts are approved by the Company's management with relative levels of authorities defined in the procurement procedure.

6. Product Responsibility

As an oil and gas producer conducting business within Alberta, the Company is committed to high ethical standards, and the protection of health, safety and environment. The Company ensures safe and high quality of operation to produce light crude oil, natural gas, and condensates. Reliable conducts within Alberta oil and gas industry is critical for the Company's consistent long-term operation. Since founded, the Company has been strictly complying with safety and environmental laws relating to product responsibility, as well as other applicable laws. The Company was not involved in any disputes relating to safety, environment, government penalty, as well as product responsibility.

7. Anti-Corruption

All Persta's employees and representatives of the Company are expected to carry out their work in an honest and ethical manner as outlined by the anti-corruption policy. We understand the potential risks to our business from unethical conduct, and adopt a zero-tolerance approach to all forms of corruption, including deception, bribery, forgery, extortion, conspiracy, embezzlement and collusion.

The anti-corruption policy aims to provide reporting channels and guidance, while reassuring whistleblowers that they will be protected against any unfair treatment.

During 2016, the Company was not aware of any of non-compliance with laws or regulations that would have a significant impact concerning bribery, extortion, fraud and money laundering.

Whistle-Blower Policy

We provide channels for our employees to report instances they believe to be unethical or in breach of the code of conduct.

Suspected non-compliance may be reported to department head, CEO or compliance officer.

When a complaint is filed, dedicated compliance officers will investigate the case using an internal or external party as required, while protecting the whistle-blower from reprisal. Employees, agents or intermediaries found to have breached our whistle-blower policy may be subject to termination of contract, dismissal, sanctions or criminal proceedings.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Community

8. Community Investment

Effective management of stakeholder relationships is important to enhance trust and confidence of the communities where the Company operates. The Company understands the potentially disruptive impacts its drilling projects and facilities may have towards nearby communities. It has been a long-standing practice and policy of the Company to minimize such impacts and to conduct its business in an ethical way with a view to guarantee the interest of its shareholders and other stakeholders.

The Company respects the history, heritage and culture of the Aboriginal Canadians communities in the Alberta Foothills, Deep Basin Devonian and Peace River regions and engages and consults with stakeholders in these regions. Prior to the launch of any site development, the Company consults with stakeholders, including members of the public, regulatory bodies and local and aboriginal communities who are, or may be, affected by the proposed exploration and/or development activities. The Company ensures that a transparent and respectful relationship is built and maintained with the local community and relevant stakeholders.

