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Persta Resources Inc.

(incorporated under the laws of Alberta with limited liability)

(Stock code: 3395)

ANNOUNCEMENT OF UNAUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

This announcement is issued by Persta Resources Inc. (the “**Company**” or “**Persta**”) pursuant to Rules 13.09(2) and 13.49(3)(i) of the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the “**SFO**”).

For the reasons explained in the paragraph below headed “Review of Unaudited Annual Results”, the auditing process for the annual results of the Company has not been completed. The unaudited condensed results of the Company for the year ended 31 December 2020 (the “**Unaudited Year End Results**”) have not yet been agreed with the auditors of the Company, BDO Limited (“**BDO**”), and have therefore been reviewed by the Company’s audit and risk committee (the “**Audit and Risk Committee**”) and the board (the “**Board**”) of directors (the “**Directors**”) of the Company without disagreement.

BDO has informed the Company that they expect to be in a position to complete their audit and deliver their audit opinion by mid-May 2021. The Company will continue to cooperate with BDO to complete their audit work as soon as possible. Following the completion of the audit by BDO, the Board will use its reasonable endeavours to publish its preliminary announcement of the audited results for the year ended 31 December 2020 (the “**Audited Final Results**”), which will be agreed with BDO, as soon as possible. The Company will make further announcement(s) to provide updates on the above matters as and when appropriate in accordance with the Listing Rules and under Part XIVA of the SFO.

In the meantime, the Board is pleased to announce the Unaudited Year End Results and its business updates for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019. Please see the attached announcement for further information.

By Order of the Board
Persta Resources Inc.
Yongtan Liu
Chairman

Calgary, March 31, 2021
Hong Kong, March 31, 2021

As at the date of this announcement, the Board comprises of two executive Directors, being Mr. Yongtan Liu and Mr. Pingzai Wang; and three independent non-executive Directors, namely Mr. Richard Dale Orman, Mr. Peter David Robertson and Mr. Larry Grant Smith.

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

As at December 31, 2020

(Expressed in Canadian dollars)

	Note	As at December 31, 2020 (Unaudited)	As at December 31, 2019 (Audited)
Assets			
Current assets:			
Cash and cash equivalents	4	1,071,572	1,060,752
Accounts receivable	5	1,986,850	1,789,983
Prepaid expenses and deposits		<u>480,793</u>	<u>608,391</u>
Total current assets		3,539,215	3,459,126
Exploration and evaluation assets	6	6,974,847	18,543,990
Property, plant and equipment	7	29,280,432	34,650,210
Right of use assets	8	<u>2,355,297</u>	<u>2,410,471</u>
Total Assets		<u>42,149,791</u>	<u>59,063,797</u>
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	9	8,821,238	7,099,021
Current portion of long term debt	10	23,142,661	22,133,799
Current portion of lease liabilities	8	582,211	608,219
Decommissioning liabilities		<u>205,836</u>	<u>264,450</u>
Total current liabilities		32,751,946	30,105,489
Other liabilities		351,407	812,656
Lease liabilities	9	2,049,417	2,055,532
Long term debt	10	2,533,290	601,846
Decommissioning liabilities		<u>1,741,996</u>	<u>1,819,949</u>
Total liabilities		<u>39,428,056</u>	<u>35,395,472</u>

	<i>Note</i>	As at December 31, 2020 (Unaudited)	As at December 31, 2019 (Audited)
Shareholders' equity:			
Share capital		213,426,683	210,366,683
Warrants		647,034	647,034
Contributed surplus		358,042	73,895
Accumulated deficit		<u>(211,710,024)</u>	<u>(187,419,287)</u>
Total shareholders' equity		<u>2,721,735</u>	<u>23,668,325</u>
Total Liabilities and Shareholders' Equity		<u>42,149,791</u>	<u>59,063,797</u>
Going concern	<i>3</i>		
Subsequent events	<i>15</i>		

The accompanying notes form part of these condensed financial statements.

UNAUDITED CONDENSED STATEMENT OF LOSS AND COMPREHENSIVE LOSS

For the year ended December 31, 2020

(Expressed in Canadian dollars)

		For the year ended December 31,	
	Note	2020 (Unaudited)	2019 (Audited)
Revenue			
Commodity sales from production	11	13,269,050	13,626,747
Trading revenue	11	8,455	629,807
Royalty expense		<u>(751,433)</u>	<u>(2,446,729)</u>
Total net revenue		12,526,071	11,809,825
Expenses			
Operating costs		(10,874,481)	(7,592,649)
General and administrative costs		(2,945,130)	(4,190,887)
Share-based expenses		(123,200)	—
Depletion, depreciation and amortization		(5,151,937)	(5,165,339)
Impairment losses and write-offs	6, 7	<u>(12,669,527)</u>	<u>(41,142,293)</u>
Total expenses		<u>(31,764,275)</u>	<u>(58,091,168)</u>
Loss from operations		(19,238,204)	(46,281,343)
Other income		213,377	77,967
Finance expenses		<u>(5,265,910)</u>	<u>(4,262,858)</u>
Loss before taxes		(24,290,737)	(50,466,234)
Income taxes	12	<u>—</u>	<u>—</u>
Loss and comprehensive loss		<u><u>(24,290,737)</u></u>	<u><u>(50,466,234)</u></u>
Loss per share			
Basic and diluted	13	<u><u>(0.08)</u></u>	<u><u>(0.17)</u></u>

The accompanying notes form part of these condensed financial statements.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in Canadian dollars unless otherwise indicated)

1 CORPORATE INFORMATION

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

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

2 BASIS OF PREPARATION

The financial information set out in this announcement does not constitute the financial statements of the Company for the year ended December 31, 2020, but are extracted from the unaudited condensed financial statements.

The unaudited condensed financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”), which collective term includes all applicable individual IFRSs, International Accounting Standards (“**IASs**”) and interpretations issued by the International Accounting Standards Board (“**IASB**”) and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong). The unaudited condensed financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The preparation of these unaudited condensed financial statements requires the Company’s management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These unaudited condensed financial statements have been prepared following the same accounting policies as the annual audited financial statements for the year ended December 31, 2019.

These financial statements are presented in Canadian dollars (“**C\$**”), which is the Company’s functional currency.

3 GOING CONCERN

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2020, the Company had a working capital deficiency of C\$29.2 million, used cash in operating activities of C\$5.4 million for the year ended December 31, 2020, and has drawn C\$24.0 million on its subordinated debt facility of C\$26.0 million. Additional draws on the subordinated debt facility are subject to approval of the lender.

As at December 31, 2020, the Company was not in compliance with its net debt to total proved reserves covenant (refer to Note 10) and therefore the debt is due on demand. Accordingly, the loans payable have been classified as a current liability as at December 31, 2020.

The Company's ability to continue as a going concern is dependent upon the ability to generate positive cash flow from operations, obtain equity financing, dispose of assets or other arrangements to fund operating and investing activities. There are no assurances that any waivers will be obtained or transactions will be completed, on terms acceptable to the Company. If these financial covenants are not met or a waiver is not obtained by lenders, the subordinated debt facility may become due on demand. These conditions cause material uncertainty which cast significant doubt on the Company's ability to continue as a going concern.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern assumption were not appropriate, then adjustments would be necessary in the carrying value of the Company's assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used. These adjustments could be material.

4 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

	As at December 31, 2020	As at December 31, 2019
C\$		
Deposits with banks and other financial institutions	1,069,568	1,054,708
Cash on hand	<u>2,004</u>	<u>6,044</u>
Cash and cash equivalents in the statement of financial position and statement of cash flows	<u>1,071,572</u>	<u>1,060,752</u>

(b) Supplementary cash flows information

	Year Ended December 31, 2020	2019
C\$		
Change in non-cash working capital:		
Accounts receivable	196,867	593,921
Prepaid expenses and deposits	(127,598)	(188,353)
Accounts payable and accrued liabilities	(1,260,968)	2,352,535
Lease liabilities	<u>829,067</u>	<u>647,960</u>
	(362,632)	3,406,063
Change in non-cash working capital included in investing and financing activities	<u>(90,109)</u>	<u>(4,453,182)</u>
Change in non-cash working capital included in operating activities	<u>(452,741)</u>	<u>(1,047,119)</u>

5 ACCOUNTS RECEIVABLE

	As at December 31, 2020	As at December 31, 2019
C\$		
Trade receivables	1,680,327	1,716,964
Other receivables	<u>306,523</u>	<u>73,019</u>
Total	<u>1,986,850</u>	<u>1,789,983</u>

(a) Aging analysis of trade receivables

As at December 31, 2020 and 2019, the aging analysis of trade receivables (included in accounts receivable), based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	As at December 31, 2020	As at December 31, 2019
C\$		
Within 1 month	1,680,327	1,716,964
1 to 3 months	—	—
Over 3 months	<u>—</u>	<u>—</u>
Total	<u>1,680,327</u>	<u>1,716,964</u>

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

(b) Impairment of accounts receivable

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Company determines that recovery of the amount is remote, in which case the impairment loss is written off against account receivables directly. No accounts receivable are considered individually nor collectively to be impaired. No material balances of trade or other receivables are past due, and no impairment loss has been recognized for the years ended December 31, 2020 and 2019.

6 EXPLORATION AND EVALUATION ASSETS

C\$	As at December 31, 2020	As at December 31, 2019
Balance, beginning of year	18,543,990	43,484,822
Additions	167,684	1,278,860
Transfer to PP&E	(7,400,192)	—
Cost recovery	—	(298,659)
Write-offs	(741,451)	(623,720)
Impairment	<u>(3,595,184)</u>	<u>(25,297,313)</u>
Balance, end of year	<u>6,974,847</u>	<u>18,543,990</u>

Exploration and evaluation (“**E&E**”) assets consist of undeveloped lands, unevaluated seismic data and unevaluated drilling and completion costs on the Company’s exploration projects which are pending the determination of proven or probable reserves in sufficient quantity to warrant commercial development. Transfers are made to property, plant and equipment (“**PP&E**”) as proven or probable reserves are determined. E&E assets are expensed due to uneconomic drilling and completion activities and lease expiries.

For the year ended December 31, 2020, general and administrative (“**G&A**”) costs of C\$0.16 million (2019: C\$0.07 million) were capitalized and included in E&E additions as they were directly attributable to exploration and development activities. For the year ended December 31, 2020, the Company wrote-off C\$0.74 million (2019: C\$0.62 million) of E&E assets attributable to land lease expiries.

PP&E transfer

With the commissioning of production operations at Voyager in the second quarter, at June 30, 2020 the Company initially transferred C\$6.8 million of E&E assets to PP&E, comprised of development and production costs incurred for Voyager. The Company subsequently transferred an additional C\$0.6 million of E&E assets to PP&E.

At December 31, 2020, the Company’s E&E assets in respect of its Basing, Voyager and Dawson CGUs was comprised solely of undeveloped lands in which the Company holds a right to explore for, and produce petroleum and natural gas.

E&E impairment

Impairment is assessed based on the recoverable amount compared with the asset’s carrying amount to measure the amount of the impairment. In addition, where a non-financial asset does not generate largely independent cash inflows, the Company is required to perform its test at a cash generating unit (“**CGU**”), which is the smallest identifiable grouping of assets that generates largely independent cash inflows. Refer to Notes 4 and 5 in the Company’s audited financial statements for the year ended December 31, 2019 for additional disclosures in respect of the Company’s significant accounting policies and significant accounting judgements.

Dawson E&E impairment

On March 31, 2020, the Company identified indicators of impairment in its E&E assets from its Dawson CGU attributable to declines in oil prices. The Company calculated the recoverable amount of the Dawson CGU based on forecasted cash flows from proved plus probable reserves using a 12% before-tax discount rate. Based on the

assessment as at March 31, 2020, the carrying amount of the Company's E&E assets in respect of the Dawson GCU was higher than the recoverable amount of C\$0.6 million, as such the Company has recognized an E&E impairment loss of C\$0.14 million (2019: C\$nil).

The recoverable amount of the Dawson CGU was estimated based upon the higher of the value in use or fair value less costs of disposal. In each case, the value in use methodology was used. In determining value in use, forecasted cash flows from proved plus probable reserves using a before-tax discount rate at 12%, with future development costs as obtained from the independent reserve report dated December 31, 2019, and escalated prices as described below.

The Company utilized the following benchmark prices to determine the forecast prices in the value in use calculations:

	As at June 30, 2020	
	Edmonton Oil (C\$/Bbl)	AECO Gas (C\$/mmbtu)
Dawson Impairment		
2020	30.28	2.10
2021	46.51	2.35
2022	54.77	2.55
2023	62.26	2.65
2024	69.66	2.75
2025	71.07	2.58
2026	72.59	2.91
2027	74.15	2.97
2028	75.74	3.03
2029	77.35	3.09
2030 ⁽¹⁾	<u>+2.0%/yr</u>	<u>+2.0%/yr</u>

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

Basing E&E impairment

At December 31, 2020, the Company identified indicators of impairment in its E&E assets from its Basing CGU attributable to declines in commodity prices and regional well performance. At December 31, 2020, the Company assessed the recoverable amount of the Basing CGU as the capitalized value of its undeveloped lands. Based on the assessment as at December 31, 2020, the carrying amount of the Company's E&E assets in respect of the Basing GCU was higher than the recoverable amount of C\$1.3 million, as such the Company has recognized an E&E impairment loss of C\$3.5 million (2019: C\$nil).

7 PROPERTY, PLANT AND EQUIPMENT

C\$	Cost	Accumulated Depletion, Depreciation and Impairment	Net Book Value
Balance, January 1, 2019	152,811,966	(97,313,501)	55,498,465
Additions (net)	35,856	—	35,856
Change in decommissioning obligations	(141,736)	—	(141,736)
Cost recovery	(999,170)	—	(999,170)
Depletion and depreciation	—	(4,521,945)	(4,521,945)
Impairment	—	(15,221,260)	(15,221,260)
Balance, December 31, 2019	<u>151,706,916</u>	<u>(117,056,706)</u>	<u>34,650,210</u>
Balance, January 1, 2020	151,706,916	(117,056,706)	34,650,210
Additions	1,764,681	—	1,764,681
Change in decommissioning obligations	(97,972)	—	(97,972)
Transfer from E&E (Note 9)	7,400,192	—	7,400,192
Cost recovery	(1,568,373)	—	(1,568,373)
Depletion and depreciation	—	(4,535,413)	(4,535,413)
Impairment	—	(8,332,892)	(8,332,892)
Balance, December 31, 2020	<u>159,205,444</u>	<u>(129,925,011)</u>	<u>29,280,432</u>

Substantially all of PP&E consists of development and production assets. During the years ended December 31, 2020 and 2019, the Company's PP&E additions were comprised of expenditures at Basing. With the commissioning of production operations at Voyager in the second quarter, on June 30, 2020 the Company initially transferred C\$6.8 million of E&E assets to PP&E, comprised of development and production costs incurred for Voyager. The Company subsequently transferred an additional C\$0.6 million of E&E assets to PP&E. Included in PP&E additions for the year ended December 31, 2020 are G&A costs of C\$0.2 million (2019: C\$nil) which were capitalized in accordance with the Company's accounting policies.

Pursuant to the Jixing Gas Handling and Voyager Compression Agreements (as defined in Note 26 of the audited financial statements for the year ended December 31, 2019), past costs incurred by the Company in respect of the Voyager gas gathering system and pipeline projects is to be repaid by Jixing. During the year ended December 31, 2020, a total of C\$1.6 million of past costs in respect of PP&E were repaid by Jixing. During 2019 past costs totaling C\$1.3 million, comprised of C\$0.3 million in E&E and C\$1.0 million in PP&E was received from Jixing. As at December 31, 2020, all past costs have been received in full.

Depletion, depreciation and impairment charges

Depletion and depreciation, impairment of PP&E, and any reversal thereof, are recognized as separate line items in the statement of loss and other comprehensive loss. The depletion calculation for the year ended December 31, 2020 includes estimated future development costs of C\$6.1 million (2019: C\$6.02 million) associated with the development of the Company's proved plus probable reserves.

PP&E impairment

Impairment is assessed based on the recoverable amount compared with the asset's carrying amount to measure the amount of the impairment. In addition, where a non-financial asset does not generate largely independent cash inflows, the Company is required to perform its test at a CGU, which is the smallest identifiable grouping of assets that generates largely independent cash inflows. Refer to Notes 4 and 5 in the Company's audited financial statements for the year ended December 31, 2019 for additional disclosures in respect of the Company's significant accounting policies and significant accounting judgements.

Dawson PP&E impairment

On March 31, 2020, the Company identified indicators of impairment in its PP&E assets from its Dawson CGU attributable to declines in oil prices. The Company calculated the recoverable amount of the Dawson CGU based on forecasted cash flows from proved plus probable reserves using a 12% before-tax discount rate. Based on the assessment as at March 31, 2020, the carrying amount of the Company's PP&E assets in respect of the Dawson GCU was higher than the recoverable amount of C\$0.6 million, as such the Company has recognized a PP&E impairment loss of C\$0.13 million (2019: C\$nil).

The recoverable amount of the Dawson CGU was estimated based upon the higher of the value in use or fair value less costs of disposal. In each case, the value in use methodology was used. In determining value in use, forecasted cash flows from proved plus probable reserves using a before-tax discount rate at 12%, with future development costs as obtained from the independent reserve report dated December 31, 2019, and escalated prices as per Note 5.

Basing and Voyager PP&E impairment

During the year ended December 31, 2020, the Company identified indicators of impairment in its PP&E assets in the Basing and Dawson CGU's attributable to declines in commodity prices and well performance. The Company calculated the recoverable amount of the Basing and Dawson CGU's based on forecasted cash flows from proved plus probable reserves using a 12% before-tax discount rate. Based on the assessment, the carrying amount of the Company's Basing CGU of C\$30.1 million was higher than its recoverable amount. As such, the Company recognized an impairment loss of C\$2.9 million (2019: C\$15.2 million) for this CGU during the year ended December 31, 2020. Based on the assessment, the carrying amount of the Dawson CGU of C\$6.6 million was higher than its recoverable amount. As such, the Company recognized an impairment loss of C\$5.3 million (2019: C\$nil) for this CGU during the year ended December 31, 2020.

The recoverable amount of each CGU was estimated based upon the higher of the value in use or FVLCD. In each case, the value in use methodology was used. In determining value in use, forecasted cash flows before-tax discount

rate at 12% was used, with escalated prices and future development costs, as obtained from the independent reserve report. The Company utilized the following benchmark prices to determine the forecast prices in the value in use calculations:

	As at December 31, 2020	
	Edmonton Oil (C\$/Bbl)	AECO Gas (C\$/mmbtu)
Basing and Voyager Impairment		
2021	52.36	2.58
2022	56.44	2.50
2023	59.96	2.40
2024	62.18	2.44
2025	63.48	2.49
2026	64.80	2.49
2027	66.14	2.54
2028	67.52	2.59
2029	68.93	2.65
2030	70.30	2.70
2031 ⁽¹⁾	<u>+2.0%/yr</u>	<u>+2.0%/yr</u>

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

8 RIGHT OF USE ASSETS AND LEASES

(a) Right of use assets

C\$	Oil and Gas Production	Office Space	Vehicles	Total
Balance, January 1, 2020	135,367	2,275,104	—	2,410,471
Additions	540,265	—	21,084	561,350
Amortization	<u>(168,124)</u>	<u>(440,343)</u>	<u>(8,058)</u>	<u>(616,524)</u>
Balance, December 31, 2020	<u>507,509</u>	<u>1,834,761</u>	<u>13,026</u>	<u>2,355,297</u>

(b) Lease liabilities

C\$	As at December 31, 2020	As at December 31, 2019
Statement of Financial Position		
Current lease liabilities	582,211	608,219
Long term lease liabilities	<u>2,049,417</u>	<u>2,055,532</u>
Total lease liabilities	<u>2,631,628</u>	<u>2,663,751</u>

	Year Ended December 31,	
<i>C\$</i>	2020	2019
Results of Operations		
Interest expense on lease liabilities	<u>235,596</u>	<u>257,846</u>

	Year Ended December 31,	
<i>C\$</i>	2020	2019
Results of Operations		
Total cash flow used for leases	<u>829,067</u>	<u>485,970</u>

9 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at December 31, 2020	As at December 31, 2019
<i>C\$</i>		
Trade payables	394,767	770,398
Accrued liabilities	<u>3,055,807</u>	<u>1,534,885</u>
Total trade payables and accrued liabilities	3,450,573	2,305,283
Capital payables	5,111,454	4,408,190
Other payables	<u>259,209</u>	<u>385,548</u>
Total	<u>8,821,238</u>	<u>7,099,021</u>

All trade payables, accrued liabilities, capital payables and other payables are expected to be settled within one year or are payable on demand. As at December 31, 2020 and 2019, capital payables are primarily comprised of costs incurred pursuant to a master turnkey drilling and completion contract the Company entered into with an arm's length private company during the year ended December 31, 2017 (please refer to Note 12 of the Company's audited financial statements for the year ended December 31, 2019 for details). As at December 31, 2020 and 2019, other payables are primarily comprised of office renovation and rent inducement expenditures.

Aging analysis of trade payables and accrued liabilities

As at December 31, 2020 and 2019, the aging analysis of trade payables and accrued liabilities is as follows:

	As at December 31, 2020	As at December 31, 2019
C\$		
Within 1 month	2,562,106	1,714,784
1 to 3 months	563,342	590,499
Over 3 months but within 6 months	<u>325,125</u>	<u>—</u>
Total	<u>3,450,573</u>	<u>2,305,283</u>

10 LONG TERM DEBT

	As at December 31, 2020	As at December 31, 2019
C\$		
Shareholder loans (net)	2,533,290	601,846
Subordinated debt	23,578,600	21,000,000
Accrued and unpaid interest on subordinated debt	356,699	2,578,600
Less: deferred financing costs	<u>(792,638)</u>	<u>(1,444,801)</u>
Total	<u>25,675,951</u>	<u>22,735,645</u>
Current	23,142,661	22,133,799
Long term	<u>2,533,290</u>	<u>601,846</u>

(a) Subordinated debt

On April 28, 2020, the Company and lender agreed to restructure the loan agreement (the “**Restructuring**”). Under the terms of the Restructuring, financial covenants in respect of working capital, net debt to total proved reserves and net debt to trailing twelve months earnings before interest, taxes and depreciation (“**TTM EBITDA**”) have been waived for the remainder of 2020, and will be reinstated starting March 31, 2021. There is also an instalment payment plan whereby the Company would be required to make monthly payments if the amount of the loan exceeds C\$20 million after July 1, 2021, or if the loan exceeds C\$15 million after January 1, 2022. The Company further agreed to re-price the 8 million warrants previously issued to the lender.

A new funding covenant was added, under which the Company must secure additional capital in the form of new equity and/or subordinate debt for a cumulative amount equal to or greater than C\$2 million on or before June 30, 2020. This covenant was satisfied through the procurement of a shareholder loan in the amount of C\$2 million on June 2, 2020 (refer to *Shareholder loans* below). Refer to Note 13 of the audited financial statements for the year ended December 31, 2019 for additional disclosures in respect to the subordinated debt.

As at December 31, 2020, the Company was not in compliance with its net debt to total proved reserves covenant and therefore the debt is due on demand. Accordingly, the loans payable have been classified as a current liability as at December 31, 2020.

The Company's ability to continue as a going concern is dependent upon the ability to generate positive cash flow from operations, obtain equity financing, dispose of assets or other arrangements to fund operating and investing activities. There are no assurances that any waivers will be obtained or transactions will be completed, on terms acceptable to the Company. If these financial covenants are not met or a waiver is not obtained by lenders, the subordinated debt facility may become due on demand. These conditions cause material uncertainty which cast significant doubt on the Company's ability to continue as a going concern.

The subordinated debt bears interest at 12% per annum, compounded and payable monthly (the "**Base Interest**"). Pursuant to the Restructuring, effective April 1, 2020 the Company will incur an additional 2% per annum interest charge, which is due until the TTM EBITDA ratio is below 3.0 (the "**PIK Interest**"). PIK Interest fees will be paid-in-kind, with the fee being added to the principal of the loan on a monthly basis. The PIK Interest does not create any incremental cash obligations until the loan balance is repaid. A further 2% per annum additional interest is also due effective April 1, 2020 (the "**Penalty Interest**"). The Penalty Interest is to be paid in cash monthly, and is due while the balance of the loan exceeds C\$20 million. For the year ended December 31, 2020, the Company's subordinated debt incurred interest at 16% per annum, comprised of the Base Interest, PIK Interest and Penalty Interest.

The global impact of the outbreak of novel coronavirus disease ("**COVID-19**") has resulted in significant declines in global stock markets and a great deal of uncertainty has been forecasted as to the health of the global economy. In addition, there has been a significant drop in the price of oil in the global and Canadian markets. These factors may have a negative impact on the Company's operations and its ability to raise financing to meet its funding covenant. If the Company is in breach of any covenants in future periods the lender will have the right to demand repayment of all amounts owed under the subordinated debt.

(b) Shareholder loans

On December 23, 2019, Jixing advanced C\$0.675 million to the Company (the "**2019 Shareholder Loan**"). Refer to Note 13 of the audited financial statements for the year ended December 31, 2019 for additional disclosures in respect of the 2019 Shareholder Loan. As at December 31, 2020, the fair value of the 2019 Shareholder Loan was C\$0.65 million assuming an effective interest rate of 4.22% per annum, comprised of 4% base plus 0.22% Canadian Dealer Offered Rate ("**CDOR**"). The fair value change of C\$0.04 million from December 31, 2019 was recorded as accretion expense for the year ended December 31, 2020.

On June 2, 2020, a Persta director advanced C\$2 million to the Company (the "**2020 Shareholder Loan**"). The proceeds of the 2020 Shareholder Loan will be used for working capital and general corporate purposes. The 2020 Shareholder Loan has a term of two years, is unsecured, non-interest bearing, carries no covenants, and is repayable at any time at the Company's sole discretion. In calculating the C\$1.85 million fair value of the 2020 Shareholder Loan as at June 2, 2020, the Company assumed an effective interest rate of 4% per annum base plus one month CDOR, over the term of the 2020 Shareholder Loan. On this basis the effective rate was 4.28% per annum, comprised of 4% base plus 0.28% CDOR. The residual of C\$0.16 million was recorded to Contributed Surplus. As at December 31, 2020, the fair value of the 2020 Shareholder Loan was C\$1.9 million assuming an effective interest rate of 4.26% per annum, comprised of 4% base plus 0.26% CDOR. The fair value change of C\$0.05 million from June 2, 2020 was recorded as accretion expense for the year ended December 31, 2020.

11 REVENUE

	Year Ended December 31,	
C\$	2020	2019
Commodity sales from production		
Natural gas, natural gas liquids and condensate	12,419,991	11,714,035
Crude oil	<u>849,059</u>	<u>1,912,712</u>
Total commodity sales from production	<u>13,269,050</u>	<u>13,626,747</u>
Trading (loss) revenue		
Natural gas trading revenue	212,442	1,039,043
Natural gas trading cost	<u>(203,986)</u>	<u>(409,236)</u>
Total trading (loss) revenue	<u>8,455</u>	<u>629,807</u>

The Company sells its products pursuant to variable-price contracts. The transaction price for variable price contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Commodity prices are based on market indices that are determined on a monthly or daily basis. The contracts generally have a term of one year or less, whereby delivery takes place throughout the contract period. Revenues are typically collected on the 25th day of the month following production.

Trading revenue is realized when the Company purchases natural gas on the open market to meet its forward sale obligations. It is measured at the fair value of the consideration received or receivable, net of the costs incurred to purchase the natural gas.

12 INCOME TAXES

The blended statutory tax rate was 25.5% for the year ended December 31, 2020 (2019: 26.5%). In the second quarter of 2019, the Alberta corporate income tax rate was reduced from 12% to 8% over a four year period. The rate was reduced from 12% to 11% effective July 1, 2019 and will be further reduced by 1% on January 1 for each of the next three years until it reaches 8% on January 1, 2022. The provision for income taxes differs from the result that would have been obtained by applying the combined federal and provincial tax rates to the loss before income taxes due to changes in unrecognized deferred tax assets. As at December 31, 2020, the Company has approximately C\$100 million of deductible temporary differences in PP&E and E&E assets, decommissioning liabilities, share issue costs, non-capital losses and others. As at December 31, 2020, the Company has approximately C\$150 million of tax deductions, which includes loss carry forwards of approximately C\$24 million which begin expiring in 2037.

13 LOSS PER SHARE

<i>C\$ except share amounts</i>	Year Ended December 31,	
	2020	2019
Loss and comprehensive loss	(24,290,737)	(50,466,234)
Weighted average number of common shares	<u>301,886,520</u>	<u>293,263,443</u>
Loss per share — basic and diluted	<u>(0.08)</u>	<u>(0.17)</u>

There are 8.0 million warrants excluded from the weighted-average share calculations for the years ended December 31, 2020 and 2019 because they were anti-dilutive.

14 DIVIDEND

The Board did not approve the payment of a dividend for the years ended December 31, 2020 and 2019.

15 SUBSEQUENT EVENT

COVID-19

The global impact of the outbreak of COVID-19 has resulted in significant volatility in global stock markets and has forecasted a great deal of uncertainty as to the health of the global economy. In addition, there has been a significant drop in the price of oil in global and Canadian markets. These factors may have a negative impact on the Company's operations and its ability to raise financing in the near future or on terms favourable to the Company. The potential impact that COVID-19 will have on the Company's business or financial results cannot be reasonably estimated at this time.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") of Persta Resources Inc. ("**Persta**" or the "**Company**") should be read in conjunction with the Company's unaudited condensed financial statements and notes thereto for the years ended December 31, 2020 and 2019. All amounts in this MD&A are stated in thousands of Canadian dollars ("C\$ 000") unless indicated otherwise.

FORWARD LOOKING INFORMATION

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

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

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

NON-IFRS FINANCIAL MEASURES

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

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

FUTURE PROSPECTS

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

The Company commenced de-watering at its Voyager area on June 29, 2020, recovering the fluid which was injected into the wells during their completion. As water impedes the flow of gas, production is anticipated to increase as completion fluid is still being recovered from the wells.

In the third quarter of 2020 the Company initiated facility enhancements and well workovers to increase and stabilize production. Two compressors were installed at Basing, allowing additional production from three wells. Since the successful completion of these operations at the end of October, the Company’s production has increased from approximately 12,000 mcf/d to approximately 15,000 mcf/d as of the date of this MD&A. The Company is encouraged by the strengthening market for Western Canadian gas which exceeded C\$4.00/gigajoule (“**GJ**”) in February 2021, representing 5-year highs. As the spot price for Western Canadian gas changes daily, there is no guarantee the Company will sell its gas in the future for currently forecast prices.

Please refer to “*Events after the Reporting Period*” in this MD&A for additional disclosures in respect of the impact of the outbreak of novel coronavirus disease (the “**COVID-19**”).

RESULTS OF OPERATIONS

Daily Production and Sales Volumes

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

	Three months ended December 31,			Year ended December 31,		
	2020	2019	Change	2020	2019	Change
Production						
Natural gas (mcf/d)	14,158	11,912	19%	13,341	10,465	27%
Oil (bbl/d)	78	80	(3%)	45	80	(43%)
NGLs (bbl/d)	32	35	(7%)	30	29	4%
Condensate (bbl/d)	74	78	(5%)	64	54	19%
Total production (boe/d)	<u>2,544</u>	<u>2,178</u>	<u>17%</u>	<u>2,363</u>	<u>1,907</u>	<u>24%</u>
Trading						
Natural gas (mcf/d)	<u>526</u>	<u>286</u>	<u>84%</u>	<u>261</u>	<u>1,354</u>	<u>(81%)</u>
Total trading (boe/d)	<u>88</u>	<u>48</u>	<u>84%</u>	<u>44</u>	<u>226</u>	<u>(81%)</u>
Total sales volume (boe/d)	<u>2,631</u>	<u>2,226</u>	<u>18%</u>	<u>2,406</u>	<u>2,133</u>	<u>13%</u>

Total sales volume for the three months and year ended December 31, 2020 was 18% and 13% higher respectively, than the comparative periods in 2019. Voyager entered production in the third quarter of 2020 and infield compression was added at Basing and Voyager in the fourth quarter increasing gas production over 2019.

During periods of low natural gas prices, the Company strategically shut-in in its production and purchased gas on the open market to meet its forward sales obligations. The 81% year-over-year decrease in trading volumes over 2019 reflects the stronger gas price experienced throughout 2020, which resulted in fewer days where production was shut-in.

Natural gas liquids (“NGLs”) and condensate production are by-products of natural gas. The amount of NGL and condensate production varies for each well, and their production rates as a percentage of natural gas production can change over time. Notwithstanding the increase in natural gas production in 2020, NGL and condensate production for the three months and year December 31, 2020 was consistent with the comparative periods in 2019, as the new production added during 2020 was from wells which yield a lower percentage of liquids.

Oil production for the three months ended December 31, 2020 was consistent with the same period in 2019. Oil production for the year ended December 31, 2020 was 43% lower than 2019, as the Company shut-in production in March in response to the collapse in oil prices following the onset of the COVID-19 endemic. The wells remained shut-in through the second quarter, and resumed production in July 2020.

Revenue

C\$ 000s	Three months ended December 31,			Year ended December 31,		
	2020	2019	Change	2020	2019	Change
Production						
Natural gas	3,563	3,888	(8%)	11,096	10,119	10%
Crude oil	331	511	(35%)	849	1,913	(56%)
NGLs	57	40	42%	153	194	(21%)
Condensate	<u>358</u>	<u>458</u>	<u>(22%)</u>	<u>1,171</u>	<u>1,402</u>	<u>(16%)</u>
Total production revenue	<u>4,309</u>	<u>4,897</u>	<u>(12%)</u>	<u>13,269</u>	<u>13,627</u>	<u>(3%)</u>
Trading						
Natural gas trading revenue	117	64	81%	212	1,039	(80%)
Natural gas trading cost	<u>(105)</u>	<u>(54)</u>	<u>97%</u>	<u>(204)</u>	<u>(409)</u>	<u>(50%)</u>
Total trading (loss) revenue	<u>11</u>	<u>12</u>	<u>(3%)</u>	<u>8</u>	<u>630</u>	<u>(99%)</u>
Total revenue	<u>4,320</u>	<u>4,909</u>	<u>(12%)</u>	<u>13,278</u>	<u>14,257</u>	<u>(7%)</u>

Total revenue for the three months and years ended December 31, 2020 decreased 12% and 7% respectively over comparative periods in 2019 as increases in natural production and pricing was offset by significantly lower NGL, condensate and oil prices realized in 2020. Crude oil prices have declined materially in 2020, as global demand collapsed in response to the COVID-19 epidemic. Pricing for NGL and condensate, which are correlated to crude oil, declined as well. While oil, NGL and condensate prices have increased from their March 2020 lows, they are forecast to remain below historical averages due to the continuing effects of the COVID-19 epidemic.

Royalties

<i>C\$ 000s</i>	Three months ended			Year ended		
	December 31,			December 31,		
	2020	2019	Change	2020	2019	Change
Natural gas, NGLs and condensate	532	939	(43%)	603	1,813	(67%)
Crude oil	<u>76</u>	<u>180</u>	<u>(58%)</u>	<u>148</u>	<u>634</u>	<u>(77%)</u>
Total royalties	<u>609</u>	<u>1,119</u>	<u>(46%)</u>	<u>751</u>	<u>2,447</u>	<u>(69%)</u>
Effective average royalty rate	<u>14%</u>	<u>23%</u>	<u>(38%)</u>	<u>6%</u>	<u>18%</u>	<u>(68%)</u>

In Alberta, royalties are set by a sliding scale formula containing separate elements that account for market price and well production. Royalty rates will fluctuate to reflect changes in production rates, market prices and cost allowances.

On a “per-well” basis, for both the three months and year ended December 31, 2020 the Company’s base royalty rate for natural gas ranged from 5% to 21%, the base royalty rate for NGLs (propane and butane) was 30% and the base royalty rate for condensate and crude oil was 40%. Effective royalty rates can differ from the base rates if the production qualifies for any cost allowances which offset the base amount payable. In the second quarter of 2020, the Company received a Gas Cost Allowance (“GCA”) credit of C\$1 million, following a government re-assessment of the 2019 royalties paid by the Company. During 2019 the Company did not receive any CGA allowances, which were approved following the re-assessment. The Company has further been authorized for GCA of approximately C\$90k per month for the remainder of 2020. In June 2020, the Company also received C\$82k for oil cost allowances in respect of prior periods.

As a result of these credits, the Company’s effective royalty rate for the year ended December 31, 2020 was 6%, compared to 18% in 2019. The Company forecasts its effective royalty rate will range between 15–20% for 2021, reflecting GCA and new production from Voyager which benefits from the Modernizing Alberta’s Royalty Framework, under which a company will pay a flat royalty of 5% on a well’s early production until the well’s total revenue from all hydrocarbon products equals the drilling and completion cost allowance.

Operating Costs

<i>C\$ 000s</i>	Three months ended			Year ended		
	December 31,			December 31,		
	2020	2019	Change	2020	2019	Change
Natural gas, NGLs and condensate	3,691	1,411	162%	10,655	7,227	47%
Crude oil	<u>65</u>	<u>99</u>	<u>(34%)</u>	<u>219</u>	<u>366</u>	<u>(40%)</u>
Total operating costs	<u>3,756</u>	<u>1,510</u>	<u>149%</u>	<u>10,874</u>	<u>7,593</u>	<u>43%</u>

Unit Cost (*C\$/boe*)

Natural gas, NGLs and condensate	16.27	18.92	(14%)	12.56	12.28	2%
Crude oil	13.17	4.81	174%	13.17	12.19	8%
Average cost	<u>16.05</u>	<u>18.02</u>	<u>(11%)</u>	<u>12.57</u>	<u>12.27</u>	<u>2%</u>

Total operating costs (“**opex**”) for natural gas, NGLs and condensate for the three months and year ended December 31, 2020 were 149% and 43% higher respectively than the comparative periods in 2019. 2020 operating costs have increased from new gas transport and compression obligations tariff pursuant to the Jixing Gas Handling and Voyager Compression Agreements (as defined in Note 26 of the audited financial statements for the year ended December 31, 2019), which commenced with the commissioning of Voyager in June 2020.

2020 crude oil opex for both the three months and year ended December 31, 2020 were lower than the comparative periods reflecting lower production throughout the current year. For the year ended December 31, 2020, opex on an average unit cost basis was C\$12.57/boe, consistent with 2019 average cost of C\$12.27/boe. This reflects the fixed nature of the majority of the Company’s opex.

General and Administrative Costs (“G&A”)

<i>C\$ 000s</i>	Three months ended			Year ended		
	December 31,			December 31,		
	2020	2019	Change	2020	2019	Change
Staff costs	202	223	(9%)	1,440	1,612	(11%)
Accounting, legal and consulting fees	579	629	(8%)	1,259	1,783	(29%)
Office	29	9	222%	99	106	(7%)
Other	<u>26</u>	<u>165</u>	<u>(84%)</u>	<u>147</u>	<u>690</u>	<u>(79%)</u>
Total G&A costs	<u>837</u>	<u>1,026</u>	<u>(18%)</u>	<u>2,945</u>	<u>4,191</u>	<u>(30%)</u>
Capitalized staff costs	<u>—</u>	<u>103</u>	<u>(100%)</u>	<u>341</u>	<u>243</u>	<u>40%</u>

Total general and administrative (“G&A”) costs for the three months and year ended December 31, 2020 were 18% and 30% lower respectively than the comparative periods in 2019. Staff cost reductions were primarily realized from a 40% reduction in headcount, which is estimated to reduce staff costs by approximately C\$500k on an annualized basis. Lower accounting, legal and consulting fees were realized in both periods in 2020, reflecting the successful cost reduction activities undertaken by the Company this year.

Other costs include memberships, insurance, travel and accommodation, the reduction over the comparative period is due to lower travel and accommodation expenditures. Capitalized G&A costs are comprised of qualifying expenditures in respect of geological and geophysical activities, changes over the comparative periods are a function of qualifying activity incurred during that time.

Pursuant to the Jixing Gas Handling and Voyager Compression Agreements (as defined in Note 26 of the audited financial statements for the year ended December 31, 2019), which commenced with the commissioning of Voyager in June 2020, the Company can recover general and administrative costs incurred by the Company on behalf of Jixing, including allocation of staff costs, office and other expenditures as appropriate. A total of C\$0.16 million of costs were recovered by the Company in 2020.

Share-based Expenses

<i>C\$ 000s</i>	Three months ended December 31,			Year ended December 31,		
	2020	2019	Change	2020	2019	Change
Share-based expense	<u>46</u>	<u>—</u>	<u>100%</u>	<u>123</u>	<u>—</u>	<u>100%</u>
Total share-based expense	<u>46</u>	<u>—</u>	<u>100%</u>	<u>123</u>	<u>—</u>	<u>100%</u>

The Company uses the fair-value method for the determination of non-cash related share-based payments expense. During the second quarter of 2020, 3.78 million stock options were granted to employees at an exercise price of HK\$0.52 per option. This was the initial award of options issued under the Company’s stock option plan. Pursuant to this initial grant, the Company recognized C\$46k of share-based expense in the fourth quarter of 2020 (2019: C\$nil) and C\$123k for the year ended December 31, 2020 (2019: C\$nil).

Finance Expenses

C\$ 000s	Three months ended			Year ended		
	December 31,			December 31,		
	2020	2019	Change	2020	2019	Change
Interest expense and financing costs:						
Subordinated debt	997	822	21%	3,707	3,187	16%
Right of use assets and leases	67	64	4%	236	258	(9%)
Commitment charges	49	—	100%	569	—	100%
Capital payables	137	265	(48%)	137	265	(48%)
Other financing costs and bank charges	7	—	100%	3	—	100%
Accretion expenses:						
Decommissioning liabilities	2	4	(44%)	20	33	(40%)
Shareholder loans	27	—	100%	92	—	100%
Amortization of debt issuance costs	126	126	0%	502	502	0%
Loss (gain) on foreign exchange	<u>2</u>	<u>3</u>	<u>(26%)</u>	<u>—</u>	<u>18</u>	<u>(100%)</u>
Total finance expenses	<u>1,413</u>	<u>1,283</u>	<u>10%</u>	<u>5,266</u>	<u>4,263</u>	<u>24%</u>

For the three months and year ended December 31, 2020, interest expense was incurred from the Company's subordinated debt and capitalized leases. Following the restructuring of the Company's subordinated debt in April 2020, the annualized interest rate increased from 12% to 16%. The rate can be reduced to 12% if the Company achieves certain benchmarks in future periods.

Commitment charges are primarily attributable to one-time fees of C\$352k pursuant to the cancellation of a warrant subscription agreement on January 24, 2020. For the three months and year ended December 31, 2020, accretion expenses were incurred from decommissioning liabilities and the fair value adjustment of the Company's shareholder loans.

Amortization of debt issuance costs includes legal fees, commissions and commitment fees which were incurred from the closing of the subordinated debt facility in May 2018, and further increased in January 2019 pursuant to amendments in respect of the debt facility which were arranged at that time (refer to Note 13 to the audited financial statements for the year ended December 31, 2019 for additional information). These costs are capitalized against the debt and amortized over the term.

The increase in total finance expenses for both the three months and year ended December 31, 2020 over the comparative periods in 2019 is attributable to the C\$352k termination fee and additional interest incurred from the subordinated debt.

Depletion, Depreciation and Amortization (“DD&A”)

<i>C\$ 000s except per unit costs</i>	Three months ended			Year ended		
	December 31,			December 31,		
	2020	2019	Change	2020	2019	Change
Depletion	1,329	1,428	(7%)	4,448	4,490	(1%)
Depreciation	62	8	683%	87	32	175%
Amortization of right of use assets	<u>145</u>	<u>161</u>	<u>(10%)</u>	<u>617</u>	<u>643</u>	<u>(4%)</u>
Total DD&A	<u>1,536</u>	<u>1,597</u>	<u>(4%)</u>	<u>5,152</u>	<u>5,165</u>	<u>(0%)</u>
Per boe	<u>6.56</u>	<u>7.97</u>	<u>(18%)</u>	<u>5.96</u>	<u>7.42</u>	<u>(20%)</u>

Depletion, depreciation and amortization (“DD&A”) expense is comprised of depletion incurred from production of the Company’s developed assets, the depreciation expense comprised the depreciation of office fixed assets including office furniture, office equipment, vehicles, computer hardware and computer software and amortization capitalized leases carried as right of use assets.

Depletion is a function of both production and the capitalized value of assets subject to depletion. The decrease in DD&A on a per boe basis for both the three months and year ended December 31, 2020 over the comparative periods in 2019 is attributable to the lower book value of PP&E following the C\$15 million impairment incurred in 2019.

Impairment Losses and Write-offs

<i>C\$ 000s</i>	Three months ended			Year ended		
	December 31,			December 31,		
	2020	2019	Change	2020	2019	Change
PP&E impairment and write-offs	8,207	7,396	11%	8,333	15,221	(45%)
E&E impairment and write-offs	<u>3,982</u>	<u>25,684</u>	<u>(84%)</u>	<u>4,337</u>	<u>25,921</u>	<u>(83%)</u>
Total impairment and write-offs	<u>12,189</u>	<u>33,080</u>	<u>(63%)</u>	<u>12,670</u>	<u>41,142</u>	<u>(69%)</u>

Impairment is incurred if the estimated recoverable amount of an asset exceeds its carrying amount. In addition, where a non-financial asset does not generate largely independent cash inflows, the Company is required to perform its test at a cash generating unit (“CGU”), which is the smallest identifiable grouping of assets that generates largely independent cash inflows. Write-offs are attributable to land lease expires, when a lease term is completed the Company writes-off any remaining capitalized value in respect of the asset. Refer to Note 4 in the audited financial statements for the year ended December 31, 2019 for additional disclosures in respect of the Company’s significant accounting policies.

Dawson PP&E impairment

At March 31, 2020, the Company identified indicators of impairment in its PP&E assets from its Dawson CGU attributable to declines in oil prices. The Company calculated the recoverable amount of the Dawson CGU based on forecasted cash flows from proved plus probable reserves using a 12% before-tax discount rate. Based on the assessment as at March 31, 2020, the carrying amount of the Company's PP&E assets in respect of the Dawson GCU was higher than the recoverable amount of C\$0.6 million, as such the Company has recognized a PP&E impairment loss of C\$0.13 million (2019: C\$nil).

Basing and Voyager PP&E impairment

During the year ended December 31, 2020, the Company identified indicators of impairment in its PP&E assets in the Basing and Dawson CGU's attributable to declines in commodity prices and well performance. The Company calculated the recoverable amount of the Basing and Dawson CGU's based on forecasted cash flows from proved plus probable reserves using a 12% before-tax discount rate. Based on the assessment, the carrying amount of the Company's Basing CGU of C\$30.1 million was higher than its recoverable amount. As such, the Company recognized an impairment loss of C\$2.9 million (2019: C\$15.2 million) for this CGU during the year ended December 31, 2020. Based on the assessment, the carrying amount of the Dawson CGU of C\$6.6 million was higher than its recoverable amount. As such, the Company recognized an impairment loss of C\$5.3 million (2019: C\$nil) for this CGU during the year ended December 31, 2020.

Dawson E&E impairment

At March 31, 2020, the Company identified indicators of impairment in its E&E assets from its Dawson CGU attributable to declines in oil prices. The Company calculated the recoverable amount of the Dawson CGU based on forecasted cash flows from proved plus probable reserves using a 12% before-tax discount rate. Based on the assessment as at March 31, 2020, the carrying amount of the Company's E&E assets in respect of the Dawson GCU was higher than the recoverable amount of C\$0.6 million, as such the Company has recognized an E&E impairment loss of C\$0.14 million (2019: C\$nil).

Basing E&E impairment

At December 31, 2020, the Company identified indicators of impairment in its E&E assets from its Basing CGU attributable to declines in commodity prices and regional well performance. At December 31, 2020, the Company assessed the recoverable the recoverable amount of the Basing CGU as the capitalized value of its undeveloped lands. Based on the assessment as at December 31, 2020, the carrying amount of the Company's E&E assets in respect of the Basing GCU was higher than the recoverable amount of C\$1.3 million, as such the Company has recognized an E&E impairment loss of C\$3.5 million (2019: C\$nil).

Other Income

C\$ 000s	Three months ended			Year ended		
	December 31,			December 31,		
	2020	2019	Change	2020	2019	Change
Other income	<u>97</u>	<u>34</u>	<u>186%</u>	<u>213</u>	<u>78</u>	<u>174%</u>
Total other income	<u>97</u>	<u>34</u>	<u>186%</u>	<u>213</u>	<u>78</u>	<u>174%</u>

Other income is comprised of over-riding royalty payments and income generated from sources outside normal operations including rental income and subsidies. Over-riding royalty payments are periodically received from arm's length entities, whereby the Company receives a portion of oil and natural gas revenues generated from wells in which it holds a royalty interest.

The increase in other income in both the three months and year ended December 31, 2020 over the same periods in 2019 is attributable to payroll subsidies received from the Government of Canada for COVID-19 relief.

Loss and Comprehensive Loss

C\$ 000s	Three months ended			Year ended		
	December 31,			December 31,		
	2020	2019	Change	2020	2019	Change
Loss and comprehensive loss	<u>(15,969)</u>	<u>(34,672)</u>	<u>(54%)</u>	<u>(24,291)</u>	<u>(50,466)</u>	<u>(52%)</u>
Total loss and comprehensive loss	<u>(15,969)</u>	<u>(34,672)</u>	<u>(54%)</u>	<u>(24,291)</u>	<u>(50,466)</u>	<u>(52%)</u>

Loss and comprehensive loss for the three months and year ended December 31, 2020 was 54% and 52% lower respectively than the comparative periods in 2019, primarily attributable to higher impairment losses and write-offs incurred in 2019.

CAPITAL EXPENDITURES

C\$ 000s	Year ended December 31,		
	2020	2019	Change
PP&E			
Production facilities	781	36	2,069%
Workovers	791	—	100%
G&A costs capitalized	176	—	100%
Office and other	17	—	100%
Total PP&E	<u>1,765</u>	<u>36</u>	<u>4,802%</u>
E&E Assets			
G&A costs capitalized	165	346	(52%)
Other	3	933	(100%)
Total E&E	<u>168</u>	<u>1,279</u>	<u>(87%)</u>
Total PP&E and E&E	1,932	1,315	47%
Change in non-cash working capital	<u>757</u>	<u>(2,624)</u>	<u>(129%)</u>
Total	<u>2,689</u>	<u>(1,309)</u>	<u>305%</u>

2020 total PP&E and E&E capital expenditures (“**capex**”) was C\$1.9 million, 47% higher than the previous year. 2020 PP&E production facilities capex consists of infield compression at Basing, and well workovers were undertaken at Voyager and Dawson to enhance and optimize production. The Company capitalized a total of C\$0.35 million of G&A during 2020, C\$0.18 million in PP&E and C\$0.17 million in E&E in accordance with the Company’s accounting policies (refer to Note 4 in the audited financial statements for the year ended December 31, 2019).

LIQUIDITY AND CAPITAL RESOURCES

Capital management

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

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying crude oil and natural gas assets. The Company considers its capital structure to include shareholders' equity, shareholders' loans, subordinated debt, other liabilities and working capital. To assess capital and operating efficiency and financial strength, the Company continually monitors its net debt. As disclosed in Note 3 of this Announcement, the Company's future viability is dependent on its ability to source additional capital on acceptable terms.

Capital structure of the company

The Company's capital structure is as follows:

	As at December 31, 2020	As at December 31, 2019
<i>C\$ 000s</i>		
Long term debt ⁽¹⁾	2,533	602
Other liabilities	351	813
Lease liabilities	2,632	2,664
Net working capital deficit ⁽²⁾	<u>29,213</u>	<u>26,646</u>
Net debt	34,729	30,725
Shareholders' equity ⁽³⁾	<u>2,722</u>	<u>23,668</u>
Total capital	<u>37,451</u>	<u>54,393</u>
Gearing ratio⁽⁴⁾	<u>93%</u>	<u>56%</u>

Notes:

- 1 This is the fair value of the long term debt.
- 2 Net working capital consists of current assets less current liabilities.
- 3 As at December 31, 2020 and the date of this MD&A, the Company has 361,886,520 common shares issued and outstanding and 8 million warrants issued with a strike price of HK\$3.16 per warrant and 3.78 million stock options issued with a strike price of HK\$0.52 per option.
- 4 Gearing Ratio is defined as net debt as a percentage of total capital.

The 2020 working capital deficit includes C\$24 million of long term debt (2019: C\$22.1 million) which has been reclassified as current as at December 31, 2020 and 2019 as the Company was not in compliance with certain covenants of its subordinated debt facility.

Performance services guarantee (“PSG”) facility

On April 25, 2018, the Company obtained a PSG facility from Economic Development Canada (“EDC”) totaling C\$4.4 million. On June 28, 2019 the aggregate PSG was reduced to C\$2.5 million. Under the terms of the PSG facility, EDC will guarantee qualifying letters of credit (“L/C”) on behalf of the Company. Previously, these L/C’s were cash collateralized, following approval by the EDC the requirement of the Company to hold cash to underwrite the L/C is relieved for the duration of the PSG approval. Under the terms of the PSG facility, the L/C guarantee period is the lesser of one year or the term of the L/C if less than 12 months. The guarantee can be renewed annually for long term L/C’s subject to subsequent approval by the EDC. As at December 31, 2020, the Company has PSG coverage for the following L/C’s:

Amount	Expiry
C\$1,392,000	June 14, 2021
C\$408,158	September 30, 2021

For the year ended December 31, 2020, the Company incurred fees totaling C\$0.07 million (2019: C\$0.07 million) in relation to the PSG facility.

Capital resources

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

On December 23, 2020 the Company issued 60 million common shares at a price of HK\$0.03 per share for gross proceeds of HK\$18 million (approximately C\$3 million) (the “**Subscription**”). Net proceeds from the Subscription were used for the expansion of its existing business and general working capital.

At December 31, 2020, the Company had a working capital deficiency of C\$29.2 million and has drawn C\$24 million on its subordinated debt of C\$26.0 million, which is subject to certain covenants. As at December 31, 2020, the Company was not in compliance with its net debt to total proved reserves covenant and therefore the debt is due on demand. Accordingly, the loans payable have been classified as a current liability as at December 31, 2020. The Company is in discussions with the lender to obtain a waiver in respect of the covenant breach.

The global impact of COVID-19 has resulted in significant volatility in global stock markets and has forecasted a great deal of uncertainty as to the health of the global economy. These factors may have a negative impact on the Company’s operations and its ability to raise financing to meet its covenants. If the Company is in breach of any covenants in future periods the lender will have the right to demand repayment of all amounts owed under the subordinated debt.

The Company’s ability to continue as a going concern is dependent upon the ability to generate positive cash flow from operations, equity and/or debt financing, disposing of assets or other arrangements to fund future development capital and ongoing operations. There are no assurances that any transactions will be completed on terms acceptable to the Company. These conditions cause material uncertainty which casts significant doubt on the Company’s ability to continue as a going concern.

COMMITMENTS

Commitments and contingencies exist under various agreements and operations in the normal course of the Company’s business. The following table summarizes the timing of the Company’s commitments as at December 31, 2020:

<i>C\$ 000s</i>	Total	Less than 1 year	1–3 years	4–5 years	After 5 years
Transportation commitment	36,028	6,658	12,402	12,359	4,609
PSG facility	<u>1,800</u>	<u>1,800</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total contractual obligations	<u>37,828</u>	<u>8,458</u>	<u>12,402</u>	<u>12,359</u>	<u>4,609</u>

Transportation commitment:

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

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

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

DIVIDEND

The Board did not approve the payment of a dividend for the years ended December 31, 2020 and 2019.

OFF-BALANCE SHEET TRANSACTIONS

The Company was not involved in any off-balance sheet transactions during the years ended December 31, 2020 and 2019.

PLEDGED ASSETS

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

CONTINGENT LIABILITIES

As at December 31, 2020 and up to the date of this MD&A, the Company had no material undisclosed contingent liabilities.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Save as disclosed in this MD&A, the Company has neither any other significant investments nor significant acquisitions and disposals of the relevant subsidiaries, associates and joint ventures during the year ended December 31, 2020 and up to the date of this MD&A.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this MD&A, the Company did not have other plans for material investments or capital assets as of the date of this report, as pursuant to paragraphs 32(4) and 32(9) of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

EVENTS AFTER THE REPORTING PERIOD

COVID-19

The global impact of COVID-19 has resulted in significant volatility in global stock markets and has forecasted a great deal of uncertainty as to the health of the global economy. In addition, there has been a significant drop in the price of oil in global and Canadian markets. These factors may have a negative impact on the Company’s operations and its ability to raise financing in the near future or on terms favourable to the Company. The potential impact that COVID-19 will have on the Company’s business or financial results cannot be reasonably estimated at this time.

FINANCIAL RISK MANAGEMENT

The board of directors has overall responsibility for the establishment and oversight of the Company’s risk management framework. The board 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 adherence to market conditions and the Company’s activities. The Company’s financial risks are discussed in Note 27 of the Company’s audited financial statements for the year ended December 31, 2019.

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

The Company did not enter into any financial derivatives contracts for years ended December 31, 2020 and 2019. For the year ended December 31, 2020, the Company experienced a foreign exchange loss of C\$0.5k (2019: loss of C\$18k). These foreign exchange losses are related to the revaluation of monetary items held in Hong Kong Dollars and the value changes with the fluctuation in the Hong Kong Dollars/ Canadian Dollars exchange rates. The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates for the monetary assets and liabilities denominated in the currencies other than the functional currencies to which they relate. The Company has not hedged its exposure to currency fluctuation and the Company currently does not have a foreign currency hedging policy, however, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Periodically, the Company has entered into physical contracts to manage commodity risk. These contracts are considered normal sales contracts and are not recorded at fair value in the consolidated financial statements. During the year ended December 31, 2020, the Company entered into the following fixed price physical commodity contracts to forward sell natural gas at a fixed daily volume and fixed price per gigajoule (“GJ”):

Commodity	Term	Quantity	Price
Natural gas	January 1, 2020 to October 31, 2020	2,000 GJ/day	C\$1.80 per GJ
Natural gas	January 1, 2020 to October 31, 2020	1,000 GJ/day	C\$1.7925 per GJ
Natural gas	January 1, 2020 to October 31, 2020	5,000 GJ/day	C\$1.80 per GJ
Natural gas	May 1, 2020 to October 31, 2020	2,000 GJ/day	C\$2.085 per GJ

Subsequent to the completion of these contracts, the price for natural gas in western Canada has strengthened and the Company has not entered into any additional contracts up to the date of this MD&A. The Company continually monitors the market for its products and will manage commodity risk in the future through the use of fixed physical and/or derivative contracts in periods of pricing weakness.

HUMAN RESOURCES

The Company had 6 employees as at December 31, 2020 (2019: 10). The employees of the Company are employed under employment contracts which set out, among other things, their job scope and remuneration. Further details of their employment terms are set out in the employee handbook of the Company. The Company determines the employees’ salaries based on their job nature, scope of duty, and individual performance. The Company also provides reimbursements, allowances for site visits and a discretionary annual bonus for the employees. Employee compensation for the year ended December 31, 2020 totaled C\$1.3 million (2019: C\$1.6 million).

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

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

Key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months are described in Note 5 of the audited annual financial statements for the year ended December 31, 2019.

NON-IFRS FINANCIAL MEASURES

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

Operating netback

<i>C\$ 000s</i>	Three months ended			Year ended		
	December 31,			December 31,		
	2020	2019	Change	2020	2019	Change
Commodity sales from production	4,309	4,897	(12%)	13,269	13,627	(3%)
Net trading revenue	11	12	(3%)	8	630	(99%)
Royalties	(609)	(1,119)	(46%)	(751)	(2,447)	(69%)
Operating costs	(3,756)	(1,510)	149%	(10,874)	(7,593)	43%
Operating netback	<u>(44)</u>	<u>2,280</u>	<u>(102%)</u>	<u>1,652</u>	<u>4,217</u>	<u>(61%)</u>

Adjusted EBITDA

<i>C\$ 000s</i>	Three months ended			Year ended		
	December 31,			December 31,		
	2020	2019	Change	2020	2019	Change
Commodity sales from production	4,309	4,897	(12%)	13,269	13,627	(3%)
Net trading revenue	11	12	(3%)	8	630	(99%)
Royalties	(609)	(1,119)	(46%)	(751)	(2,447)	(69%)
Operating costs	(3,756)	(1,510)	149%	(10,874)	(7,593)	43%
General and administrative costs	(837)	(1,026)	(18%)	(2,945)	(4,191)	(30%)
Other income	97	34	186%	213	78	174%
Adjusted EBITDA	<u>(785)</u>	<u>1,288</u>	<u>(161%)</u>	<u>(1,080)</u>	<u>104</u>	<u>(1,136%)</u>

OTHER INFORMATION

ANNUAL GENERAL MEETING

As of the date of this Announcement, the Company has not fixed a date for its annual general meeting (“AGM”). When a date is selected, the notice of the AGM, which constitutes part of a circular to shareholders, and proxy form, together with the annual report, will be despatched to shareholders in due course.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Board has adopted the principles and the code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules to ensure that the Company’s business activities and decision making processes are regulated in a proper and prudent manner. For the year ended December 31, 2020 (the “**Year**”), the Company has complied with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its code of conduct regarding dealings in the securities of the Company by the Directors and the Company’s senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company’s securities. Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the Year. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Company during the Year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company has allotted and issued 60,000,000 new shares of the Company on December 22, 2020 (Hong Kong time) pursuant to the subscription of new shares under general mandate, details of which are set out in the announcements of the Company dated October 27, 2020, November 30, 2020 and December 16, 2020.

Save as disclosed above, the Company has not purchased, redeemed or sold any of its listed securities during the Year.

AUDIT AND RISK COMMITTEE

As at the date of this announcement, the Audit and Risk Committee, which consists of three members, all of whom are independent non-executive Directors, has reviewed the Company’s unaudited condensed results of the Company for the year ended December 31, 2020 (the “**Unaudited Year End Results**”). The Audit and Risk Committee is of the opinion that such financial statements comply with

(i) the applicable IFRSs, including all applicable individual IFRSs, IASs and interpretations issued by the IASB; and (ii) the Listing Rules and the Stock Exchange's legal requirements, and that adequate disclosures have been made.

REVIEW OF THE UNAUDITED YEAR END RESULTS

Subsequent to the resignation of KPMG LLP as the Company's auditors on August 25, 2020, the Company had significant difficulties engaging a Canadian auditor that was capable of issuing, or willing to issue, an audit opinion in Hong Kong. This is primarily due to the new requirement of the recognition of overseas auditors under the Hong Kong's Financial Reporting Council Ordinance (Cap. 588 of the Laws of Hong Kong) (the "**FRCO**"), whereby all non-Hong Kong auditors intending to carry out a public interest entity audit engagement of a company listed on the Stock Exchange are required to be recognized by the Financial Reporting Council in Hong Kong. The legislative amendments to the FRCO, which became effective on October 1, 2019, significantly increased the compliance obligations for overseas auditors. After several months of efforts to engage a suitable auditor to provide an audit opinion in both Canada and Hong Kong, the Company engaged BDO Limited ("**BDO**") on March 26, 2021.

The auditing process for the annual results for the year ended December 31, 2020 has not been completed as the Company was unable to appoint BDO as its auditor until March 26, 2021. The appointment of BDO was impacted by the outbreak of COVID-19 as international travel bans resulted in an extended new client onboarding process. This process was further delayed from lock-downs implemented in Calgary, Alberta between December 2020 and February 2021 restricting the Company's access to its head office and its ability to gather necessary documents on a timely basis. As such, the unaudited annual results contained herein have not been agreed with BDO.

BDO has informed the Company that they expect to be in a position to complete their audit and deliver their audit opinion by mid-May 2021. The Company will continue to cooperate with BDO to complete their audit work as soon as possible.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended December 31, 2020 as agreed by BDO and the material differences (if any) as compared with the Unaudited Year End Results contained herein; and (ii) circumstances arising from the audit of the Company or financial statements which constitute price sensitive information. In addition, the Company, will issue further announcement(s) as and when necessary if there are other material developments in the completion of the auditing process as and when appropriate in accordance with the Listing Rules and the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The financial information contained herein in respect of the annual results of the Company have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

PUBLICATION OF INFORMATION

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

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