MANAGEMENT'S REPORT

Management, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, has prepared the accompanying consolidated financial statements of Iron Bridge Resources Inc. (the "**Company**" or "**Iron Bridge**"). The consolidated financial statements include estimates made by the Company's Management based on their experience and best judgments.

Iron Bridge's Management is responsible for the integrity of the financial information. Internal control systems are designed and maintained to provide reasonable assurance that transactions are properly authorized, assets are safeguarded from loss or unauthorized use and financial records are properly maintained to provide reliable accounting information for financial reporting purposes.

KPMG LLP, independent external auditors, were appointed by the Company's Board of Directors to perform an examination of the corporate and accounting records so as to express an opinion on the consolidated financial statements for the years ended December 31, 2017 and 2016.

The Company's Board of Directors is responsible for ensuring that Iron Bridge's Management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility through the Company's Audit Committee. The Audit Committee met with Iron Bridge's Management and their external auditors to ensure that Iron Bridge's Management's responsibilities were properly discharged, to review the consolidated financial statements and recommend that the consolidated financial statements be presented to Iron Bridge's Board of Directors for approval. The independent external auditors had access to the Audit Committee without the presence of Iron Bridge's Management.

(signed)

Rob Colcleugh
Chief Executive Officer

(signed)

Dean Bernhard
Vice President, Finance & Chief Financial Officer

Calgary, Alberta
March 20, 2018

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Iron Bridge Resources Inc.

We have audited the accompanying consolidated financial statements of Iron Bridge Resources Inc. (formerly RMP Energy Inc.), which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Bridge Resources Inc. (formerly RMP Energy Inc.) as at December 31, 2017 and December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) "KPMG LLP"

Chartered Professional Accountants
March 20, 2018
Calgary, Canada

IRON BRIDGE RESOURCES INC. (formerly RMP Energy Inc.)

Consolidated Statements of Financial Position

(thousands)	**December 31, 2017**	December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	**$ 25,684**	$ 404
Accounts receivable (Note 17)	**3,236**	8,187
Prepaid expenses and deposits	**389**	942
	29,309	9,533
Deferred charge (Note 8)	**-**	2,229
Available-for-sale financial asset (Note 5)	**9,000**	-
Property, plant and equipment (Note 7)	**56,080**	212,386
Exploration and evaluation assets (Note 6)	**5,768**	10,259
Deferred tax asset (Note 14)	**-**	41,783
	$ 100,157	$ 276,190
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**$ 7,618**	$ 12,647
Risk management contracts (Note 17)	**-**	98
Decommissioning obligations (Note 11)	**2,818**	14,230
	10,436	26,975
Shareholders' Equity		
Share capital (Note 12)	**333,950**	333,646
Warrants (Notes 12)	**483**	-
Contributed surplus	**36,674**	35,907
Deficit	**(281,386)**	(120,338)
	89,721	249,215
	$ 100,157	$ 276,190
Commitments and contingencies (Note 18)		

See accompanying notes as they are an integral part of these consolidated financial statements.

Approved on behalf of the Board of Directors:

(signed)
Steve Oldham
Director

(signed)
Jay Paul McWilliams
Director

IRON BRIDGE RESOURCES INC. (formerly RMP Energy Inc.)

Consolidated Statements of Loss and Comprehensive Loss

(thousands, except per share amounts)	**Year Ended December 31, 2017**	Year Ended December 31, 2016
Revenue		
Petroleum and natural gas sales	**$ 31,957**	$ 78,557
Royalties	**(2,386)**	(11,163)
Revenue, net of royalties	**29,571**	67,394
Other income	**2,490**	2,078
Realized gain (loss) on risk management contracts (Note 17)	**758**	(1,235)
Unrealized gain (loss) on risk management contracts (Note 17)	**98**	(98)
	32,917	68,139
Expenses		
Operating	**14,793**	18,235
Transportation	**7,674**	10,397
General and administrative	**8,166**	6,877
Share-based compensation (Note 13)	**736**	3,229
Finance costs (Note 10)	**931**	3,528
Depletion and depreciation (Notes 6 and 7)	**18,980**	61,171
Impairment of property, plant and equipment (Notes 5 and 7)	**102,472**	115,563
Gain on non-monetary property exchange (Note 6)	**(500)**	(384)
Loss (gain) on property disposition (Note 5)	**915**	(36,216)
	154,167	182,400
Loss before taxes	**(121,250)**	(114,261)
Deferred tax expense (reduction) (Note 14)	**39,798**	(28,242)
Net loss and comprehensive loss	**$ (161,048)**	$ (86,019)
Net loss per share (Note 12c)		
Basic and diluted	**$ (1.05)**	$ (0.59)

See accompanying notes as they are an integral part of these consolidated financial statements.

IRON BRIDGE RESOURCES INC. (formerly RMP Energy Inc.)

Consolidated Statements of Changes in Shareholders' Equity

(thousands)

	Number of shares	Share capital	Warrants	Contributed surplus	Deficit	Total Shareholders' Equity
Balance, December 31, 2015	126,475	$ 300,621	$ 2,885	$ 28,337	$ (34,319)	$ 297,524
Net loss	-	-	-	-	(86,019)	(86,019)
Share-based compensation expensed	-	-	-	3,229	-	3,229
Share-based compensation capitalized	-	-	-	1,456	-	1,456
Issue of common shares	24,495	34,538	-	-	-	34,538
Share issue costs, net of tax of $560	-	(1,513)	-	-	-	(1,513)
Transfer of warrants to contributed surplus upon expiry	-	-	(2,885)	2,885	-	-
Balance, December 31, 2016	150,970	$ 333,646	$ -	$ 35,907	$ (120,338)	$ 249,215
Net loss	-	-	-	-	(161,048)	(161,048)
Share-based compensation expensed	-	-	51	685	-	736
Share-based compensation capitalized	-	-	4	460	-	464
Issue of units in private placement	5,350	2,782	428	-	-	3,210
Share issue costs	-	(64)	-	-	-	(64)
Issue of common shares – restricted common share award exercises	267	-	-	-	-	-
Transfer from contributed surplus – restricted common share award exercises	-	378	-	(378)	-	-
Shares purchased and cancelled	(1,225)	(807)	-	-	-	(807)
Equity component of derecognized deferred tax asset	-	(1,985)	-	-	-	(1,985)
Balance, December 31, 2017	**155,362**	**$ 333,950**	**$ 483**	**$ 36,674**	**$ (281,386)**	**$ 89,721**

See accompanying notes as they are an integral part of these consolidated financial statements.

IRON BRIDGE RESOURCES INC. (formerly RMP Energy Inc.)

Consolidated Statements of Cash Flows

(thousands)		Year Ended December 31, 2017		Year Ended December 31, 2016
Cash provided from (used in):				
Operating activities				
Net loss	**$**	**(161,048)**	$	(86,019)
Adjustments for non-cash items:				
Depletion and depreciation		**18,980**		61,171
Accretion on decommissioning obligations		**266**		384
Share-based compensation		**736**		3,229
Deferred tax expense (reduction)		**39,798**		(28,242)
Unrealized loss (gain) on risk management contracts		**(98)**		98
Impairment of property, plant and equipment		**102,472**		115,563
Gain on non-monetary property exchange		**(500)**		(384)
Loss (gain) on property disposition		**915**		(36,216)
Decommissioning expenditures		**(60)**		(186)
Change in non-cash working capital and deferred charge (Note 15)		**5,315**		3,341
		6,776		32,739
Financing activities				
Decrease in bank loan		**-**		(121,364)
Issue of common shares		**3,210**		34,538
Share issue costs		**(64)**		(2,073)
Shares purchased and cancelled (Note 12d)		**(807)**		-
		2,339		(88,899)
Investing activities				
Exploration and evaluation asset expenditures		**(7,273)**		(10,359)
Property, plant and equipment expenditures		**(39,327)**		(30,406)
Property acquisition (Note 5)		**-**		(10,020)
Property dispositions (Note 5)		**67,342**		109,982
Change in non-cash working capital (Note 15)		**(4,577)**		(2,633)
		16,165		56,564
Change in cash and cash equivalents		**25,280**		404
Cash and cash equivalents, beginning of year		**404**		-
Cash and cash equivalents, end of year	**$**	**25,684**	$	404

See accompanying notes as they are an integral part of these consolidated financial statements.

1. Reporting Entity

Iron Bridge Resources Inc. (the "**Company**" or "**Iron Bridge**"), formerly RMP Energy Inc., is a crude oil and natural gas exploration, development and production company based in Calgary, Alberta, Canada. Iron Bridge conducts its operations in the Western Canadian Sedimentary Basin, primarily in the province of Alberta. Iron Bridge is incorporated under the laws of Alberta and its common shares are traded on the Toronto Stock Exchange under the trading symbol "IBR". The Company's corporate office is located at 1200, 500 - 4th Avenue S.W., Calgary, Alberta.

The Company's consolidated financial statements as at December 31, 2017 and for the years ended December 31, 2017 and 2016 comprise the accounts of the Company and its wholly-owned subsidiary, RMP Energy (USA) Inc. Effective December 28, 2017, Iron Bridge dissolved RMP Energy (USA) Inc. These statements, in addition to other disclosure documents, are available on the *System for Electronic Document Analysis and Retrieval* ("**SEDAR**") at www.sedar.com.

2. Basis of Preparation

a) Statement of compliance and authorization

The consolidated financial statements have been prepared by Iron Bridge's Management in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

The consolidated financial statements were authorized for issue by the Company's Board of Directors on March 20, 2018.

b) Basis of measurement

The consolidated financial statements have been prepared on a going concern basis and historical cost basis, except for derivative financial instruments and the *available-for-sale financial asset* carried at fair value, and have been presented in Canadian dollars, which is also the Company's functional currency, rounded to the nearest thousand. The accounting policies set out below have been applied consistently in all material respects.

c) Jointly-owned assets

A portion of the Company's crude oil and natural gas activities involve jointly-owned assets and any liabilities incurred. The financial statements include the Company's share of these jointly-owned assets and liabilities and a proportionate share of the relevant revenues and related costs. Partners in these jointly-owned assets are referred to as joint interest partners.

d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires Iron Bridge's Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ materially from these estimates.

Estimates and their underlying assumptions are reviewed on an ongoing basis and are based on Iron Bridge's Management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the year in which the estimates are revised and for any future years affected.

e) Critical judgments in applying accounting policies

The following are critical judgments that Iron Bridge's Management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

i) The Company's development and production assets, included in property, plant and equipment, are aggregated into cash generating units for the purpose of calculating impairment. Cash generating units ("**CGU**" or "**CGUs**") are based on an assessment of the CGUs ability to generate independent cash inflows. The determination of these CGUs was based on Iron Bridge's Management's judgment in regards to numerous factors including: geographical proximity, geologic and production characteristics, common field infrastructure and similar exposure to market risk and materiality. Based on this assessment, the Company's CGUs are generally composed of significant development areas. The Company reviews the composition of its CGUs at each reporting date to assess whether any changes are required in light of new facts and circumstances.

ii) Judgment is required to assess when impairment indicators exist and when impairment testing is required.

iii) The application of the Company's accounting policy for exploration and evaluation assets requires judgment from Iron Bridge's Management as to future events and circumstances as to whether commercially-viable, economic quantities of crude oil and/or natural gas reserves have been discovered.

iv) Judgment is made by Iron Bridge's Management in order to determine the likelihood of whether deferred tax assets at the end of the reporting period will be realized from future taxable earnings.

f) Key sources of estimation uncertainty

The following are key estimates and their assumptions made by Iron Bridge's Management affecting the measurement of balances and transactions in these consolidated financial statements:

i) Estimation of recoverable quantities of proved and probable crude oil and natural gas reserves include estimates and assumptions regarding future commodity prices, foreign currency exchange rates, discount rates and operating and transportation costs for future cash flows. It also requires the interpretation of complex geological and geophysical models in order to make an assessment of the size, shape, depth and quality of subsurface reservoirs, and their anticipated recoveries of crude oil and natural gas reserves. The economic, geological and geophysical, and other technical factors used to estimate proved and probable reserves may change from period-to-period. Changes in reported crude oil and natural gas reserves can affect the impairment of assets, the provision for decommissioning obligations, the technical feasibility and commercial viability of exploration and evaluation assets, the recognition of deferred tax assets and the amounts reported for depletion and depreciation of property, plant and equipment. These crude oil and natural gas

reserve estimates are prepared in accordance with the *Canadian Oil and Gas Evaluation Handbook* by independent qualified reserves evaluators, who work with information provided by the Company to establish reserve determinations based on the guidance stipulated by National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities.*

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

iii) In accounting for any business combinations, Iron Bridge's Management makes estimates of the fair value of assets acquired and liabilities assumed which includes assessing the value of crude oil and natural gas properties based upon the estimation of recoverable quantities of proved and probable reserves being acquired.

iv) The Company's estimate of the depletion and depreciation of property, plant and equipment is based on estimates of proved and probable crude oil and/or natural gas reserves and the associated future development costs.

v) The Company's estimate of share-based compensation is dependent upon estimates of historic stock price trading volatility, interest rates, expected terms to exercise and forfeiture rates.

vi) The Company's estimate of the fair value of derivative financial instruments is dependent on estimated forward crude oil and natural gas prices, expected interest rates, expected future foreign currency exchange rates and expected volatility in these variables.

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

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to the years presented in these consolidated financial statements and have been applied consistently to the Company and its former subsidiary.

For presentation purposes, operating expenses in the consolidated statement of loss are presented as a combination of function and nature in conformity with industry practice. Depletion and depreciation are presented on a separate line by their nature, while general and administrative expenses are presented on a functional basis. Significant expenses, such as employee compensation costs, are presented by their nature in the notes to the consolidated financial statements.

a) Basis of consolidation and business combinations

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In

assessing control, substantive potential voting rights are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The acquisition method of accounting is used to account for corporate acquisitions and assets that meet the definition of a business combination under IFRS. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of closing (also known as the acquisition date). Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets acquired, the difference is recognized immediately in the statement of loss. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

b) Foreign currency

Transactions in foreign currencies are translated to Canadian dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the period-end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in the statement of loss.

c) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized on the statement of financial position at the time the Company becomes a party to the contractual provisions. Upon initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods is dependent on the classification of the financial instrument. The Company has made the following classifications:

i) Cash and cash equivalents and accounts receivable are classified as *loans and receivables* and are initially measured at fair value plus directly attributable transaction costs. Subsequently, they are recorded at amortized cost using the effective interest method. Cash and cash equivalents may comprise cash-on-hand, term deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

ii) Bank credit facilities, accounts payable and accrued liabilities are classified as *other non-derivative financial liabilities* and are initially measured at fair value less directly attributable transaction costs. Subsequently, they are recorded at amortized cost using the effective interest method.

iii) Derivative financial instruments that do not qualify as hedges, or are not designated as hedges on the statement of financial position, including risk management commodity and interest rate contracts, are classified as *fair value through profit or loss* and are recorded and carried at fair value. The Company may use derivative financial instruments to manage economic exposure to

market risks relating to commodity prices and interest rates. Iron Bridge does not utilize derivative financial instruments for speculative purposes.

iv) The Company holds common shares of a privately traded oil and gas Company that are classified as an *available-for-sale financial asset*. *Available-for-sale financial assets* are non-derivative financial assets that are not classified as loans or receivables, held-to-maturity investments or financial assets at fair value through profit or loss. *Available-for-sale financial assets* are initially measured at fair value net of directly attributable transaction costs and subsequently measured at fair value with changes in fair value recognized in other comprehensive income ("**OCI**").

Transaction costs related to financial instruments classified as fair value through profit or loss are expensed as incurred. All other transaction costs related to financial instruments are recorded as part of the instrument and are amortized using the effective interest method.

Contracts that are entered into for the purpose of the receipt or delivery of a non-financial item in accordance with the Company's expected purchase, sale or usage requirements (such as physical delivery commodity contracts) are accounted for as executory contracts. These contracts are not fair valued on the statement of financial position. Settlements are recognized in the statement of loss as they occur.

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

d) Property, plant and equipment and exploration and evaluation assets

Recognition and measurement

i) Exploration and evaluation expenditures

Exploration and evaluation ("**E&E**") costs, including the costs of acquiring licenses and other directly attributable costs, are initially capitalized as exploration and evaluation assets to the extent that they do not relate to a field with proved and/or probable crude oil and natural gas reserves attributed. The costs are accumulated in cost centers by field or exploration area pending determination of technical feasibility and commercial viability.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, and if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

The technical feasibility and commercial viability of extracting a hydrocarbon resource is considered to be determinable when proved and/or probable crude oil and natural gas reserves are determined to exist and are capable of economic production. A review of each exploration field is carried out, at least annually, to ascertain whether proved and/or probable reserves have been discovered that are capable of economic production. Upon determination of proved and/or probable crude oil and natural gas reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to development and production assets included in property, plant and equipment. Any impairment is expensed through the statement of loss.

ii) Other intangible costs

Costs of data purchased to formulate strategy for license applications, such as geophysical seismic data, are accumulated and capitalized as other intangible assets to the extent that they are incurred prior to obtaining related licenses and do not relate to a field with proved and/or probable crude oil and natural gas reserves attributed. All other pre-license costs are expensed as incurred.

iii) Development and production assets

Items of property, plant and equipment, which include crude oil and natural gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses.

Development and production assets are grouped into CGUs for impairment testing. CGUs are defined as the smallest identifiable group of assets that generates cash inflows which are largely independent of the cash inflows from other assets or groups of assets. The Company evaluates the geographical proximity, geologic and production characteristics and common field infrastructure attributes of its assets in determining its CGUs. Based on this assessment, Iron Bridge's CGUs are generally composed of significant development areas. The Company reviews the composition of its CGUs at each reporting date to assess whether any changes are required in light of new facts and circumstances. When significant parts of an item of property, plant and equipment, including crude oil and natural gas interests, have different useful lives, they are accounted for as separate items (major components). Overhead costs which are directly attributable to development and production projects, including compensation costs paid to internal personnel dedicated to such capital activities, are capitalized to development and production assets.

Gains and losses on disposal of an item of property, plant and equipment, including crude oil and natural gas interests, property swaps and farm-outs, are determined by comparing the proceeds from disposal or the fair value of the asset received or given up with the carrying amount of the related property and equipment item and are recognized separately in the statement of loss.

Subsequent costs

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as crude oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in the statement of loss as incurred. Such capitalized crude oil and natural gas interests generally represent costs incurred in developing proved and/or probable crude oil and natural gas reserves and bringing on-stream or enhancing production from such reserves, and are accumulated on a field or area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized separately in the statement of loss.

Depletion and depreciation

The net carrying value of development and production assets plus future development costs on proved plus probable crude oil and natural gas reserves is depleted using the unit-of-production method by reference to the ratio of production in the year to the related proved and probable crude oil and natural gas reserves, gross of (before) royalties, as determined by qualified reserves evaluators, on an area-by-area basis taking

into account future development costs necessary to bring those reserves into production. For the purpose of this calculation, production and reserves of crude oil, natural gas and natural gas liquids are converted to a common unit of measurement on the basis of their relative energy content, where six (6) thousand cubic feet of natural gas equates to one (1) barrel of crude oil.

The Company depletes separately, where applicable, any significant components within development and production assets, such as fields, processing facilities and pipelines, which are significant in relation to the total cost of a development and production asset and have a different useful life than such assets.

Undeveloped lands included within E&E assets are depreciated over the term of the lease.

Other property, plant and equipment, including office equipment, and other intangible assets are amortized using the declining balance method at a rate of 20%.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

e) Leased assets

Leases wherein the Company assumes substantially all the risks and rewards of ownership are classified as finance leases, when applicable. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expenses and the reduction of the outstanding liability. The finance expenses are allocated to each year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Other leases are operating leases, which are not recognized on the Company's statement of financial position. Payments made under operating leases are recognized in income or loss on a straight-line basis over the term of the lease. The Company's head office lease presently outstanding is determined to be an operating lease.

f) Impairment

i) Financial assets

Financial assets, other than those classified as fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been negatively affected.

For financial assets carried at amortized cost, the amount of the impairment loss recognized in comprehensive income or loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets classified as available-for-sale, upon impairment, the cumulative amount that has been recognized in OCI is reclassified from equity to earnings.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance accounts are recognized in the statement of loss.

ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than E&E assets and deferred tax assets, are reviewed at each reporting date to determine whether there is indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. E&E assets are assessed for impairment when they are reclassified to development and production assets included in property, plant and equipment, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, development and production assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU). The recoverable amount of an asset or a CGU is the greater of its *value in use* and its *fair value less costs to sell*.

Value in use is determined by estimating future cash flows after taking into account the risks specific to the asset (or group of assets within a CGU) and discounting them to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money. *Value in use* is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable crude oil and natural gas reserves. In determining *fair value less costs to sell*, an appropriate valuation model is used. These calculations are corroborated by external valuation metrics or other available fair value indicators wherever possible.

E&E assets are tested for impairment at an operating segment level, both at the time of any triggering facts and circumstances as well as upon their eventual reclassification to development and production assets included in property, plant and equipment, as a result of deemed technical feasibility and commercial viability.

Where the carrying amount of a CGU or E&E asset exceeds its recoverable amount, the excess is recognized immediately in the statement of loss. The impairment loss in respect of a CGU is allocated to reduce the carrying amount of all assets in the CGU on a pro rata basis.

An impairment loss in respect of property, plant and equipment and exploration and evaluation assets, recognized in prior years, is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

g) Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event that can be estimated with reasonable certainty and are measured at the amount that the Company would rationally disburse to be relieved of the present obligation. To the extent that provisions are estimated using a present value technique, such amounts are determined by discounting the expected future cash flows at a risk-free pre-tax rate and adjusting the liability for the risks specific to the liability.

Decommissioning Liabilities

The Company records the present value of the estimated cost of legal and constructive obligations to restore operating field locations in the period in which the obligation arises. The nature of restoration activities includes the removal of facilities, abandonment of wells and restoration of affected areas. Provision is made for the estimated cost of restoration and capitalized in the relevant asset category.

Decommissioning liabilities are measured at the present value of Iron Bridge's Management's best estimate of expenditure required to settle the present obligation at the statement of financial position date. Subsequent to the initial measurement, the obligations are adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation in addition to changes to the discount rate. The increase in the provision due to the passage of time is recognized as finance cost whereas increases or decreases due to changes in the estimated future cash flows or changes in the discount rate are capitalized. Actual costs incurred upon settlement of the decommissioning liabilities are charged against the decommissioning liabilities to the extent the provision was established.

h) Share-based compensation

The Company has a stock option plan and issues stock options to directors, officers and employees. The Company also has a long-term incentive plan whereby the Company can issue incentive awards to directors, officers, employees and other service providers of the Company in the form of common shares of the Company. The Company may grant share purchase warrants as well, under certain circumstances. Compensation costs attributable to stock options, long-term incentive awards and any share purchase warrants granted, when applicable, are measured at fair value at the date of grant and are expensed over the vesting period, using a graded vesting schedule, with a corresponding increase in contributed surplus or warrants. When stock options and share purchase warrants are exercised the cash proceeds together with the amount previously recorded as contributed surplus is recorded as share capital. When vested long-term incentive award common shares are issued by the Company the amount previously recorded as contributed surplus is recorded as share capital. The Company incorporates an estimated forfeiture rate for stock options, incentive awards and share purchase warrants that will not vest, and adjusts for actual forfeitures as they occur and as the options, incentive awards and share purchase warrants vest.

i) Revenue

Revenue from the sale of petroleum (crude oil and natural gas liquids) and natural gas is recognized when the significant risks and rewards of ownership of the product are transferred to the customer or buyer, based on volumes delivered to customers or buyers at contractual delivery points and rates and when collection is reasonably assured. The costs associated with the delivery, including operating and maintenance costs, transportation and production-based royalty expenses are recognized in the same period in which the related revenue is earned and recorded.

Other income is comprised of transportation revenue and gathering, compression and road use income and is recognized when significant risks and rewards are transferred. The Company has adjusted prior year presentation to match the current year, where other income was recorded, with an increase to operating and transportation expenses, with no change to net loss.

Revenue from interest income is recognized as it accrues, using the effective interest method.

j) Flow-through shares

The Company, from time to time, may issue flow-through shares to finance a portion of its exploration and/or development capital expenditures program. Pursuant to the terms of the flow-through share agreements, the tax deductions associated with the exploration and/or development expenditures are renounced to the subscribers. On issuance of flow-through shares, the premium received on such shares, being the difference between the fair value ascribed to flow-through shares issued and the fair value that would have been received for common shares at the date of issuance of the flow-through shares, is recognized as a liability on the statement of financial position. When the exploration and/or development expenditures are incurred, the liability is drawn down, a deferred tax liability is recorded equal to the estimated amount of deferred income tax payable by the Company as a result of the foregone tax benefits, and the difference is recognized in the statement of loss.

k) Net loss per share

Basic per share amounts are computed by dividing the income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted per share amounts are determined by adjusting the income attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as stock options, incentive awards or share purchase warrants outstanding. The dilutive effect of stock options and share purchase warrants is calculated with the assumption that proceeds received from the exercise of options and share purchase warrants for which the exercise price is less than the market price plus the unamortized portion of share-based compensation are used to repurchase common shares at the average market price for the period. The additional shares are the difference between the exercised options or share purchase warrants and the assumed number acquired.

l) Finance costs

Finance costs comprise interest expense on bank debt and accretion of the discount on decommissioning obligations.

m) Taxation

Income tax expense comprises both current and deferred tax. Income tax expense is recognized in the statement of loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

i) Current tax

Any tax currently payable is based on taxable income for the year. Taxable income differs from income as reported in the statement of income because of items of income or expense that are taxable or deductible

in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been substantively enacted by the end of the reporting period.

ii) Deferred tax

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax basis used in the computation of taxable income for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable income nor the accounting income.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

iii) Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in the statement of loss, except when they relate to items that are recognized outside income or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside income or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

4. Accounting Pronouncements

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

i) IFRS 15 – "*Revenue from Contracts with Customers*" contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether,

how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard is effective for annual periods beginning on or after January 1, 2018.

The Company will adopt IFRS 15 on January 1, 2018 using the modified retrospective approach. The Company is still in the process of reviewing its contracts with customers and completing its assessment of various revenue; however, at this time, the Company does not foresee the standard having a material impact on net loss and financial position. The Company will expand its disclosures in the notes to the financial statements as prescribed by IFRS 15, including disclosing the disaggregated revenue streams by product type.

ii) IFRS 9 – "*Financial Instruments"* addresses the classification and measurement of financial assets, and is the first step to replace IAS 39 – *"Financial Instruments: Recognition and Measurement."* IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The single approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 also requires a single impairment method to be used, replacing the multiple methods in IAS 39. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions.

The Company does not apply hedge accounting nor does it intend to apply hedge accounting to any of its risk management contracts, if outstanding, upon the adoption of IFRS 9. The Company is still in the process of reviewing its financial instruments and completing its assessment of the impact of IFRS 9; however, at this time, the Company does not foresee the standard having a material impact on net loss and financial position.

iii) IFRS 16 – "Leases" requires the recognition of most leases on the balance sheet, and effectively removes the classification of leases as either finance or operating leases and treats all leases as finance leases for lessees with exemptions for short-term leases where the lease term is twelve months or less and for leases of low value items. IFRS 16 accounting treatment for lessors is unchanged, which provides the choice of classifying a lease as either a finance or operating lease. The new standard is effective for annual periods beginning on or after January 1, 2019.

The Company is in the early stages of assessing the impact of IFRS 16, including identifying and examining the contracts affected by the new standard. The extent of the impact upon the Company's financial statements has not yet been determined.

5. Property Acquisition and Dispositions

Acquisition

2016

On June 27, 2016, the Company completed a property acquisition of Montney assets in the Elmworth (formerly Gold Creek) area for cash consideration of $10.0 million, before customary adjustments. The acquisition has been recognized as $6.6 million to property, plant and equipment, $3.8 million to exploration and evaluation assets and assumed $0.4 million of decommissioning obligations. The fair value

of the assumed decommissioning obligations was initially estimated using a credit adjusted rate of approximately 10%. The Company did not incur any transaction costs in relation to this acquisition.

Revenue and income associated with the acquired assets was insignificant relative to the Company's existing operations.

Dispositions

2017

On October 17, 2017, Iron Bridge closed the disposition of the Company's crude oil and natural gas assets in the Waskahigan, Grizzly, Kaybob, Gilby and Pine Creek areas, in addition to other minor Alberta properties, for total consideration of $77.0 million, net of closing adjustments (the "**Disposition Transaction**"). Consideration received was comprised of approximately $68.0 million in cash and approximately 13.85 million common shares in the purchaser of the Disposition Transaction having a value of $9.0 million based upon the issue price of the purchaser's most recent equity financing completed. The privately-traded common shares the Company acquired in the Disposition Transaction have been classified as an *available-for-sale financial asset*. Prior to the closing of the Disposition Transaction, the disposed assets were classified as *assets held for sale* and measured at the lower of its carrying amount and fair value less costs to sell resulting in an impairment loss of $102.5 million. Upon the closing of the Disposition Transaction, the Company recognized a loss on disposition of $0.3 million.

The following table reconciles the carrying value of the assets disposed of in the Disposition Transaction:

	December 31, 2017
E&E assets	$ 546
PP&E assets	189,106
Deferred charge	1,966
Impairment	(102,472)
Total	$ 89,146

The Company discharged decommissioning obligations of $11.9 million in association with the Disposition Transaction.

2016

On August 30, 2016, the Company closed the disposition of certain oil and gas assets in the Pine Creek area for cash proceeds of $0.8 million resulting in a gain on disposition of $0.7 million.

On November 15, 2016, The Company closed the strategic disposition of all of the Company's crude oil and natural gas interests in the Ante Creek area of West Central Alberta for cash consideration of $108.6 million, net of closing adjustments (the "**Ante Creek Disposition**"). The sale resulted in the recognition of a gain on disposition of $34.9 million. In addition to the disposition of PP&E assets (net carrying amount of $75.2 million) and E&E assets (net carrying amount of $1.2 million) in the Ante Creek Disposition, the Company also disposed of $4.0 million of its deferred charge asset related to the reduction in future pipeline transportation tariffs (see Note 8). The Company discharged decommissioning obligations of $6.7 million in association with the Ante Creek Disposition.

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

The following table reconciles the Company's E&E assets:

	Total
Cost or deemed cost:	
Balance at December 31, 2015	$ 22,386
Additions	10,743
Acquisition (Note 5)	3,840
Divestitures (Note 5)	(6,859)
Transfer to PP&E	(5,615)
Balance at December 31, 2016	$ 24,495
Additions	7,773
Divestitures (Note 5)	(4,730)
Transfer to PP&E	(9,481)
Balance at December 31, 2017	$ 18,057

	Total
Depletion and depreciation:	
Balance at December 31, 2015	$ (16,747)
Depletion and depreciation	(3,374)
Divestitures (Note 5)	5,627
Transfer to PP&E	258
Balance at December 31, 2016	$ (14,236)
Depletion and depreciation	(3,128)
Divestitures (Note 5)	4,184
Transfer to PP&E	891
Balance at December 31, 2017	$ (12,289)
Net E&E carrying amounts:	
At December 31, 2015	$ 5,639
At December 31, 2016	$ 10,259
At December 31, 2017	$ 5,768

On March 15, 2017, the Company exchanged undeveloped land assets in the Waskahigan area with an arm's-length party on a non-monetary basis. The lands disposed of by the Company had a nil net book value as the lands had been fully depreciated. The acquired lands were measured at fair value. The exchange resulted in the recognition of a $0.5 million gain.

On April 21, 2016, the Company exchanged on a non-monetary basis certain oil and gas assets measured on the basis of fair value of the assets received resulting in a $0.4 million gain.

There were no indicators of impairment for the Company's E&E assets requiring an impairment test to be performed at December 31, 2017 or December 31, 2016.

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

The following table reconciles the Company's PP&E assets:

	Total
Cost or deemed cost:	
Balance at December 31, 2015	$ 966,247
Additions	30,406
Acquisition (Note 5)	6,601
Divestitures (Note 5)	(278,652)
Change in decommissioning obligations	2,085
Capitalized share-based compensation	1,456
Transfer from E&E assets	5,615
Balance at December 31, 2016	$ 733,758
Additions	39,327
Divestitures (Note 5)	(722,181)
Change in decommissioning obligations	271
Capitalized share-based compensation	464
Transfer from E&E assets	9,481
Balance at December 31, 2017	$ 61,120

	Total
Depletion, depreciation and impairment:	
Balance at December 31, 2015	$ (550,884)
Depletion and depreciation	(57,797)
Transfer from E&E	(258)
Divestitures (Note 5)	203,130
Impairment loss	(115,563)
Balance at December 31, 2016	$ (521,372)
Depletion and depreciation	(15,852)
Transfer from E&E	(891)
Divestitures (Note 5)	533,075
Balance at December 31, 2017	$ (5,040)

Net PP&E carrying amounts:	
At December 31, 2015	$ 415,363
At December 31, 2016	$ 212,386
At December 31, 2017	$ 56,080

The calculation of depletion and depreciation included estimated future development costs of \$207.7 million (December 31, 2016: \$279.0 million) associated with the development of the Company's proved plus probable crude oil and natural gas reserves and excludes salvage value of \$0.5 million (December 31, 2016: \$4.4 million). The calculation of depletion and depreciation for the year-ended December 31, 2016 excluded \$0.9 million of costs related to the Company's Elmworth oil battery facility

infrastructure project. The calculation of depletion and depreciation for the year-ended December 31, 2017 excluded no such significant on-going development costs.

For the year-ended December 31, 2017, $0.5 million (December 31, 2016: $0.9 million) of direct cash general and administrative expenses were capitalized to PP&E.

The Company's credit facility is secured by a demand debenture with a floating charge over all assets of the Company (see Note 9).

Impairment Charge

Year-ended December 31, 2017

At December 31, 2017, the Company assessed its sole remaining Greater Elmworth CGU for indicators of impairment. Due to the decline in the natural gas commodity price environment, the Company tested its CGU for impairment.

The recoverable amount of the CGU was estimated based on the higher of the *value in use* and the *fair value less costs to sell*. The recoverable amount for the year-ended December 31, 2017 was determined using *fair value less costs to sell*, based on discounted before tax cash flows of proved plus probable crude oil and natural gas reserves estimated by the Company's independent qualified reserves evaluators using forecasted prices and costs and a discount rate of 15% and the fair value of undeveloped land.

The following table outlines the December 31, 2017 crude oil and natural gas price forecast utilized in determining *fair value less costs to sell*:

Year	WTI Price – Oil ($US/bbl)	Edmonton Price – Oil ($Cdn/bbl)	AECO Spot Price – Gas ($Cdn/mmbtu)	Exchange Rate ($Cdn/$US)
2018	58.50	70.10	2.25	0.790
2019	58.70	71.30	2.65	0.790
2020	62.40	74.90	3.05	0.800
2021	69.00	80.50	3.40	0.825
2022	73.10	82.80	3.60	0.850
2023	74.50	84.40	3.65	0.850
2024	76.00	86.10	3.75	0.850
2025	77.50	87.80	3.80	0.850
2026	79.10	89.60	3.90	0.850
2027	80.70	91.40	3.95	0.850
2028	82.30	93.20	4.05	0.850
2029	83.90	95.00	4.15	0.850
2030	85.60	97.00	4.25	0.850
2031	87.30	98.90	4.30	0.850
2032	89.10	100.90	4.35	0.850
Escalation rate of 2% per year thereafter				

The Company determined that there was no impairment to the Greater Elmworth CGU as at December 31, 2017.

In the third quarter of 2017, the Company measured its *assets held for sale* in the aforementioned Disposition Transaction at the lower of its carrying amount and fair value less costs to sell resulting in an impairment charge of $102.5 million.

Year-ended December 31, 2016

Due to the transformational nature of the Ante Creek Disposition on the Company's operations, the Company tested the remaining assets in the oil-weighted Greater Waskahigan CGU for impairment. The Company also determined that impairment indicators existed for the Company's gas-weighted Greater Kaybob CGU, West Central Alberta CGU and Central Alberta CGU as a result of no capital re-investment during the year in these respective CGUs and downward reserve revisions recorded at December 31, 2016 for two of these CGUs. The Company did not identify any impairment triggers on its Greater Elmworth CGU.

The following table outlines the December 31, 2016 crude oil and natural gas price forecast utilized in determining *fair value less costs to sell*:

Year	WTI Price – Oil ($US/bbl)	Edmonton Price – Oil ($Cdn/bbl)	AECO-C Price – Gas ($Cdn/mmbtu)	Exchange Rate ($Cdn/$US)
2017	55.00	68.33	3.47	0.750
2018	60.00	72.32	3.42	0.775
2019	65.00	76.05	3.59	0.800
2020	70.00	79.54	3.93	0.825
2021	75.00	82.82	4.01	0.850
2022	80.00	88.60	4.17	0.850
2023	81.60	90.37	4.27	0.850
2024	83.23	92.18	4.43	0.850
2025	84.90	94.02	4.52	0.850
2026	86.59	95.90	4.61	0.850
2027	88.33	97.82	4.70	0.850
2028	90.09	99.77	4.79	0.850
2029	91.89	101.77	4.89	0.850
2030	93.73	103.81	4.99	0.850
2031	95.61	105.88	5.09	0.850
2032	97.52	108.00	5.19	0.850
2033	99.47	110.16	5.29	0.850
2034	101.46	112.36	5.40	0.850
Escalation rate of 2% per year thereafter				

The impairment tests indicated that the recoverable amounts for both the Greater Waskahigan CGU and the West Central Alberta CGU were less than their carrying values and as such, an aggregate non-cash impairment charge to property, plant and equipment of $115.6 million of which $114.3 million related to the Greater Waskahigan CGU and $1.3 million related to the West Central Alberta CGU was recognized in fiscal 2016.

At December 31, 2016, the Company estimated the recoverable amount of the Greater Waskahigan CGU at $145.5 million, the Greater Kaybob CGU at $31.0 million, the West Central Alberta CGU at $5.7 million and the Central Alberta CGU at $3.1 million.

8. Deferred Charge

In conjunction with the Ante Creek Disposition in 2016, $4.0 million of the deferred charge asset was realized due to a portion of the Company's future pipeline transportation volume commitments being included in the disposition transaction. The remaining portion of the deferred charge asset associated with the Disposition Transaction assets was disposed of in 2017. The deferred charge is amortized and charged to transportation expense on a systematic basis based on committed, nominated oil transportation volumes over the period of benefit, expected to be 10 years. The Company amortized and charged to transportation expense $0.3 million for the year-ended December 31, 2017 (December 31, 2016: $0.4 million).

9. Bank Facility

As at December 31, 2017, the Company had an uncommitted demand revolving credit facility (the "**Credit Facility**") with a Canadian bank (the "**Lender**"). The maximum borrowing base limit of the Credit Facility provided by the Lender is set at $5.0 million. The Credit Facility is payable on demand and provides that advances may be made in the way of prime rate loans and letters of credit/guarantees. Prime rate loans bear interest at a rate equal to the Lender's prime rate plus 2.0% per annum on the outstanding principal (payable monthly).

The Credit Facility is secured by a demand debenture in the principal amount of $75.0 million with a floating charge over all assets of the Company and contains one financial covenant, an adjusted working capital ratio of at least 1:1. The adjusted working capital ratio is calculated by: dividing the summation of current assets less unrealized hedging gains plus any undrawn availability under the Credit Facility by the summation of current liabilities less unrealized hedging losses and less any current portion of bank debt. The Company was in compliance with this covenant as at December 31, 2017.

At December 31, 2017, the Company had nil bank debt outstanding (December 31, 2016: nil).

During the year-ended December 31, 2017, the Company's weighted-average effective interest rate was approximately 4.1% (December 31, 2016: 3.3%). At December 31, 2017, the Company had issued letters of credit totaling $0.9 million (December 31, 2016: $2.3 million).

10. Finance Costs

	Year Ended December 31, 2017	Year Ended December 31, 2016
Interest expense and standby fees on bank debt	$ 665	$ 3,144
Accretion expense on decommissioning obligations	266	384
Total finance costs	$ 931	$ 3,528

11. Decommissioning Obligations

The following table summarizes the changes in decommissioning obligations for the years ended December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
Balance - Beginning of year	$ 14,230	$ 18,503
Accretion expense	266	384
Liabilities incurred	1,027	819
Liabilities acquired (Note 5)	-	421
Liabilities released on disposition (Note 5)	(11,889)	(6,977)
Change in discount rate on acquired liabilities	-	1,843
Change in estimates	(756)	(577)
Decommissioning expenditures	(60)	(186)
Balance - End of year	$ 2,818	$ 14,230

The Company's decommissioning obligations result from its ownership interest in crude oil and natural gas assets including well sites, gathering systems and crude oil batteries. The total decommissioning obligation is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years.

The Company has estimated the net present value of the decommissioning obligations, inflated at 1.5%, to be $2.8 million as at December 31, 2017 (December 31, 2016: $14.2 million) based on an undiscounted, non-inflated total future liability of $3.5 million (December 31, 2016: $18.2 million). The Company expects these obligations to be settled over the next 27 years. The discount factor utilized, being the long-term risk-free rate related to the liability, was 2.26% (December 31, 2016: 2.31%).

The decommissioning obligation decreased by $0.8 million as a result of changes in estimates. The $0.8 million decrease is comprised of a $0.6 million decrease related to changes in discount rate and a $0.2 million decrease related to changes in expected abandonment dates (December 31, 2016: $0.6 million decrease is comprised of a $0.5 million decrease related to changes in expected abandonment dates and a $0.4 million decrease related to changes in the underlying cost estimates offset by a $0.3 million increase due to changes in discount rate).

12. Share Capital and Warrants

a) Authorized - Unlimited number of voting common shares.

The Company has neither declared nor paid any dividends on its common shares.

On September 7, 2017, the Company closed a private placement to the directors and the new management team resulting in the issuance of 5.35 million units of the Company ("**Units**") at a purchase price of $0.60 per Unit for gross proceeds of approximately $3.2 million. Each Unit is comprised of one (1) common share and one (1) common share purchase warrant ("**Warrant**"). Each whole Warrant entitles the holder to purchase one (1) common share at a price of $0.75 per share for a period of four (4) years following the date of issuance.

The Warrants vest and become exercisable in equal tranches of one-third each upon the 20-day weighted average trading price of the common shares on the TSX equalling or exceeding $0.75, $0.90 and $1.05, respectively.

On March 24, 2016, the Company closed a "bought deal" equity financing on an underwritten basis resulting in the issuance of 24,495,000 common shares of the Company at a price of $1.41 per common share for total gross proceeds of approximately $34.5 million ($32.5 million, net of share issue costs of approximately $2.0 million).

b) Warrants

As described above, 5.35 million Warrants were issued in conjunction with the private placement. A portion of the private placement gross proceeds was allocated to the Warrants based upon the difference in the Unit offering price and the closing value of the Company's common shares on the date of closing of the private placement. The fair value of the Warrants was calculated using the Black-Scholes pricing model using the following assumptions: an expected life of four (4) years, a volatility rate of 65.21% and a risk-free interest rate of 1.60%. The difference between the fair value of the Warrants and the value allocated on initial grant will be recognized as stock-based compensation over the vesting term of the Warrants with a corresponding increase to the Warrants carrying value.

On May 10, 2016, all outstanding share purchase warrants expired. These warrants were originally granted in connection with the corporate acquisition of RMP Energy Ltd. and the associated corporate restructuring in May 2011. The $2.9 million balance relating to these warrants was reclassed to contributed surplus upon the warrants expiry.

c) Per Share Amounts

For the year-ended December 31, 2017, a total of 9.5 million stock options ($0.77 weighted average exercise price), 0.8 million restricted common share awards ($0.76 weighted average exercise price) and 5.3 million warrants were excluded in calculating the weighted average number of diluted common shares outstanding, as they were determined to be anti-dilutive (December 31, 2016: 14.0 million stock options, 1.1 million restricted common share awards and nil warrants). The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted TSX market prices for the period during which the options were outstanding.

Weighted average shares outstanding:	Year Ended December 31, 2017	Year Ended December 31, 2016
Basic and diluted	152,699,319	145,415,191

d) Normal Course Issuer Bid

On November 20, 2017, the Company commenced a normal course issuer bid (the "**NCIB**") under which the Company may purchase for cancellation up to a maximum of 12,000,000 common shares of the Company. The NCIB will terminate on November 19, 2018 or such earlier time as the NCIB is completed or terminated at the option of the Company. For the year ended December 31, 2017, the Company purchased 1,224,702 shares for cancellation for $0.8 million. The cancelled shares have been removed from share capital.

13. Share-Based Compensation

a) Outstanding stock options

The Company has a stock option plan in which the Company may grant options to its directors, officers and employees for up to 8% of its outstanding common shares. Under this plan, the Company has granted options to purchase common shares, whereby each option permits the holder to purchase one share of the Company at the stated exercise price. Options granted have a term of five (5) years to maturity and vest as to one-third on each of the first, second and third anniversaries from the date of grant. At December 31, 2017, a total of 9,480,500 options with a weighted average exercise price of $0.77 per option were outstanding and exercisable at various dates through to December 22, 2022.

The following table summarizes the stock options outstanding as at December 31, 2017:

	Number	Weighted Avg. Exercise Price
Outstanding – December 31, 2015	**11,557,368**	**$ 4.22**
Granted	6,629,000	1.07
Expired	(4,228,001)	2.18
Outstanding – December 31, 2016	**13,958,367**	**3.34**
Granted	7,625,000	0.65
Expired	(924,367)	1.60
Forfeited	(6,635,500)	1.53
Cancelled	(4,543,000)	7.18
Outstanding – December 31, 2017	**9,480,500**	**$ 0.77**
Options exercisable – December 31, 2017	**874,333**	**$ 1.23**

b) Exercise price range for options outstanding as at December 31, 2017:

	Outstanding Options			Exercisable Options	
Price Range	Number	Weighted Avg. Price	Weighted Avg. Remaining Life	Number	Weighted Avg. Price
$0.55 - $0.74	3,589,520	$ 0.55	4.70 years	-	$ -
$0.75 - $1.36	4,530,480	$ 0.75	4.45 years	298,333	$ 0.75
$1.37 - $1.59	1,006,000	$ 1.37	3.43 years	335,333	$ 1.37
$ 1.60 - $ 2.00	354,500	$ 1.63	2.53 years	240,667	$ 1.64
Total	**9,480,500**	**$ 0.77**	**4.37 years**	**874,333**	**$ 1.23**

The Company recorded share-based compensation expense in respect to the Company's stock options (net of capitalization) of $0.9 million for the year-ended December 31, 2017 (December 31, 2016: $2.7 million). Capitalized share-based compensation in the amount of $0.5 million was included in property, plant and equipment for the year-ended December 31, 2017 (December 31, 2016: $1.4 million).

The Company determined the fair value of stock options granted during the years ended December 31, 2017 and 2016 using the Black-Scholes evaluation stock option pricing model under the following assumptions:

	December 31, 2017	December 31, 2016
Weighted-average fair value ($/option)	0.29	0.55
Risk-free interest rate (%)	1.62	0.88
Expected life (years)	5	5
Expected volatility (%)	60.8	61.2
Dividend yield (%)	Nil	Nil

A forfeiture rate of 0.0% to 3.0% was used for the year-ended December 31, 2017 (December 31, 2016: 3.0%) when recording share-based compensation. This estimate is adjusted to the actual forfeiture rate. Expected volatility is estimated using historic average share price volatility.

c) Long-term incentive plan:

The Company has a long-term incentive plan (the "**Plan**") whereby the Company can issue incentive awards to employees, officers, directors and other service providers of the Company in the form of common shares of the Company. The awards granted vest as to one-third on each of the first, second and third anniversaries from the date of grant and have an expiry date of December 15th of the tenth year following the year in which the award was granted. As at December 31, 2017, a total of 777,167 restricted common share awards were outstanding and exercisable at various dates through to December 15, 2027 (December 31, 2016: 1,077,500 restricted common shares awards outstanding).

Service cost recoveries (net of capitalization) of $249 thousand related to the restricted common share awards have been recognized and recorded in share-based compensation expense for the year-ended December 31, 2017 as a result of forfeitures in the period (December 31, 2016: service costs expense of $569 thousand). A forfeiture rate of 3.0% was used when recording share-based compensation (December 31, 2016: 3.0%).

14. Income Taxes

a) Deferred tax expense (reduction)

The following is a reconciliation of the Company's effective tax rate:

	Year Ended December 31, 2017	Year Ended December 31, 2016
Loss before taxes	$ (121,250)	$ (114,261)
Combined federal and provincial tax rate	27.0%	27.0%
Expected income tax reduction	$ (32,738)	$ (30,850)
Share-based compensation and other non-deductible expenses	276	1,130
Flow-through shares	-	1,418
Change in statutory tax rates and other	665	1,193
Change in unrecognized deferred tax asset	71,595	(81)
Sub-total	39,798	(27,190)
Flow-through share premium	-	(1,052)
Deferred income tax expense (reduction)	$ 39,798	$ (28,242)

b) Deferred tax asset

The Company's deferred tax assets are attributable to the following:

	December 31, 2017	December 31, 2016
Property, plant and equipment and exploration and evaluation assets	$ -	$ 9,324
Non-capital losses	-	27,516
Decommissioning obligations	-	3,842
Risk management contracts	-	27
Share issue costs and other	-	1,074
Deferred income tax assets	$ -	$ 41,783

Deferred tax assets have not been recognized in respect to the following items:

	December 31, 2017	December 31, 2016
Temporary differences associated with unrecognized deferred tax assets:		
Property, plant and equipment and exploration and evaluation assets	$ 135,979	$ 15,238
Non-capital losses	149,633	2,984
Decommissioning obligations	2,818	-
Share issue costs & other	3,259	-
	$ 291,689	$ 18,222

The non-capital losses expire up to 2036.

c) Movement in temporary differences

The following tables provide a continuity of the deferred income tax asset for 2017 and 2016:

	Balance Dec. 31, 2015	Recognized in income or loss	Recognized in equity	Balance Dec. 31, 2016
Property, plant and equipment and exploration and evaluation assets	$ (15,081)	$ 24,405	$ -	$ 9,324
Decommissioning obligations	4,996	(1,154)	-	3,842
Risk management contracts	-	27	-	27
Share issue costs and other	816	(302)	560	1,074
Non-capital losses	23,302	4,214	-	27,516
	$ 14,033	$ 27,190	$ 560	$ 41,783

	Balance Dec. 31, 2016	Recognized in income or loss	Recognized in equity	Balance Dec. 31, 2017
Property, plant and equipment and exploration and evaluation assets	$ 9,324	$ (9,324)	$ -	$ -
Decommissioning obligations	3,842	(3,842)	-	-
Risk management contracts	27	(27)	-	-
Share issue costs and other	1,074	911	(1,985)	-
Non-capital losses	27,516	(27,516)	-	-
	$ 41,783	$ (39,798)	$ (1,985)	$ -

15. Supplemental Information

Cash Flow Statement Presentation

Changes in non-cash working capital and deferred charge are comprised of:

	Year Ended December 31, 2017	Year Ended December 31, 2016
Changes in non-cash working capital and deferred charge:		
Accounts receivable	$ 4,951	$ 1,412
Prepaid expenses and deposits	553	544
Accounts payable and accrued liabilities	(5,029)	(1,677)
Deferred charge	263	429
	$ 738	$ 708
Changes in non-cash working capital and deferred charge related to:		
Operating activities	$ 5,315	$ 3,341
Investing activities	(4,577)	(2,633)
	$ 738	$ 708
Interest paid	$ (665)	$ (3,144)

Income Statement Presentation

The Company's statement of loss and comprehensive loss is prepared primarily by nature of expense, with the exception of employee compensation costs which are included in both the operating and general and administrative expense line items.

The following table details the amount of total employee compensation costs (including severances) included in operating and general and administrative expense:

	Year Ended December 31, 2017	Year Ended December 31, 2016
Operating	$ 228	$ 246
General and administrative	6,030	4,854
Total employee compensation costs	$ 6,258	$ 5,100

16. Determination of Fair Values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

a) Property, plant and equipment and exploration and evaluation assets

The fair value of property, plant and equipment and exploration and evaluation assets recognized in an acquisition or for the purposes of calculating *fair value less costs to sell* for impairment testing is based on market values. The market value of property, plant and equipment and exploration and evaluation assets

is the estimated amount for which property, plant and equipment and exploration and evaluation assets could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of crude oil and natural gas interests (included in property, plant and equipment) and intangible exploration assets is estimated with reference to the discounted cash flows expected to be derived from crude oil and natural gas production based on externally prepared reserve reports. The risk-adjusted discount rate is specific to the asset with reference to general market conditions.

The market value of other items of property, plant and equipment and exploration and evaluation assets is based on the quoted market prices for similar items.

b) Accounts receivable, accounts payable and accrued liabilities and bank debt

The fair value of accounts receivable and accounts payable and accrued liabilities is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At December 31, 2017 and 2016, the fair value of these balances approximated their carrying value due to their short term to maturity. Bank debt bears a floating rate of interest and the margins charged by lenders are indicative of current credit spreads and therefore carrying value approximates fair value.

c) Derivatives

The fair value of forward contracts and swaps is determined by discounting the difference between the contracted prices and published forward price and interest curves as at the balance sheet date, using the remaining contracted crude oil and natural gas volumes or notional debt balances and a risk-free interest rate (based on published government rates). The fair value of options and costless collars is based on option models that use published information with respect to volatility, prices and interest rates.

d) Stock options

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

e) Available-for-sale financial asset

The fair value of the Company's available-for-sale financial asset is determined using current or recent quoted prices for the privately-traded common shares which comprises the financial asset.

Financial assets and liabilities carried at fair value are required to be classified into a hierarchy that prioritizes the inputs used to measure the fair value. The fair value of assets and liabilities in Level 1 are based upon quoted market prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date. Assets and liabilities in Level 2 are based on valuation models and techniques where the significant inputs are derived from quoted indices. Level 3 fair value measurements are based on unobservable inputs for the asset or liability.

The carrying value of cash and cash equivalents, trade and other receivables, trade and other payables and bank debt included in the consolidated balance sheet approximate fair value as discussed above. As at December 31, 2017, the only assets or liabilities measured at fair value on a recurring basis were the Company's risk management contracts, when outstanding, and its available-for-sale financial asset, which were both valued using Level 2 inputs (December 31, 2016: risk management contracts valued using Level 2 inputs).

17. Financial Risk Management

The Company is exposed to financial risks arising from its exploration, development, production and financing activities, including credit risk, liquidity risk and market risk relating to commodity prices, interest rates and foreign currency exchange rates. Market risk is the risk that changes in market prices will affect the Company's income or the value of the financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. The Company's market risk, credit risk and liquidity risk exposures are outlined as follows:

Commodity Price Risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for crude oil and natural gas are impacted by not only the relationship between the Canadian ("**Cdn.**") and United States ("**U.S.**") dollar but also world economic events that dictate the levels of supply and demand.

The prices the Company receives for its crude oil and natural gas production may have a significant impact on its petroleum and natural gas revenues and cash provided from operating activities. Any significant price decline in commodity prices would adversely affect the amount of funds available for capital reinvestment purposes. As such, the Company utilizes a risk management program to partially mitigate that risk and to ensure adequate funds are available for planned capital activities and other commitments. From time-to-time, the Company may employ financial instruments to manage fluctuations in crude oil and natural gas market prices. The use of derivative financial instruments is subject to approval by the Company's Board of Directors. The Company does not utilize derivative financial instruments for speculative purposes.

Interest Rate Risk

Interest rate risk is the risk that cash flow from operating activities (before changes in non-cash working capital from operating activities) will fluctuate as a result of changes in market interest rates. The Company's exposure to interest rate risk relates to its bank Credit Facility, which bears a floating interest rate. Borrowings under the Company's Credit Facility bear interest at a rate equal to the Lender's prime rate plus 2.0% per annum.

For the year-ended December 31, 2017, a 1% or 100 basis point increase or decrease in market interest rates on the Company's floating rate bank debt would change net earnings by an estimated $0.1 million, assuming all other variables remain constant (December 31, 2016: $0.7 million). At December 31, 2017, the outstanding bank debt balance was nil.

Foreign Exchange Risk

The Company's financial results are affected by the exchange rate between the Canadian and U.S. dollar. Although all of the Company's petroleum and natural gas sales are denominated in Canadian dollars, the underlying market prices in Canada for crude oil and natural gas are impacted by changes in the exchange rate between the Canadian and U.S. dollar. An increase in the value of the Canadian dollar relative to the U.S. dollar will decrease the revenues received from the sale of crude oil and natural gas commodities. Correspondingly, a decrease in the value of the Canadian dollar relative to the U.S. dollar will increase the revenues received from the sale of crude oil and natural gas commodities. The impact of such exchange

rate fluctuations cannot be accurately quantified. The Company had no foreign exchange contracts in-place at or during the years ended December 31, 2017 and 2016.

Credit Risk

Credit risk represents the financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation and arises principally from the Company's receivables from joint interest partners and crude oil and natural gas marketers or purchasers.

Receivables from crude oil and natural gas marketers are normally collected on or about the twenty-fifth day of the month following the production month. For the year ended December 31, 2017, the Company sold the majority of its production to three (3) petroleum and natural gas marketers. The Company will assess the financial strength of petroleum and natural gas marketers prior to entering into sales contracts and has not experienced any collection issues with its current petroleum and natural gas marketers.

Joint interest receivables are typically collected within one (1) to three (3) months of the joint interest bill being issued to the partner. The timing and ultimate collection of outstanding joint interest receivables is dependent on industry factors including commodity price fluctuations, escalating costs and disagreements with partners. The Company mitigates the risk from joint interest receivables by obtaining partner approval before significant capital expenditures are incurred. Additionally, the Company has the ability to withhold production from joint interest partners in the event of non-payment.

The maximum credit risk exposure associated with cash and cash equivalents, accounts receivable and risk management assets when outstanding is the total carrying value.

The maximum exposure to credit risk for receivables at December 31, 2017 and 2016 by type of customer is as follows:

	Carrying Amount	
	December 31, 2017	**December 31, 2016**
Crude oil and natural gas marketing companies	$ 1,556	$ 6,992
Joint interest partners	642	683
Other	1,038	512
Total accounts receivable	$ 3,236	$ 8,187

The Company monitors the age of its receivables and investigates issues behind its receivables that are past due. As at December 31, 2017, the Company's receivables outstanding for more than ninety days amount to approximately $0.6 million (December 31, 2016: $0.4 million). The Company does not anticipate any default by these customers. As a result, a provision for doubtful accounts has not been recognized as at December 31, 2017 and 2016.

Liquidity Risk

Liquidity risk is the risk the Company will encounter difficulties in meeting its financial liability obligations. The Company's financial liabilities are comprised of accounts payable and accrued liabilities, bank loan and risk management liabilities. The Company manages its liquidity risk through cash and debt management. The Company frequently assesses its liquidity position and obligations under its financial liabilities by preparing annual and quarterly financial business plan forecasts. As disclosed in Note 19 hereafter, the Company targets a debt-to-annualized funds from operations ratio of less than two (2) times in order to steward its overall debt position.

Since the Company operates in the upstream oil and gas industry, it requires sufficient cash to fund capital programs necessary to maintain or increase production, to develop crude oil and natural gas reserves and to acquire strategic crude oil and natural gas assets. Capital programs are funded primarily through cash provided from operating activities. If the need arises, during times of low crude oil and natural gas prices, a portion of the capital program can generally be deferred. However, due to the long cycle times and the importance of future cash flow in maintaining production, it may be necessary to utilize alternative sources of capital to continue the Company's strategic investment plan during periods of low commodity prices. As a result, the Company frequently evaluates the options available with respect to sources of long and short-term capital resources. Occasionally, the Company will enter into risk management contracts for a portion of its production to protect cash flow in the event of commodity price declines. The Company believes it has sufficient funding through the use of its cash on hand and its Credit Facility to meet foreseeable funding requirements.

The following are the contractual maturities of financial liabilities as at December 31, 2017:

Financial Liabilities	Carrying amount	Contractual cash flows	Less than one year	One to two years	Two to five years	More than five years
Non-derivative financial liabilities:						
Accounts payable and accrued liabilities	$ 7,618	$ 7,618	$ 7,618	$ -	$ -	$ -
Total	$ 7,618	$ 7,618	$ 7,618	$ -	$ -	$ -

18. Commitments and Contingencies

a) Commitments

In the normal course of business, the Company has entered into various commitments that will have an impact on the Company's future operations. These commitments primarily relate to the operating lease for Iron Bridge's head office space, crude oil, natural gas and natural gas liquids ("**NGLs**") transportation arrangements and field equipment operating leases.

The following table summarizes the Company's commitments as at December 31, 2017:

	2018	2019	2020	2021	2022	Thereafter
Head office operating lease	$ 234	$ 403	$ 426	$ 439	$ 445	$ -
Oil transportation	2,032	1,220	558	165	60	132
Gas transportation	2,168	2,168	2,168	1,807	-	-
NGLs transportation	44	36	28	23	19	59
Field equipment	612	566	29	-	-	-
Total	$ 5,090	$ 4,393	$ 3,209	$ 2,434	$ 524	$ 191

b) Contingencies

Although the Company believes that it has title to its crude oil and natural gas properties, it cannot control or completely protect itself against the risk of title disputes or challenges.

19. Capital Disclosures

The Company's objectives when managing its capital structure are to maintain financial flexibility, to preserve Iron Bridge's access to capital markets and its ability to meet financial obligations and finance internally-generated growth, as well as potential acquisitions.

Iron Bridge manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Company considers its capital structure to include shareholders' equity, debt and working capital. To maintain or adjust the capital structure, Iron Bridge may from time-to-time, issue shares, dispose of non-core assets, raise debt and/or adjust its capital spending to manage its current and projected debt levels.

The Company monitors its capital structure based on the current and projected ratio of non-IFRS financial metrics consisting of total net debt (outstanding bank debt less deferred charge plus working capital deficiency or minus working capital surplus excluding unrealized amounts pertaining to risk management contracts) to annualized funds from operations (cash flow from operating activities before: decommissioning obligation cash expenditures and changes in non-cash working capital and deferred charge from operating activities). The Company's objective is to maintain a debt-to-annualized funds from operations ratio of less than two times. The ratio is affected by business cycles and may increase at certain times, for example, as a result of acquisitions or a precipitous decrease in commodity prices. To facilitate the management of this ratio, the Company prepares annual capital budgets and business plan forecasts, which are updated depending on varying factors such as general market conditions and successful capital deployment. The annual capital budget is approved by the Company's Board of Directors. At December 31, 2017, given the significant cash balance on hand, the Company's debt-to-annualized funds from operations ratio was not applicable.

The Company's share capital is not subject to external restrictions. Iron Bridge is subject to only one (1) financial covenant under its Credit Facility agreement, an adjusted working capital ratio of at least 1:1 calculated as follows:

Adjusted working capital ratio:	**December 31, 2017**
Current assets	
Current assets	$ 29,309
Less: unrealized hedging gains	-
Add: undrawn availability under the Credit Facility	4,322
Total current assets	$ 33,631
Current liabilities	
Current liabilities	$ 7,618
Less: unrealized hedging losses	-
Less: current portion of bank debt	-
Total current liabilities	$ 7,618
Adjusted working capital ratio	4.4

The Company was in compliance with this covenant as at December 31, 2017.

20. Related Parties

Key Management Personnel Compensation

The Company's key management personnel are comprised of its officers and directors. Compensation received by the key management personnel includes salaries, bonuses, severances, director fees and employee benefits. The directors and officers also participate in the Company's stock option plan and long-term incentive plan. Key management personnel compensation is comprised of the following:

	Year Ended December 31, 2017	**Year Ended December 31, 2016**
Salaries, director fees, bonuses and severances (including capitalized portions)	$ 4,005	$ 2,717
Employee benefits	137	227
Share-based compensation (including capitalized portion)	360	2,897
Total	$ 4,502	$ 5,841

On August 1, 2017, appointments resulting in the formation of a new executive management team for the Company became effective. For the year ended December 31, 2017, key management personnel compensation related to the new management team was $1.4 million, comprised of $0.9 million relating to salaries and directors fees and $0.5 million related to share-based compensation.