Interim Condensed Consolidated Financial Statements

For the three and six month periods ended June 30, 2018

Dated: August 14, 2018

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

Interim Condensed Consolidated Statements of Financial Position

(unaudited) (thousands)	June 30, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	**$ -**	$ 25,684
Accounts receivable	**4,588**	3,236
Prepaid expenses and deposits	**375**	389
	4,963	29,309
Share investment	**9,000**	9,000
Property, plant and equipment (Note 5)	**75,406**	56,080
Exploration and evaluation assets (Note 4)	**11,763**	5,768
	$ 101,132	$ 100,157
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**$ 6,680**	$ 7,618
Bank debt (Note 6)	**4,026**	-
	10,706	7,618
Decommissioning obligations (Note 9)	**3,084**	2,818
	13,790	10,436
Shareholders' Equity		
Share capital (Note 10)	**333,590**	333,950
Warrants (Note 10)	**754**	483
Contributed surplus	**37,608**	36,674
Deficit	**(284,610)**	(281,386)
	87,342	89,721
	$ 101,132	$ 100,157

Subsequent Event (Note 6)

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

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

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

(unaudited)
(thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
Revenue				
Petroleum and natural gas sales (Note 7)	**$ 5,542**	$ 9,454	**$ 8,933**	$ 18,912
Royalties	**(150)**	(440)	**3**	(1,241)
Revenue, net of royalties	**5,392**	9,014	**8,936**	17,671
Realized gain on risk management contracts (Note 12)	**-**	98	**-**	98
Other income (Note 7)	**111**	643	**270**	1,496
Unrealized gain on risk management contracts (Note 12)	**-**	24	**-**	362
	5,503	9,779	**9,206**	19,627
Expenses				
Operating	**1,850**	3,792	**2,561**	7,356
Transportation	**1,105**	1,609	**2,052**	3,205
General and administrative	**1,310**	1,294	**2,389**	3,165
Share-based compensation (Note 11)	**587**	385	**985**	837
Finance costs (Note 8)	**38**	343	**53**	505
Depletion and depreciation (Notes 4 and 5)	**2,822**	5,852	**4,679**	12,178
Gain on non-monetary property exchange	**-**	-	**(365)**	(500)
(Gain) loss on property disposition	**(135)**	-	**76**	-
	7,577	13,275	**12,430**	26,746
Loss before taxes	**(2,074)**	(3,496)	**(3,224)**	(7,119)
Deferred tax reduction	**-**	(642)	**-**	(1,507)
Net loss and comprehensive loss	**$ (2,074)**	$ (2,854)	**$ (3,224)**	$ (5,612)
Net loss per share (Note 10c)				
Basic and diluted	**$ (0.01)**	$ (0.02)	**$ (0.02)**	$ (0.04)

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

IRON BRIDGE RESOURCES INC. (formerly RMP Energy Inc.)
Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

(unaudited)
(thousands)

	Number of shares	Share capital	Warrants	Contributed surplus	Deficit	Total Shareholders' Equity
Balance, December 31, 2017	155,362	$ 333,950	$ 483	$ 36,674	$ (281,386)	$ 89,721
Net loss for the period	-	-	-	-	(3,224)	(3,224)
Share-based compensation expensed	-	-	253	732	-	985
Share-based compensation capitalized	-	-	18	208	-	226
Issue of common shares – restricted common share award exercises	4	-	-	-	-	-
Transfer from contributed surplus – restricted common share award exercises	-	6	-	(6)	-	-
Shares purchased and cancelled	(545)	(366)	-	-	-	(366)
Balance, June 30, 2018	154,821	$ 333,590	$ 754	$ 37,608	$ (284,610)	$ 87,342
Balance, December 31, 2016	150,970	$333,646	$ -	$ 35,907	$ (120,338)	$ 249,215
Net loss for the period	-	-	-	-	(5,612)	(5,612)
Share-based compensation expensed	-	-	-	837	-	837
Share-based compensation capitalized	-	-	-	424	-	424
Issue of common shares – restricted common share award exercises	49	-	-	-	-	-
Transfer from contributed surplus – restricted common share award exercises	-	68	-	(68)	-	-
Balance, June 30, 2017	151,019	$333,714	$ -	$ 37,100	$ (125,950)	$ 244,864

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

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

Interim Condensed Consolidated Statements of Cash Flows

(unaudited)
(thousands)

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
Cash provided from (used in):				
Operating activities				
Net loss	**$ (2,074)**	$ (2,854)	**$ (3,224)**	$ (5,612)
Adjustments for non-cash items:				
Depletion and depreciation	**2,822**	5,852	**4,679**	12,178
Accretion on decommissioning obligations	**17**	86	**32**	167
Share-based compensation	**587**	385	**985**	837
Deferred tax reduction	**-**	(642)	**-**	(1,507)
Unrealized loss (gain) on risk management contracts	**-**	(24)	**-**	(362)
Decommissioning expenditures	**(5)**	-	**(15)**	-
Gain on non-monetary property exchange	**-**	-	**(365)**	(500)
(Gain) loss on property disposition	**(135)**	-	**76**	-
Change in non-cash working capital	**(2,687)**	(1,134)	**(1,698)**	(300)
	(1,475)	1,669	**470**	4,901
Financing activities				
Increase in bank loan	**4,026**	8,313	**4,026**	29,181
Shares purchased and cancelled	**-**	-	**(366)**	-
	4,026	8,313	**3,660**	29,181
Investing activities				
Exploration and evaluation asset expenditures	**(362)**	(49)	**(7,413)**	(6,431)
Property, plant and equipment expenditures	**(4,489)**	(6,467)	**(21,885)**	(24,699)
Property disposition	**85**	-	**62**	-
Change in non-cash working capital	**(13,248)**	(3,466)	**(578)**	(3,356)
	(18,014)	(9,982)	**(29,814)**	(34,486)
Change in cash and cash equivalents	**(15,463)**	-	**(25,684)**	(404)
Cash and cash equivalents, beginning of period	**15,463**	-	**25,684**	404
Cash and cash equivalents, end of period	**$ -**	$ -	**$ -**	$ -

See accompanying notes as they are an integral part of these interim condensed 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 headquartered in Calgary, Alberta, Canada. Iron Bridge conducts its operations in the Western Canadian Sedimentary Basin 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 interim condensed consolidated financial statements as at and for the three and six months ended June 30, 2018 comprise the accounts of the Company and its wholly-owned subsidiary, Iron Chain Technology Corp. 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

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34 "*Interim Financial Reporting*" using accounting policies consistent with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). Except for the changes in accounting policies discussed below, the interim condensed consolidated financial statements were prepared using the accounting policies, methods of computation and key estimates disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2017. The Company has adjusted comparative period presentation to conform with current period presentation. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2017 and exclude certain disclosures required to be included in annual financial statements.

The interim condensed consolidated financial statements were authorized for issue by the Company's Board of Directors on August 14, 2018.

3. Changes in Significant Accounting Policies

a) IFRS 9 *"Financial Instruments"*

On January 1, 2018, the Company adopted IFRS 9 "*Financial Instruments*". IFRS 9 replaces IAS 39 "*Financial Instruments: Recognition and Measurement*". IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, amends the requirements related to hedge accounting and introduces a forward-looking expected loss impairment model. The adoption of IFRS 9 did not have a material impact on the Company's interim condensed consolidated financial statements. Iron Bridge applied the new standard retrospectively, without restatement of comparative figures.

Under IFRS 9, financial assets are classified into one of three primary measurement categories on initial recognition, namely: i) amortized cost, ii) fair value through other comprehensive income ("**FVOCI**"), and iii) fair value through profit and loss ("**FVTPL**"). Classification is dependent upon both the business model in which the financial asset is managed and the underlying contractual cash flow characteristics of the financial asset.

A financial asset is measured at amortized cost if both of the following conditions are met:

i. The business model objective is to hold assets to collect contractual cash flows; and
ii. The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet condition ii. above and that are held with a business model objective of collecting contractual cash flows and selling financial assets are subsequently measured at FVOCI.

All other financial assets are subsequently measured at FVTPL.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The following table summarizes the financial instrument classification of the Company's financial assets and liabilities under IAS 39 and under the newly adopted IFRS 9 standard:

Financial Instrument	IAS 39	IFRS 9
Cash and cash equivalents	Loans and receivables (amortized cost)	Amortized cost
Accounts receivable	Loans and receivables (amortized cost)	Amortized cost
Share investment	Available-for-sale financial asset (FVOCI)	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost

There was no impact on the carrying amounts of the Company's financial instruments as a result of the adoption of IFRS 9.

IFRS 9 introduces a single expected credit loss ("**ECL**") impairment model that applies to all financial instruments in its scope. In-scope financial instruments include financial assets that are debt instruments measured at amortized cost or FVOCI, including loans, trade receivables and debt securities. Equity investments are out-of-scope. The ECL impairment model is based upon a probability-weighted estimate of credit losses. The adoption of the ECL impairment model required under IFRS 9 did not have a material impact on the Company's financial assets.

b) IFRS 15 *"Revenue From Contracts with Customers"*

Iron Bridge adopted IFRS 15 *"Revenue From Contracts With Customers"* with a date of initial application of January 1, 2018 using the retrospective method to adopt the new standard. The adoption of IFRS 15 did not have a material impact on the measurement or timing of the Company's revenue. Refer to Note 7 for new disclosure required under IFRS 15.

Revenue from the sale of crude oil, natural gas and natural gas liquids is measured based on the consideration specified in contracts with customers. The Company recognizes revenue when it transfers control of the product to the buyer. This is generally at the time the customer obtains legal title to the product and when it is physically transferred to the delivery mechanism agreed with the customer, often pipelines or other transportation methods.

Iron Bridge evaluates its arrangements with third parties and partners to determine if the Company acts as the principal or as an agent. In making this evaluation, management considers if the Company obtains

control of the product delivered, which is indicated by the Company having the primary responsibility for the delivery of the product, having the ability to establish prices or having inventory risk. If the Company acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net-basis, only reflecting the fee, if any, realized by the Company from the transaction.

Fees charged to other entities for use of pipelines and facilities owned by the Company are evaluated by management to determine if these originate from contracts with customers or from incidental or collaborative arrangements. Fees charged to other entities that are from contracts with customers are recognized in other income when the related services are provided.

Other income is comprised of transportation revenue, interest income 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.

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

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

	Total
Cost:	
Balance at December 31, 2016	$ 24,495
Additions	7,773
Divestitures	(4,730)
Transfer to PP&E	(9,481)
Balance at December 31, 2017	18,057
Additions	7,413
Divestitures	(465)
Balance at June 30, 2018	$ 25,005

	Total
Depletion and depreciation:	
Balance at December 31, 2016	$ (14,236)
Depletion and depreciation	(3,128)
Divestitures	4,184
Transfer to PP&E	891
Balance at December 31, 2017	(12,289)
Depletion and depreciation	(1,309)
Divestitures	356
Balance at June 30, 2018	$ (13,242)
Net E&E carrying amounts:	
At December 31, 2017	$ 5,768
At June 30, 2018	$ 11,763

On March 27, 2018, the Company exchanged certain oil and gas assets with an arm's-length party on a non-monetary basis measured on the basis of the fair value of the assets disposed of 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 June 30, 2018.

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

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

	Total
Cost:	
Balance at December 31, 2016	$ 733,758
Additions	39,327
Divestitures	(722,181)
Change in decommissioning obligations	271
Capitalized share-based compensation	464
Transfer from E&E	9,481
Balance at December 31, 2017	61,120
Additions	22,360
Divestitures	(139)
Change in decommissioning obligations	249
Capitalized share-based compensation	226
Balance at June 30, 2018	$ 83,816

	Total
Depletion, depreciation and impairment:	
Balance at December 31, 2016	$ (521,372)
Depletion and depreciation	(15,852)
Transfer from E&E	(891)
Divestitures	533,075
Balance at December 31, 2017	(5,040)
Depletion and depreciation	(3,370)
Balance at June 30, 2018	$ (8,410)
Net PP&E carrying amounts:	
At December 31, 2017	$ 56,080
At June 30, 2018	$ 75,406

The calculation of depletion and depreciation included estimated future development costs of $192.1 million (December 31, 2017: $207.7 million) associated with the development of the Company's proved plus probable reserves and excludes salvage value of $0.6 million (December 31, 2017: $0.5 million).

The Company's credit facility is secured by a demand debenture with a floating charge over all assets of the Company (see Note 6).

Iron Bridge's management assessed its property, plant and equipment assets for indicators of impairment and concluded there were no internal or external indicators of impairment as at June 30, 2018.

6. Bank Facility

As at June 30, 2018, the Company had an uncommitted demand revolving credit facility (the "**Credit Facility**") with a Canadian Bank (the "**Lender**"). Subsequent to the end of the second quarter, in connection with the semi-annual borrowing base re-determination of its revolving Credit Facility, the Company's maximum borrowing base limit of the Credit Facility provided by the Lender was increased to $10.0 million from the previous borrowing base amount of $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. As at June 30, 2018 the adjusted working capital ratio was 0.77:1 and as such the Company was non-compliant with this covenant. However, subsequent to June 30, 2018 the Lender has provided the Company with a covenant waiver, and extended and increased the borrowing base as noted above. The recent subsequent borrowing base increase would result in an adjusted working capital ratio as at June 30, 2018 of 1.52:1.

At June 30, 2018, the Company had $4.0 million bank debt outstanding (December 31, 2017: nil), and $0.8 million of outstanding letters of credit, as secured by the Lender, which reduces the available credit by that collateralized amount.

7. Revenue

Iron Bridge sells its production pursuant to variable-price contracts. The transaction price for variable priced contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Under the contracts, the Company is required to deliver a variable volume of crude oil, natural gas liquids or natural gas to the contract counterparty. Revenue is recognized when a unit of production is delivered to the contract counterparty. The amount of revenue recognized is based on the agreed transaction price, whereby any variability in revenue relates specifically to the Company's efforts to transfer production, and therefore the resulting revenue is allocated to the production delivered in the period during which the variability occurs. As a result, none of the variable revenue is considered constrained.

Crude oil and natural gas is sold under contracts of varying terms of up to one year. The majority of the Company's natural gas liquids is sold under a multi-year contract. Revenues are typically collected on the 25th day of the month following production.

The following table summarizes the Company's petroleum and natural gas sales disaggregated by product for the three and six month periods ended June 30, 2018 and 2017:

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Crude oil	$ 2,865	$ 4,656	$ 4,298	$ 9,982
Natural gas	1,182	3,923	2,314	7,184
Natural gas liquids	1,495	875	2,321	1,746
Total petroleum and natural gas sales	$ 5,542	$ 9,454	$ 8,933	$ 18,912

The Company's revenue was generated entirely within the province of Alberta and production was sold primarily to four counterparties for the three and six month periods ended June 30, 2018 (three and six month periods ended June 30, 2017: three counterparties).

The following table summarizes the Company's other income for the three and six month periods ended June 30, 2018 and 2017:

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Interest income	$ 110	$ -	$ 268	$ -
Transportation income	-	382	9	975
Gathering, compression, road use and other income (loss)	1	261	(7)	521
Total other income	$ 111	$ 643	$ 270	$ 1,496

8. Finance Costs

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Interest expense on bank debt	$ 21	$ 257	$ 21	$ 338
Accretion expense on decommissioning obligation	17	86	32	167
Total finance costs	$ 38	$ 343	$ 53	$ 505

9. Decommissioning Obligations

The following table summarizes the changes in decommissioning obligations for the six month period ended June 30, 2018 and the year ended December 31, 2017:

	June 30, 2018	December 31, 2017
Balance - beginning of period	$ 2,818	$ 14,230
Accretion expense	32	266
Liabilities incurred	188	1,027
Liabilities released on disposition	-	(11,889)
Change in estimates	61	(756)
Decommissioning expenditures	(15)	(60)
Balance - end of period	$ 3,084	$ 2,818

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 $3.1 million as at June 30, 2018 (December 31, 2017: $2.8 million) based on an undiscounted, non-inflated total future liability of $3.7 million (December 31, 2017: $3.5 million). The Company expects these obligations to be settled over the next 27 years. The discount factor, being the risk-free rate related to the liability, is 2.20% (December 31, 2017: 2.26%).

10. Share Capital and Warrants

a) Authorized - Unlimited number of voting common shares.

b) Warrants

At June 30, 2018, the Company had 5,349,999 share purchase warrants outstanding (December 31, 2017: 5,349,999 warrants). 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 of September 7, 2017. 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. In the second quarter of 2018, the Company's common shares achieved a 20-day weighted average trading price equal to or exceeding $0.75 per share and as such the $0.75 tranche vested, resulting in the Company recognizing the remaining stock-based compensation expense related to the $0.75 tranche. The Company recorded share-based compensation expense (net of capitalization) in respect of the warrants of $213 thousand and $253 thousand for the three and six month periods ended June 30, 2018 (three and six month periods ended June 30, 2017: nil) with a corresponding increase to the warrants carrying value.

c) Per Share Amounts

For the three and six month periods ended June 30, 2018, there were 10.1 million stock options ($0.76 weighted average exercise price), 0.8 million restricted common share awards ($0.73 average exercise price) and 5.3 million warrants (three and six month periods ended June 30, 2017: 7.0 million options, 0.5 million restricted common share awards, and nil warrants) excluded in calculating the weighted average number of diluted common shares outstanding.

Weighted average shares outstanding:	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Basic	154,820,692	151,019,234	154,839,540	151,003,622
Diluted	154,820,692	151,019,234	154,839,540	151,003,622

11. 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 years to maturity and vest as to one-third on each of the first, second and third anniversaries from the date of grant.

At June 30, 2018, a total of 10,111,000 stock options with a weighted average exercise price of $0.76 per option were outstanding and exercisable at various dates through to February 1, 2023.

The following table summarizes the stock options as at June 30, 2018:

	Number	Weighted Avg. Exercise Price
Outstanding – December 31, 2017	**9,480,500**	**$ 0.77**
Granted	670,000	0.57
Forfeited	(39,500)	1.03
Outstanding – June 30, 2018	**10,111,000**	**$ 0.76**
Options exercisable – June 30, 2018	**880,500**	**$ 1.22**

b) Exercise price range for options outstanding as at June 30, 2018:

	Outstanding Options			Exercisable Options	
Price Range	Number	Weighted Avg. Price	Weighted Avg. Remaining Life	Number	Weighted Avg. Price
$ 0.55 - $ 0.74	4,259,520	$ 0.56	4.27 years	-	$ -
$ 0.75 - $ 1.36	4,507,980	$ 0.75	3.96 years	310,833	$ 0.75
$ 1.37 - $ 1.59	991,000	$ 1.37	2.93 years	330,333	$ 1.37
$ 1.60 - $ 2.00	352,500	$ 1.63	2.05 years	239,334	$ 1.64
Total	**10,111,000**	**$ 0.76**	**3.92 years**	**880,500**	**$ 1.22**

The Company recorded share-based compensation expense (net of capitalization) in respect of the Company's stock options for the three and six month periods ended June 30, 2018 of $0.3 million and $0.6 million (three and six month periods ended June 30, 2017: $0.5 million and $1.0 million). Capitalized share-based compensation in the amount of $0.1 million and $0.2 million was included in property, plant and equipment for the three and six month periods ended June 30, 2018 (three and six month periods ended June 30, 2017: $0.2 million and $0.4 million). A forfeiture rate of 3.0% (June 30, 2017: 3.0%) is used when recording share-based compensation. This estimate is adjusted to the actual forfeiture rate.

The Company determined the fair value of stock options granted during the six month periods ended June 30, 2018 and 2017 using the Black-Scholes evaluation stock option pricing model under the following assumptions:

	Six Months Ended	
	June 30, 2018	**June 30, 2017**
Weighted-average fair value ($/option)	0.31	0.39
Risk-free interest rate (%)	2.14	1.14
Expected life (years)	5	5
Expected volatility (%)	62.25	60.72
Dividend yield (%)	Nil	Nil

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 June 30, 2018, a total of 834,584 restricted common share awards were outstanding and exercisable at various dates through to December 15, 2028.

A service cost expense of $47 thousand and $90 thousand related to the restricted common share awards has been recognized and recorded in share-based compensation expense for the three and six month periods ended June 30, 2018 (three and six month periods ended June 30, 2017: service cost credits of $179 thousand and $189 thousand). Capitalized share-based compensation in respect to the restricted common share awards of $16 thousand and $33 thousand was included in property, plant and equipment for the three and six month periods ended June 30, 2018 (three and six month periods ended June 30, 2017: nil). A forfeiture rate of 3.0% was used when recording share-based compensation (June 30, 2017: 3.0%).

12. Financial Risk Management

Commodity Price Risk Management

The prices the Company receives for its crude oil and natural gas production may have a significant impact on its revenues and cash provided from operating activities. Any significant 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

Company does not utilize derivative financial instruments for speculative purposes. At June 30, 2018 and December 31, 2017, the Company did not have any commodity risk management contracts outstanding.

Interest Rate Risk Management

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.

Risk Management Assets and Liabilities

The Company recognizes the fair value of its risk management contracts on the statement of financial position each reporting period with the change in fair value being recognized as an unrealized gain or loss on the statement of loss. In respect to the commodity price risk management contracts, the fair value of forward contracts and swaps is determined by discounting the difference between the contracted prices and published forward price curves as at the period end date, using the remaining contracted oil and natural gas volumes and a risk-free interest rate (based on published government rates).

The fair value of the Company's share investment 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. At June 30, 2018, the only asset measured at fair value on a recurring basis was the Company's share investment, which was valued using Level 2 inputs. Assets and liabilities in Level 2 are based on valuation models and techniques where the significant inputs are derived from quoted indices.

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 funds its on-going operations and manages its liquidity risk through a combination of cash provided from operating activities, debt and equity management strategies (as needed), and asset dispositions. The Company continuously monitors and assesses its liquidity position and obligations under its financial liabilities by preparing annual and quarterly financial business plan forecasts. The Company believes it has sufficient liquidity to meet foreseeable funding requirements.

The Company closely monitors its exploration and development capital programs in relation to estimated cash provided from operating activities and available borrowings under its Credit Facility. The Company will remain disciplined and flexible with its remaining 2018 capital spending as it monitors business conditions and commodity prices, and where deemed prudent, may make adjustments to such. The Company has flexibility to adjust the level of its capital investments, as circumstances warrant.