KARVE ENERGY INC

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS AND NINE MONTHS ENDED

SEPTEMBER 30, 2017 AND SEPTEMBER 30, 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Unaudited (Canadian $000s)	As at Sept. 30, 2017	As at Dec. 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	21,865	21,905
Trade and other receivables (NOTE 5)	13,788	1,922
Prepaids and deposits (NOTE 6)	6,562	9,303
TOTAL CURRENT ASSETS	42,215	33,130
Property, plant and equipment (NOTE 10)	181,723	32,275
Exploration and evaluation (NOTE 11)	24,544	8,478
Deferred income tax asset	5,224	4,634
TOTAL ASSETS	**253,706**	**78,517**
LIABILITIES		
Current Liabilities		
Trade and other payables (NOTE 7)	26,590	9,861
Decommissioning liability (NOTE 13)	2,070	-
TOTAL CURRENT LIABILITIES	**28,660**	**9,861**
Deferred lease liability (NOTE 17)	291	108
Decommissioning liability (NOTE 13)	21,210	7,154
TOTAL LIABILITIES	**50,161**	**17,123**
SHAREHOLDERS' EQUITY		
Share capital (NOTE 14)	215,781	73,006
Contributed surplus (NOTE 14)	10,811	6,657
Accumulated deficit	(23,047)	(18,269)
TOTAL SHAREHOLDERS' EQUITY	**203,545**	**61,394**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**253,706**	**78,517**

COMMITMENTS (NOTE 17)
SUBSEQUENT EVENTS (NOTE 22)

The accompanying notes are an integral part of these interim financial statements.

Approved on behalf of the Board of Directors:

Signed "Donald A. Engle" *Signed "James C. Lough"*

Donald A. Engle
Chairman of the Board

James C. Lough
Director

CONSOLIDATED STATEMENT OF NET LOSS AND COMPREHENSIVE LOSS

Unaudited (Canadian $000s, except per share amounts)	For the three months ended Sept. 30, 2017	For the three months ended Sept. 30, 2016	For the nine months ended Sept. 30, 2017	For the nine months ended Sept. 30, 2016
REVENUE				
Petroleum and natural gas sales (NOTE 20)	18,133	1,756	34,286	2,046
Royalties	(1,221)	(107)	(2,149)	(121)
NET REVENUE	16,912	1,649	32,137	1,925
Gain (loss) on financial derivative contracts (NOTE 18)	(7)	-	528	-
Other income (NOTE 15)	769	65	855	157
TOTAL REVENUE AND OTHER INCOME	17,674	1,714	33,520	2,082
EXPENSES				
Operating	8,911	1,650	13,750	1,899
Transportation	827	88	1,749	88
General and administration	1,804	611	3,655	2,528
Depletion, depreciation and amortization (NOTE 10)	6,501	704	11,907	816
Accretion (NOTE 13)	265	123	535	143
Share-based compensation (NOTE 16)	773	1,298	4,463	3,247
Exploration and evaluation - expiries (NOTE 11)	-	50	246	50
Transaction costs (NOTE 8)	1,814	-	2,016	106
NET LOSS FROM CONTINUING OPERATIONS BEFORE TAX EXPENSE	(3,221)	(2,810)	(4,801)	(6,795)
TAX EXPENSE				
Deferred income tax expense (recovery)	(589)	-	(23)	-
NET LOSS AND COMPREHENSIVE LOSS FROM CONTINUING OPERATIONS	(2,632)	(2,810)	(4,778)	(6,795)
INCOME FROM DISCONTINUED OPERATIONS	-	-	-	18
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(2,632)	(2,810)	(4,778)	(6,777)
LOSS PER SHARE ($) (NOTE 14)				
Basic and diluted - continuing operations	(0.03)	(0.04)	(0.06)	(0.17)
TOTAL BASIC AND DILUTED	**(0.03)**	**(0.04)**	**(0.06)**	**(0.17)**

The accompanying notes are an integral part of these interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	For the three months ended		For the nine months ended	
Unaudited (Canadian $000s)	Sept. 30, 2017	Sept. 30, 2016	Sept. 30, 2017	Sept. 30, 2016
SHARE CAPITAL				
Balance, beginning of period	73,006	66,048	73,006	32,649
Issuance of share capital, net of issue costs (NOTE 14)	141,967	6,504	141,967	39,903
Issue of common shares under option plans (NOTE 16)	808	-	808	-
BALANCE, END OF PERIOD	**215,781**	**72,552**	**215,781**	**72,552**
CONTRIBUTED SURPLUS				
Balance, beginning of period	10,347	4,334	6,657	2,385
Share-based compensation (NOTE 16)	773	1,298	4,463	3,247
Options exercised (NOTE 16)	(309)	-	(309)	-
BALANCE, END OF PERIOD	**10,811**	**5,632**	**10,811**	**5,632**
DEFICIT				
Balance, beginning of period	(20,415)	(17,283)	(18,269)	(13,316)
Net loss and comprehensive loss for the period	(2,632)	(2,810)	(4,778)	(6,777)
BALANCE, END OF PERIOD	**(23,047)**	**(20,093)**	**(23,047)**	**(20,093)**

The accompanying notes are an integral part of these interim financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited (Canadian $000s)	For the three months ended Sept. 30, 2017	For the three months ended Sept. 30, 2016	For the nine months ended Sept. 30, 2017	For the nine months ended Sept. 30, 2016
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net loss and comprehensive loss from continuing operations	(2,632)	(2,810)	(4,778)	(6,795)
ITEMS NOT AFFECTING CASH:				
Depletion, depreciation and amortization (NOTE 10)	6,501	704	11,907	816
Accretion expense (NOTE 13)	265	123	535	143
Exploration and evaluation (NOTE 11)	-	50	246	50
Deferred lease expense	53	43	183	43
Share-based compensation (NOTE 16)	773	1,298	4,463	3,247
Unrealized gain on financial derivatives (NOTE 18)	336	-	-	-
Deferred income tax expense	(589)	-	(23)	-
Decommissioning expenditures (NOTE 13)	(53)	(60)	(71)	(60)
FUNDS FLOW FROM (USED FOR) OPERATIONS	**4,654**	**(652)**	**12,462**	**(2,556)**
Change in non-cash working capital (NOTE 20)	(5,173)	(525)	(7,725)	41
CASH FLOW FROM (USED FOR) CONTINUING OPERATIONS	(519)	(1,177)	4,737	(2,515)
Cash flow from discontinued operations	-	-	-	18
CASH FLOW FROM (USED FOR) OPERATING ACTIVITIES	**(519)**	**(1,177)**	**4,737**	**(2,497)**
INVESTING ACTIVITIES				
Exploration and evaluation (NOTE 11)	(15)	(37)	(112)	(123)
Property, plant and equipment (NOTE 10)	(27,569)	(957)	(47,808)	(964)
Acquisitions (NOTE 8)	(120,518)	(712)	(120,526)	(23,418)
Discontinued operations	-	-	451	2,486
Change in non-cash working capital (NOTE 20)	22,256	(8,213)	21,467	(8,470)
CASH FLOW USED FOR INVESTING ACTIVITIES	**(125,846)**	**(9,919)**	**(146,528)**	**(30,489)**
FINANCING ACTIVITIES				
Issue of shares on exercise of put-call option, net of issue costs (NOTE 14)	-	-	-	6,615
Issue of shares, net of issue costs (NOTE 14)	141,399	6,354	141,399	33,138
Issue of shares on exercise of options (NOTES 14 & 16)	499	-	499	-
Change in non-cash working capital (NOTE 20)	(147)	-	(147)	-
CASH FLOW FROM FINANCING ACTIVITIES	**141,751**	**6,354**	**141,751**	**39,753**
Increase (decrease) in cash and cash equivalents	15,386	(4,742)	(40)	6,767
Cash and cash equivalents, beginning of period	6,479	30,524	21,905	19,015
CASH AND CASH EQUIVALENTS, END OF PERIOD	**21,865**	**25,782**	**21,865**	**25,782**

The accompanying notes are an integral part of these interim financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at September 30, 2017 and for the three and nine months ended September 30, 2017 and 2016. (Tabular amounts in thousands of Canadian dollars, unless otherwise stated. Amounts in text are in Canadian dollars unless otherwise stated).

1. REPORTING ENTITY

Karve Energy Inc. ("Karve" or the "Company") is a growth-oriented, private oil and natural gas company whose principal business activities are the acquisition, exploration and development of oil and gas properties in Western Canada.

The Company was incorporated under the laws of the Province of Alberta on January 30, 2014, under the name "1799380 Alberta Ltd.". On June 16, 2014, the Company changed its name to "Bruin Oil & Gas Inc." ("Bruin") and on September 15, 2016, the Company changed its name to "Karve Energy Inc.".

The condensed interim consolidated financial statements of the Company are comprised of Karve and its wholly-owned subsidiary "DTC Energy Inc." which was incorporated under the laws of the Province of Alberta.

Karve's head office is located at Suite 1700, 205 5 Avenue SW, Calgary Alberta, T2P 2V7.

2. BASIS OF PRESENTATION

Statement of Compliance and Authorization

The condensed interim consolidated financial statements (the "financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

The financial statements were approved and authorized for issue by Karve's Board of Directors on November 29, 2017.

Basis of Measurement

These financial statements have been prepared on the historical cost basis, except for the revaluation to fair value of certain financial assets and financial liabilities, as required under IFRS and described in the significant accounting policies in NOTE 3 below. The financial statements are measured and presented in Canadian dollars as the functional currency of the Company.

Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. Actual results may differ from such estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected. Significant judgments, estimates and assumptions made by management in these financial statements are outlined in NOTE 3 of the December 31, 2016 audited consolidated financial statements. There have been no significant changes in the Company's critical accounting estimates and judgments applied during the interim period ended September 30, 2017 relative to the most recent audited consolidated financial statements as at December 31, 2016.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as outlined below, the same accounting policies and methods of computation have been followed as the audited consolidated financial statements at December 31, 2016. The financial statements for the three and nine months ended September 30, 2017 should be read in conjunction with the audited consolidated financial statements and related notes for the year ended December 31, 2016.

Income tax expense for an interim period is based on an estimated annual effective income tax rate.

4. CHANGES IN ACCOUNTING POLICIES

At the date of authorization of these financial statements, certain new standards, amendments, and interpretations to existing IFRS standards have been published but are not yet effective, and have not been adopted early by the Company. Management anticipates that all the pronouncements will be adopted in the Company's accounting policies in the annual period in which they are first required.

IFRS 9 – Financial Instruments – This new standard is intended to replace IAS 39, Financial Instruments: Recognition and Measurement and 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 new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39, and incorporates new hedge accounting requirements. The standard comes in effect January 1, 2018. The Company is currently evaluating the impact of the standard on the Company's consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers – This new standard specifies recognition requirements for revenue to reflect the transfer of goods and services for the amounts it expects to receive when control is transferred to the purchaser as well as requiring more informative and relevant disclosures. The standard replaces IAS 11 "Construction Contracts" and IAS 18 "Revenue" as well as a number of revenue related interpretations. This standard comes in effect January 1, 2018. The Company is currently evaluating its contracts with customers and the impact of the standard on the Company's consolidated financial statements. Additional disclosures including, but not limited to, contracts with customers, disaggregation of revenue and contract balances may be required to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from its contracts with customers.

IFRS 16 – Leases – This new standard replaces IAS 17 and will require all leases to be recorded on the Company's consolidated statement of financial position except those that meet the limited exception criteria. The expense associated with operating leases will be removed and be replaced with the recording of depreciation and finance expense, consistent with how finance leases are treated. This standard comes in effect January 1, 2019. Management is currently assessing the potential impact of adoption of this standard on the Company's consolidated financial statements.

5. TRADE AND OTHER RECEIVABLES

($000s)	As at Sept. 30, 2017	As at Dec. 31, 2016
Trade	11,059	1,304
Joint venture	855	175
GST	1,874	443
TRADE AND OTHER RECEIVABLES	**13,788**	**1,922**

6. PREPAIDS AND DEPOSITS

($000s)	As at Sept. 30, 2017	As at Dec. 31, 2016
Prepaids	6,510	220
Deposits	52	9,083
PREPAIDS AND DEPOSITS	**6,562**	**9,303**

On June 15, 2017, the Company paid a $4.0 million non-refundable deposit for certain petroleum & natural gas assets located in the Provost area of Alberta (the "Provost Acquisition"). This acquisition closed on August 15, 2017 (NOTE 8). In the quarter ended September 30, 2017, the $4.2 million letter of credit in favor of the Alberta Energy Regulator and related security deposit was fully refunded as a result of an increase in the Company's licensee liability ratio to greater than 1.0.

As part of the Provost Acquisition the Company acquired prepaid property taxes, and mineral and surface rentals of $6.6 million (NOTE 8). These are presented as "working capital" in the purchase price allocation, and the unamortized prepaid amounts are included in "Prepaids" above.

7. TRADE AND OTHER PAYABLES

($000s)	As at Sept. 30, 2017	As at Dec. 31, 2016
Trade	16,701	8,575
Accrued	8,657	1,156
Joint venture	914	63
Royalties	318	67
TRADE AND OTHER PAYABLES	**26,590**	**9,861**

8. ACQUISITIONS

The Company accounts for business combinations using the acquisition method whereby the net assets acquired and the liabilities assumed are recorded at fair value.

Provost Acquisition

On August 15, 2017, the Company closed an acquisition of certain oil and gas assets in the Provost area of Alberta (the "Provost Acquisition") for a total purchase price of $120.5 million. The assets acquired in the Provost Acquisition complement Karve's existing assets at Consort and Hamilton Lake and the Company believes the nature and characteristics of the assets are complementary to Karve's light oil focused strategy in the Viking formation. The assets acquired consist of producing oil and gas properties, reserves, facilities, undeveloped land, and seismic. The effective date of the acquisition was January 1, 2017.

The following table summarizes the aggregate fair value of net assets acquired and the allocation of the purchase price:

($000s)	
Net working capital	5,991
Exploration and evaluation assets	17,125
Property, plant and equipment	116,394
Decommissioning liabilities	(19,042)
FAIR VALUE OF NET ASSETS ACQUIRED	**120,468**

CONSIDERATION	
Cash	120,468
TOTAL PURCHASE PRICE	**120,468**

(1) The fair values allocated to the net assets acquired were estimated based on information available at the time of the preparation of these interim financial statements. The amount of cash consideration, after closing adjustments, was estimated based on an interim statement of adjustments. The actual amounts which will ultimately be recognized by the Company upon finalizing the accounting for the property acquisition may differ from these estimates.

During the nine months ended September 30, 2017, the Company incurred $2.0 million of transaction costs for the Provost Acquisition which were recorded as "Transaction costs" in the Company's consolidated statement of net loss and comprehensive loss. For the period ended December 31, 2016, the Company incurred $106,000 of transaction costs related to the Viking Acquisition.

The Company's consolidated statement of net loss and comprehensive loss includes the results of the operations for the period following closing of the Provost Acquisition on August 15, 2017 to September 30, 2017. The Company's net loss and comprehensive loss for the nine months ended September 30, 2017 includes $8.6 million of revenue and $1.9 million of operating income relating to the acquired assets. If the acquisition had closed on January 1, 2017, pro-forma revenue and operating income are estimated to have been $81.8 million and $33.4 million respectively for the nine months ended September 30, 2017. Operating income is defined as revenue, net of royalties less operating and transportation expenses. This pro-forma information is not necessarily indicative of the results of operations that would have occurred had the acquisition been in effect on the date indicated, or the results that may be obtained in the future.

Viking Acquisition

On June 15, 2016, the Company closed an acquisition of oil and gas assets located in the Alberta Viking formation (the "Viking Acquisition") for a total purchase price of $22.7 million. The assets acquired consist of producing properties, reserves, facilities, and undeveloped land. The effective date of the acquisition was April 1, 2016.

The following table summarizes the aggregate fair value of net assets acquired and the allocation of the purchase price:

($000s)	
Exploration and evaluation assets	7,889
Property, plant and equipment	20,692
Decommissioning liabilities	(5,872)
FAIR VALUE OF NET ASSETS ACQUIRED	**22,709**

CONSIDERATION	
Cash	22,709
TOTAL PURCHASE PRICE	**22,709**

Other Miscellaneous Acquisitions

Throughout the nine months ended September 30, 2017, the Company acquired various working interests, land, light oil producing properties, and reserves for total consideration of $57,500.

9. PROPERTY DISPOSITION

On January 15, 2016, the Company completed a disposition of all its producing oil and natural gas properties located in Fiske, Saskatchewan for proceeds of $2.5 million after closing adjustments. The carrying value of assets and associated decommissioning liabilities disposed during the previous year ended December 31, 2016 are summarized below.

($000s)	
Property, plant and equipment	2,679
Decommissioning liabilities	(193)
CARRYING VALUE OF NET ASSETS DISPOSED	**2,486**
Cash proceeds, after closing adjustments	2,486
GAIN (LOSS) ON SALE OF ASSETS	-

During the nine months ended September 30, 2017, the remaining undeveloped land in Fiske, Saskatchewan was disposed of for $451,000 (NOTE 11). As a result of this disposition, the Company no longer has operations in Saskatchewan.

10. PROPERTY, PLANT AND EQUIPMENT

The following tables reconcile movement of property, plant and equipment ("PP&E") during the period:

($000s)	As at Sept. 30, 2017	As at Dec. 31, 2016
Petroleum and natural gas assets at cost	195,226	34,014
Corporate assets at cost	202	61
Property, plant and equipment at cost	195,428	34,075
Accumulated depletion and depreciation	(13,705)	(1,800)
PROPERTY, PLANT AND EQUIPMENT NET CARRYING AMOUNT	**181,723**	**32,275**

Petroleum and Natural Gas Assets

COST ($000s)	
Balance at December 31, 2015	23
Additions	11,228
Acquisitions (NOTE 8)	21,539
Transfer from exploration and evaluation assets (NOTE 11)	341
Change in decommissioning provision (NOTE 13)	883
BALANCE AT DECEMBER 31, 2016	**34,014**
Additions	47,667
Acquisitions (NOTE 8)	116,452
Transfer from exploration and evaluation assets (NOTE 11)	474
Change in decommissioning provision (NOTE 13)	(3,381)
BALANCE AT SEPTEMBER 30, 2017	**195,226**

ACCUMULATED DEPLETION ($000s)	
Balance at December 31, 2015	-
Depletion	1,787
BALANCE AT DECEMBER 31, 2016	**1,787**
Depletion	11,892
BALANCE AT SEPTEMBER 30, 2017	**13,679**

NET CARRYING AMOUNT, DECEMBER 31, 2016	**32,227**
NET CARRYING AMOUNT, SEPTEMBER 30, 2017	**181,547**

At September 30, 2017, future development and production costs of $63.9 million (December 31, 2016 - $12.3 million) are included in costs subject to depletion. There were no indicators of impairment at September 30, 2017.

General and administration costs capitalized by the Company during the nine months ended September 30, 2017 were $729,000 (year ended December 31, 2016 - $205,000).

Corporate Assets

COST ($000s)	
Balance at December 31, 2015	20
Additions	41
BALANCE AT DECEMBER 31, 2016	**61**
Additions	141
BALANCE AT SEPTEMBER 30, 2017	**202**

ACCUMULATED DEPRECIATION AND AMORTIZATION	
Balance at December 31, 2015	5
Depreciation and amortization	8
BALANCE AT DECEMBER 31, 2016	**13**
Depreciation and amortization	13
BALANCE AT SEPTEMBER 30, 2017	**26**

NET CARRYING AMOUNT, DECEMBER 31, 2016	**48**
NET CARRYING AMOUNT, SEPTEMBER 30, 2017	**176**

11. EXPLORATION AND EVALUATION

Exploration and evaluation assets consist of the Company's undeveloped land, seismic, geological and geophysical costs and exploration projects that are pending the determination of technical feasibility. There were no indicators of impairment at September 30, 2017.

($000s)	
Balance at December 31, 2015	200
Additions	149
Acquisitions (NOTE 8)	8,280
Transfers to petroleum and natural gas assets (NOTE 10)	(341)
Expiries	(57)
Recovery of exploration and evaluation assets previously impaired	247
BALANCE AT DECEMBER 31, 2016	**8,478**
Additions	112
Acquisitions (NOTE 8)	17,125
Disposals	(451)
Transfers to petroleum and natural gas assets (NOTE 10)	(474)
Expiries	(246)
BALANCE AT SEPTEMBER 30, 2017	**24,544**

On February 8, 2017, the Company disposed of all undeveloped land in Fiske, Saskatchewan for total proceeds of $451,000. There was no gain or loss on this sale. During the previous year ended December 31, 2016, impairment expense of $247,000 was reversed related to this land.

12. BANK DEBT

On September 27, 2017, the Company’s revolving operating demand facility with a Canadian chartered bank (the “facility”) was increased from $13.0 million to $25.0 million. As at September 30, 2017, nil was drawn on the facility. The facility bears interest at rates ranging from prime plus 1.00 % to 2.50 %, depending on the net debt to cash-flow ratio in the previous quarter, and is subject to an annual standby fee on the undrawn portion of between 0.20 % to 0.50 %. The facility requires that the Company maintain a working capital ratio of not less than 1 : 1 with customary adjustments for undrawn amounts on the facility and the mark-to-market impact of financial derivative contracts.

13. DECOMMISSIONING LIABILITY

At the end of the operating life of the Company's facilities and properties and upon retirement of its oil and natural gas assets, decommissioning costs will be incurred by the Company to abandon and reclaim the wells and facilities. Estimates of these costs are subject to uncertainty associated with the method, timing and extent of future decommissioning activities and the discount rate applied in measuring the liability. The liability, the related asset and the expense are impacted by estimates with respect to the costs and timing of decommissioning.

The Company estimates its total undiscounted amount of cash flows required to settle its decommissioning liability is approximately $232.9 million, which will be incurred over the remaining life of the assets with the majority of costs to be incurred between 2037 and 2057. The estimated future cash flows have been discounted using a credit adjusted rate of 8 % and an inflation rate of 2 %. During the third quarter of 2017, the Company recorded a revision to its estimated decommissioning liability as a result of a decrease in the costs estimates, based on recent actual decommissioning costs incurred. At September 30, 2017, a 1 % decrease in the discount rate used would create approximately a $6.0 million increase in the decommissioning liability, and a 1 % increase in the discount rate used would create approximately a $4.4 million decrease in the decommissioning liability. The following table shows changes in the decommissioning liability:

($000s)	As at Sept. 30, 2017	As at Dec. 31, 2016
Balance, beginning of period	7,154	-
Decommissioning liabilities incurred during the period	248	58
Decommissioning liabilities acquired through acquisitions (NOTE 8)	19,042	6,084
Decommissioning liabilities settled during the period	(71)	(60)
Accretion expense during the period	535	247
Change in estimate	(3,628)	825
BALANCE, END OF PERIOD	**23,280**	**7,154**
Decommissioning liability - current	2,070	-
Decommissioning liability - long term	21,210	7,154
TOTAL DECOMMISSIONING LIABILITY - END OF PERIOD	**23,280**	**7,154**

14. SHARE CAPITAL

a) Authorized

Unlimited number of common voting shares.

Unlimited number of preferred shares, issuable in series.

b) Issued and Outstanding Common Shares

($000s except for share amounts)	Number	Amount ($)
Common Shares		
Balance at December 31, 2015	25,789,280	32,649
Issued for cash	38,963,324	40,530
Share issue costs, net of deferred tax ($447,000)	-	(173)
BALANCE AT DECEMBER 31, 2016	**64,752,604**	**73,006**
Issued for cash	71,750,000	143,500
Issued on exercise of options	546,666	499
Allocation of contributed surplus - exercise of options	-	309
Share issue costs, net of deferred tax ($568,000)	-	(1,533)
BALANCE AT SEPTEMBER 30, 2017	**137,049,270**	**215,781**

During the nine months ended September 30, 2017, the Corporation issued 71,750,000 shares at a price of $2.00 per share for proceeds of $143.5 million less share issuance costs of $2.1 million ($1.5 million net of tax).

During the nine months ended September 30, 2017, 546,666 vested stock options were exercised at a weighted average exercise price of $0.91 per share for gross and net proceeds of $499,000.

On June 14, 2016, the remaining put-call option was exercised for $7.0 million ($6.6 million net of share issuance costs) resulting in the issuance of 4,375,000 common shares and the cancellation of 4,375,000 special voting preferred shares. In connection with the put-call option exercise, the Company incurred $385,000 of share issuance costs ($281,000 net of deferred tax).

In June 2016, the Company completed a series of private placement financings, issuing 28,058,824 common shares for gross proceeds of $27.0 million less $216,000 in share issuance costs ($158,000 net of deferred tax). The financings were comprised of:

(i) 7,058,824 common shares issued to certain members of the Karve management team at $0.85 per share for gross proceeds of $6.0 million.

(ii) 21,000,000 common shares issued to other investors at $1.00 per share for gross proceeds of $21.0 million.

In July and August 2016, the Company completed a series of private placement financings, issuing 6,239,500 common shares at a price of $1.00 per share for gross proceeds of $6.2 million less $19,000 in share issuance costs ($14,000 net of deferred tax).

In August 2016, the Company issued 43,000 common shares at $1.00 per common share to a related party.

In August 2016, the Company issued a total of 247,000 common shares at a price of $1.00 per share as purchase consideration for asset acquisitions and consulting services provided.

Concurrent to the equity issuances (not including the put-call option or equity issued as consideration for asset acquisitions and consulting services) that closed during the previous year ended December 31, 2016, 34,298,324 share purchase warrants were issued. Each share purchase warrant entitles the holder to purchase one common share of the Company for a nominal amount in the event of a loss incurred by the Company in excess of $450,000 which relates to a condition that existed prior to the June 15, 2016 recapitalization date. The share purchase warrants expired on June 15, 2017 without being exercised.

c) Contributed Surplus

($000s)	As at Sept. 30, 2017	As at Dec. 31, 2016
Balance, beginning of period	6,657	2,385
Share-based compensation - options	1,416	2,146
Share-based compensation - warrants	3,047	1,491
Transfer to share capital on exercise of options	(309)	-
Share-based compensation - founder shares	-	635
BALANCE, END OF PERIOD	**10,811**	**6,657**

d) Per Share Amounts

	For the three months ended		For the nine months ended	
($000s except per share amounts)	Sept. 30, 2017	Sept. 30, 2016	Sept. 30, 2017	Sept. 30, 2016
Net loss from continuing operations	(2,632)	(2,810)	(4,778)	(6,795)
Net income from discontinued operations	-	-	-	18
Net loss for the period	(2,632)	(2,810)	(4,778)	(6,777)
Weighted average number of shares - basic and diluted	**99,428,546**	**63,878,505**	**76,438,270**	**39,824,042**
Basic and diluted net loss per share - continuing operations	**(0.03)**	**(0.04)**	**(0.06)**	**(0.17)**
Basic and diluted net loss per share	**(0.03)**	**(0.04)**	**(0.06)**	**(0.17)**

At September 30, 2017, 12.8 million stock options and 33.6 million performance warrants were excluded from the fully diluted calculation as they are anti-dilutive.

15. OTHER INCOME

The following table presents the composition of amounts included in Other income in the consolidated statement of net loss and comprehensive loss:

	For the three months ended		For the nine months ended	
($000s)	Sept. 30, 2017	Sept. 30, 2016	Sept. 30, 2017	Sept. 30, 2016
Processing fee income	510	-	510	-
Royalty income	226	-	226	-
Interest income	33	65	119	157
TOTAL OTHER INCOME	**769**	**65**	**855**	**157**

Processing fee income relates to the Company processing third party oil and gas volumes through Karve owned and operated facilities which were acquired in the Provost Acquisition (NOTE 8).

Royalty income relates to freehold royalties, gross overriding royalties, royalties paid to the Company on fee title lands, and net profit interests which were acquired in the Provost Acquisition (NOTE 8).

Interest income relates to interest earned on cash held which is currently earning 85 basis points annually.

16. SHARE-BASED COMPENSATION

The following table summarizes the Company's share-based compensation:

	For the three months ended		For the nine months ended	
($000s)	Sept. 30, 2017	Sept. 30, 2016	Sept. 30, 2017	Sept. 30, 2016
Share-based compensation - options	307	504	1,416	743
Share-based compensation - cancelled options	-	-	-	849
Share-based compensation - performance warrants	466	794	3,047	846
Share-based compensation - cancelled performance warrants	-	-	-	174
Share-based compensation - founder shares	-	-	-	635
TOTAL SHARE-BASED COMPENSATION	**773**	**1,298**	**4,463**	**3,247**

a) Stock Options

All 2,731,000 issued and outstanding stock options to the previous Bruin management team were cancelled on June 15, 2016.

Effective June 15, 2016, the Company adopted a new stock option plan under which officers, management, employees, directors and consultants of the Company are eligible to receive grants. Under the stock option plan, which was approved by the Board of Directors, the granted stock options vest to the grantee over a three-year period, the grantee has the right to exercise the stock options for five years from the date of the grant and the stock options terminate 30 days following the termination of the grantee's employment. All stock options vest and may be exercisable in the event of a change of control or initial public offering. The maximum number of outstanding stock options under the plan is limited to 10% of the common shares outstanding. The number of stock options and the exercise price is set by the Board of Directors at the time of grant.

During the nine months ended September 30, 2017, 7,016,000 stock options were approved for issuance by the Board of Directors (year ended December 31, 2016 – 6,365,000).

Share-based compensation related to stock options during the nine months ended September 30, 2017 was $1.4 million (nine months ended September 30, 2016 – $1.6 million).

The following table sets forth a reconciliation of the stock option plan activity from December 31, 2015 through to September 30, 2017:

	Number	Wtd. Avg. Exercise Price ($)
Balance at December 31, 2015	2,731,000	1.39
Cancelled	(2,731,000)	1.39
Granted	6,365,000	0.91
BALANCE AT DECEMBER 31, 2016	6,365,000	0.91
Granted	7,016,000	1.99
Exercised	(546,666)	0.91
BALANCE AT SEPTEMBER 30, 2017	**12,834,334**	**1.48**

There were 546,666 stock options exercised during the nine months ended September 30, 2017 (year ended December 31, 2016 – nil) and 1,675,001 stock options were exercisable at September 30, 2017 (year ended December 31, 2016 – nil).

The range of exercise prices of the outstanding options and weighted average contractual life remaining as at September 30, 2017 were as follows:

Exercise Price Range	Wtd. Avg. Contractual Life Remaining	Number of options outstanding	Number of options exercisable
$0.85	3.71	3,405,644	990,771
$1.00 - $2.00	3.83	2,522,690	684,230
$2.00	5.00	6,906,000	-
	4.01	**12,834,334**	**1,675,001**

The fair value of each option granted or acquired is estimated on the date of grant or acquisition using the Black-Scholes option pricing model with the following weighted average assumptions:

	For the nine months ended	
	Sept. 30, 2017	Sept. 30, 2016
Weighted average fair value of options	0.89	0.58
Risk-free Interest rate (%)	1.77%	0.53%
Expected life (years)	5.0	5.0
Estimated volatility of underlying common shares (%)	49%	66%
Weighted average grant date share price	1.99	1.00
Forfeiture rate	-	-
Expected dividend yield (%)	-	-

The expected volatility of the options granted is based on the historical volatility of publicly traded peer companies that in management's judgement have similar characteristics to the Company and are therefore a good indicator of the expected volatility of the Company.

Subsequent to September 30, 2017, 177,500 stock options were granted to certain employees of the Company at an exercise price of $2.00 per share under the Company's Stock Option Plan.

b) Performance Warrants

All 1,951,000 issued and outstanding performance warrants to the previous Bruin management team were cancelled on June 15, 2016 and a new performance warrant plan has been put in place for the Karve management team.

During the nine months ended September 30, 2017, 17,477,000 performance warrants were approved for issuance by the Board of Directors (year ended December 31, 2016 – 16,125,000). The performance warrants entitle the holder to purchase one common share of the Company and have the following vesting dates and exercise prices:

	2016 Issuance	**2017 Issuance**
Warrants granted	16,125,000	17,477,000
Issue date	$1.50	$3.00
First anniversary	$1.70	$3.40
Second anniversary	$1.90	$3.80
Third anniversary	$2.10	$4.20
Fourth anniversary	$2.30	$4.60

The right to exercise the performance warrants is subject to a performance event taking place which includes the occurrence of any of the following (i) the Company raising a minimum of $25 million through a private placement, excluding the securities issued as part of the recapitalization that occurred in June 2016 (ii) the occurrence of an initial public offering on a recognized Canadian or U.S. stock exchange, or (iii) a change of control.

Share-based compensation related to performance warrants during the nine months ended September 30, 2017 was $3.0 million (nine months ended September 30, 2016 - $1.0 million).

The following table sets forth a reconciliation of performance warrant activity from December 31, 2015 through to September 30, 2017:

	Number	Wtd. Avg. Exercise Price ($)
Balance at December 31, 2015	1,951,000	2.21
Cancelled	(1,951,000)	2.21
Granted	16,125,000	1.90
BALANCE AT DECEMBER 31, 2016	**16,125,000**	**1.90**
Granted	17,477,000	3.80
BALANCE AT SEPTEMBER 30, 2017	**33,602,000**	**2.89**

There were no performance warrants exercised during the nine months ended September 30, 2017 (year ended December 31, 2016 – nil) and 6,540,000 performance warrants were exercisable at September 30, 2017 (year ended December 31, 2016 – nil).

The range of exercise prices of the outstanding performance warrants and weighted average contractual life remaining as at September 30, 2017 were as follows:

Exercise Price Range	Wtd. Avg. Contractual Life Remaining	Number of warrants outstanding	Number of warrants exercisable
$1.50 to $3.00	3.80	16,125,000	6,540,000
$3.00 to $4.00	5.00	10,486,200	-
$4.00 to $5.00	5.00	6,990,800	-
	4.06	**33,602,000**	**6,540,000**

The fair value of each performance warrant granted or acquired is estimated on the date of grant or acquisition using the Black-Scholes option pricing model with the following weighted average assumptions:

	For the nine months ended	
	Sept. 30, 2017	Sept. 30, 2016
Weighted average fair value of performance warrants	0.54	0.40
Risk-free interest rate (%)	1.78%	0.63%
Expected life (years)	5.0	5.0
Estimated volatility of underlying common shares (%)	49%	66%
Weighted average grant date share price	2.00	1.00
Forfeiture rate	-	-
Expected dividend yield (%)	-	-

Subsequent to September 30, 2017, 280,000 performance warrants were granted to certain employees of the Company.

17. COMMITMENTS

Future minimum payments under operating leases and pipeline transportation agreements as at September 30, 2017 are as follows:

	2017	2018	2019	2020	2021	Therafter	Total
Operating leases	61,343	340,633	503,123	596,984	164,145	-	1,666,228
Pipeline transportation	11,753	11,689	-	-	-	-	23,442
Total annual commitments	**73,096**	**352,322**	**503,123**	**596,984**	**164,145**	**-**	**1,689,670**

The Deferred lease liability of $291,000 presented on the consolidated statement of financial position represents the difference between cash lease payments and accounting operating lease payments on the Company's office lease which are recognized on a straight-line basis over the life of the lease. In the early years of the lease, the cash outflow is less than the accounting operating lease payment which gives rise to the deferred lease liability.

18. FINANCIAL INSTRUMENTS

The Company has exposure to credit, liquidity, and foreign currency risk from its use of financial instruments. Further qualitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for identifying the principal risks of the Company and ensuring the policies and procedures are in place to appropriately manage these risks. Karve's management identifies, analyzes and monitors risks and considers the implication of the market condition in relation to the Company's activities.

a) Fair Value of Financial Instruments

Financial instruments comprise cash and cash equivalents, trade and other receivables, deposits, derivative assets, and trade and other payables.

There are three levels of fair value by which a financial instrument can be classified:

Level 1 - Quoted prices in active markets for identical assets and liabilities such as traded securities on a registered exchange where there are a sufficient frequency and volume of transactions to provide ongoing pricing information.

Level 2 - Inputs other than quoted prices that are observable for the asset and liability either directly and indirectly such as quoted forward prices for commodities, time value and volatility factors which can be substantially observed or corroborated in the marketplace; and

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

The fair value of cash and cash equivalents, trade and other receivables and trade and other payables approximate their carrying amounts due to their short-term maturities.

The following table summarizes Karve's financial instruments at September 30, 2017:

($000s)	Loans and receivables	Financial liabilities	Total carrying value
Assets			
Cash and cash equivalents (level 1)	21,865	-	21,865
Trade and other receivables (level 1)	13,788	-	13,788
Deposits (level 1)	52	-	52
	35,705	**-**	**35,705**
Liabilities			
Trade and other payables (level 1)	-	26,590	26,590
	-	**26,590**	**26,590**

The following table summarizes Karve's financial instruments at December 31, 2016:

($000s)	Loans and receivables	Financial liabilities	Total carrying value
Assets			
Cash and cash equivalents (level 1)	21,905	-	21,905
Trade and other receivables (level 1)	1,922	-	1,922
Deposits (level 1)	9,083	-	9,083
	32,910	**-**	**32,910**
Liabilities			
Trade and other payables (level 1)	-	9,861	9,861
	-	**9,861**	**9,861**

b) Risk Associated with Financial Assets and Liabilities

Commodity Price Risk

Due to the volatile nature of natural gas and oil commodity prices, the Company is potentially exposed to adverse consequences if commodity prices decline. The Company is exposed to commodity price movements as part of its operations, particularly in relation to the prices received for its oil and gas production. Oil and gas is sensitive to numerous worldwide factors, many of which are beyond the Company's control. Changes in global supply and demand fundamentals in the oil and gas market and geopolitical events can significantly affect oil and gas prices. Consequently, these changes could also affect the value of the Company's properties, the level of spending for exploration and development and the ability to meet obligations as they come due. The Company's oil production is sold under short-term contracts, exposing it to the risk of near-term price movements. It is the Company's policy to hedge a portion of its crude oil sales through the use of financial derivative contracts. The Company does not apply hedge accounting to these contracts. As at September 30, 2017, the Company did not have any commodity contracts in place.

The components of the gain on the financial derivative contract is as follows:

	For the three months ended		For the nine months ended	
($000s)	Sept. 30, 2017	Sept. 30, 2016	Sept. 30, 2017	Sept. 30, 2016
Realized gain on financial derivative contracts	329	-	528	-
Unrealized loss on financial derivative contracts	(336)	-	-	-
GAIN (LOSS) ON FINANCIAL DERIVATIVE CONTRACTS	**(7)**	**-**	**528**	**-**

Subsequent to September 30, 2017, the Company entered into the following commodity contracts (NOTE 22):

WTI CRUDE OIL DERIVATIVE CONTRACTS

Type	Term	Basis(1)	Volume (Bbl/d)	Swap Price ($CAD/Bbl)(1)
Fixed price swap	Jan. 1/18 - Dec. 31/18	WTI	300	70.55
Fixed price swap	Jan. 1/18 - Dec. 31/18	WTI	200	71.10
TOTAL VOLUME AND WEIGHTED AVERAGE PRICE			**500**	**70.77**

(1) Nymex WTI monthly average in $CAD.

Type	Term	Basis(1)	Volume (Bbl/d)	Sold Put Price ($CAD/Bbl)(1)
Put option	Jan. 1/18 - Dec. 31/18	WTI	1,500	64.00
TOTAL VOLUME AND WEIGHTED AVERAGE PRICE			**1,500**	**64.00**

(1) Nymex WTI monthly average in $CAD.

NATURAL GAS DERIVATIVE CONTRACTS

Type	Term	Basis(1)	Volume (GJ/d)	Fixed Price ($CAD/GJ)(1)
Physical Delivery	Nov. 1/17 - Jan. 1/18	NGTL NIT	10,000	2.195
Physical Delivery	Nov. 1/17 - Jan. 1/18	NGTL NIT	2,000	2.200
TOTAL VOLUME AND WEIGHTED AVERAGE PRICE			**12,000**	**2.196**

(1) NGTL NIT index pricing in $CAD.

Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the operating demand facility interest is based on prime interest rates plus interest rates ranging from prime plus 1.00 to 2.50 %, depending on the net debt to cash-flow ratio in the previous quarter. As at September 30, 2017, nil was drawn on the operating demand facility.

Liquidity Risk

The Company's approach to managing liquidity risk is to have sufficient cash and/or credit facilities to meet its obligations when due. Management typically forecasts cash flows for a period of 12 months to identify any financing requirements. Liquidity is managed through daily and longer-term cash, debt, and equity management strategies. These include estimating future cash generated from operations based on reasonable production and pricing assumptions, estimating future discretionary and non-discretionary capital expenditures, and assessing the amount of equity or debt financing available. At September 30, 2017, the Company considers itself to be well-capitalized, with working capital in excess of current commitments. The Company's financial liabilities include trade and other payables of $26.6 million (year ended December 31, 2016 - $9.9 million). All financial liabilities have contractual maturities of less than one year.

19. CAPITAL MANAGEMENT

a) Capital Base

In order to continue the Company's future exploration and development program, the Company must maintain a strong capital base to enable access to equity and debt markets. The Company continually monitors the risk/reward profile of its exploration and development projects and the economic indicators in the market including commodity prices, interest rates and foreign exchange rates. After considering these factors, revisions to the Company's capital budget is made upon the approval of the Board of Directors.

The Company considers shareholders' capital and net debt (excluding derivative assets) as components of its capital base. The Company can access or increase capital through the issuance of shares, through bank borrowings (based on reserves) and by building cash reserves by reducing its capital expenditure program.

The following table represents the net capital of the Company:

($000s)	As at Sept. 30, 2017	As at Dec. 31, 2016
Shareholders' capital	203,545	61,394
Net debt (excluding derivative assets)	15,625	23,269
CAPITAL BASE	**219,170**	**84,663**

The Company monitors its capital based primarily on its net debt to annualized funds flow ratio. Net debt and annualized funds flow are non-GAAP measures. Net debt is defined as working capital excluding derivative assets. Annualized funds flow is calculated as cash flow from operations before changes in non-cash working capital for the Corporation's most recent quarter, multiplied by four. To facilitate the management and control its' capital base, the Company prepares annual operating and capital expenditure budgets. The budgets are updated when critical factors change. These include economic factors such as the state of equity markets, changes to commodity prices, interest rates and foreign exchange rates and Company specific factors or assumptions such as the Company's drilling results and its production profile. The Company's Board of Directors approves the budget and changes thereto. As at September 30, 2017, the Company had a net debt surplus of $15.6 million (December 31, 2016 - $23.3 million).

The Company's share capital is not subject to external restrictions but the Company does have financial covenants with regards to its' revolving operating demand facility. The facility requires that the Company maintain a working capital ratio of not less than 1 : 1 with customary adjustments for undrawn amounts on the facility and the mark-to-market impact of financial derivative contracts. The Company would be considered to be in breach of its credit agreement if the minimum working capital ratio was not maintained, unless consented to by the lender. As at September 30, 2017 the Company is in compliance with all covenants.

20. SUPPLEMENTAL INFORMATION

The following table presents the composition of changes in non-cash working capital and the allocation to operating and investing activities:

	For the three months ended		For the nine months ended	
($000s)	Sept. 30, 2017	Sept. 30, 2016	Sept. 30, 2017	Sept. 30, 2016
CHANGES IN NON-CASH WORKING CAPITAL:				
Trade and other receivables (NOTE 5)	(10,238)	(767)	(11,866)	(968)
Prepaids and deposits (NOTE 6)	8,752	(9,018)	9,345	(9,309)
Trade and other payables (NOTE 7)	18,422	1,047	16,116	1,848
TOTAL CHANGES IN NON-CASH WORKING CAPITAL	**16,936**	**(8,738)**	**13,595**	**(8,429)**
CHANGES IN NON-CASH WORKING CAPITAL RELATED TO:				
Operating activities	(5,173)	(525)	(7,725)	41
Investing activities	22,256	(8,213)	21,467	(8,470)
Financing activities	(147)	-	(147)	-
TOTAL CHANGES IN NON-CASH WORKING CAPITAL	**16,936**	**(8,738)**	**13,595**	**(8,429)**

In the "Operating Activities" line in the consolidated statement of cash flows, non-cash deferred lease expense of $183,000 relates to the difference between cash lease payments and accounting operating lease payments which are recognized on a straight-line basis over the life of the lease (NOTE 17).

The following table presents the composition of petroleum & natural gas sales by product:

	For the three months ended		For the nine months ended	
($000s)	Sept. 30, 2017	Sept. 30, 2016	Sept. 30, 2017	Sept. 30, 2016
Crude oil	15,540	1,567	31,149	1,839
Natural gas liquids	868	24	937	27
Natural gas	1,725	165	2,200	180
TOTAL PETROLEUM AND NATURAL GAS SALES	**18,133**	**1,756**	**34,286**	**2,046**

21. RELATED PARTY DISCLOSURES

a) Key Management Personnel

Key management is defined as the Board of Directors and Officers of the Company. The table below summarizes the fair value of compensation and other fees paid to key management including the previous Bruin management team:

	For the three months ended		For the nine months ended	
($000s)	Sept. 30, 2017	Sept. 30, 2016	Sept. 30, 2017	Sept. 30, 2016
Salaries and benefits	330	104	990	373
Consulting fees	-	-	-	62
Termination benefits	-	-	-	997
Share-based compensation benefit	654	1,106	3,712	2,952
TOTAL KEY MANAGEMENT COMPENSATION	**984**	**1,210**	**4,702**	**4,384**

b) Other Related Party Transactions

The Company incurred a total of $363,000 (nine months ended September 30, 2016 -$291,000) for legal services provided by a law firm where the Corporate Secretary is a partner of this law firm. As at September 30, 2017, $29,000 in fees for these legal services are included in accounts payable (nine months ended September 30, 2016 - $35,000). In the comparative period ended September 30, 2016, a previous Director of the Company, until June 15, 2016, was a Director of a company which received office rental payments of $42,000 from Karve.

22. SUBSEQUENT EVENTS

Subsequent to September 30, 2017, the Company entered into the following derivative contracts:

WTI CRUDE OIL DERIVATIVE CONTRACTS

Type	Term	Basis(1)	Volume (Bbl/d)	Swap Price ($CAD/Bbl)(1)
Fixed price swap	Jan. 1/18 - Dec. 31/18	WTI	300	70.55
Fixed price swap	Jan. 1/18 - Dec. 31/18	WTI	200	71.10
TOTAL VOLUME AND WEIGHTED AVERAGE PRICE			**500**	**70.77**

(1) Nymex WTI monthly average in $CAD.

Type	Term	Basis(1)	Volume (Bbl/d)	Sold Put Price ($CAD/Bbl)(1)
Put option	Jan. 1/18 - Dec. 31/18	WTI	1,500	64.00
TOTAL VOLUME AND WEIGHTED AVERAGE PRICE			**1,500**	**64.00**

(1) Nymex WTI monthly average in $CAD.

NATURAL GAS DERIVATIVE CONTRACTS

Type	Term	Basis(1)	Volume (GJ/d)	Fixed Price ($CAD/GJ)(1)
Physical Delivery	Nov. 1/17 - Jan. 1/18	NGTL NIT	10,000	2.195
Physical Delivery	Nov. 1/17 - Jan. 1/18	NGTL NIT	2,000	2.200
TOTAL VOLUME AND WEIGHTED AVERAGE PRICE			**12,000**	**2.196**

(1) NGTL NIT index pricing in $CAD.

Option and Performance Warrant Grant

Subsequent to September 30, 2017, 177,500 stock options were granted to certain employees of the Company at an exercise price of $2.00 per share under the Company's Stock Option Plan.

Subsequent to September 30, 2017, 280,000 performance warrants were granted to certain employees of the Company.