KARVE ENERGY INC

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED

SEPTEMBER 30, 2019 AND SEPTEMBER 30, 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

(Canadian $000s)	As at Sept. 30, 2019	As at Dec. 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	3,085	-
Trade and other receivables (NOTE 5)	19,938	10,690
Prepaids and deposits (NOTE 6)	6,442	5,440
Derivative assets (NOTE 21)	561	-
TOTAL CURRENT ASSETS	30,026	16,130
Property, plant and equipment (NOTE 9 & 11)	325,722	272,833
Exploration and evaluation (NOTE 9 & 12)	23,118	23,213
Right of use asset (NOTE 13)	492	-
Deferred income tax	312	-
Other long-term asset (NOTE 8)	-	2,565
TOTAL ASSETS	**379,670**	**314,741**
LIABILITIES		
Current Liabilities		
Trade and other payables (NOTE 7)	26,935	20,266
Operating loan (NOTE 15)	-	6,109
Lease liability (NOTE 14)	529	-
Decommissioning liability (NOTE 16)	1,672	2,500
TOTAL CURRENT LIABILITIES	**29,136**	**28,875**
Long term debt (NOTE 15)	57,814	14,731
Deferred lease liability (NOTE 3)	-	416
Lease liability (NOTE 14)	312	-
Decommissioning liability (NOTE 16)	12,079	9,994
Deferred income tax liability	-	11,863
TOTAL LIABILITIES	**99,341**	**65,879**
SHAREHOLDERS' EQUITY		
Share capital (NOTE 17)	225,158	216,208
Contributed surplus (NOTE 17)	23,409	19,299
Accumulated earnings	31,762	13,355
TOTAL SHAREHOLDERS' EQUITY	**280,329**	**248,862**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**379,670**	**314,741**

COMMITMENTS (NOTE 20)
SUBSEQUENT EVENTS (NOTE 25)

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 INCOME AND COMPREHENSIVE INCOME (UNAUDITED)

(Canadian $000s, except per share amounts)	For the three months ended Sept 30, 2019	For the three months ended Sept 30, 2018	For the nine months ended Sept 30, 2019	For the nine months ended Sept 30, 2018
REVENUE				
Petroleum and natural gas sales (NOTE 23)	38,535	37,335	108,633	124,093
Royalties	(3,044)	(3,214)	(8,556)	(8,106)
NET REVENUE	35,491	34,121	100,077	115,987
Other income (NOTE 18)	2,114	2,701	6,572	6,372
Gain (loss) on financial derivative contracts (NOTE 21)	430	(62)	430	(4,959)
Gain on acqusition (NOTE 9)	10,783	-	10,783	-
Gain (loss) on investment (NOTE 8)	1,000	(1,646)	(1,565)	(3,000)
Interest income	16	51	25	103
TOTAL REVENUE AND OTHER INCOME	49,834	35,165	116,322	114,503
EXPENSES				
Operating	12,113	10,442	33,256	40,104
Transportation	1,343	1,150	3,573	4,022
General and administration	2,547	1,961	7,088	7,086
Depletion, depreciation and amortization (NOTE 11 & 13)	16,729	7,422	44,763	27,849
Financing (NOTE 14 & 15)	639	-	1,421	-
Accretion (NOTE 16)	210	148	640	941
Share-based compensation (NOTE 19)	1,359	1,645	4,123	5,775
Exploration and evaluation - expiries (NOTE 12)	463	222	1,094	749
Transaction costs (NOTE 9)	291	20	299	356
NET INCOME BEFORE TAX EXPENSE	14,140	12,155	20,065	27,621
TAX EXPENSE				
Current income tax expense	-	-	-	743
Deferred income tax expense	1,043	4,052	1,658	8,715
NET INCOME AND COMPREHENSIVE INCOME	13,097	8,103	18,407	18,163
INCOME PER SHARE ($) (NOTE 17)				
Basic	0.09	0.06	0.13	0.13
Diluted	0.09	0.06	0.12	0.13

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

	For the three months ended		For the nine months ended	
(Canadian $000s)	Sept 30, 2019	Sept 30, 2018	Sept 30, 2019	Sept 30, 2018
SHARE CAPITAL				
Balance, beginning of period	216,319	216,061	216,208	216,061
Issuance of share capital, net of issue costs (NOTE 17)	8,798	-	8,909	-
Issue of common shares under option plans (NOTE 19)	41	147	41	147
BALANCE, END OF PERIOD	**225,158**	**216,208**	**225,158**	**216,208**
CONTRIBUTED SURPLUS				
Balance, beginning of period	22,063	16,345	19,299	12,215
Share-based compensation (NOTE 19)	1,359	1,645	4,123	5,775
Options and performance warrants exercised (NOTE 19)	(13)	(34)	(13)	(34)
BALANCE, END OF PERIOD	**23,409**	**17,956**	**23,409**	**17,956**
EARNINGS (DEFICIT)				
Balance, beginning of period	18,665	(7,142)	13,355	(17,202)
Net income and comprehensive income	13,097	8,103	18,407	18,163
BALANCE, END OF PERIOD	**31,762**	**961**	**31,762**	**961**

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

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	For the three months ended		For the nine months ended	
(Canadian $000s)	Sept 30, 2019	Sept 30, 2018	Sept 30, 2019	Sept 30, 2018
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net income and comprehensive income	13,097	8,103	18,407	18,163
ITEMS NOT AFFECTING CASH:				
Depletion, depreciation and amortization (NOTE 11 & 13)	16,729	7,422	44,763	27,849
Accretion expense (NOTE 16)	210	148	640	941
Exploration and evaluation (NOTE 12)	463	222	1,094	749
Unrealized gain on foreign exchange	(4)	-	(4)	-
Deferred lease expense	-	2	-	96
Share-based compensation (NOTE 19)	1,359	1,645	4,123	5,775
Loss (gain) on investment (NOTE 8)	(1,000)	1,646	1,565	3,000
Gain on acqusition (NOTE 10)	(10,783)	-	(10,783)	-
Unrealized loss (gain) on financial derivatives (NOTE 21)	(30)	(1,327)	(30)	1,587
Deferred income tax expense (recovery)	1,043	4,052	1,658	8,715
Non-cash financing expense (NOTE 15)	89	-	224	-
Decommissioning expenditures (NOTE 16)	(873)	(1,223)	(2,792)	(4,119)
FUNDS FLOW FROM OPERATIONS	**20,300**	**20,690**	**58,865**	**62,756**
Change in non-cash working capital (NOTE 23)	(1)	3,876	(3,136)	2,988
CASH FLOW FROM OPERATING ACTIVITIES	**20,299**	**24,566**	**55,729**	**65,744**
INVESTING ACTIVITIES				
Exploration and evaluation (NOTE 12)	(253)	(140)	(1,056)	(660)
Property, plant and equipment (NOTE 11)	(21,839)	(51,253)	(55,339)	(93,285)
Acquisitions (NOTE 9)	(1,109)	(369)	(1,228)	(1,729)
Property, plant and equipment dispositions (NOTE 10)	-	-	-	30,655
Cash from corporate acquisition (NOTE 9)	965	-	965	-
Other long-term asset (NOTE 8)	1,000	-	1,000	(3,000)
Change in non-cash working capital (NOTE 23)	4,578	7,492	(2,507)	6,821
CASH FLOW USED FOR INVESTING ACTIVITIES	**(16,658)**	**(44,270)**	**(58,165)**	**(61,198)**
FINANCING ACTIVITIES				
Issued common shares (NOTE 17)	27	113	27	113
Operating line (NOTE 15)	(2,303)	-	(6,110)	-
Financing lease expense (NOTE 14)	(130)	-	(356)	-
Repayment of bank debt on corporate acquisition (NOTE 9)	(31,150)	-	(31,150)	-
Long term debt (NOTE 15)	33,000	-	42,900	-
Change in non-cash working capital (NOTE 23)	-	(113)	210	97
CASH FLOW (USED) FROM FINANCING ACTIVITIES	**(556)**	**-**	**5,521**	**210**
Increase (decrease) in cash and cash equivalents	3,085	(19,704)	3,085	4,756
Cash and cash equivalents, beginning of period	-	35,984	-	11,524
CASH AND CASH EQUIVALENTS, END OF PERIOD	**3,085**	**16,280**	**3,085**	**16,280**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As at September 30, 2019 and for the three and nine months ended September 30, 2019 and 2018. (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.". On July 15, 2019, the Company amalgamated with High Ground Energy Inc.

The 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 6, 2019.

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 of the December 31, 2018 audited consolidated financial statements. The financial statements are measured and presented in Canadian dollars as the functional currency of the Company.

All accounting policies and methods of computation followed in the preparation of these financial statements are consistent with those in the December 31, 2018 audited financial statements, except as noted in NOTE 3 and for income taxes. Income taxes for interim periods are accrued using the income tax rate that would be applicable to the expected annual net income.

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, 2018 audited consolidated financial statements, except for those relating to the adoption of IFRS 16 described below in NOTE 3.

3. CHANGES IN ACCOUNTING POLICIES

Impact of Adoption of IFRS 16

On January 1, 2019, the Company adopted the new accounting standard IFRS 16 Leases ("IFRS 16"). IFRS 16 replaces IAS 17 Leases ("IAS 17"), IFRIC 4 Determining Whether an Arrangement Contains a Lease ("IFRIC 4"), the accounting for onerous lease liabilities which were previously measured under IAS 37 Provisions ("IAS 37") and other related IFRS interpretations. IFRS 16 prescribes a single recognition and measurement model for lease contracts and requires the recognition of a right of use asset and corresponding lease liability for most leases, including subleases.

The Company elected to adopt IFRS 16 using the prescribed modified retrospective approach (simplified method) by recognizing an opening balance sheet adjustment for the Company's discounted right of use assets and corresponding lease liabilities as at January 1, 2019. Accordingly, there was no opening adjustment to retained earnings and the comparative 2018 consolidated statements of comprehensive income and cash flows have not been restated to reflect the accounting presentation prescribed under IFRS 16.

At the date of transition, the Company recognized a lease liability of $1.2 million in respect of long-term minimum commitments associated with corporate office lease arrangements under IFRS 16. The net balance sheet impact on transition was $738,000 due to the derecognition of a $416,000 deferred lease liability previously recognized on the balance sheet under IAS 37, now recognized under IFRS 16. The previously recognized deferred lease liability is netted against the right of use asset. Under previous IFRS standards, office lease arrangements were recognized as general and administrative expenses as incurred. Karve is the lessee for substantially all in-scope office lease arrangements. At January 1, 2019, the provision for onerous contracts previously recognized was applied to the value of the associated right of use asset. In this case, no impairment assessment was performed under IAS 36 Impairment of Assets.

The following table summarizes the balance sheet adjustment for the adoption of IFRS 16 as at January 1, 2019:

Opening Balance Sheet	Dec. 31, 2018 (previous IFRS)	Adoption of IFRS 16	Jan. 1, 2019 (new IFRS)
Right of use asset	-	738	738
Lease liability	-	1,154	1,154
Deferred lease liability	416	(416)	-

Karve has elected to apply the practical expedient exemption to scope-out non-cancellable low-value and short-term lease arrangements. The Company has also elected to not recognize contractual arrangements that previously had not met the definition of a lease under IFRIC 4 at the inception of the contract. These out-of-scope contractual arrangements continue to be recognized in net income as incurred.

At the inception of a contract, Karve assesses if an agreement contains a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For all in-scope lease arrangements, a right of use asset and corresponding lease liability is initially recognized at the commencement date and measured at the net present value of all future non-cancellable lease payments at the commencement date of the contract. The lease payments are discounted using the rate implicit in the lease unless that rate is not readily determined, in which case, the Company's incremental borrowing rate is utilized. The estimated lease term consists of all non-cancellable periods under the contract and includes periods covered by an extension or termination option if the Company is reasonably certain that it will exercise the option.

Right of use assets are depreciated to net income over the term of the contract using the straight line method. The depreciation of right of use assets that are utilized in respect of development activities is initially capitalized to property, plant and equipment ("PP&E") and then depleted to net income over the remaining life of the developed assets once they are ready for use in the manner intended by management. Lease liabilities are accreted upwards toward their settlement value over the expected life of the contract in order to reflect the passage of time. Lease payments reduce the lease liability and are reflected as a financing activity in the consolidated statement of cash flows. Right of use assets and lease liabilities are remeasured at each reporting period to reflect any contract modifications or reassessments that impact the remaining cash outflows under the contract.

4. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

At the date of authorization of these consolidated 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.

5. TRADE AND OTHER RECEIVABLES

($000s)	As at Sept. 30, 2019	As at Dec. 31, 2018
Trade	18,700	7,956
Joint venture	1,908	2,828
GST	(242)	285
Allowance for doubtful accounts	(428)	(379)
TRADE AND OTHER RECEIVABLES	**19,938**	**10,690**

In determining the recoverability of receivables, the Company uses the ECL model and considers the age of the outstanding receivable and the credit worthiness of the counterparties. The Company recorded a provision of $428,000 at September 30, 2019 as it determined certain joint venture receivables were uncollectible using the ECL model (December 31, 2018 - $379,000).

Of the Company's accounts receivable at September 30, 2019, approximately 45% was receivable from two oil marketers (26% and 20%). At December 31, 2018, approximately 17% was receivable from two oil marketers (9% and 8%). Accounts receivable outstanding greater than ninety days at September 30, 2019 was $2.3 million (December 31, 2018 - $222,000).

6. PREPAIDS AND DEPOSITS

($000s)	As at Sept. 30, 2019	As at Dec. 31, 2018
Prepaids	6,330	5,284
Deposits	112	156
PREPAIDS AND DEPOSITS	**6,442**	**5,440**

7. TRADE AND OTHER PAYABLES

($000s)	As at Sept. 30, 2019	As at Dec. 31, 2018
Trade	15,412	12,519
Accrued	9,682	6,869
Royalties	1,064	747
Joint venture	777	131
TRADE AND OTHER PAYABLES	**26,935**	**20,266**

8. OTHER LONG-TERM ASSET

On June 14, 2018 the Company acquired a 41% shareholding in a privately held oil and gas company ("PrivateCo") for $3.0 million in conjunction with a non-core asset disposition (NOTE 10). As the Company had significant influence over PrivateCo's operations, it had accounted for the investment using the equity method.

($000s)	As at Sept. 30, 2019	As at Dec. 31, 2018
Balance, beginning of period	2,565	-
Investment in PrivateCo	-	3,000
Equity share of loss	(2,565)	(435)
BALANCE, END OF PERIOD	**-**	**2,565**

The net loss of PrivateCo for the period from January 1, 2019 to July 18, 2019 was $8.3 million. The investment in PrivateCo was previously valued at nil. On July 18, 2019, the investment in PrivateCo was disposed of for total cash proceeds of $1.0 million. As such, the Company realized a gain on investment of $1.0 million.

9. 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.

High Ground Energy Inc. Acquisition

On July 15, 2019, the Company acquired all the issued and outstanding common shares of High Ground Energy Inc. ("High Ground") for total consideration of $8.8 million and assumption of estimated net debt of $32.0 million, including all severance and transaction costs. The acquisition was financed by issuing 3.2 million shares of Karve with an estimated fair value of $2.75 per common share.

The Acquisition adds sweet, light oil-weighted Viking assets which are contiguous to Karve's existing core area at Monitor, including approximately 2,000 boe/d of production (52% liquids). The Acquisition increases Karve's dominant footprint in the Alberta Viking and enables near term expansion of the Company's waterflood project on acquired lands.

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

($000s)	
Property, plant and equipment	40,566
Cash	965
Derivative asset	531
Deferred tax asset	13,833
Net working capital deficiency	(1,856)
Bank debt	(31,150)
Decommissioning liabilities	(3,308)
FAIR VALUE OF NET ASSETS ACQUIRED	**19,581**
CONSIDERATION	
Issue of common shares	8,798
TOTAL PURCHASE PRICE	**8,798**
GAIN ON ACQUISITION	**(10,783)**

During the three months ended September 30, 2019, the Company incurred $291,000 of transaction costs for the High Ground Acquisition which were included in "Transaction costs" in the Company's consolidated statement of net income and comprehensive income.

The Company's 2019 third quarter consolidated statement of net income and comprehensive income includes the results of the operations for the period following closing of the High Ground Acquisition on July 15, 2019 to September 30, 2019 and includes $5.1 million of revenue and $3.7 million of net income loss relating to the High Ground Acquisition. If the acquisition had closed on January 1, 2019, the Company's pro-forma revenue and net income are estimated to have been $126.7 million and $20.4 million respectively for the nine months ended September 30, 2019. 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.

Alliance Acquisition

On October 31, 2018, the Company acquired assets in the Alliance area of Alberta ("Alliance Acquisition") that complement Karve's existing asset base for a total purchase price of $10.8 million. At the time of acquisition, the assets were producing approximately 900 boe/d, and include future drilling locations in the Alliance area. The effective date of the acquisition was May 1, 2018.

($000s)	
Net working capital	1,251
Property, plant and equipment	37,241
Decommissioning liabilities	(5,544)
Deferred tax liabilities	(5,969)
FAIR VALUE OF NET ASSETS ACQUIRED	**26,979**
CONSIDERATION	
Cash	10,839
TOTAL PURCHASE PRICE	**10,839**
GAIN ON ACQUISITION	**(16,140)**

During the year ended December 31, 2018, the Company incurred $34,000 of transaction costs for the Alliance Acquisition which were included in "Transaction costs" in the Company's consolidated statement of net income and comprehensive income.

Other Miscellaneous Acquisitions

The Company acquired various working interests, land, light oil producing properties, royalty interest, and reserves. The following table summarizes the aggregate fair value of the net assets acquired and the preliminary allocation of the purchase price:

	For the nine months ended	
($000s)	Sept 30, 2019	Sept 30, 2018
Property, plant and equipment	1,360	1,432
Decommissioning liabilities	(21)	(22)
FAIR VALUE OF NET ASSETS ACQUIRED	**1,339**	**1,410**
CONSIDERATION		
Common share issuance	111	1,410
Cash	1,228	-
TOTAL PURCHASE PRICE	**1,339**	**1,410**

10. DISPOSITIONS

On June 14, 2018, the Company closed a divesture of its non-core shallow Viking natural gas and Mannville oil assets in the Provost Area of Alberta for cash proceeds of $30.7 million. The disposition is effective March 1, 2018. The disposition includes the majority of the non-core and non-Viking oil assets acquired in the Provost Acquisition.

The carrying value of assets and associated decommissioning liabilities disposed during the year ended December 31, 2018 are summarized below:

($000s)	
Property, plant and equipment (NOTE 11)	40,855
Exploration and evaluation assets (NOTE 12)	228
Decommissioning liabilities (NOTE 16)	(13,284)
Net working capital	2,856
CARRYING VALUE OF NET ASSETS DISPOSED	**30,655**
CASH PROCEEDS, AFTER CLOSING ADJUSTMENTS	**30,655**

As a result of the disposition, the Company's tax pools have been reduced by 80% Canadian Oil and Gas Property Expense (COGPE) and 20% - Class 41 of the proceeds received.

11. PROPERTY, PLANT AND EQUIPMENT

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

	As at	As at
($000s)	Sept. 30, 2019	Dec. 31, 2018
Petroleum and natural gas assets at cost	434,945	337,618
Corporate assets at cost	812	733
Property, plant and equipment at cost	435,757	338,351
Accumulated depletion and depreciation	(110,035)	(65,518)
PROPERTY, PLANT AND EQUIPMENT NET CARRYING AMOUNT	**325,722**	**272,833**

Petroleum and Natural Gas Assets

COST ($000s)	
Balance at December 31, 2017	221,202
Additions	117,492
Acquisitions (NOTE 9)	38,872
Transfers from exploration and evaluation assets (NOTE 12)	589
Change in decommissioning provision (NOTE 16)	318
Dispositions	(40,855)
BALANCE AT DECEMBER 31, 2018	**337,618**
Additions	55,260
Acquisitions (NOTE 9)	41,929
Transfers from exploration and evaluation assets (NOTE 12)	57
Change in decommissioning provision (NOTE 16)	81
BALANCE AT SEPTEMBER 30, 2019	**434,945**

ACCUMULATED DEPLETION ($000s)	
Balance at December 31, 2017	22,807
Depletion	42,592
BALANCE AT DECEMBER 31, 2018	**65,399**
Depletion	44,396
BALANCE AT SEPTEMBER 30, 2019	**109,795**

NET CARRYING AMOUNT, DECEMBER 31, 2018	**272,219**
NET CARRYING AMOUNT, SEPTEMBER 30, 2019	**325,150**

At September 30, 2019, future development and production costs of $350.0 million (December 31, 2018 - $304.5 million) are included in costs subject to depletion.

The Company assessed for indicators of impairment and there were no indicators of impairment at September 30, 2019 or at December 31, 2018.

General and administration costs capitalized by the Company during the nine months ended September 30, 2019 were $861,000 (nine months ended September 30, 2018 – $1.5 milion).

Corporate Assets

COST ($000s)	
Balance at December 31, 2017	215
Additions	518
BALANCE AT DECEMBER 31, 2018	**733**
Additions	79
BALANCE AT SEPTEMBER 30, 2019	**812**

ACCUMULATED DEPRECIATION AND AMORTIZATION	
Balance at December 31, 2017	37
Depreciation and amortization	82
BALANCE AT DECEMBER 31, 2018	**119**
Depreciation and amortization	121
BALANCE AT SEPTEMBER 30, 2019	**240**

NET CARRYING AMOUNT, DECEMBER 31, 2018	**614**
NET CARRYING AMOUNT, SEPTEMBER 30, 2019	**572**

12. 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.

($000s)	
Balance at December 31, 2017	23,281
Additions	1,651
Transfers to petroleum and natural gas assets (NOTE 11)	(589)
Expiries	(902)
Disposals	(228)
BALANCE AT DECEMBER 31, 2018	**23,213**
Additions	1,056
Transfers to petroleum and natural gas assets (NOTE 11)	(57)
Expiries	(1,094)
BALANCE AT SEPTEMBER 30, 2019	**23,118**

The Company assessed for indicators of impairment and there were no indicators of impairment at September 30, 2019 or at December 31, 2018.

13. RIGHT OF USE ASSETS

The following table reconciles the movement of right of use assets during the period:

($000s)	
Balance at January 1, 2019	738
Additions	-
BALANCE AT SEPTEMBER 30, 2019	**738**
ACCUMULATED DEPRECIATION AND AMORTIZATION	
Balance at January 1, 2019	-
Depreciation and amortization	(246)
BALANCE AT SEPTEMBER 30, 2019	(246)
NET CARRYING AMOUNT, SEPTEMBER 30, 2019	**492**

(1) Refer to Note 3 "Changes in Accounting Policies".

14. LEASE LIABILITY

The company has lease liabilities for office space. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Lease liabilities were measured at a discounted value of lease payments using a weighted average incremental borrowing rate of 5% at January 1, 2019.

($000s)	
Balance at January 1, 2019	1,154
Interest expense	43
Lease payments	(356)
BALANCE AT SEPTEMBER 30, 2019	**841**
Lease liability - current	529
Lease liability - long term	312
TOTAL LEASE LIABILITY AT SEPTEMBER 30, 2019	**841**

Undiscounted cash outflows related to lease liabilities are:

($000s)	Within 1 year	1 to 5 years	Total
Lease payments	546	484	1,030

The following table provides a reconciliation of the commitments at December 31, 2018 to the Company's lease liabilities at January 1, 2019 on the adoption of IFRS 16:

($000s)	
Lease reported in commitments at December 31, 2018	8,726
Less: agreements that do not contain a lease	(7,470)
Less: impact of discounting	(102)
LEASE LIABILITY AT JANAURY 1, 2019	1,154

15. OPERATING LOAN AND LONG TERM DEBT

On December 3, 2018 the Corporation secured bank credit facilities of $100.0 million comprised of $90.0 million syndicated committed facility ("Credit Facility") and a $10.0 million operating loan (previously a $25.0 million revolving operating demand facility). The Credit Facility is a committed 364 days + 1 year and extendible upon agreement annually. The Credit Facility and operating line incur interest based on the applicable Canadian prime rate or Banker's Acceptance rate plus between 0.50 and 3.50 percent depending on the type of borrowing and the Corporation's debt to EBITDA ratio. The Corporation is also subject to a standby fee of 0.3375 percent to 0.7875 percent based on the Corporation's debt to EBITDA ratio. The next annual review date is May 31, 2020.

As at September 30, 2019, $57.8 million (net of unamortized debt issue costs) (December 31, 2018 - $14.7 million) was drawn on the Credit Facility and $nil (December 31, 2018 - $6.1 million) was drawn on the operating loan.

Long term debt as at September 30, 2019 and December 31, 2018 is as follows:

($000s)	As at Sept. 30, 2019	As at Dec. 31, 2018
Credit facility	58,000	15,000
Less: unamortized debt issue costs	(186)	(269)
LONG TERM DEBT	**57,814**	**14,731**
Operating loan	-	6,109
CARRYING VALUE OF BANK DEBT	**57,814**	**20,840**

Financing expense for the nine months ended September 30, 2019 and 2018 is comprised of the following:

	For the three months ended		For the nine months ended	
($000s)	Sept 30, 2019	Sept 30, 2018	Sept 30, 2019	Sept 30, 2018
Credit facility interest and charges	522	-	1,044	-
Operating loan interest and charges	28	-	153	-
Amortization of debt issue costs	75	-	181	-
Interest on lease liability	14	-	43	-
FINANCING EXPENSES	**639**	**-**	**1,421**	**-**

For the nine months ended September 30, 2019, the effective interest rate on the credit facility was 4.89 percent.

16. 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 $202.3 million, which will be incurred over the remaining life of the assets with the majority of costs to be incurred between 2036 and 2058. The estimated future cash flows have been discounted using a credit adjusted rate of 8% and an inflation rate of 2%.

The following table shows changes in the decommissioning liability:

($000s)	As at Sept. 30, 2019	As at Dec. 31, 2018
Balance, beginning of period	12,494	24,211
Decommissioning liabilities incurred during the period	80	318
Decommissioning liabilities acquired through acquisitions (NOTE 9)	3,329	5,565
Decommissioning liabilities settled during the period	(2,792)	(5,411)
Accretion expense during the period	640	1,095
Disposal	-	(13,284)
BALANCE, END OF PERIOD	**13,751**	**12,494**
Decommissioning liability - current	1,672	2,500
Decommissioning liability - long term	12,079	9,994
TOTAL DECOMMISSIONING LIABILITY - END OF PERIOD	**13,751**	**12,494**

17. 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, 2017	137,199,270	216,061
Issued on exercise of options and performance warrants	70,000	113
Allocation of contributed surplus - exercise of options and performance warrants	-	34
BALANCE AT DECEMBER 31, 2018	**137,269,270**	**216,208**
Issued common shares	3,243,729	8,909
Issued on exercise of options	16,666	27
Allocation of contributed surplus - exercise of options	-	14
BALANCE AT SEPTEMBER 30, 2019	**140,529,665**	**225,158**

During the nine months ended September 30, 2019 the Company issued 3.2 million common shares at $2.75 per common share to fund the High Ground acquisition. During the nine months ended September 30, 2019, 16,666 vested stock options were exercised at a weighted average price of $1.65 per share for gross and net proceeds of $27,000 (nine months ended September 30, 2018 – 70,000).

During the year ended December 31, 2018, 10,000 vested stock options were exercised at a weighted average exercise price of $1.65 per share for gross and net proceeds of $16,500 and 60,000 vested performance warrants were exercised at a weighted average exercise price of $1.60 per share for gross and net proceeds of $96,000.

c) Contributed Surplus

($000s)	As at Sept. 30, 2019	As at Dec. 31, 2018
Balance, beginning of period	19,299	12,215
Share-based compensation - options	1,847	4,082
Share-based compensation - warrants	2,276	3,036
Transfer to share capital on exercise of options and performance warrants	(13)	(34)
BALANCE, END OF PERIOD	**23,409**	**19,299**

d) Per Share Amounts

($000s except per share amounts)	For the three months ended Sept 30, 2019	Sept 30, 2018	For the nine months ended Sept 30, 2019	Sept 30, 2018
Net income for the period	13,097	8,103	18,407	18,163
Weighted average number of shares - basic	138,199,231	137,223,618	139,990,180	137,253,885
Dilutive impact of share-based compensation plans	10,618,825	6,648,136	10,618,825	6,648,136
Weighted average number of shares - diluted	**148,818,056**	**143,871,754**	**150,609,005**	**143,902,021**
Net income per share - basic	**0.09**	**0.06**	**0.13**	**0.13**
Net income per share - diluted	**0.09**	**0.06**	**0.12**	**0.13**

18. OTHER INCOME

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

($000s)	For the three months ended Sept 30, 2019	Sept 30, 2018	For the nine months ended Sept 30, 2019	Sept 30, 2018
Royalty income	1,092	1,440	3,482	3,034
Processing fee income	996	1,248	2,945	2,816
Other	26	13	145	522
TOTAL OTHER INCOME	**2,114**	**2,701**	**6,572**	**6,372**

Royalty income relates to freehold royalties, gross overriding royalties, royalties paid to the Company on fee title lands, and net profit interests.

Processing fee income relates to the Company processing third party oil and gas volumes through Karve owned and operated facilities.

Other income relates to road use income, seismic licensing income, and contract operating income.

19. SHARE-BASED COMPENSATION

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

($000s)	For the three months ended Sept 30, 2019	Sept 30, 2018	For the nine months ended Sept 30, 2019	Sept 30, 2018
Share-based compensation - options	586	957	1,847	3,455
Share-based compensation - performance warrants	773	688	2,276	2,320
TOTAL SHARE-BASED COMPENSATION	**1,359**	**1,645**	**4,123**	**5,775**

a) Stock Options

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.

Share-based compensation related to stock options during the nine months ended September 30, 2019 was $1.8 million (nine months ended September 30, 2018 - $3.5 million).

The following table sets forth a reconciliation of the stock option plan activity from December 31, 2017 through to September 30, 2019:

	Number	Wtd. Avg. Exercise Price ($)
Balance at December 31, 2017	13,214,927	1.54
Granted	965,000	2.37
Forfeited	(727,667)	1.92
Exercised	(10,000)	1.65
BALANCE AT DECEMBER 31, 2018	**13,442,260**	**1.57**
Granted	200,000	2.50
Forfeited	(161,334)	2.16
Exercised	(16,666)	1.65
BALANCE AT SEPTEMBER 30, 2019	**13,464,260**	**1.58**

There were 10,000 stock options exercised during the year ended December 31, 2018 and 5,871,828 stock options were exercisable at December 31, 2018. There were 16,666 stock options exercised in the nine months ended September 30, 2019. As at September 30, 2019 there were 10,081,505 options exercisable.

The range of exercise prices of the outstanding options and weighted average contractual life remaining as at September 30, 2019 were as follows:

Exercise Price Range	Wtd. Avg. Contractual Life Remaining	Number of options outstanding	Number of options exercisable
$0.85	1.71	3,405,644	3,405,644
$1.00 - $1.99	1.81	2,276,023	2,266,023
$2.00 - $3.00	3.15	7,782,593	4,409,838
	2.56	**13,464,260**	**10,081,505**

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, 2019	Sept 30, 2018
Weighted average fair value of options granted	1.18	1.12
Risk-free Interest rate (%)	1.41%	1.99%
Expected life (years)	5.0	5.0
Estimated volatility of underlying common shares (%)	54%	54%
Weighted average grant date share price	2.50	2.33
Forfeiture rate	3%	-
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.

b) Performance Warrants

There were no performance warrants issued by the Board of Directors during the three and nine months ended September 30, 2019 (year ended December 31, 2018 – nil). 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	17,937,500
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 $25.0 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. Only vested performance warrants based on the schedule above will become exercisable if the Company achieves performance event (i). In the event of performance event (ii) and (iii), all performance warrants outstanding which have not vested or become exercisable in accordance with their terms shall vest and become exercisable immediately.

Share-based compensation related to performance warrants during the nine months ended September 30, 2019 was $2.3 million (nine months ended September 30, 2018 - $2.3 million).

The following table sets forth a reconciliation of performance warrant activity from December 31, 2017 through to September 30, 2019:

	Number	Wtd. Avg. Exercise Price ($)
Balance at December 31, 2017	33,812,500	2.90
Exercised	(60,000)	1.60
Forfeited	(1,267,000)	3.68
BALANCE AT DECEMBER 31, 2018	**32,485,500**	**2.88**
Forfeited	(131,000)	3.44
BALANCE AT SEPTEMBER 30, 2019	**32,354,500**	**2.88**

There were no performance warrants exercised during the nine months ended September 30, 2019 (year ended December 31, 2018 - 60,000 performance warrants exercised) and 6,460,000 performance warrants were exercisable at September 30, 2019 (December 31, 2018 – 6,470,000)

The range of exercise prices of the outstanding performance warrants and weighted average contractual life remaining as at September 30, 2019 were as follows:

Exercise Price Range	Wtd. Avg. Contractual Life Remaining	Number of warrants outstanding	Number of warrants exercisable
$1.50 to $2.99	1.81	15,700,000	6,460,000
$3.00 to $3.99	3.00	9,992,700	-
$4.00 to $4.60	3.00	6,661,800	-
	2.42	**32,354,500**	**6,460,000**

20. COMMITMENTS

Future minimum payments under operating leases and pipeline transportation agreements as at September 30, 2019 are as follows:

($000s)	2019	2020	2021	2022	Therafter	Total
Operating leases	24	48	-	-	-	72
Pipeline transportation	471	1,481	1,449	985	1,005	5,391
TOTAL ANNUAL COMMITMENTS	**495**	**1,529**	**1,449**	**985**	**1,005**	**5,463**

21. FINANCIAL INSTRUMENTS

The Company has exposure to credit, liquidity, interest, 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, trade and other payables, operating loan, and long term debt.

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, deposits, and trade and other payables approximate their carrying amounts due to their short-term maturities. The fair value of the amounts drawn on the operating loan and long term debt is equal to its carrying amount as the facilities bear interest at floating rates and credit spreads that are indicative of market rates.

The following table summarizes Karve's financial instruments at September 30, 2019:

($000s)	Loans and receivables	Financial liabilities	Total carrying value
Assets			
Cash and cash equivalents	3,085	-	3,085
Trade and other receivables	19,938	-	19,938
Deposits	112	-	112
	23,135	**-**	**23,135**
Liabilities			
Trade and other payables	-	26,935	26,935
Operating loan	-	-	-
Long term debt	57,814	-	57,814
	57,814	**26,935**	**84,749**

The following table summarizes Karve's financial instruments at December 31, 2018:

($000s)	Loans and receivables	Financial liabilities	Total carrying value
Assets			
Trade and other receivables	10,690	-	10,690
Deposits	156	-	156
	10,846	**-**	**10,846**
Liabilities			
Trade and other payables	-	20,266	20,266
Operating loan	6,109	-	6,109
Long term debt	14,731	-	14,731
	20,840	**20,266**	**41,106**

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 depending on marketing conditions, 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.

At December 31, 2018, the Company did not have any commodity contracts in place. At September 30, 2019, the Company had the following commodity contracts in place:

Type	Term	Basis(1)	Volume (Bbl/d)	Swap Price ($CAD/Bbl)(1)	Current Asset ($000s)
Fixed price swap	Apr. 1/19 - Dec. 31/19	WTI	200	78.55	134
Fixed price swap	Oct. 1/19 - Dec. 31/19	WTI	375	83.62	427
TOTAL VOLUME AND WEIGHTED AVERAGE PRICE			**575**	**81.86**	**561**

(1) Nymex WTI monthly average in $CAD.

The components of the gain (loss) on financial derivative contracts is as follows:

	For the three months ended		For the nine months ended	
($000s)	Sept 30, 2019	Sept 30, 2018	Sept 30, 2019	Sept 30, 2018
Realized gain (loss) on financial derivative contracts	400	(1,389)	400	(3,372)
Unrealized gain (loss) on financial derivative contracts	30	1,327	30	(1,587)
GAIN (LOSS) ON FINANCIAL DERIVATIVE CONTRACTS	**430**	**(62)**	**430**	**(4,959)**

At September 30, 2019, the fair value of the financial derivative contract was a current asset position of $561,000 resulting in an unrealized gain of $30,000 for the nine months ended September 30,2019. The fair value, or mark-to-market value, of this contract is based on the estimated amount that would have been received or paid to settle the contract as at September 30, 2019 and may be different from what will eventually be realized. The Company recognized a realized loss of $400,000 for the three months ended September 30, 2019 (three months ended September 30, 2018 – $1.4 million realized loss).

The derivative asset as at November 5, 2019 (day prior to financial statement release) was $233,000.

Interest Rate Risk

The Company is exposed to interest rate risk to the extent that bank debt is at a floating or short-term rate of interest in relation to interest expense on its long term debt and operating loan facility. The Credit Facility and operating line incur interest based on the applicable Canadian prime rate or Banker's Acceptance rate plus between 0.50 and 3.50 percent depending on the type of borrowing and the Company's debt to EBITDA ratio, and is subject to an annual standby fee on the undrawn portion. As at September 30, 2019, $58.0 million (December 31, 2018 - $15.0 million) was drawn on the Credit facility ($57.8 million – net of amortized debt issue costs). Currently the Corporation has not entered into any agreements to manage this risk. An increase (decrease) in the interest rate by 1% would result in an increase (decrease) to net income before tax of $145,000 for the three months ended September 30, 2019 (three months ended September 30, 2018 - $nil).

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.
As at September 30, 2019, the Corporation considers itself to be well-capitalized, with adjusted working capital (adjusted for unused portions of the credit facility) in excess of current commitments.

A contractual maturity analysis for Karve's financial liabilities as at September 30, 2019 is as follows:

($000s)	Within 1 year	1 to 5 years	More than 5 years	Total
Trade and other payables	26,935	-	-	26,935
Long term debt	-	57,814	-	57,814
TOTAL	**26,935**	**57,814**	**-**	**84,749**

22. 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/adjusted positive working capital (excluding derivative assets and current portion decommissioning liability) 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, 2019	As at Dec. 31, 2018
Shareholders' capital	280,329	248,862
Total current assets	30,026	16,130
Less: derivative asset	(561)	-
Trade and other payables	(26,935)	(20,266)
Operating loan	-	(6,109)
Long term debt	(57,814)	(14,731)
NET DEBT	**(55,284)**	**(24,976)**
CAPITAL BASE	**225,045**	**223,886**

The Company monitors its capital based primarily on its adjusted positive working capital (net debt) to annualized funds flow ratio. Adjusted positive working capital (net debt) and annualized funds flow are non-GAAP measures. Adjusted positive working capital is defined as working capital excluding derivative assets and current portion of decommissioning liability. Net debt is defined as long term debt plus any net working capital deficiency excluding derivative contract asset/liability, current portion of decommissioning liability, and current portion of lease liability. Annualized funds flow is calculated as cash flow from operations before changes in non-cash working capital for the Company'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. At September 30, 2019, the Company had net debt of $55.3 million (December 31, 2018 – $25.0 million).

The Company's share capital is not subject to external restrictions, but the Company does have key covenants of the credit facilities that include standard business operating covenants. As at September 30, 2019, the Company is in compliance with all covenants.

23. 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, 2019	Sept 30, 2018	Sept 30, 2019	Sept 30, 2018
CHANGES IN NON-CASH WORKING CAPITAL:				
Trade and other receivables (NOTE 5)	(125)	(1,797)	(5,918)	(1,084)
Prepaids and deposits (NOTE 6)	73	1,409	(921)	(1,648)
Trade and other payables (NOTE 7)	4,629	11,643	1,406	12,638
TOTAL CHANGES IN NON-CASH WORKING CAPITAL	**4,577**	**11,255**	**(5,433)**	**9,906**
CHANGES IN NON-CASH WORKING CAPITAL RELATED TO:				
Operating activities	(1)	3,876	(3,136)	2,988
Investing activities	4,578	7,492	(2,507)	6,821
Financing activities	-	(113)	210	97
TOTAL CHANGES IN NON-CASH WORKING CAPITAL	**4,577**	**11,255**	**(5,433)**	**9,906**

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, 2019	Sept 30, 2018	Sept 30, 2019	Sept 30, 2018
Crude oil	35,393	34,202	99,153	108,737
Natural gas liquids	1,054	1,468	2,753	6,152
Natural gas	2,088	1,665	6,727	9,204
TOTAL PETROLEUM AND NATURAL GAS SALES	**38,535**	**37,335**	**108,633**	**124,093**

24. RELATED PARTY DISCLOSURES

On July 18, 2019, the investment in PrivateCo was disposed of for total cash proceeds of $1.0 million. For the period from January 1, 2019 to July 18, 2019, the Company received a total of $1.9 million of gas processing income and royalty income (nine months ended September 30, 2018 - $1.9 million) from PrivateCo. PrivateCo was a company with some common directors with Karve. Gas processing income and royalty income were based on standard third party agreements.

25. SUBSEQUENT EVENTS

a) Minor Acquisitions

On November 1, 2019, the Company acquired certain oil and gas assets in the Company's core area for total cash consideration of $2.3 million, subject to customary closing adjustments. The effective date of the acquisition was January 1, 2019.

b) Stock Option Grant

Subsequent to September 30, 2019, 20,000 stock options were granted to certain employee/s of the Company at an exercise price of $2.25 per share under the Company's Stock Option Plan.