PENTANOVA ENERGY CORP.

(formerly PMI Resources Ltd.)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

PENTANOVA ENERGY CORP.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited, expressed in U.S. Dollars)	**June 30, 2017**	December 31, 2016
Assets		
Current Assets		
Cash and cash equivalents	**$ 22,169,674**	$ -
Restricted cash (Note 7)	**4,448,285**	-
Accounts receivable and prepaids (Note 8)	**407,366**	-
Inventory (Note 10)	**864,423**	-
	27,889,748	-
Non-current Assets		
Advance toward acquisitions (Note 13)	**1,900,000**	-
Exploration and evaluation assets (Note 10)	**7,777,460**	-
Property, plant and equipment	**53,264**	-
	$ 37,620,472	$ -
Liabilities		
Accounts payable and accrued liabilities (Note 8)	**$ 5,815,520**	$ 526,784
Liabilities associated with assets held for sale (Note 9)	**1,827,568**	-
	7,643,088	526,784
Shareholders' Equity		
Share capital (Note 11)	**37,207,152**	-
Contributed surplus	**(287,037)**	-
Deficit	**(7,034,110)**	(526,784)
Accumulated other comprehensive income	**91,379**	-
	$ 29,977,384	$ (526,784)
	$ 37,620,472	$ -

See accompanying notes to the interim condensed consolidated financial statements.

PENTANOVA ENERGY CORP.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the three and six months ended June 30

(Unaudited, expressed in U.S. Dollars)	For the three months ended **2017**	2016	For the six months ended **2017**	2016
Expenses:				
General and administrative (Note 18)	**$ 1,045,656**	$ -	**$ 1,365,804**	$ -
Business development (Note 18)	**2,055,692**	-	**3,322,713**	-
Cost of acquisition (Note 4)	**1,019,415**	-	**1,019,415**	-
Depreciation	**8,549**	-	**11,442**	-
Foreign exchange loss	**297,630**	-	**738,011**	-
Loss from continuing operations	**$ 4,426,942**	$ -	**$ 6,457,385**	$ -
Loss from discontinued operations (Note 12)	**49,941**	-	**49,941**	-
Net loss	**$ (4,476,883)**	$ -	**$ (6,507,326)**	$ -
Other comprehensive loss				
Foreign currency translation adjustment	**91,379**	-	**91,379**	-
Comprehensive loss	**$ (4,385,504)**	$ -	**$ (6,415,947)**	$ -
Loss per share – basic and diluted (Note 11)	**$ (0.03)**	$ 0.00	**$ (0.04)**	$ 0.00
Weighted average number of common Shares outstanding	**146,997,247**	50,000	**146,997,247**	50,000

See accompanying notes to the interim condensed consolidated financial statements.

PENTANOVA ENERGY CORP.

INTERIM CONDENSED CONDOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited, expressed in U.S. Dollars)	**Number of Common Shares**	**Share Capital**	**Contributed Surplus**	**Deficit**	**AOCL[(1)]**	**Total**
Balance at December 31, 2015 and June 30, 2016	50,000	$ -	$ -	$ 3,433	$ -	$ 3,433
Balance at December 31, 2016	**50,000**	**$ -**	**$ -**	**$ (526,784)**	**$ -**	**$ (526,784)**
Shares redeemed (Note 11)	(50,000)					-
Shares issued pursuant to private placement (Note 11)	160,441,560	29,615,178				29,615,178
Broker warrants issued pursuant to private placement (Note 11)		(308,866)	308,866			-
Shares issued to consultant (Note 11)	1,200,000	449,136				449,136
Balance at April 4, 2017	**161,641,560**	**$ 29,755,448**	**$ 308,866**	**$ (526,784)**	**$ -**	**$ 29,537,530**
Shares issued in Transaction (Notes 4 & 11)	19,473,289	7,252,621				7,252,621
Costs incurred pursuant to Transaction (Note 11)		(396,820)				(396,820)
Shares issued for transaction costs (Notes 11 & 13)	1,600,000	595,903	(595,903)			-
Loss from continuing operations				(6,457,385)		(6,457,385)
Loss from discontinued operations (Note 12)				(49,941)		(49,941)
Foreign currency translation adjustment					91,379	91,379
Balance at June 30, 2017	**182,714,849**	**$ 37,207,152**	**$ (287,037)**	**$ (7,034,110)**	**$ 91,379**	**$ 29,977,384**

(1) Accumulated other comprehensive loss

See accompanying notes to the interim condensed consolidated financial statements.

PENTANOVA ENERGY CORP.

INTERIM CONDENSED CONDOLIDATED STATEMENTS OF CASH FLOWS

For the three and six months ended June 30

	For the three months ended		For the six months ended	
(Unaudited, expressed in U.S. Dollars)	**2017**	2016	**2017**	2016
Operating Activities				
Net loss	**$ (4,476,883)**	$ -	**$ (6,507,326)**	$ -
Items not affecting cash:				
Depreciation	**8,549**	-	**11,442**	-
Unrealized foreign exchange (gain)/loss	**(41,284)**	-	**419,422**	-
Shares issued for consulting services (Note 11 & 13)	**-**	-	**449,136**	-
Cost of acquisition (Note 4)	**1,019,415**	-	**1,019,415**	-
Change in non-cash working capital (Note 16)	**1,542,429**	-	**2,118,230**	-
Continuing operations	**(1,947,774)**	-	**(2,489,681)**	-
Discontinued operations	**(43,795)**	**-**	**(43,795)**	**-**
	$ (1,991,569)	**$ -**	**$ (2,533,476)**	$ -
Investing Activities				
Cash payments on Maria Conchita Acquisition, net of cash acquired (Note 6)	**$ (350,000)**	-	**$ (1,098,295)**	-
Cash payments on SN-9 Acquisition (Note 6)	**-**	-	**(1,650,000)**	-
Cash payments on Tiburon Acquisition (Note 6)	**-**	-	**(250,000)**	-
Exploration and evaluation asset additions (Note 10)	**(1,103,110)**	-	**(1,200,745)**	-
Acquisition of Bolivar, net of cash acquired (Note 6)	**-**	-	**(48,929)**	-
Investment in property, plant and equipment	**(3,853)**	-	**(3,853)**	-
Advance toward acquisitions (Note 13)	**(1,900,000)**	-	**(1,900,000)**	-
Change in restricted cash	**(2,589,966)**	-	**(4,339,966)**	-
Change in non-cash working capital (Note 16)	**525,049**	-	**(1,763,360)**	-
	$ (5,421,880)	$ -	**$ (12,255,148)**	$ -
Financing Activities				
Shares issued, net of costs	**$ 3,170**	-	**$ 29,454,518**	-
Cash acquired on Transaction (Note 4)	**8,188,819**	-	**8,188,819**	-
Transaction costs	**(396,820)**	-	**(396,820)**	-
Change in non-cash working capital (Note 16)	**(353,685)**	-	**(53,685)**	-
	$ 7,441,484	$ -	**$ 37,192,832**	$ -
Net cash from operating, investing and financing activities	**$ 28,035**	-	**$ 22,404,208**	-
Foreign exchange gain (loss) on cash	**62,342**	-	**(234,534)**	-
Increase (decrease) in cash	**90,377**	-	**22,169,674**	-
Cash, beginning of period	**22,079,297**	-	**-**	-
Cash, end of period	**$ 22,169,674**	$ -	**$ 22,169,674**	$ -

Cash is defined as cash and cash equivalents.

See accompanying notes to the interim condensed consolidated financial statements.

1. REPORTING ENTITY

PentaNova Energy Corp. (“PentaNova”) is an oil and gas company incorporated in Canada which formerly operated under the name PMI Resources Ltd. (“PMI”). On April 4, 2017, the Company completed a transaction (the “Transaction”) whereby PMI acquired all of the outstanding shares of PentaNova Energy Corp., a private corporation registered under the laws of the territory of the British Virgin Islands (“PentaNova BVI”) with oil and gas assets in the country of Colombia. The Transaction constituted a reverse asset acquisition in accordance with IFRS, whereby the shareholders of PentaNova BVI took control of PMI (Note 4). Following the completion of the Transaction, the Company changed its name from PMI Resources Ltd. to PentaNova Energy Corp. on June 2, 2017. References within these financial statements to the “Company” for periods, dates and/or transactions prior to the Transaction are in reference to PentaNova BVI, as the corporate entity of interest pre-Transaction. Alternatively, references within these financial statements to the “Company” for periods, dates and/or transactions subsequent to the Transaction are in reference to PentaNova, as the corporate entity of interest post-Transaction. The comparative periods reflected in these financial statements are those of PentaNova BVI.

The Company’s registered address is 25th Floor, 700 West Georgia Street, Vancouver, British Columbia, Canada V7Y 1B3. PentaNova’s common shares are listed on the TSX Venture Exchange (“TSX-V”) under the symbol “PNO”.

2. BASIS OF PRESENTATION

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” under International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

These interim condensed consolidated financial statements have been prepared on a historical cost basis, are presented in U.S. dollars, and were authorized for issue by the Board of Directors on August 24, 2017.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

Cash

Cash comprises of cash at banks from proceeds generated on the issuance of common shares.

Income Taxes

Tax expense comprises current and deferred tax. Tax is recognized in the income statement except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current Income tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Exploration & evaluation assets

Capitalization

All costs incurred after the rights to explore an area have been obtained, such as geological and geophysical costs, other direct costs of exploration (drilling, testing and evaluating the technical feasibility and commercial viability of extraction) and appraisal and including any directly attributable general and administration costs and share-based payments, are accumulated and capitalized as exploration and evaluation assets.

Certain costs incurred prior to acquiring the legal rights to explore are charged directly to net income (loss).

Depletion & depreciation

Exploration and evaluation costs are not amortized prior to the conclusion of appraisal activities. At the completion of appraisal activities, if technical feasibility is demonstrated and commercial reserves are discovered, then the carrying value of the relevant exploration and evaluation asset will be reclassified as a property, plant and equipment asset into the CGU to which it relates, but only after the carrying value of the relevant exploration and evaluation asset has been assessed for impairment and, where appropriate, its carrying value adjusted. Technical feasibility and commercial viability are considered to be demonstrable when proved or probable reserves are determined to exist. If it is determined that technical feasibility and commercial viability have not been achieved in relation to the exploration and evaluation assets appraised, all other associated costs are written down to the recoverable amount in net income (loss).

Expired land leases included as undeveloped land in exploration and evaluation assets are recognized in exploration and evaluation cost in net income (loss) upon expiry and are considered prior to expiry. Management considers upcoming land lease expiries and may recognize the costs in advance of expiry.

Impairment

Indicators of impairment of exploration and evaluation assets are assessed at each reporting date which can include upcoming land lease expiries, third party land valuations and other information. When there are such indications, an impairment test is carried out and any resulting impairment loss is written off to net income (loss). The recoverable amount is the greater of fair value, less costs of disposal, or value-in-use.

Business combinations

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. The excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in net income (loss). Transaction costs associated with a business combination are expensed as incurred.

Joint arrangements

A portion of the Company's exploration, development and production activities are conducted jointly with others through unincorporated joint operations. These financial statements reflect only the Company's proportionate interest of these joint operations and the proportionate share of the relevant revenue and related costs.

Non-derivative financial instruments

Non-derivative financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. Liabilities in this category include accounts payable and accruals.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue recognition

Revenue from the sale of petroleum and natural gas is recognized when volumes are delivered and title passes to an external party at contractual delivery points and are recorded gross of transportation charges incurred by the Company. The costs associated with the delivery, including transportation and production-based royalty expenses, are recognized in the same period in which the related revenue is earned and recorded.

Impairment of financial assets

Financial assets are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events which have had a negative effect on the estimated future cash flows of the asset.

If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows from the asset discounted at its original effective interest rate. Impairment losses are recorded in earnings. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset. Any reversal is recognized in earnings.

Recent Accounting Pronouncements

The following are new IFRS pronouncements that have been issued, although not yet effective and have not been early adopted, and may have an impact on the financial statements in the future as discussed below.

i) IFRS 15: Revenue from Contracts with Customers

On January 1, 2018, the Company will be required to adopt IFRS 15 "Revenue from Contracts with Customers". IFRS 15 was issued in May 2014 and will replace IAS 11 "Construction Contracts", IAS 18 "Revenue Recognition", IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfers of Assets from Customers" and SIC-31 "Revenue – Barter Transactions Involving Advertising Services". IFRS 15 provides a single, principle-based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17 and financial instruments and other contractual rights or obligations within the scope of IFRS 9 "Financial Instruments", IFRS 10 "Consolidated Financial Statements" and IFRS 11 "Joint Arrangements". In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the Company's ordinary activities.

ii) IFRS 9: Financial Instruments

On January 1, 2018, the Company will be required to adopt IFRS 9 "Financial Instruments", which is the result of the first phase of the International Accounting Standards Board ("IASB") project to replace IAS 39 "Financial Instruments: Recognition and Measurement" and IFRIC 9 "Reassessment of Embedded Derivatives". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. Amendments to IFRS 7 "Financial Instruments: Disclosures" will also be required to be adopted by the Company simultaneously with IFRS 9.

iii) IFRIC 22: Foreign Currency Transactions and Advance Consideration

On January 1, 2018, the Company will be required to adopt IFRIC 22 "Foreign Currency Transactions and Advance Consideration". The IFRIC addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income on the de-recognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

iv) (iv) IFRS 16: Leases

On January 1, 2019, the Company will be required to adopt IFRS 16 "Leases" to replace the existing guidance of IAS 17 "Leases". The standard establishes principles and disclosures related to the amount, timing and uncertainty of cash flows arising from a lease.

Interpretation of the new IFRS standards and amendments is currently in progress; the full impact on the financial statements will be determined upon completion of management's assessment.

4. REVERSE TAKEOVER TRANSACTION

On April 4, 2017, the Company completed the acquisition of PentaNova BVI pursuant to a merger agreement whereby the Company acquired all of the issued and outstanding shares of PentaNova BVI, being 161,641,560 common shares, in consideration for shares of the Company (then being known as PMI) on a one-for-one basis. PentaNova BVI also had 1,968,000 warrants outstanding which were exchanged for 1,968,000 warrants of the Company with an exercise price of $0.50 Canadian Dollars ("C$") per share and an expiry date of January 31, 2019. An additional 1,600,000 shares of the Company were issued as an advisory fee for the Transaction.

Due to the completion of this Transaction, PMI's 9,561,000 subscription receipts that were issued prior to the Transaction during the non-brokered private placement that closed in January 2017 (see Note 5) were converted into 9,561,000 shares and the associated funds of $3,565,143 (C$4,780,500) were released from escrow. After this share issuance, PMI had a total of 19,473,289 common shares outstanding.

The Company (then being PMI) did not meet the definition a "business" under IFRS guidelines, thus causing the Transaction to be treated as a reverse asset acquisition rather than a business combination, with PMI's main attribute being its public listing. Under this premise, as consideration for 100% of the outstanding shares of PMI by way of reverse acquisition, PentaNova issued 19,473,289 shares on a one for one basis to the shareholders of PMI. These shares were assigned a value of $0.37 (C$0.50) per share, the value of the recent financing realized through private placements, for total consideration of $7,252,621, which has been allocated first to the fair value of the net assets acquired, with any excess to a non-cash cost of acquisition as follows:

Consideration (19,473,289 shares at a value of $0.37 (C$0.50) per share)	**$**	**7,252,621**
Net assets of PMI		
Cash		8,188,819
Accounts receivable and prepaids		57,954
Accounts payable		(304,991)
Decommissioning obligation on assets held for sale		(1,708,576)
Total net assets acquired at fair value	**$**	**6,233,206**
Cost of acquisition	**$**	**1,019,415**

5. PRIVATE PLACEMENTS

In February 2017, the Company completed a non-brokered private placement issuing 47,641,560 common shares for gross proceeds of $18,306,778 (C$23,820,780) and closed a brokered private placement issuing 32,800,000 common shares for gross proceeds of $12,603,751 (C$16,400,000). This resulted in the Company having 161,641,560 common shares issued and outstanding as at March 31, 2017. In addition, PMI closed a non-brokered financing through the issuance of 9,561,000 subscription receipts of PMI for gross proceeds of $3,565,143 (C$4,780,500).

6. ACQUISITIONS

Maria Conchita Block (Bochica)

In January 2017, the Company executed an agreement with third party sellers for the ultimate acquisition of an 80% beneficial working interest and operatorship of the Maria Conchita Block under the Exploration and Production ("E&P") Contract with the ANH (the "Maria Conchita Acquisition"). This acquisition was completed through the purchase of all of the issued and outstanding shares of the corporation Bochica Investment Holdings Ltd. ("Bochica") and certain other subsidiaries. The Company acquires the 40% working interest currently held through the Bochica subsidiary as well as the rights to acquire the other 60% beneficial working interest, as specified below. Under the definitive agreement, the Company agreed to the following terms:

a) pay cash consideration of $1 million to the sellers upon the execution of the definitive agreement. Of the $1 million, $0.75 million has been paid and $0.25 million will be paid upon the spudding of the first well. The outstanding amount has been included in accounts payable (see Note 8).

b) award the sellers a 20% retained beneficial working interest and carry the sellers' beneficial interest for costs incurred for the drilling of three new wells, the re-entry and workover of 2 existing wells, the construction and provision of a gas pipeline and connecting flowlines framework to connect block production fields to the Colombian transportation network, and the construction and provision of a gas plant to process the gas produced in the block to commercial conditions.
c) pay consideration of $1.5 million to the sellers to be paid out of the Company's portion of net operating revenue generated from future commercial production on the Maria Conchita Block.
d) assumption of all rights and obligations under the Master Sales and Purchase Agreement ("MSPA") with the Turkish Petroleum International Company ("TPIC "), whereby the seller was to acquire 100% beneficial working interest and operatorship in the Maria Conchita Block E&P Contract. The remaining obligations assumed under the MSPA included:

    i. present a letter of credit in favor of TPIC for $9,000,000 as security for the performance of the first well under the MSPA.
    ii. acquire the TPIC 51% beneficial working interest and operatorship for $2,000,000.
    iii. acquire the 9% beneficial working interest and net profit interest held in the Maria Conchita Block from another third party contractual partner in the block for $500,000. This consideration was paid to the third party seller by way of $350,000 in cash and $150,000 in shares of the Company, with the cash payment being made prior to June 30, 2017 and the shares being issued after. The value of the share consideration has been included in accounts payable as at June 30, 2017 (Note 8).
    iv. pay to TPIC certain operational expenses in the amount of $666,489. This amount was paid subsequent to the acquisition.
    v. acknowledge and comply with the existing overriding royalty agreements previously executed between TPIC, the seller, and other existing third party partners in the Maria Conchita Block E&P Contract.

In February 2017, after direct negotiations with TPIC, the Company agreed to the deposit of $1.75 million in escrow to secure against any penalty imposed by the ANH if current phase commitments under the E&P Contract of the Maria Conchita Block are not fulfilled. These funds were deposited in escrow by the Company and have been accounted for as restricted cash (see Note 7).

The results of this acquisition have been included in the accounts of the Company commencing January 30, 2017. The transaction was accounted for using the asset acquisition method of accounting, in accordance with IAS 16. The fair values assigned to the net assets and liabilities and consideration paid are as follows:

Cash	$	1,705
Accounts receivable		51,109
Exploration and evaluation assets		3,326,715
Accounts payable		(2,379,529)
Total net assets acquired at fair value	**$**	**1,000,000**
Total cash consideration	**$**	**1,000,000**

SN-9 Block

In January 2017, the Company acquired an 80% beneficial working interest and operatorship of the SN-9 Block under the E&P Contract with the ANH (the "SN-9 Acquisition"). This acquisition was accounted for in exploration and evaluation assets (Note 11). The Company agreed to the following terms with the sellers:

a) pay cash consideration of $2.5 million to the sellers within the first six months following the execution of the definitive agreement. $1.65 million has been paid to the seller and $0.85 million remains outstanding and has been included in accounts payable as at June 30, 2017 (see Note 8).
b) reimburse $4 million of past costs to one of the sellers to be paid out of the Company's portion of net operating revenue generated from future commercial production on the SN-9 Block.
c) pay consideration of $2.5 million to one of sellers to be paid out of the Company's portion of net operating revenue generated from future commercial production on the SN-9 Block.
d) grant an overriding royalty interest of 5% on the Company's net beneficial interest to the sellers on future commercial production on the SN-9 Block.

Tiburon Block

In February 2017, the Company acquired a 60% beneficial working interest and operatorship of the Tiburon Block under the E&P Contract with the ANH. The acquisition was accounted for in exploration and evaluation assets (Note 10). The Company agreed to the following terms with the seller:

a) pay cash considerations of $0.25 million to the seller following the execution of the definitive agreement. This amount has been paid to the seller.
b) pay consideration of $8.54 million to be paid out of the Company's portion of net operating revenue generated from future commercial production on the Tiburon Block.
c) pay a success fee to the seller of $1.5 million upon reaching proven reserves of gas of 800 billion cubic feet ("bcf") and pay an additional $1.5 million for each increment of 500 bcf of proven reserves of gas beyond the initial 800 bcf of proven reserves that are assessed over the life of the E&P Contract. These reserves will be based on independent reserves reports by a qualified reserves evaluator, the first of which will be prepared within six months from first commercial production within the Tiburon Block.

Bolivar Energy

In January 2017, the Company acquired all of the issued and outstanding common shares of Bolivar Energy (Colombia) Inc., a company existing under the laws of Barbados ("Bolivar"). The Company also acquired the Colombian branch of Bolivar, with a headquarters established in Bogota, Colombia.

The results of this acquisition have been included in the accounts of the Company commencing February 1, 2017. The transaction was accounted for using the acquisition method of accounting. The fair values assigned to the net assets and liabilities and consideration paid are as follows:

Cash	$ 1,071
Accounts receivable	2,879
Property, plant and equipment	52,080
Accounts payable	(6,030)
Total net assets acquired at fair value	**$ 50,000**
Total cash consideration	**$ 50,000**

7. RESTRICTED CASH

As of June 30, 2017, funds totaling $4,448,285 million (December 31, 2016 - nil) comprised the balance represented in restricted cash. The composition of this amount is as follows:

Balance, January 1, 2017	$ -
TPIC Maria Conchita Escrow	1,750,000
SN-9 ANH deposit	2,366,438
Tiburon ANH deposit	331,847
Balance, June 30, 2017	**$ 4,448,285**

As of June 30, 2017, a deposit of $1,750,000 was held in escrow in relation to the operations on the Maria Conchita Block (see Note 6). This escrow amount was established in order to secure against any penalty imposed by the ANH if current phase commitments under the Maria Conchita E&P Contract are not fulfilled. This escrow deposit is to be released to the Company once current phase commitments are completed.

Additionally, during the six months ended June 30, 2017, term deposits of $2,366,438 and $331,847 were established for purposes of the Performance Guarantee Facility under the SN-9 and Tiburon Block E&P Contracts as required by the ANH. The SN-9 and Tiburon deposits amounts are defined in US dollars by the ANH, but are held in Colombian pesos with Colombian banks and are subject to foreign currency fluctuation risks in relation to the US dollar.

8. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

Accounts receivable may include certain amounts identified as joint venture receivables, which are comprised of funds advanced to operating partners with respect to exploration and development activities in blocks in which the Company is a non-operating partner. As these funds are expended by the operating partner, recognition of these expenditures is realized as they are booked to exploration and evaluation assets. Conversely, joint venture payables are amounts due to partners on account of capital activities in blocks that exceed funds advanced by the Company to date to operating partners. The amounts are included in accounts payable when they exist at the end of a reporting period. The table below represents the composition of the accounts receivable and accounts payable balances as at June 30, 2017:

Accounts receivable (trade accounts receivable)	**$**	**407,366**

Trade accounts payable	$	2,746,629
Due to related party (Note 13)		457,291
Joint venture payables - Maria Conchita		1,361,600
Cash consideration payable on SN-9 Acquisition		850,000
Cash consideration payable on Maria Conchita Acquisition		250,000
Value of shares payable for additional Maria Conchita interest		150,000
Accounts payable and accrued liabilities	**$**	**5,815,520**

9. ASSETS HELD FOR SALE

During the six months ended June 30, 2017, the Company entered into an agreement to sell its French assets (Note 12). Accordingly, all assets and liabilities related to the French assets at June 30, 2017 have been reclassified to assets and liabilities held for sale. Assets held for sale had a value of nil as of the date of the Transaction, which value was maintained as at June 30, 2017. Liabilities associated with assets held for sale were as follows:

Liabilities associated with assets held for sale		
Balance at date of Transaction (Note 4)	$	1,708,576
Foreign currency translation		118,992
Balance, June 30, 2017	**$**	**1,827,568**

10. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation ("E&E") assets for the six months ended June 30, 2017 were recognized at a carrying balance of $7,777,460 (December 31, 2016 - nil). E&E consists of the following amounts:

Balance as at December 31, 2016	$	-
Maria Conchita Acquistion		3,826,715
SN-9 Acquisition		2,500,000
Tiburon Acquisition		250,000
E&E expenditures		1,200,745
Balance, June 30, 2017	**$**	**7,777,460**

During the six months ended June 30, 2017, the Company capitalized $135,059 of general and administrative expenses to E&E assets.

As of June 30, 2017, the Company had supplies inventory of $864,423 consisting of casing and other materials for the upcoming drilling program on the Maria Conchita Block.

11. SHARE CAPITAL

Common shares

At June 30, 2017, the Company was authorized to issue an unlimited number of common shares, with no par value, with holders of common shares entitled to one vote per share and to dividends, if declared. Outstanding common shares as of June 30, 2017 are as follows:

	Common shares	Amount
Balance, January 1, 2017	50,000	$ -
Shares redeemed	(50,000)	-
Shares issued pursuant to private placement	160,441,560	29,615,178
Broker warrants issued pursuant to private placement	-	(308,866)
Shares issued to consultant	1,200,000	449,136
Balance, April 4, 2017	**161,641,560**	**$ 29,755,448**
Share issued in Transaction (Note 4)	19,473,289	7,252,621
Costs incurred pursuant to Transaction	-	(396,820)
Shares issued for transaction costs (Note 13)	1,600,000	595,903
Balance, June 30, 2017	**182,714,849**	**$ 37,207,152**

As at January 1, 2017 the Company had 50,000 common shares outstanding that had nominal value. In January 2017, the Company redeemed the 50,000 shares outstanding and issued 80,000,000 shares at C$0.001 per share for total gross proceeds of $61,481 (C$80,000). Of the shares issued, 33,350,000 shares were issued to Company officers, directors, and insiders which equates to $25,360 (C$33,350).

Also in January 2017, the Company completed a non-brokered private placement issuing 47,641,560 common shares for gross proceeds of $18,306,778 (C$23,820,780) and closed a brokered private placement issuing 32,800,000 common shares for gross proceeds of $12,603,751 (C$16,400,000). Of the common shares issued, 4,962,280 were issued to related officers, directors, and insiders which equates to $3,565,143 (C$4,962,280). Share issuance costs incurred in relation to the non-brokered and brokered private placements are $1,665,698, which includes $308,866 for the estimated fair value of warrants issued to brokers of the private placement, as described below. Furthermore, in March 2017, the Company issued 1,200,000 common shares to a consultant at a price of $0.37 (C$0.50) per share for services rendered in connection with the acquisition of the Company's participating interest in the SN-9 Block.

As consideration for 100% of the outstanding shares of PMI, PentaNova issued 19,473,289 shares on a one for one basis to the shareholders of PMI. This consideration also covered those shares of PMI that were previously issued as a result of PMI's non-brokered financing for 9,561,000 subscription receipts, at a price of $0.37 (C$0.50) per subscription receipt, for gross proceeds of $3,565,143 (C$4,780,500). An additional 1,600,000 shares of the Company were issued as advisory fees for the Transaction which were valued at $0.37 (C$0.50) for a total value of $595,903 (C$800,000).

Stock Options

The Company's stock option plan provides for the issue of stock options to directors, officers, employees, charities and consultants. The plan provides that stock options may be granted up to a number equal to 10% of the Company's outstanding shares. Vesting terms are determined by the Board of Directors as they are granted and currently include periods ranging from immediately to one-third on each anniversary date over three years. The options' maximum term is ten years.

At June 30, 2017, a total of 986,069 (December 31, 2016 – 990,829) options were issued and outstanding under this plan, which had all vested prior to the transaction. Options which are forfeited/expired are available for reissue.

A summary of the changes in stock options is presented below:

	Stock options	Weighted average exercise price (C$)
Balance, January 1, 2016	566,762	$ 18.90
Options issued	975,000	0.61
Expired options	(550,933)	18.84
Balance, December 31, 2016	990,829	$ 0.94
Expired options	(4,760)	10.50
Balance, June 30, 2017	**986,069**	**$ 0.89**
Exercisable, June 30, 2017	**986,069**	**$ 0.89**

The following summarizes information about stock options outstanding as at June 30, 2017:

Exercise prices (C$)	Number of options outstanding	Weighted average term to expiry (years)	Number of options exercisable
0.61	975,000	4.37	975,000
12.60	9,284	1.31	9,284
21.00	1,785	2.65	1,785
	986,069	**4.34**	**986,069**

Warrants

Pursuant to the brokered private placement of common shares discussed previously, the Company issued 1,968,000 warrants to brokers of the private placement based on the terms of the agency agreement. The warrants are for a two-year term, exercisable immediately at a price of C$0.50 per share and expire January 31, 2019.

The warrants were allocated a value using the Black-Scholes option pricing model to estimate the fair value with the following weighted average assumptions:

Risk-free interest rate	0.82%
Expected dividend yield	0%
Expected stock price volatility	75.00%
Expected warrant lives	2 years
Fair value of warrant granted	C$0.20

A fair value of $308,866 (C$402,453) was recognized for the issuance of these warrants, which was included in share issuance costs on the associated brokered private placement, and is recorded as contributed surplus.

Loss per share

For purposes of the loss per share calculations for the period ended June 30, 2017 there is no difference between the basic loss per share and the diluted loss per share amounts. For the period ended June 30, 2017, 986,069 and 1,968,000 warrants were excluded as their impact was anti-dilutive.

12. DISCONTINUED OPERATIONS

France

The Company holds the Ledeuix and Ger Permits, located in the Aquitaine Basin of Southern France, which are valid until August 8, 2018 and April 16, 2018, respectively. Under the terms of the permits, the Company would be required to spend 3 million Euros on the Ger Permit and 8 million Euros on the Ledeuix Permit prior to their expiries in order to retain the permits for another exploration period.

In February 2017, the Company entered into a share purchase agreement with Horizon Petroleum Ltd ("Horizon") whereby the Company will assign to Horizon its Luxembourg subsidiaries (which hold the French assets), and Horizon will also assume the decommissioning obligations related to the French assets. In addition, the Company has agreed to invest C$1.5 million into Horizon by way of a private placement for shares in the capital of Horizon at C$0.12 per share (post consolidation). In August 2017, the Company closed this sale transaction with Horizon, as described further in Note 17.

Operating results of the former French operations for the period ended June 30, 2017 have been presented separately as discontinued operations due to the Company's decision to cease operations in this business segment.

Expenses allocated to net loss from discontinued operations for the six months ended June 30, 2017 are as follows:

General and administrative	$ 51,033
Foreign exchange gain	(1,092)
Net loss relating to discontinued operations	**$ 49,941**

13. RELATED PARTIES

During the six months ended June 30, 2017, there were separate related party transactions as follows:

a) PentaNova made cumulative advances of $1.9 million on behalf of Patagonia Oil Corp, an entity which had common directors and management who acted on behalf of the Company toward the acquisition of oil and gas assets in Argentina (see Note 17). The cumulative advance amounts of $1.9 million were to provide financing towards the aforementioned target acquisitions in Argentina. This amount has been included in long-term assets on these financial statements.

b) Unsecured loans of $1.65 million were advanced to the Company by one of the directors in January 2017. No interest was payable by the Company, and the loans were repayable on demand. As at June 30, 2017, there was no remaining balance owed by the Company.

c) In January 2017, the Company acquired 100% of the shares of Bochica (see Note 6) and rights to an 80% participating interest in the Maria Conchita Block. The terms and conditions of the Maria Conchita Acquisition included that former shareholders of Bochica retained a 20% carried interest in the Maria Conchita Block. A certain officer of the Company previously served as President and Director of Bochica until August 26, 2016, and as former shareholder of Bochica holds a minority indirect interest on the 20% carried interest, which amounts to approximately 1.2% of the total working interest on the Maria Conchita Block.

d) PentaNova pays a monthly advisory fee to a firm affiliated with a director of PentaNova. As per the consulting agreement with this firm, PentaNova pays a monthly fee of C$10,000 plus reimbursable expenses. Furthermore, additional fees are to be paid pursuant to the closing of successful financing arrangements, divestitures, or acquisitions for which the firm provides advisory services. Success fees were paid upon closing of the private placements summarized in Note 5, which resulted in the Company paying C$450,000 to the firm. Also, 1,600,000 million shares were issued to the firm in conjunction with the closing of the Transaction, which equated to $595,903 (C$800,000) based on the fair value of the shares at the time of issuance (Note 11).

e) A company with an affiliated director of PentaNova provided services to the Company during the six months ended June 30, 2017. In aggregate, the services performed amounted to $457,291. This amount has been included in accounts payable as at June 30, 2017 (see Note 8).

14. COMMITMENTS

A summary of the Company's estimated capital commitments (in millions of dollars) are as follows:

Block	Interest	2017	2018	2019	2020	Total
Maria Conchita Block (1)	80%	-	7.0	-	-	**7.0**
SN-9 Block (2)	80%	0.8	-	-	22.1	**22.9**
Tiburon Block (3)	60%	-	3.0	-	-	**3.0**
Total		**0.8**	**10.0**	**-**	**22.1**	**32.9**

1) Represents PentaNova's estimate to complete the ANH commitment for Phase 2 of the contractual exploration program to drill one exploration well (for which the Company will pay 100% of the costs under the terms of the Maria Conchita Acquisition), which is required by January 2018.
2) PentaNova's ANH commitment to carry out the minimum requirement to 1) acquire and pay for subsurface rights in 2017 and 2) process and interpret 200 km of 2D seismic and drill one exploration well (both of which the Company will pay 100% of the costs on the terms of the SN-9 Acquisition) according to Phase 1 of the contractual exploration program, which must be fulfilled by mid-year 2020.
3) Relates to PentaNova's share of the ANH commitment to carry out the minimum requirement to acquire, process, and interpret 200 km of 2D seismic (which commitment the Company plans to replace with 69.75 km^2 of 3D seismic instead) according to Phase 3 of the contractual exploration program. Currently, operations are delayed due to disputes in the region, with current ANH deadline of 2018 with extensions if disputes were resolved in 2017. The commencement date for seismic acquisition is unknown at this time. The Company assumes that operations will commence in 2019.

The expenditures provided in the above table only represent the Company's estimated cost to satisfy contract requirements. Actual expenditures to satisfy these commitments, initiate production or create reserves may differ from these estimates. The expenditures in the above table are based on the latest possible date required per contract and may be incurred at an earlier date.

15. SEGMENTED INFORMATION

The Company's only reportable segment is "Colombia". The main purpose of "Other" segment is to reconcile the reportable segment to the Company's reportable results. The following table shows information regarding the Company's segments for the six months ended June 30, 2017.

	Other	Colombia	Total
Expenses:			
General and administrative	$ 1,019,485	$ 346,319	$ 1,365,804
Business development	3,315,527	7,186	3,322,713
Cost of acquisition	1,019,415	-	1,019,415
Depreciation	-	11,442	11,442
Foreign exchange loss (gain)	607,980	130,031	738,011
	5,962,407	494,978	6,457,385
Net loss - continuing operations	**$ (5,962,407)**	**$ (494,978)**	**$ (6,457,385)**
Assets, June 30, 2017	**$ 29,394,705**	**$ 8,225,767**	**$ 37,620,472**

16. SUPPLEMENTAL CASH FLOW INFORMATION

For the periods ending June 30	Three months ended		Six months ended	
	2017	2016	2017	2016
Accounts receivable	$ 88,557	$ -	$ (407,366)	$ -
Inventory	6,057	-	(864,423)	-
Accounts payable and accrued liabilities	1,897,224	-	5,282,590	-
Liabilities associated with assets held for sale	1,827,568	-	1,827,568	-
Woking capital adjustments for Maria Conchita Acquisition	450,000	-	(2,728,420)	-
Working capital adjustments for SN-9 Acquisition	(600,000)	-	(850,000)	-
Working capital adjustments for Bolivar Acquisition	-	-	(3,151)	-
Working capital adjustments for the Transaction	(1,955,613)	-	(1,955,613)	-
Change in non-cash working capital	**$ 1,713,793**	**$ -**	**$ 301,185**	**$ -**
Relating to:				
Operating activities	$ 1,542,429	$ -	$ 2,118,230	$ -
Investing activities	525,049	-	(1,763,360)	-
Financing activities	(353,685)	-	(53,685)	-
Change in non-cash working capital	**$ 1,713,793**	**$ -**	**$ 301,185**	**$ -**

17. SUBSEQUENT EVENTS

Argentina Acquisitions

Patagonia Oil Corp.

In August 2017, the Company successfully completed the acquisition of Patagonia Oil Corp. (“Patagonia”), a corporation registered in the territory of the British Virgin Islands. Pursuant to the plan of arrangement, the Company has acquired all of the issued and outstanding shares in the capital of Patagonia by (i) paying $10,000 to Blue Pacific Assets Corp. (the seller), (ii) reimbursing all documented reasonable expenses incurred by Patagonia in connection with the negotiations of the acquisition of oil and gas assets in Argentina; and (iii) assuming all liabilities and obligations of Patagonia in connection with the Argentina oil and gas assets acquisition. The Company is currently in the process of completing the purchase price allocation which it expects to include in its interim financial statements for the nine months ended September 30, 2017. The operating results of this acquisition will be included in the Company’s consolidated financial statements from the date of acquisition.

In conjunction with the acquisition of Patagonia, 2,283,750 shares were issued as payment for finders fees, which are subject to a hold period expiring on December 9, 2017. Of this amount, 1,815,000 shares were issued to third parties with common management and/or directors with the Company.

In connection with the acquisition of Patagonia, a certain director of the Company is also director and shareholder with a controlling interest in Blue Pacific Assets Corp.

Furthermore, a director of the Company, through affiliate entities, is the 50% beneficial owner of Dexton International Ltd. ("Dexton"). In February 2017, Patagonia and Dexton entered into an agreement wherein Dexton provided advisory services in connection with the acquisition of certain oil and gas assets located in Argentina by Patagonia. In consideration for its services, Patagonia granted to Dexton an overriding royalty interest equal to 2% of any net production of hydrocarbons attributable to Patagonia's participation interest in Argentina assets as described below.

Prior to Patagonia being acquired by the Company, Patagonia had successfully entered into binding agreements to acquire certain exploration, development and producing oil and gas assets in Argentina, as described below.

Alianza Petrolera Argentina S.A.

In July 2017, Patagonia agreed to acquire all of the issued and outstanding shares of Alianza Petrolera Argentina S.A. ("Alianza") for specified consideration of $25.3 million which includes the assumption of certain debt amounts of $5.0 million (the "YPF Debt") owed to YPF S.A., the operator to Alianza's non-operated participating interest in the Llancanelo Asset (hereinafter referred to as the "Alianza Acquisition"). Patagonia agreed to the following terms with the seller:

a) Pay $1 million in cash consideration upon execution of the definitive agreement, which has been paid by the Company.
b) Pay $2 million in cash consideration at the closing of the definitive agreement, which was placed in escrow as at June 30, 2017. These funds have been released from escrow to the seller subsequent to June 30, 2017.
c) Assumption of the balance of the YPF Debt, which has been represented to be $5.0 million.
d) Pay $5.0 million in cash consideration at closing of the definitive agreement, to be adjusted accordingly based on the final assessed balance of the YPF Debt, wherein the cash payment will be reduced or increased by any balance of the YPF Debt that is greater than or less than $5.0 million, respectively.
e) Issue units of the Company at a subscription price of C$0.80 that total to consideration of $7.3 million. Each unit will be comprised of one common share of PentaNova and one warrant to purchase one common share of PentaNova at a purchase price of C$1.05 within a period of 5 years from the date of issuance of the warrants (issued as of the date of these financial statements).
f) Pay $0.5 million in cash consideration within thirty days following the closing of the definitive agreement, pending determination and finalization of purchase price adjustments.
g) Pay $4.5 million in cash consideration within four months following the closing of the definitive agreement, subject to any deductions or withholdings in connection with this transaction.

By way of the Alianza Acquisition, Patagonia acquires a 29% participating interest in the Llancanelo Asset as well as an 18% carried participating interest in the Estancia La Mariposa, Lomita de la Costa and Cerro Mangrullo Assets.

Roch S.A.

In May 2017, Patagonia executed the final definitive agreement with Roch S.A., the seller, for the acquisition of certain oil and gas assets for total consideration of $10.5 million (the "Roch Acquisition"). Patagonia agreed to the following terms with Roch S.A.:

a) Pay $2 million in cash consideration upon completion of certain conditions by the seller, which has been paid by the Company.
b) Assume $3 million in cash call debts relating to operations on the Llancanelo Asset, with any amounts exceeding $3 million in cash call debts to become the responsibility of Roch S.A. and compensated to Patagonia through the deduction of any outstanding payments owed on the Roch Acquisition, up to a maximum of $0.5 million.
c) Issue units of the Company at a subscription price of C$0.80 that total to consideration of $5.0 million. Each unit will be comprised of one common share of PentaNova and one warrant to purchase one common share of PentaNova at a purchase price of C$1.05 within a period of 5 years from the date of issuance of the warrants (issued as of the date of these financial statements).
d) Pay $0.5 million in cash consideration, with 50% being paid 90 days after the closing of the definitive agreement, and 50% paid on the business day immediately prior to December 31, 2017. However, in the event that PentaNova closes a successful equity or debt financing in an amount in excess of $20,000,000 after the closing of the definitive agreement, then this payment is to be paid within five business days after closing of such financing.

By way of the Roch Acquisition, Patagonia acquires a 10% participating interest in the Llancanelo Asset. Patagonia will also acquire a 54.14% participating interest in the Sur Río Deseado Este Production Asset, and a 7.92% participating interest in the Sur Río Deseado Este Exploration Asset, pending the fulfillment of certain conditions.

KM8 Asset and Operator

In July 2017, Patagonia executed final definitive agreements for the acquisition of rights and operatorship of the KM8 Asset for total consideration of $12.5 million (the "KM8 Acquisition"). Patagonia agreed to the following terms with the sellers:

a) Acknowledgement of advanced cash payments of $0.9 million made to the sellers by Patagonia as part of the consideration price.
b) Pay $0.3 million in cash consideration within two business days following the finalization of the definitive agreement, which was paid by the Company.
c) Issue units of the Company at a subscription price of C$0.80 that total to consideration of $10.5 million. Each unit will be comprised of one common share of PentaNova and one warrant to purchase one common share of PentaNova at a purchase price of C$1.05 within a period of 5 years from the date of issuance of the warrants (issued as of the date of these financial statements).
d) Pay $0.8 million in cash consideration after the closing of the definitive agreement within two business days after PentaNova closes an equity or debt financing in excess of $2,000,000.

By way of the KM8 Acquisition, Patagonia will acquire 100% of the participating interest of the KM8 Asset and ownership of the operator entity of the KM8 Asset, San Jorge Oil & Gas Inc., pending the fulfillment of certain conditions.

In connection with the acquisition of the KM8 Asset, a certain member of management of the Company was also a director and shareholder with a controlling interest of the seller that was party to the KM8 Acquisition transaction, whereby receiving the aforementioned consideration in this transaction.

YPF Farm-in Agreement

Patagonia has negotiated the rights to farm-in on an additional 11% working interest in the Llancanelo Asset from YPF. The option was extended to October 18, 2017, in exchange for the payment of $500,000. The farm-in agreement requires the Company to make an additional $2.5 million cash payment and assume a work program for $54 Million over three years. The agreement will also see the formation of a joint technical team to operate the Llancanelo field, while YPF will remain the operator of record.

Private Placement

In July 2017, in conjunction with the acquisition of Patagonia, the Company completed a non-brokered financing of 20,625,000 subscription receipts at a price of C$0.80 per subscription receipt for gross proceeds of $13,185,233 (C$16,500,000). Each subscription receipt automatically exchanges into a unit of the Company concurrently with closing of the acquisition of the outstanding shares of Patagonia Oil Corp. Each unit consists of one common share and one share purchase warrant exercisable into one additional common share at a price of C$1.05 per share until July 31, 2022. In conjunction with the private placement, 35,625,000 additional units were issued as consideration for the purchase of Argentine oil and gas assets, as discussed previously, which equates to $22,800,000 (C$28,500,000) in consideration paid. A further 2,283,750 shares were also issued as payment for finders fees in relation to the aforementioned acquisitions in Argentina, as mentioned above. These shares are subject to a hold period expiring on December 9, 2017.

Stock Option Grant

In August 2017, the Company granted stock options to various directors, officers, employees, consultants, and charities. 22,187,500 stock options were granted at an exercise price of C$0.80, which are exercisable for a period of ten years.

Horizon Transaction

In August 2017, the Company closed the sale of its French assets to Horizon under the terms of the share purchase agreement executed in February 2017. For the Company’s agreed-upon investment in Horizon of C$1,500,000 by way of a private placement of shares in the capital of Horizon at C$0.12 per share, the Company received an aggregate of 12,500,000 common shares of Horizon (“Horizon Shares”). PentaNova has entered into an agreement with a third party to assign 250,000 of the Horizon Shares to the third party pursuant to an advisory agreement. A certain director of this third party is also a director of the Company.

18. COMPARATIVE FIGURES

Certain reclassifications have been made to the prior period's financial statements to enhance comparability with the current period's financial statements. Amounts totaling $1,267,021 previously included in general and administrative expenses for the three months ended March 31, 2017 have been reclassified as business development expenses as they are non-recurring expenses that are unrelated to the Company's normal course of operations. These reclassifications had no effect on the net loss for the period as illustrated below:

For the three months ended March 31, 2017	Unadjusted	Adjusted
General and administrative	$ 1,587,169	$ 320,148
Business Development	-	1,267,021
Depreciation	2,893	2,893
Foreign exchange loss	440,381	440,381
Net loss	**$ 2,030,443**	**$ 2,030,443**