POND TECHNOLOGIES HOLDINGS INC.
(formerly, IRONHORSE OIL & GAS INC.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Pond Technologies Holdings Inc. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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

Pond Technologies Holdings Inc.

(formerly, IRONHORSE OIL & GAS INC.)

Condensed Interim Consolidated Statements of Financial Position

(in Canadian dollars)

(Unaudited)

As at	Notes	June 30, 2018	Dec 31, 2017
Assets			
Current Assets			
Cash		**$ 4,811,696**	$ 1,281,883
Receivables		**357,854**	298,697
Prepaid expenses and other assets		**350,596**	73,594
Discontinued operations	13	**3,846,344**	-
		9,366,490	1,654,174
Patents	3	**1,767,321**	1,835,431
Capital assets	4	**975,668**	987,971
Total assets		**$ 12,109,479**	$ 4,477,576
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5	**$ 470,680**	$ 1,309,807
Deferred revenue		**50,000**	17,500
Current portion of loans payable	6	**3,651,464**	1,405,000
Discontinued operations	13	**397,722**	-
		4,569,866	2,732,307
Long-term portion of loans payable	6	**239,309**	3,808,145
Total Liabilities		**$ 4,809,175**	$ 6,540,452
Equity			
Share capital	7	**$ 22,846,388**	$ 13,678,295
Contributed surplus	7	**4,842,667**	1,867,992
Deficit		**(20,388,751)**	(17,609,163)
Shareholders' equity / (deficency)		**7,300,304**	(2,062,876)
Total liabilities and shareholders' equity		**$ 12,109,479**	$ 4,477,576

Approved on behalf of the Board:

"Gerry Quinn" — Director

"Steve Martin" — Director

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

Pond Technologies Holdings Inc.

(formerly, IRONHORSE OIL & GAS INC.)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(in Canadian Dollars)

(Unaudited)

For the three and six months ended June 30,	Notes	Three Months		Six Months	
		2018	2017	**2018**	2017
Revenue	8	**$ 33,333**	$ -	**$ 68,333**	$ 8,904
Expenses					
Operating expenses	9	**565,367**	257,780	**958,760**	474,215
General and administrative expense	9	**856,493**	127,161	**1,160,395**	192,337
Stock-based compensation		**215,108**	33,561	**230,147**	33,561
		1,636,968	418,502	**2,349,302**	700,113
Operating loss		**$ (1,603,635)**	$ (418,502)	**$ (2,280,969)**	$ (691,209)
Other income / (expense)					
Interest income		**16,178**	-	**20,738**	-
Financial expenses	10	**(142,465)**	(167,228)	**(300,379)**	(335,438)
Amortization	3,4	**(90,305)**	(69,682)	**(179,817)**	(139,123)
Net loss from operation		**$ (1,820,227)**	(655,412)	**$ (2,740,427)**	$ (1,165,770)
Loss from discontinued operations	13	**(1,413)**	-	**(39,161)**	-
Net loss and comprehensive loss		**$ (1,821,640)**	(655,412)	**$ (2,779,588)**	$ (1,165,770)
Weighted average number of shares outstanding		**19,419,431**	11,491,575	**18,348,644**	11,702,686
Basic loss per common share - continuing operations		**(0.09)**	(0.06)	**(0.15)**	(0.10)
Diluted loss per common share - continuing operations		**(0.09)**	(0.06)	**(0.15)**	(0.10)
Basic loss per common share - discontinued operations		**(0.0001)**	-	**(0.002)**	-
Diluted loss per common share - discontinued operations		**(0.0001)**	-	**(0.002)**	-

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

Pond Technologies Holdings Inc.

(formerly, IRONHORSE OIL & GAS INC.)

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(in Canadian dollars, except number of shares)

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total
Balance - January 1, 2017	**10,996,245**	**$ 10,668,295**	**$ 1,421,170**	**$ (14,755,869)**	**$ (2,666,404)**
Shares issued on subscription	495,000	912,770	89,090	-	1,001,860
Share issuance costs	-	(119,385)	33,561	-	(85,824)
Net loss and comprehensive loss for the period	-	-	-	(1,165,770)	(1,165,770)
Stock-based compensation expense	-	-	-	-	-
Balance - June 30 , 2017	**11,491,245**	**11,461,680**	**1,543,821**	**(15,921,639)**	**(2,916,138)**
Shares issued on subscription	1,240,000	2,800,037	379,414	-	3,179,451
Share issuance costs	-	(583,422)	(122,245)	-	(705,667)
Net loss and comprehensive loss for the period	-	-	-	(1,687,524)	(1,687,524)
Stock-based compensation expense	-	-	67,002	-	67,002
Balance - December 31, 2017	**12,731,245**	**13,678,295**	**1,867,992**	**- (17,609,163)**	**- (2,062,876)**
Shares issued on subscription	6,683,186	10,286,823	-	-	10,286,823
Share issuance costs	-	(1,118,730)	2,744,527	-	1,625,797
Net loss and comprehensive loss for the period	-	-	-	(2,779,588)	(2,779,588)
Stock-based compensation expense	-	-	230,147	-	230,147
Balance - June 30, 2018	**19,414,431**	**$ 22,846,388**	**$ 4,842,667**	**$ (20,388,751)**	**$ 7,300,304**

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

Pond Technologies Holdings Inc.

(formerly, IRONHORSE OIL & GAS INC.)

Condensed Interim Consolidated Statements of Cash Flows

(in Canadian dollars)

(Unaudited)

For the six months ended June 30,	Notes	**2018**	**2017**
Operating Activities			
Cash receipts from customers		**$ 104,525**	$ 10,623
Cash paid to suppliers and employees		**(2,930,213)**	(852,578)
Interest paid		**(230,939)**	(136,160)
Interest received		**20,740**	-
Cash flows used in operating activities		**(3,035,887)**	(978,115)
Discontinued Operations			
Revenue from discontinued operations		**938,710**	-
Paid to suppliers and royalities		**(691,461)**	-
		247,249	-
Investing Activities			
Purchase of patents	3	**-**	(35,534)
Purchase of capital assets	4	**(99,404)**	(17,387)
Cash used in investing activities		**(99,404)**	(52,921)
Financing Activities			
Proceeds from issuance of shares, net of issuance costs	7	**5,640,569**	792,034
Cash arising from business acquisition	2	**2,129,787**	-
Repayments of loans payable		**(1,352,500)**	(5,043)
Cash provided by financing activities		**6,417,856**	786,991
Net change in cash		**3,529,813**	(244,045)
Cash beginning of period		**1,281,883**	459,673
Cash, end of period		**$ 4,811,696**	$ 215,628

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

1. REPORTING ENTITY AND BASIS OF PRESENTATION

Reporting Entity

Pond Technologies Holdings Inc., formerly, Ironhorse Oil & Gas Inc., (the "Company") is incorporated under the *Business Corporations Act* of Alberta. Effective January 30, 2018 the Company completed a reverse take-over and change of business transaction with Pond Technologies Inc. by way of a three-cornered amalgamation, that resulted in, amongst other things, the Company changing its name from Ironhorse Oil & Gas Inc. to Pond Technologies Holdings Inc.

Prior to January 30, 2018, the Company's primary business was the development and production of petroleum and natural gas reserves in western Canada. The Company's technology offers cement, steel, oil, chemicals, power producers, and all other heavy industrial emitters, an opportunity to generate significant revenue from their greenhouse gas emissions, through production of biomass and bio-oil as drop-in replacements for fossil fuels. These revenue streams for the Company's customers may be further augmented by the potential generation and sale of carbon credits.

As of February 6, 2018, the Company's shares began trading on the TSX Venture Exchange under the new trading symbol "POND". The Company's principal place of business is now located at Unit 8, 250 Shields Court, Markham, Ontario with the primary purpose of pursuing microalgal biomass production using raw stack gas emissions from industrial emitters.

Statement of Compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of August 16, 2018, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these condensed interim financial statements as compared with the most recent annual financial statements of Pond Technologies Inc. as at and for the year ended December 31, 2017. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2018 could result in restatement of these condensed interim financial statements.

New IFRS Standards

The Company has adopted IFRS 15, *Revenue from Contracts with Customers*. The new standard recognizes revenue from the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Company expects to be entitled in exchange for those goods or services.

Effective January 1, 2018 the Company adopted IFRS 9 *Financial Instruments* ("IFRS 9") using the retrospective method. The adoption of this standard did not result in a change in the recognition or measurement of any of the Company's financial instruments on transition.

IFRS 9 contains three principal classification categories for initial classification of financial assets: measured at amortized cost; fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL"). The previous IAS 39 categories of hold to maturity, loans and receivables and available for sale are eliminated. A financial asset is classified as amortized cost if the asset is held with the objective to collect contractual cash flows that are solely payments of principal and interest on principal amounts outstanding. A financial asset is classified as FVOCI if the asset is held with the objective to both collect contractual cash flows and sell the financial asset. All other financial assets are measured at FVTPL. Financial assets are assessed for impairment using an expected credit loss model. Trade at FVTPL if it is held for trading, a derivative, or designated as FVTPL at recognition.

The initial classification of financial liabilities under IFRS 9 is fundamentally unchanged from the requirements under IAS 39. A financial liability is measured at amortized cost or FVTPL if it is held for trading, a derivative, or designated a FVTPL at initial recognition. For liabilities measured at FVTPL, any change in value resulting from a change in the Company's credit risk is recorded through other comprehensive income or loss rather than net income or loss. Trade payables, bank loan and long-term notes are classified and measured as amortized cost.

2. BUSINESS COMBINATION TRANSACTION

On January 30, 2018, the Company completed a business combination (the "Transaction") with Pond Technologies Inc. ("Pond") by way of a "three-cornered amalgamation". The Transaction was effected pursuant to an amalgamation agreement dated October 4, 2017, as amended November 16, 2017, December 15, 2017, and December 21, 2017, between the Company and its wholly-owned subsidiary, 2597905 Ontario Inc., and Pond. Pursuant to the Transaction: (i) all of the issued and outstanding common shares in the capital of the Company were consolidated on the basis of a 6.9 pre-consolidation shares for each one post-consolidation share; (ii) the Company changed its name from "Ironhorse Oil & Gas Inc." to "Pond Technologies Holdings Inc."; (iii) all of the issued and outstanding common shares in the capital of Pond were cancelled and exchanged on a one for one basis for 15,373,117 common shares of the Company; (iv) all of the outstanding stock options and warrants of Pond were cancelled and exchanged for equivalent stock options and warrants of the Company; and (v) 2597905 Ontario Inc. and Pond amalgamated and became a wholly-owned subsidiary of the Company .

Concurrent with the completion of the Transaction, Pond completed a brokered equity financing by issuing 2,641,873 subscription receipts ("Subscription Receipts") at a price of $2.40 per Subscription Receipt, for aggregate gross proceeds of $6,340,495. As a result of the satisfaction of the conditions to closing the Transaction, the escrow release conditions in respect of the Subscription Receipts were satisfied and the net financing proceeds were released to Pond and each Subscription Receipt was automatically exchanged for one common share of Pond and one common share purchase warrant of Pond, with each such warrant entitling the holder thereof to purchase one common share of Pond at a purchase price of $3.00 and expiring 24 months from the date of issuance. In connection with the completion of the Transaction, such shares and warrants were subsequently cancelled and exchanged for equivalent common shares and warrants of the Company. As part of the commission payable to the agents under the financing, the agents received 194,681 compensation warrants, with each such warrant entitling the holder to purchase, in accordance with its terms, one common share and one warrant of the Company at a price of $2.40 until January 30, 2020.

The Transaction was accounted for as a reverse take-over transaction as the shareholders of Pond obtained a majority controlling interest of the Company, with the former shareholders of Ironhorse Oil & Gas Inc. retaining a non-controlling interest of the Company.

The purchase price has been preliminarily allocated to the underlying assets and liabilities assumed, based upon their estimated fair values at the date of the Transaction. The fair value of the operating oil and gas property has been determined based on a report prepared by an Independent Qualified Reserves Evaluator in accordance with the standards set out in the Canadian Oil and Gas Evaluation Handbook, based on proved and probable reserves, estimated forecast prices and costs and calculated using a discount rate of 10%. The fair value of the consideration paid has been determined using the value of a common share issued on January 30, 2018 times the actual number of post consolidated shares on that date.

2. BUSINESS COMBINATION TRANSACTION (Continued)

The following sets forth the preliminary allocation of the purchase price to assets acquired and liabilities assumed based on estimates of fair value.

Consideration paid:		
Fair value of the 4,041,313 post-consolidated shares of the Company on January 30, 2018	**$**	**6,223,622**

Allocation of purchase price:		
Cash and cash equivalents	$	2,129,787
Receivables		232,563
Prepaid expenses and other assets		144,735
Property plant and equipment		4,131,827
Accounts payable and accrued liabilities		(415,290)
	$	**6,223,622**

The final purchase price allocation is expected to be completed as soon as management has gathered all significant information available and necessary to finalize the allocation.

3. PATENTS

Patents consist of the following:

		Cost		Accumulated Amortization		Net Carrying Amount
Balance, January 1, 2017	$	2,690,747	$	(755,003)	$	1,935,744
Additions		35,534		(135,847)		(100,313)
Balance, December 31, 2017		2,726,281		(890,850)		1,835,431
Additions		-		(68,110)		(68,110)
Balance, June 30, 2018	**$**	**2,726,281**	**$**	**(958,960)**	**$**	**1,767,321**

4. CAPITAL ASSETS

Capital assets consist of the following:

	Project equipment and leasehold improvements	Furniture fixtures and equipment	Computer hardware and software	Total
Cost				
January 1,2017	$ 2,410,808	$ 81,084	$ 74,418	$ 2,566,309
Additions	53,602	31,596	30,759	115,957
Government grant	(86,560)	(700)	(362)	(87,622)
December 31, 2017	2,377,850	111,980	104,815	2,594,644
Additions	96,077	1,138	2,189	99,404
June 30, 2018	2,473,927	113,118	107,004	2,694,048
Accumulated amortization				
January 1,2017	1,280,771	41,000	59,936	1,381,707
Amortization	211,192	6,569	7,206	224,967
December 31, 2017	1,491,963	47,569	67,142	1,606,674
Amortization	100,223	5,098	6,386	111,707
June 30, 2018	1,592,186	52,667	73,528	1,718,381
Net carrying amount				
January 1, 2017	1,130,037	40,084	14,482	1,184,602
December 31, 2017	885,887	64,411	37,673	987,970
June 30, 2018	**$ 881,741**	**$ 60,451**	**$ 33,476**	**$ 975,668**

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	June 30, 2018	Dec 31, 2017
Accounts payable	**$ 275,058**	$ 899,200
Interest payable	**116,694**	76,331
Payroll and other accruals	**78,928**	334,276
	$ 470,680	$ 1,309,807

6. LOANS PAYABLE

A summary of the changes in the loans payable balance is as follows:

	CW(i)	SMC (ii)	FedDev (iii)	Total
Balance, January 1,2017	$ 4,500,000	$ 350,000	$ 341,620	$ 5,191,620
Advances	-	-	-	-
Conversion to shares	-	(50,000)	-	(50,000)
Accretion	-	-	91,568	91,568
Repayments	-	-	(20,043)	(20,043)
Balance, December 31,2017	4,500,000	300,000	413,145	5,213,145
Conversion to shares	-	-	-	-
Accretion	-	-	30,128	30,128
Repayments	(1,000,000)	(300,000)	(52,500)	(1,352,500)
Balance, June 30, 2018	**3,500,000**	**-**	**390,773**	**3,890,773**
				-
Less: Current portion of loans payable	**3,500,000**	**-**	**151,464**	**3,651,464**
Long-term portion of loans payable	**$ -**	**$ -**	**$ 239,309**	**$ 239,309**

(i) *Crystal Wealth Management System Ltd. ("CW")*

During 2015, the Company issued a promissory note to CW in the amount of $350,000 bearing interest at 12% per annum. On February 19, 2016, the Company entered into a secured loan agreement with CW with a maximum credit amounting to $4,500,000. The loan agreement incorporated the amount advanced under the promissory note and the promissory note was terminated and superseded by the loan agreement. The proceeds of the loan were used: i) to pay amounts required to settle all claims pursuant to an action brought against the Company by Lorem Capital Inc., a shareholder of the Company, and others (the "Lorem Parties") including legal fees and related expenses; and ii) for working capital purposes.

The loan bears interest at the rate of 12% per annum, has no regularly scheduled repayment terms and was to mature on the earlier of February 19, 2018 or the completion of a financing transaction resulting in a capital injection in excess of $4,500,000. The loan is secured by a general security agreement with a first charge on Pond's assets and a specific assignment of rights in all patents during the year.

During 2016, CW amended the loan agreement and the Company was advanced an additional $160,000. CW also issued amendments to defer interest payments, originally due quarterly, to March 31, 2017. The advance of $160,000 was subsequently settled by the Company through a non-brokered private equity placement (Note 7) in 2017.

On August 11, 2017, the Company signed an amendment to its loan agreement with CW. The amended terms included a loan maturity extension to June 30, 2019, reduction of quarterly interest payable to 8%, deferral of quarterly interest payable of 4%, a ("First Interest Payment") due of $581,398 payable on November 30, 2017 and a principal repayment of $1,000,000 on December 31, 2017. The amendment also requires the Company to make principal loan repayments if it raises in excess of $10,000,000 in financing during the term of the loan. In that event, the amount of the principal loan repayment will be 20% of the proceeds in excess of $10,000,000.

6. LOANS PAYABLE (Continued)

On November 16, 2017, the Company signed an amendment to its loan agreement with CW. The amended terms included an extension of the repayment to the First Interest Payment to December 21, 2017 and an extension fee of $10,000.

On December 19, 2017, the Company signed a second amendment to its loan agreement with CW. The amended terms included an extension of the principal repayment of $1,000,000 and the First Interest Payment to January 31, 2018 and an extension fee of $10,000 payable in cash upon the execution of the loan amendment.

On December 29, 2017, the Company made an early payment of the First Interest Payment of $581,398 and the second interest payment of $30,492.

On January 30, 2018 Pond paid $1,000,000 to CW to reduce the principal loan balance from $4,500,000 to $3,500,000.

(ii) St. Marys Cement Inc. (Canada) ("SMC")

On May 29, 2015, the Company entered into a $300,000 demand loan with SMC. The loan bears interest at the rate of 9.5% per annum and has no regularly scheduled repayment terms. Interest expense of $6,138 (2017 - $6,468) was recorded on this loan for the three months ended March 31, 2018. On February 19, 2016 and in connection with the loan agreement with CW, the SMC loan became postponed and subordinated to the loan payable to CW and the maturity date was established at the earlier of February 19, 2018 or the completion of a financing transaction resulting in a capital injection in excess of $4,500,000. On August 30, 2016, the Company entered into a $50,000 promissory note with SMC with an interest rate of 9.5%. On January 16, 2017, the Company issued 25,000 units to SMC as settlement of the $50,000 promissory note through its non-brokered private placement (Note 7).

On March 2, 2018 the Company paid SMC $300,000 principal and $82,470 interest to settle the outstanding demand loan with SMC in full and discharge SMC's security interest in the Company's assets.

(iii) Federal Economic Development Agency ("FedDev")

The Company has a loan agreement with the FedDev and has received advances disbursed at a monthly rate of 33.33% of eligible costs as defined in the agreement, subject to achievement of certain milestones. Under the terms of the loan agreement, the loan bears no interest and is repayable in 60 equal monthly installments of $13,708 beginning on January 1, 2015.

On December 29, 2016, the monthly instalments were reduced to $2,500 until January 1, 2018 after which the payments were increased to $8,750 for one year and thereafter will be increased to $16,494 for the remaining term of the loan.

The Company adopted IFRS 9 on January 1, 2018 for the outstanding financial liabilities at that time. The above noted financial liabilities have been measured using the amortized cost method and there has been no financial impact arising from the adoption.

7. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. The Company share capital consists of the following share subscriptions and purchase for treasury:

	Number of Shares		Amount
Balance, as at January 1, 2017	10,996,245	$	10,668,295
Shares issued on subscription of shares	1,710,000		3,666,717
Conversion of loans payable (Note 8)	25,000		46,090
Share issuance costs	-		(702,807)
Balance, as of December 31, 2017	**12,731,245**		**13,678,295**
Shares issued on subscription of shares & Transaction	6,683,186		10,286,823
Share issuance costs	-		(1,118,730)
Balance, as of June 30, 2018	**19,414,431**	**$**	**22,846,388**

Non-brokered private placement

On December 1, 2016, the Company issued 367,340 units for total consideration of $734,680 (the "non-brokered private placement"). The non-brokered private placement included the settlement of the loans payable to CW and Colmac in the amounts of $160,000 and $75,000, respectively, through the issuance of 80,000 and 37,500 units, respectively. One unit represents one common share and one warrant. The warrants may be exercised for one additional common share at a price of $2.50 per common share until November 1, 2018.

On January 17, 2017, the Company issued 25,000 units for total consideration of $50,000. The non-brokered private placement included the settlement of the loans payable to SMC. One unit represents one common share and one warrant. The warrants may be exercised for one additional common share at a price of $2.50 per common share until November 1, 2018.

Brokered private placements

On December 21, 2016, the Company issued 361,800 units for total consideration of $670,000 and 26,800 warrants as payment for the brokered private placement (the "Agent Warrants"). The Agent Warrants may be exercised to purchase one unit at a price of $2.00. In both instances, one unit represents one common share and one warrant. The warrants may be exercised to purchase one additional common share at a price of $2.50 per share until December 21, 2018.

On February 23, 2017, the Company issued 450,000 units for total consideration of $900,000 and 36,000 Agent Warrants as payment for the brokered private placement. The Agent Warrants may be exercised to purchase one unit at a price of $2.00. In both instances, one unit represents one common share and one warrant. The warrants may be exercised to purchase one additional common share at a price of $2.50 per share until February 23, 2019.

On April 18, 2017, the Company agreed to settle a debt from an advisor with the issuance of 20,000 common shares and 20,000 warrants that may be exercised to purchase one additional common share at a price of $2.50 per share until April 17, 2019.

On September 21, 2017, the Company issued 240,000 units for total consideration of $480,000 and 19,200 Agent Warrants as payment for the brokered private placement. The Agent Warrants may be exercised to purchase one unit at a price of $2.00. In both instances, one unit represents one common share and one warrant. The warrants may be exercised to purchase one additional common share at a price of $2.50 per share until September 20, 2019.

7. SHARE CAPITAL (Continued)

On December 28, 2017, the Company issued 1,000,000 units for total consideration of $2,400,000 and 80,000 units as payment for the brokered private placement. The Agent Warrants may be exercised to purchase one unit at a price of $2.40. In both instances, one unit represents one common share and one warrant. The warrants may be exercised to purchase one additional common share at a price of $3.00 per share until December 28, 2019.

On January 30, 2018, the Company completed the Transaction with Pond as set out in note 2.

For both the non-brokered private placements and the brokered private placements, the Company adopted a residual value method with respect to measurement of shares and warrants issued as private placement units. The total consideration was allocated between common shares and warrants with the warrants being measured first, at fair value amounting to $2,227,294 (2017 - $193,159), and the residual being applied to common shares.

Stock option plan

The Company has a stock option plan in place under which the Board of Directors may grant options to acquire common shares of the Company to qualified directors, officers, employees and other service providers. The stock options vest according to the provisions of the underlying directors' resolution approving the issuance.

Stock Options	**Number of options oustanding**		**Weighted average exercise price**
Balance, as at January 1, 2017	857,500	$	3.08
Granted during period	240,000		2.00
Cancelled during the period	(12,500)		3.08
Balance, as at December 31, 2017	1,085,000		2.00
Granted during period	537,500		2.00
Balance, as at June 30, 2018	**1,622,500**	**$**	**2.00**

During the quarter ended June 30, 2018 the Company granted 537,500 (June 30, 2017 – 240,000) share options with an estimated life of 5 years, and one third vesting immediately, one third after twelve months and one third after twenty four months, with a $149,629 (2017: $62,002) fair value at the date of the grant for the shares that vested immediately. The fair value was determined using Black-Scholes option pricing model at the following weighted average assumptions:

7. STOCK OPTIONS (Continued

Share Options

		2018	2017
Risk-free interest rate		1.97%	1.03%
Estimated life of options - years		5.00	5.00
Expected volatility		80%	30%
Price of shares at date of issuance	$	1.43	1.84
Exercise price of options	$	2.00	2.00
Dividend yield		0%	0%

As at June 30, 2018, 1,184,167 (2017 – 925,000) stock options were exercisable and the weighted average remaining contractual lives of the stock options was 3.8 years (2017: 4.25 years).

Contributed Surplus

Contributed surplus is comprised of the following:

	Jun 30 2018	Dec 31 2017
	$	$
Stock options and other	**1,511,864**	1,281,717
Warrants and Agent Warrants	**3,330,803**	586,275
	4,842,667	1,867,992

Warrants

The Company has issued warrants and Agent Warrants as part of the brokered and non-brokered placements.

	------------------Number of----------------			
	Warrants	Agent Warrants		Amount
Balance, as at January 1,2017	**702,340**	**26,800**	**$**	**117,771**
Warrants issued on subscription of units	1,690,000	135,200		461,474
Conversion of loans payable (note 6)	25,000	-		3,910
Warrants issued for settlement of debt	20,000	-		3,120
Balance, as at December 31,2017	**2,437,340**	**162,000**		**586,275**
Warrants issued on subscription of units	2,641,873	194,681		2,744,528
Balance, as at June 30,2018	**5,079,213**	**356,681**	**$**	**3,330,803**

During the quarter ended June 30, 2018, in the Company issued nil warrants (2017: 20,000) and nil Agent Warrants (2017: nil). The warrants and Agent Warrants were issued as part of a brokered and non-brokered private placements and the fair value of the warrants and Agent Warrants was $nil for the three months ended June 30, 2018 (2017: $3,120) using the Black-Scholes option pricing model and the following weighted average assumptions for the warrants:

7. SHARE CAPITAL (Continued

		2018		2017
Risk-free interest rate		**1.25%**		1.25%
Estimated life of warrants and Agent Warrants (years)		**2.00**		2.00
Expected volatility		**81%**		30%
Price of shares at date of issuance	**$**	**2.33**	$	1.84
Exercise price of warrants	**$**	**3.00**	$	2.50
Dividend yield		**0%**		0%

The warrants and Agent Warrants issued in the Company's non-brokered private placements and brokered private placements are presented as equity on the statement of financial position. As at June 30, 2018, 5,079,213 warrants and 356,681 Agent Warrants were outstanding (2017 – 1,197,340 and 62,800), with an average exercise price of $2.85 and $2.31 respectively and an average estimated life of 1.2 and 1.3 years respectively.

8. REVENUE

Revenue comprises sales and services to external customers (excluding HST and other sales taxes). Revenue from the transfer of goods or services to customers is recognized in amounts that reflect the consideration (that is, payment) to which the Company expects to be entitled in exchange for those goods or services.

The Company's revenue for the three months ended June 30, 2018 was derived from one contract to prepare and provide a technology research study. The full amount of the contract was recognized as revenue when the study was completed and accepted by the customer.

9. EXPENSE BY NATURE

The Company has elected to classify expenses recognized on the financial statements based on the expense as opposed to nature. Details for operating expenditures by nature, are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	**2018**	2017
	$	$	**$**	$
Operating expenses				
Salaries and benefits	**449,767**	338,900	**840,025**	676,224
Rent	**19,540**	18,587	**41,621**	37,173
Travel and transportation	**54,959**	14,614	**82,470**	39,069
Project supplies and maintenance	**41,101**	15,366	**49,807**	19,236
Cost recoveries	**-**	(129,687)	**(55,163)**	(297,487)
	565,367	257,780	**958,760**	474,215
General and administrative expenses				
Legal	**92,347**	31,864	**158,764**	54,371
Computer	**32,553**	12,348	**50,158**	17,276
Consultants, advisors and other	**731,593**	82,949	**951,473**	120,690
	856,493	127,161	**1,160,395**	192,337

10. FINANCIAL EXPENSES

Financial expenses consist of the following:

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	**2018**	2017
	$	$	**$**	$
Interest expense on loans - CW and SMC	126,570	142,938	**261,302**	285,563
Interest accretion, net of imputed interest adjustment	15,064	22,892	**37,205**	45,784
Interest and bank charges	831	1,399	**1,872**	4,091
	142,465	167,229	**300,379**	335,438

11. RELATED PARTY TRANSACTIONS

The Company enters into related party transactions with managment and arrangements with its shareholders. Details of these transactions are as follows:

	Three Months ended June 30		Six Months ended June 30	
	2018	2017	**2018**	2017
	$	$	**$**	$
Transactions, during the period				
Loan interest	**126,570**	142,934	**261,302**	285,559
Conversion of loans payable to shares		-	**-**	50,000
Salaries and short-term employee benefits	**115,070**	115,841	**247,159**	231,755
Balances at end of period				
Loan payable to CW and SMC	**3,500,000**	4,800,000	**3,500,000**	4,800,000

12. GOVERNMENT ASSISTANCE

On March 2, 2017, the Company signed a Funding Agreement with the Ontario Centres of Excellence Inc., in partnership with NRG COSIA Carbon XPRIZE (the "Program") to provide up to $833,000 in funding to support the development and demonstration of the Program's competition. The funding is for microalgal process improvement activities including pilot scale demonstration, demonstration in controlled environment, and demonstration in real-life environment.

On April 1, 2017 the Company renewed secondment agreements with the National Research Council ("NRC"). On April 6, 2018 the Company signed a new collaborative research agreement with NRC and St Marys Cement Inc. (Canada) to gather additional data from the Company's carbon conversion technologies. The proceeds of the secondment agreements is recorded as a reduction of operating expenses. For the three and six months ended June 30, 2018 the amounts the Company received was $18,448 and $55,163 (2017: $53,104 and $106,531).

13. DISCONTINUED OPERATIONS

Subsequent to the business combination transaction (see Note 2), the Company re-classified its remaining operating petroleum and natural gas operation in western Canada to discontinued operations. This operating unit did not fit with the technology business plan of the Company going forward. The Company is actively marketing the sale of this business unit.

The following are the operating revenue and expenses of the discontinued operations which occurred subsequent to the business combination during the three and six months ended June 30, 2018:

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	**2018**	2017
	$	$	**$**	$
Oil and gas revenues	**475,657**	-	**938,710**	-
Royalty costs	**(196,038)**	-	**(386,578)**	-
Operating expenses	**(110,123)**	-	**(304,883)**	-
Depletion	**(170,910)**	-	**(286,410)**	-
Net operating income / (loss)	**(1,413)**	**-**	**(39,161)**	**-**

Revenue associated with the sale of crude oil, natural gas and natural gas liquids (“NGLs”) is measured based on the consideration specified in contracts with customers. Revenue from contracts with customers is recognized when or as the Company satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The transfer of control of crude oil, natural gas and NGLs usually coincides with the title passing to the customer and the customer taking physical possession. The Company principally satisfies its performance obligations at a point in time and the amounts of revenue recognized relating to performance obligations satisfied over time are not significant. The Company does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a result, the Company does not adjust its revenue transactions for the time value of money.

The depletion expense of $170,910 and $286,410 for the three and six months ended June 30, 2018 are non-cash expenses and are charged to the accumulated depletion and amortization account of the discontinued operations asset to reduce its carrying value.

The Company produces oil and natural gas which have historically been subject to fluctuations in price. The Company’s production is mainly oil weighted averaging 150 barrels of oil equivalent per day during Q2 2018. An increase of C$5 per barrel in the price of oil would increase quarterly cash flows available to the Company by approximately $68,000. A similar decrease in commodity prices would have the opposite impact.

The Company is exposed to the risk of changes in the Canadian/U.S. dollar exchange rate on sales of commodities that are denominated in U.S. dollars or directly influenced by U.S. dollar benchmark prices. As of June 30, 2018 the Company had no accounts receivable or accounts payable denominated in foreign currencies.

14. COMMITMENTS AND CONTINGENCIES

On January 30, 2018, concurrent with the completion of the Transaction described in Note 2, the Company and Grizzly Resources Limited ("GRL") entered into an Assignment Agreement, whereby the Company transferred all of its right, title and interest in and to and all burdens, obligations and liabilities in connection with the Sinopec litigation, to GRL. GRL agreed to indemnify the Company from any potential liabilities that may arise from such litigation.

The Company is contingently liable with respect to litigation, claims and environmental matters that may arise from time to time, including those that could result in mandatory damages or other relief, which could result in significant expenditures. While the outcome of these matters cannot be predicted with certainty, in the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the financial position or results of operations of the Company. Any expected settlement of claims in excess of amounts recorded will be charged to operations as and when such determination is made.

The Company may have various other contractual obligations from time to time in the normal course of operations. Generally, these types of contracts can be cancelled with 30 days' notice. The Company has entered into equipment and premise leases with the following total minimum annual payments:

	June 30,	
($ 000's)	**2018**	2017
	$	$
2017	-	14
2018	39	-
2019	52	-
	91	14

15. SUBSEQUENT EVENTS

The Company entered into a non-binding letter of intent to acquire all of the issued and outstanding shares (the "Purchased Shares") of Regenurex Health Corporation, ("Regenurex") a British Columbia based owner and operator of an algae production facility, engaged in the cultivation and extraction of astaxanthin, a valuable nutraceutical product. The Company will acquire the Regenurex brand, plant, and related production assets, through acquisition of the Purchased Shares for a minimum of $2,269,599, comprised of $500,000 cash ("Cash Investment") to be invested in Regenurex in consideration for the issuance to the Company of Regenurex common shares and 737,333 Company shares valued at $2.40 per share. The letter of intent provides for an additional earn-out of up to 3,154,658 Company shares at a deemed value of $2.40 for a maximum capped value of $7,595,180, pro-rated, based upon actual achieved financial performance of Regenurex in 2020. Additionally, upon closing the Company will eliminate the total outstanding debt of Regenurex of $565,000 in exchange for Company shares issued to the debtholders priced at the 30 day average closing share price immediately prior to the closing date of the transaction and such Company shares shall be subject to a five month contractual hold period. The Cash Investment proceeds will be used for the integration of the Company's technology into the Regenurex production facility and for working capital purposes.

15. SUBSEQUENT EVENTS (Continued)

The anticipated closing of this transaction is October 31, 2018. Closing is subject to a number of conditions precedent, including but not limited to, satisfactory due diligence, board approvals, the entering into by the parties of a binding definitive agreement in respect of the transaction and receipt of all applicable third party and TSXV approvals.