

**BIG SKY PETROLEUM CORPORATION**  
*(An Exploration Stage Company)*  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

## INTRODUCTION

This is Management's Discussion and Analysis ("MD&A") for Big Sky Petroleum Corporation ("Big Sky" or the "Company") and has been prepared based on information known to management as of April 26, 2019. This MD&A is intended to help the reader understand the financial statements of Big Sky.

The following information should be read in conjunction with the audited financial statements for the years ended December 31, 2018 and 2017 and the related notes thereto, prepared in accordance with International Financial Reporting Standards ("IFRS"). The MD&A provides a review of the performance of the Company for the year ended December 31, 2018. Additional information relating to the Company can be found on SEDAR [www.sedar.com](http://www.sedar.com).

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management also ensures that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable.

The Company's board of directors follows recommended corporate-governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management regularly to review the financial statements, including the MD&A, and to discuss other financial, operating and internal-control matters.

All currency amounts are expressed in US dollars unless otherwise noted.

## FORWARD LOOKING STATEMENTS

Certain sections of this MD&A provide, or may appear to provide, a forward-looking orientation with respect to the Company's activities and its future financial results. Consequently, certain statements contained in this MD&A constitute express or implied forward-looking statements. Terms including, but not limited to, "anticipate", "estimate", "believe" and "expect" may identify forward-looking statements. Forward-looking statements, while they are based on the current knowledge and assumptions of the Company's management, are subject to risks and uncertainties that could cause or contribute to the actual results being materially different than those expressed or implied. Readers are cautioned not to place undue reliance on any forward-looking statement that may be in this MD&A.

The following forward looking statements have been made in this MD&A:

- Future budgets and how long the Company expects its working capital to last; and
- Management expectations of future activities and results.

### **ADDITIONAL INFORMATION**

Financial statements, MD&A's and additional information relevant to the Company and the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com), and/or on the Company's website at [www.bspcorp.com](http://www.bspcorp.com).

### **SUMMARY AND OUTLOOK**

The management is evaluating various potential opportunities for the Company.

Management's overall expectations for the Company are based on the following:

- The Company has completed a rollback, cut costs, divested itself in the oil and gas business by selling its subsidiaries and is evaluating various potential opportunities.

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## **1. Background**

The Company was incorporated under the Canada Business Corporations Act on February 3, 2006 and, effective July 6, 2009, changed its continuance out of the federal jurisdiction into the British Columbia jurisdiction under the Business Corporations Act (British Columbia). The Company has been listed on the TSX Venture Exchange (the “TSX-V” or “Exchange”) since May 5, 2006. Its shares began trading under the symbol “BSP” effective December 5, 2011. On December 3, 2013, the Company consolidated its share capital on the basis of one new share for every 10 old shares. On May 26, 2016, the Company’s shares trading under the symbol “BSP.H” in the NEX Board of the Exchange. On August 13, 2018, the Company completed a five for two share consolidation. All references to the number of shares and per share amounts have been retroactively restated to reflect the consolidation.

## **2. Overview**

### **(a) Company Mission and Focus**

Big Sky disposed of all its oil and gas interests during fiscal 2017 and is essentially a shell company evaluating various potential opportunities.

## **3. Operation**

The Company is a junior oil and gas company and management is currently evaluating various opportunities for the Company.

## **4. Risks and Uncertainties**

### *Foreign Currency Rate Risk*

The Company’s financing has been in Canadian dollars; however, a significant amount of the Company’s historical activities were transacted in or referenced to US dollars. Going forward, the Company’s operating costs could also be in US dollars. As a result, fluctuations in the US dollar against the Canadian dollar could result in unanticipated fluctuations in the Company’s financial results. The Company does not manage its exposure to fluctuations in the US dollar against the Canadian dollar.

### *Additional Funding Requirements*

The Company has no sources of operating income at present. The Company will require additional financing in order to carry out acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause us to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate the Company’s operations.

The Company’s ability to continue as a going concern is dependent upon its ability to raise funds primarily through the issuance of shares or obtain alternative financing, in which it has been

successful in the past but there can be no assurance that additional debt or equity financing will be available on terms acceptable to the Company.

*Reliance on Key Personnel*

The Company's success depends in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse effect on the Company. The Company does not have key person insurance in effect for management. The contributions of these individuals to the Company's immediate operations are likely to be of central importance. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the Company's management.

*Conflicts of Interest*

Certain of the Company's directors are also directors of other companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the *Business Corporations Act* (British Columbia).

**5. Impairment of Oil and Gas Properties**

The Company had written off all its oil and gas properties in fiscal 2015. As at December 31, 2018, the Company no longer owns any oil and gas properties due to the sale of its wholly-owned subsidiaries in 2017.

## 6. Material Financial and Operations Information

### (a) Selected Annual Financial Information

#### Selected Annual Information

	Year ended December 31 2018	Year ended December 31 2017	Year ended December 31 2016
	\$	\$	\$
General and administrative expenses	(88,010)	(56,004)	(65,473)
Other income (expenses)	377	(11,500)	-
Net loss from continuing operations	(87,633)	(67,504)	(65,473)
Income from discontinued operations	-	591,780	200,000
Loss per share – continuing operations	(0.02)	(0.03)	(0.01)
Earnings (loss) per share – discontinued operations	-	0.24	0.03
Total assets	41,654	11,963	25,436

### (b) Summary of Quarterly Results

The following is a summary of the Company's financial results for the last eight quarters:

	Dec 31, 2018 Quarter	Sep 30, 2018 Quarter	Jun 30, 2018 Quarter	Mar 31, 2018 Quarter	Dec 31, 2017 Quarter	Sep 30, 2017 Quarter	Jun 30, 2017 Quarter	Mar 31, 2017 Quarter
Revenue	-	-	-	-	-	-	-	-
Net (loss) – continuing	<b>(25,045)</b>	(19,463)	(34,904)	(10,193)	(9,912)	(22,925)	(20,877)	(13,790)
Net income (loss) – discontinued	-	-	-	-	-	591,780	-	-
Loss per Share – continuing	<b>(0.00)</b>	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Earnings (loss) per Share – discontinued	<b>(0.00)</b>	(0.00)	(0.00)	(0.00)	(0.00)	0.10	(0.00)	(0.00)

**(c) Review of Operations and Financial Results****For the three months ended December 31, 2018 compared to the three months ended December 31, 2017**

During the three months ended December 31, 2018, the Company had a net loss from continuing operations of \$12,623 (\$0.00 losses per share) and net income from discontinued operations of \$nil (\$0.00 earnings per share) as compared to a net loss from continuing operations of \$9,912 (\$0.00 losses per share) and net income from discontinued operations or \$nil (\$0.00 earnings per share) for the same period in 2017.

The Company's general and administrative expenses amounted to \$12,957, compared to 2017's \$13,531, a decrease of \$574. Decrease is consistent with decreased operations as the Company sold the subsidiaries in the prior year.

**For the year ended December 31, 2018 compared to the year ended December 31, 2017**

During the year ended December 31, 2018, the Company had a net loss from continuing operations of \$87,633 (\$0.02 losses per share) as compared to a net loss from continuing operations of \$67,504 (\$0.03 losses per share) for the same period in 2017.

During the year ended December 31, 2018, the Company also incurred \$88,010 in general and administrative expenses, compared to 2017's \$56,004, an increase of \$32,006. The increase was mainly due to \$23,163 (2017 - \$nil) consulting fees paid to management related to the efforts of finding a suitable transaction for the company as well as \$15,653 (2017 - \$nil) recorded in stock based compensation in relation to the stock options issued to consultants and officers of the company.

During the year ended December 31, 2018, the Company had net income from discontinued operations of \$nil (\$0.00 earnings per share) compared to a net income of \$591,789 (\$0.22 earnings per share) for the same period in 2017. It was in 2017 that the Company has sold its subsidiaries resulting to the net income from discontinued operation.

During the year ended December 31, 2018, the Company had a gain on sale of subsidiaries of \$nil (2017 - \$591,780). The Company had realized foreign exchange loss of \$nil (2017 - \$11,544).

**(d) Liquidity and Capital Resources**

The Company had a working capital deficiency of \$91,660 as at December 31, 2018 (2017 – working capital deficiency of \$409,763). Cash totaled \$39,792 as at December 31, 2018, an increase of \$28,532 from \$11,260 as at December 31, 2017. The increase was a result of special warrants financing.

As of the date of this MD&A, the Company has no other outstanding commitments. The Company has not pledged any of its assets as security for loans, or otherwise and is not subject to any debt covenants.

Management estimates that the current cash position and future cash flows from operations will not be sufficient for the Company to carry out its anticipated exploration and operating plans through 2019. The Company will therefore rely on debt or equity financing in 2019 to continue with its operating plans.

There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for the Company to achieve its stated business objectives.

**(e) Disclosure of Outstanding Share Data**

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

	No. of Common Shares Issued & Outstanding	Share Capital Amount
December 31, 2018	12,427,064	\$10,559,429
December 31, 2017	2,427,067	\$10,190,960

As at December 31, 2018 the Company had 240,000 options outstanding, exercisable at Cdn\$0.0875 until June 22, 2023.

On August 7, 2018, the Company issued 10,000,000 special warrants at \$0.05 Canadian per special warrant. Each special warrant will automatically be converted into one unit, without additional consideration, upon the date that is the later of (a) the happening completion of the Company's share consolidation of its common shares on the basis of 5 pre-consolidation common shares for 2 post-consolidation common shares; and (b) approval of the issuance of the special warrants and its automatic conversion. Each unit consists of one common share and one common share purchase warrant, which entitles the holder to acquire one common share at a price of \$0.05 Canadian per share for a period of 12 months from the date of issuance.

As of the date of this MD&A, there were 12,427,064 common shares issued and outstanding and 22,667,061 common shares outstanding on a diluted basis.

**(f) Commitment and Contingency**

None.

**(g) Off-Balance Sheet Arrangements**

None.

**(h) Transactions with Related Parties**

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:



For the year ended December 31, 2018	Short-term benefits	Share-based Payments	Total
Companies controlled by Chief Executive Officer, President and a Director *	\$ 51,776	\$ -	\$ 51,776
Total	\$ 51,776	\$ -	\$ 51,776

For the year ended December 31, 2017	Short-term benefits	Share-based Payments	Total
Companies controlled by Chief Executive Officer, President and a Director *	\$ 36,963	\$ -	\$ 36,963
Total	\$ 36,963	\$ -	\$ 36,963

Due to related parties	Services for	December 31, 2018	December 31, 2017
Company controlled by Chief Executive Officer, President and a Director <sup>(a)</sup>	Rent, accounting and financial services; loan	\$ -	\$ 1,684
Company controlled by a director	Legal	45,595	23,158
Company controlled by a director	Accounting	8,063	-
Company controlled by a director	Consulting	21,990	7,944
Total		\$ 75,648	\$ 32,786

(a) In October 2017, the related party entered into two assignment agreements to assign Cdn\$441,462 debt receivable from the Company to an arm's length party. As of December 31, 2018, \$nil was owed to this company for accounting services.

### (i) Financial Instruments

The fair values of the Company's cash, accounts receivable (net of GST receivable), and accounts payable and accrued liabilities approximate their carrying values due to the short-term maturity of these instruments. The Company's cash is valued based on quoted market prices.

The Company's financial instruments are exposed to certain financial risks, including foreign currency risk, credit risk, liquidity risk and interest risk.

- **Foreign currency risk**

The Company is affected by changes in exchange rates between the Canadian dollar and US dollar, which may adversely affect the Company's financial position, results of operations and cash flows. The Company has net monetary liabilities of approximately Cdn\$79,000

(2017 – Cdn\$530,000) denominated in Canadian dollars. A 6% change in the absolute rate of exchange in US dollars would affect its net loss by \$7,500 (2017 - \$31,800).

- **Credit risk**

The Company's cash is held in a Canadian financial institution. Credit risk is managed by using major banks that are high credit quality financial institutions as determined by ratings agencies. The Company's accounts receivable (net of GST receivable) is nominal.

- **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk through the management of its capital structure.

Accounts payable and accrued liabilities and amounts due to related parties are due within twelve months of the statement of financial position date.

- **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash is limited because they are generally held to maturity. The Company is not exposed to significant interest rate risk.

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy.

December 31, 2018	Level 1	Level 2	Level 3	Total
Accounts Receivable	\$ 1,862	\$ -	\$ -	\$ 1,862
Cash	\$ 39,792	\$ -	\$ -	\$ 39,792

  

December 31, 2017	Level 1	Level 2	Level 3	Total
Cash	\$ 11,260	\$ -	\$ -	\$ 11,260

**(j) Management of Capital Risk**

The Company's capital is comprised of amounts in shareholders' deficiency. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the acquisition and exploration of oil and gas properties and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust

the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets, or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. There were no changes to the Company's approach to capital management during the year ended December 31, 2018 and the Company is not subject to any externally imposed capital requirements.

## **7. Changes in Internal Control Over Financial Reporting ("ICFR")**

### **Changes in Internal Control Over Financial Reporting ("ICFR")**

In connection with National Instrument 52-109, *Certification of Disclosure in Issuer's Annual and Interim Filings* ("NI 52-109") adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issue Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI52-109.

### **Disclosure Controls and Procedures**

The Company's CEO and CFO are responsible for establishing and maintaining the Company's disclosure controls and procedures. Management, including the CEO and CFO, have evaluated the procedures of the Company and have concluded that they provide reasonable assurance that material information is gathered and reported to senior management in a manner appropriate to ensure that material information required to be disclosed in reports filed or submitted by the Company is recorded, processed, summarized and reported within the appropriate time periods.

While management believes that the Company's disclosure controls and procedures provide reasonable assurance, they do not expect that the controls and procedures can prevent all errors, mistakes, or fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.