

KR INVESTMENT LTD.
Management's Discussion and Analysis
For the nine month period ended May 31, 2013

DATE – JULY 29, 2013

This management's discussion and analysis (the "**MD&A**") of the financial results of KR Investment Ltd. (the "**Company**"), prepared as of May 31, 2013 and dated July 29, 2013, should be read in conjunction with the Company's unaudited financial statements and related notes for the nine month period ended May 31, 2013, and in conjunction with the Company's audited financial statements and related notes for the year ended August 31, 2012, copies of which are available on SEDAR at www.sedar.com.

All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

FORWARD-LOOKING STATEMENT

This MD&A includes certain forward-looking information and forward-looking statements (collectively "**Forward-Looking Statements**") concerning the future performance of the Company's business, operations and financial performance and condition, as well as management's objectives, strategies, beliefs and intentions.

Forward-Looking Statements are frequently identified by such words as "may", "will", "plan", "expect", "anticipate", "estimate", "intend" and similar words referring to future events and results. Forward-Looking Statements are based on the current opinions and expectations of management based on currently available information. All Forward-Looking Statements are inherently uncertain and subject to a variety of risks and uncertainties, as described in Risks and Uncertainties below. Such Forward-Looking Statements are based on a number of assumptions, including but not limited to, information or statements concerning the Company's expectations for its ability to raise capital and meet the Company's obligations. Should one or more risks and uncertainties materialize or should any assumptions prove incorrect, then actual events or results may differ materially from those expressed or implied in the Forward Looking-Statements.

The Company's final prospectus dated January 17, 2011, filing statement dated March 15, 2013, and other documents filed with the securities regulatory authorities (accessible through SEDAR – www.sedar.com) describe the risks, material assumptions and other factors that could influence actual results and which are incorporated herein by reference.

The Company undertakes no obligation to revise or update the Forward-Looking Statements, whether as a result of new information, future events or otherwise except as expressly required by applicable securities law. Readers are cautioned not to place undue reliance on Forward Looking Statements, which are effective only as of the date of this MD&A or as of the date otherwise specifically indicated herein.

For further information about the Company, please refer to the Company's final prospectus dated January 17, 2011 for its initial public offering ("**IPO**"), which has been filed on SEDAR. Please also refer to the filing statement dated March 15, 2013 which outlines the Qualifying Transaction (as defined herein), along with the new management team and proposed board of directors.

CORPORATE STRUCTURE AND HISTORY

The Company was incorporated under the *Business Corporations Act* (British Columbia) on August 3, 2010 as "KR Investment Ltd." and is a capital pool Company ("**CPC**") as defined by the policies of the Exchange.

The Company's head office is located at Suite 1601, 1166 Alberni Street, Vancouver, British Columbia V6E 3Z3.

On March 24, 2011, the Company completed an initial public offering and issued 2,000,000 common shares without par value for gross proceeds of \$200,000. In addition, pursuant to the initial public offering, the Company issued 200,000 agent's options to Raymond James Ltd. exercisable for a period

of 24 months from the date the common shares were listed on the Exchange at a price of \$0.10 per share. The Company recorded \$137,686 of share issuance costs under this offering. The Company further issued 400,000 incentive stock options to directors and officers of the Company under the Company's stock option plan, exercisable for a period of 10 years from the date the common shares were listed on the Exchange at a price of \$0.10 per share. On March 29, 2011, the common shares of the Company commenced trading on the Exchange under the symbol "KR.P".

On March 14, 2013, the Company entered into a purchase and sale agreement with Conserve Oil POC Growth II Limited Partnership ("Conserve Oil") and Proven Oil Asia Ltd. ("Proven Oil"), a party related to Conserve Oil. The transaction constitutes the Qualifying Transaction of the Company under Policy 2.4 and was approved by the Exchange March 28, 2013.

Pursuant to the purchase and sale agreement, the Company acquired an undivided 20% working interest in certain petroleum and natural gas rights, certain related tangible assets and other miscellaneous interests (the "Purchased Assets") located in Alberta for consideration of \$1,339,000 payable in cash on closing. The Purchased Assets comprise a 20% working interest in an aggregate of 193.40 hectares of oil and gas mineral rights and other related assets located in the Provost area of Northeast Alberta, currently producing 85 barrels of oil per day.

In addition, Proven Oil granted to the Company the option to acquire the remaining 79.99% working interest held by Conserve Oil (the "Optioned Assets"). As consideration for the option, the Company paid Proven Oil an option fee in the amount of \$150,000 in cash on closing. At any time during the one year term of the option, the Company may exercise the option and acquire the Optioned Assets by paying the option exercise price of \$5,206,000 in cash to Proven Oil.

The acquisition was not a Non Arm's Length Qualifying Transaction. As a result, no meeting of the Company's shareholders was required as a condition to complete the acquisition.

Before the closing of and as a condition to the acquisition, the Company undertook a non-brokered private placement, pursuant to which the Company issued 18,000,000 shares at a price of \$0.10 per share for gross proceeds of \$1,800,000. The Company intends to use the proceeds of the private placement to pay for the purchase assets, to pay the option fee, to pay for legal, accounting, auditing and other costs relating to the acquisition and private placement, to pay the balance of the sponsorship fee and the Sponsor's legal fees and expenses, and for general working capital purposes.

The Exchange issued a final bulletin approving the Qualifying Transaction and effective on Monday, April 1, 2013, the Company's classification formally changed from a capital pool company to a Tier 2 oil and gas issuer. Pursuant to the Exchange's bulletin, the Company's common shares resumed trading on Monday, April 1, 2013.

The Company is a reporting issuer in the Provinces of British Columbia and Alberta and files all public documents on www.sedar.com.

DESCRIPTION OF BUSINESS

KR Investment Ltd. ("KR" or the "Company") is a publicly traded company focused on acquisition and development of oil and gas assets in Canada. The Company is currently in the process of identifying oil assets in Alberta for acquisition to continue to expand the Company's production and reserves. Management plans to seek additional capital through private placements and public offerings of its common stock to finance the Company's growth strategy.

OIL AND GAS OPERATIONS

Provost

The Company's assets are comprised of eight gross producing wells located in the Provost area of Alberta, Canada which has an area of 193.4 hectares. The Company's share of the production from the Provost field averaged 15 barrels of oil per day. There is potential to increase production from the field with an optimization program with the existing wells and facilities.

The Company has neither drilled, nor participated in drilling any of the wells.

SELECTED ANNUAL FINANCIAL INFORMATION

The financial results of the Company for the three financial years ended August 31, 2012, 2011 and 2010 are summarized as follows:

	IFRS Year Ended August 31, 2012 (\$)	IFRS Year Ended August 31, 2011 (\$)	IFRS Year Ended August 31, 2010 (\$)
Total Revenue	Nil	Nil	Nil
Loss before discontinued operations			
(i) total for the year	66,065	124,044	4,459
(ii) Per share	0.01	0.03	0.03
(iii) Per share fully diluted	0.01	0.03	0.03
Net loss			
(i) total for the year	66,065	124,044	4,459
(ii) Per share	0.01	0.03	0.03
(iii) Per share fully diluted	0.01	0.03	0.03
Total Assets	187,868	254,137	210,200
Total long-term financial liabilities	Nil	Nil	Nil
Cash dividends declared per-share	Nil	Nil	Nil

During the year ended August 31, 2012, the Company had a net loss of \$66,065 consisting of professional fees of \$21,480 (2011 - \$59,149), rent expenses of \$20,000 (2011 - \$8,960), transfer agent and filing fees of \$14,998 (2011 - \$16,935) and travel expenses of \$7,987 (2011 - \$1,262).

The decrease in professional fees is due to the legal fees attributable to the compliance with the requirements established by TSX Venture Exchange related to its initial public offering completed in 2011. The increase in rent expenses is due to its longer rental period in 2012 compared to the period in 2011. The increase in travel expenses is due to travels of its directors to identify acquisition targets in order to complete the qualifying transaction.

DISCUSSION OF OPERATIONS

Nine months ended May 31, 2013 and 2012

The financial results of the Company for the nine months ended May 31, 2013 and 2012 are summarized as follows:

During the nine months ended May 31, 2013, the Company recorded a net loss of \$290,646 (2012 - \$52,884) consisting of gross revenues of \$106,245 (2012 - \$Nil), production costs of \$42,401 and expenses of \$354,491 (2012 - \$52,884). Expenses related to the submission of the Qualifying Transaction and Filing Statement were responsible for the loss for the period.

Statements of Financial Position as at May 31, 2013 and 2012

	May 31, 2013 (\$)	May 31, 2012 (\$)
Net Income (loss)	(290,646)	(52,884)
Basic/diluted Income (loss) per share	(0.03)	(0.01)
Total Assets	1,785,491	201,423
Total Liabilities	90,447	12,569

As at May 31, 2013, the Company had total assets of \$1,785,491 compared to \$201,423 in 2012. As at May 31, 2013, the Company's assets comprised of cash and cash equivalents of \$138,639 (2012 - \$196,325), amount receivable of \$63,845 (2012 - \$5,098) and prepaid expense of \$2,447 (2012 - \$Nil). The amount receivable consists of April and May revenues and HST rebates.

As at May 31, 2013, the Company had accounts payable and accrued liabilities of \$11,395 (2012 - \$1,469) and a due to a related party of \$11,100 (2012 - \$11,100).

SUMMARY OF QUARTERLY RESULTS

The following selected financial information is derived from the unaudited condensed interim financial statements of the Company for each of the eight most recently completed quarters:

Three Months Ended	May 31, 2013 (\$)	February 28, 2013 (\$)	November 30, 2012 (\$)	August 31, 2012 (\$)
Revenue	106,245	-	-	-
Oil & Gas Expenditures	42,401	-	-	-
General & Admin.	228,423	113,226	12,842	13,181
Other Income	17	-	-	-
Income (loss)	(164,578)	(113,226)	(12,842)	(13,181)
Income (loss) per share	(0.01)	(0.02)	(0.00)	(0.00)
Three Months Ended	May 31, 2012 (\$)	February 28, 2012 (\$)	November 30, 2011 (\$)	August 31, 2011 (\$)
Revenue	-	-	-	-
Oil & Gas Expenditures	-	-	-	-
General & Admin.	7,844	26,926	18,114	7,239
Other Income	-	-	-	-
Income (loss)	(7,844)	(26,926)	(18,114)	(7,239)
Income (loss) per share	(0.00)	(0.00)	(0.00)	(0.00)

During the three months ended May 31, 2013, the Company reported a net loss of \$164,578 compared to a net loss of \$7,844 for the corresponding period in 2012. The increase in loss is primarily due to the increase in professional fees and filing fees relating to the Qualifying Transaction and corresponding Filing Statement.

LIQUIDITY AND CAPITAL RESOURCES

The financial results for the nine months ended as well as at May 31, 2013 and 2012 are summarized as follows:

	Nine Months Ended May 31, 2013 (\$)	Nine Months Ended May 31, 2012 (\$)
Cash used in Operating Activities	(357,986)	(57,780)
Increase (decrease) in Cash and Cash Equivalents	(46,986)	(57,780)
Cash and Cash Equivalents – Beginning of Period	185,625	254,105
Cash and Cash Equivalents – End of Period	138,639	196,325

	May 31, 2013 (\$)	May 31, 2012 (\$)
Cash and Cash equivalents	138,639	196,325
Total Assets	1,785,491	201,423
Total Liabilities	90,447	1,469
Working Capital	225,696	175,673

The Company has no long term debt, no capital lease obligations and no other long term obligations. Under such conditions, the Company has sufficient working capital to maintain current operations for at least twelve months. The Company has paid no dividends to date. The Company has financed operations to date through operations, the issuance of common shares to founding directors and other shareholders.

OFF-BALANCE SHEET ARRANGEMENTS

As at May 31, 2013, and up to the date of this MD&A, the Company has had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

On April 1, 2013, the Company entered into a lease agreement with a company controlled by a director of the Company for the year commencing April 1, 2013 and expired on May 31, 2014 for the amount of \$1,500 per month as disclosed in Note 7 in the Financial Statements.

On April 1, 2013, the Company entered into a consulting agreement with a company controlled by a director of the Company for the year commencing April 1, 2013 and expired on March 30, 2014 for the amount of \$4,000 per month as disclosed in Note 7 in the Financial Statements

During the period ended May 31, 2013, the Company paid a total of \$8,000 (2012 - \$Nil) in consulting fees provided by a company controlled by a director of the Company.

During the period ended May 31, 2013, the Company paid a total of \$3,000 (2012 - \$18,000) for office premises provided by a company controlled by a director of the Company.

As at February 28, 2013, \$11,100 advanced by a former director remains outstanding. This advance is unsecured, non-interest bearing and due on demand.

These transactions were in the normal course of operations and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

CRITICAL ACCOUNTING ESTIMATES & CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the interim condensed financial statements are consistent with those followed in the preparation of the Company's 2012 annual financial statements.

Recent pronouncements issued

Certain pronouncements were issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee that are mandatory for future accounting periods. The Company has not early adopted the following standards and is evaluating their impact:

- IFRS 7 – Financial Instruments: Disclosures;
- IFRS 9 – Financial Instruments;
- IFRS 10 – Consolidated Financial Statements;
- IFRS 11 – Joint Arrangements;
- IFRS 12 – Disclosure of Interests in Other Entities;
- IFRS 13 – Fair Value Measurement;
- IAS 1 – Presentation of Financial Statements;
- IAS 27 – Separate Financial Statements; and
- IAS 28 – Investments in Associates and Joint Ventures.

As at May 31, 2013, the Company was a “venture issuer” as that term is defined in National Instrument 51-102 *Continuous Disclosure Obligations*, and as such is not required to provide information pertaining to the critical accounting estimates and judgments of the Company.

For a detailed summary of the Company's accounting policies, the reader is directed to Note 3 of the Notes to the audited Financial Statements of the Company dated May 31, 2013 available on SEDAR at www.sedar.com.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, amount receivable, accounts payable and due to a related party. The fair value of these financial instruments approximates their carrying values due to their short term nature and negligible credit risk.

Market risk is the risk that changes in market prices will affect the Company's earnings or the value of its financial instruments. Market risk is comprised of commodity price risk and interest rate risk. The objective of market risk management is to manage and control exposure within acceptable limits, which maximizing returns. The Company is not exposed to significant market risk.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank accounts. The Company's bank accounts are held with major banks in Canada and accordingly the Company believes it is not exposed to significant credit risk.

Interest rate risk is the risk of losses that arise as a result of changes in contracted interest rates. The Company is exposed to nominal interest rate risk.

Currency risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds no cash denominated in foreign currency and therefore is not exposed to significant currency risk.

RISKS AND UNCERTAINTIES

The Company has a limited history of operations and external financing will be required to fund the Company's activities primarily through the issuance of common shares. There can be no assurance that the Company will be able to obtain adequate financing. The securities of the Company should be considered a highly speculative investment. The following risk factors should be given special consideration when evaluating an investment in any of the Company's securities:

Dilution – There are a number of outstanding securities and agreements pursuant to which common shares of the Company may be issued in the future. This will result in further dilution to the Company's shareholders.

DISCLOSURE OF OUTSTANDING SHARE DATA

Capitalization

The Company is authorized to issue an unlimited number of common shares without nominal or par value, of which 24,100,000 common shares were issued and outstanding as fully paid and non-assessable at May 31, 2013.

On March 28, 2013, the TSX Venture Exchange approved the issuance 18,000,000 common shares pursuant to a private placement for gross proceeds of \$1,800,000, and 100,000 common shares to Raymond James Ltd. as partial consideration for acting as sponsor.

An aggregate of 4,000,000 shares are currently held in escrow pursuant to the CPC Escrow Agreement between the Company and seed shareholders. Under this agreement, 10% of the escrowed shares were released from escrow upon issuance of the Final Exchange Bulletin, and the remainder will be released over a 36 month subsequent period.

Stock options

The Company has established a stock option plan for the directors, officers, employees and consultants of the Company in accordance with Exchange policies. The Company has reserved for issuance 400,000 common shares pursuant to incentive stock options issued to directors and officers which may be exercised at a price of \$0.10 per share and expire on March 29, 2021.

In connection with the Company's IPO, and pursuant to an agency agreement entered into between the Company and Raymond James Ltd. who acted as the Company's agent for its IPO, the Company granted Raymond James Ltd. options to acquire 200,000 shares at a price of \$0.10 per share, none of which have been exercised. The options expired unexercised on March 29, 2013.

The fair value of stock options and agents options is expensed over the vesting period of the grants with a corresponding increase to contributed surplus. Upon exercise of options, the consideration paid, together with the amount previously recorded to contributed surplus is recorded as an increase in share capital. The Company uses the Black Scholes option pricing model to calculate the fair value of the options on the grant date. Option pricing models require the input of highly subjective assumptions, including expected volatility. Changes in these assumptions may materially affect fair value estimates.

OUTLOOK

The Company completed its Qualifying Transaction on March 28, 2013 through the acquisition of assets through Conserve Oil. Focus of the new management team and board is on identification of petroleum and natural gas exploration and production opportunities in Canada.

FACTORS THAT MAY AFFECT FUTURE RESULTS

Future financial performance will be influenced by successful evaluation and acquisition of petroleum and natural production and exploration properties, along with successful drilling and development of acquired properties.

SUBSEQUENT EVENTS

On June 3, 2013, the Company granted 2,000,000 stock options to directors and officers of the company to purchase common stock at a price of \$0.11 per common shares. The stock options expire on June 3, 2023.

On June 1, 2013, the Company entered into a consulting agreement with a company controlled by a director of the Company for the year commencing June 1, 2013 and expired on May 31, 2014 for the amount of \$5,000 per month.

ADDITIONAL INFORMATION

Additional information relating to the Company can also be found on SEDAR at www.sedar.com.