KR INVESTMENT LTD.
Management's Discussion and Analysis
For the year ended August 31, 2014

DATE – DECEMBER 24, 2014

This management's discussion and analysis (the "**MD&A**") of KR Investment Ltd. (the "**Company**") is dated December 24, 2014. The MD&A should be read in conjunction with the Company's audited Financial Statements and related notes thereto for the year ended August 31, 2014, copies of which are available on SEDAR at www.sedar.com.

The Financial Statements for the year ended August 31, 2014 have been prepared in accordance with IFRS. A discussion of IFRS and its impact on the Company's financial presentation is presented in this MD&A under the heading Critical Accounting Estimates & Changes in Accounting Policies including Initial Adoption.

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 13 barrels of oil per day. The production has decreased from the previous year because of natural decline and infrastructure fatigue. 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, 2014, 2013 and 2012 are summarized as follows:

	IFRS Year Ended August 31, 2014 ($)	IFRS Year Ended August 31, 2013 ($)	IFRS Year Ended August 31, 2012 ($)
Total Gross Revenue	290,456	193,025	Nil
Loss before discontinued operations			
(i) total for the year	353,653	628,097	66,065
(ii) Per share	0.01	0.05	0.01
(iii) Per share fully diluted	0.01	0.05	0.01
Net loss			
(i) total for the year	353,653	628,097	66,065
(ii) Per share	0.01	0.05	0.01
(iii) Per share fully diluted	0.01	0.05	0.01
Total Assets	1,583,598	1,940,114	187,868
Total long-term financial liabilities	259,167	289,738	Nil
Cash dividends declared per-share	Nil	Nil	Nil

During the year ended August 31, 2014, the Company had a net loss of $353,653 consisting of professional fees of $60,209 (2013 - $170,503), rent expenses of $28,800 (2013 - $10,200), transfer agent and filing fees of $15,287 (2013 - $148,634), share based payments of nil (2013 – 282,359), travel expenses of $16,603 (2013 - $17,561) and consulting fees of $115,250 (2013 – 51,915).

The increase in consulting fees was due to fees related to services provided by the CEO and CFO being charged for the twelve months of fiscal 2014 as compared to a part of fiscal 2013. Similarly to the consulting fees, rental fees were charged for the whole year in fiscal 2014 as compared to part-year in fiscal 2013. There were no stock options granted during fiscal 2014 as compared to 2013, which resulted in a decrease in share based payment expense. A one-time charge of $150,000 for the impairment charge of the expiration of the option to purchase petroleum and natural gas properties was a significant factor in the losses for the year. The increase in rents was due to rent for an office in Calgary which has been discontinued as of October 31, 2014.

Decommissioning Liability Revaluation

During the year management determined that it was necessary to restate the Company's previously issued financial statements for the year ended August 31, 2013. It was determined the Alberta Energy Regulator (AER) guidance represents a more accurate decommissioning cost estimate than the management's previous estimate. Accordingly, the decommissioning estimate per AER was used.

The adjustment resulting from the correction in accounting for the decommissioning liability is calculated to be an increase of the decommissioning liability of $221,634, an increase in property and equipment of $196,586, an increase in accretion expense of $4,922 and depletion expense of $20,126 in 2013. No adjustment is required to 2012 comparative figures.

The financial statements for the years ended August 31, 2013 and 2012 have been restated to correct for this error. The impact of the restatement and the change in accounting policy described above has been summarized on the following page.

	Previously Reported	Adjustment for change in accounting policy	Adjustment for restatement	Restated
Year ended August 31, 2013				
Statement of Loss and Comprehensive Loss				
Accretion expense	$ 304	$ -	$ 4,922	$ 5,226
Depletion expense	52,399	2,603	20,126	75,128
Loss and comprehensive Loss	600,446	2,603	25,048	628,097
Loss per common shares, basic and diluted	$ (0.04)		$ (0.01)	$ (0.05)
As at August 31, 2012				
Statement of Financial Position				
Deficit	$ (194,568)	$ -	$ -	$ (194,568)
As at August 31, 2013				
Statement of Financial Position				
Property and equipment	$ 1,358,817	$ (2,603)	$ 196,586	$ 1,522,800
Decommissioning liability	68,104	-	221,634	289,738
Deficit	$ (795,014)	$ (2,603)	$ (25,048)	$ (822,665)

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	August 31, 2014 ($)	May 31, 2014 ($)	February 28, 2013 ($)	November 30, 2013 ($)
Gross Revenue	64,189	78,646	60,047	87,574
Oil & Gas Expenditures	29,356	40,610	16,075	36,700
General & Admin.	143,920	67,301	90,453	70,263
Other Income (loss)	118	(149,864)	132	183
Income (loss)	(108,970)	(179,129)	(46,348)	(19,206)
Income (loss) per share	(0.00)	(0.01)	(0.00)	(0.00)

Three Months Ended	August 31, 2013 ($)	May 31, 2013 ($)	February 28, 2013 ($)	November 30, 2012 ($)
Revenue	86,780	106,245	-	-
Oil & Gas Expenditures	12,505	42,401	-	-
General & Admin.	411,926	228,422	113,226	12,842
Other Income	183	17	-	-
Income (loss)	(337,468)	(164,561)	(113,226)	(12,842)
Income (loss) per share	(0.02)	(0.01)	(0.02)	(0.00)

During the three months ended August 31, 2014, the Company reported a net loss of $108,970 compared to a net loss of $337,468 for the corresponding period in 2013. Disruptions in production from infrastructure maintenance, natural decline and lower oil prices was responsible for lower revenues during the three months ended August 31, 2014 compare to the previous year. General and administrative costs were lower in the three months ended August 31, 2014 than the previous year because the previous year had higher costs related to the qualifying transaction. Charges related to the decommissioning of properties made losses higher than anticipated for the three months ended August 31, 2014.

LIQUIDITY AND CAPITAL RESOURCES

The financial results for the year ended August 31, 2014 and 2013 are summarized as follows:

	Year Ended August 31, 2014 ($)	Year Ended August 31, 2013 ($)
Cash used in/ provided from Operating Activities	27,055	(341,092)
Decrease in Cash	(902)	(54,608)
Cash – Beginning of year	131,017	185,625
Cash – End of year	130,115	131,017

	As at August 31, 2014 ($)	As at August 31, 2013 ($)
Cash	130,115	131,017
Total Assets	1,583,598	1,940,114
Total Liabilities	306,316	309,179
Share Capital	2,118,207	2,118,207
Total Shareholders' Equity	1,227,282	1,630,935
Total Liabilities and Shareholders' Equity	1,583,598	1,940,114

The Company has decommissioning provisions of $259,167 associated with oil and gas purchased in 2013 and no capital lease obligations. The reporting standards require the Company to record liabilities associated with abandonment and reclamation even though the prospects of incurring these costs are far into the future. 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 August 31, 2014, 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 commencing April 1, 2013 for the amount of $1,500 per month as disclosed in Note 8(c) in the Financial Statements. During the year ended August, 31, 2014, the Company paid a total of $18,000 (2013 - $7,500) for office premises provided by a company controlled by a director of the Company.

On April 1, 2013, the Company entered into a consulting agreement with a company controlled by a director of the Company commencing April 1, 2013 for the amount of $4,000 per month as disclosed in Note 8(a) in the Financial Statements. During the year ended August 31, 2014, the Company paid a total of $48,000 (2013 - $20,000) in consulting fees provided by a director of the Company.

On June 1, 2013, the Company entered into a consulting agreement with a director of the Company for the year commencing June 1, 2013 for the amount of $5,000 per month as disclosed in Note 8(b) in the Financial Statements. During the year ended August 31, 2014, the Company paid a total of $60,000 (2013 - $15,000) in consulting fees provided by a director of the Company.

During the year ended August 31, 2014, the Company incurred $8,000 in directors fees (2013 - $Nil) payable to the directors of the Company

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.

Prepaid expenses at August 31, 2014 include $5,775 prepaid to a company owned by a director and senior officer of the Company for consulting services and office rent (2013 – $5,775).

Balance owing to related parties as at August 31, 2014 for services provided during the year was $14,243 (2013 - $Nil). The amounts owing to related parties are unsecured, non-interest bearing and are due on demand.

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 2014 annual financial statements.

Critical Accounting Estimates

Oil and Gas Accounting—Reserves Determination

The process of estimating reserves is complex. It requires significant estimates based on available geological, geophysical, engineering and economic data. To estimate the economically recoverable crude oil and natural gas reserves and related future net cash flows, we incorporate many factors and assumptions including the expected reservoir characteristics, future commodity prices and costs and assumed effects of regulation by governmental agencies. Reserves are used to calculate the depletion of the capitalized oil and gas costs and for impairment purposes as described in Note 3(b) to financial statements.

Property and Equipment

We evaluate our long-lived assets (petroleum and natural gas properties) for impairment if indicators exist. Cash flow estimates for our impairment assessments require assumptions and estimates about the following primary elements—future prices, future operating and development costs, remaining recoverable reserves and discount rates. In assessing the carrying values of our unproved properties, we make assumptions about our future plans for those properties, the remaining terms of the leases and any other factors that may be indicators of potential impairment.

Decommissioning Provisions

In estimating our future asset retirement obligations, we make assumptions about activities that occur many years into the future including the cost and timing of such activities. The ultimate financial impact is not clearly known as asset removal and remediation techniques and costs are constantly changing, as are legal, regulatory, environmental, political, safety and other such considerations. In arriving at amounts recorded, numerous assumptions and estimates are made on ultimate settlement amounts, inflation factors, discount rates, timing and expected changes in legal, regulatory, environmental, political and safety environments.

Share-Based Payments

Management uses judgment when applying the Black-Scholes pricing model to determine the fair value of the options granted during the period and forfeiture rates. Volatility is calculated using historical trading data of the Company. The zero coupon bond yield per the bank of Canada is used as the risk-free rate.

Voluntary Change in Accounting Policy

The previous accounting policy was to deplete the Company's properties using units of production method by reference to the ratio of production in the year to the related proven and probable reserves and future development costs. The new accounting policy was adopted on August 31, 2014 and has been applied retrospectively. Management judges that the change in policy will result in the financial statement providing more relevant and no less reliable information because it leads to a more accurate depletion expense amounts as this approach does not include the use future development costs that may be difficult to substantiate. Given the significance of possible future development costs and uncertainty related to recoverability of probable reserves, it was considered appropriate to change the accounting policy. The depletion expense was recalculated using proved only reserves and the value of the Company's petroleum and natural gas properties adjusted for any additions or dispositions and change in decommissioning liability. The carried forward value of petroleum and natural gas properties as at August 31, 2013 has decreased by $2,603 and accumulated deficit has increased by $2,603.

Adoption of new accounting policies

The mandatory adoption of the following new and revised accounting standards on September 1, 2013 had no significant impact on the Company's financial statements for the years presented.

IFRS 10 Consolidated Financial Statements - IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 replaces SIC-12 Consolidation - Special Purpose Entities and parts of the previous IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 Joint Arrangements - IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or a joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under IFRS 11, proportionate consolidation is no longer permitted.

IFRS 12 Disclosure of Interests in Other Entities - IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 Fair Value Measurement - IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes disclosures about fair value measurement.

IAS 1 Presentation of Financial Statements - In June 2011, the IASB issued an amendment to IAS 1, which requires entities to separately present items in other comprehensive income based on whether or not they may be reclassified to profit or loss in future periods.

IAS 27 Separate Financial Statements - As a result of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 27 Separate Financial Statements has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 has been reissued to only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

IAS 28 Investments in Associates and Joint Ventures - As a consequence of the issuance of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended to provide accounting guidance for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 is applied by all entities that are investors with joint control of, or significant influence over, an investee.

Accounting Standards and Amendments Issued But Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning on or after January 1, 2014.

The following standards will be adopted effective September 1, 2014:

The following new standards, amendments and interpretations that have not been early adopted in these financial statements, are not expected to have a significant effect on the Company's future results and financial position:

IAS 36 Impairment of Assets - In May 2013, the IASB issued an amendment to address the disclosure of information about the recoverable amount of impaired assets or a CGU for periods in which an impairment

loss has been recognized or reversed. The amendments also address disclosure requirements applicable when and asset's or a CGU's recoverable amount is based on fair value less costs of disposal. Management is currently evaluating the impact the final interpretation is expected to have on the Company's financial statements.

IFRIC 21 Levies - In May 2013, the IASB issued IFRIC 21, Levies ("IFRIC 21"), an interpretation of IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. Management is currently evaluating the impact the final interpretation is expected to have on the Company's financial statements.

Accounting Standards and Amendments Issued But Not Yet Effective

The following standards will be adopted effective September 1, 2017:

IFRS 15 – Revenue from Contracts with Customers - In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers, which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, 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 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition.

New accounting standards effective for fiscal years commencing no earlier than on or after January 1, 2018:

IFRS 9 Financial Instruments - IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

In December 2011, the IASB extended the mandatory effective date for IFRS 9 to on or after January 1, 2018 with early adoption permitted. As a result, there were amendments to IAS 32 Financial Instruments – Presentation to clarify the offsetting between financial assets and liabilities, which are mandatory effective on or after January 1, 2014. On November 19, 2013, the IASB issued amendments to IFRS 9 that (1) introduce a new "general hedge accounting model" to IFRSs; (2) remove the January 1, 2015, mandatory effective date from IFRS 9; and (3) allow entities to early adopt the provision in IFRS 9, as issued in 2010 (IFRS 9 (2010)), related to the presentation of changes in an entity's own credit risk within other comprehensive income (OCI).

The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

As at August 31, 2014, 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 audited Financial Statements of the Company for the year ended August 31, 2014 available on SEDAR at www.sedar.com.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and amounts 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 August 31, 2014. As at the date of MD&A, 24,100,000 shares were issued and outstanding.

Pursuant to the escrow agreements, 4,000,000 common shares issued and outstanding were placed in escrow to be released in accordance with TSX Venture Exchange Policy 2.4 over a period of up to 36 months from the date of the Final Exchange Bulletin following the completion of the Qualifying Transaction. Accordingly, 1,200,000 common shares were released from escrow during the fiscal 2014 year (2013 – 400,000). At August 31, 2014, 2,400,000 common shares (2013 – 3,600,000 common shares) remained in escrow. As at the date of MD&A, 1,800,000 shares remained in escrow.

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 2,000,000 common shares pursuant to incentive stock options issued to directors and officers which may be exercised at a price of $0.11 per share and expire on June 3, 2023.

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. The options vest fully on the date of grant. The fair value of the directors' and officers' stock options of $282,359 were expensed during the previous fiscal year, which was determined using the Black-Scholes option pricing model with the following assumptions: an annualized volatility of 112%; an expected life of 10 years; a dividend yield rate and forfeiture rate of 0%; and a risk-free interest rate of 2.08%.

No stock options were granted during the year ended August 31, 2014. As at the date of MD&A, 2,100,000 options were outstanding

OUTLOOK

Focus of the new management team and board is on identification of petroleum and natural gas exploration and production opportunities in Canada. Recent corrections in the price of crude will provide challenges in the upcoming year as well as acquisition opportunities.

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

There are no subsequent events.

ADDITIONAL INFORMATION

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