

KR INVESTMENT LTD.
Management's Discussion and Analysis
For the six month period ended February 29, 2016

DATE – APRIL 26, 2016

This management's discussion and analysis (the "**MD&A**") of the financial results of KR Investment Ltd. (the "**Company**"), prepared as of February 29, 2016 and dated April 26, 2016, should be read in conjunction with the Company's unaudited condensed interim financial statements and related notes for the six month period ended February 29, 2016, and in conjunction with the Company's audited financial statements and related notes for the year ended August 31, 2015 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 August 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 August 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 8 barrels of oil per day. The significant decline in production is due to mechanical failures in two wells. The Company's majority partner and operator are assessing the economic viability of repairing the two wells in light of current weak oil prices. 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, 2015, 2014 and 2013 are summarized as follows:

	IFRS Year Ended August 31, 2015 (\$)	IFRS Year Ended August 31, 2014 (\$)	IFRS Year Ended August 31, 2013 (\$)
Total Gross Revenue	209,529	290,456	193,025
Net loss			
(i) total for the year	522,278	353,653	628,097
(ii) Per share	0.17	0.12	0.36
(iii) Per share fully diluted	0.17	0.12	0.36
Total Assets	994,159	1,583,598	1,940,114
Total long-term financial liabilities	239,155	259,167	289,738
Cash dividends declared per-share	Nil	Nil	Nil

During the year ended August 31, 2015, the Company had a net loss of \$522,278 consisting of professional fees of \$65,487 (2014 - \$60,209), rent expenses of \$32,700 (2014 - \$28,800), transfer agent and filing fees of \$12,293 (2014 - \$15,287), share based payments of nil (2014 - nil), travel expenses of \$3,700 (2014 - \$16,603), depletion charge of \$94,845 (2014 - \$116,943) and consulting fees of \$102,473 (2014 - 115,250).

An impairment charge of property and equipment, lower revenues as a result of weak commodity prices and natural decline in production were responsible for the higher losses during the 2015 fiscal period. There were no stock options granted and no share based payment expense recognized during fiscal 2015 and 2014.

DISCUSSION OF OPERATIONS

Six months ended February 29, 2016 and 2015

The financial results of the Company for the six months ended February 29, 2016 and 2015 are summarized as follows:

During the six months ended February 29, 2016, the Company recorded a net loss of \$166,769 (2015 - \$137,935) consisting of gross revenues of \$41,318 (2015 - \$115,903), production costs of \$20,799 (2015 - \$77,554) and expenses of \$187,288 (2015 - \$176,285). Significantly lower oil prices and the loss of production from two wells as a result of mechanical failure were responsible for higher losses during the 2016 period compared to the period in the previous year. Costs associated with the share consolidation were responsible for higher expenses during the 2015 period compared to the previous year.

As of September 1, 2015, the company has terminated its sales to its sole customer, due to the customer being in receivership and continues its sales with another party within the oil industry under similar terms and conditions.

The Provost operations are currently suspended until the well licenses are transferred to the Company's joint venture partner. The Provost well licenses are currently held by a company under receivership with no working interest in the Provost asset. The Company's partner is in discussions with the Alberta Energy

Regulator to have the well licenses transferred as soon as possible so that operations can continue. The Provost operations were operating profitable prior to the suspension.

Statements of Financial Position as at February 29, 2016 and 2015

	February 29, 2016 (\$)	February 28, 2015 (\$)
Net Income (loss)	(166,769)	(137,759)
Basic/diluted Income (loss) per share	(0.06)	(0.05)
Total Assets	987,910	1,492,682
Total Liabilities	239,725	353,158

As at February 29, 2016, the Company had total assets of \$987,910 compared to \$1,492,682 in 2015. Significant decline in oil prices were responsible for the decline. As at February 29, 2016, the Company's assets comprised of cash and cash equivalents of \$48,596 (2015 - \$64,134), amount receivable of \$3,211 (2015 - \$15,804) and prepaid expense of \$4,842 (2015 - \$0). There is a provision of \$146,976 for decommissioning (2015 - 262,267). As at February 29, 2016, the Company had accounts payable and accrued liabilities of \$92,749 (2015 - \$90,891).

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	February 29, 2016 (\$)	November 30, 2015 (\$)	August 31, 2015 (\$)	May 31, 2015 (\$)
Gross Revenue	14,528	26,790	46,605	46,020
Oil & Gas Expenditures	3,210	17,589	19,886	22,442
General & Admin.	99,323	87,965	101,775	75,187
Other Income (loss)	-	-	-	-
Income (loss)	(88,005)	(78,764)	(332,910)	(51,610)
Income (loss) per share	(0.03)	(0.03)	(0.00)	(0.00)

Three Months Ended	February 28, 2015 (\$)	November 30, 2014 (\$)	August 31, 2014 (\$)	May 31, 2013 (\$)
Revenue	45,560	70,343	64,189	78,646
Oil & Gas Expenditures	32,407	45,147	29,356	40,610
General & Admin.	106,874	69,411	143,920	67,301
Other Income	77	99	118	(149,864)
Income (loss)	(93,643)	(44,116)	(108,970)	(179,129)
Income (loss) per share	(0.00)	(0.00)	(0.00)	(0.01)

During the three months ended February 29, 2016, the Company reported a loss of \$88,005 compared to a loss of \$93,643 for the corresponding period in 2015. Losses were higher for the period ending February 29, 2016 than from the previous year because of significantly lower oil prices and the mechanical failure of two wells.

LIQUIDITY AND CAPITAL RESOURCES

The financial results for the six month ended February 29, 2016 and 2015 are summarized as follows:

	Three Months Ended February 29, 2016 (\$)	Three Months Ended February 28, 2015
Cash used in/ provided from Operating Activities	(122,308)	(33,069)
Increase (Decrease) in Cash	37,692	(65,981)
Cash – Beginning of period	10,904	130,115
Cash – End of period	48,596	64,134

	As at February 29, 2016 (\$)	As at February 28, 2015 (\$)
Cash	48,596	64,134
Total Assets	987,910	1,492,682
Total Liabilities	239,725	353,158
Share Capital	2,278,207	2,118,207
Total Shareholders' Equity	748,235	1,139,524
Total Liabilities and Shareholders' Equity	987,910	1,492,682

The Company has decommissioning provisions of \$146,976 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 February 29, 2016, and up to the date of this MD&A, the Company has had no off-balance sheet arrangements.

RESERVES

(Proved plus Probable Constant Price Discounted at 10%)

	August 31, 2015	August 31, 2014	Change
Net Reserves (BOE)	56,800	62,100	-8.5%
Net Present Value Before Taxes	\$922,000	\$1,577,000	-41.5%

Significant decline in crude prices were responsible for the decrease in valuation of the Company's reserves. Production for the Company's operation has been projected to year 2030. Additional information can be found in the Company's 51-101 disclosure on SEDAR at www.sedar.com.

TRANSACTIONS WITH RELATED PARTIES

During the period ended February 29, 2016, the Company charged a total of \$24,000 (2015 - \$24,000) to operations in consulting fees provided by a company controlled by a director and officer of the Company, of which \$8,000 (August 31, 2015 – \$16,000) has been accrued as due to related parties.

During the period ended February 29, 2016, the Company charged a total of \$30,000 (2015 - \$30,000) to operations in consulting fees provided by a director and officer of the Company, of which \$30,000 (August 31, 2015 – \$45,000) has been accrued as due to related parties.

During the period ended February 29, 2016, the Company charged a total of \$18,000 (2015 - \$18,000) to operations for office premises provided by a company controlled by a director of the Company, of which \$6,000 (August 31, 2015 – \$14,000) has been accrued as due to related parties.

During fiscal 2014 the Company accrued \$8,000 in fees for services provided by directors of the Company. As of February 29, 2016, \$4,000 of such fees remain accrued as due to related parties.

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.

Balance owing to related parties as at February 29, 2016 for services provided was \$48,000 (2015 - \$35,500). The amounts owing to related parties are unsecured, non-interest bearing and are due on demand.

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 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 six months ended February 29, 2016. As at the date of MD&A, 262,500 options were outstanding

SHARE RESTRUCTURING AND FINANCING

On September 30, 2015 the shares of the Company were consolidated on the basis of one post-consolidated shares for each eight pre-consolidated common shares. The resulting outstanding shares changed from 24,100,000 (pre-consolidated) shares to 3,012,000 (post-consolidated) shares.

On November 12, 2015, the Company closed a non-brokered private placement offering of 3,200,000 common shares at a price of \$0.05 per share, for gross proceeds of \$160,000.

BUSINESS PROSPECTS AND OUTLOOK

The dramatic decline in crude oil prices have become an unforeseen challenge for the Company. The Company continues to seek opportunities in increasing its production through acquisition and exploration.

BUSINESS RISKS

The oil and gas industry is subject to risks in (among others):

- Volatility in crude oil prices
- Finding and developing reserves.
- Commodity prices received for such reserves.
- Availability of equipment, manpower and supplies.
- Availability and cost of capital to achieve projected growth.
- Effect of weather on drilling and production.
- Operating in an environmentally appropriate fashion.

KR mitigates these business risks by:

- Maintaining cost-effective operations.
- Operating our own properties to control the amount and timing of capital expenditures.
- Minimizing costs by re-entering existing wells to explore missed pay zones
- Restricting operations to western, central and southern Alberta where locations are accessible, operating and capital costs are reasonable and on-stream times are shorter.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. Significant areas requiring the use of management estimates include the determination of the recovery of accounts receivable, amortization, depreciation, depletion and impairment of property and equipment and exploration and evaluation assets, petroleum and natural gas reserves, decommissioning provisions, and deferred income tax assets and liabilities. Actual results could differ from these 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, the Company incorporates 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(i) to the condensed interim financial statements.

Property and Equipment

The Company evaluates its long-lived assets (petroleum and natural gas properties) for impairment if indicators exist. Cash flow estimates for the 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 the unproved properties, the Company makes assumptions about its 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 the future decommissioning provisions, the Company makes 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.

Depreciation and depletion

Depletion of petroleum and natural gas properties is provided using the unit-of-production method based on production volumes before royalties in relation to total estimated reserves as determined annually by independent engineers and internal reserve evaluations. Changes in forward price estimates, production levels or results of future drilling may change the economic status of reserves and may result in reserves being revised.

Share-based payments

The fair value of share options granted is measured using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the option, expected volatility, expected life of the options, expected dividends and the risk-free interest rate. These estimates will impact the amount of share-based payments recognized. When stock options are exercised, the cash proceeds along with the amount previously recorded as share-based payment reserves are recorded as share capital.

Income taxes

Related assets and liabilities are recognized for the estimated tax consequences between amounts included in the financial statements and their tax base using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences and, accordingly, affect the amount of the deferred tax asset or liability calculated at a point in time.

DISCLOSURE CONTROLS AND PROCEDURES OVER FINANCIAL REPORTING

Disclosure controls and procedures are designed to provide reasonable assurances that all relevant information is gathered and reported to senior management, including the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”), and that management has evaluated the effectiveness of the Company’s disclosure controls and procedures as defined in National Instrument 52-109 of the Canadian Securities Administrators and has concluded that such disclosure controls and procedures are effective. However, they do not expect that the disclosure controls and procedures or internal control over financial reporting will prevent all errors or fraud. An economically feasible control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

OFF-BALANCE SHEET ARRANGEMENTS AND PROPOSED TRANSACTIONS

As of February 29, 2016, the Company did not have any off-balance sheet arrangements or proposed transactions.

FINANCIAL INSTRUMENTS AND RISK

Financial Instruments

The Company's financial instruments include cash, accounts receivable, accounts payable and amounts due to related parties. The Company classifies its cash as fair value through profit or loss, its accounts receivable as loans and receivables, and its accounts payable and amount due to related parties as other financial liabilities. The fair values of these financial instruments approximate their carrying values because of their current or on demand nature.

	February 29, 2016	February 28, 2015
	\$	\$
Fair value through profit or loss	48,596	64,134
Loans and receivables	3,211	15,804
Other financial liabilities	92,749	90,891

Certain financial assets and liabilities are measured at fair value on a recurring basis and classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Certain non-financial assets and liabilities may also be measured at fair value on a non-recurring basis. There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The levels and the valuation techniques used to value the Company's financial assets and liabilities are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data and require inputs that are both significant to the fair value measurement and unobservable.

The Company's financial assets and liabilities measured at fair value on a recurring basis as of February 29, 2016 are as follows:

	Balance at February 29, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	\$	\$	\$	\$
Financial Assets:				
Cash	48,596	48,596	–	–

Financial Risks

The Company thoroughly examines the various financial instrument risks to which it is exposed, and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by management. There have not been any significant changes from the previous year as to how these risks are reviewed and monitored by management. The types of financial instrument risk exposures and the objectives and policies for managing these risk exposures is described below.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk through its cash which is held with large Canadian financial institutions, and its accounts receivable which settle 60 days after the end of a monthly production cycle. The Company continuously monitors accounts receivable to minimize risk. As at February 29, 2016, the Company's maximum risk exposure to credit risk is the carrying value of cash and accounts receivable of \$3,211.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's accounts payable and accrued liabilities, and amounts due to related parties are all current.

As at February 29, 2016, the Company had a working capital of \$13,455.

The Company ensures that it has sufficient capital to meet short-term financial obligations after taking into account its administrative obligations. Contractual undiscounted cash flow requirements for financial liabilities as at February 29, 2016 are as follows:

	Less Than 1 Month \$	1 – 3 Months \$	3 months to 1 year \$	Total \$
Accounts payable and accrued Liabilities	-	-	44,749	44,749
Due to related parties	-	-	48,000	48,000
	-	-	92,749	92,749

Foreign Exchange Risk

Foreign exchange risk is the risk related to the fluctuation of foreign exchange rates. The Company is not exposed to significant foreign exchange risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to short-term interest rates through the interest earned on cash balances; however, management does not believe this exposure is significant.

Commodity Price Risk

The Company's revenues and ability to raise capital to fund operating activities are subject to risks associated with fluctuations in the market price of its commodities. The Company closely monitors commodity prices to determine the appropriate course of actions to be taken.

The Company does not use derivative instruments or hedges to manage risks because the Company's exposure to credit risk, interest rate risk and currency risk is small.

RECENT ACCOUNTING PRONCEMENTS AND ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Accounting Standards Issued but not yet Effective

The following standards will be adopted effective September 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, other 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 September 1, 2018 with early adoption permitted.

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 Programs, 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.

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.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The CEO and CFO of KR Investment Ltd. are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. The Company assessed the design of its internal control over financial reporting as of February 29, 2016. During this process, management identified certain weaknesses in internal controls over financial reporting which are as follows:

- Due to the nature of the joint venture agreements, the Company is completely reliant on joint venture partners for revenue and cost statements for some of the Company's wells; the Company's limited size does not make it economically feasible to establish a staff to audit the statements of the Company's partners
- Due to the limited number of staff, the Company does not have the sufficient number of financial personnel with the technical accounting knowledge to address all the complex and non-routine accounting transactions that may arise

These weaknesses in internal controls over financial reporting result in a possibility that a material misstatement would not be prevented or detected. Management and the board of directors work to mitigate the risk of a material misstatement in financial reporting, however, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.

READER ADVISORY

Statements in this document may contain forward-looking information. The reader is cautioned that assumptions used in the preparation of such information may prove to be incorrect. Events or circumstances may cause actual results to differ materially from those predicted, a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Company. The reader is cautioned not to place undue reliance on this forward looking information.

SUBSEQUENT EVENTS

There were no subsequent events to report.

ADDITIONAL INFORMATION

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