KR INVESTMENT LTD.
Management's Discussion and Analysis
For the year ended August 31, 2016

DATE – DECEMBER 22, 2016

This management's discussion and analysis (the "**MD&A**") of KR Investment Ltd. (the "**Company**") is dated December 22, 2016. 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, 2016, copies of which are available on SEDAR at www.sedar.com.

The Financial Statements for the year ended August 31, 2016 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 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 1780, 400 Burrard Street, Vancouver, British Columbia V6E 3A6.

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. 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 4 barrels of oil per day (2015 –13 barrels per day). On October 26, 2015, the operator of the Provost asset Canadian Oil & Gas International Inc.'s (COGI), went into bankruptcy. On February 18, 2016 the Alberta Energy Regulator (AER) revoked COGI's operating license to operate the Provost well resulting in the suspension of the Provost operation. The Provost asset was operating profitably with an LLR rating of 1.5 prior to the suspension of operations. The suspension was a result of a technicality on COGI's qualification as an operator by the AER which the Company disagrees with. The suspension order was not in any way a result of the operations of the Provost asset. At the time of the shut in order, Provost's 80% working interest partner was confident that the well license would be transferred to them and operations would continue quickly. Currently, the well license has not been transferred and the Provost operation remains suspended. The Company and its partners continue to work towards getting the licenses transferred in order to resume production of the field.

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, 2016, 2015 and 2014 are summarized as follows:

	IFRS **Year Ended August 31, 2016 ($)**	**IFRS** **Year Ended August 31, 2015 ($)**	**IFRS** **Year Ended August 31, 2014 ($)**
Total Gross Revenue	41,318	209,529	290,456
Net loss			
(i) total for the year	1,174,742	522,278	353,653
(ii) Per share	0.21	0.17	0.12
(iii) Per share fully diluted	0.21	0.17	0.12
Total Assets	6,376	994,159	1,583,598
Total long-term financial liabilities	266,144	239,155	259,167
Cash dividends declared per-share	Nil	Nil	Nil

During the year ended August 31, 2016, the Company had a net loss of $1,174,742 consisting of a onetime impairment charge of $921,721 related to the write down of the Company's Provost asset. No value could be allocated to the Provost asset because operations were shut down by the AER since March 2016. The valuation of the Provost asset could change if and when the AER allows the license transfer to restart production of the Provost asset. The net loss also consisted of professional fees of $49,154 (2015 - $65,487), rent expenses of $36,000 (2015 - $32,700), transfer agent and filing fees of $19,303 (2015 - $12,293), share based payments of nil (2014 – nil), travel expenses of $2,489 (2015 - $3,700), depletion charge of $18,215 (2015 – 94,845) and consulting fees of $108,979 (2015 – 102,473).

The impairment charge related to the write down of the Provost property stemming from the COGI bankruptcy and was responsible for the significantly high loss during the 2016 fiscal period. There were no stock options granted and no share based payment expense recognized during fiscal 2016 and 2015.

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, 2016 ($)	May 31, 2016 ($)	February 28, 2016 ($)	November 30, 2015 ($)
Gross Revenue	-	-	14,528	26,790
Oil & Gas Expenditures	11,380	129	3,210	17,589
General & Admin.	(1,272)	76,015	99,323	87,965
Other Income (loss)	(921,721)	-	-	-
Income (loss)	(931,829)	(76,144)	(88,005)	(78,764)
Income (loss) per share	(0.15)	(0.01)	(0.03)	(0.03)

Three Months Ended	August 31, 2015 ($)	May 31, 2015 ($)	February 28, 2014 ($)	November 30, 2014 ($)
Revenue	46,605	46,020	45,560	70,343
Oil & Gas Expenditures	19,886	22,442	32,407	45,147
General & Admin.	101,775	75,187	106,874	69,411
Other Income	-	-	77	99
Income (loss)	(332,910)	(51,610)	(93,643)	(44,116)
Income (loss) per share		(0.00)	(0.00)	(0.00)

During the three months ended August 31, 2016, the Company reported a net loss of $931,829 compared to a net loss of $332,910 for the corresponding period in 2015. A $921,721 impairment charge of property and equipment was responsible for the higher losses during the three months ended August 31, 2016 compare to the previous year.

LIQUIDITY AND CAPITAL RESOURCES

The financial results for the year ended August 31, 2016 and 2015 are summarized as follows:

	Year Ended August 31, 2016 ($)	Year Ended August 31, 2015 ($)
Cash (used in)/ provided from Operating Activities	(168,291)	(86,131)
Decrease in Cash	(8,291)	(119,211)
Cash – Beginning of year	10,904	130,115
Cash – End of year	2,613	10,904

	As at August 31, 2016 ($)	As at August 31, 2015 ($)
Cash	2,613	10,904
Total Assets	6,376	994,159
Total Liabilities	266,144	239,155
Share Capital	2,278,207	2,118,207
Total Shareholders' Equity (Deficiency)	(259,738)	755,004
Total Liabilities and Shareholders' Equity	6,376	994,159

The Company has decommissioning provisions of $112,778 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 does not have sufficient working capital to maintain current operations for at least twelve months. The Company will need to raise capital through the equity markets for the necessary working capital. The Company will continue to rely on the goodwill of management until the Company is in the position to pay management. 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, 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, 2016	August 31, 2015	Change
Net Reserves (BOE)	nil	56,800	-100%
Net Present Value Before Taxes	$nil	$922,000	-100%

The reserve engineer could not allocate any reserves to the Provost asset for the fiscal year ending August 2016 because of the uncertainty related to the license status of the asset. The reserve engineer will allocate reserves if and when the AER allows the resumption of production for the Provost asset.

TRANSACTIONS WITH RELATED PARTIES

On August 1, 2015, 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 $3,000 per month as disclosed in Note 7(c) in the Financial Statements. During the year ended August, 31, 2016, the Company was charged a total of $36,000 (2015 - $30,000) for office premises provided by a company controlled by a director of the Company of which $6,000 (2015 - $14,000) has been accrued as due to related parties.

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 7(a) in the Financial Statements. During the year ended August 31, 2016, the Company was charged a total of $48,000 (2015 - $48,000) in consulting fees provided by a director of the Company, of which $24,000 (2015 – 16,000) has been accrued as due to related parties.

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 7(b) in the Financial Statements. During the year ended August 31, 2016, the Company was charged a total of $60,000 (2015 - $45,000) in consulting fees provided by a director of the Company, has been 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 August 31, 2016 for services provided during the year was $102,000 (2015 - $79,000). The amounts owing to related parties are unsecured, non-interest bearing and are due on demand.

SHARE CAPITAL

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 3,012,500 (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. The completion of the non-brokered private placement offering resulted in 6,212,500 outstanding shares.

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 stock options is determined using the Black-Scholes option pricing.

No stock options were granted during the year ended August 31, 2016 and 2015. As at the date of this MD&A, 262,500 options were outstanding and were adjusted for the 8 to 1 rollback.

BUSINESS PROSPECTS AND OUTLOOK

The dramatic decline in crude oil prices and the bankruptcy of COGI 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.

The Company 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(d) to the audited annual 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 August 31, 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, amounts recoverable, accounts payable and amounts due to related parties. The Company classifies its cash as fair value through profit or loss, its amounts recoverable 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.

	August 31, 2016	August 31, 2015
	$	$
Fair value through profit or loss	2,613	10,904
Loans and receivables	-	-
Other financial liabilities	153,336	97,199

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 August 31, 2016 are as follows:

	Balance at August 31, 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	2,613	2,613	–	–

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. As at August 31, 2016, the Company's maximum risk exposure to credit risk is the carrying value of cash of $2,613.

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 August 31, 2016, the Company had a working capital deficiency of $146,916.

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 August 31, 2016 are as follows:

	Less Than 1 Month	1 – 3 Months	4 months to Less Than 1 Year	Years 1 – 3	Total
Accounts payable and accrued liabilities	$ 51,336	$ -	$ -	$ -	$ 51,336
Due to related parties	-	-	-	102,000	102,000
	$ 51,336	$ -	$ -	$102,000	$ 153,336

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 PROUNCEMENTS 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 16 - Leases - is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model.

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.

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 August 31, 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 are no subsequent events to report.

ADDITIONAL INFORMATION

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