

KR INVESTMENT LTD.
Management's Discussion and Analysis
For the six month period ended February 29, 2019

DATE – APRIL 29, 2019

This management's discussion and analysis (the "**MD&A**") of the financial results of KR Investment Ltd. (the "**Company**"), prepared as of February 28, 2019 and dated April 29, 2019, should be read in conjunction with the Company's unaudited condensed interim financial statements and related notes for the six month period ended February 28, 2019, and in conjunction with the Company's audited financial statements and related notes for the year ended August 31, 2018 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."

The Company's head office is located at Suite 500- 1080 Mainland Street, Vancouver, British Columbia.

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.

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.

On February 2, 2018, the Company was transferred to the NEX board of the TSX Venture Exchange due to the Company no longer satisfying the Exchange's tier maintenance requirements for Tier 2 issuers.

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 with oil and gas assets in Canada. The Company is in the process of seeking business opportunities outside of the oil and gas sector. The drop in global oil prices since 2014 has made it challenging for exploration and junior resource issuers to, among other things, raise capital and increase shareholder value.

On February 22, 2018, the Company announced it entered into a letter of intent ("LOI") with a shareholder of Wildnorth Fishery Limited ("Wildnorth") to acquire 90% of the issued and outstanding shares of Wildnorth for a total consideration of \$30,000. Wildnorth is a Manitoba company engaged in the business of acquiring and exporting fish from the lakes of Manitoba. The Company also entered into a LOI with LJ Town Farm Corporation ("LJ Farm") to acquire two properties in Manitoba for a total cash consideration of \$110,000. Subsequent to the year ended August 31, 2018, the Company terminated the LOI with Wildnorth and LJ Farm and will no longer pursue a listing on the Canadian Securities Exchange.

The Company is currently researching other potential business opportunities and has not entered into any agreements.

OIL AND GAS OPERATIONS

Provost

The Company's assets are comprised of eight gross wells located in the Provost area of Alberta, Canada that has an area of 193.4 hectares. On October 26, 2015, the operator of the Provost wells, 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 wells resulting in the suspension of the Provost operation. The Provost wells were 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 wells. At the time of the shut-in order, the 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 is exploring the possibility of divesting the asset.

SELECTED ANNUAL FINANCIAL INFORMATION

The financial results of the Company for the three financial years ended August 31, 2018, 2017 and 2016 are summarized as follows:

	IFRS Year Ended August 31, 2018 (\$)	IFRS Year Ended August 31, 2017 (\$)	IFRS Year Ended August 31, 2016 (\$)
Total gross revenue	Nil	Nil	41,318
Net loss			
(i) total for the year	358,659	300,741	1,174,742
(ii) Per share	0.02	0.03	0.21
(iii) Per share fully diluted	0.02	0.03	0.21
Total assets	646,442	94,367	6,376
Total financial liabilities	264,531	343,652	266,144
Cash dividends declared per-share	Nil	Nil	Nil

During the year ended August 31, 2018, the Company had a net loss of \$358,659. The losses were higher than previous year because legal and accounting costs related to listing on the Canadian Securities Exchange. 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 \$158,046 (2017- \$70,480), rent expenses of \$37,200 (2017 - \$36,600), transfer agent and filing fees of \$17,278 (2017 - \$29,852), travel expenses of \$22,582 (2017 - \$35,867), and consulting fees of \$106,500 (2017 – \$110,400).

There were no stock options granted and no share-based payment expense recognized during fiscal 2018 and 2017.

DISCUSSION OF OPERATIONS

Six months ended February 28, 2019 and 2018

The financial results of the Company for the six months ended February 28, 2019 and 2018 are summarized as follows:

During the six months ended February 28, 2019, the Company recorded a net loss of \$112,692 (2018 - \$177,697) consisting of gross revenues of \$NIL (2018 - \$NIL), production costs of \$NIL (2018 - \$NIL) and expenses of \$112,692 (2018 - \$177,697). Lower rent and consulting fees were responsible for the lower losses for the six months ended February 28, 2019 compared to the previous year.

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 still 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 and in good standing prior to the suspension.

Statements of Financial Position as at February 28, 2019 and 2018

	<u>February 28, 2019</u> (\$)	<u>February 28, 2018</u> (\$)
Net Income (loss)	(112,692)	(177,697)
Basic/diluted Income (loss) per share	(0.01)	(0.01)
Total Assets	456,827	789,323
Total Liabilities	187,608	94,802

As at February 28, 2019, the Company had total assets of \$456,827 compared to \$789,323 in 2018. As at February 28, 2019, the Company's assets comprised of cash and cash equivalents of \$455,042 (2018 - \$789,322), amounts recoverable \$NIL (2018 - \$NIL), and prepaid expense of \$1,784 (2018 - \$NIL). There is a provision of \$127,323 for decommissioning (2018 - 121,503). As at February 28, 2019, the Company had accounts payable and accrued liabilities of \$60,285 (2018 - \$94,802).

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 28, 2019 (\$)	November 30, 2018 (\$)	August 31, 2018 (\$)	May 31, 2018 (\$)
Gross Revenue	-	-	-	-
Oil & Gas Expenditures	-	-	-	-
General & Admin.	70,801	41,891	68,912	112,050
Other Income (Loss)	-	-	-	-
Income (Loss)	(70,801)	(41,891)	(68,912)	(112,050)
Income (Loss) per share	(0.00)	(0.00)	(0.00)	(0.00)

Three Months Ended	February 28, 2018 (\$)	November 31, 2017 (\$)	August 31, 2017 (\$)	May 31, 2017 (\$)
Revenue	-	-	-	-
Oil & Gas Expenditures	-	-	-	-
General & Admin.	122,627	55,070	88,329	60,377
Other Income	-	-	-	21
Income (Loss)	(122,627)	(55,070)	(88,329)	(60,356)
Income (Loss) per Share	(0.01)	(0.04)	(0.01)	(0.01)

LIQUIDITY AND CAPITAL RESOURCES

The financial results for the six months ended February 28, 2019 and 2018 are summarized as follows:

	Six Months Ended February 28, 2019 (\$)	Six Months Ended February 28, 2018
Cash used in/ provided from Operating Activities	(191,400)	(305,044)
Increase (Decrease) in Cash	(191,400)	694,958
Cash – Beginning of period	646,441	94,366
Cash – End of period	455,042	789,322

	As at February 28, 2019 (\$)	As at February 28, 2018 (\$)
Cash	455,042	789,322
Total Assets	456,827	789,322
Total Liabilities	187,608	94,802
Share Capital	3,579,256	3,589,401
Total Shareholders' Equity (Deficiency)	(269,219)	(573,017)
Total Liabilities and Shareholders' Equity	456,827	789,332

The Company has decommissioning provisions of \$127,323 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 the next twelve months. The Company will need to seek financing to fund future operations. The Company has paid no dividends to date. The Company has financed operations from the good will of vendors and management.

OFF-BALANCE SHEET ARRANGEMENTS

As at February 28, 2019, and up to the date of this MD&A, the Company has had no off-balance sheet arrangements.

RESERVES

The reserve engineer could not allocate any reserves to the Provost asset for the fiscal period ending February 28, 2019 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

The Company has identified its directors and certain senior officers as its key management personnel. The compensation costs for key management personnel and companies related to them were recorded as follows:

- a. During the six months period ended February 28, 2019, the Company was charged a total of \$12,600 (2018 - \$25,200) to operations in consulting fees provided by a company controlled by a director and officer of the Company, of which \$Nil (August 31, 2018 - \$6,300) has been accrued as due to related parties.
- b. During the six months period ended February 28, 2019, the Company was charged a total of \$24,000 (2018 - \$30,000) to operations in consulting fees provided by a director and officer of the Company, of which \$16,000 (August 31, 2018 - \$57,000) has been accrued as due to related parties.
- c. During the six months period ended February 28, 2019, the Company was charged a total of \$6,300 (2018 - \$20,400) to operations for office premises provided by a company controlled by a director of the Company, of which \$Nil (August 31, 2018 - \$4,200) has been accrued as due to related parties.
- d. During the six months period ended February 28, 2019, the Company charged a total of \$4,000 (2018 - \$Nil) to operations for directors' fees. As at February 28, 2019, the Company has accrued a total amount of \$4,000 (August 31, 2018 - \$8,000) as due to related parties.
- e. Balance owing to related parties as at February 28, 2019 was \$20,000 (August 31, 2018 - \$75,500). 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.

On March 1, 2017, the Company closed a private placement offering of 6,500,000 common shares at a price of \$0.05 per share for gross proceeds of \$325,000.

On December 8, 2017, the Company closed a non-brokered private placement and issued 10,000,000 common shares of the Company at a price of \$0.10 per share for gross proceeds of \$1,000,000. The proceeds will be used for seeking acquisition opportunities and working capital.

As of the date of this MD&A, the Company had 22,712,500 common shares outstanding.

STOCK OPTIONS

The Company has established an incentive stock option plan for granting options to directors, employees and consultants in accordance with TSX Venture Exchange policies. The Stock Option Plan is a rolling plan allowing the Company to issue 10% of the outstanding shares for a maximum term of ten years from the day of the grant of stock options.

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 six months ended February 28, 2019 and 2018. As at the date of this MD&A, 262,500 options were outstanding and have been retroactively adjusted for the 8 to 1 share consolidation.

BUSINESS PROSPECTS AND OUTLOOK

The dramatic decline in crude oil prices and the bankruptcy of COGI have become unforeseen challenges for the Company.

The Company is exploring opportunities to acquire assets and/or businesses beyond the oil and gas sector within which it is currently operating. Management and the board of directors believe that the drop in global oil prices since 2014 has made it challenging for exploration and junior resource issuers to, among other things, raise capital and increase shareholder value. The Company terminated the LOI with Wildnorth and LJ Farm and is now seeking new business opportunities.

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 28, 2019, 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 28, 2019	February 28, 2018
	\$	\$
Fair value through profit or loss	456,042	789,332
Other financial liabilities	60,285	94,802

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 28, 2019 are as follows:

	Balance at February 28, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	\$	\$	\$	\$
Financial Assets:				
Cash	456,042	456,042	–	–

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 February 28, 2019, the Company's maximum risk exposure to credit risk is the carrying value of cash of \$456,042.

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 28, 2019 the Company had a working capital surplus of \$416,541.

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 28, 2019 are as follows:

	Less Than 1 Month \$	1 – 3 Months \$	3 months to 1 year \$	Total \$
Accounts payable and accrued Liabilities	40,285	-	-	40,285
Due to related parties	-	-	20,000	20,000
	40,285	-	20,000	60,285

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

Accounting Standards Issued but not yet Effective

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 standard is effective for years beginning on or after January 1, 2018.

IFRS 9 Financial Instruments – is a new standard on financial instruments that will replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. The standard is effective for years beginning on or after January 1, 2018.

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. The standard is effective for years beginning on or after January 1, 2019.

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 IFRS. The Company assessed the design of its internal control over financial reporting as of February 28, 2019. 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 relating to the Company can also be found on SEDAR at www.sedar.com