

KR INVESTMENT LTD.
Management's Discussion and Analysis
For the year ended August 31, 2019

DATE – NOVEMBER 22, 2019

This Management's Discussion and Analysis (the "**MD&A**") of KR Investment Ltd. (the "**Company**") is dated November 22, 2019. 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, 2019, copies of which are available on SEDAR at www.sedar.com.

The Financial Statements for the year ended August 31, 2019 have been prepared in accordance with International Financial Reporting Standards ("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.

CORPORATE STRUCTURE AND HISTORY

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

The Company's head office is located at Suite 500, 1080 Mainland Street, Vancouver, British Columbia V6B 2T4.

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 constituted the Qualifying Transaction of the Company under Policy 2.4 and was approved by the Exchange on 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 comprised 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, which had been 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 had the ability to 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 used the proceeds of the private placement to pay for the purchased 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 CPC 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. On November 21, 2018, the Company terminated the LOI with Wildnorth and LJ Farm and will no longer pursue a listing on the Canadian Securities Exchange.

During the year ended August 31, 2019, the Company was informed of the acquisition of the 80% working interest in the Provost asset by new partners ("Partners"). The Partners also informed the Company that the operating licenses were successfully transferred and reinstated to permit the production of the Provost

asset effective January 25, 2019. The Partners informed the Company of their intention to restart production of the Provost asset. The Company is currently waiting for the Approval For Expenditure (“AFE”) from the partners. The Company will participate in its 20% share of the costs associated with restarting production of the Provost asset.

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. (“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 with which the Company disagreed. The suspension order was not in any way a result of the operations of the Provost wells.

The Partners plan to reinstate production of the Provost asset no later than the beginning of the new year of 2020. The Company expects revenues once production of oil commences barring any unforeseen technical issues.

SELECTED ANNUAL FINANCIAL INFORMATION

The financial results of the Company for the three financial years ended August 31, 2019, 2018 and 2017 are summarized as follows:

	IFRS Year Ended August 31, 2019 (\$)	IFRS Year Ended August 31, 2018 (\$)	IFRS Year Ended August 31, 2017 (\$)
Total gross revenue	Nil	Nil	Nil
Net loss			
(i) total for the year	163,795	358,659	300,741
(ii) Per share	0.01	0.02	0.03
(iii) Per share fully diluted	0.01	0.02	0.03
Total assets	391,996	646,442	94,367
Total financial liabilities	173,880	264,531	343,652
Cash dividends declared per-share	Nil	Nil	Nil

During the year ended August 31, 2019, the Company had a net loss of \$163,795. The losses were lower than previous year because of lower legal, accounting and consulting. 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 production is restarted. The net loss also consisted of accounting and legal of \$65,159 (2018- \$158,046), consulting of \$49,200 (2018 - 106,500), rent expenses of \$12,600 (2018 - \$37,200), transfer agent and filing fees of \$13,375 (2018 - \$17,278) and travel expenses of \$7,315 (2018 - \$22,582).

There were no stock options granted and no share-based payment expense recognized during fiscal 2019 and 2018.

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, 2019 (\$)	May 31, 2019 (\$)	February 28, 2019 (\$)	November 30, 2018 (\$)
Gross Revenue	-	-	-	-
Oil & Gas Expenditures	-	-	-	-
General & Admin.	30,523	20,581	70,801	41,891
Other Income (Loss)	-	-	-	-
Income (Loss)	(30,523)	(20,581)	(70,801)	(41,891)
Income (Loss) per share	(0.00)	(0.00)	(0.00)	(0.00)

Three Months Ended	August 31, 2018 (\$)	May 31, 2018 (\$)	February 28, 2018 (\$)	November 30, 2017 (\$)
Revenue	-	-	-	-
Oil & Gas Expenditures	-	-	-	-
General & Admin.	68,912	112,050	122,627	55,070
Other Income	-	-	-	-
Income (Loss)	(68,912)	(112,050)	(122,627)	(55,070)
Income (Loss) per Share	(0.00)	(0.00)	(0.01)	(0.04)

During the three months ended August 31, 2019, the Company reported a net loss of \$30,523 compared to a net loss of \$68,912 for the corresponding period in 2018. The difference of loss from the previous year was largely due to an adjustment in consulting fees and rent during the three months ended August 31, 2019.

LIQUIDITY AND CAPITAL RESOURCES

The financial results for the year ended August 31, 2019 and 2018 are summarized as follows:

	Year Ended August 31, 2019 (\$)	Year Ended August 31, 2018 (\$)
Cash Used in Operating Activities	(315,446)	(437,780)
Increase (Decrease) in Cash	(315,446)	(552,075)
Cash – Beginning of year	646,441	94,366
Cash – End of year	330,995	646,441

	As at August 31, 2019 (\$)	As at August 31, 2018 (\$)
Cash	330,995	646,441
Total Assets	391,996	646,442
Total Liabilities	173,880	264,531
Share Capital	3,579,256	3,579,256
Total Shareholders' Equity (Deficiency)	218,116	381,911
Total Liabilities and Shareholders' Equity (Deficiency)	391,996	646,442

The Company has a decommissioning provision of \$132,333 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.

OFF-BALANCE SHEET ARRANGEMENTS

As at August 31, 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 wells for the fiscal years ending August 31, 2019 and 2018 because of the uncertainty related to the license status of the asset. The reserve engineer will allocate reserves if and when production of the Provost wells are restarted for six consecutive months.

TRANSACTIONS WITH RELATED PARTIES

During the year ended August 31, 2019, the Company was charged a total of \$25,200 (2018 - \$49,500) to operations in consulting fees provided by a company controlled by John Kim, a director and officer of the Company, of which \$Nil (August 31, 2018 - \$6,300) has been accrued as due to related parties.

During the year ended August 31, 2019, the Company was charged a total of \$24,000 (2018 - \$57,000) to operations in consulting fees provided by Steve Loo, a director and officer of the Company, of which \$Nil (August 31, 2018 - \$57,000) has been accrued as due to related parties.

As of August 31, 2019, \$24,000 (August 31, 2018 - \$Nil) and \$37,000 (August 31, 2018 - \$Nil) are included in current and long-term prepaid expenses, respectively, relating to prepayments made to director, Steve Loo.

During the year ended August 31, 2019, the Company was charged a total of \$12,600 (2018 - \$37,200) to operations for office premises provided by a company controlled by John Kim, a director of the Company, of which \$Nil (August 31, 2018 - \$4,200) has been accrued as due to related parties.

During the year ended August 31, 2019, the Company charged a total of \$4,000 by Vinod Kumar and Lyle Harvey (2018 - \$8,000) to operations for directors' fees. As at August 31, 2019, the Company has accrued a total amount of \$4,000 (August 31, 2018 - \$8,000) as due to related parties.

Balance owing to Lyle Harvey as at August 31, 2019 was \$4,000 (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 portion of 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.

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 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 years ended August 31, 2019 and 2018. As at the date of this MD&A, 262,500 options were outstanding.

BUSINESS PROSPECTS AND OUTLOOK

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 expects to have production resume at the Provost asset in the new year of 2020. The Company expects the Provost to generate positive cash flow when production is resumed, however, the Company is seeking new business opportunities that may be outside of the oil and gas industry.

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 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, 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 4 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.

PROPOSED TRANSACTIONS

As of August 31, 2019, the Company did not have any proposed transactions.

FINANCIAL INSTRUMENTS AND RISK

Financial Instruments

The Company's financial instruments include cash, accounts payable and accrued liabilities, and due to related parties. The Company classifies its cash as FVTPL. The Company classified its accounts payable and accrued liabilities, and due to related parties at amortized cost. The fair values of these financial instruments approximate their carrying values because of their current or on demand nature.

	August 31, 2019	August 31, 2018
	\$	\$
Fair value through profit or loss	330,995	646,441
Other financial liabilities	41,547	140,118

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, 2019 are as follows:

	Balance at August 31, 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	\$330,995	\$330,995	\$ –	\$ –

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, 2019, the Company's maximum risk exposure to credit risk is the carrying value of cash of \$330,995.

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, 2019, the Company had a working capital of \$313,448.

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, 2019 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	\$ 37,547	\$ -	\$ -	\$ -	\$ 37,547
Due to related parties	-	-	4,000	-	4,000
	\$ 37,547	\$ -	\$ -	\$ -	\$ 41,547

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 POUNCEMENTS

Accounting Standards Issued but not yet Effective

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 August 31, 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

The Company is currently waiting for the Partners to issue an AFE outlining the Company's 20% share of costs associated with resuming production of the Provost wells. The Partners will commence on the work program to resume production when funds are received by all working interest partners.

ADDITIONAL INFORMATION

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