

**KR INVESTMENT LTD.**  
**Management's Discussion and Analysis**  
**For the six month period ended February 28, 2021**

**DATE – APRIL 28, 2021**

This management's discussion and analysis (the "**MD&A**") of the financial results of KR Investment Ltd. (the "**Company**"), prepared as of February 28, 2021 and dated April 28, 2021, 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, 2021, and in conjunction with the Company's audited financial statements and related notes for the year ended August 31, 2020 copies of which are available on SEDAR at [www.sedar.com](http://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](http://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 363 West 6<sup>th</sup> Ave, Vancouver, British Columbia V5Y 1L1.

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.

The acquisition was an Arm’s Length Qualifying Transaction. As a result, no meeting of the Company’s shareholders was required as a condition to complete the acquisition.

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 to pay for the Purchased Assets, and legal, accounting, auditing, and other costs relating to the acquisition and private placement.

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](http://www.sedar.com).

## **DESCRIPTION OF BUSINESS**

KR Investment Ltd. (“KR” or the “Company”) is a publicly-traded company. The Company is in the process of transitioning out of the oil and gas sector and seeking business opportunities beyond oil and gas. 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 August 31, 2020, the Company entered into an agreement with an arm’s length party to sell, transfer and assign, for nominal consideration, all of its petroleum and oil and gas interests located in the Provost region of the Province of Alberta (the “Petroleum Assets”). Due to the depressed market for oil and gas resources and the general negative economic climate, management of the Company believes that the most prudent course of action was to divest its Petroleum Assets, and any corresponding liabilities, and to pursue other opportunities beyond the natural resource sector. The Company received shareholder ratification of the disposition of its oil and gas assets at the Annual General Meeting on November 27, 2020

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

## SELECTED ANNUAL FINANCIAL INFORMATION

The financial results of the Company for the three financial years ended August 31, 2020, 2019 and 2018 are summarized as follows:

	IFRS Year Ended August 31, 2020 (\$)	IFRS Year Ended August 31, 2019 (\$)	IFRS Year Ended August 31, 2018 (\$)
<b>Total gross revenue</b>	Nil	Nil	Nil
<b>Net loss</b>			
(i) total for the year	26,621	163,795	358,659
(ii) Per share	0.00	0.01	0.02
(iii) Per share fully diluted	0.00	0.01	0.02
<b>Total assets</b>	222,266	391,996	646,442
<b>Total financial liabilities</b>	30,771	173,880	264,531
<b>Cash dividends declared per-share</b>	Nil	Nil	Nil

During the year ended August 31, 2020, the Company had a net loss of \$26,621. The losses were lower than previous year because of a gain of \$140,252 from the sale of property and equipment and a gain of \$34,518 resulting from the write-off of accounts payable pursuant to the statute of limitations. No value could be allocated to the Provost asset because operations were shut down by the AER since March 2016. The net loss also consisted of accounting and legal of \$57,345 (2019 - \$65,159), consulting of \$75,701 (2019 - 49,200), rent expenses of \$21,000 (2019 - \$12,600), transfer agent and filing fees of \$16,322 (2019 - \$13,375) and travel expenses of \$5,979 (2019 - \$7,315).

There were no stock options granted and no share-based payment expense recognized during fiscal 2020 and 2019.

## DISCUSSION OF OPERATIONS

### Six months ended February 28, 2021 and February 29, 2020

The financial results of the Company for the six months ended February 28, 2021 and February 29, 2020 are summarized as follows:

During the six months ended February 28, 2021, the Company recorded a net loss of \$179,678 (2020 - \$97,242) consisting of gross revenues of \$NIL (2020 - \$NIL), production costs of \$NIL (2020 - \$NIL) and expenses of \$148,678 (2020 - \$97,242). A one time charge of \$31,000 on the loss on write-off prepaid expenses and higher legal charges related to the share consolidation and reorganization of the Company for the higher losses for the six months ended February 28, 2021 compared to the previous year.

### Statements of Financial Position as at February 28, 2021 and February 29, 2020

	<u>February 28, 2021</u> (\$)	<u>February 29, 2020</u> (\$)
<b>Net Income (loss)</b>	(179,678)	(97,242)
<b>Basic/diluted Income (loss) per share</b>	(0.16)	(0.09)
<b>Total Assets</b>	22,059	300,706
<b>Total Liabilities</b>	10,242	179,832

As at February 28, 2021 the Company had total assets of \$22,059 compared to \$300,706 in 2020. As at February 28, 2021, the Company's assets comprised of cash and cash equivalents of \$22,059 (2020 - \$251,705), and prepaid expense of \$NIL (2020 - \$24,000). The disposition of the Provost assets was responsible for the elimination of any decommissioning liabilities. As at February 28, 2021 the Company had accounts payable and accrued liabilities of \$10,242 (2020 - \$179,832).

## 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, 2021 (\$)	November 30, 2020 (\$)	August 31, 2020 (\$)	May 31, 2020 (\$)
Gross Revenue	-	-	-	-
Oil & Gas Expenditures	-	-	11,392	-
General & Admin.	87,542	61,154	51,959	40,798
Other Income (Loss)	-	(31,000)	174,770	-
Income (Loss)	(87,542)	(92,154)	111,419	(40,798)
Income (Loss) per share	(0.08)	(0.00)	(0.00)	(0.00)

Three Months Ended	February 29, 2020 (\$)	November 30, 2019 (\$)	August 31, 2019 (\$)	May 31, 2019 (\$)
Revenue	-	-	-	-
Oil & Gas Expenditures	-	-	-	-
General & Admin.	46,440	50,802	30,522	20,581
Other Income	-	-	-	-
Income (Loss)	(46,440)	(50,802)	(30,522)	(20,581)
Income (Loss) per Share	(0.00)	(0.00)	(0.00)	(0.00)

During the three months ended February 28, 2021, the Company reported net loss of \$87,542 compared to a net loss of \$46,440 for the corresponding period in 2020. Legal costs associated with share consolidation and reorganization were responsible for the higher general administration costs.

## LIQUIDITY AND CAPITAL RESOURCES

The financial results for the six months ended February 28, 2021 and February 29, 2020 are summarized as follows:

	Six Months Ended February 28, 2021 (\$)	Six Months Ended February 29, 2020 (\$)
Cash Used in Operating Activities	(163,207)	(79,291)
Increase (Decrease) in Cash	(163,207)	(79,291)
Cash – Beginning of period	185,266	330,995
Cash – End of period	22,059	251,705

	As at February 28, 2021 (\$)	As at February 29, 2020 (\$)
Cash	20,059	251,705
Total Assets	22,059	300,706
Total Liabilities	10,242	179,832
Share Capital	3,579,256	3,579,256
Total Shareholders' Equity (Deficiency)	11,817	120,874
Total Liabilities and Shareholders' Equity (Deficiency)	22,059	300,706

The Company has reversed its decommissioning provision at the end of its fiscal year 2020 due to the disposition of its oil and gas assets. Management is of the opinion that sufficient working capital will need to be obtained from financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. The Company has paid no dividends to date.

### OFF-BALANCE SHEET ARRANGEMENTS

As at February 28, 2021, and up to the date of this MD&A, the Company has had no off-balance sheet arrangements.

### TRANSACTIONS WITH RELATED PARTIES

During the six months period ended February 28, 2021, the Company was charged a total of \$15,750 (2020 - \$18,900) to operations in consulting fees provided by a company controlled by a director and officer of the Company.

During the six months period ended February 28, 2021, the Company charged a total of \$6,000 (2019 - \$12,000) to operations in pre-paid consulting fees provided by a director and officer of the Company.

During November 2020, \$31,000 in pre-paid consulting expenses to a director and officer of the Company have been written-off upon the resignation of such director and officer.

During the six months period ended February 28, 2021, the Company was charged a total of \$12,600 (2020 - \$8,400) to operations for office premises provided by a company controlled by a director of the Company.

During the six months period ended February 28, 2021, the Company was charged a total of \$7,500 (2020 - \$7,500) to operations in accounting fees provided by a company controlled by a director and officer of the Company.

## **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.

The proposed consolidation of the Company's issued and outstanding common shares (the "Consolidation") announced on October 9, 2020 was ratified by shareholders at the annual and special meeting of shareholders on November 27, 2020.

The consolidation was approved by the TSX-V and effective on February 16, 2021, resulting in 1,135,625 post-consolidation issued and outstanding common shares.

On February 26, 2021, the Company announced a non-brokered private placement offering of up to 1,000,000 units (a "Unit") at a price of \$0.07 per Unit for gross proceeds of up to \$70,000 (the "Offering"). Each Unit shall be comprised of one common share and one share purchase warrant (a "Warrant"). Each Warrant will entitle the holder to acquire one additional common share (a "Warrant Share") in the capital of the Company at a price of \$0.10 per Warrant Share for a period of twelve (12) months from the date of the Warrants.

## **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 six months ended February 28, 2021 and February 29, 2020. As at the date of this MD&A, 262,500 options were outstanding.

On February 26, 2021, the Company announced its intention to grant an aggregate of 180,000 stock options to directors and officers of the Company. The options may be exercised at a price of \$0.10 for a term of ten (10) years.

## **BUSINESS PROSPECTS AND OUTLOOK**

The Company is exploring opportunities to acquire assets and/or businesses beyond the oil and gas sector within which it was operating. Management and the board of directors believe challenges brought on by the Covid-19 virus and the drop in global oil prices has made it challenging for exploration and junior resource issuers to, among other things, raise capital and increase shareholder value.

With the recent disposition of its oil and gas assets, management expects the Company to be in a better position to explore for other opportunities.

## **CIVIL CLAIM**

On July 29, 2020, the Company has been named as co-defendant in a civil claim filed at the Provincial Court of Alberta in Calgary, AB. The plaintiff claims against all defendants a total estimated sum of \$20,000 debt of surface lease payments in reference to the Provost oil wells. The Company's financial risk is limited by its former 20% working interest which resulted in the Company to accrue an amount of \$4,000 as of November 30, 2020 (August 31, 2020 - \$4,000). The Company's legal counsel remains in joint negotiations with the plaintiff.

## **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.

### *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 February 28, 2021, 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.

	February 28, 2021	February 29, 2020
	\$	\$
Fair value through profit or loss	22,059	251,705
Other financial liabilities	10,242	43,539

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, 2021 are as follows:

	Balance at February 28, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:				
Cash	\$22,059	\$22,059	\$ –	\$ –

### 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, 2021, the Company's maximum risk exposure to credit risk is the carrying value of cash of \$22,059.

## 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, 2021, the Company had a working capital of \$11,817.

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, 2021 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	\$ 10,242	\$ -	\$ -	\$ -	\$ 10,242
	\$ 10,242	\$ -	\$ -	\$ -	\$ 10,242

## 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.

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**

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 and did not have a significant impact on the Company's financial statement presentation.

## **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, 2021. During this process, management identified certain weaknesses in internal controls over financial reporting which are as follows:

- 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.

## **SUBSEQUENT EVENT**

On March 15, 2021, the Company entered into a fix term consulting agreement, expiring August 31, 2021, for consideration of \$65,000 with a company providing regulatory, operational, and strategic services.

On March 28, 2021, the remaining stock options held by a director of the Company were voluntarily terminated.

On March 29, 2021, the Company closed a portion of its previously announced non-brokered private placement offering (the "Offering"). On closing of the offering, the Company issued 585,000 units (the "Units") at a price of \$0.07 per Unit from gross proceeds of \$40,950. Each Unit is comprised of one common share (the "Shares") and one share purchase warrant (a "Warrant"). Each Warrant entitles the holder to acquire one additional common share in the capital of the Company (a "Warrant Share") at a price of \$0.10 per share for a period of 12 months from the date of issuance. The Units, Shares, Warrants and any Warrant Shares acquired upon the exercise of the Warrants will be subject to a hold period of four months and one day from the date of issuance.

On March 31, 2021, the Company granted 120,000 incentive stock options to directors of the Company. The options are exercisable at a price of \$0.10 per common share until March 31, 2031.

## **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.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company can also be found on SEDAR at [www.sedar.com](http://www.sedar.com).