

FORM 51-102F1

ORACLE ENERGY CORP. MANAGEMENT DISCUSSION & ANALYSIS For the three months ended March 31, 2019

Introduction

The following management discussion and analysis ("MD&A") should be read in conjunction with the unaudited condensed interim financial statements for the three months ended March 31, 2019 and the audited annual financial statements as at and for the years ended December 31, 2018 and 2017. The referenced financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The MD&A is intended to help the reader understand the consolidated financial statements of the Company. All amounts are expressed in Canadian dollars unless otherwise indicated.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators. Additional information regarding Oracle Energy Corp. is available through the SEDAR website at www.sedar.com and the Company's website at www.oracleenergy.com.

Certain information in this MD&A contains or incorporates comments that constitute forward-looking information within the meaning of applicable securities legislation. See "Caution Regarding Forward-Looking Information" below.

Date of this report

The date of this MD&A is May 30, 2019 and it contains information up to and including this date.

Company Overview

Oracle Energy Corp. (the "Company", or "Oracle") was incorporated on October 2, 1985 under the Business Corporations Act of British Columbia. The Company is in the business of acquiring, exploring and evaluating oil and gas properties and developing these properties further or disposing of them when the evaluation is completed. The Company trades on Tier 2 of the TSX Venture Exchange ("TSX-V") under symbol OEC.

Nature of Operations and Going Concern

To date, the Company has not earned significant revenues and is considered to be in the exploration stage. During the three months ended March 31, 2019, the Company incurred a net loss of \$77,727 (2018 - \$129,953). As at March 31, 2019, the Company's current liabilities exceeded its current assets by \$1,139,990 (December 31, 2018: \$1,063,482). As at March 31, 2019, the Company has an accumulated deficit of \$27,593,469 (December 31, 2018: \$27,515,742). The Company's operations are primarily funded with equity financing, which is dependent upon many external factors and may be difficult to raise when required. The Company does not have sufficient cash to fund current operations, amounts payable, or amounts required to complete current acquisition agreements and will require additional funding, which if not raised,

may result in the delay, postponement or curtailment of some of its activities. Management continues to work closely with several financial and equity advisors. Nonetheless, there is no assurance that the Company will be able to raise sufficient funds to complete planned activities.

The Company's consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume the realization of assets and discharge of liabilities in the normal course of business. However, the above factors may cast significant doubt on the use of the going concern basis of accounting used in the preparation of these financial statements. These financial statements do not give effect to adjustments that would be necessary should the Company not be able to continue as a going concern.

Although the Company takes steps to verify title to the resource properties in which it acquires interests in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory and governmental requirements.

Overall Performance for the three months ended March 31, 2019

The Company has continued to pursue options for financing the Eagle Ford opportunity, but to date has not been able to secure funding. Management is reviewing its options. No new agreements or acquisitions were entered into during the three months ended March 31, 2019. Management fees to related parties for the quarter were reduced to Nil with fees accruing only for an independent director and corporate secretary.

Selected Annual Information

Following is a summary of selected audited financial information for the Company's most recent three fiscal years.

	2018	2017	2016
Revenues	Nil	Nil	Nil
Net loss	(\$5,233,889)	(\$36,802)	(\$503,025)
Loss per share basic & fully diluted	\$0.13	\$0.01	\$0.08
Working capital (deficiency)	(\$1,063,482)	(\$1,792,116)	(\$1,755,864)
Total assets	\$92,091	\$96,206	\$33,664
Long term debt	Nil	Nil	Nil
Total liabilities	\$1,138,912	\$1,886,698	\$1,787,354
Share capital	\$21,930,458	\$16,977,342	\$16,977,342
Deficit	(\$27,515,742)	(\$22,281,853)	(\$22,245,051)

2016 to 2017: the reduced loss in 2017 is mainly due to the cancellation and writedown of current and prior year management and consulting fees for related parties partially offset by increased travel expenses as the Company investigated new opportunities in West Africa and Italy.

2017 to 2018: the increased loss in 2018 is mostly due to the increased exploration and evaluation costs to explore and secure the lands and oil and gas rights in the Eagle Ford district. Additional costs were accrued for salaries and benefits, stock-based compensation, professional fees, consulting fees and travel expenses as the Company ramped up to pursue the Eagle Ford opportunity.

Discussions of Operations

For the three months ended March 31, 2019

For the three months ended March 31, 2019 the Company reported a net loss and comprehensive loss of \$77,727 (\$0.00 per share) compared to \$129,953 (\$0.02 per share) in 2018. The Company did not generate any revenues from operations in 2019 or 2018.

Expenditures for the three months ended March 31, 2019 were reduced from those in 2018 due to decreased consulting fees. This was partially offset by fees accrued for an independent director and one staff member.

Oil & gas properties

Italmin Project – Italy

During the year ended December 31, 2018, the Company closed an agreement with Italmin Energie SRL (“Italmin”) to acquire a 16% participating interest on an oil and gas permit situated in central south Italy and referred to as the NUSCO permit (the “Permit”).

Subsequent to year end the Italian government signed a decree which enacts the suspension of **work** on oil and gas exploration permits or applications for new exploration permits in Italy whilst a review is undertaken, giving Oracle an opportunity to extend the time required to fund the drilling operations.

The period expected for review is up to 18 months from February 2019 and that the suspension will be lifted as soon as consensus is reached on the terms under which the different areas will proceed with oil and gas exploration. In the event that no consensus is reached within 24 months, the suspension will be lifted

During the suspension period, the Ministries of Economic Development and Environment will review all areas in the Italian onshore and offshore territories as part of the Plan for Sustainable Energy Transition of Suitable Areas (PTESAI) Bill, to determine which are suitable for sustainable hydrocarbon prospecting, exploration and development activities.

Following the assessment of areas, a decision will be taken whether to allow further exploration activity or to reduce or withdraw licenses in that area. Should agreement not be reached between the government and the regions on all onshore licenses within 24 months, the suspension will be lifted and rulings will only be issued for offshore areas.

There is no guarantee that the moratorium will be lifted or that the permit will be renewed.

Eagle Ford - Texas

During 2018, the Company entered into an agreement (the “Purchase Agreement”) with a private Texas entity to acquire 2,490 acres of oil and gas leases (the “HBP Assets”) located in South Texas. The HBP Assets include: the acreage, 6 producing wells, 7 shut in wells and the production infrastructure situated on the properties.

During 2018, the Company also entered into an Option Agreement, with the mineral rights owners of an additional 5,000 net acres adjoining the HBP Assets (the “Adjoining Lands”).

As at the date of this MD&A, the Company is in default of both the Purchase Agreement and the Option Agreement as it was not able to raise the required funds for all the required deposits.

The Company is currently evaluating and formulating strategies related to the Eagle Ford opportunity.

Selected Quarterly Financial Information

<i>For the Quarter Ended</i>	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018
Net gain (loss)	(\$77,727)	(\$1,131,780)	(\$3,296,223)	(\$675,933)
Basic and diluted loss per share	(\$0.00)	(\$0.03)	(\$0.06)	(\$0.02)
Total assets	\$49,253	\$92,091	\$265,702	\$968,915

<i>For the Quarter Ended</i>	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017
Net gain (loss)	(\$129,953)	\$220,353	(\$97,992)	\$70,540
Basic and diluted loss per share	(\$0.02)	\$0.03	(\$0.01)	\$0.01
Total assets	\$755,088	\$96,206	\$216,223	\$216,495

The main factors causing significant fluctuations in net gain (loss) from quarter to quarter were as follows:

- *Finance costs*: Cash outlay of \$51,918 for agreements with various financiers in Q3, 2018 to look for additional funds.
- *Consulting Fees*: In Q1, 2017, \$65,835 was expensed on fees for the due diligence of the West Africa Option. This was written down in Q2 due to a pending settlement agreement. In Q4 2017, additional consulting expenses were incurred for the Italmir project totaling \$10,750 and a reallocation of the Settlement agreement for the writedown of the West Africa Project. In Q2, 2017, the Company increased consulting fees as it hired additional assistance to analyze and prepare reports for new acquisitions. In Q3, 2018, additional costs for assistance with the Eagle Ford Asset acquisitions were incurred.
- *Exploration and evaluation fees* – In Q4, 2017, the company expensed \$17,060 evaluating a potential West Africa asset. In Q2, 2018, the Company expensed \$303,036 on the evaluation of the Eagle Ford opportunity. In Q3, 2018, \$650,000 was recorded for the cost of the Data Package for the additional lands under review and \$1,313,718 in deposits were

- expensed. In Q4 an additional \$653,037 in deposits was expensed.
- *Interest Expense* – In Q4, 2017, the Company entered into agreements with certain directors to discontinue interest accruals on outstanding debt. As a result, no interest was recorded in subsequent quarters.
 - *Salaries and Management fees*: \$49,000 per quarter from Q3, 2015 to Q3, 2017 for monthly compensation of outside directors for service on committees and of officers for ongoing corporate duties. In Q4, 2017, the company entered into agreements to discontinue fees and to write down \$147,000 of fees for the current year. No fees were accrued in Q1 or Q2, 2018. In Q3, 2018, the board approved the reinstatement of fees and recorded \$172,524 in Q3 and 210,099 in Q4, 2018.
 - *Professional Fees*: In Q2 and Q3, 2018, the Company expensed additional legal fees for the due diligence and legal requirements of the Italmint and Eagle Ford acquisitions.
 - *Travel and promotion*: Due to increased activity, \$20,546 was expensed on travel in Q3, 2016. Increased travel expenses of \$56,732 in Q1, 2017 and a reallocation in Q4 for the due diligence of the West Africa Option. Travel in Q1, 2018 was lower than other quarters, however in Q2, 2018 \$77,719 was spent on travel as the Company explored the Eagle Ford opportunity.
 - *Gain on Debt Settlement* – In Q4, 2017, the Company recorded a gain of \$284,531 on the settlement of debt with directors and other related parties. An additional amount of \$11,210 was recorded in Q1, 2018.
 - *Stock-based Compensation* – In Q3, 2018, the board approved the grant of options valued at \$694,570.

Liquidity

The table below highlights the Company's cash flows for the three months ended March 31, 2019 as compared to the three months ended March 31, 2018:

<i>For the Year Ended</i>	March 31, 2019	March 31, 2018
Net cash provided by (used in):		
• Operating activities	(\$24,347)	(\$170,726)
• Financing activities	\$(2,611)	\$690,002
• Investing activities	-	-
Increase (Decrease) in cash	(\$26,958)	\$4,078

At March 31, 2019, the Company had cash of \$31,463 (\$58,421 at December 31, 2018) and a working capital deficiency excluding deposits and prepaid expenses of \$1,139,990 (\$1,078,482 at December 31, 2018).

Net cash used in operating activities during the three months ended March 31, 2019 was \$24,347 (2018: \$170,726).

To fund ongoing acquisition development activities and working capital requirements the Company finances its activities primarily through the issue of capital stock and advances from related parties. During the three months ended March 31, 2019, net cash generated by financing activities was \$Nil (2017 - \$690,002) from related party advances and share issuances.

The Company expects to continue raising funds to finance its growth strategy and to meet related obligations and working capital commitments. Future operations and the Company's ability to meet its commitments depend on its ability to raise sufficient funds through share offerings, debt, or operations. Issuance of additional equity securities by the Company may result in significant dilution to the equity interests of current shareholders. If the Company is unable to obtain financing in amounts and on terms deemed acceptable, further success of the business could be adversely affected.

There were no investing activities during the three months ended March 31, 2019 or in the same period in the prior year.

Capital Resources

The Company is in the oil and gas exploration and development business and has incurred losses since its inception. To date the Company has had limited revenue and funded its operations primarily through the issuance of capital stock and advances from related parties. The Company must continue to raise additional financing to progress its strategy for the acquisition and development of oil and gas properties in West Africa, Italy, and North America, but currently has insufficient funds to meet expected operating and capital expenditures without raising additional capital. The Company will use its best efforts to do so, but there can be no assurances that the Company will be able to continue to secure financing in amounts and on terms deemed acceptable to continue these activities.

Additional funding will be required throughout the year.

Management of Capital

The board of directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management policies on an annual basis. The Company's board of directors identifies and evaluates the Company's financial risks and is charged with the responsibility of establishing controls and procedures to ensure financial risks are mitigated.

The Company's objectives when managing capital are to pursue and complete the identification and evaluation of assets, properties or businesses with a view to acquisition, developing, exploring or disposing when evaluation is complete. The Company does not have any externally imposed capital requirements to which it is subject.

As at March 31, 2019, the Company had capital resources consisting of cash and cash equivalents. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or adjust the amount of cash and cash equivalents.

The Company's investment policy is to invest excess cash in investment instruments at high credit, quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations.

The Company's ability to continue as a going concern is dependent upon successful completion of additional financing, continuing support of creditors and its ability to attain profitable operations.

Off-Balance Sheet Arrangements

The Company did not enter into any off-balance sheet arrangements during the three months ended March 31, 2019 or 2018.

Related Party Transactions

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

a) Transactions With Key Management Personnel

	THREE MONTHS ENDED MARCH 31	
	2019	2018
Salaries and other short-term benefits	\$ 14,000	\$ 12,000
	<u>\$ 14,000</u>	<u>\$ 12,000</u>

Key management personnel are the persons responsible for planning, directing and controlling the activities of the Company, and include both executive and non-executive directors, certain senior officers, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

As at March 31, 2019, \$504,979 (December 31, 2018 - \$498,788) were owing to key management personnel or to a company controlled by a director and the amounts were included in due to related parties. The amounts payable are non-interest bearing, are unsecured, and have no specific terms of repayment.

During 2018, the Company entered into a debt settlement with a former director in the amount of \$22,621. The debt settlement resulted in a gain of \$11,310.

a) Other Related Party Transactions

- i) During the three months ended March 31, 2019, the Company was charged \$Nil (2018 - \$Nil). As at March 31, 2019 and December 31, 2018, \$2,300 were outstanding from prior years and included in due to related parties. The amounts payable are non-interest bearing, are unsecured, and have no specific terms of repayment.

Notes Payable

During the three months ended March 31, 2019 and the year ended December 31, 2018 the Company entered into loan agreements with several directors, officers, shareholders and other related parties. As at March 31, 2019, the total amounts owed to related parties were \$270,101 (December 31, 2018 - \$272,712), including interest payable of \$4,823 (December 31, 2018 – \$4,895). The outstanding loans are unsecured, bear interest at 12% per annum through September 30, 2017, and are due on demand. Effective September 30, 2017, the interest on

the loans was discontinued by agreement of the lenders. During the year ended December 31, 2018, the Company recorded a total of \$Nil (2017 - \$74,414) in interest expense on notes payable to related parties.

Proposed Transactions

At the date of this report there are no proposed asset or business acquisitions or dispositions for which the directors or senior management consider confirmation by the Board of Directors to proceed with the transaction to be probable.

Critical Accounting Estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

Elements of these financial statements subject to material estimation uncertainty include:

Fair value measurements

In the preparation of these financial statements, management has estimated the fair value of financial instruments, for which there are no active markets. The fair value estimates are based on the best available information and experience of management. Future events or changes in circumstances may materially impact these estimates used in valuing assets and liabilities at year end.

Valuation of stock options

In the preparation of these financial statements, management has estimated the fair value of stock options granted based on the Black-Scholes option pricing model. Share-based compensation in respect of stock options granted during the period is a non-cash expense. Option pricing models require the input of highly subjective assumptions including the expected price and volatility of the Company's stock. Changes in these subjective input assumptions can materially affect the fair value estimate of the Company's stock options granted during the year.

Elements of these financial statements subject to significant judgment include:

Significant judgments about the future and other sources of estimation uncertainty that management has made at the reporting date that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i) going concern assessment;

- ii) consideration of exploration and evaluation asset impairment criteria;
- iii) the useful life and recoverability of equipment;
- iv) impairment of short-term investments;
- v) recovery of amounts receivable;
- vi) the fair value model and the inputs used in the valuation of share-based payments; and
- vii) deferred income tax asset valuation allowances.

Changes in Accounting Policies

During the three months ended March 31, 2019 the Company adopted the following new standards:

IFRS 16 Leases

IFRS 16 replaces the previous leases standard, IAS 17 Leases, and interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, lessee and lessor. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. A company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15 Revenue from Contracts with Customers.

The Company determined that there was no material impact from the adoption of this policy.

Financial Instruments and Other Instruments

The carrying value of cash, accounts receivable, accounts payable and due to related parties and notes payable approximates their fair values due to the short maturity of those instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risk arising from these statements.

Financial Risk Exposure and Risk Management

The Company is exposed in varying degrees to a number of risks arising from financial instruments. Management's close involvement in the operations allows for the identification of risks and variances from expectations. The Company does not participate in the use of financial instruments to mitigate these risks and has no designated hedging transactions. The Board approves and monitors the risk management processes. The Board's main objectives for managing risks are to ensure liquidity, the fulfillment of obligations, the continuation of the Company's exploration activities, and limited exposure to credit and market risks. There were no changes to the objectives or the process from the prior period.

The types of risk exposure and the way in which such exposures are managed are as follows:

a) Credit Risk

Credit risk primarily arises from the Company's cash and cash equivalents and amounts receivable. The risk exposure is limited to their carrying amounts at the statement of financial position date. Cash and cash equivalents are held as cash deposits or invested in guaranteed investment certificates with various maturity dates. The Company does not invest in asset-backed deposits or investments and does not expect any credit losses. The Company periodically assesses the quality of its investments and is satisfied with the credit

rating of the bank and the investment grade of the guaranteed investment certificates. Amounts receivable primarily consists of Goods and Services Tax (GST) credits and other receivables.

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company ensures there is sufficient capital to meet short-term business requirements. One of management's goals is to maintain an optimal level of liquidity through the active management of assets, liabilities and cash flows.

The Company's cash and cash equivalents are deposited in major banks or invested in guaranteed investment certificates, which are available on demand to fund the Company's operating costs and other financial demands.

c) Market Risk

The significant market risks to which the Company is exposed are currency, interest rate, commodity and equity price risks.

i) Currency Risk

The operating results and financial position of the Company are reported in Canadian dollars. As the Company is exploring opportunities in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the Canadian dollar. The results of the Company's operations are subject to currency risk.

The majority of the Company's costs are incurred in Canada and are denominated in Canadian dollars. Foreign currency transactions are booked at historical cost in Canadian dollars.

The Company has not entered into any agreements or purchased any foreign currency hedging instruments to hedge possible currency risks at this time. Management believes the foreign exchange risk derived from currency conversions is not significant, and therefore, does not hedge its foreign exchange risk.

As at March 31, 2019 and December 31, 2018, the Company is exposed to currency risk through the following monetary assets and liabilities denominated in foreign currencies:

	MARCH 31 2019	DECEMBER 31 2018
Cash	USD 92	USD 110
Accounts payable	USD 102,220	USD 62,272
Due to related parties	USD 228,000	USD 18,623
Notes payable	USD 113,563	USD 151,836

Based on the above net exposures and assuming that all other variables remain constant, a 10% change in the value of the foreign currencies against the Canadian dollar would result in an increase or decrease of \$59,290 (December 31, 2018 - \$54,258) in income/loss from operations.

ii) Interest Rate Risk

The Company's policy is to invest excess cash in guaranteed investment certificates at fixed or floating rates of interest and cash equivalents are to be maintained in floating rates of interest in order to maintain liquidity, while achieving a satisfactory return for shareholders. As at March 31, 2019 and December 31, 2018, no cash was held in interest bearing deposits. Fluctuations in interest rates impact the value of cash and cash equivalents. The Company manages risk by monitoring changes in interest rates in comparison to prevailing market rates.

iii) Commodity and Equity Price Risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's financing abilities due to movements in individual equity prices or general movements in the stock market. The company closely monitors equity prices and the stock market to determine the appropriate course of action to be taken by the Company. The Company's investments consist of common or ordinary shares which are subject to fair value fluctuations.

As at March 31, 2019 and December 31, 2018, the Company had no investments subject to commodity and equity price risk.

Non-GAAP Measures

The Company has included certain non-GAAP financial measures to supplement its Consolidated Financial Statements, which are presented in accordance with IFRS, including the following:

- Working capital.

The Company believes that this measure, together with measures determined in accordance with IFRS, provide investors with an improved ability to evaluate the underlying performance of the Company. Non-GAAP financial measures do not have any standardized meaning prescribed under IFRS, and therefore they may not be comparable to similar measures employed by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Management's determination of the components of non-GAAP and additional measures are evaluated on a periodic basis influenced by new items and transactions, a review of investor uses and new regulations as applicable. Any changes to the measures are duly noted and retrospectively applied as applicable.

Working capital

The Company uses “working capital” to explain and analyze Capital Resources. Working capital is defined as current assets less current liabilities. To be conservative, the Company deducts deposit and prepaids from working capital to illustrate its short-term liquidity position.

Disclosure of Outstanding Share Data

As of the date of this MD&A, the Company’s authorized share capital consists of an unlimited number of common shares without par value and 5,000,000 preferred shares, par value of \$5 per share (none issued.)

As at the date of this report, the Company had the following securities outstanding:

Type of Security	Number Outstanding
Common Shares	67,322,600
Stock Options	5,603,000
Warrants	55,638,257
Fully Diluted	128,563,857

Investor Relations

The Company has no Investor Relations contracts in place as at March 31, 2019.

Disclosure Controls and Procedures

In contrast to the certificate required under National Instruments 52-109 Certificate of Disclosure in Issuers’ Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109, in particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i) Controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) A process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s IFRS.

The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Risk Factors

Any investment in the securities of the Company is speculative, due to the nature of its business and its general stage of development. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward looking-statements relating to the Company. In addition to the usual risk associated with investment in a business, investors should carefully consider the following risk factors as well as the risk factors set out in the Company's other public disclosure.

The Company's business and results of operations are subject to a number of risks and uncertainties, including but not limited to the following:

- the Company's limited operating history and inability to assure profitability;
- the Company's reliance on Governments to issue drilling permits;
- changes in laws, regulatory regimes and guidelines relating to the acquisition of drilling and exploration permits;
- the Company's dependence on key personnel, including directors, officers and other employees;
- the Company's reliance on the parties to its joint ventures;
- the Company's dependence on development of its joint ventures;
- fluctuation in market prices for crude oil which impacts the ability to raise capital and attain profitability;
- the Company will need to obtain additional debt or equity financing in the future to support ongoing operations, and there can be no assurance that such financing will be available to the Company when needed or on terms acceptable to the Company;
- fluctuation of the market price of the Company's common shares; and
- the other risks identified in the Company's other public disclosure, available under the Company's profile on SEDAR at www.sedar.com.

Caution Regarding Forward-Looking Information

Certain information in this MD&A contains comments that constitute forward-looking information within the meaning of applicable securities legislation.

*This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws ("**forward-looking information**") concerning the Company including, but not limited to, anticipated results and developments in the Company's operations in future periods, and other matters that may occur in the future.*

Forward-looking information is not a guarantee of future performance and is based upon a number of estimates and assumptions of management in light of management's experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances, including, without limitation, assumptions about:

- *the Company's exploration plans and timeframe for completion of such plans;*
- *the anticipated costs and investments for development and exploration of the Company's assets;*

- *general economic, financial market, regulatory and political conditions in which the Company operates;*
- *competition;*
- *the ability of the Company to generate cash flow from operations and obtain necessary financing on acceptable terms;*
- *government regulation of the Company's activities and products, including in the areas of taxation and environmental protection;*
- *the timely receipt of required regulatory approvals;*
- *the ability of the Company to obtain qualified staff, equipment and services in a timely and cost-efficient manner; and*
- *the ability of the Company to conduct operations in a safe, efficient and effective manner.*

Forward-looking information involves a variety of known and unknown risks, uncertainties and other factors which may cause the actual plans, intentions, events, results, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include, without limitation, those related to:

- *the industry-wide risks;*
- *the Company's ability to obtain financing;*
- *the Company's dependence on key personnel;*
- *availability of third-party contractors or equipment;*
- *difficulties in construction or in obtaining qualified contractors to complete construction projects;*
- *the Company's reliance on joint venture parties and other counterparties;*
- *the Company's ability to manage anticipated and unanticipated costs;*
- *the costs of construction of the Company's projects being higher than anticipated by the Company;*
- *the time to complete the Company's projects being longer than anticipated by the Company;*
- *failure of equipment to operate as anticipated;*
- *unfavorable publicity or consumer perception of the oil and gas industry or the Company;*
- *environmental risks;*
- *changes in laws and regulations may increase costs of doing business and/or restrict the Company's activities and operations or plans for international and domestic expansion;*
- *community relations;*
- *changes in the Company's over-all business strategy;*
- *restrictions imposed by the TSX Venture Exchange on the Company's business;*
- *the Company's lack of operating revenues;*
- *inability to obtain necessary licenses and permits, including drilling permits;*
- *governmental regulations;*

This is not an exhaustive list of the risks and factors that may cause actual results to differ materially from the Company's forward-looking information. There may be other factors that cause actions, events, conditions, results, performance or achievements not to be as

anticipated, estimated or intended. In addition to those discussed in this MD&A, please refer to the risks described in the Company's public disclosure record. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.