

COBRA VENTURE CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED NOVEMBER 30, 2014

DESCRIPTION OF BUSINESS

The following management discussion and analysis of the financial results for the year ended November 30, 2014 ("MD&A"), as provided by the management of Cobra Venture Corp. (the "Company") should be read together with the audited annual financial statements and related notes attached thereto, which are prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted. This Management Discussion and Analysis is dated March 25, 2015.

The Company is an emerging energy company focused on the acquisition, development and production of strategic petroleum and natural gas interests in Western Canada (see discussion below in "Results of Operations"). The recoverability of the amounts shown for petroleum and natural gas interests are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production. The Company trades on the TSX Venture Exchange under the symbol CBV.

Additional information related to the Company is available for view on SEDAR at www.sedar.com.

PERFORMANCE SUMMARY

The following is a summary of the significant events and transactions that occurred during the year ended November 30, 2014, and up to March 25, 2015:

- entered into a purchase agreement dated for reference Feb. 24, 2015, with International Bethlehem Mining Corp. and Magnum Goldcorp Inc., pursuant to which Magnum has agreed to sell and the Company has agreed to purchase one-half of Magnum's 51-per-cent option interest in certain properties owned by International Bethlehem. Pursuant to the terms of the purchase agreement, the Company will purchase one-half (25.5 per cent) of Magnum's 51-per-cent interest in the properties in exchange for a \$300,000 payment. Magnum is required to use \$200,000 of this payment to complete certain expenditures on the properties in accordance with the Magnum option agreement and is required to use reasonable commercial efforts to fulfil its obligations under the Magnum option agreement such that the option becomes exercised. Upon exercise by Magnum of the option in accordance with the Magnum option agreement, the Company will acquire 25.5 per cent of the legal and beneficial interest in and to the properties.
- sold 12.84 acres of land located in the Municipal District of Rocky View No. 44, in the province of Alberta, to an arm's length private Alberta corporation for an aggregate purchase price of \$4,365,600 in August 2014; and sold 2.94 acres of the land located in the Municipal District of Rocky View No. 44, in the province of Alberta, to an arm's length private Alberta corporation for an aggregate purchase price of \$1,470,000 in November 2014. The Lands represent the 15.78 acres of undeveloped land originally acquired by the Company in October, 2012. As a result, the Company recognized a gain on sale of lands for \$1,623,844.

RESULTS OF OPERATIONS FOR THE THREE MONTH PERIOD ENDED NOVEMBER 30, 2014

Oil and gas revenue for the three month period ended November 30, 2014 was \$110,085 compared to \$62,057 in the comparative three month period ended November 30, 2013. The increase is a result of increased production revenues in Willesden Green, Davey Lake and Gull Lake areas.

Direct costs for the three month period ended November 30, 2014 were \$75,598 recovery compared to \$92,176 in the comparative three month period ended November 30, 2013. The increase is primarily a result of increased production and operation costs and depletion.

Administrative expenses for the three month period ended November 30, 2014 were \$169,464 compared to \$227,402 in the comparative three month period ended November 30, 2013. The increase is primarily a result of increased office and miscellaneous expense as the Company incurred higher administrative costs.

COBRA VENTURE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
November 30, 2014

The Company gained on sale of assets in the amount of \$685,705. The gain was due to the sale of land representing 2.94 of the 15.78 acres of undeveloped land originally acquired by the Company in October, 2012

RESULTS OF OPERATIONS FOR THE YEAR ENDED NOVEMBER 30, 2014

Oil and gas revenue for the year ended November 30, 2014 was \$288,914 compared to \$124,967 in the comparative year ended November 30, 2013. The increase is a result of increased production revenues in Willesden Green, Davey Lake and Gull Lake areas.

Direct costs for the year ended November 30, 2014 were \$279,693 compared to \$132,901 in the comparative year ended November 30. The increase is primarily a result of increased production and operation costs and depletion.

Administrative expenses for the year ended November 30, 2014 were \$639,791 compared to \$735,381 in the comparative year ended November 30, 2013. The decrease is primarily a result of decreased professional fees and decreased office and miscellaneous expense as the Company incurred lower administrative costs.

The Company gained on sale of assets in the amount of \$1,623,844. The gain was due to the sale of land representing 15.78 acres of undeveloped land originally acquired by the Company in October, 2012

PETROLEUM AND NATURAL GAS INTERESTS

Property and Equipment

Willesden Green Area, Alberta

In the fall of 2007, the Company obtained a 40% net working interest in 160 acres of land in Central Alberta for \$18,570.

During the year ended November 30, 2008, the Company acquired an 80% working interest in an oil well located in the Willesden Green area which is subject to applicable royalties, by incurring all costs, risk and expenses associated with completing the test well.

During the year ended November 30, 2009, the Company entered into an arrangement with a private oil and gas operator in the area and the operator agreed to perform some remedial work in the well and equip and tie-in the well to earn 50% of the Company's interest being a 40% working interest.

During the year ended November 30, 2010, the operator completed its obligations, paid the Company \$460,000 based on a BOE/day calculation and earned its 40% working interest.

During the year ended November 30, 2014, the Company received \$68,550 (2013 - \$21,606) in production revenue.

Davey Lake area, Alberta

During the year ended November 30, 2010, the Company entered into an agreement with RNM Services Ltd. ("RNM") to earn a 13.5% working interest in a well located in the Davey Lake area by incurring all RNM costs to drill, case, complete and equip and tie-in (or abandon) the well. The Company paid RNM a one-time fee of \$26,250 to enter into this agreement.

During the year ended November 30, 2014, the Company received \$42,162 (2013 - \$59,054) in production revenue.

COBRA VENTURE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
November 30, 2014

Gull Lake, Saskatchewan

During the year ended November 30, 2013, the Company entered into a Participation Agreement whereby the Company (and two other arm's length companies) is granted the right to equally participate to drill and complete up to 4 initial test wells (each "Test Well") located in Gull Lake, Saskatchewan. Under the agreement, the Company had to pay 29.33% of the drilling costs of each Test Well to earn a net working interest of 14.665% in each well. Based on all 4 Test Wells being drilled, the Company's net earned position would be equal to 14.665% of 1640 acres.

As at May 31, 2014, the Company had participated in the drilling of 3 out of the 4 Test Wells.

During the year ended November 30, 2014, the Company received \$178,201 (2013 - \$44,307) in production revenue.

Land

During the year ended November 30, 2012, the Company acquired a 100% interest in certain lands and premises located in the Municipal District of Rocky View No. 44, in the Province of Alberta, consisting of approximately 15.78 acres, excepting thereout all mines and minerals, for \$3,975,000, and closing costs of \$46,876, for a total of \$4,021,876.

During the year ended November 30, 2013, the Company entered into an agreement to sell approximately 12.84 acres of the land and consequently reclassified \$3,321,551 as assets held for sale.

During the year ended November 30, 2014, the Company completed the sale of the 12.84 acres in August 2014 and remaining 2.94 acres in November 2014 for an aggregate purchase price of \$5,835,600. The Company incurred selling costs of \$123,854 on the sale of land.

Exploration and evaluation assets

Hayter area, Alberta

During the year ended November 30, 2013, the Company entered into a Participation Agreement whereby the Company is granted the right to participate in a governing Joint Operating Agreement ("JOA") to earn a working interest in two wells ("Existing Wells") located in the Hayter area of Alberta. The Company had the right to earn 25.3333% working interest (after payout) and 33.3333% working interest (before payout) upon paying 33.3333% cost to abandon and recomplete the Existing Wells ("payout"). The Company also agreed to:

1. pay \$17,500 (paid), plus GST, to RNM as consideration for RNM providing all of the geological review, analysis and granting the rights under Participation Agreement to the Company;
2. pay \$32,008 (paid) of the cash call required by the JOA for the 33.3333% working interest; and
3. pay 100% of any future seismic costs under the JOA.

Any new wells drilled under the JOA shall be shared on the after payout interest of the Company for 25.3333%.

LIQUIDITY AND CAPITAL RESOURCES

The Company's petroleum and natural gas exploration activities have been funded to date primarily through revenue and the issuance of common shares.

As at November 30, 2014, the Company had working capital of \$4,932,874 compared to \$705,866 as at November 30, 2013. As at November 30, 2014, the Company had cash and cash equivalents of \$3,677,378 compared to \$466,659 as at November 30, 2013. As at November 30, 2014, the Company's cash equivalents consisted of cashable GIC of \$150,000 (November 30, 2013 - \$300,000) at interest rates of prime less 1.85% (November 30, 2013 - prime less 1.75%) and a term deposit of \$3,500,000 (November 30, 2013 - \$Nil) at an interest rate of 1.35% (November 30, 2013 - N/A).

COBRA VENTURE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
November 30, 2014

Net cash used in operating activities for the year ended November 30, 2014 was \$340,149 (2013 – \$1,805,161) consisting primarily of the operating loss adjusted by the changes in non-cash items.

Net cash provided by investing activities for the year ended November 30, 2014 was \$3,550,868 (2013 – net cash used in investing activities of \$409,746) and primarily due to the proceeds on the sale of the 12.84 acres of land.

INVESTMENT

| | November 30, 2014 | November 30, 2013 |
|---|----------------------|----------------------|
| Shares in Mobius Resources Inc. (formerly Zodiac Exploration Corp.) | \$ 53,167 | \$ 217,500 |

As of November 30, 2014, the Company has 241,666 shares of Mobius Resources Inc. (November 30, 2013 – 3,625,000 of pre-consolidated Zodiac shares), classified as an available-for-sale investment.

During the year ended November 30, 2014, the Company recorded an unrealized loss of \$142,970 (2013 – \$78,844) to adjust the shares to market value, net of tax recovery of \$21,363 (2013 – \$11,781) as other comprehensive loss.

During the year ended November 30, 2014, the Company determined the investment was impaired due to significant decline in the fair value below its cost as a result of the market conditions. Accordingly, previously recognized unrealized loss of \$170,955 (2013 - \$Nil), net of tax \$25,878 (2013 - \$Nil) was reallocated from accumulated other comprehensive loss to profit or loss.

SELECTED ANNUAL INFORMATION

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the financial statements.

| | Year Ended November 30, 2014 | Year Ended November 30, 2013 | Year Ended November 30, 2012 |
|---|------------------------------------|------------------------------------|------------------------------------|
| Total revenues | \$ 228,914 | \$ 124,967 | \$ 208,974 |
| Total other items | 1,642,729 | 5,356 | 35,418 |
| Income (loss) before income taxes | 815,326 | (737,959) | (820,169) |
| Basic and diluted earnings (loss) per share | 0.05 | (0.03) | (0.04) |
| Comprehensive income (loss) | 818,073 | (613,110) | 2,742,718 |
| Total assets | 6,691,395 | 5,670,878 | 7,283,226 |
| Working capital | 4,932,874 | 705,866 | 1,579,996 |
| Cash dividends | - | - | - |

COBRA VENTURE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
November 30, 2014

SUMMARY OF QUARTERLY RESULTS

| | November 30, 2014 | August 31, 2014 | May 31, 2014 | February 28, 2014 |
|---|----------------------|--------------------|-----------------|----------------------|
| Total assets | \$ 6,691,395 | \$ 5,718,142 | \$ 5,512,681 | \$ 5,823,647 |
| Exploration and evaluation assets | 115,149 | 113,118 | 111,597 | 106,926 |
| Property and equipment | 1,285,911 | 678,612 | 1,398,050 | 1,409,718 |
| Assets held for sale | - | 766,251 | 3,326,962 | 3,321,551 |
| Working capital | 4,932,874 | 3,994,264 | 80,167 | 339,178 |
| Equity | 6,234,760 | 5,547,376 | 4,956,777 | 5,291,528 |
| Total revenues | 110,085 | 64,134 | 49,806 | 64,889 |
| Total other items | 501,240 | 942,802 | 874 | 980 |
| Operating expenses | 169,464 | 162,437 | 180,782 | 127,108 |
| Income(loss) before income taxes | 520,459 | 708,594 | (298,813) | (114,914) |
| Basic and diluted income (loss) per share | 0.03 | 0.04 | (0.01) | (0.01) |

| | November 30, 2013 | August 31, 2013 | May 31, 2013 | February 28, 2013 |
|-----------------------------------|----------------------|--------------------|-----------------|----------------------|
| Total assets | \$ 5,670,878 | \$ 5,974,409 | \$ 5,772,626 | \$ 6,088,455 |
| Exploration and evaluation assets | 96,942 | 250,860 | - | - |
| Property and equipment | 1,128,175 | 4,197,125 | 4,201,638 | 4,203,197 |
| Assets held for sale | 3,321,551 | - | - | - |
| Working capital | 705,866 | 1,013,273 | 1,318,307 | 1,441,548 |
| Equity | 5,416,687 | 5,793,539 | 5,627,436 | 5,879,597 |
| Total revenues | 62,057 | 23,164 | 27,308 | 12,438 |
| Total other items | (4,910) | 1,264 | 2,347 | 6,655 |
| Operating expenses | 227,402 | 110,267 | 193,794 | 203,918 |
| Loss before income taxes | (262,431) | (98,586) | (177,595) | (199,347) |
| Basic and diluted loss per share | (0.01) | (0.00) | (0.01) | (0.01) |

ASSETS HELD FOR SALE

During the year ended November 30, 2013, the Company entered into an agreement to sell approximately 12.84 acres of the land and consequently reclassified \$3,321,551 as assets held for sale.

During the year ended November 30, 2014, the Company sold 12.84 acres of land located in the Municipal District of Rocky View No. 44, in the province of Alberta, to an arm's length private Alberta corporation for an aggregate purchase price of \$4,365,600 in August 2014; and sold 2.94 acres of the land located in the Municipal District of Rocky View No. 44, in the province of Alberta, to an arm's length private Alberta corporation for an aggregate purchase price of \$1,470,000 in November 2014. The Lands represent the 15.78 acres of undeveloped land originally acquired by the Company in October, 2012. The Company incurred selling costs of \$123,854. As a result, the Company recognized a gain on sale of lands for \$1,623,844.

Assets held for sale are as follows:

| | November 30, 2014 | November 30, 2013 |
|------|----------------------|----------------------|
| Land | \$ - | \$ 3,321,551 |

COBRA VENTURE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
November 30, 2014

RELATED PARTY TRANSACTIONS

Amounts paid or accrued to related parties are as follows:

| Paid or accrued to: | Nature of transactions | For the Year Ended November 30, 2014 | For the Year Ended November 30, 2013 |
|--|-----------------------------|--------------------------------------|--------------------------------------|
| A limited partnership of which a Director is a partner | Rent | \$ 37,200 | \$ 53,363 |
| A firm of which a Director is a partner | Accounting | 57,795 | 143,200 |
| A firm of which the Corporate Secretary is a partner | Legal | 27,863 | 14,566 |
| A company controlled by a Director and Officer ⁱ⁾ | Financing fees and interest | 12,863 | - |
| Spouse of a Director and Officer ⁱⁱ⁾ | Financing fees and interest | 6,431 | - |
| Directors ⁱⁱⁱ⁾ | Financing fees and interest | 19,295 | - |
| | | \$ 161,447 | \$ 211,129 |

- i) On December 17, 2013, the Company entered into a loan agreement with a Company owned by a Director and Officer and received \$100,000 in loan proceeds. The loan is for a term of one year with interest of 14% per annum. In connection to the loans, the Company agreed to pay \$5,000 as a loan facility fee to cover all costs and expenses incurred by the lender. On July 10, 2014, the loan together with all accrued interest was fully repaid.
- ii) On December 17, 2013, the Company entered into a loan agreement with a spouse of a Director and Officer and received \$50,000 in loan proceeds. The loan is for a term of one year with interest of 14% per annum. In connection to the loans, the Company agreed to pay \$2,500 as a loan facility fee to cover all costs and expenses incurred by the lender. On July 10, 2014, the loan together with all accrued interest was fully repaid.
- iii) On December 17, 2013, the Company entered into loan agreements with two Directors and received \$100,000 and \$50,000 in loan proceeds. The loans are for a term of one year with interest of 14% per annum. In connection to the loans, the Company agreed to pay \$5,000 and \$2,500 respectively as a loan facility fee to cover all costs and expenses incurred by the lenders. On July 10, 2014, the loan together with all accrued interest was fully repaid.

Key management compensation is as follows:

| Paid or accrued to: | Nature of transactions | For the Year Ended November 30, 2014 | For the Year Ended November 30, 2013 |
|--|-------------------------------------|--------------------------------------|--------------------------------------|
| Directors and Officers | Salaries and benefits ⁱ⁾ | \$ 85,000 | \$ 60,000 |
| A company controlled by a Director and Officer | Management | 220,000 | 220,000 |
| Directors and Officers | Share-based payments ⁱⁱ⁾ | - | 10,619 |
| | | \$ 305,000 | \$ 219,188 |

- i) There were no post-employment benefits, termination benefits, or other long-term employment benefits paid to key management in either the year 2014 or 2013.
- ii) Share-based payments are the fair value of options granted and vested.

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling activities of the Company, directly or indirectly including any director (whether executive or otherwise) of the Company. The Company's key management personnel include the Chief Executive Officer and Directors.

COBRA VENTURE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
November 30, 2014

The amounts due to related parties included in accounts payable and accrued liabilities are as follows:

| | November 30, 2014 | November 30, 2013 |
|--|----------------------|----------------------|
| A firm of which a Director is a partner | \$ 24,805 | \$ 49,544 |
| Directors and Officers | 31,009 | - |
| A firm of which the Corporate Secretary is a partner | 1,153 | - |
| A company owned by a Director and Officer | - | 19,250 |
| | - | - |
| | <u>\$ 56,967</u> | <u>\$ 68,794</u> |

CHANGES IN ACCOUNTING POLICIES

New and amended standards adopted by the Company during the year:

The following new and amended standards adopted by the Company did not result in a significant impact on the Company's financial statements:

- a) Amendments to IFRS 7, Financial Instruments: Disclosures, to require information about all recognized financial instruments that are set off in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation.
- b) New standard IFRS 10, Consolidated Financial Statements, replaces the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial statements, and SIC-12, Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control under IFRS so that the same criteria are applied to all entities to determine control.
- c) New standard IFRS 11, Joint arrangements, requires a venture to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for joint operations, the venturer will recognize its share of assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionally consolidate or equity account for interest in joint ventures. IFRS 11 supersedes IAS 31 – Interest in Joint Ventures and SIC 13 – Jointly Controlled Entities – Non-monetary Contributions by Venturers.

New standard IFRS 12, Disclosure of Interests in Other Entities, provides the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and consolidated structured entities.

- d) New standard IFRS 13, Fair Value Measurement, defines fair value and sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. The standard does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions).
- e) Reissued IAS 27, Separate Financial Statements, requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 Financial Instruments.
- f) Reissued IAS 28, Investment in Associates and Joint Ventures, supersedes IAS 28 Investments in Associates and defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

New accounting pronouncements

The following standards have not yet been adopted and are being evaluated to determine their impact on the Company's financial statements. The Company plans to adopt these standards as soon as they become effective for the Company's reporting period.

- a) Amendments to IAS 32, *Financial Instruments: Presentation*, provide clarification on the application of offsetting rules. This standard is effective for years beginning on or after January 1, 2014.
- b) Amendments to IAS 36, *Impairment of Assets*, clarify the recoverable amount disclosures for non-financial assets, including additional disclosures about the measurement of the recoverable amount of impaired assets when the recoverable amount was based on fair value less costs of disposal. The amendments apply retrospectively for annual periods beginning on or after January 1, 2014. Earlier application is permitted except an entity shall not apply those amendments in periods (including comparative periods) in which it does not also apply IFRS 13.
- c) Amendments to IFRS 10, *Consolidated Financial Statements*, IFRS 12, *Disclosures of Interests in Other Entities* and IAS 27, *Separate Financial Statements*. The amendments provide for the definition of an investment entity and sets out an exception to consolidating particular subsidiaries of an investment entity. The amendments also deal with the disclosures required and preparation of separate financial statements of an investment entity. These amended standards are effective for annual periods beginning or after January 1, 2014.
- d) New standard IFRS 9, *Financial Instruments*, classification and measurement is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, "*Financial Instruments: Recognition and Measurement*." IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit and loss. The application date for this standard has not been determined.

FINANCIAL INSTRUMENTS AND RISK

Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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.

The fair value of the Company's cash and cash equivalents, receivables and accounts payable and accrued liabilities approximate their carrying values. The Company's investment is measured at fair value using Level 1 inputs.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to trade receivable and cash and cash equivalents. Management believes that the credit risk concentration with respect to trade receivable is not significant and cash and cash equivalents is remote as it maintains accounts with highly-rated financial institutions.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at November 30, 2014, the Company had a cash and cash equivalents balance of \$3,677,378 (2013 - \$466,659) to settle current liabilities of \$304,294 (2013 - \$200,844). All of the Company's financial liabilities, with the exception of income taxes payable, have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

COBRA VENTURE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
November 30, 2014

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) *Interest rate risk*

The Company's cash equivalents consist of cashable GIC of \$150,000 (2013 - \$300,000) at interest rates of prime less 1.85% (2013 - prime less 1.75%) and a term deposit of \$3,500,000 (2013 - \$Nil) at an interest rate of 1.35% (2013 - N/A). Since the GIC and term deposit is cashable anytime, the Company believes it is not exposed to significant interest rate risk. The interest rate risk on the Company's obligations is not considered significant.

b) *Foreign currency risk*

The Company conducts its activities in Canada with Canadian dollars. Therefore, the Company believes it is not exposed to foreign currency risk.

c) *Price risk*

The Company has limited exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern.

In the management of capital, the Company monitors its adjusted capital which comprises all components of equity (ie. capital stock, treasury stock, reserves, accumulated other comprehensive income or loss and retained earnings or deficit).

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue common shares through private placements. The Company is not exposed to any externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the year ended November 30, 2014.

OUTSTANDING SHARE DATA

As at March 25, 2015:

- a) Authorized: unlimited number of common shares without par value
unlimited number of preferred shares without par value
- b) Issued and outstanding: 15,903,748 common shares.
Nil preferred shares.
- c) Outstanding incentive stock options:

| | Number of Options | Exercise Price | Expiry Date |
|----------------------|----------------------|-------------------|--------------|
| Stock Options | 600,000 | \$ 0.175 | May 27, 2015 |
| | 225,000 | 0.24 | May 25, 2017 |
| | 825,000 | | |

- d) Outstanding warrants: Nil.
- e) Shares in escrow or pooling agreements: Nil.

Shareholder Rights Plan

At the annual and special meeting of the shareholders of the Corporation held on July 15, 2010, the shareholders of the Company have ratified the Company's Share Holder Rights Plan dated effective June 17, 2010 (the "Plan").

The Plan is designed to ensure the fair treatment of shareholders in connection with any take-over bid for outstanding common shares of the Company. The Plan seeks to provide shareholders with adequate time to properly assess a take-over bid without undue pressure. It also provides the Board of Directors with adequate time to fully assess an unsolicited take-over bid, to allow competing bids to emerge, and, if applicable, to explore other alternatives to the take-over bid to maximize shareholder value.

The Plan is not intended to prevent or deter take-over bids that treat shareholders fairly. Under the Plan, those bids that meet certain requirements intended to protect the interests of all shareholders are deemed to be "Permitted Bids". Permitted Bids must be made by way of a take-over bid circular prepared in compliance with applicable securities laws and, among other conditions, must remain open for 60 days.

Under the terms of the Plan, one right will be issued by the Company for each outstanding common share at the close of business on June 17, 2010, and for each of the Company's common share issued in future (subject to the terms of the Plan). In the event a take-over bid does not meet the Permitted Bid Requirements of the Plan, the rights will entitle shareholders, other than any shareholder or shareholders making the take-over bid, to purchase additional common shares of the Corporation at a substantial discount to the market price of the common share at that time. The Plan has an initial term of three years.

The Company is not adopting a Plan in response to any proposal to acquire control of the Corporation. The Plan is similar to plans adopted by other Canadian companies and ratified by their shareholders. The plan was approved by the TSX Venture Exchange, effective June 17, 2010.

ABBREVIATIONS

Oil and Natural Gas Liquids

| | |
|--------|---|
| bbls | Barrels |
| mbbls | thousand barrels |
| bbls/d | barrels of oil per day |
| BOE/d | barrels of oil equivalent per day |
| NGLs | natural gas liquids (consisting of any one or more of propane, butane and condensate thousand stock tank barrels of oil |
| bpd | barrels of production per day |

Natural Gas

| | |
|-------|-----------------------------|
| mcf | thousand cubic feet |
| mmcf | million cubic feet |
| mcf/d | thousand cubic feet per day |
| m3 | cubic meters |

OTHER

BOE Presentation – For the purposes of calculating unit costs, natural gas is converted to a barrel of oil equivalent (BOE) using six thousand cubic feet equal to one BOE unless otherwise stated. A BOE is a very approximate comparative measure that, in some cases, could be misleading, particularly if used in isolation.

BOE means barrels of oil equivalent. A barrel of oil equivalent is determined by converting a volume of natural gas to barrels using the ration of six (6) mcf to one (1) barrel. BOEs may be misleading, particularly if used in isolation. The BOE conversion ration of six (6) mcf: one (1) bbl is based on an energy equivalency methods primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

GORR means gross overriding royalty

ARTC Alberta Royalty Tax Credit

CONVERSION

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units).

| <u>To Convert From</u> | <u>To</u> | <u>Multiply By</u> |
|------------------------|--------------|--------------------|
| mcf | Cubic meters | 28.174 |
| cubic meters | Cubic feet | 35.494 |
| bbls | Cubic meters | 0.159 |
| feet | meters | 0.305 |
| acres | hectares | 0.405 |