

**COBRA VENTURE CORPORATION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE MONTH ENDED FEBRUARY 28, 2015**

## **DESCRIPTION OF BUSINESS**

The following management discussion and analysis of the financial results for the three month period ended February 28, 2015 ("MD&A"), as provided by the management of Cobra Venture Corp. (the "Company"), should be read together with the Company's unaudited condensed interim financial statements for the three month period ended February 28, 2015, which are prepared in accordance with International Accounting Standard 34 ("IAS 34") - Interim Financial Reporting and 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 April 23, 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](http://www.sedar.com).

## **PERFORMANCE SUMMARY**

The following is a summary of the significant events and transactions that occurred during the three month period ended February 28, 2015, and up to April 23, 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.
- Received from trust the balance of funds outstanding of \$1,466,827 at November 30, 2014 from the assets held for sale. During fiscal 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. 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 FEBRUARY 28, 2015**

Oil and gas revenue for the three month period ended February 28, 2015 was \$104,704 compared to \$64,889 in the comparative three month period ended February 28, 2014. 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 February 28, 2015 were \$67,100 compared to \$53,675 in the comparative three month period ended February 28, 2014. The increase is primarily a result of increased production and associated operation costs and depletion.

**COBRA VENTURE CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**February 28, 2015**

---

Administrative expenses for the three month period ended February 28, 2015 were \$131,604 compared to \$127,108 in the comparative three month period ended February 28, 2014. The increase is primarily a result of increased office and miscellaneous expense as the Company incurred higher administrative costs.

## **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 period ended February 28, 2015, the Company recorded \$35,771 (2014 - \$19,837) 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 period ended February 28, 2015, the Company recorded \$1,260 (2014 - \$13,671) in production revenue.

#### ***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 period ended February 28, 2015, the Company recorded \$67,673 (2014 - \$31,381) 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 there out all mines and minerals, for \$3,975,000, and closing costs of \$46,876, for a total of \$4,021,876.

**COBRA VENTURE CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**February 28, 2015**

---

In March 2014, the Company entered into an agreement to sell 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 for an aggregate purchase price of \$4,365,600.

In August 2014, the Company entered into an agreement to sell the remaining 2.94 acres of the land and consequently reclassified \$766,251 as assets held for sale. During the year ended November 30, 2014, the Company completed the sale for an aggregate purchase price of \$1,470,000.

The Company incurred selling costs of \$123,854 on the sale of land during the year ended November 30, 2014.

During the three months ended February 28, 2015, the Company received from trust the balance of the funds outstanding at November 30, 2014 from the sale of the 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 February 28, 2015, the Company had working capital of \$4,616,406 compared to \$4,932,874 as at November 30, 2014. As at February 28, 2015, the Company had cash and cash equivalents of \$4,798,538 compared to \$3,677,378 as at November 30, 2014. As at February 28, 2015, the Company's cash equivalents consisted of cashable GIC of \$Nil (November 30, 2014 - \$150,000) at interest rates of N/A (November 30, 2014 - prime less 1.85%), cashable GIC of \$1,000,000 (November 30, 2014 - \$Nil) at interest rates of prime less \$1.8% (November 30, 2014 - N/A) and a term deposit of \$3,500,000 (November 30, 2014 - \$3,500,000) at an interest rate of 1.35% (November 30, 2014 - 1.35%).

Net cash used in operating activities for the period ended February 28, 2015 was \$112,290 (2014 - \$49,452) consisting primarily of the operating loss adjusted by the changes in non-cash items.

Net cash provided by investing activities for the period ended February 28, 2015 was \$1,233,450 (2014 - net cash used in investing activities of \$294,156) and was due to the cash received from trust on the sale of the land from fiscal 2014.

**COBRA VENTURE CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**February 28, 2015**

**INVESTMENT**

	February 28, 2015	November 30, 2013
Shares in Mobius Resources Inc. (formerly Zodiac Exploration Corp.)	\$ 43,500	\$ 53,167

As of February 28, 2015, the Company has 241,666 shares of Mobius Resources Inc. (November 30, 2014 - 241,666), classified as an available-for-sale investment.

During the period ended February 28, 2015, the Company recorded an unrealized loss of \$9,667 (2014 - \$78,844) to adjust the shares to market value, net of tax recovery of \$Nil (2014 - \$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	-	-	-

**SUMMARY OF QUARTERLY RESULTS**

	February 28, 2015	November 30, 2014	August 31, 2014	May 31, 2014
Total assets	\$ 6,599,661	\$ 6,691,395	\$ 5,718,142	\$ 5,512,681
Exploration and evaluation assets	116,423	115,149	113,118	111,597
Property and equipment	1,532,473	1,285,911	678,612	1,398,050
Assets held for sale	-	-	766,251	3,326,962
Working capital	4,616,406	4,932,874	3,994,264	80,167
Equity	6,146,411	6,234,760	5,547,376	4,956,777
Total revenues	104,704	110,085	64,134	49,806
Total other items	3,260	501,240	942,802	874
Operating expenses	131,604	169,464	162,437	180,782
Income(loss) before income taxes	(90,740)	520,459	708,594	(298,813)
Basic and diluted income (loss) per share	(0.01)	0.03	0.04	(0.01)

**COBRA VENTURE CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**February 28, 2015**

	February 28, 2014	November 30, 2013	August 31, 2013	May 31, 2013
Total assets	\$ 5,823,647	\$ 5,670,878	\$ 5,974,409	\$ 5,772,626
Exploration and evaluation assets	106,926	96,942	250,860	-
Property and equipment	1,409,718	1,128,175	4,197,125	4,201,638
Assets held for sale	3,321,551	3,321,551	-	-
Working capital	339,178	705,866	1,013,273	1,318,307
Equity	5,291,528	5,416,687	5,793,539	5,627,436
Total revenues	64,889	62,057	23,164	27,308
Total other items	980	(4,910)	1,264	2,347
Operating expenses	127,108	227,402	110,267	193,794
Loss before income taxes	(114,914)	(262,431)	(98,586)	(177,595)
Basic and diluted loss per share	(0.01)	(0.01)	(0.00)	(0.01)

**RELATED PARTY TRANSACTIONS**

Amounts paid or accrued to related parties are as follows:

Paid or accrued to:	Nature of transactions	For the Three Months Ended February 28, 2015	For the Three Months Ended February 28, 2014
A limited partnership of which a Director is a partner	Rent	\$ 10,645	\$ 9,700
A firm of which a Director is a partner	Accounting	4,300	8,100
A firm of which the Corporate Secretary is a partner	Legal	200	7,795
A company controlled by a Director and Officer <sup>i)</sup>	Financing fees and interest	-	7,800
Spouse of a Director and Officer <sup>ii)</sup>	Financing fees and interest	-	3,900
Directors <sup>iii)</sup>	Financing fees and interest	-	11,700
		<u>\$ 15,145</u>	<u>\$ 48,995</u>

Key management compensation is as follows:

Paid or accrued to:	Nature of transactions	For the Three Months Ended February 28, 2015	For the Three Months Ended February 28, 2014
Directors and Officers	Salaries and benefits <sup>i)</sup>	\$ 15,526	\$ -
A company controlled by a Director and Officer	Management	<u>55,000</u>	<u>55,000</u>
		<u>\$ 70,526</u>	<u>\$ 55,000</u>

i) There were no post-employment benefits, termination benefits, or other long-term employment benefits paid to key management in either the three month period ended February 28, 2015 or 2014.

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.

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

**COBRA VENTURE CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**February 28, 2015**

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	February 28, 2015	November 30, 2014
A firm of which a Director is a partner	\$ 14,095	\$ 24,805
Directors and Officers	16,235	31,009
A firm of which the Corporate Secretary is a partner	-	1,153
	-	-
	\$ 30,330	\$ 56,967

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## **CHANGES IN ACCOUNTING POLICIES**

### **New and amended standards adopted by the Company during the period:**

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

- Amendments to IAS 32, Financial Instruments: Presentation, provide clarification on the application of offsetting rules.
- 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.
- 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.

### **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.

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

## **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.

**COBRA VENTURE CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**February 28, 2015**

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**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 February 28, 2015, the Company had a cash and cash equivalents balance of \$4,798,538 (November 30, 2014 - \$3,677,378) to settle current liabilities of \$289,806 (November 30, 2014 - \$304,294). 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.

*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 \$Nil (November 30, 2014 - \$150,000) at interest rates of N/A (November 30, 2014 - prime less 1.85%), cashable GIC of \$1,000,000 (November 30, 2014 - \$Nil) at interest rates of prime less 1.8% (November 30, 2014 - N/A) and a term deposit of \$3,500,000 (November 30, 2014 - \$3,500,000) at an interest rate of 1.35% (November 30, 2014 - 1.35%). 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).

**COBRA VENTURE CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**February 28, 2015**

---

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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 April 23, 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
<b>Stock Options</b>	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.

**COBRA VENTURE CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**February 28, 2015**

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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
m <sup>3</sup>	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