

**COBRA VENTURE CORPORATION**

**MANAGEMENT'S INTERIM DISCUSSION AND ANALYSIS**

**FOR THE SIX MONTH PERIOD ENDED MAY 31, 2017**

## **DESCRIPTION OF BUSINESS**

The following management discussion and analysis of the financial results for the six month period ended May 31, 2017 ("MD&A"), as provided by the management of Cobra Venture Corporation (the "Company"), should be read together with the Company's unaudited interim financial statements for the six month period ended May 31, 2017, which are prepared in accordance with International Accounting Standard 34 ("IAS 34") – Interim Financial Reporting and the audited annual financial statements for the year ended November 30, 2016 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 July 27, 2017.

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 period ended May 31, 2017, and up to July 27, 2017:

- On May 11, 2016, the Company announced that it has granted 1,365,000 incentive stock options to certain directors, officers, employees and consultants at an exercise price of \$0.105 per share for a term of 5 years in accordance with the terms of the Company's stock option plan.
- On April 27, 2016, the Company, Magnum Goldcorp Inc. ("Magnum") and International Bethlehem Mining Corp. ("IBC") (collectively the "Parties") announced that all conditions to closing of the acquisition by Magnum of all of the interest of each of the Company and IBC in the LH Property (the "LH Property Transaction") were met and that the Parties closed the LH Property Transaction on April 26, 2016 (the "Closing Date"). Magnum now owns 100% of the LH Property. On the Closing Date, Magnum issued 17,120,000 common shares in its capital to the Company (valued at \$770,400) (the "Magnum Shares") as consideration for its interest in the LH Property. As a result, the Company recognized a gain on sale of assets of \$470,000. All of the Magnum Shares received by the Company were distributed to its shareholders on a pro rata basis as a return of capital (the "Return of Capital") on May 10, 2016 pursuant to the TSX Venture Exchange's due bill trading policy (the "Due Bill Policy"). The Company distributed 17,120,000 of the Magnum Shares it received (valued at \$770,400) to its shareholders of record as of May 4, 2016 ("the Cobra Record Date") such that for each common share of the Company held, a shareholder of the Company received approximately 1.08 Magnum Shares. No fractional Magnum Shares were issued, and accordingly, Magnum Shares issued to the Company's shareholders were rounded down to the nearest whole number. The Magnum Shares are subject to a statutory hold period expiring September 10, 2016.
- On March 10, 2016, the Company, Magnum Goldcorp Inc. ("Magnum") and International Bethlehem Mining Corp. ("IBC") (collectively, the "Parties") announced that they have entered into a definitive asset purchase agreement dated March 1, 2016 (the "LH Property Agreement"), with respect to the acquisitions by Magnum of all of the interest of each Company and IBC in the LH Property (the "LH Property Transaction"). Under the LH Property Agreement, Magnum will issue 17,120,000 common shares in its capital to the Company and 32,897,255 common shares in its capital to IBC (collectively, the "Magnum Shares") at closing as consideration for their respective interests in the LH Property. The LH Property Transaction is considered to be a reviewable transaction with respect to each of Magnum and IBC for the purposes of the policies of the TSX Venture Exchange (the "Exchange"), and accordingly, is subject to approval by the shareholders of each of Magnum and IBC (which shareholder approvals were received on April 7, 2016) and approval by the Exchange. Magnum has certain directors in common with each of IBC and the Company, which directors are considered to be non-arm's length parties within the policies of the Exchange for the purposes of the LH Property Transaction, and accordingly, those directors have abstained from voting on board resolutions passed

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by the respective Parties approving the LH Property Transaction. IBC intends to distribute 17,026,427 of the Magnum Shares it receives under the terms of the LH Property Agreement to its shareholders on a *pro rata* basis, which will result in IBC shareholders receiving approximately 1.5 Magnum Shares for each share of IBC held. IBC intends to retain the remaining 15,870,828 Magnum Shares to assist IBC in meeting its ongoing commitments and obligations and to enable IBC to participate, as a shareholder of Magnum, in the potential future value of the LH Property project. The Company intends to distribute all of the 17,120,000 Magnum Shares it receives under the terms of the LH Property Agreement to its shareholders on a *pro rata* basis, which will result in the Company shareholders receiving approximately 1.08 Magnum Shares for each share of the Company held. The return of capital of each of IBC and the Company is subject to approval by their respective shareholders (which shareholder approvals were received on April 7, 2016).

- On December 21, 2015, Magnum Goldcorp Inc. (“Magnum”), International Bethlehem Mining Corp. (“IBC”), and together with the Company (the “Parties”) announced that they have entered into a non-binding letter of intent (the “LOI”) pursuant to which Magnum has indicated its intention to acquire (the “Proposed Acquisition”) all of the interest of each of Cobra and IBC in the LH Property. The LH Property is a gold exploration project located south of Silverton, British Columbia, on the east side of Slocan Lake and consists of 19 contiguous crown granted claims and four mineral claims. Upon closing of the Proposed Acquisition, Magnum will own 100% of the LH Property. The LH Property is currently jointly owned by the Parties, with IBC owning 49% and Magnum and Cobra each owning 25.5%. Magnum operates the LH Property under the terms of a joint venture arrangement amongst the Parties. The Parties anticipate that the consolidation of interest in the LH Property by Magnum will enhance Magnum’s ability to secure financing to further develop the LH Property, while allowing Cobra and IBC to focus on their other respective assets. The Parties intend to move expeditiously to enter into a definitive purchase and sale agreement for the proposed acquisition. It is expected that Magnum will issue the same number of shares as its outstanding share capital to Cobra and approximately double its outstanding share capital to IBC as consideration for their respective interests in the LH Property. Subject to review of certain tax related considerations, each of Cobra and IBC intend to distribute all, or a portion of, the shares of Magnum it receives to its shareholders by way of a return of capital. Upon completion of the return of capital, which is subject to shareholder approval, the shareholders of Cobra and IBC respectively will become shareholders of Magnum. For additional information on the 2015 exploration drilling program and assay results for the LH Property project, see Magnum’s, Cobra’s and IBC’s news releases dated August 18, 2015 and July 6 and 7, 2015. Closing of the Proposed Acquisition will be subject to shareholder, board of director and TSX Venture Exchange approvals and other conditions that are customary in comparable transactions.

**RESULTS OF OPERATIONS FOR THE THREE MONTH PERIOD ENDED MAY 31, 2017**

Oil and gas revenue for the three month period ended May 31, 2017 was \$140,796 compared to \$94,050 in the comparative three month period ended May 31, 2016. The increase in production revenue was primarily due to the increase in production revenue from the Gull Lake property.

Direct costs for the three month period ended May 31, 2017 were \$118,043 compared to \$134,852 in the comparative three month period ended May 31, 2016. The decrease was primarily a result of differences in depletion base used upon revisions from the technical reports completed for the year ended November 30, 2016.

Operating expenses for the three month period ended May 31, 2017 were \$145,966 compared to \$258,602 in the comparative three month period ended May 31, 2016. The decrease was primarily a result of share-based payments of \$103,604 incurred in the same period of the prior year. No such transaction was incurred in the current period.

**RESULTS OF OPERATIONS FOR THE SIX MONTH PERIOD ENDED MAY 31, 2017**

Oil and gas revenue for the six month period ended May 31, 2017 was \$297,089 compared to \$208,885 in the comparative six month period ended May 31, 2016. The increase in production revenue was primarily due to the increase in production revenue from the Gull Lake property.

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Direct costs for the six month period ended May 31, 2017 were \$245,264 compared to \$236,298 in the comparative six month period ended May 31, 2016. The increase was primarily a result of differences in depletion base used upon revisions from the technical reports completed for the year ended November 30, 2016.

Operating expenses for the six month period ended May 31, 2017 were \$275,033 compared to \$397,071 in the comparative six month period ended May 31, 2016. The decrease was primarily a result of share-based payments of \$103,604 incurred in the same period of the prior year. No such transaction was incurred in the current period.

**PETROLEUM AND NATURAL GAS INTERESTS**

**Property and Equipment**

***Willesden Green area, Alberta***

During the year ended November 30, 2007, the Company acquired 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 prepare 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, 2015, the Company recorded an impairment charge of \$24,454 on the property due to a sustained decline in forecasted crude oil and natural gas prices.

During the period ended May 31, 2017, the Company recorded \$36,085 (2016 - \$34,211) 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's 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, 2015, the Company recorded an impairment charge of \$106,374 on the property due to a sustained decline in forecasted crude oil prices.

***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) was 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. The Company currently maintains a 14.665% interest in the Gull Lake project area. As at May 31, 2017, the Company participated in seven wells.

During the year ended November 30, 2015, the Company recorded an impairment charge of \$664,978 on the property due to a sustained decline in forecasted crude oil prices. The impairment was determined using a value in use approach using estimated expected cash flow based on proved plus probable reserves using a pre-tax discount rate of 10%.

During the year ended November 30, 2016, the Company recorded an impairment charge on the property of \$98,917 due to a sustained decline in forecasted crude oil and natural gas prices.

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During the period ended May 31, 2017, the Company recorded \$261,003 (2016 - \$173,495) in production revenue.

**Exploration and evaluation assets**

***LH Property, British Columbia***

The Company entered into a purchase agreement dated for reference February 24, 2015, with International Bethlehem Mining Corp ("IBC") and Magnum Goldcorp Inc. ("Magnum"), pursuant to which Magnum 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 IBC. 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 (paid). Magnum is required to use \$200,000 of this payment to complete certain expenditures on the properties in accordance with the Magnum option agreement (completed) and was required to use reasonable commercial efforts to fulfill its obligations under the Magnum option agreement such that the option becomes exercised. As of November 13, 2015, the Company was advised by Magnum that the Option with IBC had been exercised, and accordingly, the Company has acquired a 25.5% interest in the Properties and a joint venture has been formed between the Company, IBC and Magnum. The Company and Magnum have certain directors in common.

On December 21, 2015, the Company, Magnum and IBC (the "Parties") entered into a non-binding letter of intent pursuant to which Magnum has indicated its intention to acquire all of the interest of each of the Company and IBC in the property. Under the definitive purchase and sale agreement for the proposed acquisition, it is expected that Magnum will issue the same number of shares as its outstanding share capital to the Company and approximately double its outstanding share capital to IBC as consideration for their respective interest in the property. As a result, the Company has reclassified the property to asset held for sale at November 30, 2015.

On March 10, 2016, the Company, Magnum Goldcorp Inc. ("Magnum") and International Bethlehem Mining Corp. ("IBC") (collectively, the "Parties") announced that they have entered into a definitive asset purchase agreement dated March 1, 2016 (the "LH Property Agreement"), with respect to the acquisitions by Magnum of all of the interest of the Company and IBC in the LH Property (the "LH Property Transaction"). On April 27, 2016, the Parties announced that all conditions to closing of the acquisition by Magnum of all of the interest of each of the Company and IBC in the LH Property were met and that the Parties closed the LH Property Transaction on April 26, 2016 (the "Closing Date"). Magnum now owns 100% of the LH Property. On the Closing Date, Magnum issued 17,120,000 common shares in its capital to the Company (valued at \$770,400) (the "Magnum Shares") as consideration for its interest in the LH Property. As a result, the Company recognized a gain on sale of assets of \$470,400. All of the Magnum Shares received by the Company were distributed to its shareholders on a pro rata basis as a return of capital (the "Return of Capital") on the Cobra Distribution Date (defined below) pursuant to the TSX Venture Exchange's due bill trading policy (the "Due Bill Policy").

Pursuant to the Due Bill Policy, the Company announced that:

- the record date (the "Cobra Record Date") to determine shareholders of the Company entitled to receive Magnum Shares was May 4, 2016;
- the due bill trading date was May 2, 2016 (two days prior to the Cobra Record Date);
- the payment or distribution date (the "Cobra Distribution Date") was May 10, 2016;
- the ex-distribution date was May 11, 2016 (the trading day immediately following the Cobra Distribution Date); and
- the due bill redemption date was May 13, 2016 (the second trading day following the ex-distribution date)

The Company distributed 17,120,000 of the Magnum Shares it received (valued at \$770,400) to its shareholders of record as of the Cobra Record Date such that for each common share of the Company held, a shareholder of the Company received approximately 1.08 Magnum Shares. No fractional Magnum Shares were issued, and accordingly, Magnum Shares issued to the Company's shareholders were rounded down to the nearest whole number.

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**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 May 31, 2017, the Company had working capital of 2,444,602 compared to \$2,684,351 as at November 30, 2016. As at November 30, 2016, the Company had cash and cash equivalents of \$2,392,985 compared to \$2,611,012 as at November 30, 2016, which included a term deposit of \$2,370,000 (November 30, 2016 - \$2,560,000) at an interest rate of 0.65% (November 30, 2016 - 0.65%).

Net cash used in operating activities for the six month period ended May 31, 2017 was \$110,109 (2016 - \$326,847) consisting primarily of the operating loss (or income) for the period and the change in non-cash items.

Net cash used in investing activities for the six month period ended May 31, 2017 was \$107,918 (2016 - \$61,310) consisting primarily of exploration and evaluation expenditures and advance for the period.

**INVESTMENT**

	May 31, 2017	November 30, 2016
Shares in Star Valley Drilling Ltd.	\$ 350,000	\$ 350,000

At May 31, 2017, the Company had 350,000 shares (November 30, 2016 - 350,000) of Star Valley Drilling Ltd, a privately-owned company, valued at \$350,000 (November 30, 2016 - \$350,000) classified as available-for-sale investment. As there is no quoted market price in an active market for the investment, the investment shall be carried at cost.

**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, 2016	Year Ended November 30, 2015	Year Ended November 30, 2014
Total revenues	\$ 458,583	\$ 301,355	\$ 288,914
Total other items	422,574	(889,162)	1,445,896
Income (loss) before income taxes	(376,105)	(1,523,334)	815,326
Basic and diluted earnings (loss) per share	(0.03)	(0.09)	0.05
Comprehensive income (loss)	(398,108)	(1,364,527)	790,088
Total assets	4,002,172	5,193,221	6,691,395
Working capital	2,684,351	3,485,793	4,932,874
Cash dividends	-	-	-

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**SUMMARY OF QUARTERLY RESULTS**

	May 31, 2017	February 28, 2017	November 30, 2016	August 31, 2016
Total assets	\$ 3,778,951	\$ 3,910,126	\$ 4,002,172	\$ 4,271,701
Exploration and evaluation assets	-	-	-	-
Property and equipment	839,146	865,652	907,944	1,077,836
Asset held for sale	-	-	-	-
Working capital	2,444,602	2,630,869	2,684,351	2,773,507
Equity	3,591,205	3,709,404	3,805,329	4,069,182
Total revenues	140,796	156,293	124,975	124,723
Total other items	5,014	4,070	(61,019)	3,836
Operating expenses	145,966	129,067	139,815	166,665
Income (loss) before income taxes	(118,199)	(95,925)	(241,850)	(189,528)
Basic and diluted income (loss) per share	(0.00)	(0.01)	(0.02)	(0.01)

	May 31, 2016	February 29, 2016	November 30, 2015	August 31, 2015
Total assets	\$ 4,488,413	\$ 4,999,338	\$ 5,193,221	\$ 6,137,381
Exploration and evaluation assets	-	-	-	417,148
Property and equipment	1,152,025	1,188,717	1,158,921	1,861,919
Assets held for sale	-	300,000	300,000	-
Working capital	2,885,268	3,339,624	3,485,793	3,791,613
Equity	4,258,710	4,750,011	4,870,233	5,913,334
Total revenues	94,050	114,835	77,678	82,667
Total other items	474,899	4,858	(906,334)	10,389
Operating expenses	258,602	138,469	140,779	140,911
Income(loss) before income taxes	175,495	(120,222)	(1,183,537)	(74,956)
Basic and diluted income (loss) per share	0.01	(0.01)	(0.06)	(0.00)

**RELATED PARTY TRANSACTIONS**

Amounts paid or accrued to related parties are as follows:

Paid or accrued to:	Nature of transactions	For the six month period ended May 31, 2017	For the six month period ended May 31, 2016
A limited partnership of which a Director is a partner	Rent	\$ 12,024	\$ 11,474
A company controlled by a Director and Officer	Professional fees	10,000	-
A firm of which a Director is a partner	Professional fees	-	24,500
A company controlled by a Director and Officer	Management	<u>110,000</u>	<u>110,000</u>
		<u>\$ 132,024</u>	<u>\$ 145,974</u>

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Key management compensation is as follows:

Paid or accrued to:	Nature of transactions	For the six month period ended May 31, 2017	For the six month period ended May 31, 2016
Directors and Officers	Management <sup>i)</sup>	\$ 31,052	\$ 31,052
A company controlled by a Director and Officer	Management	110,000	110,000
A company controlled by a Director and Officer	Professional fees	10,000	-
Directors and Officers	Share-based compensation	-	103,604
		\$ 151,052	\$ 244,656

<sup>i)</sup> There were no post-employment benefits, termination benefits, or other long-term employment benefits paid to key management in either the period ended May 31, 2017 or 2016.

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:

	Nature of transactions	May 31, 2017	November 30, 2016
A firm of which a Director is a partner	Professional fee: \$	-	\$ 10,000
A company controlled by a Director and Officer	Professional fee: \$	14,000	-

## CHANGES IN ACCOUNTING POLICIES

### 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.

- 1) 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.
- 2) New standard IFRS 15, Revenue from Contracts with Customers, provides a single principle-based framework to be applied to all contracts with customers. IFRS 15 replaces the previous revenue standard IAS 18, Revenue, and the related Interpretations on revenue recognition. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments. The new standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards. Under the new standard, revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service. This standard is effective for reporting periods beginning on or after January 1, 2018.
- 3) New standard IFRS 16, Leases, specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for reporting periods beginning on or after January 1, 2019.

## **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.

### **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 May 31, 2017, the Company had a cash and cash equivalents balance of \$2,392,985 (November 30, 2016 - \$2,611,012) to settle current liabilities of \$50,478 (November 30, 2016 - \$59,877). All of the Company's financial liabilities 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 a term deposit of \$2,370,000 (November 30, 2016 - \$2,560,000) at an interest rate of 0.65% (November 30, 2016 - 0.65%). Since the 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.

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**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 (i.e. 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 period ended May 31, 2017.

**OUTSTANDING SHARE DATA**

**As at July 27, 2017:**

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

Expiry Date	Exercise Price	November 30, 2016	Exercisable	Expired/cancelled	Exercised	April 23, 2017	Exercisable
May 25, 2017	0.24	225,000	225,000	(225,000)	-	-	-
May 11, 2021	0.105	1,365,000	1,365,000	-	-	1,365,000	1,365,000
Total		1,590,000	1,590,000	-	-	1,365,000	1,365,000
Weighted average exercise price		\$ 0.12	\$ 0.12	\$ 0.24	\$ -	\$ 0.105	\$ 0.105
Weighted average remaining contractual life						3.80 years	

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

**Off-balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

**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).

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