

EAST WEST PETROLEUM CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED DECEMBER 31, 2019

This discussion and analysis of financial position and results of operation is prepared as at February 24, 2020 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the nine months ended December 31, 2019 of East West Petroleum Corp. ("East West" or the "Company"). The following disclosure and associated unaudited condensed consolidated interim financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars. Additional information relevant to the Company's activities, can be found on SEDAR at www.sedar.com.

Forward-Looking Statements

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the Company's actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information. Such factors include, but are not limited to: the ability to raise sufficient capital to fund exploration and development; the quantity of and future net revenues from the Company's reserves; oil and natural gas production levels; commodity prices, foreign currency exchange rates and interest rates; capital expenditure programs and other expenditures; supply and demand for oil and natural gas; schedules and timing of certain projects and the Company's strategy for growth; competitive conditions; the Company's future operating and financial results; and treatment under governmental and other regulatory regimes and tax, environmental and other laws.

Prospective resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Prospective resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be subclassified based on project maturity. Best estimate resources are considered to be the best estimate of the quantity that will actually be recovered from the accumulation. If probabilistic methods are used, this term is a measure of central tendency of the uncertainty distribution (most likely/mode, P50/median, or arithmetic average/mean). As estimates, there is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources that the estimated reserves or resources will be recovered or produced.

This list is not exhaustive of the factors that may affect our forward-looking information. These and other factors should be considered carefully and readers should not place undue reliance on such forward-looking information. The Company disclaims any intention or obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise.

All of the Company's public disclosure filings, including its most recent management information circular, material change reports, press releases and other information, may be accessed via www.sedar.com and readers are urged to review these materials, including the reserve reports filed with respect to the Company's petroleum and natural gas properties.

Company Overview

The Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange ("TSXV") under the symbol "EW" as a Tier 1 issuer. The Company currently carries on business in one operating segment, being the acquisition of, exploration for and production from petroleum and natural gas properties. The Company's current portfolio consists of interests in exploration concessions in New Zealand and Romania and producing properties in the Taranaki Basin, New Zealand. The Company has agreed to sell its interest in PEP 54877 and PMP 60291 which comprise the majority of its New Zealand assets. See "Proposed Disposition of New Zealand Oil & Gas Assets". The Company also holds investments in common shares of Advantage Lithium Corp. ("Advantage Lithium") and Seaway Energy Services Inc. ("Seaway"), public companies whose common shares trade

on the TSXV. The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, BC, V6E 3V7.

The Company is currently assessing its go-forward plans and whether its focus should remain on the oil and gas sector. At this time no decisions have been made but the Company will be assessing alternatives. For now, the focus remains on completing the sale of its New Zealand assets and assessing the opportunity of its carried to production 15% interest in the Romanian assets. There has been substantial work completed on the Romanian assets by Naftna Industrija Srbije j.s.c. Novi Sad ("NIS") and certain fundamental decisions in regard to exploration and development plans will be forthcoming in fiscal 2021. A technical and operating committee meeting with NIS is currently being scheduled.

Proposed Disposition of New Zealand Oil & Gas Assets

On June 24, 2019 the Company signed a heads of agreement (the "HOA") with a private arm's length New Zealand company (the "Buyer") pursuant to which the Company has agreed to sell its interest in PEP 54877 and PMP 60291 (collectively, the "Permits") which comprise the majority of the Company's assets in New Zealand (the "Transaction"). On October 5, 2019 the Company and the Buyer signed the definitive agreement (the "Definitive Agreement") for the sale and purchase of the Permits under the Transaction.

The Permits are the subject of a joint operating agreement (the "JOA") between EWNZ, a wholly-owned subsidiary of the Company, and Cheal Petroleum Limited ("CPL"). The disposition of the Company's interest in the Permits will be conditional upon the waiver of CPL of its rights under the JOA to acquire the Company's interest in the Permits, and the waiver or satisfaction of any other obligations as may exist to CPL.

Pursuant to the terms of the Definitive Agreement, and in consideration of the Transaction, the Buyer will pay the Company US \$1,900,000 (the "Purchase Price") in cash. The effective date for the sale is April 1, 2019 (the "Effective Date") and payments are staged over 16 months of closing with initial payment of US \$1,000,000 with normal closing adjustments, due on closing. On August 7, 2019 the Company received Company shareholder approval. Completion of the Transaction is subject to approvals to the transfer from New Zealand's Overseas Investment Act 2005 and New Zealand Petroleum and Minerals ("NZP&M") and final TSXV approval. On February 18, 2020 the Company was advised that the local regulatory issues have been addressed and that all parties are now working towards the closing of the Transaction.

On July 16, 2019 the Company received a deposit of US \$50,000 (the "Deposit") from the Buyer which is refundable to the Buyer in the event the Company does not receive the approvals. In addition to the Deposit paid, all revenue less associated sales costs, production costs, royalties and capital costs, received by the Company subsequent to the Effective Date, will be credited to the Purchase Price to be paid by the Buyer. As at December 31, 2019 approximately US \$550,000 has been received by the Company.

See also "Project Update - New Zealand".

Directors and Officers

As of the date of this MD&A the Company's Board of Directors and Officers are as follows:

Nick DeMare	- Interim CEO, Chief Financial Officer ("CFO"), Corporate Secretary and director
Ross McElroy	- Director
Mark Brown	- Director
Kevin Haney	- Director

Projects Update

In this MD&A, production and reserves information may be presented on a barrel of oil equivalent ("BOE") basis with six thousand cubic feet ("MCF") of natural gas being equivalent to one barrel ("bbl") of crude oil or natural gas liquids. BOE's may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 MCF: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

New Zealand

The Company has operations in the Taranaki Basin of New Zealand. All licenses were previously operated by the Company's partner, TAG Oil Ltd. ("TAG" or the "Operator"), and all wells are targeting shallow Miocene targets in the Urenui and Mt. Messenger formations which have been shown to be productive for oil and gas throughout the Basin, including TAG's adjacent Cheal field. Within the Taranaki Basin, East West holds a 30% working interest in the Petroleum Exploration Permit ("PEP") 54877 and the Petroleum Mining Permit PMP 60291 (Cheal East) and TAG held the remaining 70%. On November 9, 2018 TAG entered into a definitive share and asset purchase agreement with Tamarind Resources Pte. Ltd. ("Tamarind"), to sell substantially all of its Taranaki Basin assets and operations in New Zealand which includes TAG's interest in PEP 54877 and PMP 60291. On September 25, 2019 TAG completed the sale. In light of TAG's decision to sell the majority of its interest in the Taranaki Basin assets the Company assessed its options with respect to its 30% interest in Cheal East and, on June 24, 2019, the Company signed a heads of agreement with the Buyer pursuant to which the Company has agreed to sell its 30% interest in PEP 54877 and PMP 60291 to the Buyer. See also "Proposed Disposition of New Zealand Oil & Gas Assets".

The change in ownership of CPL, from TAG to Tamarind, has resulted in a letter from the New Zealand government authorities regarding the financial capacity of Tamarind which impacts tenure to the permits. Tamarind has addressed the comments and on February 18, 2020, was advised by the local regulatory authorities that the permits will not be revoked and accordingly the Company and the Buyer can now move forward to close the Transaction, the process will include approval to the transfer of the permits from local regulatory authorities. The Company does not anticipate significant delays for the Buyer to obtain all necessary approvals to the Transaction.

PEP 54877 and PMP 60291 is the location of the Cheal E-Site and the Cheal E-site production facility as well as the Cheal-E wells. There has been continued positive response from the Cheal E waterflood program, with both production and pressure increases having been observed. The Cheal E waterflood program was expanded to include the conversion of the Cheal-E4 well to a water injector in two Mt. Messenger formation intervals, which has swept oil towards the Cheal-E1 producing well from the southern area of the field resulting in additional oil recovery and extending the Cheal-E site's field life.

Romania

During fiscal 2010 the Company was informed by the government of Romania that it had been awarded four exploration blocks located in the Pannonian Basin, in western Romania. In May 2011 the Company signed petroleum concession agreements with the National Agency for Minerals and Hydrocarbons ("NAMR") the government agency in Romania which regulates the oil and gas industry.

The four concessions have specific mandatory work programs (the "Romania Work Programs"), which were estimated at US \$62,741,000 for all four programs. Production from the concessions is also subject to royalties of between 3.5% to 13.5% based on quarterly gross production payable to the government.

On May 20, 2011 the Company and Naftna Industrija Srbije j.s.c. Novi Sad ("NIS"), an arm's length corporation, signed a memorandum of understanding to jointly explore the four exploration blocks in Romania. On October 27, 2011 the Company and NIS signed a farm-out agreement (the "Farm-out"). Under the terms of the Farm-out, NIS has paid the Company a total of \$525,000 for the assignment of an 85% participation interest and operatorship of the Romania Work Programs to NIS. NIS is the operator of the four concessions and has the obligation to fund the Romania Work Programs, including environmental work, 2D and 3D seismic acquisition and processing, and the drilling of 12 wells. The Company retains a 15% carried interest in each block through the obligatory Phase I work program and an optional one year Phase II work program which carries additional commitments. The current expiries of the Phase I terms are as follows: Block EX-2 December 12, 2021, Block EX-3 December 14, 2021 and November 22, 2020 for Blocks EX-7 and EX-8. If a commercial discovery is made, the Company is responsible for its 15% interest in development of the commercial discovery.

As operator, NIS has proposed and is actively progressing comprehensive exploration programs in the EX-2, EX-3, EX-7 and EX-8 exploration blocks in Romania. It should be noted that all activities are dependent on securing the necessary government and local approvals.

On Block Ex-2, acquisition program of 3D seismic in the amount of 170 Km² was completed in Q3/2019 (calendar) and processing of the data is underway. The Phase 1 Exploration Period was extended for another two years and now ends in December 2021.

On Block EX-3, processing of the data acquired last year on 223 km² 3D seismic program has been finished. Interpretation of the data is ongoing. The Phase 1 Exploration Period was extended for another two years and now ends in December 2021

On Block EX-7, an exploration well, Bvs-1000, was drilled in 1Q/2019 (calendar) to a total depth of 3,800 meters and encountered several potential hydrocarbon bearing zones as identified on logs. Testing is now expected to commence in Q1/2020 (calendar). A deviated appraisal well on the Teremia North discovery, Ter-1001, was drilled in Q1/2019 (calendar) and encountered several potential hydrocarbon-bearing zones. A long-term test was conducted from April to July 2019 which established a stabilized oil flow rate of approximately 150 bopd. Extended well testing is ongoing.

On Block EX-8, a second deviated appraisal well on the Teremia North field, Ter-1002, was spudded in September 2019 and has been drilled to a measured depth of more than 2,600 metres. Extended testing is planned. An exploration well, Pes-1000 was drilled and completed in 3Q/2019 (calendar) to a total depth of around 2,500 metres. Several potential hydrocarbon bearing zones were encountered and testing is planned.

NIS will be funding 100% of the costs and fully carrying the Company through the commitment work programs in each of the blocks in return for earning an 85% interest in each licence.

Investments

As at December 31, 2019 the Company held 1,719,000 common shares of Advantage Lithium and 512,400 common shares of Seaway. The December 31, 2019 fair value of these investments was \$692,229. Certain current and former directors and officers of the Company are also current and former directors and /or officers of Advantage Lithium and Seaway.

Selected Financial Data

The following selected financial information is derived from the unaudited condensed consolidated interim financial statements of the Company prepared in accordance with IFRS.

	Fiscal 2020			Fiscal 2019				Fiscal 2018
	Dec. 31 2019 \$	Sep. 30 2019 \$	Jun. 30 2019 \$	Mar. 31 2019 \$	Dec. 31 2018 \$	Sep. 30 2018 \$	Jun. 30 2018 \$	Mar. 31 2018 \$
Operations:								
Total revenues	647,536	358,589	1,132,453	447,218	663,892	824,529	825,332	435,951
Operating costs	(451,611)	(444,438)	(444,632)	(272,134)	(388,400)	(336,961)	(464,680)	(393,119)
Expenses	(453,820)	(361,219)	(521,202)	(131,681)	(303,846)	(438,262)	(494,031)	(490,202)
Other items	283,639	(313,117)	(107,894)	(29,719)	(379,722)	(538,955)	(324,033)	(320,414)
Income (loss) before deferred income tax	25,744	(760,185)	58,725	13,684	(408,076)	(489,649)	(457,412)	(767,784)
Deferred income tax	Nil	Nil	Nil	Nil	Nil	Nil	Nil	(49,000)
Net income (loss)	25,744	(760,185)	58,725	13,684	(408,076)	(489,649)	(457,412)	(816,784)
Other comprehensive (loss) income, net of deferred income tax	146,435	49,530	(156,389)	(13,032)	141,685	(123,157)	(87,189)	132,529
Comprehensive income (loss)	172,179	(710,655)	(97,664)	652	(266,391)	(612,806)	(526,073)	(684,255)
Basic and diluted income (loss) per share	(0.00)	(0.01)	0.00	0.00	(0.00)	(0.01)	(0.00)	(0.01)
Balance Sheet:								
Working capital	4,143,819	3,766,965	3,998,169	3,462,301	3,872,357	3,821,391	4,048,277	4,118,454
Assets held-for-sale	1,786,828	2,067,867	Nil	Nil	Nil	Nil	Nil	Nil
Total assets	6,919,026	6,595,945	7,351,316	7,843,667	7,435,978	7,952,357	8,422,104	8,912,682
Decommissioning liabilities	(319,101)	(309,904)	(1,316,825)	(1,357,434)	(1,340,200)	(1,262,718)	(1,317,180)	(1,364,764)
Liabilities on assets held-for-sale	(995,431)	(943,472)	Nil	Nil	Nil	Nil	Nil	Nil
Deposit	(65,505)	(65,505)	Nil	Nil	Nil	Nil	Nil	Nil

Results of Operations

Three Months Ended December 31, 2019 (“Q3”) Compared to Three Months Ended September 30, 2019 (“Q2”)

Revenues and operating costs for Q3 compared to Q2 are as follows:

	Q3	Q2
Total sales	\$ 647,536	\$ 358,589
Total sales volume	12,653 BOE	7,148 BOE
Average realized price per BOE	\$ 51.18	\$ 50.17
Petroleum sales	\$ 572,355	\$ 319,821
Petroleum sales volume	9,946 BOE	5,711 BOE
Average petroleum realized price per BOE	\$ 57.55	\$ 56.00
Natural gas sales	\$ 75,181	\$ 38,768
Natural gas sales volume	2,707 BOE	1,437 BOE
Average natural gas realized price per BOE	\$ 27.77	\$ 26.98
Production costs	\$ 376,394	\$ 416,099
Average per BOE	\$ 29.75	\$ 58.21
Transportation and storage costs	\$ 46,257	\$ 46,937
Average per BOE	\$ 3.66	\$ 6.57
Royalties	\$ 28,960	\$ (18,598)
Average per BOE	\$ 2.29	\$ (2.60)
Netback	\$ 195,925	\$ (85,849)
Average per BOE	\$ 15.48	\$ (12.01)

Q3 compared to Q2

Total sales revenues increased by 81% from \$358,589 in Q2 to \$647,536 in Q3. The increase is due to a 77% increase in total sales volumes of oil and natural gas.

During Q3 production costs decreased by 10%, from \$416,099 in Q2 to \$376,394 in Q3 due to repairs and workovers completed on the Cheal-E1 and Cheal-E6 wells during Q2.

During Q3 the Company reported a comprehensive gain of \$172,179 compared to comprehensive loss of \$710,665 for Q2. The fluctuation of \$882,844 is primarily attributed to the following:

- (i) net operating income increased by \$281,774, from a loss of \$85,849 in Q2 to income of \$195,925 in Q3, due to an increase in sales volumes;
- (ii) recognition of a gain in currency translation of foreign subsidiary of \$146,435 in Q3 compared to a gain of \$49,530 in Q2; and
- (iii) recognition of a foreign exchange gain of \$131,502 in Q3 compared to a foreign exchange loss of \$134,650 in Q2.
- (iv) recognition of depletion of \$171,576 in Q2 compared to \$375,250 in Q3;

During Q2 the Company received approval of its shareholders to proceed with the Transaction and the Company determined that it was highly probable that the Permits will be recovered through the sale. Accordingly, the carrying values of the non-current assets and liabilities relating to the Permits have been reclassified as held-for-distribution.

Nine Months Ended December 31, 2019 (the “2019 period”) Compared to Nine Months Ended December 31, 2018 (the “2018 period”)

Revenues and operating costs for the 2019 period compared to the 2018 period are as follows:

	2019 Period	2018 Period
Total sales	\$ 2,138,578	\$ 2,313,753
Total volume	34,082 BOE	27,560 BOE
Average realized price per BOE	\$ 62.75	\$ 83.95
Petroleum sales	\$ 1,941,393	\$ 1,540,422
Petroleum volume	27,061 BOE	15,803 BOE
Average petroleum realized price per BOE	\$ 71.74	\$ 97.48
Natural gas sales	\$ 197,185	\$ 109,439
Natural gas volume	7,021 BOE	3,707 BOE
Average natural gas realized price per BOE	\$ 28.09	\$ 29.52
Production costs	\$ 1,031,626	\$ 888,574
Average per BOE	\$ 30.27	\$ 32.24
Transportation and storage costs	\$ 213,410	\$ 202,936
Average per BOE	\$ 6.26	\$ 7.36
Royalties	\$ 95,645	\$ 98,531
Average per BOE	\$ 2.81	\$ 3.58
Netback	\$ 797,897	\$ 1,123,712
Average per BOE	\$ 23.41	\$ 40.77

Total sales revenues decreased from \$2,313,753 in the 2018 period to \$2,138,578 in the 2019 period. The decrease is primarily due to lower average realized prices per BOE.

Production costs increased from \$888,574 in the 2018 period to \$1,031,626 in the 2019 period, an increase of 16% due to the workovers of the Cheal-E1 and Cheal-E6 wells.

During the 2019 period the Company reported a comprehensive loss of \$636,140 compared to a comprehensive loss of \$1,405,279 reported in the 2018 period. The fluctuation is primarily attributed to:

- (i) during the 2018 period the Company recorded a \$1,560,771 unrealized loss on investments compared to a \$247,678 unrealized loss during the 2019 period which was partially offset by a \$89,046 realized gain on sale of investments during the 2018 period compared to a \$19,012 realized loss on sale of investments during the 2019 period;
- (ii) the recognition of depletion and depreciation of \$569,073 in the 2018 period compared to \$909,969 in the 2019 period. The decrease is attributed mainly to the change in the Company's petroleum reserve base as at March 31, 2019;
- (iii) the decrease of \$325,815 in net operating income from \$1,123,712 in the 2018 period compared to \$797,897 in the 2019 period; and
- (iv) decrease in general and administrative expenses of \$289,950 from \$606,524 during the 2018 period compared to \$316,574 during the 2019 period.

General and administrative expenses incurred during the 2019 period and 2018 period are as follows:

	2019 \$	2018 \$
Accounting and administrative	30,775	29,850
Audit and related	56,602	62,656
Bank charges	1,092	2,455
Charitable donations	-	10,000
Corporate development	2,870	232,139
Insurance	13,309	10,844
Legal	97,220	7,431
Office	5,763	8,202
Professional fees	74,195	155,858
Regulatory fees	7,832	6,454

	2019 \$	2018 \$
Rent	3,631	2,500
Shareholder costs	12,862	6,612
Telephone	-	1,767
Transfer agent fees	9,478	2,383
Travel	945	67,373
	<u>316,574</u>	<u>606,524</u>

Specific expenses of note during the 2019 and 2018 periods are as follows:

- (i) professional fees totalling \$74,195 were incurred during the 2019 period compared to \$155,858 during the 2018 period as follows:
 - \$36,500 was paid to directors and officers of the Company during the 2019 period compared to \$81,900 paid during the 2018 period. See also “Related Party Transactions”;
 - \$37,695 was paid to consultants for administrative and financial services during the 2019 period compared to \$73,958 during the 2018 period;
- (ii) corporate development expenses of \$2,870 were incurred during the 2019 period compared to \$232,139 during the 2018 period. During the 2018 period the Company engaged various firms to provide corporate information on the Company through various marketing campaigns;
- (iii) legal fees of \$97,220 were incurred during the 2019 period compared to \$7,431 during the 2018 period due to legal services required on the disposition of the New Zealand oil and gas assets; and
- (iv) travel expenses of \$67,373 were incurred during the 2018 period for travel to attend meetings in Romania to review the Romania Work Programs compared to travel expenses of \$945 incurred during the 2019 period.

During the 2019 period the Company incurred general exploration expenses of \$44,907 (2018 - \$43,295) of which \$29,835 (2018 - \$34,213) was related to PEP 54879 and \$15,072 (2018 - \$9,082) was for ongoing review of current exploration and evaluation assets.

Interest income is generated from cash on deposit with a senior financial institution and short-term money market instrument issued by major financial institutions. During the 2019 period the Company reported interest income of \$53,055 compared to \$53,176 during the 2018 period.

During the 2019 period the Company made open market purchases and sales of common shares of American Helium under which the Company purchased nil (2018 - 43,000) common shares for \$nil (2018 - \$32,045) and sold 28,000 (2018 - 15,000) common shares for \$1,855 (2018 - \$10,890), resulting in a loss on sale of investments of \$19,012 (2018 - \$288). During the 2018 period the Company made open market purchases and sales of common shares of Advantage Lithium under which the Company purchased 934,000 common shares for \$685,121 and sold 344,000 common shares for \$304,602, resulting in a gain on sale of investments of \$89,046. No purchases or sale of common shares of Advantage Lithium occurred during the 2019 period. During the 2018 period the Company also purchased 50,000 common shares of Seaway for \$10,674. No purchases or sale of common shares of Seaway occurred during the 2019 period.

Property, Plant and Equipment

During the 2019 period the Company incurred total additions of \$66,999 (2018 - \$485,965) for the Cheal-East wells, and recorded decrease of \$681,288 (2018 - \$442,916) in foreign exchange movement for property, plant and equipment additions on the New Zealand properties. The net costs were then reclassified as part of assets held-for-sale.

	Petroleum and Natural Gas Properties (PMP 60291) \$
Cost:	
Balance at March 31, 2018	13,462,294
Capital expenditures	952,455
Foreign exchange movement	<u>(293,233)</u>
Balance at March 31, 2019	14,121,516
Capital expenditures	66,999
Reclassification to assets held-for-sale	(13,507,227)
Foreign exchange movement	<u>(681,288)</u>
Balance at December 31, 2019	<u>-</u>
Accumulated Depletion and Depreciation and Impairment:	
Balance at March 31, 2018	(12,782,294)
Depletion and depreciation	(556,123)
Foreign exchange movement	<u>285,333</u>
Balance at March 31, 2019	(13,053,084)
Depletion and depreciation	(909,969)
Reclassification to assets held-for-sale	13,340,440
Foreign exchange movement	<u>622,613</u>
Balance at December 31, 2019	<u>-</u>
Carrying Value:	
Balance at March 31, 2019	<u>1,068,432</u>
Balance at December 31, 2019	<u>-</u>
Exploration and Evaluation Assets	
	PEP 54877 \$
Balance at March 31, 2018	1,681,691
Capital expenditures	53,152
Foreign exchange movement	<u>(37,937)</u>
Balance at March 31, 2019	1,696,906
Capital expenditures	5,027
Reclassification to assets held-for-sale	(1,620,041)
Foreign exchange movement	<u>(81,892)</u>
Balance at December 31, 2019	<u>-</u>

Minimal capital expenditures were conducted on PEP 54877 during the 2019 period. All costs have been reclassified as part of assets held-for-sale.

Financial Condition / Capital Resources

As at December 31, 2019 the Company had working capital of \$4,143,819. The Company also holds investments in Advantage Lithium and Seaway with an estimated fair value of \$692,229 as at December 31, 2019. The Company believes that it currently has sufficient financial resources to conduct anticipated exploration and development

programs and meet anticipated corporate administration costs for the upcoming twelve month period while it completes the proposed disposition of the majority of its New Zealand oil and gas assets. However, there can be no assurances that the proposed disposition will close. See “Proposed Disposition of New Zealand Oil and Gas Assets” and “Projects Update - New Zealand”. In addition, exploration activities may change due to ongoing results and recommendations, discoveries may require appraisal and development work or the Company may acquire additional properties, which may entail significant funding or exploration commitments. In the event that the occasion arises, the Company may be required to obtain additional financing and/or sell its holdings in its investments as needed. While it has been successful in the past, there can be no assurance that the Company will be successful in raising future financing should the need arise.

Commitments

The Company’s share of expected exploration and development permit obligations and/or commitments on its New Zealand oil and gas assets as at December 31, 2019 are approximately \$180,000 to be incurred over the next twelve months and \$1,199,000 over the next five years. The Company has agreed to dispose the majority of its New Zealand assets. See “Company Overview – Proposed Disposition of New Zealand Oil & Gas Assets”.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

See “Company Overview - *Proposed Disposition of New Zealand Oil & Gas Assets*”.

Critical Accounting Estimates

The preparation of financial statements in conformity IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Examples of significant estimates made by management include the determination of mineralized reserves, plant and equipment lives, estimating the fair values of financial instruments, impairment of long-lived assets, reclamation and rehabilitation provisions, valuation allowances for future income tax assets, classification of investments and assumptions used for share-based compensation. Actual results may differ from those estimates. A detailed summary of the Company’s critical accounting estimates and sources of estimation is included in Note 3 to the March 31, 2019 audited annual consolidated financial statements.

Changes in Accounting Policies

During the 2019 period the Company adopted or implemented the following accounting policies:

(i) **IFRS 16 - *Leases*** (“IFRS 16”)

The Company adopted IFRS 16 effective April 1, 2019.

IFRS 16 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.

There was no impact on the Company’s condensed consolidated interim financial statements upon the adoption of this new standard.

(ii) ***Assets Held-for-Sale***

Non-current assets, or disposal comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposals, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal is allocated first to goodwill, and then to the remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to financial assets or investment property, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held-for-distribution and subsequent gains and losses on re-measurement are recognized in profit or loss.

A detailed summary of the Company's other significant accounting policies is included in Note 3 to the March 31, 2019 audited annual consolidated financial statements.

Related Party Disclosures

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period. Key management personnel includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors and its executive officers.

(a) During the 2019 and 2018 period the following amounts were incurred:

	2019 \$	2018 \$
Professional fees - David Sidoo, former CEO and former Director ⁽¹⁾	9,000	54,000
Professional fees - Nick DeMare, Interim CEO, CFO and Director ⁽²⁾	9,000	27,000
Professional fees - Ross McElroy, Director ⁽³⁾	9,000	-
Professional fees - Mark Brown, Director ⁽⁴⁾	9,000	-
Professional fees - Kevin Haney, Director ⁽⁵⁾	500	-
Professional fees - David Taylor, former Director ⁽⁶⁾	-	900
Share-based compensation - Ross McElroy	24,000	-
Share-based compensation - Mark Brown	24,000	-
	<u>84,500</u>	<u>81,900</u>

(1) Paid to Siden Investments Ltd., a private company owned by David Sidoo. David Sidoo stepped-down as CEO on March 14, 2019 and ceased to be a director as of December 12, 2019

(2) Paid to Chase Management Ltd. ("Chase") a private company owned by Nick DeMare. Mr. DeMare was appointed interim CEO on March 14, 2019

(3) Paid to Edge Geological Consulting Inc., a private company owned by Ross McElroy

(4) Paid to Pacific Opportunities Capital Ltd., a private company owned by Mark Brown

(5) Mr. Haney was elected as a Director on December 12, 2019

(6) Paid to Circus Ventures Ltd., a private company owned by David Taylor. David Taylor was appointed as a director on October 3, 2017 and resigned on June 15, 2018.

As at December 31, 2019 \$2,500 (March 31, 2019 - \$6,000) remained unpaid

(b) During the 2019 period the Company incurred a total of \$29,975 (2018 - \$29,850) to Chase Management Ltd. ("Chase"), a private corporation owned by Nick DeMare, for accounting and administration services provided by Chase personnel, excluding Nick DeMare. As at December 31, 2019 \$875 (March 31, 2019 - \$5,300) remained unpaid

(c) As at December 31, 2019 the Company owned 1,719,000 common shares of Advantage Lithium with a quoted market value of \$610,245 and 512,400 common shares of Seaway with a quoted market value of \$81,984. Certain current and former directors and officers of the Company are also current and former directors and /or officers of Advantage Lithium and Seaway. See "Investments".

Financial Instruments and Risk Management

The nature of the Company's operations expose the Company to credit risk, liquidity risk and market risk, and changes in commodity prices, foreign exchange rates and interest rates may have a material effect on cash flows, net income and comprehensive income.

This note provides information about the Company's exposure to each of the above risks as well as the Company's objectives, policies and processes for measuring and managing these risks.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and to monitor market conditions and the Company's activities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and policies.

Credit Risk

Credit risk is the risk of financial loss to the Company if counterparties do not fulfill their contractual obligations. The most significant exposure to this risk is relative to the sale of oil production. All of the Company's production is sold directly to a major oil company. The Company is paid for its oil sales within 30 days of shipment. The Company has assessed the risk of non-collection from the buyer as low due to the buyer's financial condition.

Cash is held with a Canadian chartered bank and is monitored to ensure a stable return.

The carrying amount of cash and amounts receivable represents the maximum credit exposure. The Company does not have an allowance for doubtful accounts on its amounts receivable as at December 31, 2019 and 2018 and did not provide for any doubtful accounts.

Commodity Price Risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices, affecting results of operations and cash generated from operating activities. Such prices may also affect the value of exploration and development properties and the level of spending for future activities. Prices received by the Company for its production are largely beyond the Company's control as petroleum prices are impacted by world economic events that dictate the levels of supply and demand. All of the Company's oil production is sold at spot rates exposing the Company to the risk of price movements. As at December 31, 2019, assuming all other variables remain constant, a change of 10% in oil and gas prices would have an effect on net income of \$213,000. Effective January 1, 2020 the Company has an agreement to sell its gas production from the Cheal E field at a base price of NZD \$6.10 per gigajoule. The gas agreement is set to end December 31, 2020.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period.

Market Risk

Market risk is the risk that changes in foreign exchange rates, commodity prices and interest rates will affect the Company's cash flows, net income and comprehensive income. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

Foreign Currency Exchange Rate Risk

Foreign currency exchange rate risk is the risk that future cash flows, net income and comprehensive income will fluctuate as a result of changes in foreign exchange rates. All of the Company's petroleum sales are denominated in United States dollars and gas sales, operational and capital activities related to the Company's properties are transacted primarily in New Zealand dollars and/or United States dollars with some costs also being incurred in Canadian dollars.

The Company currently does not have significant exposure to other currencies and this is not expected to change in the foreseeable future as the work commitments in New Zealand are expected to be carried out in New Zealand and to a lesser extent, in United States dollars.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate fluctuations on its cash which bears a floating rate of interest. The risk is not considered significant.

The Company did not have any interest rate swaps or financial contracts in place during the 2019 and 2018 periods and any variations in interest rates would not have materially affected net income.

Fair Value of Financial Instruments

Financial instruments are classified into one of the following categories: FVTPL; amortized cost; fair value through other comprehensive income (“FVOCI”); and other financial liabilities. The carrying values of the Company’s financial instruments are classified into the following categories:

Financial Instrument	Category	December 31, 2019 \$	March 31, 2019 \$
Cash	FVTPL	4,144,150	3,657,694
Amounts receivable	Amortized cost	276,039	380,008
Investments- common shares	FVTPL	692,229	960,774
Accounts payable and accrued liabilities	Amortized cost	(296,150)	(655,254)

The Company’s financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for amounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The recorded amounts for cash and investments approximate their fair value. The fair value of cash and investment in common shares under the fair value hierarchy is measured using Level 1 and Level 2 inputs. The fair value of the investment in warrants is measured using Level 2 inputs.

The following is an analysis of the Company’s financial assets measured at fair value as at December 31, 2019 and March 31, 2019:

	December 31, 2019		
	Level 1 \$	Level 2 \$	Level 3 \$
Cash	4,149,150	-	-
Investments - common shares	610,245	81,984	-
	<u>4,759,395</u>	<u>81,984</u>	<u>-</u>
March 31, 2019			
	Level 1 \$	Level 2 \$	Level 3 \$
Cash	3,657,694	-	-
Investments - common shares	960,774	-	-
	<u>4,618,468</u>	<u>-</u>	<u>-</u>

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of petroleum and natural gas properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain development of the business. The Company defines capital that it manages as share capital. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's share capital is not subject to any external restrictions. The Company has not paid or declared any dividends since the date of incorporation, nor are any currently contemplated. There have been no changes to the Company's approach to capital management during the period.

Risks and Uncertainties

The Company is engaged in the exploration for and development of oil and natural gas properties. These activities involve significant risks which careful evaluation, experience and knowledge may not eliminate in some cases. The commercial viability of any petroleum and natural gas properties depends on many factors not all of which are within the control of management. Operationally the Company faces risks that are associated with and affect the financial viability of a given petroleum and natural gas property. These include risks associated with finding, developing and producing these petroleum and natural gas reserves. In addition, Government regulations, taxes, royalties, land tenure, land use, environmental protection and reclamation and closure obligations, have an impact on the economic viability of a petroleum and natural gas property.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon the continued support of its shareholders, obtaining additional financing and generating revenues sufficient to cover its operating costs. The accompanying financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying audited financial statements.

Any forward-looking information in the MD&A is based on the conclusions of management. The Company cautions that due to risks and uncertainties, actual events may differ materially from current expectations. With respect to the Company's operations, actual events may differ from current expectations due to economic conditions, new opportunities, changing budget priorities of the company and other factors.

Outstanding Share Data

The Company's authorized share capital is unlimited common shares with no par value. As at February 24, 2020 there were 89,585,665 outstanding common shares and 5,505,000 share options outstanding with exercise prices ranging from \$0.06 to \$0.135 per share.