

ROK RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2020

The following is management's discussion and analysis ("MD&A") of the operating and financial results of ROK Resources Inc. ("ROK" or the "Company"), formerly Petrodorado Energy Ltd., for the three months and year ended December 31, 2020, as compared to the three months and year ended December 31, 2019, as well as information and expectations concerning the Company's outlook based on currently available information.

This MD&A should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2020 (collectively, the "Financial Statements") prepared in accordance with IFRS (as defined below), together with the accompanying notes.

This MD&A contains forward-looking information about our current expectations, estimates, projections and assumptions. Additional information on the Company, its financial statements, this MD&A and other factors that could affect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

All dollar values are expressed in Canadian dollars, unless otherwise indicated, and are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").

This MD&A is prepared as of April 23, 2021.

NON-IFRS MEASURES

The non-IFRS measures referred to below do not have any standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures used by other companies. Management uses this non-IFRS measurement to provide its shareholders and investors with a measurement of the Company's financial performance and are not intended to represent operating profits nor should they be viewed as an alternative to cash provided by operating activities, net income or other measures of financial performance calculated in accordance with IFRS. The reader is cautioned that these amounts may not be directly comparable to measures for other companies where similar terminology is used.

Funds Used in Operations

"Funds Used in Operations" include all cash used in operating activities and are calculated before the change in non-cash working capital. A reconciliation of cash used in operating activities to funds used in operations for the three months and year ended December 31, 2020 and 2019, are as follows:

	Q4 2020	Q4 2019	Year 2020	Year 2019
Cash used in operating activities	(420,386)	(224,630)	(949,582)	(400,166)
Change in non-cash working capital	155,542	13,652	102,014	26,509
Funds used in operations	(264,844)	(210,978)	(847,568)	(373,657)

Operating Income and Netback

"Operating Income" is calculated by deducting operating expense from total revenue. Total revenue is comprised of oil and gas sales, net of royalties. The Company refers to Operating Income expressed per unit of production as an "Operating Netback". "Operating Income Profit Margin" is calculated by the Company as Operating Income as a

percentage of oil and natural gas sales. A reconciliation of the measures for the three months and year ended December 31, 2020 and 2019, are as follows:

	Q4 2020	Q4 2019	Year 2020	Year 2019
Crude Oil and Natural Gas Sales	322,935	-	598,448	-
Royalties	(72,356)	-	(139,355)	-
Operating Expenses	(193,890)	-	(392,284)	-
Operating Income	56,689	-	66,809	-
Sales volume (boe)	15,827	-	30,489	-
Per boe				
Crude Oil and Natural Gas Sales	20.40	-	19.63	-
Royalties	(4.57)	-	(4.57)	-
Operating Expenses	(12.25)	-	(12.87)	-
Operating Netback per boe	3.58	-	2.19	-
Operating Income Profit Margin	17.5%	-	11.2%	-

BUSINESS PROFILE AND STRATEGY

The Company's head office is located in Regina, Saskatchewan, Canada, and the Company's shares are traded on the TSX Venture Exchange ("TSXV") under the trading symbol "ROK". In recent years, the Company underwent a strategic reassessment which resulted in the disposal of all foreign operations and associated exploration blocks wherein the Company had a participating interest. In 2019, the Company completed the asset acquisition of certain Saskatchewan land leases with prospective mineral rights (see further below) and changed its name to "ROK Resources Inc."

Even though these events have improved the financial condition of the Company, the lack of cash inflow from operations may mean that any future strategic opportunities for the Company or the development of petroleum and natural gas properties may require additional financing to execute. The Board of Directors and management have continued to review all potential transactions available to the Company with the mission to identify viable and lucrative opportunities that may provide the best future for the Company and the shareholders with the goal to maximize shareholder value.

ROK RESOURCES INC. ACQUISITION

In November 2019, the Company completed the acquisition of ROK Resources Inc., a private Saskatchewan oil and gas company (the "**Private Company**"), pursuant to which the Company acquired all of the issued and outstanding shares of the Private Company. Under the terms of the Transaction, former Private Company shareholders were issued an aggregate of 20,000,000 Class B Shares of the Company as consideration valued at \$1.1 million. Upon completion of this transaction, the current business of the Private Company became the primary business of the Company (the "**Transaction**"). By way of the Transaction, the Company acquired interests in certain undeveloped land located in Southeast Saskatchewan on which it intends to conduct petroleum and natural gas exploratory work.

GLEN EWEN ASSET ACQUISITION

On June 30, 2020, the Company closed the acquisition of certain producing petroleum and natural gas properties located within the Glen Ewen area of Southeast Saskatchewan, targeting the Midale and Frobisher Beds. The acquired assets also include associated facilities and undeveloped land directly adjacent to the Company's existing land base within the project area, as well as associated liabilities relating to future abandonment obligations on well and facility sites. This contiguous area now allows for cost effective development of ROK's previously undeveloped

lands utilizing existing processing capacity, water disposal and pipeline infrastructure. The acquisition package also contains 27 suspended wells and 11 inactive facility sites, which continue to be evaluated for future reactivation.

2021 ASSET ACQUISITIONS

Quit Claim Acquisition

In February 2021, the Company entered into a purchase and sale agreement to acquire certain producing oil and gas assets in Southeastern Saskatchewan. Total consideration for the acquisition was the assumption of all liabilities associated with the acquired assets. The Company estimates that the future abandonment and reclamation obligations for the acquired assets to be approximately \$334,000.

Acquisition and Farm-In

In March 2021, the Company entered into a purchase and sale agreement to acquire certain producing oil and gas assets (the "Assets") in Southeastern Saskatchewan. Closing of the acquisition is expected to occur on or about April 30, 2021 with an effective date of April 1, 2021, subject to the completion of a diligence review on the Assets, the completion of a financing transaction to provide funding to purchase the Assets, as well as the receipt of any necessary regulatory approvals. In addition, ROK has completed an acquisition (the "Non-op Assets") for a non-operated working interest in producing and non-producing oil and gas assets, along with an interest in a multi-well facility in another area of Southeastern Saskatchewan. The acquisition properties include production, as well as liabilities pertaining to future abandonment and reclamation obligations. Total consideration for the two acquisitions is \$2,500,000 in cash and 2,250,000 Class B Shares of ROK and an overriding royalty specific to the Non-op Assets. The acquired Assets also include two central oil batteries and 2,500 gross acres of prospective land in proximity to the Company's existing land base.

Further, in March 2021 the Company entered into a farmout agreement (the "Farm-In") to acquire the rights to earn certain oil and gas assets (the "Undeveloped Assets") in Southeastern Saskatchewan. ROK will participate in the drilling, completion and equipping of two earning wells, paying 70% of the costs to earn a 35% working interest in the earning wells, plus a 35% working interest in 2,900 gross acres of prospective land in the Undeveloped Assets. The first commitment well is expected to be spud on or before August 31, 2021. Prior to December 31, 2021, ROK has the option to purchase up to a 50% interest in the Undeveloped Assets, which includes two producing oil and gas wells. The Farm-In is subject to financing and the receipt of any necessary regulatory approvals.

Bolt-On Acquisition

In March 2021, the Company entered into a purchase and sale agreement, to acquire certain producing oil and gas assets in Southeastern Saskatchewan. Closing of the acquisition is expected to occur on or about April 30, 2021 with an effective date of April 1, 2021, subject to the completion of a financing transaction to provide funding to purchase the assets, as well as the receipt of any necessary regulatory approvals, including any required approvals of the Exchange. Total consideration for the acquisition is \$1,500,000 in cash and 2,000,000 Class B Shares of the Company. The acquisition property is located within the Company's core operating area in Southeast Saskatchewan, targeting the Midale and Frobisher formations.

DIRECTOR APPOINTMENTS

On August 13, 2020, the Company announced changes to the Board of Directors to include some of the strategic investors from the July 2020 offering (see below). Mr. Kent McDougall and Mr. Jeffrey Howard Chisholm were both appointed as directors of the Company. In addition, the Company announced the resignation of Mr. Chris Reid as a director of the Company.

COVID-19 PANDEMIC

In March 2020, the global outbreak of COVID-19 (coronavirus) was declared a pandemic by the World Health Organization. Governments worldwide, including those in Canada, have enacted emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic downturn. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions; however, the success of these interventions is not currently determinable. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. The scale and duration of these developments remain uncertain but could impact the Company's operations, future net earnings, cash flows and financial condition.

LIQUIDITY AND CAPITAL RESOURCES

The Company's approach to managing liquidity is to ensure a balance between expenditure requirements and cash used in operations and working capital. As at December 31, 2020, the Company had working capital of \$1.6 million (up from \$1.2 million at December 31, 2019) comprised mostly of cash and cash equivalents. Changes in working capital have been primarily due to oil and natural gas sales, net of royalties and operating expenses, as well as general and administrative costs, business development expenses, and acquisition costs of the Company incurred during the year.

The Company only recently acquired petroleum and natural gas assets with production capabilities (see Note 7b). Until such time that these new producing assets generate sufficient cash flow to fund the Company's operations, the Company will continue to rely upon its remaining financial resources to fund administrative costs and the development of its oil and gas properties. These conditions indicate the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern. While the Company intends to move forward with the development of its oil and gas assets, there is no guarantee that the Company will be successful in raising the capital required to fund ongoing operations and exploration and development activities or that the terms of a financing, if any, will be acceptable to the Company. The decline of commodity pricing in 2020 and the COVID-19 global pandemic and its impact on the economy further increases the risk associated with obtaining the capital necessary to develop the Company's oil and gas properties.

Other than accounts payable, the Corporation does not otherwise have any significant near-term commitments and has not pledged any of its assets as security for loans, or otherwise and is not subject to any debt covenants. Based on current information, the Company anticipates that its working capital, with the exception of financing upcoming acquisitions, is sufficient to meet its expected ongoing obligation for the coming year. Any material acquisitions would require additional financing prior to the realization of such transactions.

PRIVATE PLACEMENT OFFERINGS

On July 31, 2020, the Company closed a private placement financing consisting of units of the Company at a price of \$0.065 per unit for total gross proceeds of \$500,000. Each unit consisted of one Class B Share in the capital of the Company and included one Class B Share purchase warrant, with each warrant exercisable to purchase one Class B Share at a price of \$0.15 for a period of twenty four months from the date of issuance, expiring on July 31, 2022. A total of 7,692,308 units were issued pursuant to the offering. The Class B Shares and warrants issued pursuant to the offering are subject to a hold period of four months and a day from the closing date, expiring on December 1, 2020. While the offering was non-brokered, approximately \$8,000 was paid in finders fees and commissions to various brokers who assisted with finding subscribers to this offering.

On November 9, 2020, the Company closed a private placement financing consisting of units of the Company at a price of \$0.20 per unit for total gross proceeds of \$1,392,000. Each unit consisted of one Class B Share in the capital of the Company and included one half of one Class B Share purchase warrant, with each warrant exercisable to

purchase one Class B Share at a price of \$0.30 for a period of twenty four months from the date of issuance. A total of 6,960,000 units were issued pursuant to the offering. The Class B Shares and warrants issued pursuant to the offering are subject to a hold period of four months and a day from the closing date. While the offering was non-brokered, \$14,000 was paid in finders fees and commissions to various brokers who assisted with finding subscribers to the offering, in addition to the issuance of 70,000 broker warrants with the same terms as the purchase warrants.

In March 2021, the Company announced its intention to proceed with a financing consisting of units of the Company, with each unit consisting of one Class B Share in the capital of the Company and one half of one share purchase warrant at a price of \$0.20 per unit for gross proceeds of up to \$2.2 million. Each warrant will be exercisable for one Class B Share at an exercise price of \$0.35 per warrant for a period of 2 years. The offering is expected to be non-brokered (although the Company retains the right to pay finder's fees or commissions on issuances pursuant to the offering) and is subject to approval of the Exchange.

The Company expects to use the proceeds from these offerings for general corporate purposes as well as the operation and development of the assets acquired in the Glen Ewen area of Southeast Saskatchewan.

PETROLEUM AND NATURAL GAS PROPERTIES

Following the Glen Ewen Asset acquisition, ROK has an acreage position of 6,500 net acres within the Glen Ewen and Florence area of Southeast Saskatchewan. This area has historical production from both the Midale and Frobisher beds directly adjacent to the ROK acreage. Mapping of the regionally dominant SW to NE structural highs within this area has allowed for the identification of multiple drilling targets.

The recent successful application of hydraulic fracture stimulation within the Glen Ewen area has created an opportunity to apply similar completion techniques to the Midale beds throughout the Glen Ewen and Florence project areas. Although the Midale has historically been produced conventionally within the Florence area, the interbedded nature of the rock suggests that superior results would be achieved through the use of horizontal fracturing technology.

In addition to horizontal fracture exploitation of the Midale formation, the Company intends to target conventional horizontal drilling of the Frobisher beds. The ROK management team has extensive geological, geophysical and operational experience in the development of both of these plays.

Following the successful workover and reactivation of 1 suspended wellbore in August, the acquired producing wells from the Glen Ewen Asset acquisition produced an average of 160 barrels of oil equivalent per day ("boe/d") for the second half of 2020, which was comprised of 117 bbl/d of crude oil + NGL and 262 mcf/d of natural gas.

OUTLOOK

Management's primary objective is to continue to move the Company forward and increase value for shareholders. A growth and development strategy for 2021 is underway, which includes an equity raise, strategic acquisitions, well reactivations and drilling and completion of new wells. The goal is to grow ROK's southeast Saskatchewan asset base, while continuing to evaluate larger scale assets that will provide long term value growth for the Company well into the future. Given the recent strengthening in oil pricing and increased optimism in the energy sector, 2021 will be a busy year for the Company.

As previously mentioned, the acquired properties produced an average of 160 boe/d over the second half of 2020, and continues to produce at a similar rate early into 2021. Optimization and reactivation opportunities are planned in 2021, alongside development via horizontal drilling.

COMMITMENT SUMMARY UPDATE

The Company's estimated financial commitments consist of fees and taxes related to the existing mineral leases held in Saskatchewan that equate to a total financial commitment of approximately \$207,000 per year. Fees or royalties on production are only derived once production is realized on existing mineral leases.

DISCUSSION OF OPERATING RESULTS

Production

	Q4 2020	Q4 2019	Year 2020	Year 2019
Crude oil (bbl/d)	73	-	69	-
NGLs (boe/d)	45	-	47	-
Natural gas (Mcf/d)	324	-	295	-
Total (boe/d) ⁽¹⁾	172	-	166	-

(1) Barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. Refer to the section entitled "Conversion Measures" at the end of this MD&A.

Crude Oil and Natural Gas Sales

	Q4 2020	Q4 2019	Year 2020	Year 2019
Crude Oil	320,742	-	608,541	-
NGLs	1,561	-	(6,172)	-
Natural gas	632	-	(3,921)	-
Total	322,935	-	598,448	-

Realized Sales Prices

	Q4 2020	Q4 2019	Year 2020	Year 2019
Crude oil (\$/bbl)	47.80	-	47.88	-
NGLs (\$/boe)	0.38	-	(0.71)	-
Natural gas (\$/Mcf)	0.02	-	(0.07)	-
Total (\$/boe)	20.40	-	19.63	-

Royalties

Royalties as a percentage of total oil and natural gas sales are highly sensitive to commodity prices and adjustments to gas cost allowance. Thus, royalty rates can fluctuate from quarter-to-quarter and year-to-year. Royalties, as a percentage of crude oil and natural gas sales and royalties per boe are as follows:

	Q4 2020	Q4 2019	Year 2020	Year 2019
Total royalties	72,356	-	139,355	-
Total royalties (% of sales)	22.4%	-	23.3%	-
Total royalties (\$/boe)	4.57	-	4.57	-

Operating Expenses

Operating costs include expenses incurred to operate wells, gather and treat production volumes as well as costs to perform well and facility repairs and maintenance. Total operating expenses and operating expenses per boe are as follows:

	Q4 2020	Q4 2019	Year 2020	Year 2019
Total operating expenses	193,890	-	392,284	-
Total operating expenses (\$/boe)	12.25	-	12.87	-

A portion of operating costs pertain to gas & liquid gathering and third-party water disposal and fluid treatment. Operating cost reduction will be a focus of the Company moving forward.

General and Administrative Expenses

General and administrative expenses (“G&A”) for the year ended December 31, 2020 were \$764,471 (\$437,415 for the year ended December 31, 2019). The increase in G&A is due to increase in overall business activity of the Company in 2020 when compared to 2019.

	Q4 2020	Q4 2019	Year 2020	Year 2019
Professional Fees	70,177	35,327	136,353	46,864
Wages & Salaries	94,785	57,298	403,867	157,539
Severance and restructuring	-	160,000	-	160,000
Fees, Rent, Investor Relations and Other	80,707	34,595	224,251	73,012
Total	245,669	287,220	764,471	437,415

Business Development Expenses

Business development expenses relate to business initiatives towards the promotion, development, and growth of the Company’s operations and assets outside the normal course of the Company’s day-to-day endeavours. For the year ended December 31, 2020, the Company incurred business development expenses of \$126,225 relating to efforts towards strategic acquisition (December 31, 2019 - \$34,349).

Foreign Exchange Gain

The Company incurred foreign exchange losses of \$1,337 and \$5,733 for the years ended December 31, 2020 and 2019, respectively. Foreign exchange losses are due to a decrease in the value of the US dollar when compared to the Canadian dollar within a specific period. Conversely, foreign exchange gains are due to an increase in the value of the US dollar when compared to the Canadian dollar within a specific period.

Stock-Based Compensation

For the year ended December 31, 2020, the Company recorded stock-based compensation expense of \$100,299 (\$102,379 for the year ended December 31, 2019). Stock options were granted in Q4 2019, with the vesting of these options accounting for the majority of stock-based compensation expense in each respective period.

Depletion and Depreciation

The carrying costs for property, plant and equipment directly associated with oil and gas operations, including estimated future development costs, are recognized as depletion expense in the statements of loss and comprehensive loss on a unit of production basis over proved plus probable reserves. The carrying costs of office

and computer equipment are recognized as depreciation expense in the statements of loss and comprehensive loss on a straight-line or declining-balance basis.

For the year ended December 31, 2020, the Company recorded depletion expense of \$259,536 (\$nil for the comparative period to December 31, 2019). Depletion is calculated based on oil and gas production on developed properties of the Glen Ewen area.

Finance Expenses

	Q4 2020	Q4 2019	Year 2020	Year 2019
Interest income	(237)	(4,120)	(3,984)	(17,807)
Interest expense & bank charges	511	305	2,298	820
Accretion on decommissioning obligations	9,769	-	19,509	-
Total	10,043	(3,815)	17,823	(16,987)

Finance expenses were \$17,823 for the year ended December 31, 2020, compared to finance income of \$16,987 for the comparative period up to December 31, 2019. Finance expense starting in Q3 2020 includes accretion on decommissioning obligations that are associated with oil and gas properties acquired in 2020.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The carrying values of the Company's financial instruments, consisting of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities, approximate their fair values due to the short-term maturity of such instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

SHAREHOLDERS' EQUITY

Common shares

At December 31, 2020, the Company was authorized to issue an unlimited number of Class B Shares, with no par value, with holders of Class B Shares entitled to two votes per share and to dividends, if declared. Outstanding Class B Shares as of December 31, 2020, are as follows:

	Common shares	Amount
Balance, December 31, 2018	23,274,268	86,110,218
Shares issued on asset acquisition (Note 4a)	20,000,000	1,100,000
Balance, December 31, 2019	43,274,268	87,210,218
Private placement, July 2020	7,692,308	362,012
Private placement, November 2020	6,960,000	1,078,397
Stock option exercise	920,000	138,036
Warrant exercise	150,000	23,400
Elimination of deficit ⁽¹⁾	-	(85,204,302)
Balance, December 31, 2020	58,996,576	3,607,761

- (1) At the Company's annual general meeting on December 18, 2020, the shareholders of the Company approved a resolution to reduce share capital and contributed surplus for accounting purposes, without the payment of or a reduction to stated or paid-up capital, by the amount of the deficit on December 31, 2019 of \$116.8 million. As a result, share capital was reduced by \$85.2 million and contributed surplus was reduced by \$31.6 million.

November private placement offering

On November 9, 2020, the Company closed a private placement financing consisting of units of the Company at a price of \$0.20 per unit for total gross proceeds of \$1,392,000. Each unit consisted of one Class B Share in the capital of the Company and included one half of one Class B Share purchase warrant, with each warrant exercisable to purchase one Class B Share at a price of \$0.30 for a period of twenty four months from the date of issuance. A total of 6,960,000 units were issued pursuant to the offering. While the offering was non-brokered, \$14,000 was paid in finders fees and commissions to various brokers who assisted with finding subscribers to the offering, in addition to the issuance of 70,000 broker warrants with the same terms as the purchase warrants.

The Company has allocated \$1,078,397 of total proceeds from the private placement to share capital and \$279,974 to warrants, net of issue costs. The allocation considered both the fair value of Class B Shares in the market as well as warrant fair value based on a Black-Scholes option pricing model.

July private placement offering

On July 31, 2020, the Company closed a private placement financing consisting of units of the Company at a price of \$0.065 per unit for total gross proceeds of \$500,000. Each unit consisted of one Class B Share in the capital of the Company and included one Class B Share purchase warrant, with each warrant exercisable to purchase one Class B Share at a price of \$0.15 for a period of twenty four months from the date of issuance, expiring on July 31, 2022. A total of 7,692,308 units were issued pursuant to this offering.

The Company has allocated \$362,012 of total proceeds from the private placement to share capital and \$124,059 to warrants, net of issue costs. The allocation considered both the fair value of Class B Shares in the market as well as warrant fair value based on a Black-Scholes option pricing model.

Shares issued on acquisition

On November 28, 2019, the Company issued 20,000,000 Class B Shares to the former shareholders of the Private Company as consideration for 100% of the outstanding shares of the Private Company in accordance with the terms of the transaction (see Note 7a). The newly issued Class B Shares were valued at \$0.055 per share for a total value of \$1,100,000 based upon the market price of the Company's Class B Shares on November 28, 2019.

Warrants

Purchase warrants on July private placement

Pursuant to the non-brokered private placement of units in July 2020 (see above), the Company issued 7,692,308 units, each consisting of one Class B share and one share purchase warrant. Each warrant can be exercised to purchase one additional common share at a price of \$0.15 until July 31, 2022. A fair value of \$124,059, net of issue costs, was recognized at the time of the issuance of these purchase warrants.

Purchase warrants on November private placement

Pursuant to the non-brokered private placement of units in November 2020 (see above), the Company issued 6,960,000 units, each consisting of one Class B share and one share purchase warrant. Each warrant can be exercised to purchase one additional common share at a price of \$0.30 until November 9, 2022. A fair value of \$279,974, net of issue costs, was recognized at the time of the issuance of these purchase warrants.

Broker warrants on November private placement

As part of the non-brokered private placement of units in November 2020, the Company issued 70,000 broker warrants as commission to brokers who assisted with finding subscribers to the offering. Each broker warrant can

be exercised to purchase one additional common share at a price of \$0.30 until November 9, 2022. A fair value of \$2,907 was recognized at the time of the issuance of these broker warrants, recorded as an issuance cost to the Class B Shares and warrants from this offering.

2017 purchase warrants

Pursuant to the non-brokered private placement of units in June 2017, the Company issued 6,666,667 share purchase warrants. The warrants are exercisable at a price of \$0.15 per share until June 2022. A fair value of \$40,004, net of issue costs, was recognized for the issuance of the share purchase warrants.

A summary of the changes in warrants is presented below:

	Warrants	Weighted average exercise price
Balance, December 31, 2019	6,666,667	0.15
Purchase warrants issued, July private placement	7,692,308	0.15
Purchase warrants issued, November private placement	3,480,000	0.30
Broker warrants issued, November private placement	70,000	0.30
Warrants exercised	(150,000)	0.15
Balance, December 31, 2020	17,758,975	0.18

The following summarizes information about total purchase warrants outstanding as at December 31, 2020:

Exercise prices	Number of warrants outstanding	Weighted average term to expiry (years)	Number of warrants exercisable
0.15	14,208,975	1.53	14,208,975
0.30	3,550,000	1.86	3,550,000
	17,758,975	1.59	17,758,975

Stock options

The Company has adopted a formal rolling stock option plan whereby options can be granted from time to time to directors, officers, employees and consultants at the discretion of the Board of Directors. The number of options that can be granted is limited to 10% of the total shares issued and outstanding. A summary of the changes in stock options is presented below:

	Stock options	Weighted average exercise price
Balance, December 31, 2018	2,168,000	0.27
Expired options	(108,000)	3.50
Options issued	1,850,000	0.15
Balance, December 31, 2019	3,910,000	0.12
Options forfeited	(166,667)	0.15
Expired options	(83,333)	0.15
Options exercised	(920,000)	0.10
Balance, December 31, 2020	2,740,000	0.13
Exercisable, December 31, 2020	2,206,666	0.12

In December 2019, the Company granted 1,850,000 options to acquire common shares to certain officers and employees of the Company at a price of \$0.15 per common share. The options are for a five-year term, expiring in

December 2024, and vesting one-third on date of grant, one-third on the first anniversary date and one-third on the second anniversary date from the date of grant.

Options granted in 2019 were allocated an estimated fair value using the Black-Scholes option pricing model to estimate the fair value with the following weighted average assumptions:

Expected forfeiture rate	10%
Risk-free interest rate	1.48%
Expected dividend yield	0%
Expected stock price volatility	136%
Expected option life	5 years
Fair value of options granted	\$0.122

The following summarizes information about stock options outstanding as at December 31, 2020:

Exercise prices	Number of options outstanding	Weighted average term to expiry (years)	Number of options exercisable
0.10	1,140,000	2.10	1,140,000
0.15	1,600,000	3.93	1,066,666
	2,740,000	3.17	2,206,666

No stock options were issued during the year ended December 31, 2020. For the year ended December 31, 2020, the Company recognized \$100,299 (December 31, 2019 - \$102,379) in stock-based compensation expense. Recognized stock-based compensation is recorded as an expense and as contributed surplus.

As of the date of this MD&A, the Company maintained balances of 59,221,576 Class B Shares, 17,758,975 warrants, and 2,515,000 stock options.

NEW ACCOUNTING STANDARDS

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning on or after January 1, 2020 or later periods.

IFRS 3: Business Combinations

IFRS 3 "Business Combinations" was amended to revise the definition of the term 'business'. The amendments narrowed the definitions of a business and outputs and includes an optional concentration test. The adoption of this amendment did not have a material impact on the Company's financial statements.

USE OF ESTIMATES AND JUDGMENTS

The timely preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant estimates and judgments made by management in the preparation of these financial statements are outlined below.

Critical judgments in applying accounting policies

The following are the critical judgments that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

i) Identification of cash-generating units

The Company's assets are aggregated into cash-generating units, for the purpose of calculating impairment, based on their ability to generate largely independent cash flows. By their nature, these estimates and assumptions are subject to measurement uncertainty and may impact the carrying value of the Company's assets in future periods.

ii) Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets requires management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves have been found in assessing economic and technical feasibility.

iii) Impairment of property, plant and equipment and exploration and evaluation assets

Judgments are required to assess when impairment indicators, or reversal indicators, exist and impairment testing is required. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of reserves, production rates, future oil and natural gas prices, future costs, discount rates, market value of land and other relevant assumptions.

iv) Income taxes

Judgments are made by management to determine the likelihood of whether deferred income tax assets at the end of the reporting period will be realized from future taxable earnings. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

Key sources of estimation uncertainty

The following are the key assumptions concerning the sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities, where applicable.

i) Reserves and resource assessment

The assessment of reported recoverable quantities of proved and probable reserves and prospective resource estimates include estimates regarding production profile, commodity prices, exchange rates, remediation costs, timing and amount of future development costs, and production, transportation and marketing costs for future cash flows. It also requires interpretation of geological and geophysical models in anticipated recoveries. The economical, geological and technical factors used to estimate reserves and prospective resources may change from period to period. Changes in reported reserves and prospective resources can impact the carrying values of the Company's petroleum and natural gas properties and exploration and evaluation assets and equipment, the calculation of depletion and depreciation, the provision for decommissioning obligations, and the recognition of deferred tax assets due to changes in expected future cash flows.

The Company's petroleum and natural gas reserves represent the estimated quantities of petroleum, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be economically recoverable in future years from known reservoirs and which are considered commercially viable. Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon (i) a reasonable assessment of the future economics of such production; (ii) a reasonable expectation that there is a market for all or substantially all the expected petroleum and natural gas production; and (iii) evidence that the necessary

production, transmission and transportation facilities are available or can be made available. Reserves may only be considered proven and probable if the ability to produce is supported by either actual production or conclusive formation tests. Prospective resources are determined using an externally prepared valuation report which reflects estimated prospective resources and external pricing and costs assumptions reflective of the current market. The Company's petroleum and gas reserves and prospective resources are determined pursuant to National Instrument 51-101, Standard of Disclosures for Oil and Gas Activities.

ii) Decommissioning obligations

The Company estimates future remediation costs of production facilities, wells and pipelines at different stages of development and construction of assets or facilities. In most instances, removal of assets occurs many years into the future. This requires assumptions regarding abandonment date, future environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating cost, future removal technologies in determining the removal cost and liability-specific discount rates to determine the present value of these cash flows.

iii) Business combinations

In a business combination, management makes estimates of the fair value of assets acquired and liabilities assumed as part of the acquisition transaction.

iv) Share-based payments

All equity-settled, share-based awards issued by the Company are recorded at fair value using the Black-Scholes option-pricing model. In assessing the fair value of equity-based compensation, estimates have to be made regarding the expected volatility in share price, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant date.

v) Tax provisions

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse.

RELATED PARTY TRANSACTIONS

The Company had no related party transactions other than compensation to management that were entered into for the years ended December 31, 2020 and 2019.

For the year ended December 31, 2020, the Company settled existing severance liabilities of \$100,000 with a former officer of the Company, wherein the former officer of the Company agreed to receive \$92,000 as settlement of the outstanding liability, and utilized the severance amount towards the exercise price of stock options previously granted during the former officer's employment with the Company.

PRINCIPAL BUSINESS RISKS

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

Going Concern

The Company has included a "going concern" disclosure in the notes to the Company's annual financial statements for the year ended December 31, 2020 (see "Going Concern" under Note 2). Current cash resources of the Company may not be sufficient to continue its business activities. In the event that the Company is unable to raise additional

capital and/or attain sufficient revenues from its operations, as to which in each case there can be no assurance, the Company may not be able to continue its operations.

Crude Oil and Natural Gas Development

Exploration, development, production of oil and natural gas involves a wide variety of risks which include, but are not limited to, the uncertainty of finding oil and gas in commercial quantities, securing markets, commodity price fluctuations, exchange and interest rate exposure and changes to government regulations, including regulations relating to prices, taxes, royalties and environmental protection. The oil and gas industry is intensely competitive and the Company competes with a large number of companies with greater resources.

The Company's ability to obtain reserves in the future will depend not only on its ability to develop its current properties, but also on its ability to acquire new prospects and producing properties. The acquisition, exploration and development of new properties also require that sufficient capital from outside sources will be available to the Company in a timely manner. The availability of equity or debt financing is affected by many factors, many of which are beyond the control of the Company.

Addition of Reserves and Resources

The Company's future crude oil and natural gas reserves, production, and cash flows to be derived therefrom are highly dependent on the Company successfully discovering and developing or acquiring new reserves and resources. The addition of new reserves and resources will depend not only on the Company's ability to explore and develop properties but also, in the case of reserves, on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that the Company's exploration, development or acquisition efforts will result in the discovery and development of commercial accumulations of oil and natural gas.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of reserves, including many factors beyond the control of the Company. Estimates of reserves depend in large part upon the reliability of available geological and engineering data and require certain assumptions to be made in order to assign reserve volumes. Geological and engineering data is used to determine the probability that a reservoir of oil and/or natural gas exists at a particular location, and whether, and to what extent, such hydrocarbons are recoverable from the reservoir. Accordingly, the ultimate reserves discovered by the Company may be significantly less than the total estimates.

Exploration Risks

The exploration of the Company's properties may from time to time involve a high degree of risk that no production will be obtained or that the production obtained will be insufficient to recover drilling and completion costs. The costs of seismic operations and drilling, completing and operating wells are uncertain to a degree. Cost overruns can adversely affect the economics of the Company's exploration programs and projects. In addition, the Company's seismic operations and drilling plans may be curtailed, delayed or cancelled as a result of numerous factors, including, among others, equipment failures, weather or adverse climate conditions, shortages or delays in obtaining qualified personnel, shortages or delays in the delivery of or access to equipment, necessary governmental, regulatory or other third party approvals and compliance with regulatory requirements.

Key Personnel

The Company's success depends in large part on the ability of its executive management team to deal effectively with complex risks and relationships and execute the Company's business plan. The members of the management team contribute to the Company's ability to obtain, generate and manage opportunities. There can be no assurance that the Company's present key personnel and directors will remain with the Company. The departure of any such

key person or director may materially affect the Company's business, financial condition, results of operations, and the value of the Class B Shares.

Public Market Risk

There can be no assurance that an active trading market in the Company's securities will be sustained. The market price for the Company's securities could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of the Company's peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the securities of the Company. The stock market has from time to time experienced extreme price and volume fluctuations, which may be unrelated to the operating performance of particular companies.

Dividends

To date, the Company has not paid regular dividends on its outstanding securities and does not anticipate paying any dividends in the foreseeable future. There are no restrictions in the Company's articles or elsewhere which would prevent the Company from paying dividends. It is not contemplated that any dividends will be paid on the Class B Shares in the immediate future as it is anticipated that all available funds will be invested to finance the growth of the Company's business. The directors of the Company will determine if, and when, dividends will be declared and paid in the future from funds properly applicable to the payment of dividends based on the Company's earnings, financial position and other conditions at the relevant time. All of the Class B Shares are entitled to an equal share in any dividends declared and paid.

Failure to Maintain Listing of the Class B Shares

The Class B Shares are currently listed for trading on the facilities of the TSXV. The failure of the Company to meet the applicable listing or other requirements of the TSXV in the future may result in the Class B Shares ceasing to be listed for trading on the TSXV, which would have a material adverse effect on the value of the Class B Shares. There can be no assurance that the Class B Shares will continue to be listed for trading on the TSXV.

Structure of the Company

From time to time, the Company may take steps to organize its affairs in a manner that minimizes taxes and other expenses payable with respect to the operation of the Company and its subsidiaries. If the manner in which the Company structures its affairs is successfully challenged by a taxation or other authority, the Company and the holders of Class B Shares may be adversely affected.

Management's Report on Internal Control over Financial Reporting

In connection with National Instrument 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109") adopted by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company are required to file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A offers an assessment of the Company's future plans and operations as of the date hereof and may contain forward-looking information. All statements other than statements of historical fact are forward-looking statements. Such information is generally identified by the use of words such as "anticipate", "continue", "estimate", "expect", "may", "plan", "will", "project", "should", "believe" and similar expressions. Statements relating to

"reserves" or "resources" are also forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the resources and reserves described can be profitably produced in the future. All such statements involve known and unknown risks, uncertainties and assumptions.

Management believes that the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct. Such forward-looking information included in this MD&A should not be unduly relied upon as the plans, assumptions, intentions or expectations upon which it is based may not occur. Actual results or events may vary from the forward-looking information.

In particular, this MD&A may contain forward-looking information pertaining to the following:

- the potential of the Company's assets,
- the Company's growth strategy and opportunities,
- performance characteristics of the Company's oil properties and estimated capital commitments and probability of success,
- crude oil production and recovery estimates and targets,
- the existence and size of the oil reserves and resources,
- capital expenditure programs and estimates, including the timing of activity,
- plans for, and results of, exploration and development activities,
- projections of market prices and costs,
- the supply and demand for oil,
- expectations regarding the ability to raise equity and debt capital on acceptable terms, including the ability to negotiate and complete any agreements contemplated,
- the timing for receipt of regulatory approvals, and
- treatment of the Company under governmental regulatory regimes and tax laws.

The purpose of providing any financial outlook in this MD&A is to illustrate how the business of the Company might develop without the benefit of specific historical financial information. Readers are cautioned that this information may not be appropriate for other purposes.

The forward-looking information herein is based on certain assumptions and analysis by the management of the Company in light of its experience and perception of historical trends, current conditions and expected future developments and other factors that it believes are appropriate and reasonable under the circumstances. The forward-looking information herein is based on a number of assumptions, including but not limited to:

- the availability on acceptable terms of funds for capital expenditures,
- the availability in a cost-efficient manner of equipment and qualified personnel when required,
- the stability of the regulatory framework governing taxes and environmental matters in any jurisdiction in which the Company may conduct its business in the future,
- continuing strong demand for oil,
- the ability to market production of oil successfully to customers,
- future production levels and oil prices,
- the applicability of technologies for recovery and production of oil reserves,
- the existence and recoverability of any oil reserves,
- geological and engineering estimates in respect of resources and reserves in which the Company has an interest,
- the geography of the areas in which the Company has an interest, and
- the impact of increasing competition on the Company.

The actual results, performance and achievements of the Company could differ materially from those anticipated in these forward-looking statements as a result of the risks and uncertainties set forth elsewhere in the MD&A and the following risks and uncertainties:

- global financial conditions,
- general economic, market and business conditions,
- volatility in market prices, the stock market, foreign exchange and interest rates,
- risks inherent in oil and gas operations, exploration, development and production,
- the failure by counterparties to make payments or perform their operational or other obligations to the Company in compliance with the terms of contractual arrangements between the Company and such counterparties,
- risks related to the timing of completion of the Company's projects and plans,
- uncertainties associated with estimating oil and natural gas reserves and resources,
- competition for, among other things, capital, acquisitions of resources, and skilled personnel,
- the ability to hold existing leases through drilling or lease extensions or otherwise,
- incorrect assessments of the value of acquisitions,
- claims made in respect of the Company's properties or assets,
- geological, technical, drilling and processing problems, including the availability of equipment and access to properties,
- environmental risks and hazards,
- the inaccuracy of third parties' reviews, reports and projections,
- rising costs of labour and equipment,
- the failure to engage or retain key personnel,
- changes in income tax laws or changes in tax laws and incentive programs, and
- other factors discussed under "Principal Business Risks" in this MD&A.

Readers are cautioned that the foregoing lists of assumptions, risks and uncertainties are not exhaustive. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. The forward-looking information speaks only as of the date of this MD&A, and the Company does not undertake any obligation to publicly update or revise any forward-looking information except as required by applicable securities laws.

KEY FINANCIAL RESULTS

The following table summarizes the Company's key financial results over the past three years:

Annual Financial Results (\$)	Year 2020	Year 2019	Year 2018
Total revenue	598,448	-	-
Net loss	(1,202,882)	(562,889)	(505,928)
Net loss per share (basic and diluted)	(0.03)	(0.02)	(0.02)
Working capital	1,596,525	1,227,674	1,406,430
Total assets	6,564,868	2,201,075	1,440,220
Total non-current liabilities	3,304,071	100,000	-

SELECTED QUARTERLY INFORMATION

The following table sets out selected unaudited quarterly financial information of the Company and is derived from unaudited quarterly financial data prepared by management in accordance with IFRS.

Quarterly Results (\$)	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Oil and natural gas sales	322,935	275,513	-	-
Oil and natural gas sales, net of royalties	250,579	208,514	-	-
Net loss	(453,404)	(330,016)	(242,700)	(176,762)
Net loss per share (basic & diluted)	(0.01)	(0.01)	(0.01)	(0.00)

Quarterly Results (\$)	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Oil and natural gas sales	-	-	-	-
Net loss	(393,755)	(51,596)	(58,834)	(58,704)
Net loss per share (basic & diluted)	(0.01)	(0.00)	(0.00)	(0.00)

CONVERSION MEASURES AND SHORT-TERM PRODUCTION RATES

Production volumes and reserves are commonly expressed on a boe basis whereby natural gas volumes are converted at the ratio of 6 thousand cubic feet to 1 barrel of oil. Although the intention is to sum oil and natural gas measurement units into one basis for improved analysis of results and comparisons with other industry participants, boe's may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf to 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. In recent years, the value ratio based on the price of crude oil as compared to natural gas has been significantly higher than the energy equivalency of 6:1, and utilizing a conversion of natural gas volumes on a 6:1 basis may be misleading as an indication of value.

Short-term production rates can be influenced by flush production effects from fracture stimulations in horizontal wellbores and may not be indicative of longer-term production performance or ultimate recovery of reserves. Individual well performance may vary.

ABBREVIATIONS USED

bbl	barrel	AECO	intra-Alberta Nova inventory transfer price
bbl/d	barrels per day	GJ	gigajoule
boe	barrel of oil equivalent	Mcf	thousand cubic feet
boe/d	barrels of oil equivalent per day	Mcf/d	thousand cubic feet per day
bopd	barrels of oil per day	MMBtu	million British thermal units
Mbbls	thousand barrels	MMcf	million cubic feet
Mboe	thousand barrels of oil equivalent	MMcf/d	million cubic feet per day
MMboe	million barrels of oil equivalent	Bcf	billion cubic feet
Mstb	thousand stock tank barrels	NGL	natural gas liquids
m ³	cubic metres	Cdn	Canadian
WTI	West Texas Intermediate	US	United States