EAST WEST PETROLEUM CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED JUNE 30, 2017

This discussion and analysis of financial position and results of operation is prepared as at August 24, 2017 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended June 30, 2017 of East West Petroleum Corp. ("East West" or the "Company"). The following disclosure and associated 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 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 is not the operator of any of its petroleum and gas interest and is currently focussed participating on further activities on the exploration, evaluation and development of its petroleum interests in the Taranaki Basin, New Zealand. The Company also holds an investment in common shares of Advantage Lithium Corp. ("Advantage Lithium"), which is a public Company engaged in the acquisition and exploration of unproven lithium mineral interests. The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, BC, V6E 3V7.

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 active drilling, testing and production operations in the Taranaki Basin of New Zealand. All licenses are 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 the following working interests:

PEP 54877 (Cheal East) - East West 30%

PEP 54877 is the location of the Cheal E-Site and the Cheal E-site production facility as well as the Cheal-E wells. Two wells, the Cheal-E1 and the Cheal-E5, are currently producing. Three other wells are currently shut-in for a variety of reasons: Cheal-E2 due to a wellbore isolation failure in May 2015; Cheal-E4 due to a wellhead seal failure and downhole packer failure in 2016; and Cheal-E6 due to issues with the jet pump in October 2015. The Cheal-E3 has never been put on production, and is scheduled to be sidetracked in the future.

The most significant capital program planned for PEP 54877 is a waterflood project. A successful waterflood should result in significant secondary recoveries. In Q4/2017 the waterflood project commenced with water injection via the Cheal E-7 well at injection rates of approximately 1,200 bbl/d. A further shallow exploration well, the Cheal E-8, was scheduled to be drilled during Q4/2017. On May 24, 2017 the Cheal-E8 exploration well was successfully drilled and flow tested. The well was drilled and completed on time and on budget to a total measured depth of over 2,000 m. The primary objective of Cheal-E8 was to test the potential of the Urenui formation, with the deeper Mt. Messenger formation as the secondary objective. Net pay of approximately 17 m of Urenui sands and 4 m of Mt. Messenger sands was recorded.

Following the completion of the Urenui zone, Cheal-E8 naturally free flowed oil and gas on choke at an average rate of 318 boe/d during a four and a half day test. No water production was observed during the test. The Cheal-E8 well will now be tied-in to the operator's existing infrastructure as a permanent producer.

Construction of the Cheal-D well pad was completed in July 2017. The pad will be used to explore the northern portion of the Cheal East permit. Drilling of an exploration well the, Cheal-D1, commenced in July 2017. On August 15, 2017 the Company announced the drilling and casing of the Cheal-D1 was successfully completed.

The Cheal-D1 well was drilled and completed approximately five days ahead of schedule and $750,000 under budget to a total measured depth of 2,400 metres. The well perforated an 18 metre section of high quality gas and condensate bearing sands (20-25% porosity on logs) in the Urenui formation and is currently being flow tested with no water production observed. The operator, following the flow test, will combine the well drilling and initial test data into its geological model and look at its options to commercialize the Cheal-D1 well.

In addition to the Urenui formation, the well also encountered two intervals of deeper Mt. Messenger sands that look interesting on the logs. Further testing work will be undertaken in the future to investigate the potential of these sands as well.

During fiscal 2016 the Company recognized an impairment of $1,216,009 on PEP 54877 based on the estimated fair value less costs to sell and was determined using estimated future cash flows based on estimated proven developed ("1P") reserves, discounted at 10%. No addition impairment was required in fiscal 2017 on PEP 54877.

Petroleum production from Cheal East averaged approximately 102 net BOE's per day (77% oil) in Q1/2018 compared to an average of approximately 114 BOE's per day (61% oil) in Q4/2017. The decrease in Q1/2018 is primarily due to the planned full plant shutdown at the Cheal production facility for eight days in April 2017 for statutory inspection. This was partly offset by production from the Cheal-E8 exploration well coming online in late May 2017.

PEP 54879 (Cheal South) - East West 50%

The initial permit work for PEP 54879 included drilling three exploration wells, the Cheal-G1, G2 and G3, with the G2 and G3 wells subsequently being plugged and abandoned. A 15-day flow test was completed on the G1 well which produced 1,016 barrels of oil. The test oil was subsequently sold for net proceeds of $44,972 and all net revenues have been recorded as a recovery against the capitalized costs. The testing of the G1 well indicated the potential for this well to be a full time producer and initial studies were completed to assess if the G1 well could be placed on production on a full time basis, however, in light of the decrease in the price of oil, these studies have not been advanced. Under the terms of the agreement with the Government of New Zealand an earning well was to have been drilled in fiscal 2016, however a change of conditions ("COC") was filed to defer any drilling and conduct a detailed seismic program to assist in identifying additional drill targets on PEP 54879. During Q1/2017, 3D seismic on PEP 54879 was acquired and the resulting data was processed and analyzed. In March 2017 the Company and Tag notified the New Zealand Petroleum and Minerals of their intention to relinquish the permit. Accordingly, during fiscal 2017 the Company recorded an impairment of $6,657,646 for costs incurred to March 31, 2017. All subsequent costs incurred on PEP 54879 have been expensed to general exploration costs.

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 $62,335,000 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 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 two year Phase I work program and the optional one year Phase II work program. If a commercial discovery is made, the Company is responsible for its 15% interest in development of the commercial discovery.

In January 2017 the Company was informed by our JV Partner, NIS, that drilling operations commenced with drilling of the first well in EX-7 Periam block commencing on January 21, 2017. The well targeted conventional oil and gas-bearing zones and was drilled to a total depth of approximately 2,500 meters, consisting of two primary and three secondary geological targets. Coring will be completed on hydrocarbon bearing zones encountered during drilling, followed by wireline logging. As of the date of this MD&A completion and testing work is continuing on the first well and the Company is awaiting final results from NIS. NIS will be funding 100% and fully carrying the Company through the Phase 1 and Phase 2 exploration periods in return for earning an 85% interest in the blocks.

Investment in Advantage Lithium

During the three months ended June 30, 2017 the Company made open market purchases and sale of common shares of Advantage Lithium under which the Company purchased 240,000 common shares for $119,143 and sold 162,500 common shares for proceeds of $93,332. As at June 30, 2017 the quoted market value of the investment of the 3,291,900 common shares of Advantage Lithium was $1,250,922. The Company also holds warrants to acquire 333,350 common shares of Advantage Lithium at an exercise price of $1.00 per share. The warrants have been calculated at a fair value of $23,335.

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 2018	Fiscal 2017				Fiscal 2016		
	Jun. 30 2017 $	**Mar. 31 2017 $**	**Dec. 31 2016 $**	**Sep. 30 2016 $**	**Jun. 30 2016 $**	**Mar. 31 2016 $**	**Dec. 31 2015 $**	**Sep. 30 2015 $**
Operations:								
Total revenues	447,266	572,256	605,710	443,844	533,975	518,421	670,695	964,039
Operating costs	(300,136)	(318,070)	(385,258)	(292,465	(307,937)	(384,078)	(460,636)	(493,431)
Expenses	(368,758)	(7,191,965)	(401,367)	(410,995)	(322,931)	(1,993,130)	(1,096,794)	(1,375,713)
Other income (expense)	88,918	1,262,837	(189,672)	68,648	28,420	(103,738)	143,572	309,046
Loss before deferred income tax	(132,710)	(5,674,942)	(370,587)	(190,968)	(68,473)	(1,962,525)	(743,163)	(596,059)
Deferred income tax	Nil	(288,500)	(26,500)	162,736	152,264	Nil	Nil	Nil
Net income (loss)	(132,710)	(5,963,442)	(397,087)	(28,232)	83,791	(1,962,525)	(743,163)	(596,059)
Other comprehensive income (loss), net of deferred income tax	(764,340)	(1,957,884)	(325,499)	1,242,412	1,246,392	(524,051)	747,479	1,282
Comprehensive (loss) income	(897,050)	(7,921,326)	(722,586)	1,214,180	1,330,183	(2,486,576)	4,316	(594,777)
Basic and diluted income (loss) per share	(0.00)	(0.07)	(0.00)	(0.00)	0.00	(0.02)	(0.01)	(0.01)
Dividends per share		Nil	Nil	Nil	Nil	Nil	Nil	Nil
Balance Sheet:								
Working capital	4,373,986	6,095,940	6,703,781	6,956,336	7,430,843	7,845,372	8,398,762	8,614,985
Total assets	8,196,050	8,895,822	16,692,432	17,455,768	16,803,124	14,816,036	17,231,425	17,229,246
Decommissioning liabilities	(1,288,119)	(1,268,216)	(1,245,725)	(1,262,830)	(1,225,922)	(1,183,793)	(1,198,604)	(1,057,191)

Results of Operations

Three Months Ended June 30, 2017, Three Months Ended March 31, 2017, and Three Months Ended June 30, 2016.

Revenues and operating costs for the three months ended June 30, 2017 (“Q1/2018”), the three months ended March 31, 2017 (“Q4/2017”) and the three months ended June 30, 2016 (“Q1/2017”) are as follows:

	Q1/2018	**Q4/2017**	**Q1/2017**
Total sales	$ 447,266	$ 572,256	$ 533,975
Total volume	8,951 BOE	10,868 BOE	11,863 BOE
Average realized price per BOE	$ 49.97	$ 52.66	$ 45.01
Petroleum sales	$ 338,024	$ 457,408	$ 394,332
Petroleum volume	5,363 BOE	7,052 BOE	7,215 BOE
Average petroleum realized price per BOE	$ 63.03	$ 64.86	$ 54.65
Natural gas sales	$ 109,242	$ 114,848	$ 139,643
Natural gas volume	3,588 BOE	3,816 BOE	4,648 BOE
Average natural gas realized price per BOE	$ 30.45	$ 30.10	$ 30.04
Production costs	$ 231,371	$ 233,695	$ 234,027
Average per BOE	$ 25.85	$ 21.50	$ 19.73

	Q1/2018	Q4/2017	Q1/2017
Transportation and storage costs	$ 48,284	$ 58,980	$ 47,603
Average per BOE	$ 5.39	$ 5.43	$ 4.01
Royalties	$ 20,481	$ 25,395	$ 26,307
Average per BOE	$ 2.29	$ 2.34	$ 2.22
Netback	$ 147,130	$ 254,186	$ 226,038
Average per BOE	$ 16.44	$ 23.39	$ 19.05

Q1/2018 compared to Q4/2017

Petroleum sales revenues decreased from $457,408 in Q4/2017 to $338,024 in Q1/2018, a decrease of 26%. Natural gas revenues decreased from $114,848 in Q4/2017 to $109,242 in Q1/2018, a decrease of 5% due to an overall 18% decrease in volume. Volumes decreased primarily because of the planned full shut-down, by the Operator, at the Cheal production facility for eight days in April 2017 for statutory inspection services. In addition the Company received slightly lower prices received for both oil and gas.

During Q1/2018 operating costs decreased by 6%, from $318,070 in Q4/2017 to $300,136 in Q1/2018. The decrease in Q1/2018 was due to savings on general repairs and maintenances, reduced transportation and and storage costs and royalty savings directly linked to reduced oil production during Q1/2018.

During Q1/2018 the Company reported a comprehensive loss of $897,050 compared to a comprehensive loss of $7,921,076 for Q4/2017. The decrease in loss is primarily attributed to the recognition of impairment charges totalling $6,657,646 on exploration and evaluation assets in Q4/2017.

Q1/2018 compared to Q1/2017

Petroleum sales revenues decreased from $394,332 in Q1/2017 to $338,024 in Q1/2018, a decrease of 14%. Natural gas revenues decreased from $139,643 in Q1/2017 to $109,242, a decrease of 22%. The decreases were primarily due to lower volumes as a result of the planned full shut-down, by the Operator, at the Cheal production facility for eight days in April 2017 for statutory inspection purposes.

Operating costs decreased by 3% during Q1/2018 from $307,937 in Q1/2017 to $300,136 in Q1/2018 due to ongoing work by the operator to reduce costs and royalty savings directly linked to reduced oil production during Q1/2018.

During Q1/2018 the Company reported a comprehensive loss of $897,050 compared to a comprehensive income of $1,330,183 for Q1/2017. The fluctuation is primarily attributed to:

(i) the impact of the re-designation on June 24, 2016 of the Company's investment in Advantage Lithium, resulting in the Company changing its accounting for the investment, from the equity method to fair value accounting using quoted prices. As a result, during Q1/2017 the Company recorded a gain on loss of significant influence of $1,171,147 and a decrease in fair value of investment of $671,385; and

(ii) in Q1/2018 the Company recorded a $92,955 comprehensive loss due to the currency translation of its subsidiary compared to a $227,397 comprehensive gain reported during Q1/2017.

General and administrative expenses incurred during Q1/2018 and Q1/2017 are as follows:

	Q1/2018 $	Q1/2017 $
Accounting and administrative	9,500	9,000
Audit and related	16,871	25,923
Bank charges	468	838
Corporate development	60,041	-
Legal	2,694	1,324
Office	4,320	6,009
Professional fees	62,198	103,779
Regulatory fees	1,500	1,400
Rent	-	17,856

	Q1/2018 $	Q1/2017 $
Shareholder costs	500	-
Telephone	726	2,292
Transfer agent fees	884	990
Travel	-	6,218
	159,702	175,629

Specific expenses of note for Q1/2018 and Q1/2017 are as follows:

(i) professional fees totalling $62,198 were incurred in Q1/2018 compared to $103,779 in Q1/2017 as follows:
- $27,000 was paid to directors and officers of the Company in Q1/2018, a decrease of $76,500 from $103,500 incurred in Q1/2017. The decrease was due to an overall voluntary reduction in compensation and the resignation of certain directors. See also "Related Party Transactions";
- $35,198 was paid to consultants for administrative and financial services in Q1/2018 compared to $279 paid in Q1/2017. The increase in Q1/2018 reflects additional services engaged with independent consultants;

(ii) travel expenses decreased from $6,218 in Q1/2017 to $nil in Q1/2018 due to a reduction in travel;

(iii) corporate development expenses of $60,041 were incurred in Q1/2018 compared to $nil in Q1/2017. The increase is due to an on-going marketing campaign in Q1/2018;

(iv) $9,500 (2016 - $9,000) for accounting and administrative provided by Chase Management Ltd., a private company owned by Nick DeMare, a director of the Company; and

(v) rent expenses decreased from $17,865 in Q1/2017 to $nil in Q1/2017. The office lease expired in July 2016.

During Q1/2018 the Company incurred general exploration expenses of $41,544 (Q1/2017 - $10,072) of which $35,057 (Q1/2017 - $nil) was related to minor costs on PEP 54879 and $6,487 (Q1/2017 - $10,072) was for ongoing review of current and potential 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 Q1/2018 the Company reported interest income of $15,201, compared to $16,134 during Q1/2017.

During the three months ended June 30, 2017 the Company made open market purchases and sale of common shares of Advantage Lithium under which the Company purchased 240,000 common shares for $119,143 and sold 162,500 common shares for proceeds of $93,332. As at June 30, 2017 the quoted market value of the remaining Advantage Lithium shares was $1,250,922. In addition the Company also holds warrants to acquire a further 333,350 common shares of Advantage Lithium. The warrants were valued at $23,335.

Property, Plant and Equipment

During Q1/2018 the Company incurred total additions of $1,675,116 (Q1/2017 - $59,647), and an increase of $152,988 (Q1/2017 - $355,143) in foreign exchange movement for property, plant and equipment additions on the New Zealand properties.

Financial Condition / Capital Resources

As at June 30, 2017 the Company had working capital of $4,373,986. The Company is currently focussing on the exploration, development and production of oil and gas from its Cheal properties. 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. However, 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. The Company has relied solely on equity financing to raise the requisite financial resources. 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

As at June 30, 2017 the Company has capital expenditures of approximately $1,350,000 to be incurred in fiscal 2018. The capital expenditure amounts may be subject to change upon application.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

The Company does not have any proposed transactions.

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.

Changes in Accounting Policies

There are no changes in accounting policies. A detailed summary of all the Company's significant accounting policies is included in Note 3 to the March 31, 2017 and 2016 annual 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 all executive officers.

(a) During Q1/2018 and Q1/2017 the following amounts were incurred:

	Q1/2018 **$**	**Q1/2017** **$**
Professional fees - David Sidoo, CEO and Director (1)	18,000	36,000
Professional fees - Nick DeMare, CFO and Director (2)	9,000	10,500
Professional fees - Marc Bustin, Director (3)	-	48,000
	27,000	103,500

(1) Paid to Siden Investments Ltd., a private company owned by Mr. Sidoo.
(2) Paid to Chase Management Ltd. ("Chase") a private company owned by Mr. DeMare.
(3) Paid to RMB Earth Science Service Consulting Ltd.("RBM Earth Science"), a private company owned by Mr. Bustin. Mr. Bustin resigned as a director on November 14, 2016.

As at June 30, 2017, $24,000 (March 31, 2017 - $24,000) remained unpaid.

(b) During Q1/2018 the Company incurred a total of $9,500 (Q1/2017 - $9,000) to Chase for accounting and administration services provided by Chase personnel, excluding Mr. DeMare. As at June 30, 2017, $8,500 (March 31, 2017 - $5,350) remained unpaid.

(c) As at June 30, 2017 the Company owned 3,291,900 common shares of Advantage Lithium with a quoted market value of $1,250,922. Advantage Lithium has two common directors, Messrs. Sidoo and DeMare. In addition Mr. Sidoo is also the President and CEO of Advantage Lithium and Mr. DeMare is the CFO and Corporate Secretary of Advantage Lithium. See "Investment".

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, amounts receivable and advances receivable represents the maximum credit exposure. The Company does not have an allowance for doubtful accounts on its amounts receivable as at March 31, 2017 and 2016 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. The Company had entered into a gas supply agreement to sell its share of gas production from the Cheal E field at a price of NZD $4.75 per gigajoule ending December 31, 2016. Effective January 1, 2017 the Company negotiated a new agreement to sell its gas production at a base price of NZD $5.00 per gigajoule, subject to an adjustment formula based on the market price, with a minimum price of NZD $4.00 per gigajoule. The new gas agreement is set to end December 31, 2017.

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 fiscal 2017 and 2016 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 five categories: fair value through profit or loss ("FVTPL"); held-to-maturity investments; loans and receivables; available-for-sale and other financial liabilities.

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, advances receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The fair value of cash and investment under the fair value hierarchy is measured using Level 1 inputs.

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 August 24, 2017, there were 89,585,665 outstanding common shares and 8,188,000 share options outstanding with exercise prices ranging from $0.09 to $0.14 per share.