EAST WEST PETROLEUM CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2017

This discussion and analysis of financial position and results of operation is prepared as at November 28, 2017 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the six months ended September 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 and PMP 60291 (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.

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 was 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 has been used to explore the northern portion of the Cheal East permit. Drilling of an exploration well, the Cheal-D1, commenced in July 2017. In September 2017 drilling and testing operations of the Cheal-D1 well was completed to a total measured depth of 2,400 metres. The well perforated an 18 metre section of gas bearing sands in the Urenui formation. Following extensive testing it was determined that gas was present, however not in sufficient quantities to produce as an economic discovery. The Cheal-D1 well has been suspended with a plan to potentially re-enter in the future. All costs to the Cheal-D1 have been categorized as exploration and evaluation assets.

On September 15, 2017, New Zealand Petroleum & Minerals ("NZP&M") approved the petroleum permit application for the Cheal East permit (PMP 60291). The mining permit has been carved out of the existing exploration permit (PEP 54877) and part of the remaining acreage has been included in an application to extend the duration of PEP 54877.

The Company's 30% share of petroleum production from Cheal East averaged approximately 112 net BOE's per day (58% oil) in Q2 compared to an average of approximately 102 BOE's per day (57% oil) in Q1. The increase in Q2 is primarily due to the planned full plant shutdown at the Cheal production facility for eight days in Q1 for statutory inspection. This was partly offset by reduced gas production from Cheal-E8 as the well comes off flush production.

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. 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 NZP&M 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. On August 4, 2017 NZP&M approved the surrender of the PEP 54879.

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. In September 2017 NIS reported that testing of multiple intervals on the first well in EX-7 Periam block had been completed with encouraging results for oil and natural gas. In addition NIS advised that the initial results obtained during workover and testing will be analysed in NIS Scientific Center, which will decide if the well is to be declared commercial and what would be the next steps to follow. 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

As at September 30, 2017 the Company held 3,033,900 common shares of Advantage Lithium. The September 30, 2017 quoted market value of this investment was $1,790,001. The stock price of Advantage Lithium has appreciated significantly since then. As at November 28, 2017 the closing price of Advantage Lithium was $1.18 per share. The Company also holds warrants to acquire 333,350 common shares of Advantage Lithium at an exercise price of $1.00 per share.

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	
	Sep. 30 2017 $	Jun. 30 2017 $	Mar. 31 2017 $	Dec. 31 2016 $	Sep. 30 2016 $	Jun. 30 2016 $	Mar. 31 2016 $	Dec. 31 2015 $
Operations:								
Total revenues	515,766	447,266	572,256	605,710	443,844	533,975	518,421	670,695
Operating costs	(289,285)	(300,136)	(318,070)	(385,258)	(292,465)	(307,937)	(384,078)	(460,636)
Expenses	(769,362)	(368,758)	(7,191,965)	(401,367)	(410,995)	(322,931)	(1,993,130)	(1,096,794)
Other income (expense)	71,975	88,918	1,262,837	(189,672)	68,648	28,420	(103,738)	143,572
Loss before deferred income tax	(470,906)	(132,710)	(5,674,942)	(370,587)	(190,968)	(68,473)	(1,962,525)	(743,163)
Deferred income tax	Nil	Nil	(288,500)	(26,500)	162,736	152,264	Nil	Nil
Net (loss) income	(470,906)	(132,710)	(5,963,442)	(397,087)	(28,232)	83,791	(1,962,525)	(743,163)
Other comprehensive income (loss), net of deferred income tax	533,772	(764,340)	(1,957,884)	(325,499)	1,242,412	1,246,392	(524,051)	747,479
Comprehensive income (loss)	62,866	(897,050)	(7,921,326)	(722,586)	1,214,180	1,330,183	(2,486,576)	4,316
Basic and diluted (loss) income per share	(0.01)	(0.00)	(0.07)	(0.00)	(0.00)	0.00	(0.02)	(0.01)
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Balance Sheet:								
Working capital	3,260,564	4,373,986	6,095,940	6,703,781	6,956,336	7,430,843	7,845,372	8,398,762
Total assets	8,374,344	8,196,050	8,895,822	16,692,432	17,455,768	16,803,124	14,816,036	17,231,425
Decommissioning liabilities	(1,576,685)	(1,288,119)	(1,268,216)	(1,245,725)	(1,262,830)	(1,225,922)	(1,183,793)	(1,198,604)

Results of Operations

Three Months Ended September 30, 2017 ("Q2") Compared to Three Ended June 30, 2017 ("Q1").

Revenues and operating costs for Q2 compared to Q1 are as follows:

	Q2	**Q1**
Total sales	$ 515,766	$ 447,266
Total volume	9,832 BOE	8,951 BOE
Average realized price per BOE	$ 52.46	$ 49.97
Petroleum sales	$ 396,324	$ 338,024
Petroleum volume	5,975 BOE	5,363 BOE
Average petroleum realized price per BOE	$ 66.33	$ 63.03
Natural gas sales	$ 119,442	$ 109,242
Natural gas volume	3,857 BOE	3,588 BOE
Average natural gas realized price per BOE	$ 30.97	$ 30.45
Production costs	$ 222,003	$ 231,371
Average per BOE	$ 22.58	$ 25.85
Transportation and storage costs	$ 43,871	$ 48,284
Average per BOE	$ 4.46	$ 5.39
Royalties	$ 23,411	$ 20,481
Average per BOE	$ 2.38	$ 2.29
Netback	$ 226,481	$ 147,130
Average per BOE	$ 23.04	$ 16.44

Petroleum sales revenues increased from $338,024 in Q1 to $396,324 in Q2, an increase of 17%. Natural gas revenues increased from $109,242 in Q1 to $119,442 in Q2, an increase of 9% due to an overall 10% increase in volume. Volumes increased primarily due to the increased uptime after the planned full shut-down at the Cheal production facility in Q1 for statutory inspection services. In addition the Company received slightly higher prices for both oil and gas.

During Q2 operating costs decreased by 4%, from $300,136 in Q1 to $289,285 in Q2. The decrease in Q2 was due to savings on general repairs and maintenances and reduced transportation and storage costs.

The increase in production and sales prices received was offset by the increase in depletion and depreciation of $580,608 in Q2 compared to $163,433 in Q1, as a result of the $1,479,874 of capital costs attributed to the Cheal E-8 which was completed and included in Q2 to property, plant and equipment.

During Q2 the Company reported a comprehensive income of $62,866 compared to a comprehensive loss of $897,050 for Q1. The fluctuation is primarily attributed to the change in fair value of investment from a comprehensive loss of $671,385 in Q1 to a comprehensive gain of $643,031 in Q2.

Six Months Ended September 30, 2017 (the "2017 period") Compared to Six Months Ended September 30, 2016 (the "2016 period")

Revenues and operating costs for the 2017 period compared to the 2016 period are as follows:

	2017 Period	**2016 Period**
Total sales	$ 963,032	$ 977,819
Total volume	18,783 BOE	22,250 BOE
Average realized price per BOE	$ 51.27	$ 43.95
Petroleum sales	$ 734,348	$ 732,530
Petroleum volume	11,338 BOE	14,308 BOE
Average petroleum realized price per BOE	$ 64.77	$ 51.20
Natural gas sales	$ 228,684	$ 245,289
Natural gas volume	7,445 BOE	7,942 BOE
Average natural gas realized price per BOE	$ 30.72	$ 30.80
Production costs	$ 453,374	$ 464,508
Average per BOE	$ 24.14	$ 20.88
Transportation and storage costs	$ 92,155	$ 90,524
Average per BOE	$ 4.91	$ 4.07
Royalties	$ 43,892	$ 45,370
Average per BOE	$ 2.34	$ 2.04
Netback	$ 373,611	$ 377,417
Average per BOE	$ 19.89	$ 16.96

Petroleum sales revenues increased slightly from $732,530 in the 2016 period to $734,348 in the 2017 period. Natural gas revenues decreased from $245,289 in the 2016 period to $228,684 in the 2017 period, a decrease of 7%. The fluctuations 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 which was partially offset by higher prices received for oil.

Operating costs decreased by 2% during the 2017 period from $600,402 in the 2016 period to $589,421 in the 2017 period due to ongoing work by the operator to reduce costs.

During the 2017 period the Company reported a comprehensive loss of $834,184 compared to comprehensive income of $2,544,363 reported in the 2016 period. 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 the 2016 period the Company recorded a gain on loss of significant influence of $1,171,147 and an increase in fair value of investment of $1,278,097 compared to a $21,646 gain in fair value of investment in the 2017 period;

(ii) during the 2017 period the Company recorded a $354,560 comprehensive income due to the currency translation of its subsidiary compared to a $252,214 comprehensive loss reported during the 2017 period;

(iii) the recognition of depletion and deprecation of $784,041 in the 2017 period compared to $249,264 in the 2016 period. The increase is attributed mainly to depletion of costs associated with the Cheal E-8 well.

General and administrative expenses incurred during the 2017 period and 2016 period are as follows:

	2017 **$**	**2016** **$**
Accounting and administrative	27,500	26,200
Audit and related	54,789	68,115
Bank charges	791	1,926
Charitable donation	15,000	-
Corporate development	69,558	39,327
Insurance	5,376	5,742
Legal	3,404	1,728
Office	2,243	3,913
Professional fees	142,116	248,685
Regulatory fees	4,879	4,479
Rent	-	23,679
Shareholder costs	1,250	2,189
Telephone	1,293	3,530
Transfer agent fees	1,710	3,469
Travel	-	32,977
	329,909	460,217

Specific expenses of note for the 2017 period and 2016 period are as follows:

(i) professional fees totalling $142,116 were incurred in the 2017 period compared to $248,685 in the 2016 period as follows:
- $54,000 was paid to directors and officers of the Company in the 2017 period, a decrease of $153,000 from $207,000 incurred in the 2016 period. The decrease was due to an overall voluntary reduction in compensation and the resignation of certain directors. See also “Related Party Transactions”;
- $88,116 was paid to consultants for administrative and financial services in the 2017 period compared to $41,685 paid in the 2016 period. The increase in the 2017 period reflects additional services engaged with independent consultants;

(ii) travel expenses decreased from $32,977 in the 2016 period to $nil in the 2017 period due to a reduction in travel;

(iii) corporate development expenses of $60,041 were incurred in the 2017 period compared to $39,327 in the 2016 period. The increase is due to an on-going marketing campaign in the 2017 period;

(iv) $27,500 (2016 - $26,200) 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 $23,679 in the 2016 period to $nil in the 2017 period . The office lease expired in July 2016.

During the 2017 period the Company incurred general exploration expenses of $56,172 (2016 - $11,051) of which $41,544 (2016 - $nil) was related to minor costs on PEP 54879 and $14,628 (2016 - $11,051) 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 the 2017 period the Company reported interest income of $23,974, compared to $31,400 during the 2016 period.

During the 2017 period the Company made open market purchases and sale of common shares of Advantage Lithium under which the Company purchased 339,000 common shares for $167,970 and sold 519,500 common shares for proceeds of $296,112. As at September 30, 2017 the quoted market value of the remaining Advantage Lithium shares was $1,790,001. In addition the Company also holds warrants to acquire a further 333,350 common shares of Advantage Lithium. The warrants were valued at $50,003.

Property, Plant and Equipment

During the 2017 period the Company incurred total additions of $1,479,874 (2016 - $419,031) for the drilling and tie-in of the Cheal-D1 well, $175,382 increase for revision to the estimate for decommissioning costs and a decrease of $565,447 (2016 - decrease of $1,031,484) in foreign exchange movement for property, plant and equipment additions on the New Zealand properties. See also "Projects Update - New Zealand".

Exploration and Evaluation Assets

	PEP 54877 $
Balance at March 31, 2017	-
Capital expenditures	1,423,420
Revision of estimate for decommissioning costs	168,470
Foreign exchange movement	7,070
Balance at September 30, 2017	1,598,960

During the 2017 period the Company incurred capital expenditures of $1,423,420 for the drilling of the Cheal-D1 exploration well, a $168,470 increase for revision to the estimate for decommissioning costs and an increase of $7,070 in foreign exchange movement for exploration and evaluation assets. See also "Projects Update - New Zealand".

Financial Condition / Capital Resources

As at September 30, 2017 the Company had working capital of $3,260,565. The Company also holds common shares of Advantage Lithium with a quoted value of $1,840,004 as at September 30, 2017. 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 and/or sell its holdings in Advantage Lithium as needed. While it has been successful in the past, there can be no assurance that the Company will be successful in raising future financing should the need arise.

Commitments

As at September 30, 2017 the Company has capital expenditures of approximately $410,000 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 the 2017 period and 2016 period the following amounts were incurred:

	2017 **$**	**2016** **$**
Professional fees - David Sidoo, CEO and Director (1)	36,000	72,000
Professional fees - Nick DeMare, CFO and Director (2)	18,000	21,000
Professional fees - Marc Bustin, Director (3)	-	96,000
Professional fees - Herb Dhaliwal, Director (4)	-	18,000
	54,000	207,000

(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.
(4) Paid to ADH Holdings Ltd., a private company owned by Mr. Dhaliwal.

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

(b) During the 2017 period the Company incurred a total of $27,500 (2016 - $26,200) to Chase for accounting and administration services provided by Chase personnel, excluding Mr. DeMare. As at September 30, 2017, $9,500 (March 31, 2017 - $5,350) remained unpaid.

(c) As at September 30, 2017 the Company owned 3,033,900 common shares of Advantage Lithium with a quoted market value of $1,790,001. 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 and amounts receivable represents the maximum credit exposure. The Company does not have an allowance for doubtful accounts on its amounts receivable as at September 30, 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 the 2017 and 2016 periods and any variations in interest rates would not have materially affected net income.

Fair Value of Financial Instruments

Financial instruments are classified into one of the following 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 November 28, 2017, there were 89,585,665 outstanding common shares and 7,480,000 share options outstanding with exercise prices ranging from $0.09 to $0.14 per share.