

*McChip Resources Inc.*

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*Management's Discussion and Analysis  
For the nine months ended September 30, 2017*

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## Introduction

This Management's Discussion and Analysis ("MD&A") dated November 28, 2017 relates to the financial condition and results of McChip Resources Inc. ("McChip" or "the Company"), and should be read in conjunction with the condensed financial statements and the notes thereto for the nine months ended September 30, 2017. Historical results, including trends, which might appear on the preceding, should not be taken as indicative of future results. The Company's common shares are listed on the TSX Venture Exchange, symbol MCS and its reporting currency is the Canadian dollar. The financial data contained in this discussion and analysis is in compliance with *International Financial Reporting Standards ("IFRS")*.

McChip is a Canadian controlled corporation engaged in the natural resource industry. It was incorporated in the Province of Ontario, by letters patent dated March 8, 1935, as Madsen Red Lake Gold Mines Limited. Pursuant to Articles of Amendment dated May 21, 1981, the name of the Company was changed to McChip Resources Inc. The registered office and mailing address of the Company is Suite 410, 150 York Street, Toronto, Ontario, Canada, M5H 3S5.

McChip invests in petroleum interests in Western Canada, as well as direct and indirect interests in minerals. The indirect interests are in the form of marketable securities and investment in other companies which are listed on recognized exchanges.

Additional information relating to McChip Resources Inc. has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available online at [www.sedar.com](http://www.sedar.com).

The condensed financial statements and the notes thereto have been prepared under principles applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business.

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## Cautionary Note Regarding Forward-Looking Information

This MD&A contains "forward-looking statements and "forward-looking information" under applicable Canadian securities laws. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "should", "expect", "believe", "plan", "intend", "estimate", "forecast", "predict", "potential", "continue", "anticipate", or the negative thereof or variations thereon or similar terminology concerning matters that are not historical facts. Forward-looking information may relate to management's future outlook and anticipated events or results, and may include statements or information regarding the future plans or prospects of the company. Without limitation, statements about the Company's plans and intentions with regard to their continuing investment in petroleum interests and future prices and developments thereof, their purchase and sale of marketable securities and investments in other companies, and the lease agreement, and unit agreement signed by other contiguous land owners, with Potash Corporation of Saskatchewan ("PCS") who have the right to mine potash from McChip's mineral leases located in the Rocanville area of the Province of Saskatchewan for the payment of royalties to McChip.

Forward-looking information is based on certain factors and assumptions regarding, among other things, the estimation of mineral and petroleum reserves and resources, the realization of mineral and petroleum reserve and resource estimates, prices of minerals and oil and gas, the timing and amount of future exploration expenditures, the estimation of initial and sustaining capital requirements, the estimation of labour and operating costs, the availability of necessary financing, environmental costs, and material costs, pertaining to its mining leases that have been optioned to PCS, and non-operator interests in petroleum investments, the receipt of necessary regulatory approvals, and assumptions with respect to environmental risks, title disputes or claims, and other similar matters. While management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. See "Risks and Uncertainties", "Financial Instruments", and "Outlook" sections of this MD&A.

Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in the securities of the Company should not place undue reliance on these forward-looking statements.

We disclaim any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by applicable laws and that the forward-looking statements contained in this MD&A are made as of the date hereof.

## Evaluation of Disclosure, Internal Controls, and Procedures

### Disclosure Controls and procedures

Disclosure, controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in reports filed with or submitted to the various securities regulators is recorded, processed, summarized and reported within the time periods specified. This information is gathered and reported to the Company's management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), so that timely decisions can be made regarding disclosure.

The Company's management, under the supervision of, and with the participation of, the CEO and the CFO, have designed and evaluated the Company's disclosure controls and procedures as defined in their signed certification of annual and interim filings venture issuer basic certificate. Based on this evaluation, the CEO and the CFO have concluded that, as of the date of this MD&A, the Company's disclosure controls and procedures were effective.

### Internal Control over Financial Reporting

Designing, establishing and maintaining adequate internal control over financial reporting is the responsibility of the Company's management. Internal control over financial reporting is a process designed by, or under the supervision of management, and affected by the Board of Directors, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's condensed financial statements in conformity with IFRS. These controls include policies and procedures pertaining to the maintenance of records that, in reasonable detail, accurately reflect transactions pertaining to its assets; provide reasonable assurance that all transactions are recorded to permit the preparation of its condensed financial statements and that expenditures are being made only in accordance with authorizations by management of the Company, and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on its condensed financial statements. Management is responsible for establishing and maintaining internal control over financial reporting and has designed and implemented such controls to ensure that the required objectives of these internal controls have been met. The management of the Company applied its judgement in evaluating the cost-benefit relationship to controls and procedures. The result of which was, because of the inherent limitations in all control systems, no evaluation of the controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

Minor control deficiencies have been identified within the Company's accounting and/or finance departments and its financial information systems over segregation of duties and user access respectively. Specifically, as is common for companies of this size, certain duties within the accounting and/or finance departments were not adequately segregated due to the limited number of individuals employed in these areas. At the present time, the CEO and CFO oversee all material transactions and related accounting records. The audit committee reviews the condensed financial statements in detail, the key risks of the Company, and queries management about all significant transactions.

For the period covered by this MD&A there were no changes in the Company's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### Summary of Quarterly Results

The summary for each of the eight most recently completed quarters is as follows:

For the quarter ended \$000's (except per share)	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Total revenue (loss)	195	97	71	(273)	537	661	624	381
Net income (loss)	60	(45)	(51)	(747)	218	447	411	(454)
Income (loss) per share basic and diluted	0.01	(0.01)	(0.01)	(0.13)	0.04	0.08	0.07	(0.08)
Total assets	4,181	4,135	4,127	4,183	5,229	4,835	4,012	3,468

This data is derived from the Company's condensed financial statements.

### ***Executive Compensation***

The compensation committee is responsible for making recommendations to the Board of Directors with respect to the compensation of the executive officers of the Company as, among other things, with respect to the Stock Option Plan and any other employee benefits and/or plans. The Board of Directors reviews such recommendations and gives final approval.

The executive officers receive a base salary and fees for management services performed.

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### ***Financial Highlights of Operations***

#### ***Nine months ended September 30, 2017***

The Company recorded a net loss of \$35,933 for the nine months ended September 30, 2017 compared to net income of \$1,075,765 in 2016, a decrease of \$1,111,698. The significant items that contributed to the changes were a decrease of \$1,627,631 in the unrealized appreciation of investments in other companies and marketable securities combined with an increase in the realized loss from the sale of marketable securities of \$74,776 an increase in petroleum interest revenue of \$55,981, an increase in other income of \$79,784, an increase in royalty income of \$107,479, a decrease in administrative expenses of \$9,905, a decrease in deferred income taxes of \$209,560, and a decrease in share based compensation expense of \$128,000.

#### ***Three months ended September 30, 2017***

The Company recorded a net income of \$60,460 for the three months ended September 30, 2017 compared to net income of \$217,729 in 2016, a decrease of \$157,269. The significant items that contributed to the changes were a decrease of \$282,539 in the unrealized appreciation of investments in other companies and marketable securities combined with an increase in the realized loss from the sale of marketable securities of \$65,476 a decrease in petroleum interest revenue of \$6,035, an increase in other income of \$1,233 an increase in royalty income of \$10,341, a decrease in administrative expenses of \$10,607, a decrease in deferred income taxes of \$46,600, and a decrease in share based compensation expense of \$128,000.

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### ***Related Party Transactions***

Included in accounts payable as at September 30, 2017 is an amount due to a related company that has a common director and officer in the amount of \$50,766 (December 31, 2016 - \$43,337). The amount payable was the result of the Company's investment in petroleum interests which is in the normal course of its business.

Mr. McCloskey is President, CEO and Director of Boanne Investments Limited, ("Boanne") and the Company, Mr. Dumond is the Corporate Secretary of Boanne; CFO, Corporate Secretary and Director of the Company.

Included in accounts payable as at September 30, 2017, is an amount due to Mr. McCloskey, a management executive and Director the Company in the amount of \$835 (due to Mr. McCloskey on December 31, 2015 - \$965). The amounts payable is the result of the Company's investment in petroleum interests which is in the normal course of its business.

Related party expenses paid to Messrs. McCloskey and Dumond, management executives and Directors of the Company, during the nine months ended September 30, 2017, remuneration in the normal course of business, for consulting and management fees amounted to \$152,195 (2016 - \$152,195). Administrative fees were paid to a related party in the amount of \$919 for the nine months ended September 30, 2017 (2016 - \$388).

In 2017 there is no recovery of office lease expenses from Matachewan Consolidated Mines, Limited ("Matachewan") a related party, (2016 - \$6,000) Matachewan is a shareholder of the Company. Messrs. McCloskey and Dumond serve as management executives and Directors of Matachewan and the Company which is in the normal course of its business.

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### ***Liquidity and Capital Resources***

The global economy continues to be turbulent and unpredictable, and forecasting future trends is both challenging and uncertain. Management adjusts and readjusts strategies to meet the challenges presented in these unsettled economic conditions confronting the Company.

The Company presently derives its revenue from investment in petroleum interests, investment in marketable securities,

investment in other companies and royalties from potash leases.

Working capital decreased by \$56,886 to \$1,530,318 at September 30, 2017 compared to \$1,587,204 at December 31, 2016. The decrease was related to a decrease in cash of \$8,267, an increase in accounts receivable of \$17,586, a decrease in marketable securities of \$37,647, an increase in loans payable of \$23,791, a decrease in the bank loan of \$40,000, and an increase in accounts payable and accrued liabilities of 44,767.

McChip's approach to managing its liquidity is to ensure that it has sufficient resources to meet its liabilities as they come due and have sufficient working capital to fund operations for the ensuing fiscal year.

### Cash Flow used in Operating Activities

The Company recorded a net loss of \$35,933 for the nine months ended September 30, 2017. When increased for non-cash items by \$24,369 and decreased for changes in working capital items by \$27,181, represented cash used in operating activities of \$33,121.

### Cash Flow generated by Investing Activities

During the nine months ended September 30, 2017, investing activities provided net cash of \$41,063. The net cash provided by investing activities was effected by the purchase of marketable securities of \$284,419, proceeds from the sale of marketable securities of \$331,957 and expenditures on the investments in petroleum interests of \$6,475.

### Cash Flow used in Financing Activities

Financing activities used cash of \$16,209 during the nine months ended September 30, 2017. The Company used cash by decreasing its bank loans by \$40,000 and increasing its loans payable by \$23,791.

## Share Capital

Shareholders' equity at September 30, 2017 was \$3,360,743 compared to \$3,396,676 at December 31, 2016, a decrease of \$31,203, a result of net loss during the period.

The Company's share capital was comprised of the following as at September 30, 2017 and December 31, 2016:

	September 30, 2017	December 31, 2016
<b>Authorized:</b> Unlimited number of common shares		
<b>Issued:</b>		
Common shares	5,660,096	5,660,096

The following table sets out the common shares and stock options outstanding as at September 30, 2017:

	September 30, 2017
Common shares	5,660,096
Stock options	400,000
	6,060,096

Stock options issued and outstanding have an exercise price of \$0.60 and expire on September 26, 2021.

Please refer to Notes 10 and 12 to the Company's condensed financial statements dated September 30, 2017 for further information regarding share capital.

## Contributed Surplus

The contributed surplus of the Company at September 30, 2017 was \$883,200 (December 31, 2016 - \$883,200). These amounts are related to stock options that have been granted or exercised on the company's common shares.

## **Risks and Uncertainties**

An investment in the securities of the Company is subject to a number of risks. In addition to the other information contained in the MD&A and the Company's other publicly filed disclosure documents, investors should give careful consideration to the following factors, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this MD&A. Any of the matters highlighted in these risk factors could have a material adverse effect on the Company's business prospects or financial condition.

### **Investment in Petroleum Interests**

The price fluctuations for oil and natural gas together with the barrels of oil equivalent produced will affect the revenue reported by the Company for investment in petroleum interests.

The operator of the Company's oil and gas participations, Signalta Resources Limited ("Signalta") reports that the current low natural gas price environment continues to challenge all operators' investment abilities. Fundamentally Signalta believes in the potential for superior rates of returns in the oil and gas business over the medium to long term. The strategy is to continue to reposition holdings during this challenging portion of the cycle. Above average assets that present themselves in these difficult periods generally have the staying power to benefit from a sizeable upswing in gas prices in the future.

In reviewing the performance of our investments with Signalta over a thirty year period through many cycles of varying magnitude, it is fair to say that large advances of our values have resulted from continued investment throughout difficult periods such as we have experienced in the recent years.

### **Saskatchewan Potash Project, Province of Saskatchewan, Canada**

The Company is the registered holder of a 100% working interest in 4,147 acres and a 50% working interest in 240 acres in the Rocanville Area, being in Townships 17 and 18, Range 32 and 33, W1M, located in south eastern Saskatchewan.

The Company signed a lease agreement effective September 19, 2008, with Potash Corporation of Saskatchewan Inc. ("PCS") granting PCS the right to mine potash from the Company's mineral leases in the Rocanville area.

For the nine months ended September 30, 2017 the Company recorded royalty income of \$211,813.

Based on production and price expectations the Company anticipates that this royalty will have a long term positive impact on income.

On November 1, 2017, the Company entered into a purchase and sale agreement with Altius Royalty Corporation (the "Purchaser") with respect to certain of its mineral rights in the Rocanville Area of Saskatchewan. Pursuant to the terms of the purchase and sale agreement the Purchaser has agreed to pay \$3,000,000 on closing and in addition, an annual royalty of \$500,000 for a term of ten years, conditional on certain potash production levels and grades of potash ore being maintained on an annual basis during the term of the agreement.

### **Marketable Securities and Investment in other companies**

The Company's investments are predominately represented by shares of natural resource based companies listed on a recognized exchange. The Company uses this method to get exposure to resource opportunities that normally would not be available to it.

The nine months ended September 30, 2017, reflected a decrease in net investment income of \$1,702,407 compared to 2016. The contributing factor was a decrease in the unrealized appreciation of investments in other companies and marketable securities of \$1,627,631 and an increase in the realized loss of \$74,776, which was attributed to both the change in market values and in investment portfolio holdings when comparing 2017 to 2016.

The Company's long position in marketable securities and investment in other companies had a combined fair value of \$3,380,847 at September 30, 2017 (December 31, 2016 - \$3,349,286) a decrease of \$18,439.

**Capitalization and Dilution**

The Company currently has sufficient cash flow to meet its obligations as they come due. The Company's historical capital expenditure and operating needs have been generated internally from its investment in petroleum interests, marketable securities, and investment in other companies. It is anticipated that future royalties from its potash acreage will contribute to the Company's cash flow. If the Company required major funding in the form of debt and/or equity there is no assurance that additional funding would be available. The terms of any additional funding obtained by the Company could result in substantial dilution to the present shareholders of McChip.

**Future Profitability**

The Company presently derives its revenue from investment in petroleum interests, investment in marketable securities, investment in other companies and royalties from potash leases.

**Outlook**

The Company will continue to implement the following strategies:

- remain in the natural resource industry
- provide updates on the royalties derived from the development of its potash leases
- participate in low-risk natural resource ventures, directly or indirectly, using operators having proven track records with additional development opportunities
- invest in petroleum interests operated by Signalta
- strategically invest in marketable securities and invest in other companies that are predominately natural resource based

**Other Information****Contractual Obligations**

The Company does not have any contractual obligation.

**Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements.

**Going Concern**

Management has prepared its condensed financial statements using accounting principles applicable to a going concern which assumes continuity of operations, realization of assets and settlement of liabilities in the normal course of business. Should the going concern assumption no longer be valid, adjustments would be required to the carrying values of assets and liabilities and to the reported expenses, and statements of financial position classifications.

**Critical Accounting Policies**

The condensed financial statements are reported in Canadian dollars, and they may include management's estimates and assumptions that affect amounts reported in the condensed financial statements and accompanying notes. If estimates and assumptions were made, actual results could differ from these estimates and assumptions. The condensed financial statements have been prepared using careful judgment within the significant accounting policies summarized below.

**Income (loss) per share**

Basic income (loss) per share is calculated by dividing the income (loss) for the period by the weighted average number of common shares outstanding during the period. Contingently issuable shares are not considered outstanding common shares and consequently are not included in the income per share calculation. Diluted income per share is determined by adjusting the

income attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all options, warrants and other similar instruments outstanding that may add to the total number of common shares.

### Income taxes

The Company accounts for its income taxes using the deferred tax assets and liabilities method. Deferred income tax assets and liabilities are determined based on the difference between the carrying amount and the tax basis of the assets and liabilities. Any change in the net amount of deferred income tax assets and liabilities is included in profit or loss. Deferred income tax assets and liabilities are determined based on enacted or substantively enacted tax rates and laws which are expected to apply to taxable profit for the years in which the assets and liabilities will be recovered or settled. Deferred income tax assets are recognized when it is likely they will be realized. Deferred tax assets and liabilities are not discounted.

The tax expense includes current and deferred tax. This expense is recognized in profit or loss, except for income tax related to the components of other comprehensive income (loss) or of equity, in which case the tax expense is recognized in other comprehensive income or equity respectively.

Current income tax assets and liabilities are obligations or claims for the current and prior periods to be recovered from (or paid to) taxation authorities that are still outstanding at the end of the reporting period. Current tax is computed on the basis of tax profit (loss) which differs from net profit (loss). This calculation is made using tax rates and laws enacted at the end of the reporting period.

On the statements of financial position all deferred tax assets and liabilities must be classified as non-current under IFRS.

### Accounting for share-based compensation

The Company has adopted IFRS 2, *Share Based Payment*, for the recognition, measurement, and disclosure of share-based compensation. The Company's options vest on granting therefore, compensation expense is recognized at that time, with the same amount being recorded as contributed surplus. The expense is determined using an option pricing model that takes into account the exercise price, the term of the option, the current share price, the expected volatility of the underlying shares, the expected dividend yield, and the risk free interest rate for the term of the option. If the options are exercised, contributed surplus will be reduced by the applicable amount. Share-based compensation calculations have no effect on the Company's cash position.

### Use of estimates

The preparation of the condensed financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the condensed financial statements and the reported amount of expenses during the period. These estimates are reviewed periodically, and as adjustments become necessary they are made in the period in which they become known. Actual results could differ from these estimates.

### Recent Accounting Pronouncements

IFRS 9 - *Financial Instruments* - published July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 15 - Revenue from Contracts with Customers – The standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets From Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contract with customers. This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption.

IFRS 16 - Leases – In January 2016 the International Accounting Standards Board issued IFRS 16, Leases, which specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to

recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Consistent with its predecessor, IAS 17 the new lease standard continues to require lessors to classify leases as operating or finance. IFRS 16 is to be applied retrospectively for annual periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 Revenue from contract with customers has also been applied.

The Company is in the process of determining the impact of these pronouncements on its condensed financial statements.

### **Capital disclosures**

The Company manages its capital structure and makes adjustments to it in light of the changes in economic conditions and the risk characteristics of its underlying assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of management to sustain future development of the Company.

The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable considering the nature and relative size of the Company.

There were no changes in the Company's approach to capital management during this reporting period.

### **Commitments**

The office space lease commitment expired June 30, 2016. The Company currently has no outstanding commitments.

### **Investment in petroleum interests**

This investment represents participation agreements with Signalta, a Canadian controlled private company and other similar operators based in Calgary, Alberta. As this investment represents residual interests it has been considered as an investment in equity interests. Typically, the Company's proportionate share of specific yearly investment programs would range from less than 1% to 1%. The Company, by agreement, does not exercise joint control or significant influence over Signalta, as operator of the petroleum participations.

Accordingly, this investment has been classified as an available for sale financial instrument. As this investment has no quoted market price in active markets, it is recorded at cost, unless there is an impairment that is considered to be other than temporary. This investment is legally held by Boanne, a Canadian private company which is a related party that owns approximately 22.8% of the Company.

### **Financial Instruments**

The Company's financial risk exposure and the impact on the Company's financial instruments are summarized below:

#### **Credit risk**

The Company's credit risk is attributable to accounts receivable and certain investment in other companies. In the opinion of management the credit risk with respect to these instruments is low.

#### **Liquidity risk**

The Company's approach to managing its liquidity risk is to ensure that it has sufficient liquidity to meet its liabilities when they come due. The Company, as at September 30, 2017 had cash of \$149,699, accounts receivable of \$86,405 and marketable securities having a fair value of \$2,109,433 which aggregates to \$2,345,537 available to settle its current liabilities of \$815,219.

#### **Interest rate risk**

The Company has a bank credit facility for short term working capital purposes and loans to supplement its investment strategies. The facility exposes the Company to interest rates risk which fluctuates in accordance with market rates.

#### **Foreign currency risk**

The Company is exposed to foreign currency risk. This would be in conjunction with its investments in currency of the United States of

America. This is a negligible part of the Company's business and with the amount of foreign currency involved management considers the foreign currency risk to be low.

#### Price risk

The Company is exposed to price risk. The volatility of commodities prices affects the net revenue received. The value of the Company's marketable securities and investment in other companies are carried at fair value. The value of these investments would be affected by increases and decreases in the share prices recorded for them on the respective stock exchanges and thus exposes the Company to a marketable securities and investment price risk.

#### Public trading risk

The public trading market for the Company's common shares is the TSX Venture Exchange symbol MCS. Various factors could cause significant fluctuations in the price and volume of trading in the Company's common shares.

#### Sensitivity analysis

Based on its knowledge and experience of the financial markets, management of the Company believes the following movements are "reasonably possible" over a one year period:

Cash and cash equivalents are in cash only at the present time. Given the low current prevailing interest rates on short term investments, downward sensitivity is not meaningful. If the cash was in interest bearing deposits and a sensitivity of plus or minus 0.5% change in rates were applied over the nine months ended September 30, 2017, there would not be a significant effect on the Company's net income.

As at September 30, 2017, had the prices on the respective stock exchanges for marketable securities and publicly held investments in other companies raised or lowered by 5%, with all other variables held constant, the equity of the Company would have increased or decreased by \$158,292, (December 31, 2016 - \$159,642).

#### Fair value of financial instruments

All of the Company's financial instruments have been classified into one of the following five categories: fair value through profit or loss assets or liabilities ("FVPTL"), held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. Held-for-trading financial instruments are measured at fair value and all gains and losses are included as income or loss in the period in which they arise. Available-for-sale financial instrument, investment in petroleum interests, has no quoted market value in active markets and therefore it is recorded at cost. If there is an impairment that is considered to be other than temporary, the impairment is written off. Loans and receivables, investments held-to-maturity, and other financial liabilities are measured at amortized cost using the effective interest method.

The Company has classified its financial instruments as follows:

<u>Financial instrument</u>	<u>Classification</u>
Cash	FVTPL
Accounts receivable	Loans and receivables
Marketable securities	FVTPL
Investment in petroleum interests	Available for sale
Investment in other companies	FVTPL or available for sale
Bank indebtedness	Other financial liabilities
Loans payable	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities

Edward G. Dumond  
 Timothy M. Gould  
 A. George Matthew  
 Richard D. McCloskey  
 Gordon A. McCreary  
 Anthony D. Weldon

Director – CFO and Corporate Secretary  
 Director  
 Director  
 Director – CEO and President  
 Director  
 Director

November 28, 2017