

# **Doxa Energy Ltd.**

#1450 – 700 West Georgia Street, Vancouver, B.C., V7Y 1K8  
Tel: 604-642-3692 Fax: 604-642-2629

## **Management Discussion and Analysis** For the period ended September 30, 2019 (Expressed in U.S. Dollars)



**Doxa Energy Ltd.**  
**Period Ended September 30, 2019**  
**Management Discussion and Analysis**  
**(Expressed in U.S. Dollars)**

**Overview**

The following Management’s Discussion and Analysis (“MD&A”) of Doxa Energy Ltd. (the “Company” or “Doxa”), prepared as of November 25, 2019, should be read together with the unaudited condensed consolidated financial statements for the period ended September 30, 2019 and related notes attached thereto, which are prepared in accordance with International Financial Reporting Standards, (“IFRS”), as issued by the International Accounting Standards Board. The Company’s functional currency is the Canadian dollar and the US subsidiary, Doxa Energy US Inc.’s (“Doxa USA”) functional currency is the U.S. dollar. All amounts are stated in U.S. dollars unless otherwise indicated.

The reader should also refer to the audited consolidated financial statements for the years ended December 31, 2018 and 2017, found filed on SEDAR.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com), and the Company website [www.doxaenergy.com](http://www.doxaenergy.com).

**Forward Looking Statements and Risk Factors**

The forward-looking information in this 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 or other factors.

Further information regarding these and other factors which may cause results to differ materially from those projected in forward-looking statements are included in the Company’s filings with securities regulatory authorities. The Company does not undertake to update any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws.

**GLOSSARY OF ABBREVIATIONS**

BBL	barrel
BOPD	barrels of oil per day
BOE	barrels of oil equivalent <sup>(1)</sup>
BOEPD	barrels of oil equivalent per day
MCF	1,000 cubic feet of natural gas
MCFD	1,000 cubic feet of natural gas per day

- (2) 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. Disclosure provided herein in respect of BOEs may be misleading, particularly if used in isolation.

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of units (or metric units).

**Doxa Energy Ltd.**  
**Period Ended September 30, 2019**  
**Management Discussion and Analysis**  
**(Expressed in U.S. Dollars)**

To Convert From	To	Multiply By
MCF	Cubic metres	28.317
Cubic metres	Cubic feet	35.494
BBLs	Cubic metres	0.159
Cubic metres	Bbls	6.292
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometers	1.609
Kilometers	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471

**DESCRIPTION OF BUSINESS**

Doxa Energy Ltd. (the “Company” or “Doxa”) is a Canadian junior oil and gas company with its offices in Vancouver, B.C., and Fort Worth, Texas, and its shares are listed for trading on the TSX Venture Exchange under the symbol **DXA**. Its head office is found at Suite 1450 – 700 West Georgia Street, Vancouver, B.C., V7Y 1K8. The Company has been engaged primarily in exploration for, and production of, petroleum and natural gas reserves in Oklahoma and Texas, USA.

On October 26, 2018, the Company signed a Letter of Intent to essentially liquidate its existing oil and gas assets and enter into a ‘reverse takeover’ by an unrelated technology Company pursuant to Policy 5.2 of the TSX-V. On May 22, 2019, the Company entered into a definitive merger agreement with Prostar Geocorp, Inc. If consummated, this transaction will have a significant effect on the operations of Doxa and its shareholders. Trading of Doxa shares has been halted. See the “ProStar Geocorp Inc. Reverse Takeover Transaction” section below further information

As the Company plans to dispose of Doxa USA, as a condition of the transaction, management determined the operations for Doxa USA meet the definitions of assets held for sale and discontinued operations under IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. Consequently, assets and liabilities of Doxa USA were classified as a disposal group. Revenue and expenses relating to the discontinuation of Doxa USA have been classified from the Company’s continuing operations to net income from discontinued operations as a single line in the consolidated statements of operations and comprehensive loss.

The reader should refer to Note 2 of the unaudited condensed consolidated financial statements for financial statement presentation of Doxa USA.

**Doxa Energy Ltd.**  
**Period Ended September 30, 2019**  
**Management Discussion and Analysis**  
**(Expressed in U.S. Dollars)**

**Oil and Gas Properties**

Mississippian Lime Play, Oklahoma

As at September 30, 2019, the Company continued to own interests in 24 active Mississippian wells, being 0.74 net producing wells. During the third quarter, 2019, completed Mississippian wells produced an average of approximately 2 barrels of oil per day (BOPD) and 20 MCF of natural gas per day (MCFPD), or 5 barrels of oil equivalent per day (BOEPD) per well, net to the company. As previously disclosed, Doxa has no plans to participate in any new wells in the future.

3D Seismic Project, Bee and Goliad Counties, Texas

The company owns 5.37% participating interest in 5 producing oil wells on this project, before payout, along with an additional reversionary interest equal to 1.775% after payout, as these terms are defined in various agreements with third parties. As of September 30, 2019, completed wells on the project were producing approximately 152 BOPD and 54 MCFD in total gross production, being 6 BOPD and 3 MCFD net to Doxa.

Peeler Ranch Area, Atascosa County, Texas

Doxa continues to own interests in 2 producing Eagle Ford wells in Atascosa County, Texas, both on the Peeler Ranch leasehold.

The Company owns a 20% interest in the Peeler Ranch No. 1-H, which was completed in March 2011, is temporarily shut-in, and a 9.4796% interest in the Peeler Ranch No. 2-H was completed in January, 2012 and is currently producing an average of 5 BOPD.

County Line North Prospect, McMullen County, Texas

Doxa owns a 12.527% working interest along with an 8.999% net revenue interest in the County Line North Project, McMullen County, Texas. One well has been drilled on the project, being the Kynette No. 1, which was completed as a gas well in October 2011. After producing a total of 2.8 BCF the well was recompleted to a new zone of interest in the wellbore at a shallower depth during the first quarter 2019. For the third quarter 2019 the well produced an average of 485 MCFD and 1 BOPD net to the company.

New Beilau Prospect, Colorado County, Texas

The Company owns 6.25% interest in the Koehn Unit No. 1 well, and a 12.5% interest in the Koehn Unit No. 2 well, both situated on the New Beilau Prospect, Colorado County, Texas.

**Doxa Energy Ltd.**  
**Period Ended September 30, 2019**  
**Management Discussion and Analysis**  
**(Expressed in U.S. Dollars)**

While the Koehn No. 1 is marginally productive, the No. 2 well is producing at an average rate of 6 BOPD and 150 MCFD.

Rogers Project, Jackson County, Texas

Doxa also owns a 4.50% interest in a Yegua formation producer, being the Rogers No. 1 well, Jackson County, Texas. Completing during 2013, the well is currently marginally productive. No further operations are planned for this project.

**OPERATIONS REVIEW**

**Selected Production Net to the Company**

	Three months ended September 30		Nine months ended September 30		Year Ended December 31,	
	2019	2018	2019	2018	2018	2017
<b>Gas - MCF</b>	<b>45,599</b>	10,717	<b>94,888</b>	37,845	<b>49,395</b>	51,251
<b>Oil - BBL</b>	<b>1,046</b>	807	<b>3,077</b>	2,756	<b>3,602</b>	4,066
<b>Total - BOE</b>	<b>8,646</b>	2,593	<b>18,892</b>	9,063	<b>11,835</b>	12,608

**Selected Revenue Net to the Company**

	Three months ended September 30		Nine months ended September 30		Year Ended December 31,	
	2019		2019		2018	
	(\$000's)	(\$/BOE)	(\$000's)	(\$/BOE)	(\$000's)	(\$/BOE)
<b>Oil and gas revenue</b>	<b>\$160.8</b>	<b>\$18.6</b>	<b>\$409.8</b>	<b>\$21.7</b>	\$384.6	\$32.5
<b>Severance taxes</b>	<b>(33.7)</b>	<b>(3.9)</b>	<b>(54.2)</b>	<b>(2.9)</b>	(39.0)	(3.3)
<b>Production expenses</b>	<b>(47.2)</b>	<b>(5.5)</b>	<b>(160.3)</b>	<b>(8.5)</b>	(216.9)	(18.3)
<b>Total \$, \$/BOE</b>	<b>\$79.9</b>	<b>\$9.2</b>	<b>\$195.3</b>	<b>\$10.3</b>	\$128.7	\$10.9

**Doxa Energy Ltd.**  
**Period Ended September 30, 2019**  
**Management Discussion and Analysis**  
**(Expressed in U.S. Dollars)**

**Selected Annual Information**

<b>Year Ended December 31</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Total Revenues *</b>	\$384,665	\$377,112	\$330,076
<b>Net Income (Loss)</b>	(284,918)	107,959	(212,320)
<b>Basic and Diluted Loss per share</b>	0.00	0.00	(0.01)
<b>Total Assets</b>	2,143,903	2,215,065	2,124,844
<b>Total Non-Current liabilities</b>	2,618,460	262,961	81,795
<b>Cash Dividends Declared per Share</b>	\$0.00	\$0.00	\$0.00

\*Revenues presented net of severance taxes and transport. Pending the sale of Doxa USA, the revenues are presented in Note 2 of the financial statements under asset held for sale.

**Summary of Quarterly Results**

The following table sets forth a comparison of the revenues and net income (loss) for each of the Company's last eight quarters:

<b>Quarter Ended</b>	<b>2019</b>			<b>2018</b>				<b>2017</b>
	<b>30-Sep</b>	<b>30-Jun</b>	<b>31-Mar</b>	<b>31-Dec</b>	<b>30-Sep</b>	<b>30-Jun</b>	<b>31-Mar</b>	<b>31-Dec</b>
<b>Total Revenues</b>	\$160,832	\$164,745	\$84,215	\$91,407	\$87,751	\$96,687	\$108,820	\$106,863
<b>Net Income (Loss)</b>	(82,024)	20,891	(38,898)	(109,287)	(69,958)	(77,384)	(28,289)	(24,451)
<b>Earnings (Loss) per share</b>	\$(0.01)	\$0.00	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.01)

**Performance Summary**

Discussion of the performance for the period ended September 30, 2019, include amounts from the discontinued operations of Doxa USA for consistent comparison to the prior year.

**Three months ended September 30, 2019:**

For the three months ended September 30, 2019, the Company realized a net loss of \$(82,024) as compared to a net loss of \$(69,929) for the same period in 2018. The earnings (loss) per share was \$(0.01) as compared to loss per share of \$(0.00) for the same period in 2018. Earnings (Loss) before interest, taxes, depletion and amortization (EBITDA) for the period were \$(47,660) compared to \$18,974 for the same period in 2018. The net income (loss) experienced by the Company fluctuates each quarter due to the timing of certain

**Doxa Energy Ltd.**  
**Period Ended September 30, 2019**  
**Management Discussion and Analysis**  
**(Expressed in U.S. Dollars)**

expenditures such as impairments which are tested for annually. The net income (loss) can also fluctuate due to peripheral or incidental transactions or events such as a realized gain or a write-down or write-off of an asset.

The Company had gross revenue from oil and gas production from thirty three wells during the three month period ended September 30, 2019 of \$160,832, as compared with \$87,751 from thirty three wells for the same period in 2018. During the three months ended September 30, 2019, the Company had net production of 1,046 BBLs oil and 45,599 MCF gas compared with 807 BBLs oil and 10,717 MCF gas for the same period in 2018. The average price of oil realized during the current period was \$54.96 per BBL and for gas \$2.26 per MCF compared to \$68.86 per BBL and \$2.73 per MCF for the prior year period.

Filing fees and shareholder services for the three month period were \$2,155 as compared to \$564 in 2018. Filing fees and shareholder services fluctuates depending on activity during the period.

Interest expense on long-term debt for the period was \$2,669 as compared to \$64,995 in 2018. During the period the Company did not pay interest on related party loans in agreement with the related parties. As per the agreement with Prostar interest on the related party loans was accrued to April 30, 2019.

**Nine months ended September 30, 2019:**

For the nine months ended September 30, 2019, the Company realized a net loss of \$(100,032) as compared to net loss of \$(175,631) for the same period in 2018. The loss per share was \$(0.00) as compared to income per share of \$(0.01) for the same period in 2018. Earnings (Loss) before interest, taxes, depletion and amortization (EBITDA) for the period were \$22,403 compared to \$68,413 for the same period in 2018. The net income (loss) experienced by the Company fluctuates each quarter due to the timing of certain expenditures such as impairments which are tested for annually. The net income (loss) can also fluctuate due to peripheral or incidental transactions or events such as a realized gain or a write-down or write-off of an asset.

The Company had gross revenue from oil and gas production from thirty three wells during the nine month period ended September 30, 2019 of \$409,792, as compared with \$293,258 from thirty three wells for the same period in 2018. During the nine months ended September 30, 2019, the Company had net production of 3,077 BBLs oil and 94,888 MCF gas compared with 2,756 BBLs oil and 37,845 MCF gas for the same period in 2018. The average price of oil realized during the current period was \$59.74 per BBL and for gas \$2.38 per MCF compared to \$68.86 per BBL and \$2.73 per MCF for the prior year period.

**Doxa Energy Ltd.**  
**Period Ended September 30, 2019**  
**Management Discussion and Analysis**  
**(Expressed in U.S. Dollars)**

Filing fees and shareholder services for the nine month period were \$10,768 as compared to \$8,445 in 2018. Filing fees and shareholder services fluctuates depending on activity during the period.

Interest expense on long-term debt for the period was \$95,762 as compared to \$195,102 in 2018. During the period the Company did not pay interest on related party loans in agreement with the related parties. The interest on the related party loans is being accrued.

**Liquidity and Capital Resources**

The Company ended the period with \$2,792 (2018 - \$16,549) cash and working capital of \$(14,564) (2018 - \$(4,570,810)).

Net cash from (used in) operating activities for the period ended September 30, 2019 was \$108,265 as compared to net cash of \$145,890 from operating activities in 2018.

Net cash from (used in) investing activities for the period ended September 30, 2019 was \$(71,226) as compared to \$(104,185) during 2018.

Net cash provided from (used in) financing activity for the period ended September 30, 2019 was \$20,000 as compared to \$(20,000) during 2018.

The Company does not have sufficient funds to meet its liabilities and investment obligations for the ensuing twelve months as they fall due. In assessing whether the going concern assumption is appropriate, Management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

The Company's ability to continue operations and fund its liabilities is dependent on management's ability to secure additional financing from either debt or equity, or from asset divestment opportunities. In this regard, Management has secured a revolving line of credit in the face amount of \$175,000 with a borrowing base of \$175,000. Management is pursuing such additional sources of financing and, while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

**Critical Accounting Judgments and Estimates**

The Company's use of judgments and estimates are presented in Note 3 of the accompanying unaudited condensed consolidated financial statements. The preparation of the consolidated financial statements in accordance with IFRS requires management to select accounting policies and make judgments and estimates. Such judgments and estimates may have a significant impact on the consolidated financial statements. Actual

**Doxa Energy Ltd.**  
**Period Ended September 30, 2019**  
**Management Discussion and Analysis**  
**(Expressed in U.S. Dollars)**

amounts could differ materially from the estimates used and, accordingly, affect the results of the operations.

These include:

- identification of cash-generating units (“CGUs”);
- classification of exploration and evaluation assets;
- going concern assumption;
- the valuation of deferred income tax assets;
- the determination of the Company and its subsidiary’s functional currency
- the estimation of the oil and natural gas reserves;
- recoverability of asset carrying values;
- depreciation and depletion;
- the recoverability of accounts receivable; and
- the provision for decommissioning liabilities

#### **Adoption of New Accounting Standards**

The Company adopted the new accounting standard IFRS 9 *Financial Instruments* effective January 1, 2018 using the modified retrospective approach. The Company has not restated comparative information for prior periods with respect to the classification and measurement requirements of IFRS 9 and accordingly, the comparative information for the year ended December 31, 2017 is presented under IAS 39 *Financial Instruments: recognition and measurement*. There were no changes to the carrying value of any of the Company’s assets or liabilities as a result of this new accounting standard.

The Company adopted the requirements of IFRS 15 *Revenue from Contracts with Customers* (“IFRS 15”) effective January 1, 2018, which replaces IAS 18 *Revenue* using the modified retrospective approach. The Company reviewed its revenue streams and major contracts with customers using the IFRS 15 five step model as follows:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price, which is the total consideration provided by the customer;
- allocate the transaction price among the performance obligations in the contract based on their relative fair values; and
- recognize revenue when the relevant criteria are met for each performance obligation.

The adoption of IFRS 15 did not result in any changes to the Company’s accounting policies for revenue recognition and therefore, did not result in any transitional adjustments to the Company’s financial statements.

**Doxa Energy Ltd.**  
**Period Ended September 30, 2019**  
**Management Discussion and Analysis**  
**(Expressed in U.S. Dollars)**

**Key Accounting Policies**

a) Revenue Recognition

Revenue from the sale of oil and natural gas is recognized when performance obligations are satisfied. Performance obligations are satisfied at the point in time when products are delivered based on volumes to customers at contractual delivery points, and prices have been agreed with the purchaser and collectability is reasonably assured. Delivery is generally at the time the oil enters the tanks and when natural gas enters the pipeline. Revenue is measured net of discounts, customs duties and royalties. With respect to the latter, the entity is acting as a collection agent on behalf of others. The costs associated with the deliver are recognized the same year in which the related revenue is earned and recorded.

Tariffs and tolls charged to other entities for use of pipelines and facilities owned by the Company are recognized as revenue, as they accrue in accordance with the terms of the service or tariff and tolling agreements.

Royalty income is recognized as it accrues in accordance with the terms of the overriding royalty agreements.

b) Property and equipment and exploration and evaluation assets

(i) Pre-exploration expenditures

Expenditures made by the Company before acquiring the legal right to explore in a specific area do not meet the definition of an asset and therefore are expensed by the Company as incurred.

(ii) Exploration and evaluation expenditures

Costs incurred once the legal right to explore has been acquired are capitalized as exploration and evaluation assets. These costs include, but are not limited to, exploration license expenditures, leasehold property acquisition costs, evaluation costs, including drilling costs directly attributable to an identifiable well and directly attributable general and administrative costs. These costs are accumulated in cost centers by property and are not subject to depletion until technical feasibility and commercial viability has been determined.

**Doxa Energy Ltd.**  
**Period Ended September 30, 2019**  
**Management Discussion and Analysis**  
**(Expressed in U.S. Dollars)**

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are grouped together with developing and producing assets and are tested at an aggregated CGU level. The Company evaluates the geography, geology, production profile and infrastructure of its assets in determining its CGUs. Doxa's CGUs are generally composed of significant development areas. The Company reviews the composition of its CGUs at each reporting date to assess whether any changes are required in light of new facts and circumstances.

The assessment of technical feasibility and commercial viability is based upon estimates of the recoverability of capitalized costs by future exploitation or sale and where the activities have reached a stage that permits a reasonable assessment of the existence of proved reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available.

When technical feasibility and commercial viability of a well is determinable based on management's assessment of current information, the exploration and evaluation assets attributable to that well are first tested for impairment and then reclassified from exploration and evaluation assets to property and equipment.

(iii) Other intangible costs

Costs of data purchased to formulate strategy for license applications, such as seismic data, and asset purchases are accumulated and capitalized as other intangible assets to the extent that they are incurred prior to obtaining related licenses and do not relate to a field with proven reserves attributed.

(iv) Developing and production costs

Items of property and equipment, which include petroleum and natural gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into CGUs for impairment testing. A CGU's recoverable amount is

**Doxa Energy Ltd.**  
**Period Ended September 30, 2019**  
**Management Discussion and Analysis**  
**(Expressed in U.S. Dollars)**

the higher of its fair value less costs to sell and its value in use. Where the carrying amount of a CGU exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount.

When significant parts of an item of property and equipment, including petroleum and natural gas interests, have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of an item of property and equipment, including petroleum and natural gas properties, are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within the statements of operations and comprehensive loss.

(v) Subsequent costs

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as petroleum and natural gas properties only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in comprehensive income (loss) as incurred. Such capitalized petroleum and natural gas properties generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in comprehensive income (loss) as incurred.

(vi) Depletion and depreciation

Depletion of petroleum and natural gas properties is provided using the unit-of-production method based on production volumes in relation to total estimated proved reserves as determined annually by independent engineers.

Natural gas reserves and production are converted at the energy equivalent of six thousand cubic feet to one barrel of oil. Costs are only depleted once production in a given area begins.

**Doxa Energy Ltd.**  
**Period Ended September 30, 2019**  
**Management Discussion and Analysis**  
**(Expressed in U.S. Dollars)**

Calculations for depletion and depreciation of production equipment are based on total capitalized costs plus estimated future development costs of proved and undeveloped reserves less the estimated net realizable value of production equipment and facilities after the proved reserves are fully produced.

Proved reserves are estimated using independent reserve engineering reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids, which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon:

- A reasonable assessment of the future economics of such production;
- A reasonable expectation that there is a market for all or substantially all the expected oil and natural gas production; and
- Evidence that the necessary production, transmission and transportation facilities are available or can be made available.

Reserves may only be considered proved if supported by either actual production or conclusive formation tests.

The area of reservoir considered proved includes:

- (i) that portion delineated by drilling and defined by as-oil and/or oil-water contacts, if any, or both; and
- (ii) immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geophysical, geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of oil and natural gas controls the lower proved limit of the reservoir.

**Doxa Energy Ltd.**  
**Period Ended September 30, 2019**  
**Management Discussion and Analysis**  
**(Expressed in U.S. Dollars)**

Reserves that can be produced economically through application of improved recovery techniques (such as fluid injection) are only included in the proved classification when successful testing by a pilot project, the operation of an installed program in the reservoir or other reasonable evidence (such as, experience of the same techniques on similar reservoirs or reservoir simulation studies) provides support for the engineering analysis on which the project or program was based.

Depletion and depreciation for other equipment is recognized in profit or loss on a declining balance basis with the following annual rates:

Office equipment	20%
Computer equipment	45%

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

c) Impairment of non-financial assets

Exploration and evaluation assets are assessed for impairment when they are reclassified to developing and producing assets, as petroleum and natural gas properties, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Fair value less costs to sell is determined to be the amount for which the asset could be sold in an arm's length transaction. Fair value less costs to sell can be determined by using an observable market or by using discounted future net cash flows of proved and probable reserves using forecasted prices and costs. Value in use is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or CGU.

Exploration and evaluation assets are grouped together with the Company's CGUs when they are assessed for impairment, both at the time of any triggering facts and circumstances as well as upon their eventual reclassification to developing and producing assets (oil and natural gas properties).

An impairment loss would be recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. A CGU's

**Doxa Energy Ltd.**  
**Period Ended September 30, 2019**  
**Management Discussion and Analysis**  
**(Expressed in U.S. Dollars)**

recoverable amount is the higher of its fair value less costs to sell and its value in use. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized.

At December 31, 2018, the Company calculated the recoverable amounts which were determined with fair value less costs to sell using a discounted cash flow method and categorized in Level 3 of the fair value hierarchy. Key assumptions in the determination of cash flows from reserves include crude oil and natural gas prices, loss factors and discount rates specific to the underlying composition of assets residing the CGU. The post-tax discount rate used was 19.5%.

At December 31, 2018, an impairment of \$2,275 was determined on the Mississippian Prospects, CGU's, and an impairment of \$77,206 was determined on the Sarco Creek exploration and evaluation asset.

### **Off Balance Sheet Arrangements**

There are no off balance sheet arrangements to which the Company is committed.

### **Related Party Transactions**

At September 30, 2019, the Company has CDN\$2,760,375 in loans payable, and CDN\$90,752 in accrued interest owing to Armada, a Company controlled by the former chairman of the Company.

At September 30, 2019, the Company has CDN\$811,875 in loans payable, and CDN\$26,692 in accrued interest owing to Harvco, a Company controlled by the president and director of the Company.

At September 30, 2019, the Company has \$1,654,188 in accounts payable owing to Dynamic Production, Inc. a Company controlled by the president and director of the Company for lease operating expenses relating to the Company's developed and producing oil and gas properties.

**Doxa Energy Ltd.**  
**Period Ended September 30, 2019**  
**Management Discussion and Analysis**  
**(Expressed in U.S. Dollars)**

**Prostar Geocorp Inc. Reverse Takeover Transaction**

On October 26, 2018, the Company entered into a binding letter agreement whereby the Company will acquire all the issued and outstanding securities of Prostar Geocorp Inc. ("Prostar") by way of a share exchange, amalgamation or such other form of business combination as the parties may determine.

On May 22, 2019, the Company entered into a definitive merger agreement with Prostar Geocorp, Inc. The proposed transaction, pursuant to the Merger Agreement, will result in a reverse takeover of Doxa by ProStar in accordance with the policies of the TSX Venture Exchange (the "TSXV"). Upon completion of the Transaction, it is anticipated that the combined entity (the "Resulting Issuer") will continue to carry on the business of ProStar and will be listed on the TSXV as a Tier 2 Technology Issuer.

ProStar specializes in the development of Precision Mapping Solutions. The flagship solution is Transparent Earth, a natively Cloud and Mobile solution offered as Software as a Service. Transparent Earth is designed to improve the business practices of any industry involved in the management of sub-surface infrastructure including utility, oil & gas, construction, engineering & surveying, 811 and contract locating. When close enough is no longer good enough, Transparent Earth enables real-time access to critical and precise location information where and when it is most needed including in the office or out in the field. Transparent Earth enables clients to improve their operations by reducing risks, monitoring workflows, measuring productivity and making more informed business decisions with a higher degree of confidence. Visit <https://www.prostarcorp.com>

Upon successful completion of the proposed acquisition of the securities of ProStar (the "Transaction"), it is anticipated that the Company will be listed as a Tier 2 Technology issuer on the TSX Venture Exchange ("TSX-V") and will carry on the business of ProStar. The Transaction constitutes a 'reverse takeover' of the Company pursuant to Policy 5.2 of the TSX-V.

(a) Transaction Summary

Pursuant to the Transaction, the Company will issue common shares ("DXA Shares") to the holders of common shares in the capital of Prostar ("ProStar Shares") on the basis of approximately four post-Consolidation (as defined below) DXA Shares for each Prostar Share. It is anticipated that approximately 59.3 million DXA Shares will be issued pursuant to the Transaction based on the current capital structure of ProStar. It is a condition to the closing of the Transaction that the Prostar shareholders will hold at least 80.01% of the issued and outstanding DXA Shares on completion of the Transaction, but prior to the completion of a concurrent financing (as discussed below).

**Doxa Energy Ltd.**  
**Period Ended September 30, 2019**  
**Management Discussion and Analysis**  
**(Expressed in U.S. Dollars)**

The Transaction is an arm's length transaction. Upon the completion of the Transaction, it is expected that ProStar will become a wholly-owned subsidiary of the Company (the "Resulting Issuer").

Pursuant to the letter agreement, it is agreed that ProStar will complete a pre-Transaction private placement through the issuance of not more than 3,500,000 ProStar Shares and will settle a portion of its existing debt through the issuance of not more than 2,400,000 ProStar Shares.

The Transaction is subject to a number of terms and conditions, including, but not limited to, the parties entering into a definitive agreement with respect to the Transaction on or before May 31, 2019 (such agreement to include representations, warranties, conditions and covenants typical for a transaction of this nature), the completion of satisfactory due diligence investigations, the completion of a private placement by the Company as further described below, the completion of a debt settlement of the Company's related party debt as further described below, the completion of the Consolidation, the completion of the sale of the Company's oil and gas interests, and the approval of the TSX-V and other applicable regulatory authorities. All dollar figures referenced herein, unless otherwise specified, refer to Canadian dollars.

Trading in the DXA Shares will remain halted pending the satisfaction of all applicable requirements of Policy 2.4 of the TSX-V. There can be no assurance that trading of Doxa Shares will resume prior to the completion of the Transaction. Further details concerning the Transaction (including additional financial information) and other matters will be announced if and when a definitive agreement is reached.

**(b) Information Concerning ProStar**

ProStar is incorporated under the laws of the State of Delaware and is a Software as a Service (SaaS) company that provides patented Geospatial Intelligence Software®. ProStar's flagship solution is Transparent Earth®, a natively Cloud and Mobile solution designed to capture, record and display the precise location of subsurface assets, including buried utilities and pipelines. As of December 31, 2018, Prostar had approximately US \$500,000 in assets, liabilities of approximately US \$3,400,000 and estimated (unaudited) revenues for 2018 of US\$1.6 million.

**(c) Consolidation**

The completion of the Transaction is subject to the completion by the Company of a consolidation of its share capital on a 17 old for one new basis (the "Consolidation").

**(d) Debt Settlement**

The parties to the Transaction have agreed that prior to or concurrently with the closing of the Transaction, the Company will settle approximately CAD\$3,572,250 in debt (including

**Doxa Energy Ltd.**  
**Period Ended September 30, 2019**  
**Management Discussion and Analysis**  
**(Expressed in U.S. Dollars)**

accrued and unpaid interest to December 31, 2018) owed collectively to Armada Investments Ltd. (a company owned and controlled by Chairman and director, G. Arnold Armstrong) and Harvco LLC (a company owned and controlled by President and CEO, John D. Harvison) through the issuance of 188,013,211 pre-Consolidation DXA Shares at a price of CAD\$0.0117013 per pre-Consolidation DXA Share (the "Debt Settlements").

The Debt Settlements will result in the temporary creation of a new control position to be held by Harvco LLC, which will be issued 42,730,275 pre-Consolidation DXA Shares representing 21% of the Company, prior to the completion of the Transaction and any private placement. The Debt Settlements are also "related party transactions" as defined under Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions ("MI 61-101") as the debts are held indirectly by President and CEO John D. Harvison (through Harvco LLC) and Chairman and Director, G. Arnold Armstrong (through Armada Investments Ltd.). As a result, the completion of the Debt Settlements will be subject to majority of the minority shareholder approval requirements of MI 61-101.

**(e) Private Placement**

Pursuant to the letter agreement, it is a condition of the Transaction that the Company completes a private placement of up to 10,000,000 post-Consolidation DXA Shares or units at a price of CAD\$0.50 per post-Consolidation DXA Share. Additional details concerning the terms of the private placement will be provided in a subsequent press release.

**(f) Disposition of Oil and Gas Assets**

At or prior to the closing of the Transaction, the Company will dispose of its existing oil and gas interests and related equipment in assets through the sale of its U.S. subsidiary (the "Disposition") to Dynamic Production, Inc. ("Dynamic"), a company controlled by John Harvison, the President and CEO of the Company, at their fair market value. As a condition of the Disposition, the Company will be released from the outstanding revolving secured credit facility with UMB Financial Corporation, of which US\$153,100 is currently outstanding and matures on June 1, 2019 and the amount payable to Dynamic of which US\$1,698,264 is currently outstanding as of December 31 (the "Credit Facility"). As it is expected that the fair market value of the oil and gas assets is less than the outstanding balance of the Credit Facility, the Disposition will not result in any payments to the Company.

As the Disposition results in the sale of all or substantially all of the assets of the Company, the Disposition is subject to the approval, by way of a special resolution, of at least 66 2/3% of the shareholders of the Company, voting in person or by proxy, in accordance with the requirements of the Business Corporations Act (British Columbia). Additionally, as Dynamic is in part owned and controlled by President and CEO John D. Harvison, the Disposition is also a "related party transaction" as defined under MI 61-101 and is subject to majority of the minority shareholder approval requirements of MI 61-101.

**Doxa Energy Ltd.**  
**Period Ended September 30, 2019**  
**Management Discussion and Analysis**  
**(Expressed in U.S. Dollars)**

(g) Shareholder Meeting

On, December 12, 2018 at its annual and special general meeting, the Company received shareholder approval for the Consolidation, Debt Settlements and Disposition. The Company will seek shareholder approval for the Transaction, if required, on a subsequent date.

(h) Sponsorship

The Transaction is subject to the sponsorship requirements of the TSX-V, unless an exemption from those requirements is granted. There can be no assurance that an exemption will be obtained, if an exemption from the sponsorship requirements is not obtained, a sponsor will be identified at a later date. An agreement to act as sponsor in respect of the Transaction should not be construed as any assurance with respect to the merits of the Transaction or the likelihood of its completion.

(i) Trading Halt

Trading in the DXA Shares has been halted as of October 26, 2018 and will remain halted pending the satisfaction of all applicable requirements pursuant to Policy 5.2 of the TSX-V.

(j) Name Change

Upon completion of the Transaction, the Company intends to change its name to "[ProStar Geocorp Holdings Inc.]" or such other name as Prostar and the Company may determine, and the parties expect that the TSX-V will assign a new trading symbol for the Resulting Issuer.

On May 22, 2019, the Company entered into debt settlement agreements with Armada Investments Ltd. and Harvco, LLC., to settle the principal amounts of the loans (See Note 11) being CDN\$1,700,000 to Armada Investments Ltd. and CDN\$500,000 to Harvco, LLC., for common shares without par value of the Company. All accrued and unpaid interest on the loans will be forgiven. The settlement of the debts is conditional on the closing of the transaction with Prostar (See Note 2).

A breakdown of the loans and the debt shares issuable is as follows:

	<u>Amount of Debt</u>	<u>Debt Shares Issuable</u>
Armada Investments Ltd	\$1,700,000	145,282,936
Harvco, LLC	\$500,000	42,730,275

**Doxa Energy Ltd.**  
**Period Ended September 30, 2019**  
**Management Discussion and Analysis**  
**(Expressed in U.S. Dollars)**

**Capital Stock, Options, and Warrants:**

- a) Common shares issued and outstanding as at September 30, 2019 and the date this MD&A – 33,980,141 common shares.
- b) Options outstanding as at September 30, 2019 and the date of this MD&A – None
- c) Warrants outstanding as at September 30, 2019 and the date of this MD&A – None

**List of Officers and Directors**

John D. Harvison	Director, President and CEO, Ft. Worth, Texas
Mark Bronson	Director and CFO, Ft. Worth, Texas
Gerald Graham	Director, President of Doxa Energy US, Inc. Fort Worth, Texas
Jonathon Weiss	Director, Ft. Worth, Texas
Dan Frederiksen	Director, Vancouver, BC
Paul McKenzie	Director, Vancouver, BC
Shauna Hartman	Corporate Secretary, Surrey, BC

**FINANCIAL INSTRUMENTS**

Details of the Company's financial instruments, management's assessment of their related risks and details of management of those risks are as follows:

**Financial Risk Management**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities.

The fair values of cash, accounts receivable and accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments.

**Financial Instrument Risk Exposure**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

**Credit Risk**

The Company's only exposure to credit risk is on its bank accounts and accounts receivable. Bank accounts are with highly rated Canadian and US financial institutions.

**Doxa Energy Ltd.**  
**Period Ended September 30, 2019**  
**Management Discussion and Analysis**  
**(Expressed in U.S. Dollars)**

**Liquidity Risk**

The Company has insufficient capital in order to meet short-term business requirements, taking into account the Company's holdings of cash and accounts payables. The Company's cash is invested in business accounts which are available on demand.

**Market Risk**

The only significant market risk exposure to which the Company is exposed is interest rate risk. The Company's bank account earns interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to short-term rate fluctuations.

**Exchange Risk**

As at September 30, 2019, some of the Company's cash was held in Canada in Canadian dollars and some was held in the US in US dollars. As a result, the Company is subject to fluctuations in exchange rates.

**Risk Factors**

The Company is in the business of acquiring, exploring and, if warranted, developing and exploiting natural resource properties in North America. Due to the nature of the Company's proposed business and the present stage of exploration of its oil and gas properties the following risk factors, among others, will apply:

*Exploration, Development and Operating Risks*

The exploration for and development of oil and gas reserves involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties that are explored are ultimately developed into producing wells. Major expenses may be required to locate and establish petroleum reserves, to develop processes and to construct battery facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial oil operation. Whether an oil reserve will be commercially viable depends on a number of factors, some of which are: the particular attributes of the reserve, such as quantity and quality of the minerals and proximity to infrastructure; oil prices, which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, and environmental protection. The exact effect of these factors cannot be accurately predicted but could have a material adverse effect upon the Company's operations.

**Doxa Energy Ltd.**  
**Period Ended September 30, 2019**  
**Management Discussion and Analysis**  
**(Expressed in U.S. Dollars)**

Oil and gas operations generally involve a high degree of risk. The operations of the Company are subject to all the hazards and risks normally encountered in the exploration, development and production of oil and gas, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of other producing facilities, damage to life or property, environmental damage and possible legal liability.

*Dependence on the Operator and Operational Risks*

The Company holds a minority interest in its oil and gas properties and is not the operator of them. As such, the Company is dependent on the operator of these properties for further development and management of these properties. Operational risks in the oil and gas industry include exploration and reserve estimate risks, costs and availability of services and materials, premature reservoir declines, blowouts, well bore collapse, equipment failure and other accidents and adverse weather conditions. The Company is able to obtain material information regarding the operations of these properties when necessary, and is confident that the operations on these properties are carried out in keeping with industry standards.

*Political Stability and Government Regulation Risks*

The operations of the Company are currently conducted in North America, and as such, the operations of the Company are not exposed to severe uncertainties. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure could result in loss, reduction or expropriation of entitlements.

*Insurance and Uninsured Risks*

The business of the Company is subject to a number of risks and hazards in general, including adverse environmental conditions, industrial accidents, labor disputes, unusual or unexpected geological conditions, ground or slope failures, changes in the regulatory environment and natural phenomena such as inclement weather conditions and floods.

Such occurrences could result in damage to oil properties or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, and monetary losses and possible legal liability.

Although the Company may maintain insurance to protect against certain risks in such amounts as it considers being reasonable, its insurance may not cover all the potential risks associated with the Company's operations. The Company may also be unable to maintain

**Doxa Energy Ltd.**  
**Period Ended September 30, 2019**  
**Management Discussion and Analysis**  
**(Expressed in U.S. Dollars)**

insurance to cover these risks at economically feasible premiums. Insurance coverage may not be available or may not be adequate to cover any resulting liability.

Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the oil and gas industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which it may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

*Environmental Risks and Hazards*

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of waste. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties.

**Forward Looking Statements**

Except for statements of historical fact relating to the Company, certain information contained herein constitutes forward-looking statements. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include the inherent risks involved in the exploration and development of oil and gas properties, the uncertainties involved in interpreting drilling results and other ecological data, fluctuating oil and gas prices, the possibility of project costs overruns or unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future and other factors. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements.