

SILK ROAD ENERGY INC.
MANAGEMENT DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS
For the three-month periods ended March 31, 2021 and 2020

This Management’s Discussion and Analysis – Quarterly Highlights (“MD&A”) for Silk Road Energy Inc. (“Silk Road” or the “Company”) should be read in conjunction with: the audited consolidated financial statements for the year ended September 30, 2020 and the notes thereto, prepared in accordance with International Financial Reporting Standards (“IFRS”); the MD&A for the year ended September 30, 2020; and the unaudited interim consolidated financial statements for the period ended March 31, 2021 (the “Reporting Period”).

The effective date of this MD&A is July 29, 2021.

COVID-19 PANDEMIC

There was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, the Company anticipates this outbreak and increased government regulations, which may delay the finalization of any pending transactions and may negatively affect the Company’s business and financial condition.

OVERVIEW

Silk Road is a publicly traded company that operates in the oil and gas industries. The Company’s primary listing exchange is the TSX Venture Exchange (TSXV: SLK). On February 1, 2019, the Company’s stock was cease-traded by the Alberta Securities Commission and the Ontario Securities Commission as a consequence of failing to file its annual audited financial statements, annual management’s discussion and analysis and certification of the annual filings for the year ended 30 September 2018. The Company was subsequently moved the TSX Venture Exchange’s subset trading platform known as the NEX.

Background

Silk Road was incorporated under the *Business Corporations Act* (Alberta) on November 9, 2010 and was classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (“Exchange”). On January 28, 2014, the Company entered into a formal acquisition agreement (“Acquisition Agreement”) with Gold Note Resources Inc. (“Gold Note”), pursuant to which the Company has completed the purchase of certain oil production, oil and gas reserves, lands, leases and miscellaneous interests held by Gold Note in the Bashaw, Columbia and Thornbury areas of Alberta (the “Acquisition”). The Acquisition constitutes the

Company's qualifying transaction (the "Qualifying Transaction") under the applicable policies of the Exchange.

Pursuant to the terms of the Acquisition Agreement, the Company purchased, on industry standard terms, certain non-operated petroleum and natural gas rights, oil and gas production, tangibles, oil and gas reserves, lands, leases and miscellaneous interests including seven (7) gross producing wells (the "Assets") located in the Bashaw, Columbia and Thornbury areas in Alberta, Canada for an aggregate purchase price of \$500,000 inclusive of applicable taxes and in Canadian funds, payable by way of 2,352,941 common shares of Silk Road ("Consideration Shares") at a deemed price of \$0.17 per Common Share and \$100,000 cash. The Consideration Shares are subject to the terms and conditions of an escrow agreement between Silk Road, Gold Note, and Olympia Trust Company dated January 24, 2014.

During the year ended September 30, 2015, the Company disposed of (5) gross producing wells in the Columbia GCU.

The completion of the Acquisition by the Company was approved by the Board of Directors of the Corporation and by the TSXV as the Qualifying Transaction of the Company. As a result, the Corporation was no longer considered a Capital Pool Company as of January 29, 2014.

During the first six months of 2021, the Company continued its work towards the revocation of its cease-trade order issued jointly by the Alberta Securities Commission and the Ontario Securities Commission and its reinstatement for the re-listing of its common shares for trading on the TSX Venture Exchange. The Company continued to update its continuous disclosure by its filing of quarterly financial statements. The Company also paid various securities commission fees and TSX Venture Exchange fees owing in relation to its continuous disclosure filings.

CORPORATE HIGHLIGHTS FOR THE REPORTING PERIOD

During the three-month period ended March 31, 2021, the Company announced the following developments.

On March 2, 2021, Silk Road announced that it had closed the third tranche of its previously announced private placement ("Private Placement") in which a total of 2,300,000 Units were sold under the third tranche at a price of \$0.025 per Unit for aggregate gross proceeds of \$57,500. Each Unit was comprised of one Class A Preferred Share in the capital of the Company ("Preferred Share") and one half of one Preferred Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire one Preferred Share at a price of \$0.10 per share for a period of 12 months from the date such Warrant was issued. The Preferred Shares are redeemable at the option of the Company and will be entitled to receive any dividends declared by the Company on the Preferred Shares. In the event of any voluntary or involuntary liquidation, dissolution or winding up, the Preferred Shares will be entitled to be paid out of the assets of the Company ratably an amount equal to \$0.025, subject to certain adjustments. The Preferred Shares are also convertible into common shares of the Company at the option of the Company.

The Private Placement was conducted further to a partial revocation order which was issued by the Alberta Securities Commission dated October 24, 2019, and the proceeds of the private placement are being used to, among other things, bring the Company's continuous disclosure obligations up to date, to apply for a full

revocation of the failure to file cease trade order dated February 1, 2019, and to pay outstanding and related fees. Copies of the partial revocation order and the failure to file cease trade order can be found on the Canadian Securities Administrators' website at securities-administrators.ca. The Units issued pursuant to the Private Placement will remain subject to the failure to file cease trade order until a full revocation order is received.

The first two tranches of the Private Placement were closed on June 26, 2020, in which a total of 3,280,000 Units were sold for aggregate gross proceeds of \$82,000 and on August 5, 2020, in which a total of 1,000,000 Units were sold for aggregate gross proceeds of \$25,000. Overall, total aggregate proceeds raised amounted to \$164,500 in exchange for 6,580,000 Units.

The Company, an oil and gas issuer, continued to seek opportunities in the oil and gas industry. The Company has also contemplated looking at opportunities in the gold exploration and mining business in parallel.

SUBSEQUENT EVENTS

On April 27, 2021, the Company received the final acceptance from the NEX board of the TSX Venture Exchange concerning the Private Placement.

On June 2, 2021, the Company submitted an application (the "**Application**") pursuant to Section 33 of National Policy 11-207 *Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions* ("**NP 11-207**"), for an order for a full revocation order dual failure-to-file cease trade order dated February 1, 2019 (the "**FFCTO**") issued by the Alberta Securities Commission and evidencing the decision of Ontario Securities Commission in connection with the failure of Silk Road to file its annual audited financial statements, annual management discussion and analysis, and certification of annual filings for the year ended September 30, 2018, by the required filing deadlines.

FINANCIAL HIGHLIGHTS FOR THE REPORTING PERIOD

The Company reported total assets of \$70,739 as at March 31, 2021 (March 31, 2020: \$26,440), an increase of \$44,299. This was uniquely driven by the net proceeds of the private placement. Overall liabilities decreased by \$18,983 as the Company paid monies owing to securities commissions.

Shareholders' deficit was \$802,879 at March 31, 2021 (March 31, 2020: shareholders' deficit of \$866,161), a decrease of \$63,282. This slight decrease is primarily due to the Company receiving capital from the private placement combined with the payment of debts owed to securities commissions.

During the three-month period ended March 31, 2021, the Company generated no production revenues. 2020 – \$0) and operating expenses of \$0 (2020 - \$1,723) and general and administration expenses of \$0 (2020 - \$8,022) and depletion, impairment and accretion expenses of \$ 0 (2020 - \$2,085).

For the three-month period ended March 31, 2021, the Company had negative working capital of (\$731,703) (2020 – (\$793,906)) comprised of cash or cash equivalents, accounts receivable and accounts payable and

accrued liabilities. The Company reported a net comprehensive loss of \$7,901 in the reporting period (March 31, 2020: loss of \$11,388), a difference of \$3,487 and no current sources of cash inflows.

OUTLOOK

The Company will continue to work with the securities commissions and the TSX Venture Exchange in order to have the cease-trade order revoked and to become reinstated on the TSX Venture Exchange and have the Company's common shares trading. Net losses during the reporting period indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Additionally, the Company will continue to seek opportunities in the oil and gas sectors, including the acquisition of or joint venture in production and exploration concessions, and concurrently contemplate opportunities in the mining and exploration sectors. The Company is looking for potential asset acquisitions that will generate future positive cash flows.

COVID-19

The management of the Company will continue to monitor the COVID-19 pandemic situation and attempt to orient the Company's operations and corporate strategy accordingly.

RESULTS FROM OPERATIONS THREE-MONTH PERIODS ENDED MARCH 31, 2021 AND 2020

The following tables summarize financial results for each of the reported three-month periods.

Three-month periods ended March 31

	March 31, 2021	March 31, 2020	Variance
	\$	\$	\$
Total Assets	70,739	26,440	44,299
Total Liabilities	873,618	892,601	(18,893)
Total Shareholders' Equity	(802,879)	(866,161)	(63,282)

Three-month periods ended March 31

	March 31, 2021	March 31, 2020	Variance
	\$	\$	\$
Revenue	0	0	-
Operating expenses	707	1,723	(1,016)
General and administrative expenses	5,109	8,022	(2,913)
Depletion, impairment and accretion expenses	2,085	2,085	-

Net Gain (Loss)	(7,901)	(11,388)	(3,487)
Loss per share – basic and diluted	(0.0007)	(0.0009)	(0.0002)

RESULTS FROM OPERATIONS

For the three months ended, there was no production by the Company. Correspondingly, the Company had production revenues of \$0 (2020 – \$0) and operating expenses of \$0 (2020 - \$1,723) and general and administration expenses of \$0 (2020 - \$8,022) and depletion, impairment and accretion expenses of \$ 0 (2020 - \$2,085) and a Net Loss of \$ (0) (2020 - \$ (11,388)).

SUMMARY OF QUARTERLY RESULTS

Reporting Period	Gross Revenue \$	Net Gain (Loss) \$	Basic \$	Diluted \$
Q2 ended March 31, 2021	0	(7,901)	(0.0007)	(0.0007)
Q1 ended December 31, 2021	0	(25,481)	(0.0021)	(0.0021)
Q4 ended September 30, 2020	11,385	(54,598)	(0.0045)	(0.0045)
Q3 ended June 30, 2020	8,631	(22,984)	(0.0020)	(0.0020)
Q2 ended March 31, 2020	0	(10,443)	(0.0008)	(0.0008)
Q1 ended December 31, 2019	698	(30,656)	(0.0030)	(0.0030)
Q4 ended September 30, 2019	8,324	(86,440)	(0.0070)	(0.0070)
Q3 ended June 30, 2019	2,081	(10,651)	(0.0008)	(0.0008)

FINANCIAL POSITION

At March 31, 2021, the Company had negative working capital of (\$731,703) (2020 – (\$793,906)) comprised of cash or cash equivalents, accounts receivable and accounts payable and accrued liabilities.

Liquidity

The Company's working capital deficiency consists largely of unpaid salaries and professional fees. The parties involved have all agreed to forebear and work with the Company over time towards their settlement.

The only capital requirements that the Company faces in the near term is for accounting, audit and regulatory fees. The Company is planning an equity offering to cover these obligations and to re-build its balance sheet when the trading of its securities resumes. There is a risk related to capital market conditions that could prevent this from occurring.

Capital Resources

The Company has no capital expenditure requirements presently. The Company owns oil & gas interests in wells that are not operating due to uneconomic natural gas prices. There are no capital expenditure obligations related to these interests. The Company does not own any assets, property or interests that it must maintain in good standing.

OFF-BALANCE SHEET ARRANGEMENTS

The Company did not have any off-balance sheet transactions as at March 31, 2021.

RELATED PARTIES TRANSACTIONS

The Company's related parties include the CEO, CFO, the directors and family members of these parties. Unless otherwise stated, none of the transactions incorporates special terms and conditions and no guarantees were given or received. Transactions with related parties for the three-month periods ended March 31, 2021 and March 31, 2020 were \$0.

Remuneration of Directors and key management of the Corporation:

	2021	2020
Share-based payment	\$ 0	\$ 0
Key management compensation	\$ 0	\$ 0

STOCK OPTION PLAN

The purpose of the Stock Option Plan (the "Plan") is to serve as an incentive for the directors, officers, employees, and service providers who will be motivated by the Company's success, as well as to promote ownership of common shares of the Company by these people. There is no objective attached to the Plan and no relationship to manage the Company's risks. A description of Silk Road's stock option transactions can be found in Note 9 of Silk Road's interim unaudited consolidated financial statements for the three-month period ended March 31, 2021.

At March 31, 2021, the Company had a total of 282,560 options issued and outstanding that, if fully exercised, could generate \$43,327 in capital to support the Company's activities.

	Weighted average	
Number of options	exercise price (\$)	Expiry Date
67,266	0.10	Jan. 2022
215,294	0.17	Jan. 2024
282,560	0.15	

The Company has issued 282,560 options out of 1,201,278 options authorized under the incentive stock option plan.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect amounts reported in financial statements and accompanying notes. There is a

full description and a detailed presentation of the Company's significant accounting policies, accounting judgements and uncertainties relative to significant estimates in the audited consolidated financial statements as at September 30, 2020 (Note 3).

OUTSTANDING SHARE DATA

As at the date of this MD&A, there are 12,012,788 common shares issued and outstanding and 6,580,000 preferred shares issued and outstanding of Silk Road.

RISK FACTORS

For a detailed list of risks and uncertainties related to the business of Silk Road, please consult the Company's MD&A for the year ended September 30, 2020.

CAUTIONARY STATEMENT

This Management and Discussion Analysis may contain forward-looking information within the meaning of applicable securities legislation, which reflects the Company's current expectations regarding future events. Forward-looking information is based on several assumptions and is subject to several risks and uncertainties, many of which are beyond the Company's control that could cause actual results and events to differ materially from those that are disclosed in or implied by such forward-looking information. Readers should not place undue reliance on forward-looking statements and forward-looking information and are cautioned that reliance on such information may not be appropriate for other purposes.

The Company does not undertake any obligation to update such forward-looking information, whether because of new information, future events or otherwise, except as expressly required by applicable law. These risks and uncertainties include, but are not limited to, those described under the headings "Financial Instruments & Risk Management" and "Inherent Risk Factors" in this MD&A and could cause actual events or results to differ materially from those projected in any forward-looking statements. The Company does not intend, nor does it undertake any obligation, to update or revise any forward-looking statements contained in this MD&A to reflect subsequent information, events, or circumstances or otherwise, except if required by applicable law.

ADDITIONAL INFORMATION

Additional disclosures pertaining to the Company's material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.

On behalf of the Board of Directors, we thank our shareholders for their continued support.

"Vladimir Katic"

Vladimir Katic
Chief Executive Officer

July 29, 2021