EXMCEUTICALS INC.
Management Discussion and Analysis
For the Six Months Ended December 31, 2019

The following management discussion and analysis ("MD&A") of the financial condition and results of operations of EXMceuticals Inc. (the "Company" or "EXM") should be read in conjunction with the condensed consolidated interim financial statements for the six months ended December 31, 2019, the audited consolidated financial statements for the year ended June 30, 2019 and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS"), and all other disclosure documents of the Company. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. Additional information relating to the Company and other regulatory filings can be found on SEDAR website at www.sedar.com.

The Company's head office and principal business address is 421 – 7th Avenue SW, 30th Floor, Calgary, Alberta T2P 4K9, Canada. The Company's common shares are listed on the Canadian Securities Exchange (the "CSE") under the symbol "EXM". In April 2019, the Company began trading on the Frankfurt Stock Exchange under the securities identification code "WKN: A2PAW2" and "ISIN: CA30207T1049".

This MD&A is dated March 2, 2020.

DESCRIPTION OF BUSINESS AND REVIEW

EXM's activities are focused on the sustainable cultivation of cannabis and hemp, and the production of pharmaceutical grade, psychotropic and non-psychotropic cannabis and hemp ingredients for the pharmaceutical, therapeutical and nutraceutical industries. The Company proposes to export the extracted ingredients to international markets.

EXM, through its subsidiary and in-country partner, holds the rights to a cannabis license in the Kuba Kingdom, Mweka, Kasai Province, Democratic Republic of Congo, and the rights to a land concession for the cultivation of cannabis and hemp, and processing and export of high-grade pharmaceutical cannabinoid ingredients.

On November 20, 2019, the Company announced changes to its management structure following the recent granting of the Portugal R&D license. The Portuguese R&D license for cannabis enables EXM to import raw material into Portugal and refine it inside the existing R&D facility and pilot refinery. The Company is in the process of applying for a commercial license.

EXM has submitted applications and undertaken negotiations with local governments and partners in Uganda, Malawi, and Burundi, in order to obtain licences to permit the cultivation of cannabis and hemp, as well as the processing, transformation and export of psychotropic and nonpsychotropic cannabinoid ingredients. In addition, EXM is in the process of obtaining a license in each of Uganda and Malawi, in partnership with a large local agro producer, to enable the import of cannabis grown at other EXM sites in Africa.

SIGNIFICANT EVENTS/OVERALL PERFORMANCE FOR THE SIX MONTHS ENDED DECEMBER 31, 2019 AND TO THE DATE OF THIS REPORT

On July 5, 2019, the Company entered into loan facility agreement with the Chairman with a maturity date of January 5, 2021 (the “Loan Facility Maturity Date”) with the Lender, pursuant to which the Lender provided to the Company a loan facility for the principal amount of $1,400,000 (received) (the “Loan Facility”). The Loan Facility bears an interest rate of 12% per annum up to the Loan Facility Maturity Date. The Company may elect to pay any outstanding principal amount and any interest accrued on the principal amount of the Loan Facility in cash or through the issuance of common shares of the Company.

On July 15, 2019, the Company entered into an amendment to the term sheet relating to the acquisition of MM (Operations) Limited. As the owner invested a further amount of USD$1,500,000 to fully fund operations until March 31, 2020, the Company has agreed to revise the terms of the term sheet as follows: USD$6,500,000 in cash and USD$25,000,000 in a convertible note.

On July 22, 2019, the Company issued 75,554 common shares of the Company at a price of $1.35 per share and 200,000 common shares of the Company at a price of $1.2803 per share to its creditors for debt settlements in the aggregate amount of $358,058.

On September 26, 2019, the Company’s Board of Directors approved an equity compensation plan and on December 31, 2019, granted 500,000 restricted share units to the CEO subject to shareholder approval. Each restricted share unit entitles the holder to purchase one common share of the Company at $1.35 per share until December 31, 2022 and is subject to vesting in equal annual installments for three years.

On October 21, 2019, the Company entered into an additional loan facility agreement (the “October Loan Facility Agreement”) with the CEO with a maturity date of December 31, 2020 (the “October Loan Facility Maturity Date”) with the Lender, pursuant to which the Lender provided to the Company a loan in the principal amount of $500,000 (the “October Loan Facility”) of which $83,403 was received at December 31, 2019. The October Loan Facility bears an interest rate of 15% per annum up to the October Loan Facility Maturity Date. The October Loan Facility is repayable in cash, and the accrued interest is convertible into common shares of the Company at the option of the Lender.

On October 22, 2019, the Company entered into a settlement with Palisade Global Investments Ltd. to terminate the Consulting Agreement and Loan Agreement effective July 12, 2019.

On November 20, 2019, the Company announced changes to its management structure following the recent granting of the Portugal R&D license. The Portuguese R&D license for cannabis enables EXM to import raw material into Portugal and refine it inside the existing R&D facility and pilot refinery. EXM is now actively pushing forward with an initial cannabis importation, as well as the fit out and licensing of the sizable industrial facility that has been leased to the south of Lisbon. Once licensed and constructed, this facility will require a substantial amount of raw and processed cannabis material to be available for refining. Given this license development and his background, Michel Passebon has offered to refocus his time and energy on EXM's production activities, both biomass and isolate. EXM is now seeking to significantly expand its cultivation footprint and acreage, as well as build the larger refining facility in Portugal. As a result of this, Michel will voluntarily step away from being the CEO of the Company and will instead be the Chairman of EXMceuticals Farming BV as well as overall Head of Production for the EXM group. The board has asked Jonathan Summers to perform the role of CEO initially on an interim basis until the Company's AGM.

During the period ended December 31, 2019, the Company received loans from four third parties for a total of $820,000. The loans bear an interest rate of 12% per annum. During the period ended December 31, 2019, the Company accrued interest of $2,320 on the loans.

On January 14, 2020, the Company named Paulo Martins as Chief Executive Officer for Portugal operations and announced the resignations of Messrs. Michel Passebon as CEO and Scott Davis as CFO. Jonathan Summers will act as interim CEO until a successor is appointed.

On January 14, 2020 and February 3, 2020, the Company named Nick Davis and Prf. Dr. Eurico Castro Alves as Board Advisors. The Company also announced the resignation of Marc Bernier as Chief Strategy Officer. Mr. Bernier now moves on to a consultancy relationship with EXM and has been appointed to EXM's board of directors. In connection with his appointment to the board of directors, the Company has granted Mr. Bernier incentive stock options to purchase up to 1,500,000 common shares of the Company pursuant to the Company's Omnibus Equity Compensation Plan. The stock options are exercisable at a price of $2.00 per share for a period of 10 years from the date of grant.

On February 6, 2020, the Company appointed Michael Kinley CPA, CA as CFO.

On February 6, 2020, the Company and the minority shareholders of EXMceuticals Portugal, Lda ("EXM Portugal"), have signed an agreement, under the terms of which the Company has acquired the minority stake (30% of EXM Portugal) for its nominal value. As a result of the acquisition of EXM Portugal at the present date, the Company holds, directly and indirectly, 100% of the share capital of EXM Portugal. EXM Portugal is the entity that holds a licence for cannabis research and development issued by INFARMED, the Portuguese National Authority of Medicines and Health Products. This license authorizes the Company to import, research and refine cannabinoids and cannabis by-products in Portugal. EXM Portugal operates a state-of-the-art pilot-scale refinery in Portugal for the transformation of cannabis-based ingredients on a R&D environment and conditions. The Company also owns 100% of the share capital of EXMceuticals Portugal II Lda ("EXM Portugal II"), which is the industrial company currently finalising the internal design and equipment plans for the factory building located in Setubal, just south of Lisbon. The EXM Portugal II facility will consist of both extraction and refining installations, be designed and operated to GMP standards, and once licensed will distribute pure cannabinoids to commercial buyers.

On February 6, 2020, the Company announced that it has granted incentive stock options to a director of the Company to purchase up to an aggregate of 466,931 common shares of the Company pursuant to the Company's Omnibus Equity Compensation Plan (the "Plan"). The stock options are exercisable at a price of $2.00 per share for a period of 10 years from the date of grant. The Company has also issued an aggregate of 2,250,000 restricted share units ("RSUs") under the Plan to executive officers of the Company. The RSUs have a deemed price of $0.50 per unit and entitle the holder to receive one share of the Company per RSU, subject to vesting in equal annual instalments over a three-year period.

RESULTS OF OPERATIONS

Quarterly Results

The following table summarizes the results of operations for the eight most recent quarters:

	2020, Q2	2020, Q1	2019, Q4	2019, Q3
Expenses	$ 1,861,744	$ 1,768,717	$ 3,073,293	$ 1,262,920
Net loss	(1,753,744)	(1,768,717)	(3,599,867)	(5,681,952)
Total assets	3,416,756	2,929,956	2,458,370	1,449,534

	2019, Q2	2019, Q1	2018, Q4	2018, Q3
Expenses	$ 86,613	$ 464,377	$ 532,349	$ 589,861
Net loss	(83,350)	(464,377)	(532,349)	(589,861)
Total assets	2,797,059	358,647	283,961	575,083

During Q3 2019, the Company recorded a listing fee of $4,750,508 in related to the RTO transaction.

Results of Operations – For the Six months ended December 31, 2019 Compared to the Six months ended December 31, 2018

During the six months ended December 31, 2019, net comprehensive loss increased to $3,521,679 compared to $1,240,770 for the six months ended December 31, 2018. The increase in net comprehensive loss activities is mainly made up of:

- Consulting fees were $1,321,125 for the six months ended December 31, 2019 compared to $721,638 for the six months ended December 31, 2018. The increase is due to the addition of multiple new consultants during the current period as compared to the same period of the prior year.
- Interest expense was $198,545 for the six months ended December 31, 2019 compared to $nil for the six months ended December 31, 2018. The increase is due to the interest on loans received during the current period.
- Operating expenses of $600,542 (2018 - $329,327); accounting and audit of $221,383 (2018 - $nil); advertising and promotion of $194,372 (2018 - $nil); office and administration of $63,757 (2018 - $26,859); travel of $125,745 (2018 - $27,030); and wages and benefits of $569,948 (2018 - $nil). The increases are all a result of the activities engaged in the Company's corporate and foreign operations in the current period as compared to the same period of the prior year including the Company's subsidiaries in Portugal and Uganda.

During the six months ended December 31, 2019, the Company entered into a settlement with Palisade Global Investments Ltd. to terminate the Consulting Agreement and Loan Agreement effective July 12, 2019 and recorded a gain on settlement of loans payable of $108,000.

For the three months ended December 31, 2019 Compared to the three months ended December 31, 2018

The Company incurred expenses of $1,861,744 for the period ended December 31, 2019 compared with $776,393 for period ended December 31, 2018. Expense details are as follows:

- Consulting fees were $556,685 for the three months ended December 31, 2019 compared to $356,972 for the three months ended December 31, 2018. The increase is due to the addition of multiple new consultants during the current period as compared to the same period of the prior year.
- Interest expense was $165,681 for the three months ended December 31, 2019 compared to a recovery of $7,158 for the three months ended December 31, 2018. The increase is due to the interest on loans received during the current period.
- Accounting and audit of $184,869 (2018 - $nil); advertising and promotion of $132,874 (2018 - $nil); travel of $87,268 (2018 - $27,030); and wages and benefits of $405,587 (2018 - $nil). The increases are all a result of the activities engaged in the Company's corporate and foreign operations in the current period as compared to the same period of the prior year including the Company's subsidiaries in Portugal and Uganda.

During the three months ended December 31, 2019, the Company entered into a settlement with Palisade Global Investments Ltd. to terminate the Consulting Agreement and Loan Agreement effective July 12, 2019 and recorded a gain on settlement of loans payable of $108,000.

Cash Flow

Operating Activities

Cash outflow from operating activities was $2,109,764 for the six months ended December 31, 2019 compared to $1,945,135 for the six months ended December 31, 2018. The outflow from operating activities is the result of the activities described in the results of operations above.

Financing Activities

Cash inflow from financing activities was $3,036,579 for the six months ended December 31, compared to $2,020,327 for the six months ended December 31, 2018. The inflow from financing activities is the result of warrants exercised and loans from related parties and arm's length parties.

Investing Activities

Cash outflow from investing activities was $446,455 for the six months ended December 31, 2019 compared to $221,918 for the six months ended December 31, 2018 which is the result of the acquisition of property and equipment.

LIQUIDITY AND CAPITAL RESOURCES

The Company is not in commercial production on its independence claim and accordingly, it does not generate cash from operations. The Company finances development and activities by raising capital from equity markets from time to time. As at December 31, 2019, the Company had cash of $621,007 (June 30, 2019 - $139,865).

As at December 31, 2019, the Company had a working capital deficiency of $4,255,333 compared to a working capital deficiency of $1,341,714 as at June 30, 2019.

During the period ended December 31, 2019, the Company issued 95,713 common shares of the Company at $0.595 per share for proceeds of $56,949 and 67,857 common shares of the Company at $0.35 per share for proceeds of $23,750 pursuant to the exercise of warrants.

On July 5, 2019, the Company entered into loan facility agreement with a related party for $1,400,000. The loan bears interest at 12% per annum and is due on January 5, 2021. As at December 31, 2019, the Company had been advanced $1,400,000 of this loan.

On October 21, 2019, the Company entered into loan facility agreement with a related party for $500,000. The loan bears interest at 15% per annum and is due on December 21, 2020.

During the period ended December 31, 2019, the Company received loans from four third parties for a total of $820,000. The loans bear an interest rate of 12% per annum.

SHARE CAPITAL

As at the date of this report, the Company had the following outstanding:

- 39,520,501 common shares. Subsequent to December 31, 2019, the Company returned 148,809 shares to treasury in relation to the $125,000 of subscriptions receivable.

- Warrants

Number of Warrants	Exercise Price ($)	Expiry Date
1,046,429	0.35	June 16, 2020
52,457*	1.35	September 15, 2020
107,233*	1.35	October 17, 2020
74,074**	1.35	December 31, 2020
207,407**	1.35	January 5, 2021
1,463,741	0.595	January 24, 2023
2,951,341		

*Finder's warrants
**Special warrants

- Stock options

Number of Options	Exercise Price ($)	Expiry Date
2,000,000	2.00	February 5, 2023
1,500,000	2.00	January 1, 2025
2,500,000	3.00	January 1, 2025
500,000	4.00	January 1, 2025
500,000	5.00	January 1, 2025
1,500,000	2.00	January 1, 2030
1,000,000	2.00	January 13, 2030
750,000	3.00	January 13, 2030
250,000	4.00	January 13, 2030
466,931	2.00	January 22, 2030
10,966,931		

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, officers, key management personnel, close family members and enterprises that are controlled by these individuals. Key management personnel are those having authority and responsibility for planning and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

As at December 31, 2019, the Company owed $1,250,374 (June 30, 2019 – $722,922) to officers and directors of the Company.

As at December 31, 2019, the Company advanced $111,749 (June 30, 2019 – $111,749) to officers of the Company.

The amounts due to and from related parties are unsecured, non-interest bearing, and have no fixed terms of repayment.

On June 7, 2019, the Company entered into a loan agreement with a related party for $600,000. The loan bears interest at 10% per annum and is due on December 7, 2019. As at December 31, 2019, the Company had been advanced $600,000 of this loan.

On July 5, 2019, the Company entered into a loan agreement with a related party for $1,400,000. The loan bears interest at 12% per annum and is due on January 5, 2021. As at December 31, 2019, the Company had been advanced $1,400,000 of this loan.

On October 21, 2019, the Company entered into a loan agreement with a related party for $500,000. The loan bears interest at 15% per annum and is due on December 31, 2020. As at December 31, 2019, the Company had been advanced $83,403 of this loan.

Key management personnel comprise the current and former President, Chief Executive Officer, Chief Financial Officer, and Directors and Officers of the Company. The remuneration of the key management personnel for the six months ended December 31, 2019 and 2018 consisted of consulting fees and management fees of $783,814 (2018 - $522,179).

GOING CONCERN

The condensed consolidated interim financial statements for the six months ended December 31, 2019 have been prepared on the basis that the Company will continue as a going concern, which assumes the realization of assets and settlement of liabilities in the normal course of business. The appropriateness of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and/or generate continued financial support in the form of equity or other financings.

Management feels that sufficient working capital will be obtained from public share offerings to meet the Company's liabilities and commitments as they come due. The condensed consolidated interim financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classification that would be necessary if the going concern assumption were not appropriate and such adjustments could be material.

CONTRACTUAL COMMITMENTS

As at December 31, 2019, the Company did not have any contractual commitments.

CRITICAL ACCOUNTING ESTIMATES

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the financial statements.

ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Please refer to the December 31, 2019 condensed consolidated interim financial statements on www.sedar.com.

FINANCIAL INSTRUMENTS

Please refer to the December 31, 2019 condensed consolidated interim financial statements on www.sedar.com.

RISK AND UNCERTAINTIES

As at the date of this report, the Company had no income generating assets and is not able to finance day-to-day activities through operations. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand, issuance of common shares in private placements and loans from related parties as required.

Risks Related to the Operations of the Company

Risks Inherent in an Agricultural Business

The Company's business plan provides for the cultivation and production of medical marijuana as an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although the Company proposes to grow its proposed products indoors under climate controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on the volume, quality and consistency of its products.

Political Situation in the Democratic Republic of Congo

The current political situation in the DRC in regards to the departure of President Kabila, the stabilization of the Kamwina Nsapu militia issues and the political stakeholders reaching an agreement in regards to the elections, may present risks of disruptions to the construction and production activities. The general elections were held in the DRC on December 30, 2018, thus the risks were considered to be at their peak during the elections. On January 10, 2019, the electoral commission announced that Felix Tshisekedi was the winner of the presidential vote, and on January 20, 2019, the DRC's constitutional court upheld Tshisekedi's victory. A large coalition of countries worldwide as well as supra-national organizations positioned themselves in the election discourse and their implementation considerably reduce the risks of serious disruptions resulting from the elections. The remoteness of EXMC's Kuba plantation as well as the fact that it is located on territories of the Kuba Kingdom also provide a natural barrier which future reduces the risks that the election could disrupt EXMC's operations.

Operating Risk and Insurance Coverage

Any adverse changes or developments affecting the cannabis crops and commencement of production in the DRC could have a material and adverse effect on the Company's business, financial condition and prospects. There is a risk that these changes or developments could adversely affect the business by a variety of factors, including some that are discussed elsewhere in these risk factors and the following: delays in obtaining, or conditions imposed by, regulatory approvals; plant design errors; environmental pollution; non-performance by third party contractors; increases in materials or labour costs; construction performance falling below expected levels of output or efficiency; breakdown, aging or failure of equipment or processes; contractor or operator errors; labour disputes, disruptions or declines in productivity; inability to attract sufficient numbers of qualified workers; disruption in the supply of energy and utilities; or major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

The Company plans to purchase insurance to protect its assets, operations and employees. While the Company believes its insurance coverage will address all material risks to which it may be exposed to and will be adequate and customary in its state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Transportation risks

Due to the perishable nature of the Company's proposed products, the Company expects to depend on expedient and efficient third party transportation services to distribute its product. Any prolonged disruption of third party transportation services could have an adverse effect on the financial condition and results of operations of the Company. The increased costs associated with the third party transportation services to ship the Company's proposed products may also adversely impact the business of the Company and its ability to operate profitably.

Limited Operating History

The Company is new to the cannabis sector, therefore subject to many of the risks common to early-stage enterprises, including limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Reliance on Management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. The Corporation's future success depends on its continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and the Corporation may incur significant costs to attract and retain them. In addition, the loss of any of the Corporation's senior management or key employees could materially adversely affect its ability to execute its business plan and strategy, and it may not be able to find adequate replacements on a timely basis, or at all. The Licence is dependent on key personnel occupying senior roles as per the ACMPR requirements. Loss of key personnel named would result in delays in obtaining the licences and adversely impact the Corporation's ability to execute the business plan. The Corporation does not maintain key man insurance.

Management of Growth

The Company may be subject to growth-related risks, including capacity constraints and pressure on its internal systems and controls. The Company intends to manage its growth effectively by continuing to implement and improve its operational and financial systems and to expand, train and manage its employee base. Mismanagement of such growth could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Conflicts of Interest

The Company may be subject to various potential conflicts of interest because of the fact that some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or Companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of the Company’s directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

The Company is Not a Licensed Producer, Importer or Distributor under the ACMPR

The Company may apply to Health Canada to become a licensed importer to allow for the importation and sale of medical marijuana in Canada. The Company has not yet received the licences and there is no guarantee that it will receive a licence. Health Canada has received many applications and only a small fraction have been approved to date. Furthermore, the timing and success of the Company at the various steps in the licensing process is beyond its control and the sole discretion thereof lies with Health Canada. The Company's ability to grow, store and sell medical marijuana in Canada is dependent on receiving the importation and sales licences from Health Canada and there can be no assurance that the Company will obtain such licences.

Even if the Company is successful in obtaining the importation and sales licences, such licences will be subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of the licences or any failure to maintain the licences would have a material adverse impact on the business, financial condition and operating results of the Company. Although the Company believes that it will meet the requirements of the ACMPR, there can be no guarantee that Health Canada will grant the licences. Should Health Canada not grant the licences, the business, financial condition and operating results of the Company would be materially adversely affected. To the extent such licences are not obtained, the Company may be curtailed or prohibited from its proposed importation of medical marijuana or from proceeding with the development of its business as currently proposed.

For additional Risk Factors, refer to the filing statement on www.sedar.com on January 30, 2019.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Venture issuers are not required to include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52- 109"). In particular, the Company's certifying officers are not making any representations relating to the establishment and maintenance of:

1. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

2. a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's generally accepted accounting principles.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they make. Investors should be aware that inherent limitations on the ability of the Company are certifying officers to design and implement on a cost effective basis.

FORWARD LOOKING STATEMENTS

Forward looking statements are statements that are not historical facts and are generally, but not always identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential", "interprets" and similar expressions, or that events or conditions "will", "may", "could" or "should" occur. The information contained herein may contain forward looking statements including expectations of future production, cash flows or earnings. These statements are based on current expectations that involve a number of risks and uncertainties which could cause actual results to differ from those anticipated. Factors that could cause the actual results to differ materially from those in forward looking statements, but are not limited to: the risk associated with the oil and gas industry (e.g. operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserves estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price, price and exchange rate fluctuation and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. The foregoing list of assumptions is not exhaustive. Additional information on these and other factors that could affect the Company's operations or financial results are included in the Company's reports on file with Canadian securities regulatory authorities. Events or circumstances could cause results to differ materially.