

**SILK ENERGY LIMITED
(FORMERLY INSPIRATION MINING CORPORATION)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(AMENDED AND RESTATED)**

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

Prepared by:

SILK ENERGY LIMITED

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Introduction

The following amended and restated management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Silk Energy Limited (formerly Inspiration Mining Corporation) ("Silk" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the nine months ended September 30, 2021. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read with the amended and restated unaudited condensed interim consolidated financial statements of the Company for the nine months ended September 30, 2021 with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the periods presented are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at December 21, 2021, unless otherwise indicated.

The financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the IFRS Interpretations Committee.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Silk common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Information about the Company and its operations can be obtained from the offices of the Company or on the System for Electronic Documents Analysis and Retrieval ("SEDAR") and is available for review under the Company's profile on the SEDAR website (www.sedar.com).

Restatement

The Company has restated its unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2021 which were previously filed on SEDAR (the "Initial Interim Financial Statements"). The Company determined that it was necessary to restate its first quarter (March 31, 2021) and second quarter (June 30, 2021) interim condensed consolidated financial statements (collectively, the "Restated Prior Quarterlies") as the Restated Prior Quarterlies did not properly account for the acquisition of a company that took place during the period. Based on the restatement of the Restated Prior Quarterlies, the Company revised certain figures within the condensed interim consolidated statement of loss and comprehensive loss for the three months ended September 30, 2021. The Company also changed the accretion/interest expense associated with convertible debentures, based on an error in the previously presented three month column for the period ended September 30, 2021. The errors have been corrected in the amended and restated unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2021, as well as this MD&A.

Additionally, the Company revised a disclosure error within the financial statements and this MD&A. See Note 16 for additional details in respect of the impact of the restatement.

Brief Corporate History

The Company was incorporated on November 15, 1972 pursuant to the Company Act of British Columbia upon amalgamation of two predecessor companies. On August 19, 1996, after various changes during the interim, the Company changed its name to Inspiration Mining Corporation. On March 2, 2004, the Company's stock commenced trading on Tier 2 of the TSX Venture Exchange under the symbol "ISM". On April 26, 2007, its stock became listed for trading on the Toronto Stock Exchange ("TSX") under that same symbol. On August 18, 2008, pursuant to Articles of Continuation, the Company was continued into the Province of Ontario pursuant to the *Business Corporations Act* (Ontario).

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Further to TSX Bulletin 2015-0348 dated April 10, 2015, the TSX determined that ISM was required to delist the common shares of the Company at the close of business on January 4, 2016 for failure to meet the continued listing requirements of the TSX. On January 4, 2016, the common shares were delisted from the TSX and on February 5, 2016, the Company's shares commenced trading on the Canadian Securities Exchange ("CSE"). The Company's common shares were halted from trading on October 24, 2018 in connection with the fundamental change and the listing application.

By articles of amendment dated July 4, 2019, the Company's articles were amended to change its name to "Silk Energy Limited" and to consolidate the issued and outstanding common shares in the capital of the Corporation on the basis of three (3) existing common shares for one (1) post-consolidated common share.

On September 3, 2019 (and as approved at an annual and special meeting of shareholders of the Company held on April 17, 2019), the Company completed the acquisition of all of the issued and outstanding securities in the capital of Silk Energy AS ("Silk AS"), a private company incorporated under the laws of Norway, in exchange for the issuance of an aggregate of 161,822,500 common shares (post-consolidated) in the capital of the Company to the shareholders of Silk AS pursuant to the terms of a Share Exchange Agreement dated October 24, 2018 among the Company, Silk AS and the shareholders of Silk AS (collectively, the "Transaction"). The Company also issued a total of 4,854,675 compensatory warrants to certain shareholders of Silk AS, exercisable at a price of \$0.08 per share for a term of two years from the date of issuance. The Transaction constituted a reverse acquisition ("RTO") of the Company by Silk AS.

Cautionary Note Regarding Forward-Looking Information

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this annual MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond Silk's ability to predict or control. Please also make reference to those risk factors referenced in the "Risks and Uncertainties" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Silk's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Operation Highlights

Corporate

During the nine months ended September 30, 2021, the Company focused on cash preservation pending successful completion of a financing that was commenced concurrent to the Transaction and continued in tranches through the 2020 year end.

UnionField Group Acquisition

Pursuant to a Share Sale-Purchase Agreement dated July 10, 2018, Silk AS had entered into a commitment to purchase all of the issued shares of UnionField Group Ltd. ("UnionField Group"), which owns 50% of KMG-Ustyurt LLP ("KMG LLP"), which holds title to the Mertvyi Kultuk (Ustyurt) concession (the "Concession"), located in the Mangystau Region of the Republic of Kazakhstan (the "Initial UnionField Agreement"). The transaction has received Canadian Securities Exchange ("CSE") approval and on August 27, 2020, the transaction was approved by the Ministry of Energy in the Republic of Kazakhstan.

Subject to the terms of the Initial UnionField Agreement, the consideration for the purchase was to comprise:

- A contractual payment to National Company KazMunayGas ("KMG"), the State oil company of Kazakhstan of USD \$5,000,000 by July 31, 2018 (the "First KMG Deferred Payment") (not paid);
- An initial payment of USD \$11,000,000 (the "First Payment") by September 30, 2018 (not paid); and
- A deferred payment of USD \$10,000,000 (the "Second Payment") to be paid by September 30, 2019 (not paid).

On November 26, 2019, and as amended on January 31, 2020, the Company and UnionField Group entered into a new agreement that contemplated new payment terms in respect of the First Payment and Second Payments discussed above (collectively, the "Payments") (the "Second Restated UnionField Agreement"). Pursuant to the Restated UnionField Agreement, the responsibility for the Payments was transitioned to the Company (as opposed to Silk AS), which is now obligated to make the Payments to KMG and to settle the Payments for UnionField Group through the issuance of a convertible note in the amount of USD \$21,000,000 (the "Convertible Note"), which was issued on January 31, 2020. In connection with the issuance of the UnionField Convertible Note, the Company originally recognized a deferred acquisition cost of \$27,742,890, as the acquisition had not been completed as at December 31, 2020.

The Convertible Note bears interest at a rate of 6% per annum and is convertible at the option of the holder into a total of up to 70,000,000 common shares of the Company at a deemed price equal to the greater of:

- \$0.40 per share; and
- The volume-weighted average price of the Company's common shares at the time of conversion, subject to adjustment as provided in the Convertible Note or any amendments thereto.

Interest was payable semi-annually, and the principal, if not converted, was to be payable on July 31, 2021.

The UnionField Convertible Note was extinguished on January 31, 2021.

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On January 14, 2021, the Company completed the acquisition of all of UnionField's issued and outstanding common shares. The consideration had been settled via the issuance of the UnionField Convertible Note during the year ended December 31, 2020. The acquisition was treated as an asset acquisition, as UnionField did not meet the definition of a business under the parameters of IFRS 3 Business Combinations.

	January 14, 2021
Net assets (liabilities) of UnionField acquired:	\$
Cash	309
Due from associate (KMG LLP)	113,783
Investment in associate (KMG LLP)	17,209,483
Exploration and evaluation assets	28,081,308
Due to related parties (SILK AS)	(11,305,443)
Deferred acquisition costs payable	(6,356,550)
Net assets acquired	27,742,890
Consideration paid on asset acquisition:	\$
UnionField Convertible Note	27,742,890
Total consideration paid	27,742,890

On January 14, 2021, the Company completed the acquisition of all of UnionField's issued and outstanding common shares. The consideration had been settled via the issuance of the UnionField Convertible Note during the year ended December 31, 2020. The acquisition was treated as an asset acquisition, as UnionField did not meet the definition of a business under the parameters of IFRS 3 Business Combinations.

The Second Restated UnionField Agreement requires Silk AS to assume an additional contractual payment that UnionField Group was obligated to make pursuant to the Participatory Interest Agreement (the "PI Agreement") with KMG dated October 27, 2017. Pursuant to the PI Agreement, a deferred payment of USD \$8,800,000 is also owing to KMG on or before January 31, 2022 (the "Second KMG Deferred Payment"), which is now the responsibility of Silk AS. On November 25, 2021, KMG agreed to revise the terms of the Second KMG Deferred Payment so it is now due on or before June 30, 2023. As such, the Second KMG Deferred Payment (\$11,188,232) has been classified as non-current on the condensed interim consolidated statements of financial position.

On January 31, 2021, the Company restructured the UnionField Convertible Note as follows:

- a. The UnionField Convertible Note in the amount of USD \$21,000,000 was cancelled.
- b. Accrued interest on the UnionField Convertible Note (amounting to \$1,610,280 or USD \$1,260,000) was converted into 4,095,000 common shares of the Company at a mutually agreed upon conversion rate of \$0.40.
- c. A new convertible note (the "New UnionField Convertible Note") with a maturity date of January 31, 2022 was issued in an amount of USD \$6,000,000. The New UnionField Convertible Note accrues interest at a rate of 6% per annum and is convertible at the option of the holder into common shares at a conversion price of \$0.40 per share.
- d. The remaining USD \$15,000,000 of the UnionField Convertible Note was converted into Class A Preferred Shares. The Class A Preferred Shares are convertible into common shares until January 31, 2024.

In connection with the restructuring, the Company agreed to allow the investor to nominate a member to the Company's Board of Directors for a period of 3 years.

On November 26, 2019, and as amended on January 31, 2020, the Company entered into a Second Joint Activity Agreement with UnionField Group pursuant to which the Company agreed to undertake certain exploration activities on UnionField Group's interest in the Concession.

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The Joint Activity Agreement governed the work undertaken on the Concession until formal approval of the transaction to acquire UnionField Group was received from the Ministry of Energy in the Republic of Kazakhstan, which occurred on August 27, 2020 (ref. No.04-11/13533/14113). As at December 31, 2020, the Second Joint Activity Agreement was no longer in effect.

Consistent with the terms of the Initial UnionField Agreement, Silk AS will assume the commitments of UnionField Group under a work program incorporating exploration activities on the Concession. As at September 30, 2021, the work program has not commenced.

On September 28, 2018, Silk AS entered into a draw down loan agreement (the "Loan Agreement") with UnionField Group whereby Silk AS agreed to provide loans to UnionField Group to a maximum amount of USD \$5,350,000. Pursuant to the Loan Agreement, the loans bear interest at 9.0% per annum, are repayable on or before the fourth anniversary of the first draw down of a loan and are secured against UnionField Group's 50% interest in KMG LLP. The loans will be provided solely for the purposes of making the First KMG Deferred Payment and the social contributions and existing debts of UnionField Group on wages and taxes and paying for geological information in relation to the Concession. As at the date of acquisition of UnionField Group, on January 14, 2021, advances and interest charges owing from UnionField Group to Silk AS totaled \$117,783 (USD \$104,331).

As at December 31, 2020, the Company had made loans totaling USD \$90,000 to UnionField Group and accrued interest on the loans totaled USD \$14,331. Accordingly, as at December 31, 2021, the balance outstanding (adjusted for foreign exchange) was \$133,565. During the nine months ended September 30, 2021, the Company completed the acquisition of UnionField and accordingly, the loans have been eliminated on consolidation.

During the nine months ended September 30, 2021, the Company paid a total of \$29,826 (2020 - \$nil) in license application extensions and social obligation payments in respect of the Concession which were expensed to the consolidated statements of loss and comprehensive loss.

As at September 30, 2021, an amount of \$405,540 is owing from KMG LLP, representing loans made by UnionField to KMG LLP pursuant to a financing agreement entered into on October 27, 2017.

During the nine months ended September 30, 2021, the Company advanced \$275,556 to KMG LLP (2020 - \$nil), and as at September 30, 2021, \$405,540 is owing from KMG LLP (December 31, 2020 - \$nil).

Mineral Property Exploration Update

The Company's mineral properties had been placed under care and maintenance. However, the Transaction completed by the Company has refocused the Company's efforts on oil and gas concessions in Kazakhstan. Management will look for opportunities to sell or option the remaining mineral property interests to interested parties.

Accordingly, during the nine month period ended September 30, 2021, the Company did not conduct any exploration activities on any of its remaining mineral property interests.

See Note 6 in the amended and restated unaudited condensed interim consolidated financial statements for the nine month period ended September 30, 2021 for additional information in respect of the Company's mineral properties.

Trends

Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in both short-term operating and longer-term strategic decisions. During the twelve months ended December 31, 2020, equity markets and the global economy were negatively impacted by the novel coronavirus ("COVID19"), which was quickly categorized as a global pandemic, which continued to impact markets and the economy through 2021 to date.

The Company is currently evaluating the impact of the outbreak of COVID-19, which could create significant uncertainty to its operations. All jurisdictions in which the Company operates are asking people to self-isolate or practice social distancing to try to control the spread of the virus. Current measures include limitations on the movement of people and the closure of non-essential businesses. The Company's management is currently working remotely wherever possible and self-monitoring for signs of infection.

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Apart from these and the risk factors noted under the heading "Risks and Uncertainties", management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations. See "Risks and Uncertainties" below.

Financial Highlights

Selected Annual Information

	December 31, 2020 \$	December 31, 2019 \$
Revenues	-	-
Net loss	(2,820,222)	(7,300,798)
Net loss per share – basic and diluted	(0.01)	(0.12)
Total assets	28,545,781	1,453,443
Total long-term financial liabilities	215,818	704,674
Cash dividends declared – per share	-	-

Financial Performance

The Company's consolidated net loss totaled \$3,446,065 for the nine month period ended September 30, 2021, with basic and diluted loss of \$0.02 per share. This compares with a net loss of \$3,538,664 with basic and diluted loss per share of \$0.02 for the nine month period ended September 30, 2020. The decrease of approximately \$93,000 was principally due to a decrease in accretion/interest on convertible debentures of approximately \$1,481,000, and a decrease in foreign exchange loss of approximately \$396,000.

The overall decrease in net loss was partially offset by a decrease in the gain recognized on the change in the fair value of the Company's derivative liabilities in an amount of approximately \$829,000, an increase in salaries and wages expense of approximately \$505,000, an increase in loss on extinguishment of convertible debenture of approximately \$255,000 and an increase in loss from investment in associate of approximately \$50,000.

All other costs between periods remained more consistent.

As at September 30, 2021, the Company had total assets of \$46,036,857 and shareholders' equity of \$14,738,468. This compares with assets of \$28,545,781 and shareholders' deficiency of \$3,748,090 at December 31, 2020. At September 30, 2021, the Company had \$19,844,332 of current liabilities (December 31, 2020 – \$32,078,053). The majority of the decrease in current liabilities was directly attributable to the extinguishment of the Company's largest convertible debenture during the current period.

During the nine month period ended September 30, 2021, the Company expensed operating expenses of \$2,461,804 (nine month period ended September 30, 2020 - \$ 2,244,969).

At September 30, 2021, the Company had \$11,712 in cash held with major Canadian, Norwegian and Kazakhstani chartered banks ("total cash") (December 31, 2020 – \$nil) and a working capital deficiency of \$19,801,893 (December 31, 2020 – \$32,010,953). The decrease in working capital deficiency was primarily due to the extinguishment of the Company's largest convertible debenture.

Cash Flows

At September 30, 2021, the Company had cash of \$11,712. The increase in cash of \$11,712 from the December 31, 2020 cash balance of \$nil was as a result of cash outflows in operating activities of \$1,039,732, offset by cash inflows from financing activities of \$1,001,302 and cash inflows from investment activities of \$309. The Company also recorded a positive cash adjustment due to the impact of foreign exchange on cash holdings in the amount of \$49,833.

Liquidity and Working Capital

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As the Company has no revenues from operations, its continuing operations requiring cash payments are funded by its cash reserves either carried over from previous fiscal years or generated, and being generated, from its various financing activities. See Note 1 to the amended and restated unaudited condensed interim consolidated financial statements for additional details.

On January 13, 2021, the Company completed a financing for 2,600,000 units at a price of \$0.15 per unit for total proceeds of \$390,000. Each unit consists of one common share and one-half share purchase warrant, with each whole warrant being exercisable into an additional common share at an exercise price of \$0.21 until July 13, 2022. No value was attributed to the warrant component of the units issued.

On February 26, 2021, the Company completed a financing for 384,000 units at a price of \$0.15 per unit for total proceeds of \$57,600. Each unit consists of one common share and one-half share purchase warrant, with each whole warrant being exercisable into an additional common share at an exercise price of \$0.21 until August 26, 2022. No value was attributed to the warrant component of the units issued.

See "Subsequent Events" section for details in respect of financings completed subsequent to September 30, 2021.

Fixed Capital Requirements

For the Company's mineral properties, there are no minimum expenditures required to maintain the projects in good standing. As previously stated, Management is actively looking to sell or option these properties as the Company has changed its focus to oil and gas exploration in Kazakhstan.

Currently, the Company's corporate overhead requirements are not predictable as the Transaction has only been recently completed and Management is still in the process of transitioning the Company's operations from the former Management group. See Note 5 to the amended and restated unaudited condensed interim consolidated financial statements for additional information pertaining to oil and gas costs expected going forward.

The Company will require additional financing in order to fund the working capital, acquisition and exploration costs anticipated in fiscal 2021 and beyond.

Disclosure of Internal Controls

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements; and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

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In contrast to the certificate required for non-venture companies under National Instrument 52-109 Certification of Disclosure in Companies' Annual and Interim Filings ("NI 52-109"), the Company uses the Venture Company Basic Certificate, which does not 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 NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- 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 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 (IFRS). 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 are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture Company to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Transactions with Related Parties

Related parties include Directors, Officers and entities that are controlled by these individuals as well as certain persons performing similar functions.

The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, to similar transactions to non-key management personnel related entities on an arm's length basis.

The Company's related parties include key management personnel and Directors, and companies in which they have control or significant influence over the financial or operating policies of those entities.

On January 19, 2021, the Company granted two tranches of stock options as follows:

- 15,922,580 options granted to Directors and Officers with an exercise price of \$0.15, an expiration of 10 years from grant (January 19, 2031) and vesting provisions as follows: (a) 65.0% on the Company obtaining a public listing (the "Listing Date"); (b) 17.5% one year from the Listing Date; and (c) 17.5% two years from the Listing Date; and
- 2,900,000 options granted to Directors and Officers with an exercise price of \$0.15, an expiration of 10 years from grant (January 19, 2031) and vesting provisions as follows: (a) 50.0% on the Listing Date; (b) 25.0% one year from the Listing Date; and (c) 25.0% two years from the Listing Date.

As at September 30, 2021, none of the stock options have vested and no share-based payment expense has been recognized.

In connection with a convertible debenture issue during the period, the Company incurred cash transaction costs with a current Director of Silk AS in the amount of \$16,680. Further, the Company issued a total of 111,200 finder's warrants to this individual, which were fair valued at \$9,100 and issued during the year ended December 31, 2020.

In connection with a unit offering completed on October 26, 2020, the Company incurred cash transaction costs with a current Director of Silk AS in the amount of \$11,880, which remains in due to related parties as at December 31, 2020. Further, the Company is committed to issue this individual a total of 42,240 finder's units with a fair value of \$6,336. These finder's units were issued during the nine month period ended September 30, 2021.

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In connection with a unit offering completed on January 13, 2021, the Company incurred cash transaction costs with a current Director of Silk AS in the amount of \$17,550, which remains in due to related parties as at September 30, 2021. Further, the Company issued this individual a total of 62,400 finder's units with a fair value of \$9,360.

The aggregate value of all other transactions with related parties during the nine months ended September 30, 2021 and September 30, 2020 are as follows:

	September 30, 2021	September 30, 2020
	\$	\$
Salaries and wages	1,368,124	862,816
	1,368,124	862,816

The aggregate value of balances due from related parties are as follows:

	September 30, 2021	December 31, 2020
	\$	\$
Due to related parties - current		
Adrea Capital Corp. (controlled by Randy Miller, former CEO)	261,783	261,783
Agerim Svanbayeva (CFO and Director)	126,000	20,310
Bryan Emslie (Director)	6,067	40,515
Herb Brugh (former Director)	19,800	19,800
Silk AS (Directors and key management)	1,359,194	995,978
Vern Bock (former Director)	10,000	10,000
James Davis (former CFO)	52,500	52,500
Charles de Chezelles (former Director)	31,500	31,500
	1,866,844	1,432,386

The aggregate value of balances due from related parties are as follows:

	September 30, 2021	December 31, 2020
	\$	\$
Due from related parties		
Martina Minerals Corp.	52,540	52,540
Hanna Capital Corp.	15,521	15,521
Less: loss provision on amounts due from related parties	(68,061)	(68,061)

As at September 30, 2021 and December 31, 2020, the Company has provided an allowance for amounts owing from certain related party companies with common Directors (disclosed above) as there is uncertainty as to whether the amounts will be collected.

In June 2020, the Company entered into a loan agreement ("Loan #1") whereby \$42,000 was received from a Director and Officer of the Company for working capital purposes. Loan #1 was unsecured, was due on or before September 10, 2020 and bore interest at a rate of 5.0% per annum. During the year ended December 31, 2020, the Company made a partial repayment of \$12,000 towards Loan #1. During the nine months ended September 30, 2021, the Company made an additional principal repayment of \$30,000 towards Loan #1, as well as an amount towards accrued interest. As at September 30, 2021, the remaining principal plus accrued interest totaled \$nil (December 31, 2020 - \$31,067).

In July 2020, the Company entered into a loan agreement ("Loan #2") whereby \$20,000 was received from a Director and Officer of the Company for working capital purposes. Loan #2 is unsecured, was due on or before October 27, 2020 and bears interest at a rate of 5.0% per annum. During the nine months ended September 30, 2021, the Company made a partial repayment of \$6,000 towards Loan #2. As at September 30, 2021, the principal plus accrued interest totaled \$16,413 (December 31, 2020 - \$20,422).

With the exception of Loan #2, all related party balances are unsecured and are due within thirty days without interest.

On January 13, 2021, the Company issued 2,500,000 common shares to Steve Kappella, a Director and CEO of the Company, as well as 1,000,000 common shares to Aigerim Svanbayeva, a Director and CFO of the Company as bonus consideration. The aggregate fair value of the common shares was \$525,000 (\$0.15 per share) and the bonus has been included within salaries and wages on the consolidated statements of loss and comprehensive loss.

Risks and Uncertainties

Foreign Operations

Norway. There is no significant risk associated with business in Norway due to the highly stable social and political environment of the country. Furthermore, Silk AS is a holding corporation based in Norway and therefore has negligible business operations in the country.

Kazakhstan. The Company will be conducting its exploration and development activities in Kazakhstan. The Government of Kazakhstan strongly supports the development of its hydrocarbon resources by foreign operators. Since independence, Kazakhstan has passed a series of reforms to liberalize its economy and attract foreign investment. However, the possibility that a future government of Kazakhstan may adopt substantially different policies cannot be ruled out.

Exchange Controls, Currency Fluctuations and Credit Risks

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company may be adversely affected by the fluctuations in currency exchange rates and high inflation to the extent that the Company conducts business transactions involving the Kazakhstani Tenge ("KZT"). The currency risks associated with the local currency include the possibility of the government imposing exchange controls or limits to the availability of hard currency and other such banking restrictions. Similarly, to the extent that the Company will become involved in financial transactions with local counterparties, the Company may be exposed to credit risk on cash and cash equivalents denominated in KZT. Any such instability in currency or creditworthiness of local counterparties may have a material adverse impact on the Company.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure it will always have sufficient liquidity to meet its liabilities when due, under both normal and distressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's revenue streams are dependent on the overall macro-economic environment. Current and future conditions in the domestic and global economies remain uncertain.

Accordingly, adverse developments in the macroeconomic environment could substantially reduce the funds spent on the products and services offered by the Company.

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. There are numerous uncertainties inherent in estimating quantities of oil reserves. The Company depends on its ability to find, acquire, develop and commercially produce oil reserves. Without the continual addition of new reserves, any existing reserves the Company may have at any particular time, and the production there from will decline over time as such existing reserves are exploited.

Future oil exploration may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells.

Prices, Markets and Marketing

The marketability and price of oil that may be acquired or discovered by the Company is and will continue to be affected by numerous factors beyond its control. The Company's ability to market its oil may depend upon its ability to acquire space on pipelines that deliver oil to commercial markets. The Company may also be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing and storage facilities and operational problems affecting such pipelines and facilities as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and many other aspects of the oil business.

The oil price may be volatile and is subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil, market uncertainty and a variety of additional factors beyond the control of the Company. The fluctuations could result in a material decrease in the Company's expected net production revenue and a reduction in its oil acquisition, development and exploration activities.

Petroleum prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and the demand of these commodities due to the current state of the world economies, OPEC actions and the ongoing credit and liquidity concerns. Volatile oil prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

Regulatory

Oil operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government, which may be amended from time to time. Governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil industry could reduce demand for crude oil and increase the Company's costs, any of which may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Seasonality

The level of activity in the Kazakhstan oil and gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil and gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in exploration and production activity limiting the Company's ability to complete its operations. In addition, climate conditions may also affect oil and gas prices, as the demand for oil and gas can fluctuate with weather conditions.

Contingencies

On August 26, 2016, litigation was commenced against the Company, its Officers and Directors by a former CFO for unpaid professional services. The Company recorded a litigation provision of \$74,926 in regard to its litigation exposure in accounts payable and accrued liabilities.

Additional Information

Please refer to the September 30, 2021 amended and restated unaudited condensed interim consolidated financial statements posted on www.sedar.com for additional information concerning the Company.

Financial Instruments

Fair values

The carrying values of deposit, due from associate, due from associate, accounts payable and accrued liabilities, due to related parties, deferred acquisition costs payable, loans payable and promissory notes payable approximate their fair values because of the short-term nature of these instruments. The Company's embedded derivative liability is measured using Level 3 inputs as disclosed in Note 10 of the amended and restated unaudited condensed interim consolidated financial statements for the nine months ended September 30, 2021.

The Company's activities expose it to a variety of financial instruments risks: credit risk, interest rate risk, liquidity risk and market and currency risk.

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit Risk

The Company would normally have exposure to credit risk by holding cash. As at December 31, 2020, the Company's is in a bank indebtedness position with large financial institutions in Canada, Norway and Kazakhstan. Management believes the exposure to credit risk with respect to such institutions is not significant. The Company has minimal receivables exposure as its refundable credits are due from the Canadian government. The Company's deposit relates to its office lease and is refundable at the end of the lease term. The Company's maximum risk exposure to the amounts due from related parties equates to its carrying value, which has been offset by a full allowance as at September 30, 2021.

Interest Rate Risk

The Company is not exposed to interest risk as it does not hold financial securities or debt that would be impacted by fluctuating interest rates.

Liquidity Risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed available resources. As at September 30, 2021, the Company is in a working capital deficiency position and requires additional equity or other forms of financing to continue as a going concern (refer to Note 1 of the amended and restated unaudited condensed interim consolidated financial statements).

Market and Currency Risk

The Company is exposed to market risk because of fluctuating values of its publicly traded marketable securities. The Company has no control over these fluctuations and does not hedge its investments. Based on September 30, 2021 value of marketable securities, every 10% fluctuation in the share prices of these companies would have an insignificant impact to profit or loss for the period.

The Company's marketable securities are subject to fair value fluctuations arising from changes in the equity markets.

Classification of Financial Instruments

See Note 13 of the amended and restated unaudited condensed interim consolidated financial statements for financial instrument classification support.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Changes in Accounting Policies and Future Accounting Pronouncements

Please refer to the amended and restated unaudited condensed interim consolidated financial statements for the nine month period ended September 30, 2021 located on www.sedar.com.

Outstanding Shares, Stock Options and Warrants

As of December 21, 2021, the Company had the following outstanding:

Common shares – 213,158,185

Stock options – 18,822,580

Warrants – 11,130,117

Subsequent Events

Subsequent to September 30, 2021:

The Company received \$64,500 in share subscriptions in respect of 430,000 common shares at a price of \$0.15 per share. The shares have not been issued as at December 21, 2021.

Other MD&A Requirements

Additional disclosure of the Company's technical reports, material change reports, news releases, and other information can be obtained on SEDAR at www.sedar.com.