



MCW ENERGY GROUP LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2016

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1) Introduction

The following management's discussion and analysis ("**MD&A**") of the financial position and results of operations of MCW Energy Group Limited ("**MCW**", or the "**Company**") was prepared in accordance with the requirements of *National Instrument 51-102 – Continuous Disclosure Obligations* by management of the Company on July 29, 2016 and should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended August 31, 2015 and 2014. References to "**MCW**" and the "**Company**" herein refer to the Company and its subsidiaries taken as a whole.

The condensed consolidated interim financial statements for the three and nine months ended May 31, 2016 and any comparative information presented therein, have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and interpretations of the IFRS Interpretations Committee ("**IFRIC**") as of July 29, 2016.

All dollar figures in this management discussion and analysis are presented in United States dollars unless otherwise indicated.

As a result of a recent corporate reorganization and an agreement to dispose of the Company's interest in MCW Fuels, LLC ("**MCW Fuels**"), which was effective May 13, 2015 and for which regulatory approval was received on June 19, 2015, as of the date hereof the Company has one wholly-owned subsidiary, MCW Energy CA, Inc. ("**MCW Energy CA**"), a California corporation, which has two wholly-owned active subsidiary companies, MCW Oil Sands Recovery, LLC ("**MCW Oil Sands**") and TMC Capital, LLC ("**TMC**").

On May 13, 2015, the Company's wholly owned subsidiary, MCW Energy CA, entered into an agreement with Aleksandr Blyumkin ("**Blyumkin**"), an officer and director of the Company, wherein the Company agreed to sell its ownership interest in MCW Fuels in exchange for (i) an indemnity in favour of MCW from any and all liabilities that may arise as a result of the Company's prior ownership and operation of MCW Fuels, and (ii) the conversion by MCW Fuels of its unsecured demand no interest promissory note in the amount of \$5,685,057 due from MCW into 9,200,000 common shares of MCW at a deemed price of CAD\$0.74 per share.

MCW CA acquired all the membership interests in TMC, effective June 1, 2015, after final approval for the transaction was obtained from the TSX Venture Exchange (the "**TSXV**") on September 9, 2015, for a total cost of \$10,000,000. The purchase price was settled by the issue of two five year unsecured promissory notes which bear interest at 5% per annum and mature on May 31, 2020.

The Company is now focused entirely on developing its oil sands extraction business and related mining interests.

Additional information related to the Company may be found on the Company's website at www.mcwenergygroup.com and on SEDAR at www.sedar.com.

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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 state 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. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the validation of and commercial viability of MCW's Extraction Technology (defined below); the ability of the Extraction Technology to commence commercial production; the environmental friendliness of the Extraction Technology; the bbl./d capacity of the Extraction Technology; the schedule for certain events to occur and production to commence; capital efficacy and economics of the Extraction Technology; completion of certain acquisitions; potential of MCW's properties to contain reserves; MCW's ability to meet its working capital needs; the plans, costs, timing and capital for future exploration and development of MCW's property interests, including the costs and potential impact of complying with existing and proposed laws and regulations; management's outlook regarding future trends; sensitivity analysis on financial instruments, which may vary from amounts disclosed; prices and price volatility for oil and gas; and general business and economic conditions.

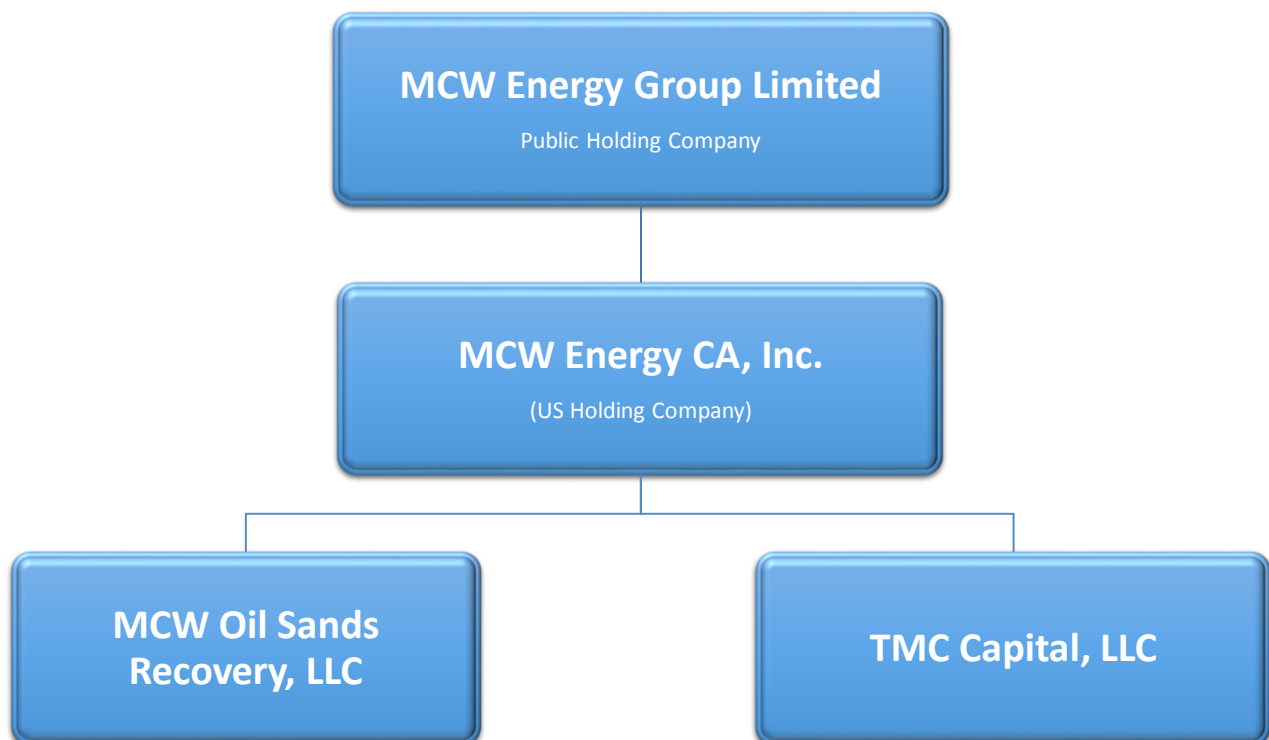
Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. These risks, uncertainties and other factors include, but are not limited to, oil and gas reserves, price volatility, changes in debt and equity markets, timing and availability of external financing on acceptable terms, the uncertainties involved in interpreting geological data and confirming title to properties, the possibility that future exploration results or the validation of technology will not be consistent with the Company's expectations, increases in costs, environmental compliance and changes in environmental and other local legislation and regulation, interest rate and exchange rate fluctuations, changes in economic and political conditions and other risks involved in the oil and gas industry, as well as those risk factors listed in the "Risk Factors" section below. Readers are cautioned that the foregoing list of factors is not exhaustive of the factors that may affect the forward-looking statements. 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. Such statements are based on a number of assumptions that may prove to be incorrect, including, but not limited to, assumptions about the following: the availability of financing for MCW's exploration and development activities; operating and exploration costs; MCW's ability to retain and attract skilled staff; timing of the receipt of regulatory and governmental approvals for exploration and production projects and other operations; market competition; and general business and economic conditions.

2) Company Overview

The Company is governed by the *Business Corporations Act* (Ontario) and has its registered office located at 181 Bay Street, Suite 4400, Toronto, Ontario M5J 2T3 and its head office is located at Suite 320, 4370 Tujunga Avenue, Studio City, California 91604.

The common shares of MCW are listed on the TSXV under the trading symbol "MCW" and on the OTCQX under the trading symbol "MCWEF".

As a result of a recent corporate reorganization and disposal of the Company's entire interest in MCW Fuels, as of the date hereof the Company has one wholly-owned subsidiary, MCW Energy CA, which has two wholly-owned active subsidiary companies, MCW Oil Sands and TMC, as reflected in the organizational chart below:



MCW, through its wholly owned subsidiaries MCW Oil Sands and TMC, is in the business of oil sands mining and processing, through a plant using proprietary extraction technology to recover oil from surface mined bitumen deposits which is in the process of being completed on its property in Asphalt Ridge, Utah. MCW Oil Sands is based in Uintah, Utah.

MCW also owns the intellectual property rights to a patent-pending process (the "**Extraction Technology**") of extracting oil from oil sands utilizing a closed-loop solvent based extraction system, as more completely described below.

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3) Business Activity

Oil Sands Exploration and Development

The Extraction Technology is performing as anticipated by the Company and, subject to the stabilization of oil prices, the technology is commercially viable, MCW has completed the first phase of its first extraction facility on the lease it owns in Asphalt Ridge, Utah.

On December 29, 2010, MCW Fuels entered into an operating agreement, as the managing entity of operations of MCW Oil Sands, pursuant to which the Company contributed cash of \$2,000,000 to MCW Oil Sands and Amerisands irrevocably assigned a lease for the extraction of bituminous or asphaltic sands (oil sands) to MCW. The term of the lease is for 10 years, expiring on August 11, 2018, with rights for extensions conditional on production. The lease is subject to an annual maintenance fee of approximately \$14,000 and a production royalty payable to the lessor of 8% of the market price of products produced from the Lease. This royalty may be increased to 12.5% after a minimum of 10 years of production. Both parties have complied with the initial terms of the agreement. On September 30, 2014 Amerisands relinquished any ownership interest in the lease and in MCW Oil Sands, which is now a single member LLC wholly owned by MCW Energy CA.

In June 2011, the Company commenced the development of an oil sands extraction facility on the Lease and entered into construction and equipment fabrication contracts for this purpose. The initial facility is fully permitted and was expected to be completed in March 2013 but has encountered delays due to the need for additional financing. The Company has completed the first phase of the facility in September 2015 (previously reported 2014-2015), the Company will need to raise additional capital to complete the expansion of the production capacity of the facility and to fund ongoing operations. The Company is currently amortizing the cost of construction over 15 years from commencement of production. Management's current estimate of the total cost of the facility, including the expansion of the production capacity of the facility, exclusive of capitalized borrowing costs and lease costs, is between \$18 million and \$19 million (increased from approximately \$9.5 million) of which approximately \$15.6 million was spent as of May 31, 2016. The operating agreement with Amerisands has been terminated and all construction is managed by MCW Oil Sands.

Technology Development

MCW continues to develop its operations by processing purchased native oil sands ore, as well as native oil sands ore produced through the mining operations of its recently acquired subsidiary (TMC) on a lease in Asphalt Ridge, Utah, using its patent-pending closed loop, continuous flow, anticipated scalable and environmentally safe Extraction Technology. The process will allow the extraction of hydrocarbons from a wide range of both "water-wet" and/or "oil-wet" oil sands deposits and other hydrocarbon sediment types.

The Extraction Technology utilizes no water in the process, is anticipated to produce no greenhouse gases, requires no high temperature and/or pressure for the extraction process, and expects to extract up to 99% of all hydrocarbon content and recycle up to 99% of the solvents. The proprietary solvent composition consists of hydrophobic, hydrophilic and polycyclic hydrocarbons. It is expected to dissolve up to 99% of heavy bitumen/asphalt and other lighter hydrocarbons from the oil sands, and prevent their precipitation during the extraction process. Solvents used in this composition form an azeotropic mixture which has a low boiling point of 70 – 75 C degrees and it is expected to allow recycling over 99% of the solvent. These features, in the event they produce as anticipated by the Company, make it possible to perform hydrocarbon extraction from oil sands at mild temperatures of 50 – 60 degrees C, with no vacuum or/and pressure applied that would lead to high energy and economic efficiency of the extraction of oil from the overall oil sands extraction process.

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Another key element of the MCW extraction process is applying its own extractor, based on a proprietary/patent- pending "liquid fluidized bed" solvent extraction system for bitumen/oil from oil sands extraction. A "liquid fluidized bed" style reactor is anticipated to provide continuous mixing of the (liquid) solvent and the solid ore particles. It is intended to allow a continuous flow process with optimal material/mass/energy balances.

MCW has filed patent applications for elements of the Extraction Technology with both the USPTO in the United States and CIPO in Canada, as well as China and Russia, and intends to file patent applications worldwide with respect to the same elements in the future.

On March 27, 2013, MCW entered into an intellectual property license agreement with a private arm's length Canadian company, TS Energy Ltd., which has agreed to act as the sole and exclusive licensee of the Extraction Technology within Canada and the Republic of Trinidad and Tobago.

As of March 31, 2016, MCW has returned all rented utility systems and replaced them with its own purchased systems to increase the efficiency of the oil sands extraction facility. The water cooling system has been replaced with air cooling system for greater efficiency and economic benefits as well. The weatherization of the plant has been completed. Heat trace lines have been installed. Insulation of the pipe lines and important vessels has been performed. In April 2015, MCW purchased its own excavator and ally bucket to grind and load native oil sands ore into the feeding conveyor where the ore processing begins.

Fuel Distribution Business

MCW Fuels was engaged in the purchase and sale of unleaded and diesel land fuel products in California since 1938, until the sale of that business on December 17, 2014. As a result of changes in this industry, the Company disposed of substantially all of the assets of the fuel distribution business for \$6,087,198. Excluded from the sale were certain assets and liabilities of MCW Fuels, such as a gas station and associated goodwill, all accounts and notes receivable, prepaid expenses and deposits, all accounts payable, all interest in any real property leased or owned and all intellectual property rights related to the name "MCW".

On January 26, 2015, the Company entered into an agreement to sell a gas station property and business, which was part of the Company's fuel distribution operating segment. The sale was completed on May 22, 2015.

On May 13, 2015, the Company's wholly owned subsidiary, MCW Energy CA, entered into an agreement with Blyumkin, wherein the Company agreed to sell its ownership interest in MCW Fuels in exchange for (i) an indemnity in favour of MCW from any and all liabilities that may arise as a result of the Company's prior ownership and operation of MCW Fuels, and (ii) the conversion by MCW Fuels of its unsecured demand no interest promissory note in the amount of \$5,685,057 due from MCW into 9,200,000 common shares of MCW at a deemed price of CAD\$0.74 per share.

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4) Outlook

Oil Sands

MCW's technology has been tested at full capacity as of August 31, 2015. An independent production evaluation has been completed. In the last several months, MCW has hired and trained its own personnel to operate the plant. The Company is now able to produce oil/hydrocarbon products which are sold locally in Asphalt Ridge to the oil and gas distributors or refineries.

The current volatility of oil prices on international markets has a significant impact on the ability of the plant to produce oil products at feasible margins. In times of such high volatility, the Company will restrict its oil and hydrocarbon production to prevent the Company from realizing a gross loss on barrels of product produced.

The Company has obtained the last full production permit (Ground Water Permit) in order to commence continuous plant operations.

The Company is negotiating a management and operating agreement with a company for the management and operation of the plant. MCW expect to execute this agreement, which will enable the Company to operate the plant at full capacity within a short time after the execution of the agreement.

Blackrock Acquisition

On July 1, 2016 the Company executed a definitive agreement (the "Agreement") to acquire a controlling interest in a Houston-based, exploration and production (E&P) company, Accord GR Energy, Inc. ("Accord"). Accord's assets include a limited license for two enhanced oil recovery (EOR) technologies for use on Accord's southwest Texas oil opportunities and can also be used on MCW's 2,200 acre oil sands property in Temple Mountain, Utah. It also includes equitable title pursuant to a purchase agreement to 7,000 acres in southwest Texas, with 88 drilled and completed (DUC) wells. The oil is categorized as "medium crude" and the deposits are in the light gravity range of heavy oil at 18-22 API gravity.

Accord's SWEPT technology is designed to recover fossil hydrocarbons by improving rock and fluid properties through the use of impulse-wave based technology. Accord's S-BRPT technology, designed to recover solid and liquid hydrocarbons through aggregate conversion of them into gaseous forms followed with well-based recovery of the same from greater depths, is expected to expand economic recoverability of MCW's bitumen resource at depths of 300 feet and deeper, levels currently not economical with its existing processing capabilities.

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The following selected financial information for the quarters as shown in the following table was prepared in accordance with IFRS.

3 months ended	May 31 2016 (\$)	February 29 2016 (\$)	November 30 2015 (\$)	August 31 2015 (\$)
Net revenue (gross loss) from continuing operations	(196,498)	51,303	153,432	-
Net revenue from discontinued operations	-	-	-	(769,554)
Loss from continuing operations	1,736,101	3,784,588	4,825,390	814,630
Loss from discontinued operations	-	-	-	1
Net loss	1,736,101	3,784,588	4,825,390	814,631
Basic and diluted net loss per share from continuing operations	0.01	0.05	0.08	0.01
Basic and diluted net loss per share	0.01	0.05	0.08	0.01

The net loss for the three months ended May 31, 2016, includes a gain on settlement of liabilities of \$256,949 related primarily to the issuance of shares on the conversion of debt into equity and depreciation and amortization expense of \$324,031 primarily due to depreciation on the capitalized oil extraction facility costs which commenced commercial production on September 1, 2015.

The net loss for the three months ended February 29, 2016, includes a loss on settlement of liabilities of \$948,720 related primarily to the issuance of shares for the conversion of debt into equity and a further loss of \$689,877 on common shares issued on the modification of a debt agreement and depreciation and amortization expense of \$294,356 primarily due to depreciation on the capitalized oil extraction facility costs which commenced commercial production on September 1, 2015.

The net loss for the three months ended November 30, 2015, includes a charge of \$2,722,129 for 5,729,142 bonus common shares issued to Blyumkin for personally guaranteeing \$16.5 million of the Company's debt and depreciation and amortization expense of \$293,999 primarily due to depreciation on the capitalized oil extraction facility costs which commenced commercial production on September 1, 2015.

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3 months ended	May 31, 2015 (\$)	February 28, 2015 (\$)	November 30, 2014 (\$)	August 31, 2014 (\$)
Net revenue from continuing operations	-	-	-	-
Net revenue from discontinued operations	-	10,340,048	107,121,110	126,436,294
Loss from continuing operations	734,223	667,157	1,065,755	3,133,617
(Gain) loss from discontinued operations	(1,194,203)	(2,887,348)	330,581	2,177,862
Net (gain) loss	(459,980)	(2,220,191)	1,396,336	5,311,479
Basic and diluted net loss per share from continuing operations	0.01	0.01	0.02	0.07
Basic and diluted net (gain) loss per share	(0.01)	(0.04)	0.03	0.12

Net income during the quarter ended May 31, 2015 includes a one-time gain on the sale of MCW Fuels of \$2,171,258.

Net income during the quarter ended February 28, 2015 includes a one-time gain on the sale of the primary assets of the fuel distribution business of \$4,382,092.

The net loss for the three months ended August 31, 2014 include a one-time impairment charge of \$1,976,569 on the mineral lease asset and impairment charges on branding contracts.

6) Comparison of results of Continuing Operations for the three months ended May 31, 2016 and May 31, 2015.***Oil Sands Operations, Mining and Financing***

Losses from oil sands, mining and financing operations were \$1,736,101 for the three months ended May 31, 2016, compared to \$734,223 for the three months ended May 31, 2015. The increase in the loss is primarily due to:

- 1) A net increase in the gain settlement of liabilities of \$253,353 related primarily to the issuance of shares on the conversion of debt into equity;
- 2) Depreciation and amortization expense of \$324,031 primarily due to depreciation on the capitalized oil extraction facility which commenced commercial production on September 1, 2015;
- 3) An increase in interest expense of \$494,950 due to additional loans entered into by the Company, primarily the promissory notes issued on the acquisition of TMC and interest on loans no longer being capitalized due to the completion of the first phase of the oil production facility;
- 4) An increase in professional fees of \$198,719, due to certain costs incurred in researching additional markets for the Company's products and services and professional fees previously capitalized to the oil extraction facility during the construction phase but now form part of the operational costs of the facility;

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- 5) A gross loss made on revenues of \$196,498 due to initial production costs, including labour costs, exceeding revenues, primarily due to lower oil prices and volumes below the plant capacity;

and

- 6) The expiry of advanced royalties paid of \$96,875. Advanced royalties paid expire at the end of the calendar year, two years after the payment has been made.

7) Comparison of results of Continuing Operations for the nine months ended May 31, 2016 and May 31, 2015.

Oil Sands Operations, Mining and Financing

Losses from oil sands, mining and financing operations were \$10,346,079 for the nine months ended May 31, 2016, compared to \$2,467,135 for the nine months ended May 31, 2015. The increase in the loss is primarily due to:

- 1) An increase in the loss on settlement of liabilities of \$685,511 related primarily to the issuance of shares on the conversion of debt into equity;
- 2) A loss of \$689,877 on common shares issued on the modification of a debt agreement;
- 3) Depreciation and amortization expense of \$912,386 primarily due to depreciation on the capitalized oil extraction facility which commenced commercial production on September 1, 2015;
- 4) An increase in interest expense of \$1,143,622 due to additional loans entered into by the Company, primarily the promissory notes issued on the acquisition of TMC and interest on loans no longer being capitalized due to the completion of the first phase of the oil production facility;
- 5) An increase in professional fees of \$624,529, due to certain costs incurred in researching additional markets for the Company's products and services and professional fees previously capitalized to the oil extraction facility during the construction phase but now form part of the operational costs of the facility;
- 6) A one-time charge of \$2,722,129 for 5,729,142 bonus common shares issued to Blyumkin for personally guaranteeing \$16.5 million of the Company's debt;
- 7) A gross loss made on sales of \$904,978 due to initial production costs, including labour costs, exceeding revenues, primarily due to lower oil prices and volumes below the plant capacity;

and

- 8) The expiry of advanced royalties paid of \$326,729. Advanced royalties paid expire at the end of the calendar year, two years after the payment has been made.

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8) Comparison of Results of Discontinued Operations for the Three and Nine Months Ended May 31, 2016 and May 31, 2015.

Fuel Operations

The Company completed the sale of its Branded Reseller Distribution Agreements and associated liabilities, which formed the basis of the Company's fuel distribution operating segment, on December 17, 2014. On May 13, 2015, the Company completed the sale of its 100% interest in MCW Fuels. In accordance with the disclosure requirements of IFRS the comparative amounts on the condensed consolidated interim statements of loss (income) and comprehensive loss (income) and cash flows have been reclassified to disclose the discontinued operations separately from continuing operations.

As the Company had completed the sale of its fuel distribution segment by May 13, 2015, no disclosure of discontinued operations for the three and nine months ended May 31, 2016 and May 31, 2015 was required.

9) Liquidity and Capital Resources

As at May 31, 2016, the Company had liquidity of \$9,497, which is composed entirely of cash. The Company also had a working capital deficiency of approximately \$10.06 million, due to expenditure on the completion of the first phase of the Company's oil extraction facility and continued expenditure on the project to expand the production capacity to an estimated 500 barrels per day.

On September 9, 2015, the Company received an additional unsecured loan for an aggregate principal amount of \$750,000 from Atlands Overseas Corp. The loan bears interest at a rate of 6% per annum and matures on September 10, 2017.

On March 18, 2016 the Chair of the Board of Directors loaned the Company \$3,000,000, which was used to repay the B&N Bank credit facility. This loan is secured by a promissory note, with interest at 5% per annum, payable in twelve months from the date of the advance, which may be accelerated under certain conditions which indicate that the Company may not be able to repay the loan.

Between September 22, 2015 and May 10, 2016, the Company entered into agreements with certain service providers pursuant to which the Company issued an aggregate of 6,381,989 common shares in satisfaction of indebtedness of \$972,888 owing to the service providers. During the quarter ended May 31, 2016, 3,982,012 common shares were issued to various service providers in satisfaction of \$458,881 owing to them.

On September 24, 2015 and October 7, 2015, an aggregate of \$300,000 of convertible notes issued in November 2014 were converted into 379,899 units of the Company at a conversion price of \$0.789 per unit, with each such unit consisting of one common share of MCW and one common share purchase warrant of MCW. Each warrant entitling the holder to acquire one additional common share of MCW at an exercise price of CAD\$0.945 per share until November 5, 2019. In October 2015, the remaining \$511,112 of the principal and \$41,875 of accrued interest of the convertible secured notes was settled by the issuance of 994,301 common shares of the Company.

On April 4, 2016 an aggregate of \$55,556 of convertible notes issued in December 2015 was converted into 689,740 common shares of the Company, in terms of an agreement entered into whereby a debt of \$555,556 maturing on June 15, 2017 was settled by the issuance of a convertible note of \$600,000 repayable in October 2017.

On January 20, 2016, the Company issued an aggregate of 29,028,456 common shares in satisfaction of \$2,686,162 of indebtedness (26,473,642 common shares of the Company were issued in satisfaction of \$2,449,751 of indebtedness to one arm's length lender, including 12,968,000 common shares which have been assigned to a creditor of the arm's length lender) and 2,554,814 common shares of the Company were issued in satisfaction of \$236,411 of indebtedness due to two lenders controlled by Blyumkin.

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On April 25, 2016, the Company issued an aggregate of 20,000,000 common shares in satisfaction of \$2,500,000 of indebtedness owing to a promissory note holder related to the acquisition of TMC Capital.

On January 19, 2016, the Company issued 5,729,142 common shares to Blyumkin as compensation for him personally guaranteeing an aggregate of \$16,500,000 of long-term debt of the Company.

On November 24, 2015, the Company entered into an agreement with its Chief Financial Officer pursuant to which the Company issued 112,378 common shares in satisfaction of indebtedness of \$35,000 owing for unpaid fees.

On December 15, 2015, the Company issued an additional convertible secured note for \$555,556 to an arm's length lender. The convertible secured note bears interest at a rate of 5% per annum and matures on June 15, 2017. This convertible note was settled on April 8, 2016 out of the \$540,000 proceeds realized on the convertible note issued on April 8, 2016, disclosed below.

On February 10, 2016, the Company entered into a debt modification agreement with a lender whereby the interest rate on the debt agreement was modified and the term of the debt was extended for an additional year, in exchange for the issuance of 6,022,625 common shares at a value of \$689,877.

On February 24, 2016, the Company issued 933,733 shares to a director of the Company for net proceeds of \$100,000

During the period from December 1, 2015 to May 31, 2016, the Company received a net additional \$567,475 from private lenders in the form of unsecured funds. These funds bear interest at rates ranging from 5% to 10% per annum.

Between March 2, 2016 and May 25, 2016, the Company issued 3,998,953 common shares to private investors for net proceeds of \$371,850.

On April 8, 2016, the Company received \$540,000 from the issuance of a convertible secured note for US \$600,000 to an arm's length lender. The convertible secured note bears interest at a rate of 5% per annum and matures on October 8, 2017. The convertible secured note is convertible into units, consisting of one common share of the Company and one common share purchase warrant of the Company, at a conversion price of CAD \$0.15 per unit. Each warrant would entitle the holder to acquire one additional common share at an exercise price of CAD \$0.1575 per share until April 8, 2021. The convertible secured note is secured by the assets of the Company.

The Company continues to work on several other financing options to secure additional financing on reasonable terms. However, should the Company not be able to secure such funding its liquidity may not be sufficient to fund its operations, debt obligations and the capital needed to complete development of its Extraction Technology.

The Company has not paid any dividends on its common shares. The Company has no present intention of paying dividends on its common shares as it anticipates that all available funds will be reinvested to finance the growth of its business.

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In addition to commitments otherwise reported in this MD&A, the Company's contractual obligations as at May 31, 2016, include:

Contractual Obligations	Total (\$ millions)	Up to 1 Year (\$ millions)	2 – 5 Years (\$ millions)	After 5 Years (\$ millions)
Convertible Debenture ^[1]	4.67	4.02	0.65	-
Long-Term Debt ^[2]	15.90	4.56	11.34	-
Lease Commitments	-	-	-	-
Total Contractual Obligations	20.57	8.58	11.99	-

[1] Amount includes estimated interest payments. The recorded amount as at May 31, 2016 was approximately \$4.05 million.

[2] Amount includes estimated interest payments. The recorded amount as at May 31, 2016 was approximately \$13.05 million.

10) Off-Balance Sheet Arrangements

To the best of management's knowledge, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

11) Related Party Transactions

During the nine months ended May 31, 2016, the Company had the following related party transactions:

Transactions with Executive Officers and Directors

On January 19, 2016, the Company issued Blyumkin 5,729,142 common shares as compensation for him personally guaranteeing an aggregate of \$16,500,000 of long-term debt of the Company.

On November 24, 2015, the Company issued 112,378 common shares to its Chief Financial Officer, Mark Korb, in satisfaction of indebtedness of \$35,000 owing for unpaid fees. During the nine months ended May 31, 2015, the Company issued 92,500 common shares to its Chief Financial Officer pursuant to the terms of his consulting agreement.

On January 20, 2016, the Company issued 2,554,814 common shares of the Company in satisfaction of \$236,411 of indebtedness due to two lenders controlled by Blyumkin.

On February 24, 2016, the Company issued 933,733 shares to a director of the Company for net proceeds of \$100,000

As at May 31, 2016, the principal outstanding on promissory notes received from various private companies controlled by Blyumkin was \$125,500 (August 31, 2015 - \$225,500).

On March 18, 2016, Blyumkin loaned the Company \$3,000,000, which was used to repay the B&N Bank credit facility.

Due to and from Executive Officers

The amounts due to Blyumkin are demand loans with interest at 10% per annum. As of May 31, 2016, the Company owed Blyumkin \$154,631 (August 31, 2015 - \$204,000) and a further \$3,000,000 advanced on March 18, 2016 bearing interest at 5% per annum.

12) Outstanding Share Data

As at the date hereof, the Company had the following common shares, share purchase options, warrants and convertible securities outstanding:

Total common shares outstanding	136,826,499
Total common share purchase options	3,800,000
Total common share purchase warrants and broker warrants	1,759,798
Total other securities reserved for issuance	12,703,621
Fully diluted shares outstanding	155,089,918

Share Purchase Options

The Company has a 20% fixed number share option plan, most recently approved by the shareholders on March 6, 2015. Pursuant to this plan, the Company may grant up to 10,004,746 share purchase options to directors, officers, employees, and consultants. Such options are non-transferable, will have a maximum term of ten years and terminate 12 months (or other such shorter time as determined by the directors) following cessation of the optionee's position with the Company, subject to the expiry date of such option. As at the date hereof, an aggregate of 3,800,000 share purchase options (including 1,500,000 warrants treated as incentive stock options by the TSXV) were outstanding:

Option Expiry Date	Option Exercise Price (CDN\$)	Number of Options Outstanding
November 11, 2017	\$1.100	900,000
December 31, 2018	\$0.160	1,500,000
August 15, 2019	\$1.100	400,000
February 1, 2026	\$0.195	1,000,000
Total		3,800,000

Share Purchase Warrants

As at the date hereof, an aggregate of 1,259,798 share purchase warrants were outstanding, as follows:

Warrant Expiry Date	Warrant Exercise Price (CDN\$)	Number of Warrants Outstanding
October 10, 2017	\$1.000	500,000
April 12, 2019	\$0.165	500,000
November 5, 2019	\$0.945	759,799
Total		1,759,799

Other Securities Reserved for Issuance

The Company has reserved (i) 500,000 common shares for issuance pursuant to a restricted stock agreement dated April 13, 2012, between MCW and Vladimir Podlipsky, the Chief Technology Officer of MCW, (ii) 1,326,821 common shares in satisfaction of \$205,000 of debts owing, (iv) 500,000 common shares for possible issuance in the event the purchase warrants issued in satisfaction of \$75,000 of debt owing to a service provider are converted into common shares, (v) 5,188,400 common shares for possible issuance in the event the convertible notes issued on April 8, 2016 are converted into units, and (vi) 5,188,400 common shares for possible issuance in the event the warrants (issuable in the event the convertible notes issued on April 8, 2016 are converted into units) are fully exercised .

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13) Financial Instruments and Risk Management

As at May 31, 2016, the Company's financial instruments are comprised of cash, trade and other receivables, deposits, due to a senior officer, accounts payable and accrued expenses, the fair values of which approximate their carrying values due to their short-term maturity, and convertible debentures and long-term debt, which are carried at amortized cost. The Company classifies its cash as fair value through profit or loss. The Company's financial instruments are exposed to a variety of related risks. The Company's risk exposures and the impact on the Company's financial instruments are described under "Risks and Uncertainties" below.

14) Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable level. The Company considers its capital for this purpose to be its shareholders' equity and long-term liabilities.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may seek additional financing or dispose of assets.

In order to facilitate the management of its capital requirements, the Company monitors its cash flows and credit policies and prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The budgets are approved by the Board of Directors. There are no external restrictions on the Company's capital.

15) Significant Accounting Policies and Critical Accounting Estimates

The following is a summary of new standards, amendments and interpretations that have been issued but not yet adopted in these condensed consolidated interim financial statements as of the date of their approval:

(i) IFRS 7, Financial Instruments: Disclosures ("IFRS 7") - amendments

The amendments to IFRS 7 provide clarification on when an entity has a continuing involvement in a financial asset. The amendments also provide clarification of disclosure requirements in condensed interim financial statements when offsetting financial assets and financial liabilities. These amendments are effective for annual periods beginning on or after January 1, 2016.

(ii) IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial impairment methods in IAS 39. The effective date for application of IFRS 9 was revised from annual periods beginning on or after January 1, 2015, to annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

(iii) IFRS 11, Joint Arrangements ("IFRS 11") - amendments

The amendments to IFRS 11 provide guidance on the accounting for acquisition of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combination accounting in IFRS 3, Business Combinations and other IFRS standards except where those principles conflict with IFRS 11. These amendments are effective for annual periods beginning on or after January 1, 2016.

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(iv) IFRS 15, Revenue from contracts with customers ("IFRS 15")

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 14 *Customer Loyalty Programmes*. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

(v) IFRS 16, Leases ("IFRS 16")

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance. IFRS 16 is effective for annual period beginning on or after January 1, 2019.

(vi) IAS 1, Presentation of Financial Statements ("IAS 1") - amendments

The amendments in IAS 1 clarify financial statement disclosure and presentation requirements. These amendments are effective for annual periods beginning on or after January 1, 2016.

(vii) IAS 7, Statement of Cash Flows ("IAS 7") - amendments

The amendments in IAS 7 require additional disclosure of changes in liabilities arising from financing activities. These amendments are effective for annual periods beginning on or after January 1, 2017.

(viii) IAS 12, Income Taxes ("IAS 12") - amendments

The amendments in IAS 12 clarify the recognition of deferred tax assets for unrealized losses. These amendments are effective for annual periods beginning on or after January 1, 2017.

(ix) IAS 16, Property, Plant and Equipment ("IAS 16") – amendments

The amendment to IAS 16 provides clarification of acceptable methods of depreciation and amortization. These amendments are effective for annual periods beginning on or after January 1, 2016.

(x) IAS 34, Interim financial reporting ("IAS 34") - amendments

The amendment to IAS 34 provides clarification of disclosures required in interim financial statements. These amendments are effective for annual periods beginning on or after January 1, 2016.

(xi) IAS 38, Intangible Assets ("IAS 38") - amendments

The amendment to IAS 38 provides clarification of acceptable methods of depreciation and amortization. These amendments are effective for annual periods beginning on or after January 1, 2016.

The Company is currently assessing the impact that these new and amended standards will have on the condensed consolidated interim financial statements.

16) Litigation and Contingencies

From time to time, the Company is the subject of litigation arising out of the Company's normal course of operations. While the Company assesses the merits of each lawsuit and defends itself accordingly, the Company may be required to incur significant expenses or devote significant resources to defend itself against such litigation. Accruals are made in instances where it is probable that liabilities may be incurred and where such liabilities can be reasonably estimated. Although it is possible that liabilities may be incurred in instances for which no accruals have been made, management has no reason to believe that the ultimate outcome of these matters would have a significant impact on the Company's consolidated financial position.

17) Risks and Uncertainties

Due to the nature of the Company's business and present stage of development, the Company is subject to significant risks. Risk factors relating to the Company include, but are not limited to, risks relating to reliance on major customers and key personnel, reliance on banking facilities and dependence on sustainability of customer orders, the risk that the Company's business plan may fail, risks relating to operations, risks related with compliance with environmental protection regulations, risks related to uninsurable or uninsured risks, risks related to the start-up of the Company's technology business and risks related to conflicts of interest of directors and officers.

Operating Hazards and Risk

The Company's current business involves risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to hazards and risks normally incidental to its operations, any of which could result in work stoppages, damage to or destruction of property, loss of life and environmental damage.

Environmental Risks and Other Regulatory Requirements

The Company's current and future operations are and may be governed by laws and regulations governing its industry. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. The Company currently operates its business in a regulated industry. There can be no assurances that the Company may not be negatively affected by changes in the Canadian, American or other legislation, or by any decisions or orders of any governmental or administrative body or applicable regulatory authority.

Technology

The intellectual property and proprietary systems developed by MCW, including in particular, the Extraction Technology, have not previously been used in a commercial project. As such, the project carries with it a greater degree of technological risk than similar projects that employ commercially proven technologies despite the steps taken to reduce the risk of using these new processes through the utilization of an experienced and qualified process development and engineering team to anticipate and mitigate the majority of the process and mechanical challenges. Since a major portion of the processes used in the modular extraction unit are based on commercially unproven technologies and the detailed design is still being finalized, Extraction Technology may not perform as anticipated by MCW or at all and the cost estimate may be subject to more variation than would be expected for commercially proven technology. If major process design changes are needed, the current cost contingency may not be adequate.

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Intellectual Property

The success and ability of the Company to successfully complete development of the subject property of the Lease and to be economically viable will depend to a significant extent on the intellectual property and proprietary technology of MCW. The ability of the Company to prevent others from copying such proprietary technologies will be critical to sustaining the project's commercial advantage. MCW currently relies on intellectual property rights and other contractual or proprietary rights, including (without limitation) copyright, trade-mark laws, trade secrets, confidentiality procedures, contractual provisions, licenses and patents, to protect its proprietary technology. However, some of MCW's intellectual property is currently under patent pending applications. MCW intends to continue to seek patent protection for the Extraction Technology.

Without patent and other similar protection, other companies could offer substantially identical products for sale without incurring the sizeable development costs that MCW has incurred. The Company's ability to recover these expenditures and realize profits upon the development of its technologies could be diminished. The process of obtaining patents can be time consuming and expensive, with no certainty of success. Even if the Company spends the necessary time and money, a patent may not be issued or it may insufficiently protect the technology it was intended to protect. If MCW's pending patent applications are not approved for any reason, the degree of future protection for its proprietary technology will remain uncertain.

The Company may have to engage in litigation in order to protect its patents or other intellectual property rights, or to determine the validity or scope of the proprietary rights of others. This type of litigation can be time consuming and expensive, regardless of whether or not the Company is successful. The process of seeking patent protection can itself be long and expensive, and there can be no assurance that any pending or future patent applications of the Company or MCW will actually result in issued patents, or that, even if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to the Company. Furthermore, others may develop technologies that are similar or superior to the technology of MCW or design around the patents owned by MCW.

Despite the efforts of the Company, the intellectual property rights, particularly existing or future patents, of MCW may be invalidated, circumvented, challenged, infringed or required to be licensed to others. It cannot be assured that any steps the Company may take to protect its intellectual property rights and other rights to such proprietary technologies that are central to the Company's operations will prevent misappropriation or infringement of the right to use or license others to use the Extraction Technology and/or MCW Process and accordingly may conduct an oil sands extraction operation similar to that of the Company.

Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet contractual obligations. The Company is exposed to credit risk through its cash and cash equivalents held at financial institutions and accounts receivable from customers.

The Company has cash balances at three financial institutions. The Company has not experienced any loss on these accounts, although balances in the accounts may exceed the insurable limits. The Company considers credit risk from cash to be minimal.

Credit extension, monitoring and collection are performed for each of the Company's business segments. The Company performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customer's current creditworthiness, as determined by a review of the customer's credit information.

Accounts receivable, collections and payments from customers are monitored and the Company maintains an allowance for estimated credit losses based upon historical experience with customers, current market and industry conditions and specific customer collection issues. The Company has also insured qualifying accounts receivable and coverage amounts are revised monthly. However, not all accounts receivables are fully insured.

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On May 13, 2015, the Company sold its 100% interest in MCW Fuels which included all of its trade receivables from customers. The Company considers its exposure to credit risk on the remaining accounts receivable to be minimal.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will affect the fair value or future cash flows of the Company's financial instruments. The Company is exposed to interest rate risk as a result of holding fixed rate investments of varying maturities as well as through certain floating rate instruments. The Company considers its exposure to interest rate risk to be minimal.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. The Company believes that it would be able to obtain adequate liquidity to fund its oil sands operations, If the Company is unable to obtain further funding in order to complete the oil sands plant and for sufficient operating working capital, it could have a material adverse effect on the Company's business, financial condition and results of operations.

Foreign Currency Exchange Risk

MCW generally incurs expenses denominated in U.S. dollars which is the functional currency of the Company and is therefore not subject to significant foreign exchange risk.

Liquidity Concerns and Future Financing Requirements

The Company will require additional financing in order to fund its plan of operations. The Company's ability to arrange such financing in the future will depend in part upon prevailing capital market conditions, as well as the Company's resulting business success. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the same. If additional financing is raised by the issuance of common shares from treasury, control of the Company may change and existing shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, the Company may not be able to take advantage of other opportunities, curtail business operations or cancel planned projects, or otherwise remain in business. Events in the equity market may impact the Company's ability to raise additional capital in the future.

Volatility of Share Price

Factors such as announcements of quarterly variations in operating results, as well as market conditions in the Company's industry, may have a significant impact on the market price of the Company's shares. Global stock markets and exchanges in particular have, from time to time, experienced extreme price and volume fluctuations, which have often been unrelated to the operations of particular companies. Share prices for many companies in many industries have experienced wide fluctuations that have been often unrelated to the operations of the companies themselves. In addition, there can be no assurance that an active trading or liquid market will develop or be sustained for the Company on the TSXV.

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Volatility of Oil Prices

Oil prices have fluctuated widely during recent years and are subject to fluctuations in response to relatively minor changes in supply, demand, market uncertainty and other factors that are beyond the Company's control. These factors include, but are not limited to, worldwide political instability, foreign supply of oil and natural gas, the level of consumer product demand, government regulations and taxes, the price and availability of alternative fuels and the overall economic environment. Any decline in oil or natural gas prices could have a material adverse effect on the Company's operations, financial condition and the level of expenditures for the development of its resources. No assurance can be given that oil and natural gas prices will be at levels which will generate profits for the Company. The economics of developing some of the Company's properties may change as a result of lower oil prices. The Company might also elect not to develop or delay development of certain properties at lower oil prices. All of these factors could result in a material decrease in the Company's development activities.

Dependence on, and Protection of, Key Personnel

The Company is dependent upon the continued support and involvement of its directors, officers and key technical personnel to develop its business and operations. If the Company were to lose any of their services, the Company's ability to implement its business plans could be severely curtailed or delayed.

Conflicts of Interest and Time

Certain of our current directors and officers are, and may continue to be, involved in other industries through their direct and indirect participation in corporations, partnerships or joint ventures which may be potential competitors of the Company. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers may conflict with our interests. Directors and officers with conflicts of interest will be subject to and follow the procedures set out in applicable corporate and securities legislation, regulation, rules and policies. Certain directors and officers of the Company will only devote a portion of their time to the business and affairs of the Company and some of them are or will be engaged in other projects or businesses.

Nature of Oil Sands Exploration and Development

Oil sands exploration and development are very competitive and involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. As with any petroleum property, there can be no assurance that the Extraction Technology will perform as anticipated by MCW or at all, or that commercial deposits of bitumen will be produced from MCW's permit lands in the State of Utah. Furthermore, the marketability of any resource will be affected by numerous factors beyond the Company's control. These factors include, but are not limited to, market fluctuations of prices, proximity and capacity of pipelines and processing equipment, equipment and labor availability and government regulations (including, without limitation, regulations relating to prices, taxes, royalties, land tenure, allowable production, importing and exporting of oil and gas and environmental protection). The extent of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Operation Risk

Operation risk is a function of the Company's ability to manage operating costs. Operating costs could be impacted by inflationary pressures on labor, volatile pricing for natural gas used as an energy source in transportation of fuel and in oil sands processes, and planned and unplanned maintenance.

Bitumen Supply Risk

Supply risk is a function of the unavailability of third party bitumen, poor ore grade quality or density, unplanned mine equipment and extraction plant maintenance, storage costs and in situ reservoir and equipment performance could impact production targets.

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Reserves and Resources

The Company has not yet established any reserves. There are numerous uncertainties inherent in estimating quantities of bitumen resources and reserves, including many factors beyond our control, and no assurance can be given that the recovery of bitumen will be realized. In general, estimates of resources and reserves are based upon a number of factors and assumptions made as of the date on which the resources and reserve estimates were determined, such as geological and engineering estimates which have inherent uncertainties, the assumed effects of regulation by governmental agencies and estimates of future commodity prices and operating costs, all of which may vary considerably from estimated results. All such estimates are, to some degree, uncertain and classifications of resources and reserves are only attempts to define the degree of uncertainty involved. For these reasons, estimates of reserves and resources, the classification of such resources and reserves based on risk of recovery, prepared by different engineers or by the same engineers at different times, may vary substantially. Investors are cautioned not to assume that all or any part of a resource is economically or legally extractable.

Climate Change Legislation

Environmental legislation regulating carbon fuel standards in jurisdictions that import crude and synthetic crude oil in the United States could result in increased costs and/or reduced revenue. For example, both California and the United States federal governments have passed legislation which, in some circumstances, considers the lifecycle greenhouse gas emissions of purchased fuel and which may negatively affect the Company's business, or require the purchase of emissions credits, which may not be economically feasible.