Cuda Oil and Gas Inc.
Management's Discussion and Analysis
For the Three and Six Months Ended June 30, 2020 and 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("**MD&A**") for Cuda Oil and Gas Inc., ("**COGI**" or the "**Company**"), is prepared as of August 31, 2020. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company together with the notes thereto for the three and six months ended June 30, 2020 and 2019 (the "**Financial Statements**"), and the audited consolidated financial statements of the Company for the year ended December 31, 2019, prepared in accordance with International Financial Reporting Standards ("**IFRS**").

The financial data presented is in Canadian dollars, except where indicated otherwise. These documents and additional information about Cuda Oil and Gas Inc. are available under the Company's profile on the SEDAR website at www.sedar.com.

DESCRIPTION OF BUSINESS

Cuda Oil and Gas Inc., is a company incorporated under the *Business Corporations Act (Quebec)*.

On June 8, 2018, Junex Inc. ("**Junex**") entered into an arrangement agreement with Cuda Energy Inc. ("**CEI**") providing for Junex's acquisition of CEI by way of plan of arrangement under the Business Corporations Act (Quebec) ("**Arrangement**"). The Arrangement was completed on August 14, 2018 with the business combination accounted for as a reverse acquisition of Junex by CEI. In August 2018, the Company also completed the acquisition of certain oil and natural gas properties in the state of Wyoming, United States for $50.3 million and a $35 million debt issuance.

With the strategy to focus on the development of its Alberta, Canada, and Wyoming, United States, oil and gas properties, on July 23, 2019, the Company entered into a series of binding Asset Purchase Agreements ("**APAs**") to sell all of its oil and gas assets and related decommissioning liabilities in Quebec, Canada for cash consideration of $4,290,003; net proceeds of $3,787,659 after costs to sell of $502,344. On September 4, 2019, the Company closed the APAs and disposed of all of its land permits, licenses, production rights and interests in Quebec, Canada, including the restricted cash and deposits and obligation for exploration work related to the Galt oil and gas project in the Gaspe Peninsula of Quebec, as well as all associated drilling and field equipment and other tangible assets (the "**Quebec Assets**"). The purchasers also caused the Company to be released and discharged from a claim associated with the obligation to purchase shares from a dissenting shareholder in the amount of $3,116,750.

The main activity of COGI is oil and natural gas exploration, development and production in the Province of Alberta, Canada, and in the State of Wyoming, United States. COGI's principal place of business is located at 1930, 440 2 Avenue SW, Calgary, Canada T2P 5E9. COGI's common shares are listed under the symbol "CUDA" on the TSX Venture Exchange ("**TSXV**").

GOING CONCERN

The Financial Statements have been prepared on a going concern basis, which contemplates the realization of assets and payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

At June 30, 2020 the Company had $46.7 million outstanding under the "**Facility**" and the "**Additional Facility**" (collectively, the "**Credit Facilities**") with an institutional lender (the "**Lender**"), as further described in the "Capital Resources" section of this MD&A. The Credit Facilities with a balance of approximately $46.7 million, including accrued but unpaid interest to June 30, 2020 and a financing fee of $1.4 million matured on July 30, 2020. The Credit Facilities, the accrued interest and the financing fee have not been repaid which constitutes an event of default under the loan agreement. No waiver has been obtained for the event of default; however, the Company is working with the Lender to amend key terms of the Credit Facilities, including the maturity date.

At June 30, 2020, the Company has convertible debentures with a principal balance of $1.5 million which matured on July 21, 2020, as further described in the "Capital Resources" section of this MD&A. The convertible debentures and accrued interest thereon to July 21, 2020 have not been repaid. On July 21, 2020, the Company notified the convertible debenture holder that it was not in a position to honour the obligations under the convertible debentures security agreement. On July 22, 2020, the debenture holder provided the Company with a 20-day notice period as per the convertible debentures security agreement to proceed with the payment of the principal and accrued and unpaid interest to avoid a situation of default. On August 7, 2020, the Company requested a 30-day extension to the original 20-day notice period. On August 24, 2020, the debenture holder notified the Company that it would extend the notice period for 30 days to September 23, 2020 to avoid a situation of default.

At June 30, 2020, the Company has USD $6.7 million in outstanding joint interest billings with the operator of the Company's exploration, development and production assets in Wyoming, United States. On July 22, 2020, the Company received formal notification (the "**Notice**") from the operator that it is in default of its payment obligations under the Unit Operating Agreement (the "**UOA**") in respect of the outstanding joint interest billings. The notification demands the Company pay the outstanding amounts in full within 30 days of the date of the letter. The Company has been unable to pay the outstanding amounts in the time period set out in the Notice and has requested that the operator extend the period of time to cure the UOA default. On August 26, 2020, the Company received notification from the operator that it has granted the Company a 60-day extension from July 22, 2020 to September 20, 2020 to cure the default.

At June 30, 2020, the Company has a working capital deficiency (including the Credit Facilities and convertible debentures) of approximately $59.1 million, and an accumulated deficit of $66.3 million. Capital commitments in Wyoming, United States, for the remainder of 2020 include costs of approximately USD $1.2 million for makeup gas and liquids to be injected into the field as part of the miscible gas flood project to enhance the recovery of oil.

Further, for the three and six months ended June 30, 2020, the Company reported net losses of $5,387,345 and $4,470,119, respectively, and cash flows from operating activities of $387,947 and $1,346,809, respectively. Currently, the Company has no ability to settle any of the Credit Facilities, the convertible debentures, and its outstanding commitments in Wyoming, United States, or its working capital deficiency. The Company will need to raise significant additional financing in order to be able to meet both its existing and future obligations. There is no guarantee that the Company will be successful in this regard and the current macro-environment as a result of the coronavirus ("**COVID-19**") health pandemic has created further significant challenges to the Company in this regard. As such a material uncertainty exists that casts significant doubt upon the Company's ability to continue as a going concern.

Global oil prices have declined considerably caused by reduced demand driven by the COVID-19 health pandemic and over supply concerns between OPEC+ countries on production curtailments. While the OPEC+ countries have now reached an agreement on production cuts, the macro economic environment remains weak and considerable uncertainty exists regarding the duration and extent of oil demand destruction from the COVID-19 health pandemic. The current challenging economic climate may have significant adverse impacts on the Company, including, but not limited to:

- material declines in revenue and cash flows due to reduced commodity prices,
- declines in future revenue, which could result in increased impairment charges on long-term assets,
- prolonged demand destruction, which could continue to negatively impact the Company's ability to maintain liquidity.

The current situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company is not known at this time. Estimates and judgments made by management in the preparation of the Financial Statements are subject to a higher degree of measurement uncertainty during this volatile period.

Further rationalization of assets and/or funding through share issuances, private placements, restructuring of existing or new credit facilities, non-core property sales, increased production from core properties combined with improvements in realized oil and gas prices received and/or a combination of these alternatives will be required to continue as a going concern. There is no assurance the Company will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. There is no certainty that these and/or other strategies will be sufficient to enable the Company to continue as a going concern.

FORWARD LOOKING STATEMENTS

This MD&A contains forward–looking statements and information. Please see "Forward–Looking Statements and Information" included in the "Advisories" section at the end of this MD&A.

FINANCIAL PERFORMANCE MEASURES

The selected financial information and discussion also refers to certain measures to assist in assessing financial performance. These "Non–GAAP Measures" such as "adjusted funds flows from (used in) operations", "adjusted funds flows from (used in) operations per share", "operating netback", and "working capital surplus (deficit)", should not be construed as alternatives to net income (loss) or other comparable measures determined in accordance with IFRS as an indicator of performance or as a measure of liquidity and cash flows. The Company uses these measures to assist in understanding the Company's ability to generate positive cash flows from operating activities at current commodity prices and they provide an analytical tool to benchmark changes in operational performance against prior periods. Non–GAAP measures do not have standard meanings prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other issuers. Definitions of each measure used are provided in "Non–GAAP Measures" included in the "Advisories" section at the end of this MD&A.

FINANCIAL AND OPERATING HIGHLIGHTS

	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
($, except per share)				
Financial				
Revenue	**1,428,068**	2,101,657	**3,466,537**	5,387,248
Cash flows from operating activities	**387,948**	372,119	**1,346,810**	572,685
Adjusted funds flows from (used in) operations(1)	**269,724**	(1,594,930)	**(674,199)**	(1,974,411)
Per share – basic and diluted	**0.01**	(0.07)	**(0.02)**	(0.09)
Loss from continuing operations	**(5,387,345)**	(4,591,332)	**(4,470,119)**	(7,551,501)
Per share – basic and diluted	**(0.15)**	(0.21)	**(0.12)**	(0.34)
Loss from discontinued operation	**-**	(20,269,434)	**-**	(20,518,943)
Per share – basic and diluted	**-**	(0.92)	**-**	(0.93)
Capital expenditures	**883,762**	1,170,017	**8,275,806**	4,683,157
Working capital deficit(1)	**(59,053,802)**	(37,788,438)	**(59,053,802)**	(37,788,438)
Total assets	**87,482,489**	95,369,525	**87,482,489**	95,369,525
Operating				
Average daily production volumes (boe/d)				
Canada	**353**	32	**293**	318
United States	**307**	292	**322**	317
Average realized price ($/boe)				
Canada	**14.57**	36.44	**16.19**	23.27
United States	**34.33**	75.13	**44.45**	70.47
Company operating netback ($/boe)(1)	**7.38**	24.31	**11.78**	17.39

Note:
(1) See "Non–GAAP Measures".

- Production in Wyoming, United States, continues to respond positively to the gas flood project. Although restrictions on gas injection and oil production impacted the second quarter results, the Company realized meaningful oil production increases from May to June as restrictions were lifted. Ten (10) wells within the seven (7) gas flood patterns increased by over 50 percent in aggregate, increasing from 375 bbls/d to 568 bbls/d of gross daily average crude oil production.

REVIEW OF FINANCIAL RESULTS

Production

	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
Crude oil (bbls/d)				
Canada	**-**	14	**4**	20
United States	**307**	292	**322**	317
Natural gas (mcf/d)				
Canada	**1,908**	97	**1,557**	1,642
Natural gas liquids ("NGLs")(bbls/d)				
Canada	**35**	1	**30**	25
Total (boe/d)				
Canada	**353**	32	**293**	318
United States	**307**	292	**322**	317
	660	324	**615**	635

Production for the three months ended June 30, 2020 was significantly higher than the same period in 2019, primarily the result of increased natural gas production in Canada, and increased crude oil production in the United States.

Buoyant natural gas prices in the second quarter of 2020 was the primary factor for increased natural gas production volumes in Canada, for the three months ended June 30, 2020, compared to the same period in 2019. The Company continues to maximize the reserve value by producing natural gas into high price environments and restricting production during periods of price volatility. During the six months ended June 30, 2020, natural gas production decreased five percent to 1,557 mcf/d, compared to 1,642 mcf/d, for the same period in 2019. Higher production in the second quarter of 2020 was primarily offset by lower production in the first quarter of 2020, arising from the shut in of the Company's natural gas production from the start of February until mid-March 2020.

The demand shock due to the COVID-19 health pandemic peaked during the second quarter of 2020, and led to a major drop in crude oil prices. Crude oil production from the Alberta assets in Canada became uneconomical, and the Company shut in production on March 31, 2020.

Beginning in the fourth quarter of 2019, the Company started a 15 well drilling program in Barron Flats (Deep) Unit in the Powder River Basin of Wyoming, United States, with 100 percent success on the 8 wells drilled in the fourth quarter of 2019 and 7 wells in the first quarter of 2020. The 15 wells resulted in 11 new producing wells and 4 new injector wells that increased reservoir pressure to achieve higher crude oil production. During the three and six months ended June 30, 2020, crude oil production increased by five percent and two percent, respectively, compared to the same periods in 2019.

Revenue

	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
($)				
Crude oil				
Canada	**-**	88,822	**30,113**	217,303
United States	**960,462**	1,997,194	**2,602,972**	4,045,884
	960,462	2,086,016	**2,633,085**	4,263,187
Natural gas				
Canada	**394,658**	10,354	**664,164**	866,438
NGLs				
Canada	**72,948**	5,287	**169,288**	257,623
Total	**1,428,068**	2,101,657	**3,466,537**	5,387,248

Petroleum and natural gas revenue totalled $1,428,068 for the three months ended June 30, 2020, compared to $2,101,657 for the second quarter of 2019, a decrease of 32 percent. The change was largely attributable to the unprecedented low crude oil prices during the second quarter of 2020. World crude oil demand destruction as a result of the COVID-19 health pandemic, and the corresponding OPEC+ oil price war, caused the Company's average crude oil realized price to drop 54 percent to $34.33 per bbl, for the three months ended June 30, 2020, from $74.87 per bbl, for the same period in 2019. This was partially offset by higher natural gas revenue in Canada for the three months ended June 30, 2020, compared to the same period in 2019, as a result of higher production and higher realized prices.

Due to the items noted above, the Company's average crude oil realized price dropped 36 percent to $44.44 per bbl, for the six months ended June 30, 2020, from $69.87 per bbl, for the same period in 2019. Accordingly, petroleum and natural gas revenue decreased to $3,466,537 for the six months ended June 30, 2020, from $5,387,248 for the same period in 2019.

Commodity Prices

	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
Average Realized Prices				
Crude oil ($/bbl)				
Canada	**-**	69.53	**43.96**	60.25
United States	**34.33**	75.13	**44.45**	70.47
	34.33	74.87	**44.44**	69.87
Natural gas ($/mcf)				
Canada	**2.27**	1.18	**2.34**	2.92
NGLs ($/bbl)				
Canada	**23.12**	43.33	**31.34**	57.34
Company average realized price ($/boe)				
Canada	**14.57**	36.44	**16.19**	23.27
United States	**34.33**	75.13	**44.45**	70.47
	23.77	71.36	**30.98**	46.83
Average Benchmark Prices				
WTI crude oil (US$/bbl)	**27.81**	59.78	**36.78**	57.31
Exchange rate (US$/Cdn$)	**1.39**	1.34	**1.37**	1.33
Edmonton light oil (Cdn$/bbl)	**29.84**	73.81	**40.64**	70.11
AECO, daily (5A)(Cdn$/GJ)	**1.88**	0.95	**1.90**	1.71

WTI crude oil prices decreased substantially in the second quarter and first half of 2020 compared to average prices during the same periods in 2019. In the second quarter of 2020, WTI crude oil prices decreased 53 percent averaging US$27.81 per bbl compared to US$59.78 per bbl in the second quarter of 2019. In the first half of 2020, WTI crude oil prices decreased 36 percent averaging US$36.78 per bbl compared to US$57.31 per bbl in the first half of 2019. During the second half of March 2020 and into the second quarter of 2020, world oil demand destruction as a result of the COVID-19 health pandemic and the corresponding OPEC+ oil price war caused WTI crude oil prices to drop to historically low levels.

In addition to decreases to WTI crude oil prices, differentials between WTI crude oil prices and prices received in Alberta weakened in the second quarter and first half of 2020 compared to the same periods in 2019. These differentials are volatile due to factors including refining demand and pipeline capacity. However, crude oil production from the Company's Alberta assets became uneconomical, resulting from the demand shock due to the COVID-19 health pandemic, and the Company shut in production on March 31, 2020.

The price realized by the Company for natural gas production is primarily determined by the AECO benchmark. The AECO, daily (5A) benchmark strengthened during the six months ended June 30, 2020 to $1.90/GJ, compared to $1.71/GJ for the six months ended June 30, 2019, primarily reflecting the easing of restrictions of government mandated isolation protocols, causing partial demand recovery. The AECO, daily (5A) benchmark for the second quarter of 2020 was $1.88/GJ compared to $0.95/GJ for the same period in 2019.

Royalties and Production taxes

	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
($, except % and per boe)				
Royalties and Production taxes				
Canada	**84,950**	18,115	**139,760**	219,503
United States	**296,893**	587,774	**804,178**	1,188,638
	381,843	605,889	**943,938**	1,408,141
As a % of Revenue				
Canada	**18%**	17%	**16%**	16%
United States	**31%**	29%	**31%**	29%
	27%	29%	**27%**	26%
Per boe				
Canada	**2.65**	6.32	**2.62**	3.81
United States	**10.61**	22.11	**13.73**	20.70
	6.36	20.57	**8.44**	12.24

Higher production in Canada during the three months ended June 30, 2020, resulted in a lower royalties and production taxes expense of $2.65 per boe, compared to $6.32 per boe, for the same period in 2019.

Lower average realized prices in the United States for the first half of 2020 resulted in a lower royalties and production taxes expense of $10.61 per boe and $13.73 per boe, for the three and six months ended June 30, 2020, respectively, compared to $22.11 per boe, and $20.70 per boe, for the three and six months ended June 30, 2019, respectively.

Operating and Transportation expenses

	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
($, except per boe)				
Operating and Transportation expenses				
Canada	**303,802**	156,896	**474,279**	604,740
United States	**298,738**	622,929	**730,182**	1,374,418
	602,540	779,825	**1,204,461**	1,979,158
Per boe				
Canada	**9.47**	54.73	**8.89**	10.49
United States	**10.68**	23.43	**12.47**	23.94
	10.03	26.48	**10.76**	17.20

Operating and transportation expenses were $10.68 per boe and $12.47 per boe for the three and six months ended June 30, 2020, respectively, compared to $23.43 per boe and $23.94 per boe, for the three and six months ended June 30, 2019, respectively, on production in Wyoming, United States. The Company realized significant operating cost savings during the three and six months ended June 30, 2020, compared to the same period in 2019, primarily due to efficiencies resulting from increased production, reduced workovers costs and field electrification.

In Canada, prior period expense adjustments, which were recorded in second quarter of 2019, resulted in operating and transportation expenses of $54.73 per boe, for the three months ended June 30, 2019, compared to $9.47 per boe, for the three months ended June 30, 2020.

Company Operating Netback[1]

	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
($ per boe)				
Canada				
Average realized price	**14.57**	36.44	**16.19**	23.27
Royalties	**(2.65)**	(6.32)	**(2.62)**	(3.81)
Operating and transportation	**(9.47)**	(54.73)	**(8.89)**	(10.49)
Operating netback[1]	**2.45**	(24.61)	**4.68**	8.97
United States				
Average realized price	**34.33**	75.13	**44.45**	70.47
Royalties and production taxes	**(10.61)**	(22.11)	**(13.73)**	(20.70)
Operating and transportation	**(10.68)**	(23.43)	**(12.47)**	(23.94)
Operating netback[1]	**13.04**	29.59	**18.25**	25.83
Company				
Average realized price	**23.77**	71.36	**30.98**	46.83
Royalties and production taxes	**(6.36)**	(20.57)	**(8.44)**	(12.24)
Operating and transportation	**(10.03)**	(26.48)	**(10.76)**	(17.20)
Operating netback[1]	**7.38**	24.31	**11.78**	17.39

Note:
(1) See "Non–GAAP Measures".

The Company's operating netback decreased to $7.38 per boe and $11.78 per boe, for the three and six months ended June 30, 2020, respectively, from $24.31 per boe and $17.39 per boe, for the three and six months ended June 30, 2019, respectively, reflecting the decreases to realized prices over these periods.

Depletion and Depreciation ("D&D")[1]

	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
($, except per boe)				
D&D				
Canada	**151,713**	68,538	**281,441**	435,203
United States	**578,484**	444,055	**1,152,574**	960,414
	730,197	512,593	**1,434,015**	1,395,617
Per boe				
Canada	**4.73**	23.91	**5.28**	7.55
United States	**20.68**	16.70	**19.68**	16.73
	12.16	17.41	**12.82**	12.13

Note:
(1) Excludes amounts related to discontinued operation (see Discontinued Operation).

Depletion and depreciation expense increased to $730,197 for the three months ended June 30, 2020, compared to $512,593 for the three months ended June 30, 2019. The increase is primarily due to higher production, and higher net book value of property and equipment in Wyoming, United States, in the second quarter of 2020, compared to the same period in 2019.

In Canada, D&D expense decreased to $5.28 per boe for the six months ended June 30, 2020, from $7.55 per boe for the six months ended June 30, 2019, primarily due to lower production in the first half of 2020, and the impairment of property and equipment recognized in the fourth quarter of 2019, which resulted in lower net book values subject to depletion without a corresponding reduction in proven plus probable reserves.

Impairment Assessment 2020

As at June 30, 2020, indicators of impairment were determined to exist in each of the Company's cash generating units ("**CGUs**"), as a result of a sustained decline in forward commodity benchmark prices for oil, natural gas and natural gas liquids. As such impairment tests were carried out on each of the Company's CGUs, the Alberta CGU and the Wyoming CGU. In the impairment tests conducted on both CGUs, the recoverable amounts were determined to exceed the carrying values and as such no impairment charge was recorded at June 30, 2020.

General and Administrative ("G&A") expenses[1]

	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
($)				
Gross G&A	**804,510**	1,456,960	**1,485,155**	2,167,547
Capitalized G&A	**-**	(151,195)	**-**	(304,970)
Net G&A	**804,510**	1,305,765	**1,485,155**	1,862,577

Note:
(1) Excludes amounts related to discontinued operation (see Discontinued Operation).

During the three and six months ended June 30, 2020, net G&A expenses decreased to $804,510 and $1,485,155, respectively, compared to $1,305,765 and $1,862,577, for the three and six months ended

June 30, 2019, respectively. This was primarily due to lower legal and professional fees, lower consulting costs, and lower office expenses, resulting from cost cutting measures taken by the Company as a result of the Covid-19 health pandemic. In 2020, as the Company's focus continues to be directed towards the non-operated operations in Wyoming, United States, no G&A expenses were capitalized.

The Company's policy of allocating and capitalizing costs directly attributable to investments in exploration and evaluation assets remained unchanged for six months ended June 30, 2020.

Share-Based Compensation ("SBC")

	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
($)				
Gross SBC	**328,609**	529,945	**657,218**	1,077,654
Capitalized SBC	**-**	(156,933)	**-**	(321,289)
Net SBC	**328,609**	373,012	**657,218**	756,365

No stock options were granted during the six months ended June 30, 2020. In 2020, as the Company's focus continues to be directed towards the non-operated operations in Wyoming, United States, no SBC expenses were capitalized.

The Company's policy of allocating and capitalizing costs directly attributable to investments in exploration and evaluation assets remained unchanged for six months ended June 30, 2020.

Finance Costs(1)

	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
($)				
Interest on credit facilities	**2,002,226**	2,189,257	**3,913,510**	3,668,088
Interest on convertible debentures	**55,101**	53,101	**110,202**	106,353
Interest on promissory note	**3,712**	-	**3,712**	-
Interest on lease obligations	**6,533**	4,265	**9,237**	9,569
Finance charges	**98,066**	-	**98,066**	-
Other	**-**	7,489	**989**	7,489
	2,165,638	2,254,112	**4,135,716**	3,791,499

Note:
(1) Excludes amounts related to discontinued operation (see Discontinued Operation).

Finance costs include interest and accretion expense on the credit facilities, interest and accretion expense on the convertible debentures acquired from Junex, interest expense on the promissory note, interest expense on lease obligations, and finance charges incurred on overdue amounts, payable to the operator of the Company's exploration, development and production assets in Wyoming, United States.

During the six months ended June 30, 2020, finance costs increased to $4,135,716, compared to $3,791,499, for the same period in 2019. The increase was primarily due to higher interest expense on credit facilities following the addition of a new $8 million credit facility on June 26, 2019, and finance charges incurred on overdue amounts, payable to the operator of the Company's exploration, development and production assets in Wyoming, United States. No finance charges were incurred by the Company in 2019.

An end of term work fee, which was recorded in the second quarter of 2019, following the amendment of the credit facility on June 26, 2019, partially offset by finance charges incurred by the Company during the three months ended June 30, 2020, resulted in higher finance costs for the three months ended June 30, 2019, compared to the same period in 2020.

Foreign Exchange Loss (Gain)
The Company recorded a net foreign exchange loss of $1,785,965 for the three months ended June 30, 2020, ($850,895 for the three months ended June 30, 2019), and a net foreign exchange gain of $1,950,241, for the six months ended June 30, 2020, (net foreign exchange loss of $1,723,158 for the six months ended June 30, 2019). A significant portion of the foreign exchange (gain) loss relates to an intercompany loan to a foreign subsidiary that is denominated in USD.

Income Taxes
The Company is not currently cash taxable.

Discontinued Operation
On July 23, 2019, the Company entered into a series of binding APAs to sell all of its oil and gas assets and related decommissioning liabilities in Quebec, Canada. On September 4, 2019, the Company closed the APAs for the Quebec Assets. Operating results related to the Quebec Assets have been included in loss from discontinued operation for the period of ownership. Comparative periods have been re-presented to show the discontinued operation separately from continuing operations. Please refer to Note 6 of the Financial Statements.

Loss from discontinued operation is comprised of the following:

	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
($)				
Revenue	-	10,691	-	30,202
Expenses and other items	-	(20,280,125)	-	(20,549,145)
Loss from discontinued operation	-	(20,269,434)	-	(20,518,943)

The cash flows from discontinued operation, including changes in related non-cash working capital items, are as follows:

	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
($)				
Cash flows from (used in) operating activities	**(42,496)**	(37,464)	**(38,290)**	(302,712)
Cash flows from (used in) investing activities	**150,000**	(104,986)	**150,000**	457,475
Cash flows used in financing activities	-	(17,636)	-	(34,817)
	107,504	(160,086)	**111,710**	119,946

Capital Expenditures[1]

	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
($)				
Exploration and Evaluation				
Additions – United States	**-**	21,804	**54,600**	68,665
Additions – Canada	**-**	276,114	**-**	662,382
	-	297,918	**54,600**	731,047
Property and Equipment				
Additions – United States	**883,762**	872,099	**8,221,206**	3,952,110
Additions – Canada	**-**	-	**-**	-
	883,762	872,099	**8,221,206**	3,952,110
Total	**883,762**	1,170,017	**8,275,806**	4,683,157

Note:
(1) Includes $Nil related to discontinued operation for the three and six months ended June 30, 2020, ($154,176 and $339,399, for the three and six months ended June 30, 2019, respectively).

During the six months ended June 30, 2020, the Company continued to fulfill its capital commitments at Barron Flats (Deep) Unit in the Powder River Basin of Wyoming, United States, to complete the first quarter drilling program and facilities in process at December 31, 2019.

The Company's strategy continues to focus on exploration in the Powder River Basin of Wyoming, United States. Capital commitments in Wyoming, United States, for the remainder of 2020 include costs of approximately USD $1.2 million for makeup gas and liquids to be injected into the field as part of the miscible gas flood project to enhance the recovery of oil. Given the significant drop and volatility in world crude oil prices as a result of the COVID-19 health pandemic, and the corresponding OPEC+ oil price war, all other future capital expenditures are considered discretionary.

LIQUIDITY

At June 30 2020, the Company has a working capital deficiency (including Credit Facilities and convertible debentures) of approximately $59.1 million and an accumulated deficit of $66.3 million. Capital commitments for the remainder of 2020 include costs of approximately USD $1.2 million for makeup gas and liquids to be injected into the field as part of the miscible gas flood project to enhance the recovery of oil.

The Company currently has no ability to settle any of the Credit Facilities, the convertible debentures, and its outstanding commitments in Wyoming, United States, or its working capital deficiency. The Company will need to raise significant additional financing in order to be able to meet both its existing and future obligations. There is no guarantee that the Company will be successful in this regard and the current macro-environment as a result of the COVID-19 health pandemic and price volatility arising from OPEC+ disputes have created further significant challenges to the Company in this regard. As such a material uncertainty exists that casts significant doubt on the Company's ability to continue as a going concern.

The current situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company is not known at this time. Estimates and judgments made by management in the preparation of the Financial Statements are subject to a higher degree of measurement uncertainty during this volatile period.

Further rationalization of assets and/or funding through share issuances, private placements, restructuring of existing or new credit facilities, non-core property sales, increased production from core properties combined with improvements in realized oil and gas prices received and/or a combination of these alternatives will be required to continue as a going concern. There is no assurance the Company will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. There is no certainty that these and/or other strategies will be sufficient to enable the Company to continue as a going concern.

For additional information regarding risks impacting the Company, refer to "Risk Factors and Risk Management" included in the "Advisories" section at the end of the December 31, 2019 MD&A.

Management uses adjusted funds flows from (used in) operations to analyze operating performance and considers adjusted funds flows from (used in) operations to be a key measure as it demonstrates the Company's ability to generate the cash necessary to manage working capital and future capital expenditures. Adjusted funds flows from (used in) operations and adjusted funds flows from (used in) operations per share should not be considered as an alternative to, or more meaningful than, cash flows from (used in) operating activities presented on the statements of cash flows which is considered the most directly comparable measure under IFRS.

Cash Flows from operating activities and Adjusted Funds Flows from (used in) operations[1]

	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
($, except per share)				
Cash flows from operating activities	**387,948**	372,119	**1,346,810**	572,685
Decommissioning liabilities settled	**-**	-	**22,630**	-
Changes in non-cash operating working capital	**(118,224)**	(1,967,049)	**(2,043,639)**	(2,547,096)
Adjusted funds flows from (used in) operations[1]	**269,724**	(1,594,930)	**(674,199)**	(1,974,411)
Per share – basic and diluted	**0.01**	(0.07)	**(0.02)**	(0.09)

Note:
(1) See "Non–GAAP Measures".

Lower operating netbacks, which are reflective of the unprecedented low crude oil prices realized in the second quarter of 2020, and higher finance costs, partially offset by lower G&A expenses, resulted in adjusted funds flows used in operations of $674,199, for the six months ended June 30, 2020.

The Company's management of working capital during the six months ended June 30, 2020, resulted in a temporary net decrease in non-cash operating working capital, generating cash flows from operating activities of $1,346,810.

CAPITAL RESOURCES

The Company considers its capital structure to include shareholders' equity, promissory note, term loans, convertible debentures, credit facilities, and working capital (deficiency). In order to maintain or adjust the capital structure, the Company may from time to time issue shares or debt and adjust its capital spending to manage current and projected debt levels. To facilitate the management of the capital expenditures and level of debt, the Company prepares annual budgets, which are regularly monitored and updated as considered necessary. The annual and updated budgets are approved by the board of directors.

Credit Facilities

At June 30, 2020, the Company had $46.7 million outstanding under two credit facilities as described below.

The Facility, which matured on July 30, 2020, is non-revolving, payable on demand, and interest compounds monthly at a rate of 10.5 percent per annum which is payable monthly. The Facility, the financing fee and the accrued interest thereon have not been repaid which constitutes an event of default under the loan agreement. No waiver has been obtained for the event of default; however, the Company is currently working with the Lender to amend key terms of the Facility, including the maturity date.

The Additional Facility, which matured on July 30, 2020, is non-revolving, payable on demand, and interest compounds monthly at a rate of 18 percent per annum which is payable monthly. The Additional Facility and the accrued and unpaid interest thereon have not been repaid which constitutes an event of default under the loan agreement. No waiver has been obtained for the event of default; however, the Company is currently working with the Lender to amend key terms of the Additional Facility, including the maturity date.

The Company may re-pay the Credit Facilities in whole or in part and all accrued interest at any time prior with 90 days notice. The Credit Facilities are secured by a first priority floating charge over the consolidated assets of the Company. Covenants include reporting requirements, permitted encumbrances, other standard business operating covenants and the Company must maintain producing petroleum and natural gas reserves with respect to its assets in the United States, in an amount of at least $50 million, as evidenced by an external reserve report to be prepared as of December 31, 2020; the Company is not subject to any financial covenants. On May 5, 2020, the Company agreed to pay $25,000 per month toward interest accruing on the Credit Facilities for the months of April, May, June and July 2020.

Refinancing costs for the Credit Facilities of $233,888 were recorded during the six months ended June 30, 2020. The accretion charge for the six months ended June 30, 2020 was $1,470,632 (June 30, 2019 – $1,813,911), and the balance of unamortized costs as at June 30, 2020 was $Nil (December 31, 2019 – $1,236,743).

Promissory Note

On May 5, 2020, the Company granted an unsecured promissory note, with the approval of the Lender, in favour of a third-party advisor in the amount of $100,000, to be held for future interest payments. The promissory note bears interest at 2.0 percent per month and is payable quarterly in arrears at the end of each quarter on which the note is outstanding. The maturity date is the earlier of the refinancing of the Company or the date of occurrence of an event of default on the Credit Facilities. The Company has triggered an event of default on the Credit Facilities therefore the maturity date on the promissory note is deemed to be July 30, 2020. However, the promissory note holder has provided a notice of waiver of the event of default and the terms associated with maturity date remain unchanged.

Term Loans
In May 2020 and June 2020, the Company received $80,000 Canada Emergency Business Account ("**CEBA**") loans under the Government of Canada's COVID-19 health pandemic response plan. The loans are interest free, and repaying the balance of the loans on or before December 31, 2022 will result in loan forgiveness of 25 percent.

Convertible Debentures
As of June 30, 2020, convertible debentures with a stated value of $1,500,000 are outstanding, comprised of series A with a stated value of $750,000 and series B with a stated value of $750,000. The series A and series B convertible debentures bear interest at a rate of 12 percent per annum, payable semi-annually, are unsecured and matured on July 21, 2020. The convertible debentures and accrued interest thereon to July 21, 2020 have not been repaid.

On July 21, 2020, the Company notified the debenture holder that it was not in a position to honour the obligations under the convertible debentures security agreement. On July 22, 2020, the debenture holder provided the Company with a 20-day notice period as per the convertible debentures security agreement to proceed with the payment of the principal and accrued and unpaid interest to avoid a situation of default. On August 7, 2020, the Company requested a 30-day extension to the original 20-day notice period. On August 24, 2020, the debenture holder notified the Company that it would extend the notice period for 30 days to September 23, 2020 to avoid a situation of default.

The Company may, at its option, pay up to 50 percent of the semi-annual interest payments by issuing common shares. The convertible debentures can be repaid at the Company's option at any time for an amount equal to the principal amount plus 10 percent, and accrued and unpaid interest at the time of repayment with 30 days notice. In addition, the series B convertible debentures provide the Company with the option to convert the debentures into common shares of the Company at the conversion price of $11.70, if certain conditions are met.

The holder of the convertible debentures may, at its option and at any time, convert the debentures into common shares of the Company at the conversion price of $11.70.

Shareholders' Equity
Common Shares
As at June 30, 2020, there were 36,436,220 common shares outstanding.
The common shares do not have a par value and all issued shares are fully paid.

	Number of Common Shares
Balance at December 31, 2019	36,329,139
Issued in exchange for interest on convertible debentures	107,081
Balance at June 30, 2020	36,436,220

In January 2020, the Company issued 107,081 common shares at a price of $0.426 per share in exchange for the payment of interest on convertible debentures in the amount of $45,616.

As at August 31, 2020, there were 36,436,220 common shares outstanding.

Warrants

Warrants which entitle their holders to subscribe to an equivalent number of common shares as at June 30, 2020:

- 954,546 warrants exercisable at a price of $5.30 per share until August 4, 2020
- 999,907 warrants exercisable at a price of $4.00 per share until August 14, 2020
- 885,000 warrants exercisable at a price of $0.45 per share until November 29, 2020
- 1,500,000 warrants exercisable at a price of $0.65 per share until June 26, 2021
- 5,891,000 warrants exercisable at a price of $0.60 per share until July 30, 2021
- 437,500 warrants exercisable at a price of $5.90 per share until October 20, 2021

No warrants were issued during the six months ended June 30, 2020. Subsequent to June 30, 2020, 954,546 warrants with an exercise price of $5.30, and 999,907 warrants with an exercise price of $4.00, expired.

As at August 31, 2020, there were 8,713,500 warrants outstanding.

Stock Options

The Company has a stock option plan for directors, officers, employees and service providers. Under the plan, stock options may be granted to purchase up to 4,349,477 common shares of COGI and the maximum term of stock options granted is 10 years. Unless otherwise determined by the Board of Directors at the time of grant, stock options vest as to one-third on each of the first, second and third anniversary dates of the date of grant.

Outstanding stock options at June 30, 2020, are presented below:

	Options	Weighted average exercise price
		$
Balance at June 30, 2020	4,083,760	0.50

As at June 30, 2020, the Company had 4,083,760 stock options outstanding, of which 685,920 were vested and exercisable for an aggregate of 685,920 common shares under the terms of the Company's stock option plan.

The weighted average exercise price of all stock options at June 30, 2020 is $0.50.

No stock options were granted during the six months ended June 30, 2020. Subsequent to June 30, 2020, 85,750 stock options with an exercise price of $0.50 expired.

As at August 31, 2020, the Company had 3,998,010 stock options outstanding, of which 1,920,340 were vested and exercisable for an aggregate of 1,920,340 common shares under the terms of the Company's stock option plan.

Dividends
The Company has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS
There has been no significant change in the amount or type of obligations and commitments at June 30, 2020 since the year ended December 31, 2019. Please refer to the MD&A for the year ended December 31, 2019, available under the Company's profile on the SEDAR website at www.sedar.com.

Capital commitments in Wyoming, United States, for the remainder of 2020 include costs of approximately USD $1.2 million for makeup gas and liquids to be injected into the field as part of the miscible gas flood project to enhance the recovery of oil. All other future capital expenditures are considered discretionary.

OFF BALANCE SHEET ARRANGEMENTS
As at June 30, 2020, the Company did not have any material off–balance sheet arrangements, other than those previously discussed.

RELATED PARTY TRANSACTIONS
The Company had no related party transactions during the six months ended June 30, 2020 and 2019.

SUMMARY OF QUARTERLY INFORMATION[1]

The following summary information for each of the eight most recently completed quarters reflects the current period presentation of the results of continuing and discontinued operations (see Discontinued Operation).

($, except per share)	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Financial				
Total revenue	1,428,068	2,038,469	2,292,586	1,672,886
Adjusted funds flows from (used in) operations[2]	269,724	(943,923)	(1,924,147)	(1,793,713)
Share-based compensation	(328,609)	(328,609)	(779,549)	(318,096)
Depletion and depreciation	(730,197)	(703,818)	(666,194)	(453,193)
Impairment	-	-	(5,902,999)	-
Accretion of credit facilities and convertible debentures	(701,956)	(789,370)	(305,200)	(751,032)
Interest expense, net	(2,104,796)	(45,616)	-	-
Accretion of decommissioning liability	(5,555)	(10,283)	(9,011)	(8,730)
Foreign exchange gain (loss)	(1,785,956)	3,738,845	(798,670)	460,175
Discontinued operation	-	-	(389,809)	(190,372)
Net income (loss)	(5,387,345)	917,226	(10,775,579)	(3,054,961)
Per share – basic and diluted	(0.15)	0.03	(0.30)	(0.10)
Capital expenditures and acquisitions	883,762	7,392,044	6,685,379	2,169,323
Cash flows from (used in) operating activities	387,948	958,862	(2,079,184)	(4,220,307)
Operating				
Average daily production volumes (boe/d)				
Canada	353	233	457	29
United States	307	336	246	251
Average realized price ($/boe)	23.77	39.34	35.44	65.00
Operating netback ($/boe)[2]	7.38	16.87	15.71	22.67

SUMMARY OF QUARTERLY INFORMATION (Continued)

	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
($,except per share)				
Financial				
Total revenue	2,101,657	3,285,591	3,013,933	1,120,993
Adjusted funds flows used in operations(2)	(1,594,930)	(379,481)	(1,040,478)	(1,939,251)
Exploration and evaluation	-	-	-	(269,294)
Share-based compensation	(373,012)	(383,353)	(317,875)	(237,661)
Depletion and depreciation	(512,593)	(883,024)	(795,612)	(300,587)
Accretion of credit facilities and convertible debentures	(1,262,810)	(568,935)	(561,146)	(302,262)
Accretion of decommissioning liability	(10,898)	(11,336)	(10,594)	(4,543)
Foreign exchange gain (loss)	(856,475)	(891,002)	2,168,629	(541,257)
Discontinued operation	(20,250,048)	(92,547)	(1,996,982)	(65,872)
Net loss	(24,860,766)	(3,209,678)	(2,554,058)	(3,660,727)
Per share – basic and diluted	(1.13)	(0.15)	(0.12)	(0.26)
Capital expenditures and acquisitions	1,170,017	3,513,140	8,380,974	43,718,175
Cash flows from (used in) operating activities	372,119	200,566	284,841	(4,736,151)
Operating				
Average daily production volumes (boe/d)				
Canada	32	609	555	50
United States(1)	292	343	341	111
Average realized price ($/boe)	71.36	38.39	36.55	75.59
Operating netback ($/boe)(2)	24.31	15.01	15.95	40.70

Notes:
(1) Results contributed since the asset acquisitions in Wyoming, United States, on August 14, 2018, and October 5, 2018.
(2) See "Non–GAAP Measures".

SUBSEQUENT EVENTS

a) The convertible debentures and the accrued and unpaid interest thereon matured on July 21, 2020. On July 21, 2020, the Company notified the debenture holder that it was not in a position to honour the obligations under the convertible debentures security agreement. On July 22, 2020, the debenture holder provided the Company with a 20-day notice period as per the convertible debentures security agreement to proceed with the payment of the principal and accrued and unpaid interest to avoid a situation of default. On August 7, 2020, the Company requested a 30-day extension to the original 20-day notice period. On August 24, 2020, the debenture holder notified the Company that it would extend the notice period for 30 days to September 23, 2020 to avoid a situation of default.

b) On July 22, 2020, the Company received Notice from the operator that it is in default of its payment obligations under the UOA in respect of the outstanding joint interest billings. The Notice demands the Company pay the outstanding amounts in full within 30 days of the date of the letter. The Company has been unable to pay the outstanding amounts in the time period set out in the Notice and has requested that the operator extend the period of time to cure the UOA default. On August

26, 2020, the Company received notification from the operator that it has granted the Company a 60-day extension from July 22, 2020 to September 20, 2020 to cure the default.

c) On July 30, 2020, the Credit Facilities, related financing fees and accrued and unpaid interest matured. These amounts have not been repaid which constitutes an event of default under the loan agreement. No waiver has been obtained for the event of default; however, the Company is currently working with the Lender to amend key terms of the Credit Facilities, including the maturity date.

d) As a result of the event of default on the Credit Facilities described above, the maturity date on the promissory note, as further described in the "Capital Resources" section of this MD&A, is deemed to be July 30, 2020. However, the promissory note holder has provided a notice of waiver of the event of default and the terms associated with maturity date remain unchanged.

CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

There has been no significant change in the critical accounting judgements, estimates and assumptions underlying the accounting policies applied in the preparation of the Financial Statements of the Company since the year ended December 31, 2019. Please refer to Note 4 and Note 5 of audited consolidated financial statements for the year ended December 31, 2019, available under the Company's profile on the SEDAR website at www.sedar.com.

ADOPTION OF NEW ACCOUNTING POLICIES

Business Combinations

Effective January 1, 2020, the Company has adopted amendments defining a business from IFRS 3 – Business Combinations. The amendments are intended to provide additional guidance to determine if a transaction should be recorded as a business combination or an asset acquisition. The amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess if an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

To be considered a business under the amendments to IFRS 3, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The optional concentration test permits a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. An entity may elect to apply, or not apply, the test. An entity may make such an election separately for each transaction or other event.

No business combinations were transacted during the six months ended June 30, 2020.

Government Grants

The Company has applied IAS 20 effective for the six months ended June 30, 2020. The Company may receive government grants or assistance which provides financial assistance as compensation for costs or expenditures to be incurred. Government grants are accounted for when there is reasonable assurance that conditions attached to the grants are met and that the grants will be received. Grants that compensate the Company for expenses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses are recognized.

ADVISORIES

Non-GAAP Measures

This MD&A contains the terms "adjusted funds flows from (used in) operations", "adjusted funds flows from (used in) operations per share", "operating netback", and "working capital surplus (deficit)", which do not have standardized meanings prescribed by IFRS and therefore may not be comparable with the calculation of similar measures presented by other issuers.

- ***Adjusted funds flows from (used in) operations*** denotes cash flows from (used in) operating activities as it appears on the Company's consolidated statement of cash flows before decommissioning expenditures, if any, and changes in non-cash operating working capital.
- ***Adjusted funds flows from (used in) operations per share*** is calculated as adjusted funds flows from (used in) operations divided by the weighted average number of basic and diluted common shares outstanding.
- ***Operating netback*** denotes total revenue less royalty and production tax expenses, and operating and transportation costs calculated on a per boe basis. Management uses operating netback on a per boe basis in operational and capital allocation decisions.
- ***Working capital surplus (deficit)*** is calculated as current assets less current liabilities.

Forward–Looking Statements and Information

This MD&A contains forward-looking information. All statements other than statements of historical fact included in this MD&A are forward-looking statements that involve various risks and uncertainties and are based on forecasts of future operational or financial results, estimates of amounts not yet determinable and assumptions of management. Risk factors that could prevent forward looking statements from being realized include the nature and scope of public health restrictions, the availability of key personnel, market conditions, third party and regulatory approvals, ongoing permitting requirements, the actual results of current exploration and development activities, operational risks, risks associated with drilling and completions, uncertainty of geological and technical data, conclusions of economic evaluations and changes in project parameters as plans continue to be refined as well as future oil and gas prices. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company disclaims any intention and has no obligation or responsibility, except as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Risk Factors

For information regarding risks impacting the Company, please see "Risk Factors" included in the "Advisories" section at the end of the MD&A for the year ended December 31, 2019, available under the Company's profile on the SEDAR website at www.sedar.com.

GLOSSARY

AECO	Alberta Energy Company, a grade or heating content of natural gas used as benchmark pricing in Alberta, Canada
bbl	barrel
bbl/d	barrels per day
boe [(1)]	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
CAD or Cdn$	Canadian dollar
GAAP	generally accepted accounting principles
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
USD or US$	United States dollar
WTI	West Texas Intermediate, a grade of light sweet crude oil used as benchmark pricing in the United States

Note:

(1) COGI has adopted the standard of 6 Mcf:1 bbl when converting natural gas to boe. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of six Mcf per barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil, compared to natural gas is significantly different than the energy equivalency of the 6:1 conversion ratio, utilizing the 6:1 conversion ratio may be misleading as an indication of value.