CYPRESS HILLS RESOURCE CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

INTRODUCTION

This management discussion and analysis ("MD&A") of financial position and results of operations of Cypress Hills Resource Corp. (the "Company") is prepared as at March 24, 2020 and should be read in conjunction with the Company's audited consolidated financial statements and related notes as at and for the years ended December 31, 2019 and 2018, which were prepared in accordance with International Financial Reporting Standards ("IFRS").

All information presented in this MD&A is expressed in Canadian dollars unless otherwise indicated. Additional information relating to the Company's activities can be found on SEDAR at www.sedar.com.

COMPANY OVERVIEW

Cypress Hills Resource Corp. (the "Company" or "Cypress") is a junior Canadian oil and gas company holding minor interests in some producing and non-producing wells through a wholly-owned subsidiary. Without significant revenues and constrained by a lack of working capital, the Company has reduced the number of its oil and gas interests in 2018 and 2019 and is seeking to divest its remaining interests and related decommissioning liabilities with a longer-term objective of recapitalizing and finding new commercial activities that can avail of its status as a public entity. As a preliminary step to this restructuring, on June 16, 2017, the Company's shareholders approved a name change for the Company as well as a consolidation of its common shares on a basis of up to five pre-consolidation shares for one post-consolidation share. Although these items were approved by shareholders, their implementation is at the discretion of the Company's directors and, as of the date of this MD&A, they have not been implemented.

The Company's shares trade on the TSX-Venture Exchange's NEX board (the "NEX") under the symbol "CHY.H".

OIL AND GAS PROPERTIES

The Company has non-operating working interests, ranging from 2% to 10%, in oil and gas wells located in Alberta. As of the date of this MD&A, the Company earns negligible revenues from producing sites and others are shut-in or suspended from production. Consequently, the Company has impaired the full carrying value of its oil and gas properties, but it continues to report a liability for its portion of projected decommissioning of these sites.

During the year ended December 31, 2018, the Company issued notices of surrender for the majority of its remaining wellsite interests pursuant to the 1981 CAPL Operating Procedure which governs these interests, but the terms of the surrender were challenged by certain wellsite partners. As a result, the Company did not derecognize any related decommissioning liabilities in 2018. In 2019, the Company derecognized $495 of the decommissioning liability as a result of a surrender of one wellsite which was accepted by the operator of the well.

On certain wellsites which the Company has not surrendered, decommissioning work was performed by wellsite operators. The Company's portion of invoiced costs was $3,060 in 2019 and $28,748 in

2018. The extent of remaining decommissioning work required on these sites, if any, has not been confirmed by the operators and, as a result, these costs are included in accounts payable and accrued liabilities without any reduction in the carrying value of the Company's decommissioning liabilities.

SELECTED ANNUAL FINANCIAL INFORMATION

As at December 31,	**2019**	2018	2017
	$	$	$
Current and total assets	**8,017**	13,942	2,856
Current liabilities	**343,238**	277,913	170,838
Total liabilities	**380,119**	315,289	208,214
Shareholders' deficiency	**(372,102)**	(301,347)	(205,358)

For the Year Ended December 31,	**2019**	2018	2017
	$	$	$
Revenue			
Oil and gas sales	**319**	7,960	13,039
Operating and Administrative Expenses			
Administrative and office services	**62,487**	68,870	66,225
Operating expenses and royalties	**3,681**	4,745	20,315
Revaluation of decommissioning liabilities	**3,060**	28,748	4,227
Interest on shareholder loans	**2,341**	1,586	643
Accretion of decommissioning liabilities	**-**	-	328
Total operating and administrative expenses	**(71,569)**	(103,949)	(91,738)
Gain on disposal of assets and decommissioning liabilities	**495**	-	24,918
Net loss and comprehensive loss	**70,755**	95,989	53,781
Basic and diluted loss per share	**(0.01)**	(0.01)	(0.01)
Dividends per share	-	-	**-**

For the Year Ended December 31,	**2019**	2018	2017
	$	$	$
Cash Flows (Used in) From:			
Operating activities	**(36,100)**	(42,451)	(37,260)
Financing activities	**30,000**	53,500	30,000

General Trends

Withhout significant operating revenues the Company has relied on funding from shareholder loans which included $30,000, $53,500 and $30,000 in the years ended December 31, 2019, 2018 and 2017, respectively, to fund expenses incurred as a public company such as audit and legal fees, NEX listing and filing fees, and transfer agent fees. An additional $40,000 in shareholder loans was received in March 2020.

To preserve its cash, the Company has also withheld payments for accounting and corporate services provided by a related party which are being accrued in accounts payable and accrued liabilities. As a result of the growing balances for shareholder loans and accounts payable and accrued liabilities, there

has been an increase in current and total liabilities between December 31, 2017 and December 31, 2019.

2019 Compared with 2018

The Company reported a loss of $70,755 for the year ended December 31, 2019, compared with a $95,989 loss for 2018. The decreased loss is primarily attributed to a $25,688 reduction in expenses attributed to the Company for wellsite decommissioning which had not been previously accrued. Partially offsetting this expense decrease was a $7,641 decrease in oil and gas sales revenues in 2019 compared with 2018. This decrease is owing to a reduction in production as wellsites become decommissioned or the Company no longer recognizing revenues on wellsites which it has surrendered. Other expenses in the year ended December 31, 2019 were comparabale with those in 2018 and included charges for recurring audit, legal, accounting, corporate and other services incurred as a public company.

2018 Compared with 2017

The Company's net loss for the year ended December 31, 2018 was $95,989, an increase from $53,781 for 2017. The increase was primarily the result of a $28,748 expense in 2018 for the revaluation of decommissioning liabilities based on actual costs for the abandonment of certain wellsites that were higher than those previously accrued. Additionally, the Company recognized a one-time $24,918 gain on the derecognition of certain decommissioning liabilities in 2017 as a result of the surrender of the underlying well interests. Other expenses in the year ended December 31, 2018 were comparabale with those in 2017 and included charges for recurring audit, legal, accounting, corporate and other services incurred as a public company.

FINANCIAL CONDITION AND CAPITAL RESOURCES

As at December 31, 2019, the Company had a working capital deficit of $335,221, compared with a working capital deficit of $263,971 at December 31, 2018. The increase in working capital deficit in 2019 is owing to expenditures and accruals for general and administrative expenses, such as audit and legal fees, transfer agent and exchange filing fees, and other accounting and office costs which have been funded by shareholder loans or which have not been paid and are included in accounts payable and accrued liabilities.

The Company does not have sufficient liquidity as at December 31, 2019 to maintain its existing operations over the next 12 months. Subsequent to December 31, 2019, the Company raised an additional $40,000 from loans made by certain shareholders, but the Company will require further funding to pay existing liabilities, maintain its status as a public entity, and to pursue new commercial activities. While the Company has been able to raise funds in the past, there is no assurance it will be able to do so in the future.

SUMMARY OF QUARTERLY RESULTS

Quarterly Financial Information:	Revenue	Operating and Administrative Expenses	Net Loss	Basic & Diluted Loss per Share
	$	$	$	$
Q4 – December 31, 2019	136	27,650	(27,019)	(0.00)
Q3 – September 30, 2019	50	18,081	(18,031)	(0.00)
Q2 – June 30, 2019	63	10,699	(10,636)	(0.00)
Q1 – March 31, 2019	70	15,139	(15,069)	(0.00)
Q4 – December 31, 2018	(4,283)	53,725	(57,558)	(0.00)
Q3 – September 30, 2018	4,793	11,227	(6,434)	(0.00)
Q2 – June 30, 2018	3,324	25,424	(22,100)	(0.00)
Q1 – March 31, 2018	4,126	14,023	(9,897)	(0.00)

With few producing wells, the Company's quarterly oil and gas revenues are nominal and are consistent from period to period. Although the surrenders have been challenged by wellsite partners, the Company does not recognize revenues from wells surrendered in 2018, resulting in lower revenues in 2019. Additionally, in the quarter ended December 31, 2018, the Company recorded a reversal of $4,283 in revenues accrued in prior periods to reflect actual revenues.

Operating and administrative expenses include charges for audit and legal fees, stock exchange listing and filings, transfer agent services and management services, as well as direct oil and gas operating costs and royalties. These expenses are typically incurred evenly throughout the year except for audit costs, which are recorded in the fourth quarter and fees incurred in connection with the Company's annual general meeting, which are typically incurred in the second or third quarters. In the quarter ended December 31, 2018, the Company also included a $28,748 expense for for the revaluation of decommissioning liabilities based on actual costs for the abandonment of certain wellsites that were higher than those previously accrued.

FOURTH QUARTER 2019 RESULTS

The Company reported a net loss of $27,650 for the three months ended December 31, 2019 compared with a net loss of $57,558 for the comparable period in 2018. The higher net loss in the quarter ended December 31, 2018 is primarily the result of a $28,748 expense for for the revaluation of decommissioning liabilities. Routine expenses for the Company's year-end audit, accounting, corporate, exchange listing and transfer agent services were consistent between both periods.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

The Company is party to a corporate service agreement with Earlston Management Corp. ("Earlston"), a company related by virtue of providing management services to the Company, pursuant to which Earlston charges a monthly fee of $1,500 for corporate, accounting and administrative services. For the year ended December 31, 2019, an expense for administrative and office services includes $18,000 (2018 - $18,000) of such costs. As at December 31, 2019, $80,134 (December 31, 2018 - $59,257) was owing to Earlston and is included in accounts payable and accrued liabilities.

Administrative and office services expenses for the year ended December 31, 2019 includes $nil (2018 - $4,210) for legal services provided by law firms connected to a director of the Company.

As at December 31, 2019, the Company had $128,070 (December 31, 2018 - $95,729) in loans payable to Ted Fostey and Brian Bayley, two directors of the Company. The loans accrue interest at a rate of 2% per annum, are due on demand and may be repaid at any time by the Company. For the year ended December 31, 2019, an expense of $2,341 (2018 – $1,586) has been recognized for interest accrued on these loans.

Accounts payable as at December 31, 2019 includes $4,378 (December 31, 2018 - $3,041) owing to Mr. Fostey for general and administrative expenses paid by him on behalf of the Company.

RECENT CHANGES TO ACCOUNTING POLICIES

The following new accounting standard became effective during the year ended December 31, 2019:

i) IFRS 16, Leases

Effective January 1, 2019, IFRS 16, Leases replaced IAS 17, Leases. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as was required by IAS 17 and, instead, introduces a single lessee accounting model. Lessors continue to classify leases as operating leases or finance leases, and account for those two types of leases differently. The application of IFRS 16 did not have a significant impact on the Company's accounting policies or financial statement presentation.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND MEASUREMENT UNCERTAINTY

The Company's accounting policies are discussed in detail in Note 3 of its audited consolidated financial statements as at and for the year ended December 31, 2019. These policies have been applied consistently to all periods presented in these financial statements.

Those accounting policies and estimates that management deems most significant and subject to judgment and measurement uncertainty are summarized as follows:

Financial instruments

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value along with, in the case of a financial asset or liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit and loss.

The Company classifies its financial assets and financial liabilities in the following measurement categories:

i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
ii) those to be measured at amortized cost.

Financial assets

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income.

The Company has classified its financial assets as follows:

- Cash is measured at fair value with changes to fair value subsequent to initial recognition being recorded in profit or loss for the period in which they occur.
- Amounts receivable are measured at amortized cost using the effective interest rate method. Interest income, where material, is recorded in profit or loss.

Impairment of financial assets

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The Company has not recognized any impairment losses on its amounts receivable.

Financial liabilities

Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). Any fair value changes due to credit risk for liabilities designated at fair value through profit and loss are recorded in other comprehensive income.

The Company’s financial liabilities include accounts payable, accrued liabilities and shareholder loans, all of which are measured at amortized cost using the effective interest rate method. Interest expense, where material, is recorded in profit or loss.

The Company derecognizes a financial liability when the liability is extinguished by way of discharge, cancellation or expiry.

Impairment of property, plant and equipment

If indicators exist that suggest that property, plant and equipment may be impaired, an impairment test is carried out in which the carrying amounts of those assets are written down to their recoverable amount, which is the higher of fair value less costs to sell ("FVLCS") and value-in-use ("VIU"). For the purpose of the impairment test, items of property, plant and equipment are grouped together into the smallest group of assets (the "cash-generating unit" or "CGU"), which generate cash flows from continuing use that are largely independent of the cash flows of other assets or groups of assets. VIU is determined by estimating the discounted future cash flows expected to be derived from continuing use of the assets. In determining FVLCS, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used which may use indicators such as valuation multiples to determine fair value.

Estimates of future cash flows used in the evaluation of impairment of assets are made using forecasts of commodity prices, market supply and demand, product margins and, in the case of property, plant and equipment, expected reserves volumes. The cash flows used in the impairment test are generally derived from the information contained in the reserve reports, which are prepared annually by independent qualified reserve evaluators and management's assumptions based on past experience.

Impairment losses are recognized in profit or loss in the period in which they occur. Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset that would have been determined, net of depletion, depreciation and amortization, if no impairment loss had been recognized. Such reversal is recognized in profit or loss in the period such a reversal occurs.

Decommissioning liabilities

The Company recognizes a decommissioning liability for abandoning oil and gas wells, related facilities, removal of equipment from leased acreage and for returning such land to its original condition, in the period a well or related asset is drilled, constructed or acquired. The decommissioning liability is estimated at the present value of the estimated expected future cash outflows, discounted using a risk–free interest rate. The discounted liability is initially capitalized as part of the carrying amount of the related property, plant and equipment and a corresponding liability is recognized.

Subsequent to initial recognition, the liability is reviewed regularly by management, based upon current regulations, costs, technologies and industry standards, as well as for changes in the risk-free rate. The effects of changes resulting from revisions to the timing, discount rates or the amount of the original estimate of the provision are reflected on a prospective basis, generally by adjustment to the carrying amount of the related property, plant and equipment. The accretion of the liability is recorded as an expense and actual abandonment and reclamation expenditures are charged to the accumulated liability as incurred and liabilities related to properties disposed are removed.

The amount of the capitalized decommissioning liability is depleted and depreciated on the same basis as the other capitalized property, plant and equipment.

The Company's provision for decommissioning liabilities requires management to estimate the timing and amount of cash flows required to reclaim its property, plant and equipment. These cash flows are based on management assumptions for oil and gas reserves and production, which determine the timing of reclamation expenditures, as well as expectations for the future costs and legal or constructive requirements for environmental reclamation.

Changes to either the timing or amount of the cash flows required for decommissioning, or to the discount rate used to record the present value of these cash flows, are considered prospectively. Such changes could increase or decrease the decommissioning liabilities reported by the Company, and will ultimately result in changes to the total expense for environmental reclamation.

Taxation

Tax provisions are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgment as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in income in the period in which the change occurs.

Deferred tax assets or liabilities arising from temporary differences between the tax and accounting values of assets and liabilities, are recorded based on tax rates expected to be enacted when these differences are reversed. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recovered. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as in the amounts recognized in income in the period in which the change occurs.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in income both in the period of change, which would include any impact on cumulative provisions, and in future periods.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Carrying values and estimated fair values of financial assets and liabilities

As at December 31, 2019, the Company's financial instruments comprise cash, accounts receivable, accounts payable and accrued liabilities and shareholder loans. With the exception of cash, all financial instruments held by the Company are measured at amortized cost, using the effective interest rate method. The fair values of these financial instruments approximate their carrying value due to their short-term maturities.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial liabilities as they fall due. All financial liabilities owed by the Company are payable on demand. The Company will not be able to meet its financial liabilities unless additional debt or equity financing is obtained. As a result,

there is a material uncertainty which casts significant doubt as to the Company's ability to continue as a going concern.

Other financial instrument risks

As at December 31, 2019, the Company does not have significant financial instrument balances, other than financial liabilities discussed under "liquidity risk", herein. Further, the Company has no financial instruments denominated in foreign currencies or whose carrying values or anticipated cash flows fluctuate with changes to commodity prices or interest rates.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at the date of the MD&A, there were 9,961,965 common shares outstanding. The Company has no stock options, warrants or other instruments convertible into common shares at this date.

RISKS AND UNCERTAINTIES

The actual future amount and timing of cash outflows required to settle the Company's eventual decommissioning liabilities will depend on a number of factors such as regulatory requirements, contractor pricing, technical factors, the success of revegetation, the willingness of well operators and other working interest partners to conduct the work and the Company's own financial position. The timing and amount of cash outflows may differ from those used to determine the decommissioning liabilities reported as at December 31, 2019.

As the Company does not earn sufficient income from its oil and gas operations to maintain its current operations or to pursue new commercial activies, it is reliant on equity and debt financings to continue as a going concern. While the Company has been able to raise funds in the past, there is no assurance it will be able to do so in the future.

FORWARD LOOKING STATEMENTS

Certain statements contained in this MD&A, and other reports and filings made with the securities regulatory authorities constitute forward-looking statements.

All forward-looking statements are based on the Company's beliefs and assumptions, which are based on information available at the time the assumptions were made. Forward-looking statements relate to, among other things, anticipated financial performance, business prospects, strategies, regulatory developments, new services, market forces, commitments and technological developments. In particular, this MD&A contains forward-looking statements pertaining to: expectations for the timing and costs associated with the Company's decommissioning liabilities; its operating intentions for its existing oil and gas interests and its intention to acquire new commercial assets or activities; and its liquidity and ability to raise the additional financing required to remain a going concern. Actual results could differ materially from those anticipated in these forward-looking statements as a result of various risk factors, which include, but are not limited to the following and others that may be set forth elsewhere in this MD&A: errors in estimating the timing, value or scope of decommissioning activities; the Company's financial and operational ability to identify, acquire and profitably operate commercial assets or activities; and the functioning of capital markets and the Company's ability to raise additional financing.

The forward-looking statements contained herein are are subject to change after the date of the MD&A. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on the forward-looking statements.