

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 29, 2008

Following is management's discussion and analysis (MD&A) of the results of operations for Kroes Energy Inc. ("Kroes") for the year ended December 31, 2007 and its financial position as at December 31, 2007. The MD&A should be read in conjunction with the Audited Consolidated Financial Statements and the related consolidated notes thereto. For additional information and details, readers are referred to the quarterly financial statements and quarterly MD&A for 2007 and the Company's Annual Information Form (AIF), all of which are published separately and are available at www.sedar.com.

This MD&A is intended to provide readers with the information that management believes is required to gain an understanding of Kroes current results and to assess the Company's future prospects. Accordingly, certain sections of this report contain forward-looking statements that are based on current plans and expectations. These forward-looking statements are affected by risks and uncertainties that are discussed in this document, as well as in the AIF, and that could have a material impact on future prospects. Readers are cautioned that actual events and results will vary.

Use of BOE Equivalent

The oil and natural gas industry commonly expresses production volumes and reserves on a barrel of oil equivalent ("boe") basis whereby natural gas volumes are converted at the ratio of six thousand cubic feet to one barrel of oil. The intention is to sum oil and natural gas measurements units into one basis for improved measurement of results and comparisons with other industry participants. We use the 6:1 boe measure which is the approximate energy equivalency of the two commodities at the burner tip. However, boe does not represent a value equivalency at the plant gate where we sell our production volumes and therefore may be a misleading measure if used in isolation.

Overview

Kroes is an independent, public company actively engaged in the exploration, development and production of petroleum and natural gas in Canada. In 2007, Kroes' continued its western Canada program to explore and develop shallow gas prospects on landholdings in a concentrated area of central Alberta.

On March 28, 2007, the Company entered into an agreement with Shelton Canada Corp. ("Shelton") whereby Shelton acquired 100% of the issued and outstanding shares of Kroes' wholly owned subsidiary Zhoda 2001 Corporation ("Zhoda"). Zhoda's only operating asset is a 45% interest in Kashtan Petroleum Ltd. a joint venture oilfield exploitation and development project in Ukraine. This transaction closed on August 1, 2007. In consideration for this acquisition, Shelton paid to the Company a total of \$3,529,252 as follows: (a) \$1,000,000 paid by cash; (b) \$2,099,252 by issuance of 6,997,507 common shares of Shelton valued at \$0.30 per share; and (c) \$430,000 by way of transfer of Shelton's only remaining western Canadian oil and gas interests.

On January 12, 2008 the Company sold its Trinidad property for US \$250,000.

The Company's financial statements are presented on a discontinued operations basis whereby financial information for Ukraine and Trinidad operations are shown separately from the continuing business.

The following table summarizes the Company's financial results for the years 2007 and 2006.

	2007	2006
Cash flow from continuing operations	(\$165,810)	(\$744,609)
Per share - Basic	(\$0.005)	(\$0.022)
- Diluted	(\$0.005)	(\$0.022)
Net loss from continuing operations	(\$710,318)	(\$970,414)
Per share - Basic	(\$0.020)	(\$0.028)
- Diluted	(\$0.020)	(\$0.028)
Net earnings (loss)	(\$4,092,260)	\$150,745
Per share - Basic	(\$0.113)	\$0.004
- Fully Diluted	(\$0.113)	\$0.004
Weighted average shares outstanding		
- Basic	36,233,488	34,067,152
- Fully Diluted	36,233,488	34,209,763

Cash flow as commonly used in the oil and gas industry represents net earnings before depletion and depreciation, asset retirement expenses and other non-cash expenses.

Consolidated cash flow from continuing operations for 2007 was a negative \$165,810 compared to a negative \$744,609 in 2006. Revenues generated in Canada increased from \$8,768 in 2006 to \$725,460 in 2007 as the western Canada shallow gas drilling program matured. This resulted in operating costs and royalties increasing as well, however net operating revenues increased to \$373,329 in 2007 compared with \$902 in 2006 all as a result of the new gas wells coming on production. Administrative costs fell in 2007 compared to 2006 as a result of the sale of Zhoda. On a basic weighted average outstanding share basis, cash flow from continuing operations improved to (\$0.005) in 2007 from (\$0.022) in 2006.

After the deduction of depletion and depreciation, asset retirement expenses, foreign exchange losses, and income taxes, net earnings from continuing operations in 2007 increased to a negative \$710,318 from a negative \$970,414 in 2006.

Revenue & Production

Oil and gas revenue from continuing operations increased to \$725,460 in 2007 from \$8,768 in 2006 reflecting increased production from the western Canada shallow gas program. The average price for natural gas increased slightly to \$6.48 per mcf in 2007 from \$6.43 per mcf in 2006. The table below sets out the relevant variables for Kroes' oil and gas production for continuing operations.

	2007	2006
P&NG Revenue		
Oil	\$21,067	\$ -
Natural gas	<u>\$704,393</u>	<u>\$8,768</u>
	\$725,460	\$8,768
Liquids Production Volumes		
Annual average (Bbls per day)	1	-
Exit – Month of December (Bbls per day)	1	-
Natural Gas Production Volumes		
Annual average (Mcf per day)	317	4
Exit – Month of December (Mcf per day)	587	8
Barrels of oil equivalent per day		
Annual average	54	1
Exit – Month of December	99	1
Average price per barrel	\$74.71	-
Average price per Mcf	\$6.48	\$6.43

Royalties

In 2007, royalties increased to \$160,364 from \$1,556 in 2006 reflecting increased production. The average royalty rate in 2007 was 22% as compared with 18% in 2006.

Operating Expenses

Operating costs from continuing operations in 2007 totalled \$191,767 compared with costs of \$6,310 in 2006. This is made up of lifting costs of \$159,404 and transportation costs of \$32,363 (\$5,915 and \$395 respectively in 2006). This reflects a full year of natural gas production in Canada in 2007 whereas in 2006 the shallow gas program was just getting started. Operating costs in 2007 were \$10.42 per boe.

Administrative Expenses

General and administrative expenses from continuing operations declined to \$583,551 in 2007 from \$762,312 in 2006. An analysis is contained in the following table.

	2007	2006
Administration & Management Fees	\$116,030	\$238,393
Audit Fee	144,395	114,140
Accounting	81,132	58,000
Legal	18,374	33,963
Trustee & Listing Fees	18,982	15,906
Compliance costs	16,500	-
Investor Relations & Shareholders Communications	8,589	67,819
Consultant Fees & Expenses	69,860	77,625
Insurance	16,552	16,550
Office Rent	56,106	56,678
Travel	5,401	14,710
Repairs and maintenance	195	235
Other	31,435	68,293
	\$583,551	\$762,312

Administration and management fees declined by \$178,761 to \$583,551 (2006 - \$762,312). This decline is a result of a significant reduction in management fees in Canada in 2007. Audit and accounting costs were all higher in 2007 reflecting the additional work relating to the sale of Zhoda. Additional costs were incurred with compliance assistance in 2007. Consultant's fees decreased from \$77,625 in 2006 to \$69,860 in 2007 reflecting the termination of consulting work in Ukraine.

Stock Based Compensation

The Company records compensation expense for stock options granted to directors, officers and employees using the fair value method. Fair values are determined using the Black-Scholes option pricing model. Compensation costs are recognized over the vesting period of the stock options. In 2007, stock based compensation expenses of \$122,937 were charged against earnings as compared to \$210,520 in 2006. In 2007, options totaling 1,760,000 were issued with vesting occurring equally over 3 years.

Loss on value of investments

On closing the sale of Zhoda on August 1, 2007 the Company received 6,997,507 shares of Shelton as a partial payment. At the time Shelton shares were valued at a discounted price of \$0.30 per share putting a value on the shares of \$2,099,252. On August 22, 2007, when the Shelton shares were distributed to Kroes shareholders and using a market price of \$0.28, a distribution value of \$1,959,302 was determined. The resulting loss was \$139,950 and was charged to earnings.

Accretion of Retirement Obligations

In 2004, the Company adopted the Canadian accounting standard as outlined in CICA Handbook section 3110, "Asset Retirement Obligations". The Company previously estimated costs of site restoration and abandonment and recognized them in earnings on a unit-of-production basis with a

corresponding liability on the balance sheet. Under the new standards, the future cost of abandonments and site restoration are discounted, capitalized and amortized on a unit of production basis against earnings. The accretion of discount of these future abandonment costs is calculated every year and is charged to earnings. In 2007, accretion costs associated with continuing operations increased to \$1,526 from nil in 2006 as operations in Canada were just getting under way in 2006.

Depletion and Depreciation

In 2007, depletion and depreciation costs (including accretion costs) increased to \$438,027 from \$15,285 in 2006. This increase is due to the increased capital expenditures in Canada in 2007 as well as increased gas production. Capital property additions were \$1,753,395 in 2007 compared to \$550,970 in 2006. In 2007 capital expenditures of \$506,446 were excluded from the depletion calculation as these costs were deemed to be associated with undeveloped properties which did not have reserves associated with them. Future capital expenditures of \$78,000 (2006 - \$nil), as estimated by independent engineers, relating to the development of proved reserves have been included in costs subject to depletion.

Netbacks

In 2007, the average field operating netback from continuing operations was \$3.38 per mcf compared to \$0.66 in 2006 due to a significant reduction in operating costs.

The table below sets out the consolidated corporate cash flow netbacks for continuing operations for 2007 and 2006.

	2007	2006
	<i>\$/Mcf*</i>	<i>\$/Mcf*</i>
Oil and natural gas sales	\$6.57	\$6.43
Royalties	(1.45)	(1.14)
Operating expenses	(1.74)	(4.63)
Field operating netback	3.38	0.66
General and administrative	(5.28)	N/R**
Other	.40	N/R**
Corporate netback	(\$1.50)	N/R**

* Liquids production converted to mcf at 6 mcf to 1 boe.

** Not relevant as costs include general and administrative costs that relate to discontinued operations in Ukraine.

Income Tax Provision(Recovery)

A provision for income tax recovery from continuing operations of \$156,406 has been recorded in 2007. This relates to the future tax liability for capital expenditures renounced in 2006 and 2007 as a result of flow through shares that were issued in 2006. Non-capital loss carry forwards are estimated to be \$2,074,358 in Canada as of December 31, 2007 (2006 - \$2,582,005).

Capital Additions

In 2007 capital additions increased to \$1,783,269 from \$557,299 in 2006 reflecting increased operations in western Canada as well as \$430,000 for properties received from Shelton and \$29,874 attributed to site restoration assets. Cash outlays for capital expenditures in 2007 were \$1,323,395 as compared to \$554,437 in 2006.

	2007	2006
P&NG Properties		
Land Acquisitions	\$508,419	\$87,500
Shelton Properties	430,000	-
Geological & Seismic	228,689	137,200
Exploration Drilling	400,387	228,545
Recompletions & Workovers	1,719	-
Product & Gathering Equipment	184,181	97,725
	<u>\$1,753,395</u>	<u>\$550,970</u>
Site Restoration Assets	29,874	2,862
Office Furniture & Equipment	-	3,467
Total Capital Additions	<u>\$1,783,269</u>	<u>\$557,299</u>

Liquidity and Capital Resources

The Company's operating and investing activities in 2007 were financed by cash flow, and the cash proceeds from the sale of Zhoda.

On December 31, 2007, the Company had cash on hand of \$1,157,350, up from \$892,179 in 2006. This amount includes \$5,091 with respect to discontinued operations in Trinidad. The 2006 cash balance includes the discontinued operations of Zhoda. The increase in 2007 is the result of the cash received on the sale of Zhoda.

Quarterly Information

The following table sets forth certain quarterly financial information for the continuing operations of the Company for the eight most recent quarters.

	Q1	Q2	Q3	Q4	Total
2007					
Financial					
Oil and gas gross revenue	\$144,366	\$126,432	\$113,724	\$340,938	\$725,460
Royalties	\$36,421	\$32,167	\$24,842	\$66,934	\$160,364
Operating costs	\$36,224	\$30,721	\$35,494	\$89,328	\$191,767
Cash flow from continuing operations	(\$16,754)	\$131,735	(\$43,518)	(\$237,273)	(\$165,810)
\$ per weighted share outstanding and fully diluted	(\$0.000)	\$0.004	(\$0.001)	(\$0.007)	(\$0.005)
Net income (loss) from continuing operations	(\$125,537)	\$30,363	(\$280,523)	(\$334,621)	(\$710,318)
\$ per weighted share outstanding and fully diluted	(\$0.003)	\$0.001	(\$0.008)	(\$0.010)	(\$0.020)
Weighted average shares outstanding (MM)	36.2	36.2	36.2	36.2	36.2
Operating					
Liquids production (Bbl/d)	-	-	1	2	1
Natural gas (Mcf/d)	222	204	227	613	317
Liquids price \$/bbl - Canada	-	-	\$73.26	\$76.13	\$74.71
Natural gas price \$/mcf - Canada	\$7.80	\$7.30	\$5.33	\$6.16	\$6.48
2006					
Financial					
Oil and gas gross revenue	\$-	\$-	\$2,267	\$6,501	\$8,768
Royalties	\$-	\$-	\$383	\$1,173	\$1,556
Operating costs	\$-	\$-	\$2,276	\$4,034	\$6,310
Cash flow from continuing operations	(\$160,763)	(\$219,987)	(\$148,555)	(\$215,304)	(\$744,609)
\$ per weighted share outstanding and fully diluted	(\$0.005)	(\$0.007)	(\$0.004)	(\$0.006)	\$0.022
Net income (loss) from continuing operations	(\$228,502)	(\$258,129)	(\$202,994)	(\$280,789)	(\$970,414)
\$ per weighted share outstanding and fully diluted	(\$0.007)	(\$0.008)	(\$0.005)	(\$0.008)	(\$0.028)
Weighted average shares outstanding (MM)	32.9	33.1	36.0	36.1	34.2
Operating					
Liquids production (Bbl/d)	-	-	-	-	-
Natural gas (Mcf/d)	-	-	4	10	4
Natural gas price \$/Mcf - Canada	-	-	\$5.60	\$7.14	\$6.43

Five Year Summary

The following table sets forth certain financial information of the Company for the last five years.

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
			(Restated)	(Restated)	(Restated)
Income Statement					
Oil and natural gas sales	\$725,460	\$8,768	\$-	\$-	\$560,321
Royalties	(160,364)	(1,556)	-	-	(31,399)
Oil and natural gas net revenue	565,096	7,212	-	-	528,922
Operating expenses	(191,767)	(6,310)	-	(294)	(341,186)
General & administrative expenses	(583,551)	(762,312)	(727,083)	(685,918)	(362,346)
Stock-based compensation	(122,937)	(210,520)	(166,408)	(38,149)	(217,307)
Foreign exchange losses(gains)	-	-	-	(481)	-
Depletion and other provisions	(438,027)	(15,285)	(4,556)	(3,788)	(2,231)
Other Items	60,868	16,801	18,767	25,695	375,411
Net (loss) income from continuing operations	(710,318)	(970,414)	(879,280)	(702,935)	(18,737)
Discontinued operations	(3,381,942)	\$1,121,159	\$1,685,694	\$1,459,769	\$1,037,853
Net (loss) income	(4,092,260)	\$150,745	\$806,414	\$756,834	\$1,019,116
Net (loss) income from continuing operations \$ per weighted share outstanding and fully diluted	(\$0.020)	(\$0.028)	(\$0.026)	(\$0.022)	(\$0.001)
Net (loss) income \$ per weighted share outstanding and fully diluted	(\$0.113)	\$0.004	\$0.024	\$0.023	\$0.037

Balance Sheet

Current assets of continuing operations	\$1,281,656	\$398,724	\$499,873	\$1,136,759	\$621,809
Properties and equipment of continuing operations - net	1,907,645	562,404	20,389	24,945	14,995
Assets of discontinued operations	316,661	9,053,539	7,667,638	5,025,637	4,172,909
Identifiable assets	<u>\$3,505,962</u>	<u>\$10,014,667</u>	<u>\$8,187,900</u>	<u>\$6,987,341</u>	<u>\$4,809,713</u>
Current liabilities of continuing operations	\$149,703	\$154,196	\$141,927	\$112,011	\$128,473
Asset retirement obligations of continuing operations	32,736	2,862	-	-	-
Liabilities of discontinued operations	45,221	1,260,600	915,634	540,900	142,607
Equity	3,278,302	8,597,009	7,130,339	6,334,430	4,538,633
Total liabilities and equity	<u>\$3,505,962</u>	<u>\$10,014,667</u>	<u>\$8,187,900</u>	<u>\$6,987,341</u>	<u>\$4,809,713</u>

Common Shares Outstanding - December 31,

Outstanding	36,233,488	34,067,152	32,231,336	31,125,607	27,352,712
Fully diluted	36,233,488	34,209,763	33,383,069	32,352,054	27,824,193

Production Data:

Liquids (Bbls)	282	-	-	-	10,745
Natural gas(Mcf)	115,868	1,363	-	-	14,571
Produced daily average (Boes/day)	54	4	-	-	36
Natural gas price \$/Mcf -	\$6.48	\$6.43	\$-	\$-	\$6.62
Liquid price \$/Mcf -	\$74.71	\$-	\$-	\$-	\$43.17

Additional Disclosures

Internal Controls over Financial Reporting

For the year ended December 31, 2007, Kroes' Chief Executive Officer and acting Chief Financial Officer have reviewed Kroes internal controls over financial reporting ("ICFR") to a standard which provides reasonable assurance of the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the generally accepted accounting principles utilized by Kroes. The officers have evaluated the design of our ICFR as of the end of the period covered by the annual filings, and have concluded the design to be sufficient to provide such reasonable assurance. Although management has reached this conclusion, we have identified certain weaknesses in ICFR. These weaknesses essentially arise because of the small size of the Company and its accounting staff. The small size of the Company gives rise to an inability to achieve a standard of segregation of accounting and related duties which would be ideal under established ICFR standards, and to a high risk of management's ability to override controls and procedures. We have attempted to mitigate these risks arising from these weaknesses, through a combination of extensive and detailed review by the CEO of the financial reports, review and approval of all financial information by the Audit Committee and the Board of Directors jointly, the integrity and reputation of senior financial and accounting personnel and the candid discussion of these risks with our external advisors.

Accounting Estimates and Critical Accounting Policies

Accounting estimates require Management to make assumptions regarding matters that are uncertain at the time the estimate is made and may have a material impact on the financial condition of the Company. A comprehensive discussion of Kroes' significant accounting policies and estimates may be found in Note 2 to the consolidated financial statements.

Oil and Gas Reserves

The independent petroleum engineering and geological consulting firm of Fekete Associates Inc. evaluated and reported on Kroes' western Canada gas reserves in 2007.

The estimation of reserves is a subjective process. Forecasts are based on engineering data, projected future rates of production, and the timing of future expenditures, all of which are subject to numerous uncertainties and various interpretations. The Company expects that its estimates of reserves will change with updated information from the results of future drilling, testing, or production levels. Such revisions could be upwards or downwards. Reserve estimates have a material impact on the depletion and depreciation, asset retirement obligations, and impairment costs, all of which could possibly have a material impact on consolidated net earnings.

Capitalized costs and estimated future expenditures to develop proved reserves, including abandonment costs, are depleted based on the proportion of estimated proved oil and natural gas reserves during the year compared to total proved reserves. Investments in unproved properties and major development projects are not amortized until proved reserves associated with the projects can be determined or until impairment occurs. If it is determined that properties are impaired, the amount of the impairment is added to the capitalized costs to be amortized.

Impairment

In applying the full cost method of accounting, Kroes periodically calculates a ceiling or limitation on the amount that property and equipment may be carried for on the consolidated balance sheets. An impairment exists if the undiscounted future net cash flows from proved reserves at future commodity prices plus the cost of undeveloped properties is less than the carrying value of the capitalized costs. As at December 31, 2007 the ceiling amount calculated was \$213 thousand in excess of the carrying value of the costs capitalized.

If an impairment is found to exist, the impaired properties are written down to their fair value. The fair value of the assets is calculated based on future net cash flows from proved plus probable reserves, discounted at a risk free interest rate using future commodity prices, plus the cost of undeveloped properties. An impairment may result in a material loss for a particular period; however, future depletion and depreciation expense would be reduced as a result.

Assumptions about reserves and future prices are required to calculate future net cash flows. The assumptions made to estimate reserves have been discussed above. There is significant uncertainty regarding forecasting future commodity prices due to economic and political uncertainties. Future prices are derived from a consensus of price forecasts among recognized reserve evaluators. Estimates of future cash flows assume a long term price forecast and current operating costs per boe plus an inflation factor.

Asset Retirement Obligation

The Company recognizes the fair value of estimated asset retirement obligations on the consolidated balance sheet when a reasonable estimate of fair value can be made. Asset retirement obligations include those legal obligations where the Company will be required to retire tangible long term assets such as well sites, pipelines, and facilities. The asset retirement cost, equal to the initially estimated fair value of the asset retirement obligation, is capitalized as part of the cost of the related long term assets. Increases in the asset retirement obligations resulting from the passage of time are recorded as accretion of asset retirement obligations in the consolidated statement of earnings. Amounts recorded for asset retirement obligations are subject to uncertainty associated with the method, timing, and extent of future retirement activities. Actual payments to settle the obligations may differ from estimated amounts.

Recent Accounting Pronouncements

The Company has assessed new and revised accounting pronouncements that have been issued that are not yet effective and determined that the following may have an impact on the Company:

- As of January 1, 2008, the Company will be required to adopt the CICA Handbook Section 3031, "Inventories", which will replace the existing inventories standard. The new standard requires inventories to be valued on a first-in, first-out or weighted average basis, which is consistent with the Company's current treatment. The adoption of this standard should not have a material impact on the Company's financial statements.
- As of January 1, 2008, the Company will be required to adopt two new CICA Standards, Section 3862, "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation" which will replace Section 3861, Financial Instruments – Disclosure and Presentation". The new disclosure standard will increase the Company's

disclosure regarding the risks associated with financial instruments and how those risks are managed.

- As of January 1, 2008, the Company will be required to adopt CICA, Section 1535, “Capital Disclosures” which will require the Company to disclose its objectives, policies and processes for managing capital.
- “As of January 1, 2008, the Company will be required to adopt CICA, amended Section 1400, “General Standards of Financial statement Presentation” which requires assessing and disclosing the Company’s ability to continue as a going concern.
- “On January 10, 2006, the CICA Accounting Standards Board (“AcSB”) ratified a new strategic plan that would see the convergence of Canadian Generally Accepted Accounting Principles (“GAAP”) with International Financial reporting Standards (“IFRS”) within 5 years. In March 2007, the AsCB released an “Implementation Plan for Incorporating IFRS into Canadian GAAP”, which assumed a convergence date of January 1, 2011. The AsCB confirmed this date in February 2008. The Company continues to monitor and assess the consequences of the convergence on the financial statements as they could have a material impact.

Changes in accounting policy

On January 1, 2007, the Company adopted the CICA Handbook Section 1530, “Comprehensive Income”, Section 3251, “Equity”, Section 3861, “Financial Instruments – Disclosure and Presentation”, Section 3855, “Financial Instruments –Recognition and Measurement”, and Section 3865, “Hedges”. As required by the new standard, prior periods have not been restated, except to reclassify the foreign currency translation adjustment balances as Accumulated Other Comprehensive Income (“AOCI”).

The adoption of these standards has had no material impact on the Company’s net earnings or cash flows. The other effects of the implementation of the new standards are discussed below:

Comprehensive Income

The new standards introduce comprehensive income, which consists of net earnings and OCI. The Company’s financial statements now include a Statement of Comprehensive Loss, which includes the components of other comprehensive income (loss). OCI is currently comprised of the changes in the foreign currency translation adjustment balance.

The cumulative changes in OCI are included in AOCI, which is presented as a new category within shareholder’s equity in the Balance Sheet. The accumulated foreign currency translation adjustment, formerly presented as a separate category within shareholders equity, is now included in AOCI. The Company’s Financial Statements now include a Statement of Accumulated Other Comprehensive Income, which provides the continuity of the AOCI balance.

The adoption of comprehensive income has been made in accordance with the applicable transitional provisions. Accordingly, the December 31, 2007 period end accumulated foreign currency translation adjustment balance of \$nil is now included in AOCI (2006 – (\$763,370)). In addition, the change in the accumulated foreign currency translation adjustment balance for the year ended December 31, 2007 of \$763,370 is now included in OCI in the Statement of Comprehensive Income (2006 - \$69,240).

Financial instruments

The financial instrument standard establishes the recognition and measurement criteria for financial assets, financial liabilities and derivatives.

The adoption of the financial instruments standard has been made in accordance with its transitional provisions.