



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**SIX MONTH PERIOD ENDED  
JUNE 30, 2016**

**FORM 51-102F1**

**REPORT DATE – AUGUST 12, 2016**



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## INTRODUCTION

The following Management's Discussion & Analysis ("MD&A") is intended to assist in the understanding of the trends and significant changes in the financial condition and results of operations of Abenteuer Resources Corp. ("Abenteuer" or the "Company") for the six month period ended June 30, 2016. It should be read in conjunction with the condensed interim consolidated financial statements for the six month period ended June 30, 2016 and the audited consolidated financial statements for the year ended December 31, 2015 and the notes thereto.

The following information has been prepared by management in accordance with International Financial Reporting Standards ("IFRS") unless otherwise indicated. All financial results are reported in Canadian dollars and production numbers represent Abenteuer's ownership interest.

The Company's head office is located at Suite 414 – 837 West Hastings Street, Vancouver, BC V6C 3N6. Additional information relating to the Company can also be found on the SEDAR website at [www.sedar.com](http://www.sedar.com).

## FORWARD LOOKING STATEMENTS

This document contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to as "forward-looking statements"). Often, but not always, forward-looking statements can be identified by the use of words such as "plans," "expects" or "does not expect," "is expected," "planned," "budget," "scheduled," "estimates," "continues," "forecasts," "projects," "predicts," "intends," "anticipates" or "does not anticipate," or "believes," or variations of such words and phrases, or statements that certain actions, events or results "may," "could," "would," "should," "might" or "will" be taken, occur or be achieved.

Forward-looking statements included or incorporated by reference in this document include statements with respect to:

- The Company's expectations of long term future oil prices and its existing reserve valuation; and
- The Company's expectations regarding its ability to raise capital and meet its obligations.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any of our future results, performance or achievements expressed or implied by the forward-looking statements; consequently, undue reliance should not be placed on forward-looking statements.

Management believes the primary risk factors have been identified in the Risks and Uncertainties section of this document.



## **FORWARD LOOKING STATEMENTS (continued)**

Forward-looking statements are based on a number of assumptions that may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- the price of oil;
- the timing of the receipt of required approvals for our operations;
- the availability of equity and other financing on reasonable terms;
- our ability to procure equipment and operating supplies in sufficient quantities and on a timely basis;
- our ability to attract and retain skilled labour and staff; and
- our ongoing relations with our employees and with our business/joint venture partners.

We caution you that the foregoing lists of important risk factors and assumptions are not exhaustive. Events or circumstances could cause our actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. We undertake no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise, except as may be required under applicable laws.

## **DESCRIPTION OF BUSINESS AND REVIEW**

Abenteuer is a Canadian oil company continued under the Business Corporations Act (British Columbia) on December 30, 2010, and its common shares are listed for trading on the TSX Venture Exchange (the “Exchange”) under the symbol “**ABU**”. The Company is engaged primarily in the exploration for, and production of, oil. Current operations are focused on the Western Canadian Sedimentary Basin, specifically south eastern Saskatchewan, which is an area of primarily low risk oil development. However, management is actively evaluating additional exploration and development projects in Canada and internationally.

The Company operates in a cyclical industry where levels of cash flow have historically been correlated to market prices for oil. Currently, the Company is experiencing declining production from its existing wells and increasing salt water content in the flow being pumped. In addition, the Company has not received any production from the #3 well since December 2014. As a result, the Company’s total oil production from its existing well interests has decreased substantially in the current year as compared to the prior year.



## OIL PROPERTIES

### *West Kingsford, Saskatchewan – Oil*

During the six month period ended June 30, 2016, the Company continued to receive cash flow from its joint operations in the West Kingsford area of Saskatchewan.

As of the Report Date, Abenteur has working interests in six wells in southeastern Saskatchewan at West Kingsford. However, the #3 Well has been shut in since December 2014.

Well #	Well Identifier	Working Interest (%)	Net Revenue Interest (%)	Well Type
1	Kingsford 141/08-13-004-07 W2M	45.90	39.02	Vertical
2	Kingsford 91/06 HZ 1D08-13-1D06-18-04-06 W2M	13.00	13.00	Horizontal
3	Kingsford 92/07 HZ 2C5-18-1D7-13-04-07 W2M	45.90	39.02	Horizontal
4	Kingsford 4D8-14/2A11-13-004-07 W2	10.50	8.93	Horizontal
5	Kingsford 4A1-27/03-27-004-07 W2	100.00	84.50	Horizontal
6	Steelman 191/07-18-004-06W2	13.00	13.00	Horizontal

The Company has determined that it has 6 cash generating units (“CGUs”) based on the independent operation and cash generating ability of each well.

**All disclosure of scientific or technical information on the Company's oil properties contained in this Management's Discussion and Analysis is based on information prepared by or under the supervision of the Company's Independent Qualified Reserves Evaluator, E.P. Webb of Citadel Engineering Ltd. The Company filed its most recent annual 51-101F2 Report on Reserves Data as of December 31, 2015 on SEDAR on April 29, 2016.**

### Production during the period:

Location	2016	2015
Well # 1	57.1	21.7
Well # 2	17.6	19.4
Well # 3	-	0.3
Well # 4	45.7	45.2
Well # 5	138.1	132.5
Well # 6	157.4	86.6
<b>Period Total in cubic meters</b>	<b>415.9</b>	<b>305.7</b>
<b>Period Total in barrels</b>	<b>2,616.3</b>	<b>1922.9</b>
<b>BOPD</b>	<b>14.4</b>	<b>10.6</b>



## OIL PROPERTIES (continued)

The average price received for oil was \$43.34 per barrel during the six month period ended June 30, 2016 and \$52.88 per barrel in the prior year period.

Well #3 has not produced any oil during the last 18 months, and the likelihood of well reactivation is presently unknown. Accordingly, the Company recorded an impairment of \$20,936 during the year ended December 31, 2015 to reduce the carrying value to \$Nil. The well has not been abandoned as of yet, and the Company awaits clarification from the Operator, Crescent Point Energy, as to its future.

According to the Company's 51-101F2 Report on Reserves Data at December 31, 2015, the Net Present Value of Future Net Revenue (before Income taxes) using a 10% discount rate is approximately \$1,539,000. This valuation includes both Proved and Probable Reserves on all 6 wells. The valuation is determined based on estimated future oil prices as follows:

YEAR	OIL \$/BBL <sup>(1)</sup>
2016	51.95
2017	63.55
2018	70.47
2019	78.60
2020 <sup>(2)</sup>	83.60

<sup>(1)</sup> Price based upon future forecast product prices for Cromer Medium Crude. Prices shown have been adjusted for API quality.

<sup>(2)</sup> Prices escalated at a rate of 2% thereafter.

### Operating profit (loss) for the six month period ended June 30, 2016:

	Well #1 (\$)	Well #2 (\$)	Well #3 (\$)	Well #4 (\$)	Well #5 (\$)	Well #6 (\$)	Total (\$)
<b>Sales</b>	15,877	4,673	-	12,546	35,653	44,647	<b>113,396</b>
<b>Royalty Expense</b>	(2,375)	(8)	-	(1,882)	(5,526)	(1,122)	<b>(10,913)</b>
<b>Net Revenue</b>	13,502	4,665	-	10,664	30,127	43,525	<b>102,483</b>
<b>Operating expenses</b>	(9,422)	(2,629)	(622)	(9,235)	(35,444)	(32,925)	<b>(90,277)</b>
<b>Operating profit (loss)</b>	4,080	2,036	(622)	1,429	(5,317)	10,600	<b>12,206</b>

Note: Operating expenses included \$35,974 in non-cash depletion, accretion and amortization expenses.



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## **RESULTS OF OPERATIONS**

### Three Month Period Ended June 30, 2016

Oil sales, net of royalties, during the three month period ended June 30, 2016 increased from \$51,903 during the three month period ended June 30, 2015 to \$36,152. The 27% increase can be attributed primarily to a 55% increase in overall production during the period.

Operating expenses for the quarter increased by \$10,565 versus the prior year period. The 27% increase was due to the increased production levels in the period.

General and administrative expenses in the quarter are in large part made up of professional and consulting fees and director fees. They have decreased by \$27,925 (36%) versus the same period in 2015. The decrease is primarily attributed to a concerted effort by management to reduce costs in a low oil price environment. Specifically, the Company discontinued management fees and all non-essential travel costs.

### Six Month Period Ended June 30, 2016

Oil sales, net of royalties, during the six month period ended June 30, 2016 increased from \$91,445 during six month period ended June 30, 2015 to \$102,482. The 12% increase can be attributed primarily to a 36% increase in overall production during the period.

Operating expenses for the period decreased by \$3,456 versus the prior year period. Despite increased production during the period, a 4% decrease was the result of a general decrease in production related costs in the petroleum industry as a whole.

General and administrative expenses in the quarter are in large part made up of professional and consulting fees and director fees. They have decreased by \$90,666 (50%) versus the same period in 2015. The decrease is primarily attributed to a concerted effort by management to reduce costs in a low oil price environment. Specifically, the Company discontinued management fees and all non-essential travel costs.



## SELECTED ANNUAL INFORMATION

The Company's functional and presentation currency is the Canadian Dollar for all years presented.

	2015	2014	2013
	(\$)	(\$)	(\$)
Oil sales, net of royalties	209,404	561,355	355,870
Interest income	1,277	5,890	11,635
Other income	45,000	-	-
Impairment of oil properties	(20,936)	(34,462)	(302,429)
Expenses	(476,829)	(1,103,226)	(736,520)
Net loss	(242,134)	(570,443)	(671,444)
Net loss per share basic and diluted	(0.01)	(0.03)	(0.04)
Total assets	669,748	910,005	1,492,271
Total long-term liabilities	112,734	110,463	123,190
Cash dividends	-	-	-

## SELECTED QUARTERLY INFORMATION

The following table summarized the results of operations for the eight most recent quarters.

	Three month period ended			
	Jun 30 2016	Mar 31 2016	Dec 31 2015	Sep 30 2015
	(\$)	(\$)	(\$)	(\$)
Oil sales, net of royalties	66,330	36,152	78,458	57,372
Impairment of oil properties	-	-	-	(20,936)
Expenses	(99,367)	(81,985)	(61,968)	(139,387)
Net loss	(32,907)	(45,833)	(1,381)	(102,627)
Net loss per share	(0.00)	(0.00)	(0.00)	(0.01)

	Three month period ended			
	Jun 2015	Mar 31 2015	Dec 31 2014	Sep 30 2014
	(\$)	(\$)	(\$)	(\$)
Oil sales, net of royalties	57,929	39,542	95,572	118,146
Impairment of oil properties	-	-	(34,462)	-
Expenses	(116,727)	(158,747)	(223,813)	(330,606)
Net loss	(19,621)	(118,505)	(161,052)	(211,583)
Net loss per share	(0.00)	(0.01)	(0.01)	(0.01)



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## **SELECTED QUARTERLY INFORMATION (continued)**

### Notes on Material Quarterly Variations:

The first quarter of 2015 shows a substantial decline in sales due to a decline in the oil price to a multi-year low coupled with further decreases in production from Well #6 which has experienced downhole issues as well as normal production decline after its first year of production.

## **COMMITMENTS**

As at June 30, 2016 and the Report Date, the Company currently has no other commitments beyond the reclamation costs which are disclosed in more detail in the Company's condensed interim consolidated financial statements for the six month period ended June 30, 2016.

## **LIQUIDITY**

The Company's cash position decreased from \$152,896 on December 31, 2015 to \$125,856 on June 30, 2016. Working capital decreased to \$95,033 on June 30, 2016 from \$137,799 on December 31, 2015.

The Company still has working interests in 5 producing oil wells and 1 non-producing oil well, and it does derive revenues from operations. However, the Company has a net cash outflow from operations and, unless oil prices recover to higher levels, management will have to look to debt and/or equity markets for additional funding in the next twelve months. In the past, the Company has traditionally been funded through equity placements. However, if such funds are not available in the future or other sources of financing cannot be obtained, then the Company may be forced to curtail its activities to a level for which funding is available and can be obtained.

Currently, management believes that its internal cost cutting measures over the last three months will allow it to meet its present obligations as they become due. However, additional capital will be required in order to make acquisitions or to participate in future drilling opportunities as they are presented.

The Company experienced a cash outflow from operations of \$27,040 (2015 - \$50,342) during the six month period ended June 30, 2016. As at June 30, 2016, the Company had total assets of \$617,950 (December 31, 2015 - \$669,748) and the principal non-cash assets of the Company were its working interests in oil wells in southeastern Saskatchewan with a carrying value of \$405,328 (December 31, 2014 - \$440,311) representing 66% (December 31, 2015 - 66%) of its total assets.

At June 30, 2016, the Company had long term liabilities consisting of a decommissioning obligation on its Saskatchewan oil interests, estimated to have a present value of \$113,725 (December 31, 2015 - \$112,734). The Company has a reclamation bond in place with the Saskatchewan Industry and Resources for \$33,058 (December 31, 2015 - \$33,058) in respect of its oil interests.





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## **CAPITAL RESOURCES**

The Company did not raise any additional capital through debt or share offerings during the six month period ended June 30, 2016 or in the prior year.

## **CAPITAL MANAGEMENT**

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of long term debt and equity, comprising share capital, net of accumulated deficit.

The Company manages its capital requirements by maintaining a budgeting and forecasting process to determine whether equity funding is required.

The Company is not subject to any externally imposed capital requirements.

There have been no changes to the Company's approach to capital management during the six month period ended June 30, 2016.

## **OUTSTANDING SHARE DATA**

As at the Report Date, the Company had the following share structure:

	Number
Common shares	18,278,266
Options	1,770,000
Fully diluted	20,048,266

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company did not enter into any off-balance sheet arrangements during the six month period ended June 30, 2016.

## **OUTLOOK**

Oil prices have significantly declined in the last year after a multi-year appreciation. Management believes the current downswing in oil prices to be temporary, and accordingly continues to investigate other areas in Canada and abroad for opportunities to purchase existing production and development opportunities at discounted prices.



## **SUBSEQUENT EVENTS**

There were no material events subsequent to June 30, 2016.

## **RISKS AND UNCERTAINTIES**

The Company is in the oil and gas exploration and development business and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. Exploration for and development of oil properties involves a high degree of risk, and the cost of conducting programs may be substantial and the likelihood of success is difficult to assess.

Beyond exploration risk, management is faced with other possible risks which include the following:

### Oil Price Risk

The price of oil greatly affects the value of the Company and the potential value of its properties.

### Financial Market Risk

The Company is in part dependent on the equity markets as a source of capital for making acquisitions or drilling new wells. Accordingly, the Company's capital resources and ability to make acquisitions or drill new wells are largely determined by the strength of the resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.

### Title Risk

The Company has investigated its right to explore and exploit its properties and, to the best of its knowledge, there are no known encumbrances. However, the results of the Company's investigations should not be construed as a guarantee of title.

### Environmental Risk

The Company seeks to operate within environmental protection standards that meet or exceed existing requirements in the country in which the Company operates. Present or future laws and regulations, however, may affect the Company's operations. Future environmental costs may increase due to changing requirements or costs associated with exploration and the developing, operating and closing of oil wells. Programs may also be delayed or prohibited in some areas.

### Value Risk

There is no certainty that the carrying value of oil properties which the Company has recorded as assets on its consolidated balance sheet will be realized at the amounts recorded.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on forward-looking statements.



## RELATED PARTIES TRANSACTIONS

The Company incurred the following transactions with directors and companies that are controlled by or significantly influenced by directors of the Company during the six month periods ended June 30, 2016 and 2015.

	2016	2015
	(\$)	(\$)
Director fees accrued to Stephen Polakoff	6,000	6,000
Director fees accrued to David Parry	6,000	6,000
Mineral royalties paid or accrued to J. Lewis Dillman, Chief Executive Officer (“CEO”) of the Company.	588	725
	12,588	12,725

### *Key management compensation<sup>1</sup>*

	2016	2015
	(\$)	(\$)
Management and director fees paid or accrued to J. Lewis Dillman, CEO of the Company, or a corporation controlled by the CEO.	6,000	12,000
Professional fees paid or accrued to Sean McGrath, Chief Financial Officer (“CFO”) of the Company, or a corporation controlled by the CFO.	18,000	24,000
	24,000	36,000

<sup>1</sup>Key management includes the CEO and the CFO.

- a) As at June 30, 2016, a total of \$6,143 (December 31, 2015 - \$278) was included in accounts payable and accrued liabilities as owing to J. Lewis Dillman, CEO of the Company, or a corporation controlled by the CEO for mineral royalties, director fees and reimbursable expenses.
- b) As at June 30, 2016, a total of \$17,369 (December 31, 2015 - \$11,579) was included in accounts payable and accrued liabilities as owing to David Parry, a director of the Company, for director’s fees.
- c) As at June 30, 2016, a total of \$18,000 (December 31, 2015 - \$12,000) was included in accounts payable and accrued liabilities as owing to Stephen Polakoff, a director of the Company, for director’s fees.
- d) As at June 30, 2016, a total of \$5,864 (December 31, 2015 - \$Nil) was included in accounts payable and accrued liabilities as owing to a corporation controlled by Sean McGrath, CFO of the Company, for director’s fees.



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## CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. The following areas required a significant degree of estimation and judgment:

### Depletion of oil assets

Oil properties are depleted using the UOP method over proved reserves. The calculation of the UOP rate of depletion could be impacted to the extent that actual production in the future is different from current forecast production based on proved reserves. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves.

### Reserve base

The oil and gas properties are depreciated on a unit of production ("UOP") basis at a rate calculated by reference to proved reserves determined in accordance with National Instrument 51-101 "Standards of Disclosure for Oil and Gas Activities" and incorporate the estimated future cost of developing and extracting those reserves. Proved reserves are determined using estimates of oil in place, recovery factors and future prices. Future development costs are estimated using assumptions as to number of wells required to produce the reserves, the cost of such wells and associated production facilities and other capital costs. Proved reserves are estimated using independent reserve engineer reports and represent the estimated quantities of oil which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable.

### Determination of cash generating units

Oil properties are grouped into cash generating units for purposes of impairment testing. Management has evaluated the oil properties of the Company, and grouped the properties into cash generating units on the basis of their ability to generate independent cash inflows, similar reserve characteristics, geographical location, and shared infrastructure.

### Decommissioning provisions

Restoration costs will be incurred by the Company at the end of the operating life of the Company's oil properties. The ultimate restoration liability is uncertain and can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques, experience at other production sites, or changes in the risk-free discount rate. The expected timing and amount of expenditure can also change in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.



## **CRITICAL ACCOUNTING ESTIMATES (continued)**

### ***Impairment indicators and calculation of impairment***

At each reporting date, the Company assesses whether or not there are circumstances that indicate a possibility that the carrying values of oil properties and equipment are not recoverable, or impaired. Such circumstances include incidents of deterioration of commodity prices, changes in the regulatory environment, or a reduction in estimates of proved and probable reserves. When management judges that circumstances clearly indicate impairment, property and equipment are tested for impairment by comparing the carrying values to their recoverable amounts. The recoverable amounts of cash generating units are determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions that are subject to changes as new information becomes available including information on future commodity prices, expected production volumes, quantity of reserves, discount rates, as well as future development and operating costs.

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements.



## **CORPORATE INFORMATION**

Directors:	David Parry Sean McGrath J. Lewis Dillman Stephen Polakoff
Officers:	J. Lewis Dillman - CEO Sean McGrath - CFO
Auditor:	PricewaterhouseCoopers LLP Suite 700 – 250 Howe Street Vancouver, BC, V6C 3S7
Legal Counsel:	McCullough O’Connor Irwin LLP Suite 2600 Oceanic Plaza 1066 West Hastings Street Vancouver, BC, V6E 3X1
Transfer Agent:	Computershare 2 <sup>nd</sup> Floor – 510 Burrard Street Vancouver, BC, V6C 3B9

## **CONTACT INFORMATION**

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