

Volt Energy Corp.

Management's Discussion and Analysis

**Three Month Period Ended
March 31, 2017**

(Unaudited)
(Expressed in Canadian Dollars)

Report Date – May 12, 2017

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 Volt Energy Corp. ("Volt" or the "Company") for the three month period ended March 31, 2017. It should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three month period ended March 31, 2017 and the audited annual consolidated financial statements for the years ended December 31, 2016 and 2015 and the notes thereto. The Company changed its name from Abenteuer Resource Corp. to Volt Energy Corp. on April 27, 2017.

The following information includes financial information derived from the financial statements of the Company, which have been prepared in accordance with International Financial Reporting Standards (IFRS). 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.

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

FORWARD LOOKING STATEMENTS (continued)

- general business and economic conditions;
- the price of oil;
- the potential mineralization and geological merits of the of the Temiskaming & Fabre Cobalt-Silver property
- 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

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 energy 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 "VOLT". The Company currently has stable oil production through operations in southeastern Saskatchewan. The Company is focused on adding, creating and increasing value through the acquisition, development and production of conventional oil and gas assets as well as alternative energy sources such as cobalt and lithium, particularly in North America.

OIL PROPERTIES

West Kingsford, Saskatchewan – Oil

During the three month period ended March 31, 2017, the Company continued to receive cash flow from its joint operations in the West Kingsford area of Saskatchewan.

As of the Report Date, Abenteuer 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

OIL PROPERTIES (continued)

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, McDaniel & Associates Consultants Ltd. The Company filed its most recent annual 51-101F2 Report on Reserves Data as of December 31, 2016 on SEDAR on April 5, 2017.

Production during the period:

Location	2017	2016
Well # 1	42	27
Well # 2	8	11
Well # 3	-	-
Well # 4	23	22
Well # 5	66	53
Well # 6	79	71
Period Total in cubic meters	218	184
Period Total in barrels	1,372	1,154
BOPD	15	13

The average price received for oil was \$58.88 per barrel during the three month period ended March 31, 2017 and \$34.47 per barrel in the same period in the prior year.

During the year ended December 31, 2016, the Company identified impairment indicators with respect to Well #2, specifically that the well had a remaining reserve value that was less than its carrying value. Accordingly, the Company recorded an impairment loss of \$12,646 related to Well #2. Furthermore, the Company determined that the fair value of Well #1 exceeded its carrying value due to increased reserves and recorded an impairment recovery of \$37,393.

In addition, Well #3 has not produced any oil during the last 24 months, and the likelihood of well reactivation is highly doubtful. 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.

OIL PROPERTIES (continued)

According to the Company's 51-101F2 Report on Reserves Data at December 31, 2016, the Net Present Value of Future Net Revenue (after Income taxes) using a 10% discount rate is approximately \$688,900. 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
2017	61.80
2018	66.59
2019	69.17
2020	74.35
2021	79.43
2022	81.01
2023	82.58
2024	84.26
2025	85.94
2026	87.72
2027	89.39
2028	91.17
2029	93.04
2030	95.02
2031 ⁽¹⁾	96.79

⁽¹⁾ Prices escalated at a rate of 2% thereafter.

Operating profit (loss) for the period ended March 31, 2017:

	Well #1 (\$)	Well #2 (\$)	Well #3 (\$)	Well #4 (\$)	Well #5 (\$)	Well #6 (\$)	Total (\$)
Sales	15,659	2,898	-	8,571	23,874	29,789	80,791
Royalty Expense	(2,336)	-	-	(1,286)	(3,700)	(6,142)	(13,464)
Net Revenue	13,323	2,898	-	7,285	20,174	23,647	67,327
Operating expenses	(4,634)	(1,223)	-	(6,488)	(19,351)	(14,950)	(46,646)
Operating profit (loss)	8,689	1,675	-	797	823	8,697	20,681

Note: Operating expenses included \$16,403 in non-cash depletion and amortization expenses.

TEMISKAMING & FABRE COBALT – SILVER PROPERTY

In April 2017, the Company through its wholly-owned subsidiary, Roughrider Energy Corp., acquired the Temiskaming & Fabre Cobalt - Silver property (the "Property") located in Quebec's Fabre Township in exchange for 2,650,000 common shares of the Company (the "Vendor Shares"). The Vendor Shares are subject to a voluntary pooling whereby 50% of the Vendor Shares will be released after expiry of the 4 month plus one day hold period and the remaining 50% of the Vendor Shares will be released nine months after the initial issuance.

About the Property

The Property is located immediately east of the shores of Lake Temiskaming across from the historical mining-town of Cobalt, Ontario within the eastern extent of the famous Cobalt Silver Mining Camp. The northern portion of the Property, known as Temiskaming, is composed of twenty-seven contiguous claims covering an area of approximately 1577 hectares and the southern portion of the Property, known as Fabre, is composed of eleven contiguous claims covering an area of approximately 643 hectares.

The areas in proximity to the historically significant mining-town of Cobalt, Ontario have recently been the focus of heightened activity and exploration efforts in an attempt at identifying and uncovering new Cobalt discoveries. In what was largely seen as a silver camp during the period 1900 to 2000, the prospective for cobalt occurrences in Ontario and Quebec have sparked renewed interest in these areas. As demand for electric vehicles and energy storage continues to escalate, cobalt (which is a vital component of Lithium-ion batteries – comprising up to 60% of the commodity inputs) is fast becoming a highly strategic and sought after metal. It is estimated that 98% of the world's cobalt production is produced as a result of by-product mining from copper and nickel operations. By virtue, with curtailments in recent years of copper and nickel production, cobalt production has decreased in lockstep. Further, with approximately 60% of current global cobalt supply coming out the Democratic Republic of the Congo, end users are in search of supply sources that are domiciled in politically stable jurisdictions.

The Property geology is Proterozoic and Archaean in age. On Temiskaming, the bedrock geology is comprised primarily of sedimentary rocks: conglomerate, quartz arenite, arkose and mudstone. These sedimentary rocks have been intruded by gabbro. Further, there is a minor andesite component in the northeastern part of Temiskaming, the rock type that hosts the "Fabre Showing". The bedrock geology of the southern Fabre block consists of a complex geology in the west. The western portion is a sedimentary package and gabbro intrusive with an accessory amount of volcanic tuff. The central and eastern parts of Fabre are composed primarily of an anorthosite-gabbro intrusive. The margins of the Property are mapped as tonalite. Located immediately in between Temiskaming and Fabre is the Fabre Showing. Drilled in 1995 by Techni-Lab Abitibi Inc., two high-grade zones mineralized with Cobalt, Silver and Bismuth were discovered. The highest grades appear to be present in veins mineralized with sphalerite, chalcopyrite and pyrite set within an altered andesite. The discovery of the Fabre Showing pre-dates National Instrument 43-101 ("NI 43-101") and as a result was not supervised by a qualified person as defined by NI 43-101. The Company has not independently confirmed nor verified the historical work.

TEMISKAMING & FABRE COBALT – SILVER PROPERTY (continued)

Table 1: The Fabre Cobalt-Silver Showing Drill Intercept (taken from report: GM53265) ¹

DDH Number	From (metres)	To (metres)	Length (metres)	Cobalt (Percent)	Cobalt (g/t)	Silver (g/t)	Bismuth (g/t)
FU-95-1	113.10	115.95	2.85	0.55	5,500.00	150.67	2,244.00
Including	114.73	115.30	0.57	2.70	27,000.00	714.20	11,000.00
FU-95-1	131.41	134.49	3.08	0.93	9,300.00	166.11	490.97
Including	131.41	131.90	0.49	8.00	80,000.00	600.00	4,200.00

Interpretations and Exploration Targets on Temiskaming

Previous historical exploration work was conducted by SOQUEM, a government agency founded in 1965 with a mandate to explore, discover and develop mining properties in Quebec. SOQUEM noted a thin syenite intrusive and suggested that intrusives are a key factor leading to mineralization in the thick sedimentary package when they drilled the Property in 1966. This is the case across the lake in Cobalt, Ontario. Analysis of historical drill logs has indicated that chalcopyrite and pyrite mineralization is most common near veins and or alteration zones. These alteration zones seem to be present near veins as well as intrusives. As a result, these alteration zones and contact points are the key exploration targets on the Property. Initial geological interpretation and analysis has identified five key prospective targets for the Company to focus on as outlined in Table 2. All quoted historical data, drilling and core logging pre-dates NI 43-101, and as a result was not supervised by a qualified person as defined by NI 43-101. The Company has not independently confirmed nor verified the historical work.

¹ Refer to a news release by Tres-Or Resources at <http://www.tres-or.com/announcements/tres-or-exploration-update-and-drill-program-in-quebec>

TEMISKAMING & FABRE COBALT – SILVER PROPERTY (continued)

Table 2: Key Exploration Targets on Temiskaming

Exploration Target	Description
DDH B-3.20-61	The drill log describes a sandstone mineralized with pyrite and chalcopyrite. The sandstone also had accessory amounts of mudstone, conglomerate and syenite. The drill log also suggests alteration could be due to a proximal gabbro intrusion.
DH 293	The drill log described mineralized bands of chalcopyrite and pyrite within sediments appearing to be present along bands that display different grain sizes in the sedimentary package.
Geological Contacts	Significant focus on where the gabbro contacts sedimentary rocks.
Nickel Potential in Gabbro	In 1998 Pro Or conducted Nickel exploration in the area (including the Property). Samples with grades up to 1.74% Nickel and 5.33% Chrome in a magnetic gabbro were observed. Canadian Cobalt production is primarily associated with Nickel mining. It is uncertain what exact nickel and chrome sample values were taken on the Property. Future work will aid in determining if there is any potential for such mineralization on the Property.
Gold potential	Pro Or also sampled for Gold in the Fabre area (including on the Property). A series of 7 samples with anomalous Gold values over 1 g/t were noted with the highest grade being 23.69 g/t. It is uncertain what gold sample values were taken on the Property.

Interpretations and Exploration Targets on Fabre

A total of five diamond drill holes were drilled on the Property by the Quebec government between 1962 and 1975. Although the historical reports did not contain assay values, the drill holes intercepted arkose mineralized with chalcopyrite as well as conglomerates, siltstone, argillite and granodiorite. It appears that the best exploration targets are located on the western portion of the Property in the general area of historical drilling. Targeting the contact points between sedimentary or volcanic rocks against intrusives appears to offer the most prospective geological environment for mineralization. All quoted historical data and drilling pre-dates NI 43-101 and as a result was not supervised by a qualified person as defined by NI 43-101. The Company has not confirmed nor verified the historical work.

TEMISKAMING & FABRE COBALT – SILVER PROPERTY (continued)

Table 3: Key Exploration Targets on Fabre

Exploration Target	Description
DDH 1 (Report GM27945)	Drilled proximal to the contact of the gabbro and conglomerate. A mineralized quartz vein was noted in the drill log and is a target.
DDH 2 (Report GM27945)	Like DDH 1, this hole was drilled proximal to the contact of the gabbro and conglomerate. A mineralized quartz vein was not noted in the drill log. Either the hole was stopped early or the vein is not present in this location.
Gabbro and Volcanic Rocks	Gabbro and volcanic rocks dominate the central portions of the property. These rocks, especially the interface between gabbro and volcanics, are key targets.
Sedimentary – Gabbro Contact	This contact appears as an additional target to examine in future work programs on the Fabre property.

The technical content of this MD&A has been reviewed and approved by Thomas Clarke P.Geol., Pr.Sci.Nat., a qualified person as defined by NI 43-101.

RESULTS OF OPERATIONS

Three Month Period Ended March 31, 2017

Oil sales, net of royalties, during the three month period ended March 31, 2017 (“Current Period”) increased to \$80,791 from \$39,798 during the three month period ended March 31, 2016 (“Prior Period”). The 103% increase can be attributed primarily to a substantial increase in the oil price. The oil price hit its multi-year low in the first quarter of the prior year.

Expenses for the Current Period increased by \$25,923 versus the Prior Period. The 32% increase was due primarily to additional professional and filing fees associated with the Temiskaming & Fabre acquisition.

SELECTED ANNUAL INFORMATION

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

	2016	2015	2014
	(\$)	(\$)	(\$)
Oil sales, net of royalties	234,169	209,404	561,355
Interest income	130	1,277	5,890
Other income	-	45,000	-
Expenses	(329,698)	(495,831)	(1,135,754)
Net loss	(97,256)	(242,134)	(570,443)
Net loss per share - basic and diluted	(0.01)	(0.01)	(0.03)
Total assets	637,174	669,748	910,005
Total long-term liabilities	122,404	112,734	110,463
Cash dividends	-	-	-

SELECTED QUARTERLY INFORMATION

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

	Three month period ended			
	Mar 31 2017	Dec 31 2016	Sep 30 2016	Jun 30 2016
	(\$)	(\$)	(\$)	(\$)
Oil sales, net of royalties	67,327	64,112	67,575	66,330
Expenses	(189,855)	(47,817)	(100,529)	(99,367)
Net income (loss)	(122,528)	14,438	(32,954)	(32,907)
Net loss per share	(0.00)	(0.00)	(0.00)	(0.00)

	Three month period ended			
	Mar 31 2016	Dec 31 2015	Sep 30 2015	Jun 2015
	(\$)	(\$)	(\$)	(\$)
Oil sales, net of royalties	36,152	78,458	57,372	57,929
Expenses	(81,985)	(80,970)	(139,387)	(116,727)
Net loss	(45,833)	(1,381)	(102,627)	(19,621)
Net loss per share	(0.00)	(0.01)	(0.00)	(0.01)

Notes on Material Quarterly Variations:

The first quarter of 2017 showed an increase in expenses primarily due to a non-cash loss on debt settlement that occurred when the Company settled its outstanding directors' fees with common shares.

The fourth quarter of 2016 showed a decline in expenses due to an impairment reversal recorded on Well #1.

The first quarter of 2016 shows a decline in sales due to a decline in the oil price to a multi-year low coupled with early winter road bans that prevented oil sales in March 2016.

COMMITMENTS

As at March 31, 2017 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 three month period ended March 31, 2017.

LIQUIDITY

The Company's cash position increased from \$130,222 on December 31, 2016 to \$399,677 on March 31, 2017. In addition, working capital increased from \$77,554 on December 31, 2016 to \$426,107 on March 31, 2017. These positive changes were a result of an equity placement and a shares for debt transaction, both of which were completed in March 2017. The equity placement involved the issuance of 6,000,000 common shares for gross cash proceeds of \$300,000. The debt settlement transaction involved the issuance of 963,133 common shares to settle \$72,235 in existing related party debt.

The Company still has working interests in five producing oil wells and one non-producing oil well, and it does derive revenues from operations. Despite the recovery in oil prices and the cost reductions implemented by management, the Company had a net cash outflow from operations of \$30,545 for the three month period ended March 31, 2017, and will continue to expend its cash resources over the next twelve months. As a result, the Company completed an equity financing for gross proceeds of \$300,000 and settled \$72,235 of liabilities with common shares during the period. Management believes that it has sufficient cash to operate for the next twelve months, however, should the Company proceed with any new asset acquisitions in exchange for cash then it will likely have to access debt and/or equity markets further for additional funding. 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.

At March 31, 2017, the Company had long term liabilities consisting of a decommissioning obligation on its Saskatchewan oil interests, estimated to have a present value of \$122,981 (December 31, 2016 - \$122,404). The Company also has a reclamation bond in place with the Saskatchewan Industry and Resources for \$33,058 (December 31, 2016 - \$33,058) in respect of its oil interests.

OFF-BALANCE SHEET ARRANGEMENTS

The Company did not enter into any off-balance sheet arrangements during the three month period ended March 31, 2017 or up to the Report Date.

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 the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt and acquire or dispose of assets.

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 three month period ended March 31, 2017.

OUTSTANDING SHARE DATA

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

	Number
Common shares	27,891,399
Options	620,000
Fully diluted	28,511,399

OUTLOOK

Oil prices have improved in the last six months after a sharp decline that bottomed at the beginning of 2016. Management believes the current oil prices are sustainable, and accordingly continues to investigate other areas in Canada and abroad for opportunities to purchase existing production and development opportunities.

In conjunction with surging commodity prices, the Company has also decided to investigate other energy related commodities such as cobalt and lithium. In furtherance of this, the Company made its first acquisition of a cobalt project, Temaskaming & Fabre.

SUBSEQUENT EVENTS

Subsequent to March 31, 2017, the Company

- a) changed its name from Abenteuer Resources Corp. to Volt Energy Corp.
- b) acquired a 100% interest in the Temiskaming and Fabre Cobalt - Silver property in exchange for 2,650,000 common shares of the Company. The shares are subject to a voluntary pooling whereby 50% will be released four months after the date of issuance and the remaining 50% will be released nine months after the date of issuance.

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 three month periods ended March 31, 2017 and 2016.

	2017	2016
	(\$)	(\$)
Director fees accrued to Stephen Polakoff.	3,000	3,000
Director fees accrued to David Parry.	3,000	3,000
Mineral royalties paid or accrued to J. Lewis Dillman, Chief Executive Officer ("CEO") of the Company.	402	235
	<u>6,402</u>	<u>6,235</u>

Key management compensation ¹

	2017	2016
	(\$)	(\$)
Management and director fees paid or accrued to J. Lewis Dillman, CEO of the Company, or a corporation controlled by the CEO.	3,000	3,000
Professional and director fees paid or accrued to Sean McGrath, Chief Financial Officer ("CFO") of the Company, or a corporation controlled by the CFO.	12,000	9,000
	<u>15,000</u>	<u>12,000</u>

¹ Key management includes the CEO and the CFO.

- a) As at March 31, 2017, a total of \$2,032 (2016 - \$11,806) 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 March 31, 2017, a total of \$1,630 (2016 - \$23,159) 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 March 31, 2017, a total of \$2,000 (2016 - \$24,000) 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 March 31, 2017, a total of \$1,630 (2016 - \$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.

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, or whether there are indicators of impairment reversal. 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 nd Floor – 510 Burrard Street Vancouver, BC, V6C 3B9

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