QUATTRO

# Exploration and Production Ltd.

**MANAGEMENT'S DISCUSSION AND ANALYSIS *("MD&A")***

**FORM 51- 102F1**

**For the three and nine months ended September 30, 2015**

# QUATTRO EXPLORATION AND PRODUCTION LTD.

Dated November 26, 2015

The following discussion of performance, financial position and future prospects of Quattro Exploration and Production Ltd. ("Quattro" or the "Company") should be read in conjunction with the Company's consolidated financial statements and notes attached thereto for the three and nine months ended September 30, 2015. The Company's interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). All figures are in Canadian dollars, unless otherwise noted. Additional information on the Company is available on the SEDAR website at www.sedar.com.

**The three and nine months ended September 30, 2015 have not been audited nor reviewed by the Company's auditor.**

*The following discussion contains forward-looking statements, which are subject to risks and uncertainties, and other factors that may cause the actual results, performance or achievements of the Company to be materially different from anticipated future results and/or*

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

- *The Company's ability to raise additional capital as deemed necessary*
- *The Company's ability to develop petroleum oil and natural gas properties*

*When reviewing the Company's forward-looking statements, investors and others should carefully consider the foregoing factors and uncertainties and potential events. These include risk relating to market fluctuations, strength of the North American and South American economy, and other risks including ongoing litigation. These forward-looking statements speak only as of the date hereof. Unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to update these forward-looking statements. The Company does have an ongoing obligation to disclose material information as it becomes available.*

*BOE presentation:*

*Barrel ("bbl") of oil equivalent ("boe") amounts may be misleading particularly if used in isolation. All boe conversions in this report are calculated using a conversion of six thousand cubic feet of natural gas to one equivalent barrel of oil (6 mcf=1 bbl) and is based on an energy conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head.*

## ➢ CORPORATE OVERVIEW

In the third quarter of 2015, Quattro Exploration and Production Ltd. focused on conventional exploration and development of petroleum and natural gas reserves in the Western Canadian Sedimentary Basin. The Company focused on operations, cost reductions, and the addition of working capital, and the continuing evaluation of cost of services and production in Quattro's core regions of operations in Western Canada.

The Company continued to inform suppliers of the positive changes underway, and plans to continue to improve its efficiency to allow for the competitive development and production of the Company's assets, ultimately to the mutual benefit of all stakeholders, shareholders and suppliers. At September 30, 2015, the Company's working capital improved to $6,663,023 through the increase of the Company's fixed term debt to $10 million negotiated at a favorable long term interest rate of 6.95% amortized over 7 years and operational cost controls.

The extensive maintenance and plant turnarounds by third party midstream companies continued to restrict Quattro's capacity to deliver natural gas to market and subsequently resulting in additional one-time charges for compression and processing.

The Company at September 30, 2015 had on-line and idled production capacity of 1,850 boe/d and continues to complete work in progress towards increasing production by an additional 1,250 boe/d, including the negotiated acquisition of 102 boe/d of shut-in production which closed in November of 2015. This backlog of remediation provides the Company the ability to organically increase production to what the Company deems is a fundamental target necessary to remain competitive at current commodity prices. The schedule of bringing on-line the remaining production of 1,250 boe/d is being limited by various delays including the determination of participation by partners in our plans and competing opportunities to acquire in service complimentary production at discounted prices from motivated sellers.

Quattro's operations in Canada over the next 12 months will continue to evolve to provide a sustainable business foundation for additional low risk development that will complement the funding, in the fourth quarter of 2015 and into 2016, of an aggressive program of material exploration and development efforts in Canada and the Petén Basins of Guatemala. The long term goal is to position the Company to be regionally diversified, with a balanced portfolio of exploration and production activities that assures our shareholders that we have the capacity to continually achieve material growth in both reserves and production, year over year.

The Company is a petroleum and natural gas exploration and production company headquartered in Calgary, Alberta, Canada. The Company is listed on the TSX Venture Exchange and trades under the symbol: TSXV: QXP.

## ➢ NATURE OF BUSINESS AND BASIS OF PREPARATION AS OF THE END OF THE 2nd QUARTER 2015

This MD&A has been prepared based on the fact that Quattro's recent acquisitions in 2015 and 2014 have resulted in sustainable cash flow that supports the continuing development of its business plan. Management anticipates this trend to continue to improve, and currently has budgeted for organic growth to be funded internally and complemented with structured term debt. The Company anticipates that any additional growth is to be achieved through financing completed through accretive share issuances and/or structured third party debentures.

The Company's interim financial statements do not include adjustments related to the recoverability of assets and classification of liabilities that may be necessary should the Company experience an unanticipated change in commodity pricing or production. The Company monitors commodity prices on a regular basis and currently believes that its analysis of future cash-flows have incorporated short term (less than a year) variances in pricing that can occur from time to time. The current commodity trends have caused the Company to continue to further adjust budgets but has determined that its inventory of oil producing remediation programs will allow year over year revenues to return to a growth trend by the fourth quarter of 2015. To limit Quattro's exposure to commodity price fluctuations, the Company maintains a conservative level of debt that is structured and under terms that can remain in good standing through a wide range of financial conditions.

The preparation of the Company's interim financial statements requires management to make estimates and assumptions regarding future events. These estimates and assumptions affect the reported amounts of certain assets and liabilities, and disclosure of contingent liabilities.

The exploration work conducted in Canada during 2013 and 2014 resulted in the licensing and drilling of an exploratory well in southern Saskatchewan at Wood Mountain. The well was drilled on a 100% basis by the Company and Quattro continues to move forward with the evaluation of the results. The Company has determined that prior to completing production tests, that the current approval for testing from the Petroleum Branch of the Ministry of the Economy for Saskatchewan for a 111,855 net acre exploration permit does not clearly provide the criteria for fundamental election points that are an important part of Quattro's business plan. Therefore, the Company is permitted to complete the testing, but continues to await further clarification from the Saskatchewan Government. Quattro has deemed that it is important to have a clarification on what result triggers the next election points as defined in the exploration permit once tests have been completed. Therefore further discussions are warranted and field operations have been delayed while awaiting this ruling until the first half of 2016.

Along with the exploration and development programs being conducted in south central Saskatchewan, the Company is continuing to evaluate a number of technically driven exploitation targets within the Company's land base of 532,000 gross acres in Western Canada. The intention is to add complementary production and development activities to the Company's current inventory of exploration targets in Canada and Guatemala. The Company anticipates that its oil weighted drilling inventory will ensure that the Company's financial performance will continue to be competitively optimized within the current low commodity price environment being experienced by the industry worldwide.

Through disciplined efforts, the Company's principals will continue their evaluation of previously identified exploration targets which can be enhanced utilizing management's knowledge of current state-of-the-art three component (3C) seismic data evaluation and development techniques. These techniques are continually evolving and used to lower risk of failure and improve upon the ultimate results of the Company's exploration and exploitation activities.

The Company continually reprocesses and updates its interpretation and reserves estimates, integrating new information into the current inventory of geological, geophysical and petro-physical data acquired by the Company. To advance the Company's activities in the northern and southern Petén Basins of Guatemala, Quattro continues to negotiate terms that the Company deems are necessary to support the successful development of its business plan in the country. The Company's negotiations to date are consistent with the current fluctuation in commodity pricing that has occurred in 2014 and 2015, and believes that this will lead to the refinement of terms in Guatemala that will support the commercial development of the Company's targeted prospects in the country in 2016.

During the second quarter 2015, the Company successfully completed a series of material acquisitions, in addition to remediation and asset consolidation activities. A continuing effort is being made by Quattro to grow revenues to an amount necessary to provide sufficient working capital for the Company to meet all of its financial commitments. In the event the Company is able to generate only modest revenues and cash flows from operations, it may be necessary to supplement its financial needs through the issuance of additional debt and/or equity funds in order to facilitate the Company's business plan.

The Company operates a diversified asset base within Western Canada. We recognize that to be an efficient low cost, diversified company, Quattro also must continually review the likelihood of whether a business unit is meeting the Company's objectives in the allotted timeframe. Following this review, the Company will, when necessary, make difficult decisions that are based on its long term goals.

In the fourth quarter of 2014, upon completing a review of its plans for extra heavy oil (cold flow bitumen), Quattro determined that its heavy oil interests in northern Alberta were going to consume an excessive amount of the Company's human resources and capital for an extended time. Management decided to concentrate Quattro's resources and efforts on its light and medium oil properties in southern Saskatchewan (which have significant potential, are viable at current commodity prices and have a more certain development timeframe). Therefore, as announced on April 30, 2015, the Company sold its extra heavy oil (cold flow bitumen) interests in the McMullen area of Alberta, leaving a prospective 7,680 acres (100% net) and reducing its active areas of focus in Western Canada from 4 to 3 regional (CGU's) business units.

Management believes that the Company's diversity remains intact within these three active business units and will continue to provide the Company the capacity to minimize industry risks inherent due to fluctuations in commodity pricing, product demand between oil and gas, geological setting (operational costs and technical limitations), and the ongoing fluctuations in competition for services, access to markets (sales pipelines) and seasonal access. Quattro believes that its high level of operated properties positions the Company to continue to be resilient to numerous industry risks both near and long term.

Following closing of the purchase and sale agreements announced on April 30, 2015 and June 30, 2015, the Company continues to consolidate and increase its operations to include an abundant series of operated development and exploration opportunities, with an estimated 40 high working interest development drilling locations. The working interests and drilling locations range from a low of 50% for 1 well, to between 75% and 100% for the remaining 39 locations. The 40 locations have been evaluated by the Company`s independent engineers, 35 of the 40 locations target seismically defined light and medium grade oil with remaining locations targeting proven producing natural gas structures.

Quattro’s land position in Canada as of April 30, 2015 is approximately 530,000 gross acres, of which 102,533 acres (net) is developed and 217,855 acres (net) undeveloped. The Company currently retains a 100% working interest in approximately 120,000 exploration acres. Initial exploratory expenditures have been completed, including propriety seismic and interpretation that, in combination with the exploratory well drilled, logged and cased in the Wood Mountain area of Saskatchewan in October of 2014, the Company currently has an undiscovered resource of approximately 25,000,000 barrels of light oil in place (as defined by NI 51-101), which currently is an un-booked addition to the Company’s Engineering Evaluation Report filed in May 2015.

The Company continues to proceed with its plans in southern Saskatchewan and anticipates that ongoing activities in 2015 within this region we will be adding materially to the Company`s current internally estimated reserves of 7.6 mmboe (net working interest).

In British Columbia, during the second and third quarter of 2015, a number of midstream operated pipelines and facilities continued with annual maintenance turnarounds and material upgrades which limited production during the second quarter. Quattro continues to review the scheduling from these services provides and anticipates that a series of intermittent scheduled and unscheduled maintenance activities will continue limit production to between 1,500 and 1,800 boe/d until the end of the 4th quarter of 2015.

## ➢ DISCUSSION OF OPERATIONS

### Revenue

For the three and nine months ending September 30, 2015, petroleum sales were $2,706,528 and $8,496,900 respectively, a decrease of $4,078,309 year over year from $12,575,208 for the nine months ended September 30, 2014. This decrease was attributable to lower oil and natural gas prices over the period with a significant portion of this reduction being absorbed through increased production processing and administrative revenues, reducing the negative impact to less than 30% on a net revenue basis. Quattro continues to maintain the position that, in order to meet its long term objectives, it will need to continue to rely in the near term on a balanced strategic approach to increase revenues through a combination of exploration, development drilling, exploitation and acquisitions. The Company intends to continue to re-direct its financial resources to each of these areas whenever a complimentary opportunity is identified, for the enhancement of the Company's business plan.

The Company continues to believe that the current market conditions support a continued balancing of activities between acquisitions, development and exploration and that continuing this strategy will lead to further material advances in the Company's business plan in 2015, with the goal being to achieve similar results to what was achieved year-over-year since 2014.

| | September 30, Three months ended, | | September 30, Nine months ended, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| **Revenue** | | | | |
| Petroleum and natural gas sales | $ 2,706,528 | $ 3,976,037 | $ 8,496,900 | $ 12,575,208 |
| Royalties | (135,162) | (155,578) | (502,824) | (869,189) |
| Other revenue | 794,880 | 64,257 | 1,916,057 | 297,676 |
| | 3,366,246 | 3,884,716 | 9,910,133 | 12,003,695 |
| **Expenses** | | | | |
| Production and operating | 1,777,079 | 1,450,303 | 4,878,838 | 4,981,097 |
| General and administration | 477,145 | 426,993 | 1,671,081 | 1,272,919 |
| Accretion expense | 120,736 | | 352,952 | |
| Share-based payments | - | 13,222 | 51,443 | 48,797 |
| Depreciation, amortization and depletion | 962,645 | 1,026,000 | 2,917,969 | 2,857,577 |
| Interest and financing costs | 203,246 | 116,116 | 454,883 | 490,376 |
| | 3,540,850 | 3,032,634 | 10,327,165 | 9,650,766 |
| **Income (Loss) before other items and taxes:** | (174,603) | 852,082 | (417,032) | 2,352,929 |
| Other items: | | | | |
| Gain (Loss) on settlement ARO | - | 51,256 | - | 300,974 |
| Gain on sale - lease back | - | - | - | 490,206 |
| Gain on acquisition of properties | - | 1,428,000 | 2,297,919 | 1,462,677 |
| Gain (loss) on sale of assets | 91,500 | - | 91,500 | 155,175 |
| **Income (loss) before taxes** | (83,103) | 2,331,338 | 1,972,386 | 4,761,961 |
| Income tax recovery (expense) | 405,313 | (2,042,582) | 211,217 | (671,934) |
| **Net and comprehensive income** | $ 322,210 | $ 288,756 | $ 2,183,603 | $ 4,090,027 |
| **Net income per common share** | | | | |
| Basic | 0.00 | 0.01 | 0.05 | 0.12 |
| **Income (loss) per share** | | | | |
| Basic and diluted | 0.01 | 0.07 | 0.05 | 0.14 |

## Assets

Total assets, including cash, accounts receivable, exploration and evaluation assets, petroleum and natural gas properties and equipment and other assets (deposits) for the nine months ended September 30, 2015 were $64,814,052, up $10,491,762 from $54,322,290 at December 31, 2014. The primary reasons for the increase, were the net results of (i) the increase in current assets by $3,766,479 (ii) the operational performance of the Company's facilities and stable cash-flow generated as operator in three diverse regions of the Western Canadian Basin from $10,695,412 at year end 2014 to $14,461,891 at September 30, 2015, and (iii) the increase in PN&G assets of $5,389,173 from $39,151,093 as of December 31, 2014 to $44,540,266 as of September 30, 2015 as a result of a series of capital expenditures and acquisitions at the period ended of September 30, 2015, including the re-entry, testing and equipping of a Keg River well at Milo Clarke Lake on a 100% basis.

On June 30, 2015, the Company acquired oil and natural gas properties in British Columbia. The acquired properties were purchased for $3,576,405 and assumption of $1,396,079 in decommissioning liabilities, paid by the issuance 15,000 Class C series 2 preferred shares at $100 per share. The purchase and sale agreement was signed on June 30, 2015, with an effective date of June 1, 2015. The transaction was accounted for as a business combination under IFRS 3- "Business Combinations" as the assets met the definition of a business.

On April 30, 2015, the Company acquired oil and gas natural properties in Divide Area, Saskatchewan, with an effective date of January 1, 2015. The acquired oil and natural gas properties were valued at $3,415,700 and the purchase was paid for through the sale of assets having a book value of $584,664, and the assumption of $406,067 in decommissioning liabilities. The transaction was accounted for as business combination under IFRS 3- "Business Combinations" as the assets met the definition of a business.

The Company's decision to make this acquisition was to further consolidate the operations in the region under the supervision of Quattro. Management anticipates that, within the following 24 months, a combination of improved operational performance and increased production will result from the consolidation of ownership and the application of Quattro's multi-disciplinary approach (geology, geophysics and engineering) to advancing the reserves and future resources identified in the region.

Effective April 30, 2015, the Company acquired the remaining 50% interest in the exploration and evaluation assets at Wood Mountain, Saskatchewan it did not previously own and an 80% interest in the Twin Lakes area of Alberta, which was paid for through the sale of Quattro's interests in the McMullen, Alberta area. The exploration and evaluation assets were purchased for $792,567 and paid for through the sale of the McMullen assets and the associated liabilities of $56,311, and the assumption of accounts receivable outstanding at the time of closing of $336,857, with this assumption being assigned to the value of the exploration and evaluation assets resulting in a net addition of $1,073,113.

On September 30, 2015, the Company reclassified certain non-core properties in north west Alberta to assets held for sale.

On August 18, 2015, the Company sold the assets held for sale for the book value of$549,863.

On June 30, 2015, the Company reclassified certain non-core properties in the Leduc region of Alberta to assets held for sale, as a result of the advanced stages of negotiations that had occurred to date which resulted in the conclusion of a sale of these assets on August 19, 2015.

On April 30, 2015, the Company sold the Assets held for sale for the book value of $1,347,700.

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| **Current assets** | | |
| Cash | $ 4,566,423 | $ 3,376,292 |
| Accounts receivable | 7,609,109 | 5,750,379 |
| Promissory note receivables | 100,000 | 150,500 |
| Marketable securities | 40,000 | 40,000 |
| Prepaid and deposits | 524,687 | 30,541 |
| Assets held for sale | 1,621,673 | 1,347,700 |
| **Total current assets** | 14,461,891 | 10,695,412 |
| **Non - Current assets** | | |
| Exploration and evaluation assets | 5,510,456 | 4,152,918 |
| Petroleum and natural gas properties and equipment | 44,540,266 | 39,151,093 |
| Properties and equipment intangible | 176,190 | 197,619 |
| Deposits | 125,248 | 125,248 |
| **Total non-current assets** | 50,352,161 | 43,626,878 |
| **Total Assets** | $ 64,814,052 | **$** 54,322,290 |

## Liabilities

At the third quarter of 2015, the current liabilities for the Company increased to $7,798,868, an increase of $433,267 from $7,365,601 at year end 2014. The Company's current liabilities, when they are measured against the Company's performance and current assets, are appropriate in relation to Company's activities in the corresponding 6 months. The Company's current liabilities are continually monitored and management believes that the current assets to current liabilities ratio remains strong which will result in the orderly discharge of all of the Company's financial obligations.

Total liabilities for the period ended September 30, 2015 were $38,782,025, up $6,678,614 from the $32,103,411 reported at December 31, 2014. The primary reason for increase was due to changes in estimation by significant decrease rates of long term government bonds yield from 3.2% to 1.99% on asset retirement obligation liability to $19,215,651 from $16,624,860.

The net comprehensive loss for the nine month period ended September 30, 2015, before other items and taxes, was $417,032, a significant decrease of $2,769,961 from an income of $2,352,929 in the prior period ended September 30, 2014, due to the dramatic year over year change in commodity pricing.

The decrease in year over year operating revenue due to commodity price decrease was anticipated in the fourth quarter of 2014, with the full impact of the decrease in revenue not being evident until the first quarter of 2015. The Company's focus on operational efficiencies and increasing processing revenues, in combination with Quattro's organic production growth, are anticipated to further reduce the pricing impact being experienced by the industry with Quattro working towards re-establishing year over year revenue growth before the end of 2015.

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | 5,977,442 | 5,702,702 |
| Current portion of long term debt | 1,429,200 | 1,600,000 |
| Current portion of finance lease obligation | 6,588 | 6,588 |
| Decommissioning liabilities AHFS | 385,638 | 56,311 |
| **Total Current Liabilities** | $ 7,798,868 | $ 7,365,601 |
| **Non - Current Liabilities** | | |
| Long term debt | 8,570,800 | 5,732,500 |
| Convertible debentures | 500,000 | 500,000 |
| Long term portion of finance lease | 18,311 | 23,214 |
| Decommissioning liabilities | 19,215,651 | 16,624,860 |
| Flow through share premium | - | 199,899 |
| Deferred tax liability | 2,453,396 | 1,657,337 |
| Shareholder loan | 225,000 | - |
| **Total non-current liabilities** | $ 30,983,157 | $ 24,737,810 |
| **Total liabilities** | $ 38,782,025 | **$** 32,103,411 |

## Cash Flow Statements

Net cash flow from (used in) operating activities for the period ended September 30, 2015 was $2,905,332 compared to $5,293,653 for the same period one year ago. The decrease of $2,388,321 was as a result of the material decrease in commodity pricing from the same period in 2014. The Company, although disappointed with commodity prices, remains on track to maintain sustainable growth. Operating income as percentage of net revenue was 50.7% compared to 58.5% in the nine months ended September 30, 2014, which Quattro believes continues position the Company to be an efficient consolidator of production within its core areas of operation.

Net cash from financing activities for the period ended September 30, 2015 totalled $2,965,702, which was limited to the monthly repayment of long term loans at September 30, 2015, with its net debt obligation being $2,651,087 (as defined by the Company as total debt, less decommissioning deferred taxes and working capital).

On September 30, 2015, the Company increased its fixed term loan from an initial principal amount of $8,000,000 to $10,000,000. These funds, the issuance of equity and the cash realized from operations provided the Company with the capacity in the 4th quarter 2015 to make a number of investments that are incrementally key to continuing our efficient growth in the next 12 months.

The Company believes that the results of these investments were warranted when the Company's improving performance at Milo Clarke Lake, British Columbia are taken into consideration, along with ongoing improvements yet to be realized by Quattro as a result of these activities.

The table below outlines Quattro's statements of cash flows for the period ended September 30,

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| **Cash provided by (used for)** | | | | |
| **Operating activities** | | | | |
| Net Income (loss) | $ 322,210 | $ 288,756 | $ 2,183,603 | $ 4,090,027 |
| Add item not affecting cash | | | | |
| Depreciation, amortization and depletion | 962,645 | 1,026,000 | 2,917,969 | 2,857,577 |
| Income tax expense (recovery) Note -15 | (405,313) | 2,042,582 | (211,217) | 671,934 |
| Accretion in decommissioning liabilities | 120,736 | 11,022 | 352,952 | 34,350 |
| Share based payments | - | 13,222 | 51,443 | 48,797 |
| (Gain) loss on settlements of decommissioning liabilities | - | (51,256) | - | (300,974) |
| (Gain) loss on sale - lease back | - | - | - | (490,206) |
| (Gain) loss on sale of assets | (91,500) | - | (91,500) | (155,175) |
| (Gain) on acquisition of properties | - | (1,428,000) | (2,297,919) | (1,462,677) |
| | 908,778 | 1,902,326 | 2,905,332 | 5,293,653 |
| **Change in non-cash operating working capital** | | | | |
| Accounts receivable | (437,890) | (395,333) | (1,858,730) | (982,700) |
| Promissory notes receivable | - | - | 50,500 | - |
| Accounts payable and accrued liabilities | (727,799) | 733,644 | 236,295 | 154,672 |
| Prepaid and deposits | (358,853) | (34,991) | (494,146) | (85,871) |
| Current portion of debt | - | (356,037) | - | - |
| Current portion finance lease | - | 176,952 | - | - |
| | (615,765) | 2,026,561 | 839,251 | 4,379,754 |
| **Financing activities** | | | | |
| Increase (decrease of) bank debt | 3,468,500 | - | 2,667,500 | 2,143,962 |
| Increase (decrease of) finance lease | (1,659) | - | (4,904) | - |
| Decommissioning liabilities | - | (10,432) | - | 864,267 |
| Decommissioning liabilities associated with AHFS | - | - | - | (133,600) |
| Proceeds (repayment of) promissory note | - | - | - | (77,566) |
| Issuance of common shares, net of share issuance costs | - | 21,926 | - | 96,926 |
| Contribute surplus | - | (35,575) | - | - |
| Warrants | - | 27,400 | - | 27,400 |
| Convertion of warrants to shares, net of issue costs | - | - | 78,105 | - |
| Proceeds from loans shareholders | - | - | 225,000 | - |
| | 3,466,841 | 3,319 | 2,965,702 | 2,921,389 |
| **Investing activities** | | | | |
| Deposits | - | 23,729 | - | 58,219 |
| Deferred gain on lease-back | - | - | - | (438,746) |
| Finance lease | - | (228,412) | - | (572,829) |
| Exploration and evaluations assets | (454,825) | (504,018) | (1,413,850) | (914,099) |
| Acquisitions | - | 1,321,986 | - | (923,644) |
| Investments | - | (140,000) | - | (140,000) |
| Additions to petroleum and natural properties and equipment | (27,776) | (3,033,133) | (1,200,973) | (3,320,435) |
| | (482,601) | (2,559,848) | (2,614,822) | (6,251,534) |
| **Change in cash** | 2,368,475 | (529,968) | 1,190,131 | 1,049,609 |
| **Cash, beginning of period** | 2,197,948 | 3,077,017 | 3,376,292 | 1,497,440 |
| **Cash, end of period** | $ 4,566,423 | $ 2,547,049 | $ 4,566,423 | $ 2,547,049 |
| Interest paid | 193,164 | - | 438,044 | - |
| Tax paid | - | - | - | - |

## ***Internal Controls over Financial Reporting***

Quattro's Chief Executive Officer and Chief Financial Officer are responsible for designing internal controls over financial reporting, or causing them to be designed under their supervision, in order to provide reasonable assurance regarding their reliability and the preparation of interim financial statements for external purposes in accordance with IFRS.

In 2014, the Company began the implementation of advanced reporting and accounting systems which, following the completion of an evaluation period, commenced in the 3rd quarter of 2014. The adaptation to the new system has been challenging but the Company believes that, once the implementation has been completed, by the second half of 2015, the Company will see a material reduction in its general and administrative costs by as much as 25% year-over-year measured as a percentage of revenue.

## ***Analysis of Revenue, Cash Flows and Assets – three and nine months ended September 30, 2015 and September 30, 2014***

### ***Revenue***

For the period ended September 30, 2015, the Company recognized petroleum and natural gas revenues of $8,496,900, while the remaining revenues of $1,916,057 were earned from third party management and processing services, for a total of $10,412,957 versus $12,872,884 for the same period in 2014. This represents a 19% reduction when compared to the same period ended September 30, 2014, due primarily to dramatic commodity price decreases over the year.

The Company's operated facilities provide a defensive position within the overall industry. When the Company compares its overall reduction in commodity pricing of 31%, the softened impact on revenue was due to the natural gas weighting of its production, in comparison to the dramatic decrease in WTI oil prices that has been experienced by the industry in North America year over year of more than 50%. The adjustments to current market conditions has been dramatic, yet Quattro remains confident that, over the next 12 months, it will be a sector leader, with the Company anticipating the bottom of the current price cycle in the fourth quarter of 2015. Quattro, as a defensive tactic, will migrate to focusing on increasing oil production revenues and continue to add incremental low cost natural gas production over the next 12 months. The Company believes that a number of opportunities being considered both internally and externally will allow the Company to grow on a year over year basis in both production and revenues and, in doing so, out-pace the industry's overall recovery in 2015 and 2016.

### ***Expenses***

Expenses for the period nine months ended September 30, 2015 totalled $10,327,165 compared to $9,650,766 for the prior year. Total expenditures included production and operating expenses for the period ended September 30, 2015 of $4,878,838 (2014 - $4,981,097), and general and administration expenses of $1,671,081 (2014 - $1,238,569). These were moderately higher due to the Company's decision to continue to actively pursue a series of material acquisitions in 2015. Employee compensation and benefits totalled $464,224 (2014 - $187,176), and building occupancy costs totalled $77,430 (2014 - $66,901). The remaining expenses were $1,129,427 (2014 - $950,142), $164,734 related to one-time charges associated with the legal and tax effects associated with discontinuation of operations and sale of the McMullen properties. The remaining increased administration of current production, staffing, ongoing engineering and business development activities in anticipation of further growth in production. The Company's G&A budget remains on target, that upon reaching its production target of 3,000 boe/d G&A will be less than $ 2.50 per boe and 8% of annualized revenues, with our next goal being $1.50 per boe and less than 6% of annualized revenue by yearend 2016.

Depreciation, amortization and depletion expense was $2,917,969 (2014 - $2,857,577), supported by increased production, while interest on long-term debt and finance cost was $454,883 (2014 - $490,376), reflecting a reduction to $1.17 per boe in comparison to $1.25 per boe in the same period of 2014. Accretion was $352,952 (2014 - $34,350) and share based compensation was $51,443 (2014 - $48,797).

| **Expenses** | | **2015** | **2014** |
|---|---|---|---|
| Depreciation, amortization and depletion | $ | **2,917,969** | 2,857,577 |
| Production and operating costs | $ | **4,878,838** | 4,981,097 |
| General and administration | $ | **1,671,081** | 1,238,569 |
| Accretion | $ | **352,952** | 34,350 |
| Share - based payments | $ | **51,443** | 48,797 |
| Interest and financing costs | $ | **454,883** | 490,376 |
| **Total** | | **10,327,165** | **9,650,766** |

***Royalty Expenses***

Royalty expenses in the period ended September 30, 2015 totalled $502,824 versus $869,189 during the prior year.

***Share - Based Payments***

Quattro maintains a stock option plan which provides for the granting of stock options to directors, officers, employees, consultants and other service providers to the Company and its subsidiaries compensation expense associated with shares-based payment plans is recognized in profit or loss over the vesting period of the plan with a corresponding increase in contributed surplus. Compensation expense is based on the fair value of stock based compensation at the date of the grant determined using the Black Scholes option pricing model. The amount recognized as an expense is adjusted to reflect the actual number of share options for which the related service conditions are met. Stock options are settled by physical delivery of shares.

The amount of non-cash compensation expense for stock based plans is recognized in contributed surplus and is recorded as an increase in shareholders' equity when stock compensation plans are exercised. A stock based compensation expense of $51,443 has been recorded for the period ended September 30, 2015 as opposed to $48,797 for the period ended September 30, 2014.

***Income Taxes***

The Company has existing tax losses and resource tax pools of approximately $21,763,981 as of September 30, 2015 and December 31, 2014.

***Net Income (Loss)***

For the period ended September 30, 2015, the Company had net income of $2,183,603, or $0.05 per share, compared to a net income of $4,090,027 or $0.12 per share, for the period ended September 30, 2014.

The Company believes that profitability will continue, but recognizes that the reduction in commodity prices may reduce this trend for a short period, until additional production currently under development and complementary acquisitions add to the Company's current revenue.

***Cash Flow from Operations***

For the period ended September 30, 2015, cash flow from operations was $839,251, compared with an efficiency of $4,379,754 at September 30, 2014, an 81% reduction as a result of reduced commodity pricing and production limitations due to restrictions imposed on the Company by midstream pipeline operators in the first nine months of 2015. As a percentage of revenues, cash-flow from operations was 50.7% versus 58.5% in the same period of 2014, a 13.33% reduction on a year over year basis, which supports the Company's analysis that its operations are adjusting to the current commodity pricing.

Cash increased to $4,566,423 at the period ended at September 30, 2015 from $2,547,049 at September 30, 2014. The increasing cash flow relates to a combination of decreasing oil revenues and natural gas sales. Positive cash flow is anticipated to continue for the foreseeable future.

## ➢ SELECTED QUARTERLY INFORMATION

The table below sets out selected quarterly information results for the past eight quarters:

| **Three months Ended:** | | **30/09/2015** | **30/06/2015** | **31/03/2015** | **31/12/2014** | **30/09/2014** | **30/06/2014** | **31/03/2014** | **31/12/2013** |
|---|---|---|---|---|---|---|---|---|---|
| Cash | $ | 4,566,423 | 2,197,948 | 1,994,211 | 3,376,292 | 2,547,049 | 3,077,017 | 2,185,556 | 1,497,440 |
| Revenue | $ | 3,501,408 | 3,464,190 | 3,447,358 | 5,130,996 | 4,040,294 | 4,666,469 | 4,166,121 | 2,079,940 |
| Royalties | $ | (135,162) | (86,817) | (280,844) | (958,211) | (155,578) | (307,508) | (406,103) | (216,424) |
| Net Income (Loss) | $ | 322,210 | 1,653,795 | 207,598 | (2,128,291) | 288,756 | 631,739 | 3,169,532 | 12,767,059 |
| Earnings (Loss) per share (basic) | $ | 0.00 | 0.05 | 0.01 | (0.06) | 0.01 | 0.02 | 0.09 | 0.41 |

The Company, during the period ended September 30, 2015, recorded revenues of $10,412,957 before the Company incurred royalty expenses of $502,824, resulting in net operating revenue of $9,910,133. Upon the recognition of operating expenses, general administration expenses, share based on payments, depreciation, amortization, depletion, accretion and interest and financing costs, net loss from operations was $417,032. At the third quarter of 2015, acquisitions or divestitures were recorded resulting in gains or losses of $2,389,419, (2014 - $2,409,032).

For the period ended September 30, 2015, the Company recorded net and comprehensive income of $2,183,603 upon taking into account all gains and tax adjustments, or $0.05 per share earnings based on the total weighted number of shares outstanding of 41,660,632.
Cash and short-term investments at the third quarter 2015 totalled $12,840,218 and are continually being reviewed by the Company.

On June 30, 2015, the Company acquired oil and natural gas properties in British Columbia. The transaction was accounted for as business combination under IFRS 3 – "Business Combinations" as the assets met the definition of a business.

This acquisition contributed $14,200 in revenues during 9 days in June and $12,785 of royalties and direct operating expenses from June 1st, 2015 through June 30, 2015, resulting in $1,415 of net income. All of these amounts are recorded in the consolidated statement of comprehensive income. Had this acquisition been producing as at January 1, 2015, management estimates that an additional $493,225 in revenues and $278,740 in royalties and direct operating expenses would have been recorded for an additional $214,485 in net income.

On April 30, 2015, the Company acquired oil and natural gas properties in the Divide area of Saskatchewan, with an effective date of January 1, 2015. The transaction was accounted for as business combination under IFRS 3 – "Business Combinations" as the assets met the definition of a business.

This acquisition contributed no revenues and no royalties and direct operating expense from April 30, 2015 to June 30, 2015, resulting in no net income. Had this acquisition been producing as at January 1, 2015, management estimates that an additional $1,972,900 in revenues and $977,400 in royalties and direct operating expenses would have been recorded for an additional of $995,500 in net income.

During the third quarter 2014 measurement period as permitted by IFRS 3, a measurement period adjustment subsequent to the CGR acquisition as reported in the December 31, 2013 consolidated financial statements resulted in an increase to P&NG properties and equipment of $1,428,000. The adjustment relates to information on the valuation of gas processing plants that existed at the time of acquisition but for which the Company was seeking information with respect to their value.

On June 9, 2014, the Company acquired oil and gas natural gas assets and spare equipment located in east central Alberta with an effective date of February 1, 2014. The Company was assigned as operator on May 7, 2014. The transaction was accounted for as a business combination under IFRS 3- "Business Combinations" as the assets met the definition of a business.

This acquisition contributed $437,120 in revenues and $145,391 in royalties and direct operating expenses from June 9, 2014 to December 31, 2014, resulting in $291,729 of net income. All of these amounts are recorded in the consolidated statement of comprehensive income. Had this acquisition been acquired as at January 1, 2014, management estimates that an additional $386,903 in revenues and $129,483 in royalties and direct operating expenses would have been recorded for an additional $257,420 in net income.

Quattro continues towards increasing its cash on hand to insure that the Company can increase its financial capacity and achieve its projected goals while monitoring expenses so that these expenses continue to decrease as a percentage of net revenue. In the past year the Company has achieved positive results in this regard and believes that further economies of scale from increased volumes and revenues will further improve the Company's performance as provided above on pages 8 and 9 of this report. The Company continues to focus on a diversified production portfolio in western Canada, actively pursuing acquisitions and divestitures with the purpose of meeting its goal of having regionally focused, low cost, sustainable business units, within geological settings that historically have provided predictable low decline, stable production and cash-flow.

The Company believes that its performance to date, when it is measured and normalized for seasonal commodity price fluctuations in North America, is developing a trend towards its near term goal in the next 18 to 24 months of sustainable operations and organic growth in western Canada. This is being achieved through re-activations, work-overs and continued application of best practices and improvements to operations when and where possible. The Company's goal is to develop its operations to a size that provides free cash-flow and operational funding for a comprehensive ongoing exploration and development program in both Canada and Guatemala, not funding such growth through dilutive equity financings.

## **Product Prices and Production**

As of September 30, 2015, the Company was operating in three regions in western Canada, two with active production, NE British Columbia and East Central Alberta, and one developing operation in SW Saskatchewan. It also continues its business development activities in Guatemala in anticipation of drilling and production commencing in 2015–2016 upon the finalization of negotiations and the issuance of environmental permits.

Results from operations and the Company's overall financial condition are affected by natural gas commodity prices which can fluctuate dramatically but have become less volatile over the past 12 months. These commodity prices are beyond the control of the Company and are difficult to predict, but management believes that further rationalization of the gas markets provide confidence that by the end of 2014 there will be a stabilization of natural gas prices in relation to oil prices in North America.

The following data summarizes certain information in respect of production, product prices received, royalties paid, production costs and resulting netback quarter of Quattro's most recently completed financial year.

**Petroleum, Gas Liquids and Natural Gas Production Quarterly Comparison-last 8 quarters;**

| | 2015 | | | 2014 | | | | 2013 |
|---|---|---|---|---|---|---|---|---|
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 |
| Total days per period | 92 | 91 | 90 | 92 | 92 | 91 | 90 | 92 |
| Oil and Gas liquids - BOE/day | 305 | 290 | 295 | 297 | 290 | 300 | 300 | 290 |
| Natural Gas - BOE/day | 1,133 | 1,045 | 1,080 | 1,168 | 1,143 | 1,177 | 952 | 726 |
| Royalty Income - BOE/day | 38 | 36 | 35 | 45 | 47 | 48 | 46 | 44 |
| Total Production BOE/day | 1,476 | 1,371 | 1,410 | 1,510 | 1,480 | 1,525 | 1,298 | 1,060 |
| Weighted avg. price received per BOE $ | 20.45 | 23.32 | 23.02 | 36.79 | 29.67 | 34.40 | 35.54 | 34.30 |

## ➢ LIQUIDITY AND CAPITAL RESOURCES

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking harm to the Company's reputation.

During the third quarter of 2015, management, along with industry, continues to experience abrupt changes in commodity pricing which has resulted in a dramatic reduction in cash flow. The Company anticipated the consequences of an abrupt change in the prices received for its products and believes that, within 6 months, more normalized conditions will resume with in the industry.

The following are the contractual maturities of financial liabilities as at September 30, 2015:

| Financial Liabilities | | < One Year | | > One Year |
|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ | 5,977,442 | $ | - |
| Convertible debenture | | - | | 500,000 |
| Bank debt | | 1,429,200 | | 8,570,800 |
| Finance lease obligations | | 6,588 | | 18,311 |
| Shareholder loan | | - | | 225,000 |
| Total | $ | 7,413,230 | $ | 9,314,111 |

The Company had working capital for the period ended September 30, 2015 of $6,663,023 representing an increase of $3,333,212 from a level of $3,329,811 at December 31, 2014 due again to the decrease in revenue resulting from the steady commodity price drop over the period.

The Company continues to work towards maintaining positive working capital and liquidity by maintaining a cash reserve as deemed necessary. The Company expects to be able to fund its expenditures from organic growth in the second half of 2015 using operating cash flow and funds raised to date and Quattro continues to evaluate opportunities to accelerate its growth to achieve its goal of exceeding 6,000 boe per day by year-end 2016.

The Company assets and associated acreage are held under long term tenure with limited capital requirements and no material expiries anticipated in the next five years. All producing properties within the Company are not subject to any expires or forfeiture as long as they remain in operation on an annualized basis, which the Company anticipates to be a reasonable expectation for the foreseeable future.

The Company will continue to pursue financing activities that are complementary to what it currently considers is its organic business plan, while applying sound business principles and operating within the cash flow generated by the Company's operations.

The Company has utilized debt and equity (both common and flow-through share issuances) from time to time to finance its capital programs as deemed appropriate and will continue to do so while maintaining a balanced capital structure that is tested and weighted to withstand the periodic fluctuations of commodity prices.

Contractual obligations are as follows:

*Operating leases*

The Company reduced its obligations in 2014 upon renewing its leases for office space in Calgary, Alberta. The initial agreement commenced on October 1, 2011 for a term of 60 months with monthly payments of $2,395 and can be cancelled at any time upon paying a 6 month penalty for early termination.

The Company's growth resulted in an additional operating lease being entered into for adjacent office space to its current location in Calgary Alberta. The agreement commenced on November 1, 2013 for a term of 60 months with monthly payments of $6,208 and can be cancelled at any time upon paying a 6 month penalty for early termination.

| | | **September 30, 2015** | December 31, 2014 |
|---|---|---|---|
| Within one year | $ | **103,236** | 103,236 |
| After one year but not more than five years | | **155,200** | 232,627 |
| More than five years | | **-** | - |
| | $ | **258,436** | 335,863 |

*Finance leases*

On June 30, 2014, the Company repaid and cancelled an equipment lease entered into on October 31, 2013.

The Company entered into a capital truck lease on January 10, 2014 for a term of 60 months, with monthly payments of $717, having an implied rate totalling 5.99% per annum.

| | | **September 30, 2015** | December 31, 2014 |
|---|---|---|---|
| Within one year | $ | **6,588** | 6,588 |
| After one year but not more than five years | | **18,311** | 23,214 |
| | $ | **24,899** | 29,802 |

The Company's intention is to continue to remain open to change with a continuing effort to be efficient and to source the best pricing from its suppliers. The Company currently has no long term contractual obligations (take or pay). It believes that the services within the industry are adequate and provide a competitive environment that does not limit the Company's ability to achieve its business objectives.

Quattro has no contractual capital commitments that go beyond the recognition and discharge of the costs associated with its daily operations and the repair, maintenance and long term capital investment in its production and processing facilities.

## ➢ OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any arrangements that would be excluded from the balance sheet as at September 30, 2015, nor are any such arrangements outstanding as of the date of this MD&A.

## ➢ CRITICAL ACCOUTING ESTIMATES

Management is required to make judgments and use estimates in the application of IFRS that have significant impact on the financial results of the Company. In preparing the Condensed Interim Financial Statements, the significant estimates and judgements made by management in applying the Company's accounting were the same as those that applied to the annual financial statements as at and for the year ended December 31, 2014, except as noted below.

## ➢ FINANCIAL INSTRUMENTS

Quattro recognizes all financial instruments, including embedded derivatives, on the consolidated statement of financial position initially at fair value. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair value through profit and loss", "available-for-sale", "other accounts receivable or payable" or "held to maturity".

Cash, which consists of cash and short term deposits with original maturities of less than three months, is classified as fair value through profit and loss and is recorded on the consolidated statement of financial position at fair value. Transaction costs related to financial instruments which are classified at fair value through profit and loss are recognized in profit or loss when incurred. At September 30, 2015, the Company had a restricted capital cash balance of $1,700,976 (2014 -$1,548,278) which is held in fixed term deposits with a Canadian bank securing outstanding letters of credit.

All of Quattro's other financial instruments have been designated as other accounts receivable or payable and are measured at amortized cost net of transaction costs using the effective interest method, less any impairment losses.

The nature of these instruments and the Company's operations expose the Company to commodity price, credit and interest rate risk. The Company manages its exposure to these risks by operating in a manner which minimizes its exposure to the extent practical. At September 30, 2015, the Company did not have any material hedging programs.

*Commodity Price Risk*

The Company's operational results and financial condition are largely dependent on the commodity price received for its petroleum and natural gas production. Commodity prices have fluctuated widely in recent years due to global and regional factors including supply and demand fundamentals, inventory levels, weather, economic and geopolitical factors.

A $1.00/bbl difference in oil prices for the 3 month period ended September 30, 2015 would have increased or decreased petroleum revenue by $28,060 per year (2014 - $26,680) depending on the direction of the difference. Royalty income /expense would also have increased or decreased accordingly for a net impact on the operating income of approximately $2,525 (2014 - $1,350).

A $0.10/mcf difference in natural gas prices for the 3 month period ended September 30, 2015 would have increased or decreased petroleum revenue by $62,541 (2014 - $51,408) depending on the direction of the difference. Royalty income/expense would also have increased or decreased accordingly for a net impact on the operating income of approximately $3,127 (2014 - $2,570).

*Foreign Currency Risk*

The Company is exposed to the risk of changes in the Canadian/U.S. dollar exchange rate on the sale of commodities, purchase of materials and the supply of services.

Foreign currency exchange rates are a risk that future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company does not sell any oil or natural gas in foreign currencies, the underlying market prices in Canada for oil and natural gas fluctuate with changes in the exchange rate between the Canadian and the United States dollar, thus exposing the Company to foreign currency exchange risk. A change of 10% to the foreign exchange rate between the US dollar and the Canadian dollar applied to the average level of US denominated cash and cash equivalents during the year would not have a significant impact on the Company's earnings for the year.

As at September 30, 2015 and September 30, 2014, the Company had no forward exchange rate contracts in place or any working capital items denominated in foreign currencies.

*Interest Rate Risk*

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any short or long term variable interest bearing debt and therefore is only exposed to interest rate risk through its cash holdings. A change of 10% to the interest rates applied to the average level of cash held during the year would not have a significant impact on the Company's earnings for the year. The Company had no interest rate swaps or financial contracts in place during 2015 or 2014.

*Credit Risk*

The Company has not experienced any credit losses in the collection of its accounts receivable. The carrying amount of cash and accounts receivable represents the maximum credit exposure.

Cash is held in operating accounts with a highly rated Canadian bank and therefore the Company considers these assets to have negligible credit risk.

As at September 30, 2015, the Company had cash of $4,566,423 (December 31, 2014 - $3,376,292), of which $nil (December 31, 2014 - $13,301) is held in trust by the Company's legal counsel, $4,556,861 (December 31, 2014 - $3,346,589) is deposited in banks with a high credit rating in Canada and $9,562 (December 31, 2014 - $16,402) is deposited in a bank with a high credit rating in Guatemala. Management has assessed the risk of loss to be minimal.

The Company's accounts receivable are primarily with joint venture partners and purchasers of its production. Production is sold to a small number of oil and gas companies. It is the Company's policy to transact with only credit worthy counterparties. Of the accounts receivable as at September 30, 2015, approximately 60% (December 31, 2014 – 60%), was due from ten customers, reducing risk through diversification. The Company's accounts receivable were $7,609,109 (December 31, 2014 - $5,750,379), of which approximately 95% relates to operations in Alberta and British Columbia and 5% relates to maintenance services. As at September 30, 2015, there was no allowance for doubtful accounts.

## ➢ TRANSACTIONS WITH RELATED PARTIES

For the third quarter 2015, the Company recorded $69,498 (2014 - $158,875) in legal fees to a law firm of which one of the directors of the Company is a partner, of which at September 30, 2015, $nil (2014 - $40,491) was outstanding. In 2014, the Company provided loans to employees secured by promissory notes totaling $50,500 (2014 - $nil) for the purpose of purchasing Quattro Class A Common shares owned by an individual shareholder. On April 15, 2015 these loans were forgiven and the offsetting amount added to each participating employee's income.

## ➢ SUBEQUENT EVENTS

On October 30, 2015, the Company agreed to purchase all the operated wells and the summarized mineral leases including associated proven and probable petroleum and natural gas reserves, estimated at 444,300 boe, in British Columbia and the assumption of restricted working capital and prepays totaling $1,884,680 of two Corporations for aggregate consideration of $1,944,180 and the assumption of $1,037,872 of future decommissioning obligations. The purchase price for the acquisitions was $1,944,180, paid through the issuance of 10,625 non-voting, Class C, Series 3 preferred shares at a deemed price of $100 per share ("Preferred Shares") and $881,680 in cash, paid from working capital assumed by Quattro in the acquisitions. The transaction closed on November 16, 2015.

## ➢ PROPOSED TRANSACTIONS

After the closing of the WCSB asset acquisition on November 5, 2013, the Company continued to grow its operational capacity towards its initial production goal of 6,000 boe/d. The Company plans to achieve this goal through a series of acquisitions and divestitures of non-core assets while it continues to consolidate and compliment the Company's long term production base. It is the Quattro's intention to continue to use this strategy for the remainder of 2015 and into 2016 to reduce its risk and to insure continued growth in revenue and operating income and believes that thorough evaluations and measured decisions will continue to add to cash flow in the following months.

Quattro's long term view established at inception was that the differences in commodity pricing for energy over the long term (>10 years) will be set by the consumer. Neither near term logistics nor abundance of a resource in place will be a long term factor. The environmental impact of an energy source and the perceived burden on society, in combination to its proximity to the consumer, will ultimately set commodity pricing. The consumer will progressively become agnostic to the source of energy, therefore an energy company must competitively deliver its products efficiently to the consumer with the long term understanding that the lowest environmental impact possible will be a significant performance measurement. Therefore these fundamentals are continually being considered by the Company prior to transactions being approved by its board of directors.

At Quattro, each region of operations has its own inherent challenges and will compete for capital available to the Company. Therefore all of the Company's regions of operations are measured against these criteria prior to capital being employed.

Time of execution, risk (probability of success), the internal rate of return and the long term environmental foot print are all considered. These factors are also applied to all internally developed exploration and development plans. They must be competitive within the context of the industry and the markets that the Company competes in. The Company and its board of directors continually review Quattro's business plan, adapting to market conditions to determine the best course of action for achieving its set goals within the confines of the financial resources that are available to the Company from generated cash-flow from operations, debt and equity financing(s).

The current volatility in commodity pricing is for the first time in the past 80 years is being set by the global market with no one entity (OPEC or Politics) having absolute control over pricing. Quattro is poised to take advantage of this volatility and over the next 12-24 months will be an active consolidator of accretive opportunities in its regions of focus.

## ➢ ACCOUNTING POLICIES

The interim financial statements of the Company have been prepared in accordance with IFRS. The interim financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

**a) Cash**

Cash consists of cash deposits at banks.

**b) Petroleum and Natural Gas Properties and Equipment**

Petroleum and natural gas properties ("PN&G") and equipment are recorded at cost. Depreciation of equipment has been provided at the following annualized rates in order to apportion the cost of the asset over its useful life:

| | |
|---|---|
| Facilities | 20 years straight-line |
| Furniture and equipment | 3 - 5 years straight-line |
| Computer hardware | 3 - 5 years straight-line |
| Leasehold improvements | 5 years straight-line |
| Computer Software | 5 years straight-line |
| Equipment under finance lease | 3 years straight-line |
| Well database | 7 years straight-line |

The net carrying value of petroleum and natural gas properties are depleted using the unit-of-production method by reference to the ratio of production in the period to the related proved plus probable reserves, taking into account estimated future development costs necessary to bring those reserves on production.

Year-end proved and probable reserves are determined by independent engineers in accordance with Canadian National Instrument 51-101. Production and reserves of natural gas are converted to equivalent barrels of crude oil on the basis of six thousand cubic feet of gas to one barrel of oil. Changes in estimates used in prior periods, such as proved and probable reserves, that affect the unit-of-production calculations, do not give rise to prior year adjustments and are dealt with prospectively. Proved and probable reserves at the end of each interim reporting period are based on reserves determined at the immediately prior year end, adjusted for production and internal estimates of changes to reserves since the prior reporting date.

Future development costs are estimated taking into the account the level of development required to produce the reserves. These estimates are reviewed at least annually by independent qualified reserves evaluation engineers.

**c) Assets held for sale**

Non-current assets are classified as held for if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is met when the sale is highly probable and the asset is available for immediate sale in its present condition. For the sale to be highly probable management must be committed to a plan to sell the asset and an active program to locate a buyer and complete the plan must have been initiated. The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value and the sale should be expected to be completed within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the carrying amount and the fair value less cost of disposal, with impairments recognized in the consolidation statement of income in the period measured. Non-current assets held for sale presented in current assets and liabilities within the consolidated statement of financial position.

**d) Jointly Controlled Assets and Operations**

Certain exploration and production activities of the Company are conducted under joint operating agreements, whereby two or more parties jointly control the assets. These consolidated financial statements reflect only the Company's share of these jointly controlled assets and, once production commences, a proportionate share of the relevant revenue and related costs.

**e) Business Combinations**

Business combinations are accounted for at fair value using the acquisition method of accounting. The fair value of the net assets acquired and the consideration transferred is measured at the acquisition date. Transaction costs are expensed when incurred. Any excess of the cost of an acquisition over the net fair value of the identifiable net assets is recognized as goodwill in the consolidated statement of comprehensive income. When the excess is negative, a gain on acquisition is recognized immediately in net and comprehensive income.

After initial recognition, goodwill is reviewed annually for impairment. Impairment losses on goodwill are not reversed.

**f) Decommissioning Liabilities**

Decommissioning liabilities are measured as the present value of management's best estimate of the expenditures required to settle the decommissioning liability at the reporting date using a risk-free discount rate. This estimate is recognized when a legal or constructive obligation arises and is capitalized as part of exploration and evaluation assets or petroleum and natural gas properties. The amount capitalized to petroleum and natural gas properties is depleted on a unit-of-production basis as part of depreciation and depletion. Subsequent to the initial measurement, the obligation is adjusted at the end of each reporting period to reflect the passage of time and changes in the estimated future costs underlying the obligation. The increase in the obligation due to the passage of time is charged as accretion expense whereas increases or decreases due to changes in the estimated future costs are capitalized. Actual costs incurred upon settlement of decommissioning obligations are charged against the liability, or expensed if greater than the liability.

**g) Farmouts**

Under IFRS, farmouts of petroleum and natural gas properties are considered a disposition of a partial interest in a property. The proceeds on the disposition is the capital spent, by the farmee in order to earn the interest. The difference between the estimated capital and the carrying value of the disposed interest would be recorded as a gain or loss on disposition on the consolidated statement of comprehensive income. When the agreed upon work commitment has been completed, the farmee has earned their interest. It is at this stage that the Company would record a gain or loss on disposition.

**h) Compound Financial Instruments**

Convertible debentures can be converted to share capital at the option of the Company, and the number of shares to be issued does not vary with changes in their fair value. The liability component of the convertible debentures is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the convertible debenture as a whole and the fair value of the liability component.

The liability component accretes up to the principal balance at maturity with the accretion expense included in finance expense in the consolidated statement of comprehensive income.

The equity component is not re-measured subsequent to initial recognition. The equity component will be reclassified to share capital on conversion. Any balance in equity that remains after the settlement of the liability is transferred to contribute surplus. The equity portion is recognized net of the deferred income taxes.

Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amount.

**i) Exploration and Evaluation Assets**

Exploration and evaluation ("E&E") assets consist of the Company's oil and natural gas exploration projects that are pending the determination of proved reserves. The Company accounts for E&E costs in accordance with the requirements of IFRS 6 "Exploration for the Evaluation of Mineral Resources".

E&E costs relating to activities to explore and evaluate oil and natural gas properties are initially capitalized and include costs associated with the acquisition of licenses, technical services and studies, seismic acquisition, exploration drilling and testing, directly attributable overhead and administration expenses, and the costs associated with retiring the assets. E&E costs do not include general prospecting or evaluation costs incurred prior to having obtained the legal rights to explore an area, which are recognized immediately in net earnings. E&E assets are not depleted.

Once the technical feasibility and commercial viability of E&E assets are determined and a development decision is made by management, the E&E assets are tested for impairment upon reclassification to petroleum and natural gas properties. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determined when proved reserves are determined to exist.

E&E assets are also tested for impairment when facts and circumstances indicate that the carrying amount of E&E assets may exceed their recoverable amount, by comparing the relevant costs to the fair value of Cash Generating Units ("CGU's"), aggregated at the segment level. Indications of impairment include leases approaching expiry, the existence of low benchmark commodity process for an extended period of time, increases in estimated future exploration or development expenditures, and significant adverse changes in the application of legislative or regulatory frameworks.

**j) Impairment**

The Company assesses petroleum and natural gas properties and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset or group of assets may not be recoverable. Indications of impairment include the existence of low benchmark commodity prices for an extended period of time, significant downward revisions of estimated reserves, or increases in estimated future development expenditures. If any such indication of impairment exists, the Company performs an impairment test related to the assets. Individual assets are grouped for impairment assessment purposes into CGU's, which are the lowest level at which there are identifiable cash inflows that are largely independent of the cash inflows of other groups of assets. A CGU's recoverable amount is the higher of its fair value less costs to sell ("FVLCTS") and its value in use ("VIU"). FVLCTS is determined to be the amount for which the asset could be sold in an arm's length transaction. VIU is based upon the estimated before tax net present value of the Company's proved plus probable reserves, as prepared by independent reserve evaluators. Where the carrying amount of a CGU exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount. In subsequent periods, an assessment is made at each reporting date to determine whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is re-estimated and the net carrying amount of the asset is increased to its revised recoverable amount. The recoverable amount cannot exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset in prior periods. Such reversal is recognized in the consolidated statement of comprehensive income.

**l) Seismic and Well Data Library**

Amortization is calculated on a straight-line basis over a period of seven years. Management periodically reviews the carrying value of these properties intangible as are seismic and the well data library and if appropriate, the carrying value is reduced to its estimated net realized value based on projected revenues over a three year period.

**m) Revenue Recognition**

Revenue from sale of petroleum and natural gas is recognized when the significant risks and rewards of ownership of the product is transferred to the buyer, which is usually when legal title passes to the external party and collectability is reasonably assured. Revenue is measured at the fair value of consideration received. Other revenue consists of revenue from processing and other miscellaneous sources and is recognized in accordance with the applicable service agreements upon completion of the relevant service. Revenue is presented before royalties payable to the Crown and others.

**n) Flow-Through Shares**

The Company will from time to time issue flow-through shares to finance portions of its capital expenditure program. Pursuant to terms of the flow-through share agreement, the tax deductions associated with the expenditures are renounced to the subscribers. Accordingly, the proceeds of the issuance of flow through shares are allocated between the offering of the shares and the sale of the tax benefits. The allocation is based on the difference between the quoted price of the existing shares and the amount the subscriber pays for the flow through shares. A liability is recognized for this difference.

The liability is reversed when the tax benefits are renounced and a deferred tax liability is recognized. Tax expense is the difference between the amount of the deferred tax liability and the liability recognized on issuance.

**o) Financial Instruments**

The Company classifies its financial instruments into one of the following categories: fair value through profit or loss; held-to-maturity investments available for sale; loans and receivables; and other financial liabilities. All financial instruments are measured at fair value on initial recognition. Transaction costs in respect of financial instruments classified as fair value through profit or loss are recognized immediately in the consolidated statement of comprehensive income. Transaction costs in respect of other financial instruments are included in the initial measurement of the financial instrument. Measurement in subsequent periods is dependent on the classification of the respective financial instrument.

Fair value through profit or loss financial instruments is subsequently measured at fair value with changes in fair value recognized in net earnings. Available for sale financial instruments are subsequently measured at fair value with changes in fair value recognized in other comprehensive loss. All other categories of financial instruments are measured at amortized cost using the effective interest method.

Cash and cash equivalents are classified as fair value through profit or loss. Accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities, convertible debentures, promissory notes, bank debt, and shareholder loan are classified as other financial liabilities.

Financial assets and liabilities carried at fair value are classified using a three-level hierarchy that reflects the significance of the inputs used in making fair value measurements for these assets and liabilities. The fair values of financial assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Cash is measured at Level 1. Fair values of financial assets and liabilities in Level 2 are based on inputs other than Level 1 quoted prices that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices). The fair value of Level 3 financial assets and liabilities are not based on observable market data.

**p) Taxes**

The Company follows the liability method of accounting for taxes. Under this method, deferred tax assets and liabilities are recognized based on the estimate tax effects of temporary differences in the carrying amount of assets and liabilities in the consolidated financial statements and their respective tax bases.

Deferred tax assets and liabilities are calculated using the enacted or substantively enacted tax rates that are expected to apply when the asset or liability is recovered. Deferred tax assets or liabilities are not recognized when they arise on the initial recognition of an asset or liability in a transaction (other than in a business combination) that, at the time of the transaction, affects neither accounting nor taxable profit. Deferred tax assets for deductible temporary differences and tax loss carry-forwards are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences or tax loss carry-forwards can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date, and is reduced if it is no longer probable that sufficient future taxable profits will be available against which the temporary differences or tax loss carry-forwards can be utilized.

Current tax is calculated based on net earnings for the period, adjusted for items that are non-taxable or taxed in different periods, using tax rates that are substantively enacted at each reporting date. Taxes are recognized in the consolidated statement of comprehensive income, consistent with the items to which they relate.

**q) Per Share Amounts**

Basic earnings/(loss) per common share is computed by dividing earnings/(loss) attributable to ordinary equity holders by weighted average number of common shares outstanding during the year. Diluted per share amounts reflect the potential dilution that could occur if stock options or warrants to purchase common shares were exercised and converted to common shares. Anti-dilutive stock options or warrants are not included in the calculation of diluted per share amounts. The treasury stock method of calculating diluted per share amounts is used whereby any proceeds from the exercise of stock options or warrants are assumed to be used to purchase common shares of the Company at the average market price during the year.

**r) Share-Based Compensation**

The Company accounts for its stock options using the fair value method. The options have an exercise price equal to the fair value of the security at the date of grant. The fair value of each option is estimated on the date of grant using a Black-Scholes option-pricing model. The fair value is charged to comprehensive income (loss) over the vesting period with a corresponding increase to contributed surplus.

The Company estimates a forfeiture rate on the grant date based on weighted average historical forfeitures and the rate is adjusted to reflect the actual number of options that actually vest. The expected life of the options granted is estimated, based on the Company's best estimate, for the effects of non-transferability, exercise restrictions and behavioural patterns. In the event that unvested options are cancelled, previously recognized expense associated with such options is reversed.

**s) Use of Estimates and Judgments in Application of Accounting Policies**

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be material.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

***Estimates:***

The following are key estimates and the underlying assumptions made by management affecting the measurement of balances and transactions in these financial statements.

*Allocation of fair value to corporate acquisitions*

In a business combination accounted for as an acquisition, fair value measurements are used to determine the carrying amounts of assets received, liabilities assumed and consideration given. The date of measurement is the date of closing of the transaction. In the acquisitions described in Note 6, the assets acquired were primarily oil and gas property and equipment and exploration and evaluation assets.

The carrying amount of petroleum and natural gas properties and equipment is measured using the present value of anticipated future cash flows from acquired reserves, the amount of such reserves being determined by the independent engineers. Future commodity prices were based on third party estimates.

Decommissioning costs relating to the acquired assets were measured using the same judgments and estimates applicable to the Company's existing assets. Other assets and liabilities, largely working capital components and debt, were valued at the carrying amount on the acquired Company's accounts.

*Classification and carrying amount of exploration and evaluation assets*

Each reporting period, exploration and evaluation assets are subject to an impairment review conducted internally corresponding to the Company's view as to the recoverability of the asset. Factors brought into the consideration of impairment include the Company's future plans for the property, lease expiries, drilling and development results on proximate or analogous properties, facility and pipeline access, views as to future commodity prices, operating and development costs and availability of capital for exploration and development programs. An impairment review is also completed when exploration and evaluation assets are transferred to petroleum and natural gas properties and equipment.

*Impairment of petroleum and natural gas properties and equipment*

The recoverable amounts of CGUs and individual assets have been determined based on the higher of the present value of VIU calculations and FVLCTS. These calculations require the use of estimates and assumptions, including the discount rate. It is reasonably possible that the commodity price assumptions may change, which may then impact the estimated life of the field and economically recoverable reserves, and may then require a material adjustment to the carrying value of petroleum and natural gas properties and equipment. The Company monitors internal and external indicators of impairment relating to its tangible assets.

*Decommissioning liabilities*

Decommissioning obligations will be incurred by the Company at the end of the operating life of certain facilities and properties. Decommissioning obligations are estimated based on current legal and constructive requirements, technology, price levels and expected plans for remediation and are inflated to the date of decommissioning of the asset and discounted at a risk-free rate. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant regulatory requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example 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.

*Measurement and utilization of tax assets*

The Company does not recognize any tax asset due to uncertainty as to future realization. However, the Company has tax pools which may be applied in reduction of future income. The amount of such pools is subject to audit by taxing authorities, possibly several years after the initial measurement. In addition, future changes to tax laws may result in the loss or limitation of use of such pools.

*Measurement of share-based compensation*

The fair value of stock options and warrants granted is recognized using the Black-Scholes option pricing model. Measurement inputs include the Company's share price on the measurement date, the exercise price of the option, the expected volatility of the Company's shares, and the expected life of the options, expected dividends and the risk-free rate of return. The Company estimates volatility based on the historical share price in the publicly traded markets. The expected life of the options is based on historical experience and estimates of the holder's behaviour. Dividends are not factored in as the Company does not expect to pay dividends in the foreseeable future. Management also makes an estimate of the number of options that will be forfeited and the rate is adjusted to reflect the actual number of options that actually vest.

***Judgments:***

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the interim financial statements.

*Determination of Cash Generating Units*

The Company's assets are aggregated into CGUs for the purpose of calculating depletion and impairment. CGUs are based on an assessment of the unit's ability to generate independent cash inflows. The determination of the Company's CGUs was based on management's judgement in regards to shared infrastructure, geographical proximity, petroleum type and similar exposure to market risk and materiality. The Company has 5 CGUs at September 30, 2015 (2014 – 5).

*Impairment*

Judgments are required to assess when impairment indicators are evident and impairment testing is required. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of reserves, production rates, future oil and natural gas prices, future costs, discount rates, market value of land and other relevant assumptions.

*Contingencies*

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

## ➢ DISCLOSURE OF OUTSTANDING SHARE DATA (As at September 30, 2015)

***Authorized and Issued Share Capital***

| CASH | PAR VALUE | AUTHORIZED | ISSUED |
|---|---|---|---|
| Common | 7,266,705 | Unlimited | 43,736,754 |
| Preferred | 1,700,000 | Unlimited | 17,000 |

***Description of Options, Warrants and Convertible Securities Outstanding***

| Security type | Number | Exercise price | Expiry date | Recorded value |
|---|---|---|---|---|
| Warrants | 14,704,667 | $0.30 | Sept. 28, 2016 | $470,084 |
| Options | 3,528,478 | $0.29 | Jan. 25, 2017 | $0 |

As at September 30, 2015, the Company had 43,736,754 common shares and 14,704,667 warrants outstanding. Please refer to notes 16 and 17 of the interim financial statements for the period ended September 30, 2015.

## ➢ RISK FACTORS

**Overview**

The Company's primary business consists of the exploration and development of oil and gas properties in western Canada and Guatemala. There are a number of inherent risks associated with the exploration, development and production of petroleum and gas reserves, many of these risks associated with the exploration, development and production of petroleum and gas reserves, are beyond the control of the Company.

To mitigate these risks the Company continues to focus its activities within regions of its staff's area of expertise. The Company has a slate of full-time professionals and industry specialists that have combined experience of over 300 years both in Canada and worldwide.

The Company considers that, to be able to reduce its risk, it must ensure that it operates its exploration and producing properties. This allows Quattro to manage its capital resources on a monthly and annualized basis, in the most efficient manner necessary, with a focus on insuring that only the most defined opportunities are provided the capital required.

The Company's area of operations are confined to known geological settings that are prospective for oil and gas and exploration activities that are well understood and are within the capacity of Quattro's staff and their associated teams of professionals and services.

**Oil and Gas Exploration and Development – General**

Exploration, appraisal and development of petroleum and gas reserves are speculative and involve a significant degree of risk. There is no guarantee that exploration or appraisal of the properties in which the Company holds rights will lead to a commercial discovery or, if there is commercial discovery, that the Company will be able to realize such reserves as intended. Few properties that are explored are ultimately developed into new reserves.

The Company believes that its diversified production base both geographically and by commodity shelter it from abrupt events, but if at any stage the Company is precluded from pursuing its exploration or development programmes, or such programmes are otherwise not continued, the Company's business, financial condition and/or results of operations and, accordingly, the trading price of the common shares, is likely to be materially adversely affected.

Oil and gas exploration involves a high degree of risk and there is no assurance that expenditures made on future exploration or development activities by the Company will result in discoveries of oil, condensate or natural gas that are commercially or economically possible. It is difficult to project the costs of implementing any exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

The Company's operations are subject to the general risks of exploration, development and operation of petroleum condensate and natural gas properties and the drilling of wells thereon, including encountering unexpected formations or pressure, premature declines of reservoirs, blow-outs, cratering, sour gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on the Company. The Company may become subject to liability for pollution, blow-outs or other hazards. The payment of such liabilities could reduce the funds available to the Company or could result in a total loss of its properties and assets.

Petroleum and natural gas exploration and development activities are dependent on the availability of skilled personnel, drilling and related equipment in the particular areas where such activities will be conducted. Demand for such personnel or equipment, or access restrictions, may affect the availability of such equipment to the Company and may delay exploration and development activities.

**Uninsurable Risks**

In the course of exploration, development and production of petroleum and gas properties, certain risks, and in particular, blowouts, pollution, and premature decline of reservoirs and invasion of water into producing formations may occur. Hazards such as unusual or unexpected geological formations, pressures or other conditions may be encountered in drilling and operating wells as the Company will initially have interests in a limited number of properties, such risk is more significant than if spread over a number of properties. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company. Insurance against damages caused by terrorism, and acts of war, is generally not available.

Although the Company intends to obtain insurance to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances, be insurable or, in certain circumstances, the Company may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Company's financial position, results of operations or prospects. There can be no assurance that insurance will be available in the future.

**Industry Risks**

The Company's ability to acquire reserves will depend on its ability to select and acquire suitable producing properties or prospects. Competitive factors in the distribution and marketing of petroleum and gas include price methods and reliability of delivery. The marketability of oil and natural gas produced by the Company, if any, will also be affected by numerous other factors beyond the control of the Company. These factors include market fluctuations, the world price of petroleum, the supply and demand for oil and natural gas, the proximity and capacity of petroleum and natural gas pipelines and processing equipment and government regulations, including regulations relating to prices, taxes, royalties, land tenure, production allowable, the import and export of petroleum and natural gas and environmental protection. The effect of these factors cannot be accurately predicted.

**Prices and Markets for Crude Oil, Condensate and Natural Gas**

Petroleum condensate and natural gas are commodities whose prices are determined based on global demand, supply and other factors all of which are beyond the control of the Company. World prices for oil and condensate have fluctuated widely in recent years. Future price fluctuations in world petroleum prices will have a significant impact upon the projected revenue of the Company and the projected return from and the financial viability of the Company's existing and future reserves.

**Alternatives to/Changing Demand for Petroleum Products**

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices will reduce the demand for crude oil and other liquid hydrocarbons. The Company cannot predict the impact of changing demand for oil and natural gas products and any major changes would have a material adverse effect on the Company's business, financial condition, results of operations and cash flow.

**Competition**

The petroleum and gas industry is intensely competitive and the Company will compete with a substantial number of other companies, many of which have greater financial resources. Many such companies not only explore for and produce petroleum, condensate and natural gas, but also carry on refining operations and market petroleum and other products on a global basis. There is also competition between the petroleum industry and other industries supplying energy and fuel to industrial, commercial and individual consumers.

There is no assurance that the Company will be able to successfully compete against such competitors.

**Governmental Regulation**

The petroleum and gas business is subject to regulation and intervention by governments in such matters as the awarding of exploration and production interests, the imposition of specific drilling obligations, environmental protection controls, control over the development and abandonment of fields (including restrictions on production) and possible expropriation or cancellation of contract rights, as well as with respect to prices, taxes, export quotas, royalties and the exportation of petroleum and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the petroleum and gas industry could reduce demand for petroleum and natural gas, increase the Company's costs and have a material adverse effect on the Company.

**Permits and Licenses**

The operations of the Company may require licenses and permits for various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and operations of its projects.

**Environmental Regulation**

The Company's operations are, and its future operations will be, subject to environmental regulations promulgated by the Saskatchewan or other governments from time to time in the regions where the Company carries on business. Current environmental legislation in this country provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with petroleum, condensate and natural gas operations. In addition, certain types of operations may require the submission and approval of environmental impact assessments. Environmental legislation and policy is periodically amended. Such amendments may result in stricter standards and enforcement, and in more stringent fines and penalties for non-compliance. Environmental assessments of existing and proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The costs of compliance associated with changes in environmental regulations could require significant expenditures, and breaches of such regulations may result in the imposition of fines and penalties, any of which may be material. There can be no assurance that these environmental costs will not have a material adverse effect on the Company's financial condition or results of operations in the future.

**Legal Risk**

The Company from time to time becomes a party to legal proceeding in the normal course of business. At September 30, 2015, there were two minor actions at various stages of litigation or mediation with accrued legal costs totaling $25,000 being accounted for by the Company. Beyond these two minor actions, the Company is a party to additional contract disputes but does not anticipate any material costs to be incurred in addition to the accrued amounts owing.

**Price Volatility of Publicly Traded Securities**

In recent years, the securities markets in Canada and the United States have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It is likely that the quoted market price, if any, for the Common Shares will be subject to market trends generally, notwithstanding the financial and operational performance of the Company.

**Dilution and Future Sales of Common Shares**

The Company may issue additional shares in the future, which may dilute a shareholders holding in the Company. The Company's articles permit the issuance of an unlimited number of Common Shares and an unlimited number of preferred shares issuable in series and shareholders will have no pre-emptive rights in connection with further issuances. The directors of the Company have the discretion to determine the provisions attaching to any series of preferred shares and the price and terms of further issuances of Common Shares.

**No Assurance of Title**

Title to or rights in petroleum and gas properties may involve certain inherent risks due to problems arising from the ambiguous conveyance history characteristic of many such properties. Although the Company will conduct reasonable investigations (including the employment of local legal counsel to inform itself as to the status of properties) with respect to the validity of ownership of and the ability of sellers to transfer interests to it, there can be no assurance that it will hold good and marketable title to all of its properties. If a title defect does exist, it is possible that the Company may lose all or a portion of its interest in properties to which the titles defect relates.

**Dependence on Key Personnel**

The success of the Company is dependent on the services of a number of members of senior management. The experience of these individuals will be a factor contributing to the Company's continued success and growth. The Company retains key man insurance valued at $2,000,000 firstly for the associated severance costs concurrent with the death of one key employee and secondly towards the cost of replacing the key employee and the on-going transitional costs for continuing operations of the Corporation. In the unlikely event of this occurrence the Company has established measure contingencies, also for all remaining employees but there remains a risk that the death or departure of one or more of the key individuals could have a material adverse effect on the Company.

**Reserve Replacement**

The Company's future petroleum and natural gas reserves, production and cash flows to be derived therefrom are highly dependent on the Company successfully acquiring or discovering new reserves. Without the continual addition of new reserves, any existing reserves the Company may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Company's reserves will depend not only on the Company's ability to develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that the Company's future exploration and development efforts will result in the discovery and development of additional commercial accumulations of petroleum and natural gas. Should the Company not discover additional reserves, current operations may not be sustainable.

**Reliance on Strategic Relationships**

The Company's existing business relies on relationships with local government bodies and, other petroleum and gas companies. There can be no assurances that these strategic relationships will continue to be maintained although at present management is not aware of any issues regarding its strategic relationships.

**Conflicts of Interest**

There are potential conflicts of interest which the directors and officers of the Company may be subject in connection with the operations of the Company. Some of the directors and officers of the Company may be, or may become, engaged in the oil and gas industry, and situations may arise where directors, officers and promoters will be in direct conflict with the Company. All such activities that the Company deems are a conflict have been disclosed in accordance with, and as such if necessary are subject to the procedures and remedies as apply under the Alberta *Business Corporations Act*, and the applicable statutes of the jurisdictions of incorporation of the Company's subsidiaries.

## ➢ ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at ***www.sedar.com*** and the Company’s website, ***www.gxp-petro.com***

## ➢ FORWARD LOOKING STATEMENTS

Certain statements contained in this Management’s Discussion and Analysis may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this annual Management’s Discussion and Analysis should not be unduly relied upon by investors. These statements speak only as of the date of this Management’s Discussion and Analysis and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this Management’s Discussion and Analysis contains forward-looking statements, pertaining to the following:

- the quantity of reserves;
- capital expenditure programs;
- treatment under governmental regulatory and taxation regimes; and
- expectations regarding the Company's ability to raise capital and to continually add to reserves through acquisitions and development.

With respect to forward-looking statements contained in this Management’s Discussion and Analysis, the Company has made assumptions regarding, among other things:

- The Company's ability to obtain additional financing on satisfactory terms.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this management discussion and analysis:

- geological, technical, drilling and processing problems;
- liabilities and risks, including environmental liabilities and risks, inherent in petroleum and natural gas operations;
- incorrect assessments of the value of acquisitions;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; and
- the other factors referred to under “Risk Factors”.

## CONCLUSION

In the 3rd quarter management successfully completed a financing that increased the Company’s working capital in support our pro-active efforts to adapt to continuing commodity changes within the industry. Quattro continues to focus on the efficient execution of its duties and development of the Company’s business plan. The Company recognizes the competitive nature of its industry and has taken precautions to protect its prospective intellectual property and industry relationships which it deems are important aspects of the Company’s future business activities. Quattro anticipates that, the Company’s activities will continue to improve its position within the industry over the next 6 to 12 months. The adaptation by the Company to the new normal will continue to highlight our focus on business fundamentals with these efforts becoming a valued and distinguishing factor for current and future shareholders of Quattro.