QUATTRO

Exploration and Production Ltd.

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

FORM 51- 102F1

For the years ended December 31, 2015 and 2014

QUATTRO EXPLORATION AND PRODUCTION LTD.

Dated May 31, 2016

The Management's Discussion and Analysis *("MD&A")* for Quattro Exploration and Production Ltd. Or as referred to in this document as ("Quattro" or the "Company") should be read in conjunction with the Company's consolidated financial statements and notes attached thereto for the year ended December 31, 2015. The Company's consolidated 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 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

Quattro Exploration and Production Ltd. In 2015 continued to focus 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 December 31, 2015, the Company's working capital deficiency of $8,239,192 was primarily due to a number of non-reoccurring adjustments causing the Company's Long Term to debt covenants to be breached and having to be classified as current. The Company intends to overcome this re-classification in less than 12 months through the monetization of a number of non-core assets in 2016 in combination with the issuance of equity, new debt and the continuing generation of cash-flow. The losses recorded at yearend 2015 where as a result of a number minority partners business failures that have occurred at yearend 2015.

2015 included a number of extensive maintenance and plant turnarounds by third party midstream companies which restricted Quattro's capacity to deliver natural gas to market and subsequently resulted in additional one-time charges for compression and processing.

The Company at December 31, 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. This capacity will also be supplemented by a purchase and sale agreement of 100% of a distressed oil production and facilities that was negotiated in December of 2015 and closed on January 29, of 2016 in Saskatchewan.

Furthermore, remediation backlog has also been rescheduled to focus on oil production in an effort to increase near term revenues and cash-flow to the required levels necessary to increase production to what the Company deems is the completion of the emerging first stage of its business plan. At 3,000 boe/d, Quattro will be positioned to remain competitive at current commodity prices. In 2015 the schedule for bringing on-line the remaining production of 1,250 boe/d was limited by various delays including the determination of participation by partners in our plans and competing opportunities to acquire in service complimentary opportunities at discounted prices from motivated sellers.

Quattro's operations in Canada and Guatemala over the next 12 months will continue to adapt to the current commodity price environment, completing the first stage of its business plan, which is a competitive and sustainable business foundation for additional low risk development the producing assets in Canada that will complemented by equity funding, in 2016. Upon reaching production rates of 6,000 boe/d the Company will commence 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 consistent growth in reserves and production, year over year.

Quattro's operations are divided into three business segments which have been established by management to assist in resource allocation, to assess operating performance and to achieve long-term strategic objectives:

i) Principal Properties; ii) Strategic Investments; and iii) Corporate.

Quattro's Principal Properties are divided into three Cash Generating Units ("CGUs"):

- the Alberta CGU, which includes properties in west central, Peace River Arch area and east central Alberta;
- the British Columbia CGU, which includes properties in the northeast, British Columbia;
- the Saskatchewan CGU, which includes properties in west central and southwestern Saskatchewan.

Strategic Investments include: (i) investments in other entities, including affiliates; (ii) investments in exploration and development stage intellectual assets, where there is near-term expectation of commercial revenue, and a longer-term value proposition based on spin-outs, dispositions, or future revenue generation, including all contracts, licensing revenues, patents, technology, and ongoing research interests held by Quattro's wholly-owned subsidiary Quattro Innovations Inc., and prospective shale gas acreage; and (iii) production and equipment that has been identified by Quattro's wholly-owned subsidiary, Quattro Guatemala S.A. in Guatemala, which will further reduce exploration costs.

The Corporate segment is comprised of income and expense items, including general and administrative expense and interest expense, which have not been specifically allocated to Corporate or Strategic Investments.

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

This Management's Discussion and Analysis ("MD&A") has been prepared based on the fact that Quattro's recent acquisitions in 2015 and 2014 continue to provide a path towards sustainable cash flow that will support the continuing development of its business plan. Management anticipates this trend to continue to improve, as oil prices recover from cyclic lows followed by natural gas prices in 2017. Quattro in 2016 continues to work towards the addition of $10,000,000 more in additional working capital to supplement a modest budget that will position the Company to shorten its timeline to reaching its baseline target production of 3,000 boe/d, 60% weighted to oil production. Upon achieving this target the Company is structured to exploit its diverse compliment of assets, generating sustainable cash-flow that will fund additional organic growth. The Company anticipates that any additional acceleration in growth will be achieved from a combination of exploration success and accretive financings and / or structured third party debentures.

The Company's consolidated financial statements for yearend 2015 reflect a thorough review and a number of comprehensive adjustments related to the assessment of the recoverability of receivables and the classification of liabilities that have occurred as a result of a number of receiverships and bankruptcies within the industry and specifically with 5 minority partners. The Company continues to monitor 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 will continue to occur from time to time in the industry. The current commodity trends have caused the Company to continue to further adjust budgets but have 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 2016.

The preparation of the Company's 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 2014 and 2015 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 in accordance with the 111,855 net acre exploration permits 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 suspended while we seek a viable ruling. It is now the Company's opinion that with the completion of Saskatchewan's Provincial election in April that we will be able complete our presentations and receive clear directions for the completion of our exploration program in 2016 at Wood Mountain.

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 shifting to its oil weighted drilling inventory will ensure that the Company's financial performance will continue to be competitively optimized within the current commodity price environment that the industry is adapting to worldwide. The business environment remains challenging but a number of synergistic opportunities have positioned Quattro to continue to grow.

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 successfully be applied in a manner that lowers the 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.

Complementary to the further development of exploratory targets for drilling, the Company identify an opportunity in Guatemala and successfully negotiated the acquisition of a 100% interest in the El Cedro License, Block 6-2012 in Guatemala, consisting of approximately 34,723 hectares in the South Peten Basin, from GFI Petroleum (Guatemala) Limited, a Guatemalan subsidiary of an oil and gas exploration and production company residing in the British Virgin Islands.

In 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 the 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. Also, the Company in December of 2015 acquired an Alberta-based wireless technology company focused on the collection of real-time seismic imaging for exploration, reservoir engineering and micro-seismic monitoring and the analysis of hydraulic fracking, including all contracts, licensing revenues, patents, technology, and ongoing research. This acquisition will lower exploration costs while the complementary businesses have been monetized through partnerships within the agriculture and telecommunication industries.

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.

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 January 20, 2016 and March 1, 2016, the Company will continue to consolidate and divest its non-core assets, competitively directing funds to operations to include an abundant series of operated development and exploration opportunities. These include an estimated 64 high working interest development drilling locations. The working interests and drilling locations range from a low of 75% for 36 wells, to 100% for the remaining 28 locations. The 64 locations have been evaluated by the Company`s independent engineers, 60% of the locations target seismically defined light and medium grade oil with remaining locations targeting proven producing natural gas structures. The acquisitions closed in 2016 will further position the Company to become 40% oil production in Canada and 90% oil production in Guatemala by the end of 2016 in Canada and 2017 in Guatemala.

Quattro's land position in Canada as of May 31, 2016 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 engineering report filed in conjunction with this MD&A).

The addition of 14,275 developed acres in Saskatchewan and 86,800 acres in Guatemala position the Company to grow material in four diverse regions of operation, that is a balanced portfolio of proven and probable reserves, with installed gathering and processing facilities capable of exploiting a material complement of recoverable resources in place estimated by the Company at more than 300 mm boe.

The Company continues to proceed with its plans in southern Saskatchewan and anticipates that ongoing activities in 2016 within this region we will be adding materially to the Company`s current independently evaluated reserves of 10.9 mmboe (net working interest).

In British Columbia, during 2015, a number of midstream operated pipelines and facilities where intermittent due to maintenance turnarounds and material upgrades which limited production. 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 our core production to between 1,500 and 1,800 boe/d until the end of the 4th quarter of 2016, with 80% of Quattro's growth anticipated to occur from oil production in Saskatchewan.

➢ DISCUSSION OF OPERATIONS

Revenue

For the year ended December 31, 2015, petroleum sales were $11,148,369, a 30% decrease year over year from $15,898,138 for the year ended December 31, 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. The Company 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 2016, with the goal being to achieve similar results to what was achieved year-over-year since 2014.

		2015		2014
Revenue				
Petroleum and natural gas sales	$	**11,148,369**	$	15,898,138
Royalties		**(911,558)**		(1,827,400)
Other revenue		**3,890,275**		2,105,742
		14,127,086		16,176,480
Expenses				
Production and operating		**10,977,810**		7,054,324
General and administration		**2,612,289**		1,814,137
Wages and benefits		**612,790**		271,146
Accretion		**424,761**		586,086
Shared-based payments		**170,109**		352,848
Depreciation, amortization and depletion		**4,513,071**		4,025,311
Impairment in accrued receivables		**2,327,139**		-
Interest and financing costs		**654,686**		735,120
		22,292,654		14,838,971
Income (Loss) before other items and taxes:		**(8,165,568)**		1,337,509
Other items:				
Gain on sale - lease back		**-**		404,808
Gain on acquisition of properties		**2,767,384**		712,766
Gain (loss) on sale of assets		**150,000**		161,901
Income before taxes		**(5,248,184)**		2,616,984
Income tax (expense) recovery		**1,606,750**		(655,248)
Net and comprehensive income	**$**	**(3,641,434)**	**$**	1,961,736
Net income per common share				
Basic		**(0.08)**		0.06
Basic and diluted		**(0.08)**		0.05

Assets

Total assets, including cash, accounts receivable, exploration and evaluation assets, petroleum and natural gas properties and equipment and other assets (deposits) for the year ended December 31, 2015 were $74,995,391, up $20,673,101 from $54,322,290 at December 31, 2014. The primary reasons for the increase, were the net results of (i) the decrease in current assets by $1,007,285 (ii) the operational performance of the Company's facilities and the stable cash-flow generated as operator in three diverse regions of the Western Canadian Basin from $10,695,412 at year end 2014 to $9,688,127 at December 31, 2015, and (iii) the increase in PN&G assets of $13,841,429 from $39,151,093 as of December 31, 2014 to $52,992,522 as of December 31, 2015. as a result of a series of capital expenditures and acquisitions in 2016 including the a material re-entry at Milo B.C. included the testing, equipping and putting into service a Keg River well at Milo Clarke Lake on a 100% basis and the acquisition of technology company as a revenue generating subsidiary and long term investment.

On November 26, 2015 the company acquired 100% of all total outstanding Class A shares of a technology company and intellectual property data for $3,501,000, paid by the issuance of 35,010 preferred Class C shares series 4 at $100 per share, and an earn-out payable estimated at $2,120,443 on acquisition date. The earn out was determined based on post-acquisition forecasted unit sales of the newly acquired subsidiary, payable over 20 years. The purchase and sale agreement was signed on November 21, 2015, with an effective date of December 30, 2015. The transaction was accounted for as intangible assets under IAS 38- "Intangible Assets" as the assets met the definition of an intangible. The transaction was accounted for as business combination under IFRS 3 - "Business Combinations" as the assets met the definition of a business.

On November 15, 2015, the Company acquired oil and gas natural properties in British Columbia. The acquired oil and gas properties were purchased for $2,312,875 and assumption of $1,255,593 in decommissioning liabilities, paid by the issuance of 10,625 preferred Class C shares series III at $100 per share. The purchase and sale agreement was signed on November 15, 2015, with an effective date of November 1, 2015. The transaction was accounted for as business combination under IFRS 3 - "Business Combinations" as the assets met the definition of a business.

Effective July 7, 015, the Company acquired the remaining 50% interest in the Donalda area of Alberta, it did not previously own, which was paid through the settled adjustments of all benefits and obligations of any kind and nature relating to the asset, as of the effective date by payment to purchaser.

On June 30, 2015, the Company acquired certain oil and natural gas properties in British Columbia. The acquired properties were purchased for $3,111,133 and assumption of $838,069 in decommissioning liabilities, paid by the issuance 15,000 Class C series I 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 $763,036, and the assumption of $362,826 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.

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.

During 2015, The Company reclassified certain non-core properties in Alberta as result of the advanced stages of negotiations occurred to assets held for sale for $272,966, of which were disposed for a fair value of $1,347,700, recorded a gain on sale of $150,000.

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.

		2015		2014
Current assets				
Cash		**2,100,363**		3,376,292
Accounts receivable		**6,018,838**		5,750,379
Inventories		**92,946**		-
Promissory notes receivables		**100,000**		150,500
Investments		**900,000**		-
Marketable securities		**40,000**		40,000
Prepaid and deposits		**163,014**		30,541
Assets held for sale		**272,966**		1,347,700
Total current assets	$	**9,688,127**	$	10,695,412
Non - Current assets				
Exploration and evaluation assets		**6,228,562**		4,152,918
Petroleum and natural gas properties and equipment		**52,992,522**		39,151,093
Properties and equipment intangible		**3,857,850**		197,619
Deposits		**124,998**		125,248
Goodwill		**2,103,332**		-
Total non-current assets	**$**	**65,307,265**	**$**	43,626,878
Total assets	**$**	**74,995,391**	**$**	54,322,290

Liabilities

At the year ended December 31, 2015, the current liabilities for the Company increased to $17,927,319 an increase of $10,561,718 from $7,365,601 at year end 2014. The reason for this increase was the temporary re-classification of our Long Term due to the breach of the loan covenants set with our lender. The Company's current liabilities, when they are measured against the Company's performance and current assets, are material but are a result of our lending covenants being breached as a result of material right downs of uncollectable receivables. A side from the reclassification of our Term Debt to current the Company's current liabilities continue to be 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 in 2016. The Company after yearend requested and successfully re-negotiated the terms of its loans in March 2016 and anticipates that the re-classification of Term Debt to Long Term will occur prior to yearend 2016.

Total liabilities for the year ended December 31, 2015 were $50,210,397, up $18,106,986 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 0.47% on asset retirement obligation liability to $27,542,876 from $16,624,860.

The net comprehensive loss for the year ended December 31, 2015, before other items and taxes, was $8,165,568, a significant decrease of $9,503,077 from an income of $1,337,509 in the prior year ended December 31, 2014.

The decrease in year over year operating income occurred as a result of commodity price decreases and the failure of industry partners to pay their existing obligations to the Company which resulted in a number of material write downs by Quattro. A number of operating proposals were also cancelled due to Quattro's partners inability to participate with Quattro in the operations that we deemed to be necessary investments to grow production to overcome the lower commodity prices and resulting lower levels of cash-flow. The Company's continuing focus on operational efficiencies, lowering costs 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 2016.

		2015		2014
Current liabilities				
Accounts payable and accrued liabilities		**7,950,704**		5,702,702
Current portion of long term debt		**9,761,800**		1,600,000
Current portion of finance lease obligation		**6,994**		6,588
Decommissioning liabilities AHFS		**207,821**		56,311
Total Current Liabilities	$	**17,927,319**	$	7,365,601
Non - Current Liabilities				
Long term debt		**-**		5,732,500
Convertible debentures		**500,000**		500,000
Earn-out payable		**2,120,443**		-
Long term portion of finance lease		**16,220**		23,214
Decommissioning liabilities		**27,542,876**		16,624,860
Flow through share premium		**-**		199,899
Deferred tax liability		**1,878,539**		1,657,337
Shareholder loan		**225,000**		-
Total non-current liabilities	$	**32,283,078**	$	24,737,810
Total liabilities	$	**50,210,397**	**$**	32,103,411

Cash Flow Statements

Net cash flow from (used in) operating activities for the year ended December 31, 2015 was $679,988 compared to $6,301,753 for the same period a year ago. The decrease of $6,981,741was as a result of the material decrease in commodity pricing and a number material write downs in receivables from partners that entered into receivership in 2015. The Company, although disappointed with commodity prices, remains on track to maintain sustainable growth. Operating income as percentage of net revenue was only 50.5% in 2015 due to a number of one-time non-reoccurring charges and operating income is anticipated to recover to 60% of revenue in 2016 compared to 58.5% in the year ended December 31, 2014, which Quattro continues position the Company to be an efficient consolidator of production within its core areas of operation and as a result has successfully added 240 bbls per day of oil production in Saskatchewan in the first quarter of 2016.

Net cash from financing activities for the year ended December 31, 2015 totalled $2,704,300, which was limited to the monthly repayment of long term loans at December 31, 2015, with its net debt obligation being $11,100,855 (as defined by the Company as total debt, less decommissioning deferred taxes and current assets).

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 the capacity to make a number of investments in its operations and acquisitions totaling $1,220,163 for the year ended December 31, 2015, versus $8,415,927 for the year ended December 31, 2014.

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, and have set the foundation for the continuing improvements that are underway in northeast British Columbia and southwest Saskatchewan.

The table below outlines Quattro's statements of cash flows for the year ended December 31,

		2015		2014
Cash provided by (used for)				
Operating activities				
Net Income (loss)	**$**	**(5,396,023)**	$	1,961,736
Add item not affecting cash				
Depreciation, amortization and depletion		**4,513,071**		4,025,310
Impairment on receivables		**2,327,139**		-
Income tax expense (recovery)		**(1,606,750)**		655,248
Accretion in decommissioning liabilities		**424,761**		586,086
Share based payments		**170,109**		352,848
Forgiveness of promissory notes receivable		**50,500**		-
(Gain) loss on sale - lease back		**-**		(404,808)
(Gain) loss on sale of assets		**(150,000)**		(161,901)
(Gain) on acquisition of properties		**(2,767,385)**		(712,766)
		(678,988)		6,301,753
Change in non-cash operating working capital				
Accounts receivable		**(4,173,407)**		(4,260,478)
Accounts payable and accrued liabilities		**2,224,722**		3,738,173
Prepaid and deposits		**(131,393)**		1,392,530
Cash flows (used in) provided by operating activities		**(2,760,066)**		7,171,978
Financing activities				
Increase long-term debt		**2,429,300**		1,832,500
Proceeds (repayment of) promissory note		**-**		(77,566)
Proceeds (repayment of) convertible debenture		**-**		(150,000)
Proceeds from (repayment of) shareholders loans		**225,000**		(230,000)
Issuance of common shares, net of share issuance costs		**-**		74,875
Issuance of warrants, net of share issuance costs		**-**		27,400
Issuance of flow through shares, net of issuance costs		**-**		1,645,592
Convertion of warrants to shares, net of convertion costs		**78,000**		-
Normal course issuer bid		**(20,000)**		-
Dividends paid to holders of redeemable preference shares		**(8,000)**		-
Cash flow provided by financing activities		**2,704,300**		3,122,801
Investing activities				
Deposits		**250**		(10,643)
Deferred gain on lease-back		**-**		(33,938)
Finance lease		**(6,588)**		(572,829)
Additions in exploration and evaluations assets		**(389,886)**		(2,134,094)
Proceeds on disposition		**150,000**		122,575
Additions to petroleum and natural properties and equipment		**(973,939)**		(5,786,998)
Cash flows used in investing activities		**(1,220,163)**		(8,415,927)
Change in cash		**(1,275,929)**		1,878,852
Cash and cash equivalents, beginning of year		**3,376,292**		1,497,440
Cash and cash equivalents, end of year	**$**	**2,100,363**	$	3,376,292

➢ OPERATIONS AND FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2015

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 consolidated financial statements for external purposes in accordance with IFRS.

In 2014, the Company began the implementation of an advanced reporting and accounting systems which, following the completion of an evaluation period was abandoned by the Company in June of 2015, when an alternative industry solution of leading series of accounting systems was offered at a competitive price. Therefore in 2015 the company acquired new software owing to the inability for the previous supplier to meet the performance levels envisioned by its systems. The Company believes that, once the new implementation has been fully optimized in the second half of 2016, 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 – Year Ended December 31, 2015

Revenue

For the year ended December 31, 2015, the Company recognized petroleum and natural gas revenues of $11,148,369, while the remaining revenues of $3,890,275 were earned from third party management and processing services, for a total of $15,038,644 versus $18,003,880 for the same year ago in 2014. This represents a 16% reduction when compared to the year ago ended December 31, 2014, due primarily to dramatic commodity price decreases over the year.

The Company's operated facilities continues to 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 24 months, it will be a sector leader, with the Company anticipating that the bottom has passed for oil prices and the current price cycle in the fourth quarter of 2016 will also include natural gas and liquids in early 2017. Quattro, as a defensive tactic, will migrate to focusing on increasing oil production revenues in 2016 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 continuing recovery in 2016 and 2017.

Expenses

Expenses for the year ended December 31, 2015 totalled $22,292,654 compared to $14,838,971 for the prior year. Total expenditures included production and operating expenses for the year ended December 31, 2015 of $10,977,810 of which $2,730,069 where non-reoccurring operating and capital expenses that were not recovered from partners, therefore the reoccurring portion for comparative purposes was $8,247,741 (2014 - $7,054,324), and general and administration expenses of $2,612,289 of which $164,733 were one-time expenses associated with the discontinuation of accounting software resulting in a net amount of $2,447,556 (2014 - $1,641,637). The higher G&A was budgeted and was anticipated due to the Company's decision to continue to cancel all 3rd party consulting services by the end of 2016 in an effort to increases the Corporations capacity and decrease overall costs in 2016. In 2015 the Company deemed its G&A to be in-line with the number of material acquisitions that were underdevelopment and in-line with the Quattro's efforts to grow annual production to more than 3,000 boe/d.

Employee compensation and benefits totalled $612,789 (2014 - $271,146), building occupancy costs totalled $105,143 (2014 - $92,711) and the remaining expenses were $2,507,146 (2014 -$1,548,927), related to increased administration of production, staffing, ongoing engineering and business development activities in anticipation of further growth in production. The Company's G&A budget remains on budget and that upon reaching its production target of 3,000 boe/d G&A will be less than $ 2.50 per boe or 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 $4,513,071 (2014 - $4,025,310), supported by increased production, Impairment in accrued receivables (allowance) was $2,327,139 (2014 - $nil) while interest on long-term debt and finance cost was $654,686 (2014 - $735,120), reflecting a reduction to $1.20 per boe in comparison to $1.25 per boe in the same year ago 2014. Accretion was $424,761 (2014 - $586,086) and share based compensation was $170,109 (2014 - $352,848).

Expenses		**2015**	2014
Production and operating costs	$	**10,977,810**	7,054,324
General and administration	$	**2,612,289**	1,814,137
Wages and benefits	$	**612,790**	271,146
Accretion	$	**424,761**	586,086
Share - based payments	$	**170,109**	352,848
Depreciation, amortization and depletion	$	**4,513,071**	4,025,311
Impairment on accrued receivables	$	**2,327,139**	-
Interest and financing costs	$	**654,686**	735,120
Total		**22,292,654**	14,838,971

Royalty Expenses

Royalty expenses in the year ended December 31, 2015 totalled $911,558 versus $1,827,400 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 $170,109 has been recorded for the year ended December 31, 2015 as opposed to $352,848 for the year ended December 31, 2014.

Income Taxes

The Company has existing tax losses and resource tax pools of approximately $7,663,643 as of December 31, 2015.

During 2014, the CRA commenced an audit of the Company's 2012 flow-through share filings, with the outcome of the audit remaining incomplete as of the time of the financial statement reporting date.

Net Income (Loss)

For the year ended December 31, 2015, the Company had net loss of $3,641,434, or $(0.08) per share, compared to a net income of $1,961,736 or $0.06 per share, for the year ended December 31, 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 year ended December 31, 2015, cash flow from operations was a deficiency $2,760,066, compared with an efficiency of $7,171,978 in 2014, an 72% reduction as a result as a result of a uncharacteristic number of non-reoccurring adjustments totaling $4,488,203 that were recorded in 2015 due to a number of factors including the financial failure of 5 minority partners in 2015, and the year over year reduction in commodity prices. Quattro's cash-flow was also restricted by production limitations due to restrictions imposed on the Company by midstream pipeline operators in 2015. As a percentage of revenues, cash-flow from operations were 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 decreased to $2,100,363 at the year ended at December 31, 2015 from $3,376,292 at December 31, 2014. The decreasing cash flow relates to a combination of decreasing oil revenues and natural gas sales. Positive cash flow is anticipated to return in 2016 with the addition of Oil Production primarily in Saskatchewan and secondarily in British Columbia and Alberta.

Investments

During the year ended December 31, 2015, The Company entered into an arm's length agreement, whereby it sold the exclusive distribution rights t certain of its intellectual property in the areas of agricultural and associated rural markets to a private company for $5,000,000. The purchase price was settled by way of cash and notes payable of $2,000,000 and 600,000 common non-voting shares of the distributor at a deemed value of $5 per share. Following closing and year end, a fair value assessment in accordance with IFRS was concluded and the acquisition of the 600,000 shares received was recorded at a fair value of $1.50 per share.

This private company is involved in a number of material discussions that may involve either the buyout of the Company by a prominent industry partner within the Agriculture Industry a Private Equity financing or a combination of a financing in conjunction with a Public listing on an exchange.

➢ SELECTED QUARTERLY INFORMATION

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

Three months Ended:		31/12/2015	30/09/2015	30/06/2015	31/03/2015	31/12/2014	30/09/2014	30/06/2014	31/03/2014
Cash	$	2,100,363	4,566,423	2,197,948	1,994,211	3,376,292	2,547,049	3,077,017	2,185,556
Revenue	$	4,625,688	3,501,408	3,464,190	3,447,358	5,130,996	4,040,294	4,666,469	4,166,121
Royalties	$	(408,285)	(135,162)	(86,817)	(280,844)	(958,211)	(155,578)	(307,508)	(406,103)
Net Income (Loss)	$	(5,825,037)	322,210	1,653,795	207,598	(2,128,291)	288,756	631,739	3,169,532
Earnings (Loss) per share (basic)	$	(0.14)	0.00	0.05	0.01	(0.06)	0.01	0.02	0.09

On November 26, 2015 the company acquired 100% of all total outstanding Class A shares of a technology company and intellectual property data. The transaction was accounted for as intangible assets under IAS 38- "Intangible Assets" as the assets met the definition of an intangible. The transaction was accounted for as business combination under IFRS 3 – "Business Combinations" as the assets met the definition of a business.

The results of operations of Quattro (SRD) Innovations are included in the audited consolidated financial statements beginning on the date of acquisition and contributed $312,437 to the Company's net loss for the year ended December 31, 2015. Had Quattro (SRD) Innovations been consolidated from January 1, 2015, its contribution to net loss would have been reduced by a SRED recovery of $123,979.

The net assets acquired have been allocated to Quattro Innovations Inc. business segment, while the intellectual property has been recorded as an intangible asset within the property and equipment of Quattro Exploration and Production Ltd.

The purchase price allocation for this transaction has not been finalized as of the current reporting date. Under IFRS, the allocation must be finalized within one year of the acquisition date.

On November 15, 2015, the Company acquired oil and gas natural 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.

Due to regulatory restrictions imposed on the previous owner this acquisition contributed no revenues, royalties or direct operating expense from November 1, 2015 to December 31, 2015, resulting in no net income.

On June 30, 2015, the Company acquired certain 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 contributed $243,514 in revenues during 9 days in June and $84,946 royalties and direct operating expenses from June 1, 2015 to December 31, 2015, resulting in $108,289 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 $418,540 in revenues and $178,348 in royalties and direct operating expenses would have been recorded for an additional $240,193 in net income.

Effective July 7, 2015, the Company acquired the remaining 50% interest in the Donalda area of Alberta, it did not previously own, which was paid for through the settled adjustments of all benefits and obligations of any kind and nature relating to the asset, as of the effective date by payment to purchaser.

On April 30, 2015, the Company acquired oil and natural gas properties in the Saskatchewan, Divide Area, 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, royalties or direct operating expense from April 30, 2015 to December 31, 2015, resulting in no net income.

The Company, during the year ended December 31, 2015, recorded revenues of $15,038,644 before the Company incurred royalty expenses of $911,558, resulting in net operating revenue of $14,127,086. Upon the recognition of operating expenses, general administration expenses, share based on payments, depreciation, amortization, depletion, accretion and interest and financing costs, net income (loss) from operations was ($8,165,568) (2014 - $1,337,509). At the year end of 2015, acquisitions or divestitures were recorded resulting in gains of $2,917,384 (2014 - $1,279,475).

For the year ended December 31, 2015, the Company recorded net and comprehensive loss of $3,641,434 upon taking into account all gains and tax adjustments, or ($0.08) per share earnings based on the total weighted number of shares outstanding of 43,595,110.
Cash and short-term investments at the end of the year was $9,322,215, and are continually being reviewed by the Company.

Quattro in 2015 continued to increasing 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 achieved a number of positive results but they have been overshadowed by the material adjustments that have effected the industry at large and specifically Quattro. In this regard, Quattro believes that further economies of scale from increased volumes and revenues will further improve the Company's performance as provided above on pages 11 and 12 of this report. The Company continues to focus on its diversified production portfolio in western Canada, actively will continue to actively pursue 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 and Guatemala. This will be achieved through re-activations, work-overs and development drilling in addition to the 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, and only funding operations when necessary through financings and but not dilutive equity financings for the sake of growth.

Product Prices and Production

As of December 31, 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 2016–2017 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 2016 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			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total days per period	92	92	91	90	92	92	91	90
Oil and Gas liquids - BOE/day	308	305	290	295	297	290	300	300
Natural Gas - BOE/day	1,151	1,133	1,045	1,080	1,168	1,143	1,177	952
Royalty Income - BOE/day	32	38	36	35	45	47	48	46
Total Production BOE/day	1,491	1,476	1,371	1,410	1,510	1,480	1,525	1,298
Weighted avg. price received per BOE $	21.20	20.45	23.32	23.02	36.79	29,67	34.40	35.54

➢ 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.

At the end 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 December 31, 2015:

Financial Liabilities		< One Year		> One Year
Accounts payable and accrued liabilities	$	7,950,709	$	-
Convertible debenture		-		500,000
Bank debt		9,761,800		-
Earn-out payable		-		2,120,443
Finance lease obligations		6,994		16,220
Shareholder loan		-		225,000
Total	$	17,719,503	$	2,861,663

The Company had working capital deficiency for the year ended December 31, 2015 of $8,239,192 representing a decrease of $11,569,003 from a level of $3,329,811 at December 31, 2014.

The Company continues to focus on increasing working capital and liquidity by maintaining the appropriate cash reserves as deemed necessary. It continued to become more apparent that the Alberta economy and the industries financial capacity and liquidity in general is continuing to diminish and as a result Quattro has shifted its focus to its operations in Saskatchewan and is continuing its negotiations towards increasing its working capital by up to $10,000,000. Upon the completion of a minimum addition of $3,000,000 in working capital the Company expects to be able to fund its capital expenditures from organic growth in the second half of 2016 using operating cash flow and funds raised.

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.

The Company subsidiary has an operating lease for office space in Calgary, Alberta. The agreement commenced on July 1, 2013 for a term of 31 months with monthly payments of $1,903 and subject to early termination penalties.

The lease required future minimum lease payments as follows:

		December 31, 2015	December 31, 2014
Within one year	$	**96,071**	103,236
After one year but not more than five years		**136,746**	232,627
More than five years		**-**	-
	$	**232,817**	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.

		December 31, 2015	December 31, 2014
Within one year	$	**6,994**	6,588
After one year but not more than five years		**16,220**	23,214
More than five years		**-**	-
	$	**23,214**	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 December 31, 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 consolidated 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 consolidated financial statements as at and for the year ended December 31, 2015.

➢ 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 December 31, 2015, the Company had a restricted capital cash balance of $1,696,551 (2014 -$1,547,052) 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 December 31, 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 year ended December 31, 2015 would have increased or decreased petroleum revenue by $98,700 per year (2014 - $98,000) 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 $8,883 (2014 - $8,840).

A $0.10/mcf difference in natural gas prices for the year ended December 31, 2015 would have increased or decreased petroleum revenue by $219,067 (2014 - $251,850) 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 $10,953 (2014 - $22,667).

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 December 31, 2015 and December 31, 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 recorded an allowance for doubtful accounts of $2,327,139 (December 31, 2014 - $nil). The carrying amount of cash and accounts receivable represents the maximum credit exposure.

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

As at December 31, 2015, the Company had cash of $2,100,363 (December 31, 2014 - $3,376,292), of which $nil (December 31, 2014 - $13,301) is held in trust by the Company's legal counsel, $2,094,600 (December 31, 2014 - $3,346,589) is deposited in banks with a high credit rating in Canada and $5,763 (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 receivables 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 December 31, 2015, approximately 60% (December 31, 2014 – 60%), was due from ten customers, reducing risk through diversification. The Company's accounts receivable were $6,018,838 (December 31, 2014 - $5,750,379), of which approximately 41% relates to operations in Alberta and British Columbia and 5% relates to maintenance services and 50% is related to the distribution rights to Intelliconn and 4% is credit receivable a 2015 provincial tax claim..

➢ TRANSACTIONS WITH RELATED PARTIES

During 2015, the Company recorded $102,718 (2014 - $137,720) in legal fees to a law firm of which one of the directors of the Company is a partner, Included in accounts payable and accrued liabilities at December 31, 2015 was $22,503 (2014 - $26,754) due to this law firm.

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.

➢ SUBSEQUENT EVENTS

Subsequent to year end, 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 by the Company at 2,481,000 bbls, and seismic data in Saskatchewan from Touchstone Exploration Inc. The purchase price for the acquisitions was $4,150,000, paid through the issuance of 35,000 non-voting, Class C, Series 3 preferred shares at a deemed price of $100 per share ("Preferred Shares"), non-interest bearing demand promissory note of $550,000 and $100,000 in cash, paid from working capital assumed by Quattro in the acquisition. The transaction closed on January 29, 2016.

On March 1, 2016, the Company agreed to purchase a 100% interest in the El Cedro License, Block 6-2012 in Guatemala, consisting of approximately 34,723 hectares in the South Peten Basin, from GFI Petroleum (Guatemala) Limited, a Guatemalan subsidiary of an oil and gas exploration and production company residing in the British Virgin Islands. The purchase price for the acquisition is CDN $5,470,000, to be paid through the issuance of 50,000 non-voting, Class C, series 3 preferred shares at a deemed price of $100 per share ("Preferred Shares") and the assumption of $470,000 in liabilities related to current work in progress. Closing is scheduled to occur on or before May 1, 2016. The Preferred Shares are priced at $100 per share and pay an annual preferred dividend of $3.50 per share. The holder will have the right on the anniversary of the 2nd year of issuance to convert the Preferred Shares into Class A common shares at a ratio of 40 Class A shares for each Preferred Share converted.

Subsequent to year end , the Company signed and amending agreement with its lender to only pay interest payments on its long-term bank debt to August 31, 2016.

➢ PROPOSED TRANSACTIONS

After the Company closed its first material acquisition in the WCSB asset acquisition on November 5, 2013, Quattro has continued to grow its operational capacity towards its initial production goal of 6,000 boe/d. The Company initial plans for this to occur have been achieved through an additional series of acquisitions and in the second half of 2016 the divestitures of non-core assets while it continues to consolidate and compliment the Company's long term production base will increasing become the focus. It is the Quattro's intention to continue to use this strategy for the remainder of 2016 and into 2017 to reduce its risk and to insure it continues grow revenue and operating income and believes that thorough measured decision making it 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 consolidated financial statements of the Company have been prepared in accordance with IFRS. The consolidated 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.

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. An Item of P&NG properties and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognized in the consolidated statement of comprehensive income.

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) Inventories

Inventories are stated at the lower of cost or market. Cost is computed using standard cost, which approximates actual cost, on a first-in, first-out basis (FIFO). The Company provides inventory write-downs based on excess and obsolete inventories determined primarily by future demand forecasts. The write down is measured as the difference between the cost of the inventory and market based upon assumptions about future demand and charged to the provision for inventory, which is a component of cost of sales. At the point of the loss recognition, a new, lower-cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis. In addition, the Company records a liability for firm, no cancelable and unconditional purchase commitments with contract manufacturers and suppliers for quantities in excess of the Company's future demand forecasts consistent with its valuation of excess and obsolete inventory.

j) 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.

k) 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 and Intellectual property

Seismic, well and intellectual properties are recorded at cost. 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 consolidated 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 December 31, 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 December 31, 2015)

Authorized and Issued Share Capital

CASH	PAR VALUE	AUTHORIZED	ISSUED
Common	7,246,600	Unlimited	43,646,754
Preferred	6,227,600	Unlimited	62,635

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 December 31, 2015, the Company had 43,646,754 common shares and 14,704,667 warrants outstanding. Please refer to notes 18 and 19 of the consolidated financial statements for the year ended December 31, 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.qxp-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

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. Management 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.

The Company's evolving activities that are underway were implemented in the fourth quarter of 2015 to further improve its position within the industry over the next 12 to 24 months. The material non-reoccurring expenses report at yearend 2015 are a result of managements position of recognizing the worst case of outcomes, knowing that there is a high likelihood that a number of these write downs will be recovered through consolidation of production forfeited by contractually non-performing industry partners in 2016. The adaptation by the Company to the new normal with industry in 2016 will continue to highlight on Quattro's focus on business fundamentals with these efforts becoming a valued and distinguishing factor for current and future shareholders.