

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of the financial condition and results of operations for Granite Oil Corp. ("Granite" or "the Company") is dated March 21, 2016 and should be read in conjunction with the Company's audited financial statements and related notes for the years ended December 31, 2015 and 2014 and our Annual Information Form for the year ended December 31, 2015. All financial information is reported in Canadian dollars, unless otherwise noted. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), in Canadian dollars, except where indicated otherwise. Accounting policies adopted by the Company are set out in the notes to the audited annual financial statements for the year ended December 31, 2015. Additional information can be obtained by contacting the Company at Granite Oil Corp., 432, 222 - 3rd Avenue S.W., Calgary, Alberta, Canada T2P 0B4. Additional information regarding the Company, including the Annual Information Form, is also available on www.sedar.com and on the Company's website www.graniteoil.ca.

This MD&A contains additional measures under generally accepted accounting principles (GAAP), non-GAAP measures and forward-looking statements. Readers are cautioned that the MD&A should be read in conjunction with the Company's disclosure under "Non-GAAP Measures" and "Forward-looking Information and Statements" included at the end of this MD&A.

ABOUT GRANITE OIL CORP.

Granite is a dividend-paying, junior oil producer based in Calgary, Alberta that owns and operates a large, discovered Alberta Bakken oil pool in southern Alberta (the "Alberta Bakken Property" or "Alberta Bakken").

The business plan of the Company is to maximize the recoverable portion of the oil-in-place on the Alberta Bakken Property over the long run through responsible reservoir management while achieving and sustaining low annual production decline, pool-wide through utilization of the natural gas injection enhanced oil recovery ("EOR") scheme operated by the Company on its Alberta Bakken Property. The Company aims to generate free cash flow at current commodity prices, focusing on steady production and affordable growth. The Company executes its business plan by maintaining low capital expenditure operations while continuing to pursue possible strategic acquisitions.

The nature of the Alberta Bakken Property has resulted in a business that emphasizes low technical and financial risks; low annual production decline; moderate capital investment aimed at maintaining overall production plus generating prudent growth appropriate to prevailing commodity prices; and generating sufficient funds flow from operations at current commodity prices to pay a sustainable dividend.

Granite's Alberta Bakken Property has been substantially de-risked. The property includes complete Company-operated infrastructure to produce and market oil and re-inject gas for enhanced oil recovery. Granite benefits from experienced, technically able, and proven leadership. The team has many of the same senior managers who discovered, delineated and developed the Alberta Bakken Property.

The Company underwent a reorganization by way of Plan of Arrangement (the "POA") on May 15, 2015 which divided the Company into two, focused and independent, publicly traded energy companies, being Granite and Boulder Energy Ltd.. The POA was approved by a vote of shareholders of DeeThree on May 14, 2015 and was completed on May 15, 2015. See "Corporate Reorganization" below.

Granite is headquartered in Calgary, Alberta and the common shares of Granite are listed for trading on the Toronto Stock Exchange under the symbol GXO and on the OTCQX under the symbol GXOCF.

CORPORATE REORGANIZATION

On April 7, 2015, the Company entered into an Arrangement Agreement with Boulder Energy Ltd., then a wholly-owned subsidiary of DeeThree, which provided for the reorganization of the Company pursuant to the POA. On May 15, 2015, the Company completed the POA involving Boulder and its shareholders. Pursuant to the Arrangement, the Company's assets were divided amongst the Company and Boulder. Each holder of common shares of the Company received one-third (0.3333) of one new Granite Common Share and one-half (0.5) of one common share of Boulder in exchange for such share. Boulder acquired the Company's petroleum and natural gas properties and related assets located in the Brazeau area of west central Alberta (the "Brazeau Belly River Properties"), its minor petroleum and natural gas properties and related assets located in northern Alberta (the "Northern Properties") and related miscellaneous interests pursuant to the POA. The Company retained the Alberta Bakken Property. The name of the Company was changed from "DeeThree Exploration Ltd." to "Granite Oil Corp." concurrently with the Arrangement.

The conveyance of the Brazeau Belly River Properties and the Northern Properties was completed under a conveyance agreement dated May 15, 2015 entered into between the Company and Boulder. In accordance with the conveyance agreement and the POA, Boulder issued 521,865,994 special shares to the Company in consideration for the Brazeau Belly River Properties and the Northern Properties. Pursuant to the POA, each holder of common shares of DeeThree received one-half (0.5) of one common share of Boulder and one-third (0.3333) of one Common Share.

In connection with the completion of the POA, each of Granite and Boulder obtained new credit facilities from syndicates of lenders. At the time of the reorganization, the Granite credit facility had an authorized borrowing base of \$115 million consisting of a \$95 million revolving demand credit facility and a \$20 million revolving demand operating facility and the Boulder credit facility had an authorized borrowing base of \$175 million consisting of a \$155 million extendible revolving credit facility and a \$20 million extendible revolving operating facility. The amounts of \$42.5 million and \$130 million were drawn down under the Granite credit facility and the Boulder credit facility respectively to repay the obligations of DeeThree under its credit facility. As a result, obligations of DeeThree under its prior credit facility have been fully repaid and settled. See "Liquidity and Financial Resources".

In addition to the Brazeau Belly River Properties and the Northern Properties being transferred from the Company to Boulder, decommissioning obligations, derivative financial instruments and a deferred tax liability were also transferred to Boulder as part of the POA. Boulder commenced active oil and natural gas operations upon completion of the POA on May 15, 2015.

Granite and Boulder each began trading on the Toronto Stock Exchange on May 21, 2015.

2015 FOURTH QUARTER 2015 HIGHLIGHTS

Granite drilled two horizontal production wells during the fourth quarter of 2015 and averaged 3,334 bbls/d of oil production during the quarter and 3,476 boe/d of total production. Capital expenditures were \$8.6 million, including \$1.7 million for the expansion of its gas injection facilities, which provides long-term injection capacity for the continued expansion of the EOR scheme. Granite also drilled a vertical test well in the western portion of its Alberta Bakken oil pool at a cost of \$1.6 million. This was Granite's final commitment well and continued to expand the size of Granite's Alberta Bakken oil resource.

Granite paid down \$1.9 million of debt during the quarter resulting in year-end net debt of \$39.6 million, a 5% reduction relative to September 30, 2015.

2015 FINANCIAL AND OPERATING HIGHLIGHTS

As the POA closed on May 15, 2015, the financial and operating results of Granite Oil Corp. for the year ended December 31, 2015 include 135 days of combined results for the historical DeeThree properties (the Alberta Bakken, Brazeau Belly River and Northern properties) and 230 days of results for the Alberta Bakken Property only. This is a significant factor in understanding the year-over-year and quarter-over-quarter changes included in this MD&A.

Granite's average annual production for the year ended December 31, 2015 was 6,550 boe/d which reflect operating results from the combined entity (DeeThree Exploration Ltd.) from January 1, 2015 – May 15, 2015 and from Granite Oil Corp. from May 16, 2015 – December 31, 2015.

For the year ended December 31, 2015, Granite realized a combined average sales price of \$45.36/boe, a 38% decline over the prior year due primarily to the significant decline in world oil prices throughout 2015. With average operating costs of \$6.96, transportation costs of \$2.58 and average royalties of 25%, Granite achieved an operating netback of \$24.35/boe, an 46% percent decrease over the prior year.

Granite invested \$64.9 million in capital expenditures in 2015, which included the drilling of 16 gross (16.0 net) wells, 4.0 gross (4.0 net) wells having been drilled in the Brazeau Belly River Properties prior to the completion of the POA and the remainder drilled in the Alberta Bakken Properties.

The Company exited 2015 with net debt of \$39.6 million and with a current credit facility of \$80 million with its syndicate of bankers.

Funds from Operations ⁽¹⁾

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
(\$000s)				
Net income (loss)	(1,611)	28,312	150,216	76,233
Non-cash items:				
Depletion and depreciation (D&D) expense	5,509	23,785	44,804	80,799
Deferred income tax expense	(314)	10,285	3,187	28,331
Share-based compensation ⁽²⁾	637	785	2,434	3,069
Transaction costs – share-based compensation	–	–	4,027	–
Accretion	71	229	471	850
Unrealized loss (gain) on financial instruments	6,087	(22,572)	15,555	(25,494)
Loss (gain) on disposition	197	90	(151,996)	90
Exploration and evaluation (E&E) expense	2,769	859	4,191	9,318
Abandonment and reclamation costs	4	(17)	(216)	(17)
Funds from operations ⁽¹⁾	13,349	41,756	72,673	173,179

⁽¹⁾ Funds from operations and funds from operations per share are not recognized measures under International Financial Reporting Standards (IFRS). Refer to "Non-GAAP Measurements" for further discussion.

⁽²⁾ The share-based compensation amount included in the calculation of funds from operations was adjusted for the non-cash portion related to certain field employees that was reclassified to operating expenses for presentation in the statement of operations and comprehensive income.

During the three months ended December 31, 2015, the Company generated funds from operations totaling \$13.3 million (\$0.44 per basic share and \$0.43 per diluted share) compared to \$41.8 million (\$1.46 per basic share and \$1.41 per diluted share) in the comparative period of 2014 and \$14.5 million (\$0.48 per basic share and \$0.47 per diluted share) in the third quarter of 2015. The year-over-year decrease reflects decreased revenue primarily as a result of the disposition of assets to Boulder pursuant to the POA which closed on May 15, 2015 compounded by decreased commodity prices offset by realized gains on the Company's financial hedges. The decrease from Q3 2015 can be attributed to the continued decline in commodity prices throughout Q4 2015.

Funds from operations totaled \$72.7 million (\$2.41 per basic share and \$2.38 per diluted share) for the year ended December 31, 2015 compared to \$173.2 million (\$6.04 per basic share and \$5.85 per diluted share) recorded in 2014.

Net Income (Loss)

For the three months ended December 31, 2015, the Company recorded net loss of \$1.6 million (\$0.05 per basic and diluted share) compared to net income of \$28.3 million (\$0.99 per basic and \$0.96 per diluted share) in the same period of 2014 and net income of \$6.4 million (\$0.21 per basic share and \$0.22 per diluted share) in the third quarter of 2015.

Net income for the year ended December 31, 2015 was \$150.2 million (\$4.99 per basic share and \$4.92 per diluted share) compared to \$76.2 million (\$2.66 per basic share and \$2.58 per diluted share) in 2014.

FINANCIAL AND OPERATING RESULTS

Sales Volumes

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Sales				
Natural gas (mcf/d)	841	16,510	6,160	13,823
Crude oil (bbls/d)	3,334	9,275	5,350	8,353
NGLs (bbls/d)	2	815	173	668
Total sales (boe/d)	3,476	12,842	6,550	11,325
		(%)		(%)
Production Split				
Natural gas	4	22	16	20
Crude oil	96	72	82	74
NGLs	-	6	2	6
Total	100	100	100	100

For the fourth quarter of 2015, the Company's production averaged 3,476 boe/d compared to 12,842 boe/d in the same period of 2014 and 3,644 boe/d in the third quarter of 2015. This represents a 73 percent decrease year-over-year and a 5 percent quarter-over-quarter decrease. These decreases are primarily a result of the POA combined with natural declines and a reduced drilling program.

For the year ended December 31, 2015, Granite's production averaged 6,550 boe/d compared to 11,325 boe/d in the previous year, representing a 42 percent decrease. During 2015, production was comprised of 6,160 mcf/d of gas, 5,350 bbls/d of crude oil and 173 bbls/d of NGLs, thereby increasing the Company's crude oil and NGL production to 82 percent of total corporate production from 74 percent a year earlier.

Revenue

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
(\$000s)				
Natural gas	197	5,833	6,401	23,848
Crude oil	12,961	61,530	100,201	267,527
NGLs and other	23	2,594	1,840	11,973
Total oil and natural gas revenue	13,181	69,957	108,442	303,348

During the three months ended December 31, 2015, revenue decreased by 81 percent to \$13.2 million from \$70.0 million in the comparative period of 2014. The year-over-year decrease was mainly the result of the POA which was effective May 15, 2015 compounded by reduced crude oil market prices. When compared to the third quarter of 2015, revenue decreased by 13 percent to \$13.2 million from \$15.2 million due to a combination of decreased commodity prices and slightly lower sales volumes in the fourth quarter of 2015.

During 2015, revenue totaled \$108.4 million compared to \$303.3 million a year earlier. Total revenue decreased by 64 percent from 2014 primarily due to the decrease in sales volumes disposed of as part of the POA as well as lower crude oil market prices in 2015.

Pricing for both the three and 12-month periods ended December 31, 2015 is further discussed below in “Commodity Prices and Foreign Exchange”.

Commodity Prices and Foreign Exchange

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Benchmark Prices				
Crude oil				
WTI (US\$/bbl)	42.18	73.15	48.80	93.00
Edmonton Light (MSW) (Cdn\$/boe)	52.86	75.55	57.11	94.44
Differential – MSW/WTI (US\$/bbl)	(2.46)	(6.36)	(3.86)	(7.17)
Hardisty Bow River (Cdn\$/boe)	47.28	77.38	54.74	91.60
Differential – Bow River/WTI (US\$/bbl)	(14.25)	(13.65)	(13.18)	(18.95)
Natural gas				
NYMEX (US\$/mmbtu) ⁽¹⁾	2.24	4.00	2.63	4.41
AECO (Cdn\$/GJ) ⁽²⁾	2.48	3.41	2.70	4.27
Average Realized Prices				
Natural gas (\$/mcf)	2.54	3.84	2.85	4.73
Crude oil (\$/bbl)	42.25	72.11	51.32	87.74
NGLs (\$/bbl)	59.99	34.13	28.44	48.60
Combined average (\$/boe)	41.22	59.21	45.36	73.38
Foreign Exchange				
Cdn\$/US\$	1.34	1.14	1.28	1.10
US\$/Cdn\$	0.75	0.88	0.78	0.91

⁽¹⁾ Mmbtu is the abbreviation for millions of British thermal units. One mcf of natural gas is approximately 1.02 mmbtu.

⁽²⁾ GJ is the abbreviation for gigajoule. One mcf of natural gas is approximately 1.05 GJ.

Crude Oil Pricing

The average realized price of Granite's crude oil was \$42.25/bbl for the fourth quarter of 2015 compared to \$72.11/bbl in the fourth quarter of 2014 and \$47.28/bbl in the third quarter of 2015. Granite's realized oil price decreased by 41 percent from the prior year's fourth quarter and by 11 percent from the third quarter of 2015 largely due to a decrease in the US\$ WTI benchmark oil price partially offset by a weakened Canadian dollar.

For the year ended December 31, 2015, the Company's average realized crude oil price was \$51.32/bbl compared to \$87.74/bbl during 2014 driven by lower average benchmark prices partially offset by a weakened Canadian dollar.

Natural Gas Pricing

Granite's average realized natural gas price was \$2.54/mcf in the fourth quarter of 2015 versus \$3.84/mcf in the fourth quarter of 2014 and \$2.86/mcf in the third quarter of 2015. The Company's realized gas price decreased by 34 percent from the same period in 2014 and 11 percent from the third quarter of 2015.

For the year ended December 31, 2015, the Company's average realized price for natural gas decreased by 40 percent to \$2.85/mcf from \$4.73/mcf in 2014, driven by the decrease in the AECO gas index price.

Price Risk & Mitigation

Ongoing commodity price volatility may affect Granite's funds from operations and rates of return on capital programs. As continued volatility is expected in 2016, Granite will take steps to mitigate these risks and protect its financial position, as it was doing in 2015.

The Company's financial results are significantly influenced by fluctuations in commodity prices, including price differentials and foreign exchange rates. As a means of managing commodity price volatility and its impact on cash flows, the Company seeks to protect itself from fluctuations in prices and exchange rates by maintaining an appropriate hedging strategy. As at the date of this MD&A, Granite has eight crude oil hedges (refer to "Risk Management" below for details). Most commodity prices are based on US dollar benchmarks, which result in the Company's realized prices being influenced by the Canadian/US exchange rates. The Company does not sell or transact in foreign currency, but is affected by foreign currency exchange rate changes related to commodity prices as outlined above. As at the date of this MD&A, Granite has one foreign currency exchange risk management contract in place to mitigate these risks (see "Risk Management" below for contract details).

Royalties

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Oil and natural gas revenues (\$000s)	13,181	69,957	108,442	303,348
Total royalties (\$000s)	3,594	16,277	27,411	68,613
Total royalties (\$/boe)	11.24	13.78	11.47	16.60
Percent of revenue (%)	27	23	25	23

The Alberta Bakken property is primarily subject to freehold royalties, which work on a sliding-scale determined monthly on a well-by-well basis using a calculation based on the Alberta crown royalty regulation implemented in 2009 with a cap of 30 percent. The sliding scale provides varying rates based on productivity (a higher royalty is payable from wells with higher production rates) and commodity prices (a higher royalty is payable in times of higher natural gas and crude oil prices). This area is also subject to freehold mineral taxes (which are included as royalties for financial reporting purposes) and overriding royalties related to farm-in arrangements.

The Brazeau property was primarily subject to Crown royalties payable to the provincial government and overriding royalties on oil, natural gas and NGLs production. These types of royalties are also sensitive to production levels and commodity prices and the related royalties will continue to fluctuate with commodity prices, well production rates, production declines of existing wells along with performance and location of new wells drilled. The Northern properties were conveyed to Boulder on May 15, 2015 as part of the POA.

For the fourth quarter of 2015, royalties totaled \$3.6 million or 27 percent of revenue compared to \$16.3 million or 23 percent of revenue for the same quarter in 2014 and \$4.6 million or 30 percent of revenue in the third quarter of 2015. The year-over-year royalty rate increase was due to the properties disposed of in the POA, which were subject to a lower royalty rate than the Alberta Bakken property that remained with Granite upon completion of the POA.

During the year ended December 31, 2015, royalties totaled \$27.4 million or 25 percent of revenue compared to \$68.6 million or 23 percent of revenue for 2014.

Operating and Transportation Expenses

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Operating expenses (\$000s)	1,889	8,798	16,648	39,032
Transportation expenses (\$000s)	581	3,507	6,177	9,016
Total operating and transportation expenses (\$000s)	2,470	12,305	22,825	48,048
Operating expenses (\$/boe)	5.91	7.45	6.96	9.44
Transportation expenses (\$/boe)	1.82	2.97	2.58	2.18
Total operating and transportation expenses (\$/boe)	7.73	10.42	9.54	11.62

Operating costs include all costs associated with the production of crude oil and natural gas. The major components of operating costs include charges for contract operating, processing fees, lease rentals, property and pipeline taxes, utilities and well maintenance charges.

Operating expenses for the fourth quarter of 2015 totaled \$1.9 million or \$5.91/boe compared to \$8.8 million or \$7.45/boe in the same period of 2014 and \$2.0 million or \$5.98/boe in the third quarter of 2015. The year-over year decrease was driven by the Company ceasing to have any wells on extended flow-back until being tied into a pipeline (which had contributed to higher operating costs in 2014) as well as the impact of the POA. The Alberta Bakken property is subject to lower operating costs than the Northern Properties.

Transportation expenses for the three months ended December 31, 2015 were \$0.6 million or \$1.82/boe compared to \$3.5 million or \$2.97/boe in the fourth quarter of 2014 and \$0.3 million or \$0.95/boe in the third quarter of 2015. This decrease from the prior year can be attributed to the fact that the Alberta Bakken property has lower transportation costs than the properties disposed of in the POA. The increase in transportation costs over Q3 2015 is the result of actual transportation costs for Q3 2015 coming in higher than what was accrued for. For the last six months of 2015, transportation expense averaged \$1.37/boe.

For the year ended December 31, 2015, the Company incurred operating expenses of \$16.6 million or \$6.96/boe compared to \$39.0 million or \$9.44/boe in 2014. Transportation expenses for the year totaled \$6.2 million or \$2.58/boe versus \$9.0 million or \$2.18/boe in the previous year.

Risk Management

Granite maintains a risk management program to reduce the volatility of revenues and to increase the certainty of funds from operations. Granite considers all of its risk management contracts to be effective economic hedges of the underlying business transactions. As at December 31, 2015, the Company had the following crude oil and interest rate risk management contracts, with a short-term mark-to-market asset of \$7.6 million at December 31, 2015 (September 30, 2015 – short-term asset of \$13.6 million and long-term asset of \$0.6 million; December 31, 2014 – short-term asset of \$23.3 million):

Crude Oil Contracts

Period	Commodity	Type of Contract	Quantity	Pricing Point	Contract Price
March 1/15 – June 30/16	Crude Oil	Fixed	250 bbls/d	WTI-NYMEX	Cdn\$72.92/bbl
Jan. 1/16 – Dec. 31/16	Crude Oil	Fixed	250 bbls/d	WTI-NYMEX	Cdn\$78.00/bbl
Jan. 1/16 – Dec. 31/16	Crude Oil	Fixed	250 bbls/d	WTI-NYMEX	US\$62.75/bbl
Jan. 1/16 – Dec. 31/16	Crude Oil	Fixed	250 bbls/d	WTI-NYMEX	Cdn\$80.00/bbl

Interest Rate Contract

Term	Amount	Fixed Rate	Index
Feb. 18/14 – Feb. 18/16	Cdn\$10 million	1.44%	CDOR

Subsequent to December 31, 2015, Granite entered into the following crude oil risk management contracts:

Crude Oil Contracts

Period	Commodity	Type of Contract	Quantity	Pricing Point	Contract Price
Feb. 1/16 – June 30/16	Crude Oil	Fixed	250 bbls/d	WTI-NYMEX	US \$32.00/bbl
Feb. 1/16 – Dec. 31/16	Crude Oil	Fixed	250 bbls/d	WTI-NYMEX	US \$32.02/bbl
July 1/16 – Dec. 31/16	Crude Oil	Fixed	250 bbls/d	WTI-NYMEX	US \$40.00/bbl
July 1/16 – June 30/17	Crude Oil	Fixed	250 bbls/d	WTI-NYMEX	US \$41.00/bbl

Gains and losses on risk management contracts are composed both of unrealized gains or losses that represent the change in the mark-to-market position of those contracts throughout the period and of realized gains and losses representing the portion of the contracts that have been settled in cash during the period. The Company has elected not to use hedge accounting for its current risk management contracts.

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Unrealized loss (gain) on financial instruments <i>(\$000s)</i>	6,087	(22,572)	15,555	(25,494)
Unrealized loss (gain) on financial instruments <i>(\$/boe)</i>	19.03	(19.11)	6.51	(6.17)

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Realized loss (gain) on financial instruments <i>(\$000s)</i>	(7,653)	(4,661)	(26,831)	426
Realized loss (gain) on financial instruments <i>(\$/boe)</i>	(23.93)	(3.95)	(11.22)	0.10

During the fourth quarter of 2015, the Company recorded an unrealized loss on financial instruments of \$6.1 million and a realized gain of \$7.7 million. In the same period of the prior year, the Company recorded an unrealized gain of \$22.6 million and a realized gain of \$4.7 million. In the previous quarter, the Company recorded an unrealized gain of \$4.4 million and a realized gain of \$7.5 million. The unrealized loss resulted from the mark-to-market of financial risk management contracts at the period end. These non-cash unrealized derivative gains are generated by the change over the reporting period in the mark-to-market valuation of Granite's risk management contracts. The realized gains or losses represent actual cash settlements under the respective commodity, foreign exchange and interest rate contracts in the respective periods.

For the year ended December 31, 2015, the Company recorded an unrealized loss of \$15.6 million and a realized gain of \$26.8 million compared to an unrealized gain of \$25.5 million and a realized loss of \$0.4 million, respectively, for 2014.

General and Administrative (G&A) Expenses

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
<i>(\$000s except per boe)</i>				
Gross G&A expense	1,022	3,923	6,097	11,343
Capitalized G&A (direct)	(154)	(863)	(1,067)	(2,297)
Overhead recoveries	(10)	(163)	(208)	(735)
G&A expense (net)	858	2,897	4,822	8,311
G&A expense (net) <i>(\$/boe)</i>	2.68	2.45	2.02	2.01

Gross G&A expense totaled \$1.0 million for the three-month period ended December 31, 2015 compared to \$3.9 million in the comparable period of 2014 and \$0.8 million in the third quarter of 2015. Net G&A costs were \$0.9 million or \$2.68/boe in the fourth quarter of 2015 compared to \$2.9 million or \$2.45/boe a year earlier and \$0.6 million or \$1.90/boe in the third quarter of 2015. When compared to the same quarter of the prior year, gross G&A costs decreased on an absolute basis due to the decrease in staffing costs (including salaries, bonuses, consulting and office rent) related to the POA. In the fourth quarter of 2015, the Company had an average of 12 full-time employees and three consultants versus 37 full-time employees and three consultants in the same period of 2014.

The Company capitalized direct G&A expenses amounting to \$0.2 million and had overhead recoveries of \$0.01 million in the fourth quarter of 2015 versus \$0.9 million and \$0.2 million, respectively, in the comparative period of 2014, and \$0.2 million and \$0.01 million, respectively, in the third quarter of 2015.

Net G&A expenses for the year ended December 31, 2015 totaled \$4.8 million or \$2.02/boe compared to \$8.3 million or \$2.01/boe for 2014. During the year ended December 31, 2015, the Company capitalized \$1.1 million in direct costs related to its exploration and development efforts and \$0.2 million of overhead recoveries compared to \$2.3 million and \$0.7 million, respectively, in 2014.

Share-Based Compensation

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
(\$000s except per boe)				
Gross share-based compensation	966	1,346	3,804	5,036
Share-based compensation reclassified to operating costs	—	(43)	(55)	(167)
Capitalized share-based compensation	(329)	(561)	(1,370)	(1,967)
Share-based compensation expense (net)	637	742	2,379	2,902
Share-based compensation expense (net) (\$/boe)	1.99	0.63	1.00	0.70

On May 15, 2015, Granite adopted a Share Incentive Plan (“SIP”), described in note 10 to the financial statements for the year ended December 31, 2015. The awards granted under the plan vest one third on each of the first, second and third anniversaries of the grant date. Share incentives are made up of both time-based (“TBA”) and performance-based (“PBA”) awards, each performance based award granted is subject to a performance multiplier ranging from 0 to 2, dependent on the performance of Granite at the end of the vesting period relative to corporate performance measures determined at the discretion of Granite’s Board of Directors. The fair value of the awards granted under the plan is estimated at the grant date using a binomial pricing model. At December 31, 2015, the Company had 944,995 awards outstanding under this plan.

DeeThree’s stock option plan was terminated pursuant to the POA. Unvested, in-the-money DeeThree options that were outstanding at the time of the completion of the POA were replaced with options to acquire shares of Granite and Boulder respectively. The vesting schedule for these replacement options remained the same as the predecessor DeeThree options with the fair value of options granted estimated at the grant date using the Black-Scholes option-pricing model. At December 31, 2015, the Company had 194,486 replacement options outstanding.

Share-based compensation expense is a non-cash expense that reflects the amortization over the vesting period of the fair value of stock options and PSUs granted to the Company’s employees, consultants and directors. For those stock options granted to field employees, their portion of the share-based compensation is reclassified to operating expenses, in order to be consistent with the recognition of their salaries on the statement of operations and comprehensive income.

For the quarter ended December 31, 2015, the Company incurred net share-based compensation expense of \$0.6 million or \$1.99/boe versus \$0.7 million or \$0.63/boe in the same period of 2014 and \$0.7 million or \$1.94/boe in the third quarter of 2015.

During 2015, Granite incurred net share-based compensation expense of \$2.4 million or \$1.00/boe compared to \$2.9 million or \$0.70/boe in 2014.

Transaction Costs

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Transaction costs – G&A (\$000s)	29	—	3,831	—
Transaction costs – share-based compensation (\$000s)	—	—	4,027	—
Total transaction costs (\$000s)	29	—	7,858	—
Transaction costs – G&A (\$/boe)	0.09	—	1.60	—
Transaction costs – share-based compensation (\$/boe)	—	—	1.68	—
Total transaction costs (\$/boe)	0.09	—	3.28	—

For the fourth quarter of 2015, the Company incurred \$0.03 million of transaction costs related to the POA as compared to \$nil in the same period in the prior year.

For the year ended December 31, 2015, the Company incurred total transaction costs of \$7.9 million (December 31, 2014 - \$nil) in relation to the POA including cash transaction costs of \$3.8 (December 31, 2014 - \$nil) million for legal, financial advisory and accounting fees and \$4.0 related to share-based compensation for the stock options that were cancelled and immediately recognized and expensed in the statement of operations and comprehensive income as “transaction costs – share-based compensation”.

Depletion and Depreciation (D&D) Expense

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Depletion and depreciation expense (\$000s)	5,509	23,785	44,804	80,799
Depletion and depreciation expense (\$/boe)	17.23	20.14	18.74	19.55

Granite records D&D expense on its property and equipment over the individual useful lives of the assets, employing the unit-of-production method using proved plus probable reserves and associated estimated future development capital required for its oil and natural gas assets, the straight-line method for field facilities (20-year useful life) and the declining-balance method on corporate assets (20 to 30 percent). Assets in the E&E phase are not amortized.

For the three months ended December 31, 2015, the Company recorded D&D expense of \$5.5 million or \$17.23/boe compared to \$23.8 million or \$20.14/boe in the same period of 2014 and \$6.4 million or \$19.00/boe in the third quarter of 2015. The absolute decrease in D&D expense year-over-year is attributable to the decrease in production volumes related to the POA, while the absolute decrease from the third quarter of 2015 is due to the decrease in production volumes quarter over quarter slightly offset by lower costs related to finding and developing reserves.

During 2015, D&D expense was \$44.8 million or \$18.74/boe compared to \$80.8 million or \$19.55/boe in 2014.

(Gain) Loss on Dispositions

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
(Gain) loss on dispositions (\$000s)	197	90	(151,996)	90
(Gain) loss on dispositions (\$/boe)	0.62	0.08	(63.58)	0.02

As part of the POA, which is further described in Note 4 to the audited financial statements for the year ended December 31, 2015, the Company recorded a loss on disposition of \$0.2 million in the fourth quarter of 2015 as compared to a \$0.09 million loss on disposition of a minor property to a joint venture partner during the fourth quarter of 2014. A gain on disposition of the Brazeau and Peace River Arch properties to Boulder for \$152.0 million or \$63.58/boe was recognized for the year ended December 31, 2015. This loss (gain) was calculated based on the difference between the fair value of the net assets disposed of and the net book value as recorded at historical cost in DeeThree's financial records. The fair value of the net assets disposed of was determined using a weighted average trading price for the first month of trading of Boulder common shares (under the symbol BXO on the TSX).

Exploration and Evaluation (E&E) Expense

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Exploration and evaluation expense (\$000s)	2,769	859	4,191	9,318
Exploration and evaluation expense (\$/boe)	8.66	0.73	1.75	2.25

Granite accumulates costs related to its E&E assets in one pool pending determination of an asset's technical feasibility and commercial viability. E&E costs are primarily for seismic data, undeveloped land and drilling until the well in question is complete and results have been evaluated. Costs related to wells determined to be uneconomical as well as costs of undeveloped land lease expiries are expensed as they occur.

During the fourth quarter of 2015, the Company recorded E&E expense of \$2.8 million or \$8.66/boe compared to \$0.9 million or \$0.73/boe in the fourth quarter of 2014 and \$1.1 million or \$3.21/boe in the third quarter of 2015. Of the total E&E expense recognized in the current quarter, \$2.3 million related to an exploratory well in the Alberta Bakken area and \$0.5 million related to lease expiries.

During the year ended December 31, 2015, the Company recorded E&E expense of \$4.2 million or \$1.75/boe compared to \$9.3 million or \$2.25/boe during 2014.

Accretion and Finance Expenses

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
<i>(\$000s except per boe)</i>				
Accretion expense on decommissioning liabilities	71	228	471	850
Finance expense	538	1,410	3,550	4,921
Total accretion and finance expenses	609	1,638	4,021	5,771
Accretion expense on decommissioning liabilities (\$/boe)	0.22	0.19	0.20	0.21
Finance expense (\$/boe)	1.68	1.19	1.48	1.19
Total accretion and finance expenses (\$/boe)	1.90	1.38	1.68	1.40

Accretion expense represents the increase in the present value of the Company's decommissioning liabilities. In the fourth quarter of 2015, the Company recorded accretion expense of \$0.07 million or \$0.22/boe compared to \$0.2 million or \$0.19/boe in the same period of 2014 and \$0.07 million or \$0.23/boe in the third quarter of 2015.

During the three months ended December 31, 2015, the Company recorded interest and finance expenses of \$0.5 million or \$1.68/boe compared to \$1.4 million or \$1.19/boe in the same period of 2014 and \$0.3 million or \$0.95/boe in the previous quarter. The Company incurred interest charges and standby fees related to the Company's credit facility, which was drawn to \$37.0 million at the end of the year (December 31, 2014 – \$139.2 million; September 30, 2015 – \$44.7 million).

For the year ended December 31, 2015, the Company recorded accretion expense of \$0.5 million or \$0.20/boe compared to \$0.9 million or \$0.21/boe in 2014. The Company also recorded finance expense of \$3.6 million or \$1.48/boe in 2015 compared to \$4.9 million or \$1.19/boe in the prior year.

Income Taxes

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Deferred income tax expense (recovery) (\$000s)	(314)	10,285	3,187	28,331
Deferred income tax expense (recovery) (\$/boe)	(0.98)	8.71	1.33	6.85

During the fourth quarter of 2015, the Company recorded a deferred income tax recovery of \$0.3 million or \$0.98/boe compared to a \$10.3 million expense or \$8.71/boe in the same period of 2014 and a \$2.7 million expense or \$7.95/boe in the third quarter of 2015. The deferred income tax recovery is a function of the net loss incurred in the fourth quarter of 2015.

For the year ended December 31, 2015, the Company recorded a deferred income tax expense of \$3.2 million or \$1.33/boe compared to \$28.3 million or \$6.85/boe in 2014. During 2015, the Company spent approximately \$0.6 million in eligible exploration expenditures related to the May 2014 issuance of flow-through shares. To date the Company has incurred all of the qualifying expenditures related to the May 2014 issuance and the commitment has been fulfilled.

Granite does not have current income taxes payable and does not expect to pay current income taxes in 2015 as the Company had estimated tax pools available at December 31, 2015 of \$187 million (December 31, 2014 – \$499 million).

Netbacks (per unit) ⁽¹⁾

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
(\$/boe)				
Average sales price	41.22	59.21	45.36	73.38
Royalties	(11.24)	(13.78)	(11.47)	(16.60)
Operating expenses	(5.91)	(7.45)	(6.96)	(9.44)
Transportation expenses	(1.82)	(2.97)	(2.58)	(2.18)
Operating netback ⁽²⁾	22.25	35.01	24.35	45.16
G&A and other expenses (excludes non-cash items)	(2.68)	(2.45)	(2.02)	(2.01)
Transaction costs – G&A	(0.09)	–	(1.60)	–
Realized gain (loss) on financial instruments	23.93	3.95	11.22	(0.10)
Finance expense	(1.68)	(1.19)	(1.48)	(1.19)
Funds flow netback ⁽²⁾	41.73	35.32	30.47	41.86
D&D expense	(17.23)	(20.14)	(18.74)	(19.55)
Loss (gain) on dispositions	(0.62)	(0.08)	63.58	(0.02)
Accretion	(0.22)	(0.19)	(0.20)	(0.21)
Share-based compensation	(1.99)	(0.63)	(1.00)	(0.70)
Transaction costs – share-based compensation	–	–	(1.68)	–
Unrealized gain (loss) on financial instruments	(19.03)	19.11	(6.51)	6.17
E&E expense	(8.66)	(0.73)	(1.75)	(2.25)
Deferred income tax expense	0.98	(8.71)	(1.33)	(6.85)
Net income (loss) netback ⁽²⁾	(5.04)	23.95	62.84	18.45

⁽¹⁾ For a description of the boe conversion ratio, refer to “Other Measurements” below.

⁽²⁾ Non-GAAP measure; refer to the commentary below. Operating netback, funds flow netback and net income (loss) netback are calculated by dividing operating income, funds flow from operations and net income by the sales volume in boe for the period then ended. For a description of the boe conversion ratio, refer to “Other Measurements” below.

The operating netback was \$22.25/boe for the three months ended December 31, 2015 compared to \$35.01/boe in the same period of 2014 and \$24.61/boe in the third quarter of 2015. The Company experienced a lower realized average sales price in the three months ended December 31, 2015 as compared to the fourth quarter of 2014 due to a decrease in WTI prices, partially offset by lower royalties and operating expenses. As compared to the third quarter of 2015, the Company also realized a lower average price due to a decrease in WTI prices, contributing to the decrease in operating netback quarter-over-quarter.

For the year ended December 31, 2015, Granite achieved an operating netback of \$24.35/boe compared to \$45.16/boe in 2014, due to lower average pricing throughout the year, partially offset by lower royalties and operating expenses.

INVESTMENT AND INVESTMENT EFFICIENCIES

Capital Expenditures and Acquisitions

(excluding decommissioning liabilities and capitalized share-based compensation)

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
(\$000s except number of wells)				
Drilling and completions				
Completion of prior-period drilled wells	295	(727)	3,696	2,287
Current-period drilling and completion	5,161	38,282	42,870	202,579
Future drilling and work-overs	129	1,069	1,441	2,714
	5,585	38,624	48,007	207,580
Equipment and facilities				
Tie-in of prior-period drilled wells	19	402	1,028	709
Tie-in of current-period drilled wells	268	2,857	2,090	17,441
Facilities, pipelines and work-overs	2,663	7,968	8,557	35,752
Other equipment	-	-	868	-
	2,950	11,227	12,543	53,902
Land and lease retention	-	2,933	2,709	8,931
Geological and geophysical	28	12	31	1,184
Capitalized G&A and other	178	886	1,054	2,353
	206	3,831	3,794	12,468
Total exploration and development	8,741	53,682	64,344	273,950
Property acquisitions and adjustments	(109)	11,282	535	22,599
Total capital expenditures	8,632	64,964	64,879	296,549
Total wells drilled (#)	3 (3.00)	8 (8.00)	16 (16.00)	47 (46.93)

During the fourth quarter of 2015, the Company incurred a total of \$8.6 million (fourth quarter 2014 – \$65.0 million) in capital expenditures, excluding non-cash decommissioning liabilities, capitalized share-based compensation and including capital expenditures incurred subsequent to the closing of the POA related to those properties disposed. During the period, \$nil was spent on acquisitions (fourth quarter 2014 – \$11.3 million). Drilling and completion expenditures totaled \$5.6 million in the fourth quarter of 2015 (fourth quarter 2014 – \$38.6 million), \$3.0 million was spent on tie-ins and facilities (fourth quarter 2014 – \$11.2 million), \$nil on land sales (fourth quarter 2014 – \$2.9 million) and \$0.02 million related to seismic programs (fourth quarter 2014 – \$0.01 million). The remaining \$0.2 million in the fourth quarter of 2015 (fourth quarter 2014 – \$0.9 million) was invested in capitalized G&A and other corporate assets.

For the year ended December 31, 2015, the Company incurred a total of \$64.9 million (2014 – \$296.5 million) in capital expenditures, excluding the non-cash decommissioning liabilities and capitalized share-based compensation and including capital expenditures incurred subsequent to the closing of the POA related to those properties disposed.

During the year, the Company spent \$nil on acquisitions (2014 – \$22.6 million). Drilling and completion expenditures totaled \$48.0 million (2014 – \$207.6 million), \$12.5 million was spent on tie-ins and facilities (2014 – \$53.9 million), \$2.7 million on land sales (2014 – \$8.9 million) and \$0.03 million related to seismic programs (2014 – \$1.2 million). The remaining \$1.1 million spent during the year ended December 31, 2015 (2014 – \$2.4 million) was invested in capitalized G&A and other corporate assets.

Drilling Activity

	Exploration		Development		Total	
	Gross	Net	Gross	Net	Gross	Net
	(#)	(#)	(#)	(#)	(#)	(#)
Three Months Ended						
December 31, 2015						
Crude oil	–	–	2	2.00	2	2.00
Dry and abandoned	1	1.00	–	–	1	1.00
Total wells	1	1.00	2	2.00	3	3.00
Success rate (%)		–		100		67
Average working interest (%)		100		100		100
Three Months Ended						
December 31, 2014						
Crude oil	–	–	8	8.00	8	8.00
Dry and abandoned	–	–	–	–	–	–
Total wells	–	–	8	8.00	8	8.00
Success rate (%)		–		100		100
Average working interest (%)		–		100		100
Year Ended						
December 31, 2015						
Crude oil	–	–	14	14.00	14	14.00
Dry and abandoned	2	2.00	–	–	2	2.00
Total wells	2	2.00	14	14.00	16	16.00
Success rate (%)		–		100		88
Average working interest (%)		100		100		100
Year Ended						
December 31, 2014						
Gas	–	–	1	1.00	1	1.00
Crude oil	2	2.00	41	40.93	43	42.93
Dry and abandoned	3	3.00	–	–	3	3.00
Total wells	5	5.00	42	41.93	47	46.93
Success rate (%)		40		100		94
Average working interest (%)		100		100		100

During the fourth quarter of 2015, Granite drilled a total of 2 gross (2.00 net) crude oil development wells with a 100 percent success rate and 1 gross (1.00 net) exploration well which was a vertical stratigraphic test well and was determined to be dry and abandoned. During the three months ended December 31, 2014, the Company drilled 8 gross (8.00 net) crude oil development wells.

During the year ended December 31, 2015, Granite drilled 16 gross (16.00 net) wells in total, including 14 gross (14.00 net) development wells targeting crude oil and 2 (2.00) exploration wells. Both the exploration wells were vertical stratigraphic test wells and were determined to be dry and abandoned. For the year ended December 31, 2014 the Company drilled 47 gross (46.93 net) wells in total, including 41 gross (40.93 net) development wells targeting crude oil, 1 gross (1.00 net) development gas well and 5 gross (5.00 net) exploration wells.

Drilling Activity by Area

	Alberta Bakken	Brazeau	Peace River Arch	Total
	(#)	(#)	(#)	(#)
Three Months Ended				
December 31, 2015				
Crude oil	2 (2.00)	– (–)	– (–)	2 (2.00)
Dry and abandoned	1 (1.00)	– (–)	– (–)	1 (1.00)
Total wells	3 (3.00)	– (–)	– (–)	3 (3.00)
Success rate (%)	67	–	–	67
Average working interest (%)	100	–	–	100
Three Months Ended				
December 31, 2014				
Crude oil	– (–)	8 (8.00)	– (–)	8 (8.00)
Dry and abandoned	– (–)	– (–)	– (–)	– (–)
Total wells	– (–)	8 (8.00)	– (–)	8 (8.00)
Success rate (%)	–	100	–	100
Average working interest (%)	–	100	–	100
Year Ended				
December 31, 2015				
Crude oil	10 (10.00)	4 (4.00)	– (–)	14 (14.00)
Dry and abandoned	2 (2.00)	– (–)	– (–)	2 (2.00)
Total wells	12 (12.00)	4 (4.00)	– (–)	16 (16.00)
Success rate (%)	83	100	–	88
Average working interest (%)	100	100	–	100
Year Ended				
December 31, 2014				
Gas	– (–)	1 (1.00)	– (–)	1 (1.00)
Crude oil	15 (15.00)	27 (26.93)	1 (1.00)	43 (42.93)
Dry and abandoned	3 (3.00)	– (–)	– (–)	3 (3.00)
Total wells	18 (18.00)	28 (27.93)	1 (1.00)	47 (46.93)
Success rate (%)	83	100	100	94
Average working interest (%)	100	100	100	100

During the fourth quarter of 2015, Granite drilled a total of 2 gross (2.00 net) crude oil development wells with a 100 percent success rate and 1 gross (1.00 net) exploration well which was a vertical stratigraphic test well and was determined to be dry and abandoned. During the fourth quarter of 2014, the Company drilled a total of 8 gross (8.0 net) wells, all on its Brazeau property, with a 100 percent success rate.

During the year ended December 31, 2015, Granite drilled 16 gross (16.00 net) wells in total, including 12 gross (12.00 net) wells in the Alberta Bakken area and 4 gross (4.00 net) wells on its Brazeau property with a 88 percent success rate. During 2014, the Company drilled 47 gross (46.93 net) wells in total, including 28 gross (27.93 net) wells on its Brazeau property, 18 gross (18 net) wells on its Alberta Bakken property and 1 gross (1 net) well in the Peace River Arch area, with a 94 percent success rate.

LIQUIDITY AND FINANCIAL RESOURCES

Net Debt ⁽¹⁾

The following table summarizes net debt as at December 31, 2015 and 2014:

Years Ended December 31,	2015	2014
(\$000s)		
Working capital deficiency	(2,600)	(32,113)
Bank debt	(37,012)	(139,234)
Net debt ⁽¹⁾ – end of period	(39,612)	(171,347)

⁽¹⁾ Net debt, which is calculated as current liabilities (excluding derivative financial instruments) and bank debt less current assets (excluding derivative financial instruments), is not a recognized measure under IFRS. Please refer to the commentary under “Non-GAAP Measurements” for further discussion.

Granite entered 2015 with net debt of \$171.3 million. During 2015, the Company generated funds from operations of \$72.7 million and invested \$64.9 million in capital expenditures. In connection with the completion of the POA, Granite and Boulder each obtained new credit facilities from syndicates of lenders. The Granite credit facility has an authorized borrowing base of \$80 million consisting of a \$60 million revolving demand credit facility and a \$20 million revolving demand operating facility. The amounts of \$42.5 million and \$130 million were drawn down under the Granite credit facility and the Boulder credit facility respectively to repay the obligations of DeeThree under its credit facility at the time of the reorganization. As a result, obligations of DeeThree under its prior credit facility have been fully repaid and settled. Additionally, the Company paid \$6.9 million in dividends. Granite exited the fourth quarter of 2015 with net debt of \$39.6 million.

At December 31, 2015, the Granite facility was drawn to approximately \$37.0 million with \$43.0 million of unused borrowing capacity.

Interest is charged at a rate per annum equal to the Canadian prime rate during said period plus the applicable margin, being a range of 0.5 percent to 2.5 percent, as determined by the Corporation's debt to cash flow ratio. Standby fees associated with this facility are charged based on an applicable margin, being a range of 0.2 percent to 0.45 percent per annum on the undrawn portion of the facility, again based on the Company's debt to cash flow ratio. Under this credit facility, the Corporation is required to maintain a current ratio of not less than 1:1.

The amount of the facility is subject to a borrowing base test performed on a periodic basis by the lenders, based primarily on reserves and using commodity prices estimated by the lenders as well as other factors. The borrowing base of the credit facility is subject to review at least semi-annually with the next review scheduled for April 2016. A decrease in the borrowing base could result in a reduction to the credit facility. Collateral for this facility consists of a general security agreement, providing a security interest over all present and subsequently acquired personal property and a floating charge on all present and subsequently acquired land interest of the Company.

On February 22, 2016, Granite announced its 2016 budget. During 2016, the Company intends to maintain its year-end exit net debt level in order to protect its balance sheet. In addition, the Company has flexibility to adjust its capital program quickly based on commodity prices. Granite's 2016 budget is sustainable and is funded by internally generated cash flow. The Company plans to maintain its current dividend of \$0.42/share.

RELATED-PARTY TRANSACTIONS AND OFF-BALANCE-SHEET TRANSACTIONS

There were no off-balance-sheet transactions entered into during the period nor are there any outstanding as at the date of this MD&A.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Years Ended December 31, (\$000s)	2016	2017	2018	Total
Operating lease – office	214	129	-	343
Total commitments	214	129	-	343

As at December 31, 2015, the Company had contractual obligations for its office leases totaling approximately \$0.3 million to July 2017. The office lease obligations are comprised of the lease payments and an estimate of occupancy costs of the Company's head office space.

SHARE CAPITAL

As at March 21, 2016, the Company had the following equity securities outstanding:

Common shares outstanding	30,375,286
Stock options outstanding	174,224
Share incentives outstanding	944,995

SELECTED QUARTERLY INFORMATION ⁽¹⁾⁽⁴⁾

Three Months Ended	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014	June 30, 2014	March 31, 2014
<i>(000s, except per share amounts and production figures)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
Oil and natural gas revenues	13,181	15,195	33,989	46,077	69,957	87,188	80,560	65,643
Funds from operations	13,349	14,510	17,191	27,623	41,773	52,720	43,167	35,536
Per share – basic	0.44	0.48	0.57	0.93	1.46	1.78	1.53	1.30
Per share – diluted	0.43	0.47	0.57	0.93	1.41	1.72	1.48	1.26
Cash flow from								
operating activities	19,934	1,250	22,526	17,607	54,239	62,290	44,103	23,607
Net income (loss)	(1,610)	6,431	143,635	1,761	28,312	21,106	18,133	8,682
Per share – basic	(0.05)	0.21	4.78	0.06	0.99	0.71	0.64	0.32
Per share – diluted	(0.05)	0.21	4.77	0.06	0.96	0.69	0.62	0.31
Total assets	298,698	309,596	303,489	752,643	743,202	686,496	626,620	564,393
Capital expenditures ⁽²⁾	8,632	6,587	11,956	37,060	64,964	84,985	74,288	72,312
Net debt ⁽³⁾	39,612	41,546	45,047	180,784	171,347	148,329	116,064	155,517
Shareholders' equity	211,293	214,995	210,470	466,447	463,509	433,613	410,944	321,640
Production								
Natural gas (mcf/d)	841	1,674	7,229	15,103	16,510	13,395	12,967	12,381
Crude oil (bbls/d)	3,334	3,358	5,603	9,188	9,275	9,322	8,033	6,743
NGLs (bbls/d)	2	7	102	591	815	739	550	565
Total (boe/d)	3,476	3,644	6,910	12,296	12,842	12,294	10,744	9,372

⁽¹⁾ The selected quarterly information was prepared in accordance with the accounting principles described in the notes to the financial statements, except for funds from operations, which is not prescribed under IFRS (see "Non-GAAP Measurements" below).

⁽²⁾ Total capital expenditures, including acquisitions.

⁽³⁾ Net debt, which is calculated as current liabilities (excluding derivative financial instruments) and bank debt less current assets (excluding derivative financial instruments), is not a recognized measure under IFRS. Please refer to the commentary under "Non-GAAP Measurements" for further discussion.

⁽⁴⁾ Refer to the description of the Plan of Arrangement in the Management's Discussion and Analysis under "About Granite Oil Corp." Refer to "2015 Financial and Operating Highlights" regarding comparability of prior period information.

SELECTED ANNUAL INFORMATION ⁽¹⁾⁽²⁾

	Years Ended December 31,		
	2015	2014	2013
<i>(000s, except per share amounts and production figures)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
Oil and natural gas revenues	108,442	303,348	177,991
Funds from operations	72,673	173,179	93,295
Per share – basic	2.41	6.04	3.68
Per share – diluted	2.38	5.85	3.55
Cash flow from operating activities	61,317	184,239	97,448
Net income	150,216	76,233	18,048
Per share – basic	4.99	2.66	0.71
Per share – diluted	4.92	2.58	0.69
Total assets	298,698	743,202	497,280
Capital expenditures	64,879	296,549	211,885
Net debt	39,612	171,347	119,787
Shareholders' equity	211,293	463,509	311,070
Dividends declared (per share)	0.2275	–	–
Production			
Natural gas <i>(mcf/d)</i>	6,160	13,823	9,881
Crude oil <i>(bbls/d)</i>	5,350	8,353	5,205
NGL <i>(bbls/d)</i>	173	668	332
Total <i>(boe/d)</i>	6,550	11,325	7,184

⁽¹⁾ The selected annual information was prepared in accordance with the accounting principles described in the notes to the financial statements for the years in question, except for funds from operations, which is not prescribed under IFRS (see “Non-IFRS Measurements” below).

⁽²⁾ Refer to the description of the Plan of Arrangement in the Management's Discussion and Analysis under “About Granite Oil Corp.” Refer to “2015 Financial and Operating Highlights” regarding comparability of prior period information.

OUTLOOK

In response to lower oil prices during the fourth quarter of 2015, Granite capitalized on low equipment costs and accelerated its plans to further ramp-up gas injection in the EOR program through the purchase of approximately 2,000 HP of additional gas injection compression and related equipment. This equipment will be installed in the first quarter of 2016 and on-stream in April 2016. With this expansion, Granite will increase gas injection volumes to match or exceed production volumes, achieving a 100 percent voidage replacement ratio – an important milestone in the ongoing development of the EOR program. As well, the expanded facilities have the capacity to maintain 100% voidage replacement at higher levels of oil production from the pool. With the success of the program to-date, Granite expects this expansion to have material impacts on pool performance and long-term decline rates, and offer greater opportunities for capital-efficient drilling.

Granite's 2016 budget includes two sustainable budget scenarios based on a US\$37.00/bbl WTI case and a US\$32.50/bbl WTI case. Under the \$37.00 case, Granite anticipates production of 3,250 bbl per day of oil, while funding both capital expenditures of \$14.2 million (six horizontal wells) and dividends of \$12.8 million with anticipated funds flow of \$27.1 million. Under the US\$32.50/bbl WTI case, the Company expects oil production to average 3,000 bbl per day of oil, with funds flow of \$23.0 million funding both capital expenditures of \$10.2 million (four horizontal wells), and the annual dividend of \$12.8 million.

Under either scenario, the Company retains its balance sheet flexibility, with less than \$40 million of net debt forecast at the end of 2016. Granite has the ability to react quickly to improved commodity prices and increase its capital program accordingly.

Granite is off to a very strong start in 2016. Our goal remains to be an efficient oil producer with a strong balance sheet that is sustainable for the long term. We will continue to carefully manage costs and make choices that generate long-term value from our assets while maintaining our low level of debt.

BUSINESS RISKS AND RISK MITIGATION

The Granite management team conducts focused strategic planning and has identified the key risks, uncertainties and opportunities associated with the Company's business that can affect its financial results. They include, but are not limited to:

Reserves and Resource Estimates

Granite's exploration and production activities are concentrated in the Western Canada Sedimentary Basin, where the industry is very competitive. There are a number of risks facing participants in the oil and natural gas industry, some of which are common to all businesses, while others are specific to the sector. These include risks such as finding and developing oil and natural gas reserves economically, estimating reserves, producing the reserves in commercial quantities, finding a suitable market at attractive commodity prices, financial and liquidity risks and environmental and safety risks.

Granite's future oil and natural gas reserves and production and, therefore, its cash flows, will be highly dependent on the Company's success in exploiting its reserve base and acquiring additional reserves. The Company mitigates the risk of finding and developing economical oil and natural gas reserves by utilizing a team of highly qualified professionals with expertise and experience in these areas. Granite attempts to maximize drilling success by exploring areas that have multi-zone opportunities, including targeting deeper horizons with uphole potential, continuously assessing new acquisition opportunities to complement existing activities and balancing higher-risk exploratory drilling with lower-risk development drilling.

Beyond exploration risk, there is the potential that the Company's oil and natural gas reserves may not be economically produced at prevailing prices. Granite minimizes this risk by generating exploration prospects internally, targeting high-quality projects, operating the project and by attempting to access sales markets through Company-owned infrastructure or mid-stream operators.

Granite has retained an independent engineering consulting firm that assists the Company in evaluating oil and natural gas reserves. Reserve values are based on a number of variable factors and assumptions such as commodity prices, projected production, future production costs and governmental regulation. The reserves and recovery information contained in the independent reserves evaluation is an estimate. The actual production and ultimate reserves from the properties may be greater or less than the estimates prepared by the independent reserves evaluator.

Volatility of Oil and Natural Gas Prices

The Company's operational results and financial condition depend on the prices received for oil and natural gas production. Differentials on Canadian crude oil showed significant volatility throughout 2015 and into 2016 due to pipeline and infrastructure constraints. There are numerous projects proposed to alleviate pipeline bottlenecks into and in the United States, expand refinery capacity and expand or build new pipelines in Canada and the United States to source new markets, many of which are in the regulatory application phase. There can be no assurance that such regulatory approvals will be secured on a timely basis or at all. Any movement in oil and natural gas prices will have an effect on Granite's ability to conduct its capital expenditure program. Oil and natural gas prices are determined by economic and, in some circumstances, political factors. Supply and demand factors, including weather and general economic conditions as well as conditions in other oil and natural gas regions, influence prices.

Granite is exposed to commodity price risk whereby the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are affected by not only the relationship between the Canadian and United States dollars, but also global economic events that dictate the levels of supply and demand. The Company protects itself from fluctuations in prices by maintaining an appropriate hedging strategy and may enter into oil and natural gas risk management contracts. If the Company engages in activities to manage its commodity price exposure, it may forego the benefits it would otherwise experience if commodity prices were to increase. In addition, commodity derivatives contracts activities could expose Granite to losses. To the extent that Granite engages in risk management activities related to commodity prices, it will be subject to credit risks associated with the counterparties with which it contracts. As at the date of this MD&A, Granite has several crude oil hedges (refer to "Risk Management" above for details).

Operational Matters

The operation of oil and natural gas wells involves a number of operating and natural hazards that may result in blowouts, environmental damage and other unexpected or dangerous conditions causing damage to Granite and possible liability to third parties. Granite has established an environmental, health and safety program and has updated its operational emergency response plan and operational safety manual to address these operational issues. Granite maintains a comprehensive insurance plan, which includes liability insurance, where available, in amounts consistent with industry standards, as well as business interruption insurance for selected facilities, to the extent that such insurance is available, to mitigate risks and protect against significant losses where possible. Granite may become liable for damages arising from such events against which it cannot insure or against which it may elect not to insure because of high premiums or other reasons. Granite operates in accordance with all applicable environmental legislation and strives to maintain compliance with such regulations. Granite's mandate includes ongoing development of procedures, standards and systems to allow its staff to make the best decisions possible and ensuring those decisions are in compliance with the Company's environmental, health and safety policies.

Access to Capital

The oil and natural gas industry is a very capital-intensive industry and, in order to fully realize the Company's strategic goals and business plans, Granite will rely on equity markets as a source of new capital in addition to bank financing and internally generated cash flow to fund its ongoing capital investments. Granite's ability to raise additional capital will depend on a number of factors that are beyond the Company's control, such as general economic and market conditions. Internally generated funds will also fluctuate with changing commodity prices. Granite currently has an \$80 million demand facility with two banks. The Company is required to comply with covenants under this facility and in the event it does not comply, access to capital could be restricted or repayment could be required. Granite routinely reviews the covenants based on actual and forecast results and has the ability to make changes to development plans to comply with the covenants under the credit facility. Granite anticipates it will continue to have adequate liquidity to fund its financial liabilities through its future funds from operations and available bank credit. Granite is committed to maintaining a strong balance sheet along with an adaptable capital expenditure program that can be adjusted to capitalize on, or reflect, acquisition opportunities and, if necessary, a tightening of liquidity sources. From its founding to the date of this MD&A, Granite has had no defaults or breaches on its bank debt or any of its financial liabilities.

Counterparty Risk

Granite assumes customer credit risk associated with oil and gas sales, financial hedging transactions and joint venture participants. In the event that Granite's counterparties default on payments to Granite, cash flows will be impacted. The Company may be exposed to third-party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its commodities and other parties. Granite has established credit policies and controls designed to mitigate the risk of default or non-payment with respect to oil and natural gas sales, financial hedging transactions and joint venture participants. The Company makes every effort to sell its commodities to major companies with excellent credit ratings.

Variations in Interest Rates and Foreign Exchange Rates

Variations in interest rates could result in an increase in the amount Granite pays to service debt. World oil prices are quoted in US dollars and the price received by Canadian producers is therefore affected by the Canadian/US dollar exchange rate, which may fluctuate over time. A material increase in the value of the Canadian dollar would, other variables remaining constant, negatively impact Granite's net production revenue. Volatility in interest rates and the Canadian dollar may affect future cash flow from operations and reduce funds available for capital expenditures. Granite may initiate certain derivative contracts to attempt to mitigate these risks. To the extent Granite engages in risk management activities related to foreign exchange rates, it will be subject to credit risk associated with counterparties with which it contracts. At the date of this MD&A, Granite has one foreign currency exchange risk management contract and one interest rate swap risk management contract in place.

Changes in Income Tax Legislation

In the future, income tax laws or other laws may be changed or interpreted in a manner that adversely affects Granite or its shareholders. Tax authorities having jurisdiction over Granite or its shareholders may disagree with how Granite calculates its income for tax purposes to the detriment of Granite and its shareholders.

Environmental Concerns

The oil and natural gas industry is subject to environmental regulation pursuant to local, provincial and federal legislation. A breach of such legislation may result in the imposition of fines or issuance of clean-up orders in respect of Granite or its working interests. Such legislation may be changed to impose higher standards and potentially more costly obligations to Granite. Granite focuses on conducting transparent, safe and responsible operations in the communities in which its people live and work.

Project Risks

Granite's ability to execute projects and market oil and natural gas depends on numerous factors beyond its control, including: availability of processing capacity, availability and proximity of pipeline capacity, availability of storage capacity, supply of and demand for oil and natural gas, availability of alternative fuel sources, effects of inclement weather, availability of drilling and related equipment, unexpected cost increases, accidental events, change in regulations, and availability and productivity of skilled labour. Because of these factors, Granite could be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and natural gas that it produces.

In addition, Granite is also subject to other risks and uncertainties which are described in the Company's Annual Information Form (AIF) dated March 21, 2016.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's financial statements requires management to adopt accounting policies that involve the use of significant estimates and assumptions. They are developed based on the best available information and are believed by management to be reasonable under the circumstances. New events or additional information may result in the revision of these estimates over time. Granite's financial and operating results incorporate certain estimates, including:

- Estimated revenues, royalties and operating expenses on production as at a specific reporting date but for which actual revenues and costs have not yet been received;
- Estimated capital expenditures on projects that are in progress;
- Estimated D&D charges that are based on estimates of oil and gas reserves that Granite expects to recover in the future;
- Estimated fair values of financial instruments that are subject to fluctuation depending on underlying commodity prices, foreign exchange rates and interest rates, volatility curves and the risk of non-performance;
- Estimated value of decommissioning liabilities that depend on estimates of future costs and timing of expenditures;
- Estimated future recoverable value of PP&E and any associated impairment charges or recoveries; and
- Estimated compensation expense under Granite's share-based compensation plan.

Granite has hired individuals and consultants who have the skills required to make such estimates and ensures that individuals or departments with the most knowledge of the activity are responsible for the estimates. Further, past estimates are reviewed and compared to actual results, and actual results are compared to budget in order to make more informed decisions on future estimates. For further information on certain estimates inherent in the financial statements, refer to note 2 in the audited financial statements for the years ended December 31, 2015 and 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting is a process designed to provide reasonable assurance that all the assets are safeguarded and transactions are appropriately authorized, and to facilitate the preparation of relevant, reliable and timely information. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Granite is required to comply with National Instrument 52-109 – “Certification of Disclosure in Issuers’ Annual and Interim Filings” and management has assessed the effectiveness of the Company’s internal control over financial reporting as defined by this instrument. The assessment was based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management concluded that Granite’s internal control over financial reporting was effective as of December 31, 2015. No changes were made to Granite’s internal control over financial reporting during the year ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures (“DC&P”), as defined in National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings, are designed to provide reasonable assurance that information required to be disclosed in the Company’s annual filings, interim filings or other reports filed, or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified under securities legislation and include controls and procedures designed to ensure that information required to be so disclosed is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Chief Executive Officer and the Chief Financial Officer of Granite evaluated the effectiveness of the design and operation of the Company’s DC&P. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that Granite’s DC&P were effective as at December 31, 2015.

It should be noted that while Granite’s Chief Executive Officer (CEO) and Chief Financial Officer (CFO) believe that the Company’s internal controls and procedures provide a reasonable level of assurance and are effective, they do not expect that these controls will prevent all errors or fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that its objectives are met.

FUTURE ACCOUNTING POLICY CHANGES

In July 2014, IFRS 9 “Financial Instruments” was issued as a complete standard, including the requirements previously issued related to classification and measurement of financial assets and liabilities, and additional amendments to introduce a new expected loss impairment model for financial assets, including credit losses. Retrospective application of this standard with certain exemptions is effective for fiscal years beginning on or after January 1, 2018, with earlier application permitted. The full impact of the standard on the Company’s financial statements is currently being assessed by the Company.

In December 2014, the International Accounting Standards Board (IASB) issued narrow-focus amendments to International Accounting Standard (IAS) 1 “Presentation of Financial Statements” to clarify existing requirements related to materiality, order of notes, subtotals, accounting policies and disaggregation. Retrospective application of this standard is effective for fiscal years beginning on or after January 1, 2016, with earlier application permitted. The adoption of this amended standard is not expected to have a material impact on the Company’s disclosure.

In May 2014, the IASB issued IFRS 15 “Revenue from Contracts with Customers”. It replaces existing revenue recognition guidance and provides a single, principles based five-step model to be applied to all contracts with customers. Retrospective application of this standard is currently effective for fiscal years beginning on or after January 1, 2018, with earlier application permitted. The Company is currently assessing the impact of this standard.

In January 2016, IFRS 16 "Leases" was issued and replaces IAS 17. The standard is required to be adopted either retrospectively or by recognizing the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 is effective for fiscal years beginning on or after January 1, 2019 with earlier adoption permitted if IFRS 15 "Revenue from Contracts with Customers" has also been adopted. The Company is currently evaluating the impact of the standard.

NON-GAAP MEASUREMENTS

Funds from Operations

This MD&A contains the terms "funds from operations" and "funds from operations per share", which should not be considered an alternative to or more meaningful than cash flow from (used in) operating activities as determined in accordance with IFRS. These terms do not have any standardized meaning under IFRS. Granite's determination of funds from operations and funds from operations per share may not be comparable to that reported by other companies. Management uses funds from operations to analyze operating performance and leverage, and considers funds from operations to be a key measure as it demonstrates the Company's ability to generate cash necessary to fund future capital investments and to repay debt, if applicable. Funds from operations is calculated using cash flow from operating activities as presented in the statement of cash flows, before changes in non-cash working capital. Granite presents funds from operations per share whereby per share amounts are calculated using weighted-average shares outstanding, consistent with the calculation of earnings per share.

The following table reconciles funds from operations with cash flow from operating activities, which is the most directly comparable measure calculated in accordance with IFRS:

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
(\$000s)				
Cash flow from operating activities	19,934	54,239	61,317	184,239
Changes in non-cash working capital	(6,585)	(12,466)	11,356	(11,060)
Funds from operations	13,349	41,773	72,673	173,179

The Company considers corporate netbacks to be a key measure as they demonstrate Granite's profitability relative to current commodity prices. Corporate netbacks are comprised of operating, funds flow and net income netbacks. Operating netback is calculated as the average sales price of the Company's commodities, less royalties, operating costs and transportation expenses. Funds flow netback starts with the operating netback and further deducts general and administrative costs and finance expense, and then adds finance income as well as realized gains on financial instruments. To calculate the net income netback, Granite takes the funds flow netback and deducts share-based compensation expense as well as depletion and depreciation charges, accretion expense, unrealized gains or losses on financial instruments, any impairment or exploration and evaluation expense and deferred income taxes. No IFRS measure is reasonably comparable to netbacks. See "Netbacks (Per Unit)" for the netback calculations.

Net Debt

Net debt, which represents current liabilities (excluding derivative financial instruments) and bank debt less current assets (excluding derivative financial instruments), are used to assess efficiency, liquidity and the Company's general financial strength. No IFRS measure is reasonably comparable to net debt.

OTHER MEASUREMENTS

All financial figures are in Canadian dollars. Where amounts are expressed on a barrel of oil equivalent (boe) basis, natural gas volumes have been converted to oil equivalence at 6,000 cubic feet of gas to 1 barrel of oil. This conversion ratio of 6:1 is based on an energy-equivalent conversion for the individual products, primarily applicable at the burner tip, and does not represent a value equivalency at the wellhead. Such disclosure of boe may be misleading, particularly if used in isolation. Readers should be aware that historical results are not necessarily indicative of future performance.

FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain statements in this MD&A 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 MD&A should not be unduly relied upon by investors. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this MD&A contains forward-looking statements pertaining to the following: projections of market prices and costs, supply and demand for natural gas and crude oil, the quantity of reserves, natural gas and crude oil production levels, 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 in this MD&A, the Company has made assumptions regarding, among other things, the legislative and regulatory environments of the jurisdictions where the Company carries on business or has operations, the impact of increasing competition and 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 discussed in this MD&A, such as: volatility in the market prices for natural gas and crude oil; uncertainties associated with estimating reserves; geological, technical, drilling and processing problems; liabilities and risks, including environmental liabilities and risks inherent in natural gas and crude oil operations; incorrect assessments of the value of acquisitions; and competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel. In addition, test results are not necessarily indicative of long-term performance or of ultimate recovery.

This forward-looking information represents the Company's views as of the date of this MD&A and such information should not be relied upon as representing its views as of any subsequent date. Granite has attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimates expressed or implied by the forward-looking information. There may be other factors, however, that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. There can be no assurance that forward-looking information will prove to be accurate, as results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities legislation.

Additional information regarding the Company and factors that could affect its operations and financial results are included in reports on file with Canadian securities regulatory authorities, including the Company's Annual Information Form, and may be accessed through the SEDAR website (www.sedar.com), or at the Company's website (www.graniteoil.ca). Furthermore, the forward-looking statements contained in this MD&A are made as of the date of this MD&A and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Brendan Carrigy

Chairman
Independent Businessman

Michael Kabanuk

President & Chief Executive Officer
Granite Oil Corp.

Martin Cheyne

Chief Executive Officer
Boulder Energy Ltd.

Henry Hamm ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾

Independent Businessman

Dennis Nerland ⁽¹⁾⁽²⁾⁽³⁾

Partner
Shea Nerland Calnan LLP

Brad Porter ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾

Independent Businessman

Kevin Andrus ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾

Portfolio Manager of
Energy Investments
GMT Capital Corp.

- (1) Audit Committee Member
- (2) Reserves Committee Member
- (3) Corporate Governance & Compensation Committee Member
- (4) Nominating Committee Member

OFFICERS

Michael Kabanuk

President & Chief Executive Officer
Granite Oil Corp.

Gail Hannon

Chief Financial Officer

Jonathan Fleming

Executive Vice President

Tyler Klatt

Vice President, Exploration

Daniel Kenney

Corporate Secretary

HEAD OFFICE

432 - 222 Third Avenue S.W.
Calgary, Alberta T2P 0B4
Telephone: 587-349-9113
Facsimile: 587-349-9129
Website: www.graniteoil.ca

AUDITORS

KPMG LLP

Calgary, Alberta

BANKERS

National Bank of Canada

Calgary, Alberta

ATB Financial

Calgary, Alberta

The Bank of Nova Scotia

Calgary, Alberta

EVALUATION ENGINEERS

Sproule Associates Limited

Calgary, Alberta

LEGAL COUNSEL

DLA Piper (Canada) LLP

Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada

Calgary, Alberta

STOCK TRADING

Toronto Stock Exchange

Trading Symbol: GXO

OTCQX

Trading Symbol: GXOCF