



**Hunter Oil Corp.**  
(formerly known as Enhanced Oil Resources Inc.)

**Management's Discussion & Analysis**  
**Nine Months Ended September 30, 2016**

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**DATE AND BASIS OF INFORMATION**

Hunter Oil Corp., formally known as Enhanced Oil Resources Inc., is a natural resource company incorporated in British Columbia, Canada and is engaged, through its wholly-owned U.S. subsidiaries (collectively referred to as the "Company", "we", or "our"), in the acquisition, development, operation and exploitation of crude oil and natural gas properties in the Permian Basin in eastern New Mexico, United States.

The Company's corporate headquarters is located in Vancouver, Canada and its operational headquarters is located in Houston, Texas. Common shares of the Company are listed on the TSX Venture Exchange ("TSX-V") under the symbol "HOC" and quoted on the Over the Counter Qualified Stock Exchange ("OTCQX") under the symbol "HOILF." The registered address of the office is Suite 940, 1040 West Georgia Street, Vancouver, British Columbia, V6E 4H1. Additional information relating to the Company can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com).

Effective August 16, 2016, the Company changed its name to Hunter Oil Corp. Concurrently, its trading symbol on the TSX-V changed from "EOR" to "HOC" and its trading symbol on the OTCQX changed from "EORIF" to "HOILF."

**Basis of Presentation**

The following Management's Discussion and Analysis ("MD&A") is dated November 15, 2016 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the nine months ended September 30, 2016, as well as the consolidated financial statements and related notes, and MD&A for the year ended December 31, 2015. The referenced unaudited condensed interim consolidated financial statements have been prepared by management and approved by the Company's Board of Directors. Unless otherwise noted, all financial information presented herein has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

All financial information is in US dollars, unless otherwise indicated.

**Non-IFRS Financial Measures**

Certain financial measures in this MD&A, namely netback, cash flow from operations, lifting costs and EBITDA are not prescribed, do not have a standardized meaning defined by IFRS and therefore may not be comparable with the calculation of similar measures by other companies.

Netbacks are used by the Company as a key measure of performance and are not intended to represent operating profit nor should they be viewed as an alternative to cash flow provided by operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS. A netback is a per barrel (or mcf) computation determined by deducting royalties, production expenses, transportation and selling expenses from the oil or gas sales price to measure the average net cash received from the barrels or mcf sold.

Lifting costs include all production costs necessary to produce oil or gas, however exclude severance taxes.

EBITDA refers to income (loss) before income taxes, depletion, depreciation, amortization and accretion and is often referred to as 'cash flow from operations'.

Please refer to the Abbreviations and Definitions section at the end of this document which lists abbreviations and definitions commonly referred to in the energy business and may be used in this MD&A.

## **BUSINESS OVERVIEW**

### **Overview of Nine Months Ended September 30, 2016**

**Crude Oil and Natural Gas Business Segment.** The Company has one reportable business segment, crude oil and natural gas production and development, with all activities located in the United States of America. As such, we produce oil and gas from Permian Basin crude oil fields located in eastern New Mexico. The New Mexico fields were purchased in 2007 ("Chaveroo Field" and "Milnesand Field") because they represented excellent candidates for future development based on estimates of substantial remaining original-oil-in-place ("OOIP"). The OOIP associated with these fields represents more than 300 million barrels, of which some estimates project as much as 20% of OOIP could remain recoverable. The Company's net proved reserves at December 31, 2015 and 2014, respectively, were 6.2 million and 4.8 million barrels of equivalents with a net present value of \$180.2 million and \$54.2 million using a 10% discount rate for both periods. This represented a 29.2% increase in reserves as of December 31, 2015.

On September 9, 2016, the Company announced the results of an independent updated evaluation of the Company's oil and gas reserves located in the Permian Basin San Andres formation of the Chaveroo and Milnesand fields in New Mexico. This evaluation, prepared as of August 26, 2016, with an effective date of January 1, 2017, was based on an accelerated development of all of the Company's acreage. The Company's net proved reserves based on the most recent reserve report are now 12.2 million barrels of oil equivalent with a net present value of \$258.1 million using a 10% discount rate for the period. This represents a 96.8% increase in reserves as of December 31, 2016.

**Subsidiaries and Operations.** The operations of the Company include Hunter Oil Corp. (the Parent Company) and its wholly-owned subsidiary, Hunter Oil Management Corp. ("HOMC") (formerly Ridgeway Petroleum (Florida), Inc.). HOMC includes the results of its wholly-owned subsidiaries, Hunter Oil Resources Corp. (formerly Enhanced Oil Resources USA Inc.), Milnesand Minerals Inc., Chaveroo Minerals Inc., and Hunter Oil Production Corp. ("HOPC") (formerly Arizona Resources Industries, Inc.). HOPC includes the results of its wholly-owned subsidiaries, Ridgeway Arizona Oil Corp. and EOR Operating Company. All intercompany amounts have been eliminated upon consolidation.

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**OVERALL PERFORMANCE**

**Consolidated Statements of Operations and Comprehensive Loss:**

<i>(In thousands of US dollars)</i>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Revenues</b>				
Oil and gas gross sales	\$ 407	\$ 372	\$ 960	\$ 1,033
Less royalties	(95)	(79)	(212)	(218)
	<u>312</u>	<u>293</u>	<u>748</u>	<u>815</u>
<b>Expenses</b>				
Operating costs, production costs and taxes	282	336	630	1,232
Workover expenses	198	303	239	560
General and administrative	704	483	1,871	1,825
(Gain) loss on disposition of assets	-	(30)	45	64
Depreciation, depletion, and amortization	194	158	557	419
Accretion	83	89	274	334
Other, net	(8)	9	(4)	9
Loss on derivative financial instruments, net	-	14	-	103
Foreign currency translation loss	6	30	6	23
	<u>1,459</u>	<u>1,392</u>	<u>3,618</u>	<u>4,569</u>
Loss before income taxes	<u>(1,147)</u>	<u>(1,099)</u>	<u>(2,870)</u>	<u>(3,754)</u>
Income tax provision	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net comprehensive loss for the period	\$ (1,147)	\$ (1,099)	\$ (2,870)	\$ (3,754)
 <i>Loss per share - basic and diluted</i>	 \$ (0.14)	 \$ (0.69)	 \$ (0.36)	 \$ (2.34)

Results of operations for the nine months ended September 30, 2016, included crude oil and natural gas sales revenues of \$1.0 million, and a net loss of \$2.9 million, compared to revenues of \$1.0 million and a net loss of \$3.8 million for the same period in 2015. The decrease in net loss of \$0.9 million was principally due to field personnel reductions, operating cost improvements, reduced workover expenses and the closing of the Midland, Texas office during the second quarter of 2015. Per share losses (basic and fully diluted) were \$0.36 and \$2.34 for the nine months ended September 30, 2016 and 2015, respectively.

Results of operations for the three months ended September 30, 2016, included crude oil and natural gas sales revenues of \$0.4 million, and a net loss of \$1.1 million, compared to revenues of \$0.4 million and a net loss of \$1.1 million for the same period in 2015. Per share losses (basic and fully diluted) were \$0.14 and \$0.69 for the three months ended September 30, 2016 and 2015, respectively.

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**DISCUSSION OF OPERATIONS**

**Revenues**

Gross sales of crude oil and natural gas in the first nine months of 2016 decreased \$0.07 million, or 7.1%, when compared to the same period in 2015. The decrease is due to a 21.7% reduction in the average price received for commodity sales (\$35.96 per Boe in 2016 compared to \$45.95 per Boe during the same nine months in the prior year), partially offset by a 18.9% increase in sales volumes (26,723 Boe's in 2016 compared to 22,471 Boe's in the prior year).

Gross sales of crude oil and natural gas in the third quarter of 2016 increased \$0.04 million, or 9.4%, when compared to the same period in 2015. The increase is due to a 20.3% increase in sales volumes (10,309 Boe's in 2016 compared to 8,571 Boe's in the prior year), partially offset by 8.7% reduction in the average price received for commodity sales (\$39.58 per Boe in 2016 compared to \$43.34 per Boe during the same three months in the prior year).

**Operating Costs, Production Costs and Netback**

Our efforts have been focused on increasing oil recovery from legacy oil fields, which normally reflect higher operating costs than fields with newly established production. Since all of the Company's properties are older oil fields, we expect that operating costs will always be relatively higher due to the higher frequency of workovers, increasing compliance costs associated with increased regulatory activity and higher maintenance costs pending additional field development.

*Operating and Production Costs:* Operating and production costs for the nine months ended September 30, 2016 decreased 48.9% to \$0.6 million compared to the same period in the prior year. The decrease in costs is primarily due to field personnel reductions, operating cost improvements and reduced workover activity coupled with the closing of the Midland, Texas office during the second quarter of 2015.

*Netback:* As a result of the decrease in operating and production costs during the period, operating netback for the first nine months in 2016 was a \$3.26 loss per Boe compared to \$24.87 loss per Boe during the same period in 2015.

Operating netback for the quarters ended September 30, 2016 and 2015 were losses per Boe of \$10.96 and \$29.15, respectively.

**General and Administrative**

General and administrative expenses increased approximately \$0.2 million for the three months ended September 30, 2016, when compared to the same period in the prior year. During the third quarter of 2015, a tax credit of approximately \$0.1 million was recorded, reflecting a reduction in third quarter 2015 general and administrative expenses. The current period increase was primarily due to expenses associated with professional services that included: legal expense related to a proposed London Stock Exchange Listing which was terminated post-BREXIT, preparation of Canadian tax filings, preparation of an independent Mid-Year Reserve Evaluation Report, and the 2016 Annual General and Special Meeting held on September 12, 2016.

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**Depreciation, Depletion and Amortization**

In December of 2015, the Company transferred all of its exploration and evaluation assets to property and equipment within the cash generating unit related to such assets. As such, the assets were subject to depletion expense during the first nine months of 2016.

**Loss on Financial Instruments**

The Company had no derivative contracts in place during the first nine months of 2016. At September 30, 2015, the remaining crude oil derivative contract represented an unrealized loss of \$0.02 million.

**EBITDA Reconciliation**

<i>(In thousands of US dollars)</i>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Net loss before tax	\$ (1,147)	\$ (1,099)	\$ (2,870)	\$ (3,754)
<i>Adjustments:</i>				
(Gain) loss on disposition of assets	-	(30)	45	64
Depreciation, depletion, and amortization	194	158	557	419
Accretion	83	89	274	334
Foreign currency translation loss	6	30	6	23
Unrealized (gain) loss on financial instruments	-	(25)	-	23
Other, net	(8)	9	(4)	9
EBITDA	\$ (872)	\$ (868)	\$ (1,992)	\$ (2,882)

**Operating Netback Analysis**

**Operating Netback Per Gross Boe:**

<i>(In US dollars)</i>		<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
		<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Oil &amp; Gas Sales Volumes</b>					
Oil equivalent	<i>Boe's</i>	10,309	8,571	26,723	22,471
<b>Average prices <sup>1</sup></b>					
Oil equivalent	<i>\$/Boe</i>	\$ 39.58	\$ 43.34	\$ 35.96	\$ 45.95
<b>Less:</b>					
Royalties, net <sup>2</sup>	<i>\$/Boe</i>	(8.29)	(8.65)	(7.55)	(8.40)
Production taxes	<i>\$/Boe</i>	(2.74)	(3.82)	(2.49)	(3.97)
Production costs	<i>\$/Boe</i>	(20.22)	(31.72)	(21.64)	(34.82)
Workover expense	<i>\$/Boe</i>	(19.29)	(28.30)	(7.54)	(23.63)
Operating Netback <sup>3</sup>	<i>\$/Boe</i>	\$ (10.96)	\$ (29.15)	\$ (3.26)	\$ (24.87)

<sup>1</sup> Average prices are after deduction of transportation costs.

<sup>2</sup> Net of related production taxes.

<sup>3</sup> Operating netback equals crude oil and natural gas sales less royalties, operating costs and transportation costs calculated on a Boe basis. Operating netback does not have a standardized measure prescribed by IFRS and therefore may not be comparable with the calculations of similar measures for other companies.

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**LIQUIDITY AND CAPITAL RESOURCES**

As of September 30, 2016, the Company had unrestricted cash of \$2.5 million and restricted cash balances of \$2.3 million.

On May 13, 2016, the Company closed a private placement of 6,470,000 common shares of the Company at a price of C\$0.50 per share to raise gross proceeds of US \$2.5 million. The common shares are subject to a trading hold period that expired on September 14, 2016. The intended use of proceeds is for operating expenses and general working capital.

During 2015, the Company received \$0.3 million in the above-mentioned private placement financing. During the first nine months of 2016, the Company received additional private placement proceeds of \$2.2 million.

On January 11, 2016, the remaining \$1.25 million was released from escrow by Kinder Morgan (discussed below under "Commitments" and in Notes 3 and 10 in the Consolidated Financial Statements).

In order to provide the necessary funds to develop its projects, the Company is considering all available sources of financing to develop its projects, including equity, bank and mezzanine debt, asset sales and joint venture arrangements. The Company expects that financing of drilling activities will require dilution of equity interests or higher cost debt financing and will require that the development of these fields command a high rate of return on investment. The Company will continue to focus on operations activities that further its objectives of positive operating cash flows and increasing production in one or more of its oil fields.

**QUARTERLY RESULTS OF OPERATIONS AND SELECT FINANCIAL DATA**

**Summary of Quarterly Information:**

**Quarterly Revenue, Loss and Earnings Per Share:**

*(In thousands of US dollars except per share amounts)*

	2014	2015				2016		
	Fourth	First	Second	Third	Fourth	First	Second	Third
Revenues	\$ 705	\$ 267	\$ 394	\$ 372	\$ 325	\$ 236	\$ 317	\$ 407
Net comprehensive loss	\$ (644)	\$ (1,320)	\$ (1,335)	\$ (1,099)	\$ (1,424)	\$ (1,033)	\$ (690)	\$ (1,147)
Per share - basic	\$ (0.04)	\$ (0.08)	\$ (0.08)	\$ (0.07)	\$ (0.09)	\$ (0.06)	\$ (0.01)	\$ (0.14)
Per share - diluted	\$ (0.04)	\$ (0.08)	\$ (0.08)	\$ (0.07)	\$ (0.09)	\$ (0.06)	\$ (0.01)	\$ (0.14)

Revenue varies directly with the average price of oil received and production volumes achieved. The following table summarizes the average received prices and gross production for the three month periods indicated:

**Quarterly Average Prices Received and Sales Volumes:**

	2014	2015				2016		
	Fourth	First	Second	Third	Fourth	First	Second	Third
Average price received	\$ 68.70	\$ 41.96	\$ 52.28	\$ 43.34	\$ 37.43	\$ 28.19	\$ 39.96	\$ 39.58
Sales volume	10,264	6,365	7,535	8,571	8,704	8,378	8,036	10,309

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The quarterly table reflects operational activity arising from planned and unplanned activities, such as regulatory requirements, changes in prices, availability of oil field services and/or weather related downtime, thereby affecting the level of workover and maintenance activity in each of the oilfields. The increase in crude oil sales in the third quarter of 2016 was due to the reactivation of wells in both the Milnesand and Chaveroo fields. The decrease in crude oil sales volumes in the first quarter of 2016 was primarily due to weather related downtime in January 2016. The increases in crude oil sales volumes in the second, the third and the fourth quarters of 2015 were due to the reactivation of numerous wells in both the Milnesand and the Chaveroo fields. Crude oil sales volume decreased in the second quarter of 2016 due to an increase in crude storage. The decrease in crude oil sales volume in the first quarter of 2015 was due to the loss of oil production from producing wells that went offline during the period coupled with the sale of the Crossroads field.

Revenue increased in the third quarter of 2016 due to higher sales volumes. Revenue increased in the second quarter of 2016 due to higher commodity prices received from oil sales. Revenue decreased in the first quarter of 2016 and the third and the fourth quarters of 2015 due to lower commodity prices received from oil sales. Revenue increased in the second quarter of 2015 due to higher sales volume coupled with higher oil prices. Revenue decreased in the first quarter of 2015 due to lower sales volumes and oil prices. Revenue decreased in the fourth quarter of 2014 due to lower sales volumes resulting from the Crossroads sale coupled with lower oil prices.

**Equity Placements**

On May 13, 2016, the Company closed a private placement of 6,470,000 common shares of the Company at a price of C \$0.50 per share to raise gross proceeds of US \$2.5 million. The common shares are subject to a trading hold period that expired on September 14, 2016. The intended use of proceeds is for operating expenses and general working capital.

During 2015, the Company received \$0.3 million in the above-mentioned private placement financing. During the first nine months of 2016, the Company received additional private placement proceeds of \$2.2 million.

**Commitments**

In February 2014, the Company amended its CO<sub>2</sub> Purchase Agreement with Kinder Morgan CO<sub>2</sub> Company, L.P. ("Kinder Morgan"), which the Company entered into in order to provide the source of CO<sub>2</sub> for use in tertiary oil recovery projects in the Permian Basin. The contract, as amended, requires the Company to take or pay for the purchase of 27.4 billion cubic feet of CO<sub>2</sub> over a five-year period commencing no later than January 1, 2018. The maximum daily rate to be purchased under the contract is 20 million cubic feet per day during year three and the cost of CO<sub>2</sub> will fluctuate based on the price of oil and transportation tariffs. The Company would be required to construct a pipeline, currently estimated to be a distance of approximately 32 miles, to the pipeline operated by Kinder Morgan. The purchase commitment and obligation to pay, as amended, is cancellable before January 1, 2017, with no termination penalty.

In connection with the sale of certain assets to Kinder Morgan in 2012, the Company agreed to be contingently responsible for up to \$5.0 million of future appraisal drilling costs to evaluate helium in certain areas of the St. Johns Dome field ("Drilling Costs"). The obligation was secured in part by \$2.5 million placed into escrow at closing of the sale. On September 4, 2015, approximately \$1.25 million of the Company's restricted cash was released from escrow by Kinder Morgan. In January 2016, the remaining sum of approximately \$1.25 million was released to the Company (see the Company's consolidated financial statements for the year ended December 31, 2015 and 2014, Note 22 – *Subsequent Events*). The remaining obligation of \$2.5 million expires in January of 2024. The Company's obligations to fund Drilling Costs are contingent on both (i) all permits being issued, and (ii) all steel being purchased to construct a pipeline to the St. Johns Dome field.



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**Regulatory Compliance in New Mexico**

The Company's operating subsidiaries, primarily Ridgeway Arizona Oil Corp. ("Ridgeway") and EOR Operating Company, conduct their operations under the oversight of multiple federal and state agencies. The Company's Chaveroo field is operated by Ridgeway, which is both the federal and State of New Mexico operator of record. The Company's other principal oil field, Milnesand, is operated by EOR Operating Company, which is both the federal and State of New Mexico operator of record.

**DISCLOSURE OF CONTROLS, PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

As a TSX-V issuer, the Company's officers are not required to certify the design and evaluation of operating effectiveness of the Company's disclosure controls and procedures ("DC&P") or its internal controls over financial reporting ("ICFR"). The Company maintains DC&P designed controls to ensure that the information required to be disclosed in reports filed or reports submitted 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. In addition, both the Chief Executive Officer and the Chief Financial Officer have designed controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. Due to its size, the small number of employees, the scope of its current operations, its limited liquidity and capital resources, there are inherent limitations on the Company's ability to design and implement on a cost effective basis the DC&P and ICFR procedures, the effect of which may result in additional risks related to the quality, reliability, transparency and timeliness of its interim filings and other reports. There have been no changes in ICFR during the nine months ended September 30, 2016.

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any special purpose entities nor is it party to any arrangements that would be excluded from the consolidated balance sheet.

**RELATED PARTY TRANSACTIONS**

The Company paid approximately \$0.18 million in management fees to an entity controlled by the Company's Chief Executive Officer during the nine months ended September 30, 2016 and 2015, respectively.

**CRITICAL ACCOUNTING ESTIMATES**

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are reviewed and for any future years affected. Significant judgments, estimates and assumptions made by management in these consolidated financial statements are outlined below:

*Oil and natural gas reserves:* Certain depletion, depreciation, and impairment and asset retirement obligation charges are measured based on the Company's estimate of oil and gas reserves and resources. The estimation of proved and probable reserves and resources is an inherently complex process and involves the exercise of professional judgment. Oil and natural gas reserves have been evaluated at December 31, 2015 and December 31, 2013 by independent petroleum engineers in accordance with National Instruments 51-101 "*Standards of Disclosure for Oil and Gas Activities*".

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Oil and natural gas reserve estimates are based on a range of geological, technical and economic factors, including projected future rates of production, estimated commodity prices, engineering data, and the timing and amount of future expenditures, all of which are subject to uncertainty. Assumptions reflect market and regulatory conditions existing at the reporting date, which could differ significantly from other points in time throughout the year, or future periods. Changes in market and regulatory conditions and assumptions can materially impact the estimation of net reserves and resources.

*Impairment of assets:* The Company evaluates its assets for possible impairment at the CGU level. The determination of CGUs requires judgment in defining the smallest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The allocation of assets into CGUs have been determined based on similar geological structure, shared infrastructure, geographical proximity, commodity type, the existence of active markets, similar exposure to market risks, and the way in which management monitors the operations.

The recoverable amounts of CGUs and individual assets have been determined based on the higher of fair value less costs to sell model and value in-use model. The key assumptions the Company uses in estimating future cash flows for recoverable amounts are: anticipated future commodity prices, expected production volumes, future operating and development costs, estimates of inflation on costs and expenditures, expected income taxes and discount rates. In addition, the Company considers the current environmental, social and governance issues affecting its property interests and operations, including the current legislative and regulatory activity affecting the permitting and approval of its projects and operations. Changes to these assumptions will affect the estimated recoverable amounts attributed to a CGU or individual assets and may also require a material adjustment to their related carrying value.

*Asset retirement obligations:* The Company estimates and recognizes liabilities for future asset retirement obligations and restoration of exploration and evaluation assets, and for oil and gas development and producing assets. These provisions are based on estimated costs, which take into account the anticipated method and extent of restoration, technological advances and the possible future use of the asset. Actual costs are uncertain and estimates can vary as a result of changes to relevant laws and regulations, the emergence of new restoration techniques, operating experience and prices. The expected timing of future retirement and restoration may change due to these factors, as well as affect the estimates of reserve life. Changes to assumptions related to future expected costs, discount rates and timing may have a material impact on the amounts presented. Effective with the transition to IFRS, the Company made a policy choice available under existing standards to use a risk-free rate for discounting asset retirement obligations.

**POTENTIAL RISKS AND UNCERTAINTIES**

The resource industry is highly competitive and, in addition, exposes the Company to a number of risks. Resource exploration and development involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. It is also highly capital intensive and the ability to complete a development project may be dependent on the Company's ability to raise additional capital. In certain cases, this may be achieved only through joint ventures or other relationships, which would reduce the Company's ownership interest in the project. There is no assurance that development operations will prove successful.

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**OTHER MD&A INFORMATION NOT DISCLOSED ELSEWHERE**

**Disclosure of Share Capital**

Authorized capital:

25 million preference shares of no par value  
Unlimited common shares of no par value

Issued and outstanding at November 15, 2016:

1,000 preference shares (held by a wholly-owned subsidiary of the Company)  
8,070,871 common shares

Common stock options outstanding at November 15, 2016 were as follows:

**Stock Options Outstanding - Common Stock:**

<b>Number Authorized</b>	<b>Date of Agreement</b>	<b>Exercise or Issue Price (C\$)</b>	<b>Expiration Date</b>
1,000	February 15, 2012	\$16.00	February 15, 2017
2,000	January 14, 2013	\$10.00	January 14, 2018
3,000			

## **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this Management's Discussion and Analysis and in certain documents incorporated by reference into this Management's Discussion and Analysis, contain estimates and assumptions which management are required to make regarding future events and may constitute forward-looking statements within the meaning of applicable securities laws. Management's assessment of future operations, drilling and development plans and timing thereof, other capital expenditures and timing thereof, methods of financing capital expenditures and the ability to fund financial liabilities, expected commodity prices and the impact on the Company, and the impact of the adoption of future changes in accounting standards may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, risks associated with oil and gas exploration, development, exploitation, the flexibility of capital funding plans and the source of funding therefore; production, marketing and transportation, loss of markets, volatility of commodity prices, the effect of the Company's risk management program, including the impact of derivative financial instruments; currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, the inability to fully realize the benefits of the acquisitions, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources.

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 other 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 these 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, or incorporated by reference into, this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A, as the case may be. The Company does not intend, and does not assume an obligation, to update these forward-looking statements, except as required by securities law.

In particular, this MD&A and the documents incorporated by reference include, but are not limited to, forward-looking statements pertaining to the following:

- the quantity of reserves and contingent resources;
- crude oil, natural gas, CO<sub>2</sub> and helium operations and production levels;
- capital expenditure programs, including drilling programs, asset retirement and abandonment activities and pipeline construction projects, and the timing and method of financing thereof;
- projections of market prices and costs;
- supply, demand and pricing for crude oil, natural gas, and CO<sub>2</sub>;
- expectations regarding the Company's ability to raise capital and to continually add to reserves through acquisitions and development
- drilling inventory, drilling plans and timing of drilling, re-completion and tie-in of wells;
- plans for production facilities construction and completion and the timing and method of funding thereof;
- productive capacity of wells, anticipated or expected production rates and anticipated dates of commencement of production;
- drilling, completion and facilities costs;

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- results of various projects of the Company;
- timing of receipt of regulatory approvals;
- timing and effect of production increases and the related effect and timing on operating costs per BOE;
- ability to lower cost structure in certain projects of the Company;
- growth expectations within the Company;
- timing of development of undeveloped reserves;
- the tax horizon and tax related implications of the Company;
- supply and demand for oil, natural gas liquids and natural gas;
- the performance and characteristics of the Company's oil and natural gas properties;
- the Company's acquisition strategy, the criteria to be considered in connection therewith and the benefits to be derived therefrom;
- the impact of federal and state governmental regulation on the Company, either directly or relative to other oil and gas issuers of similar size;
- realization of the anticipated benefits of acquisitions and dispositions;
- weighting of production between different commodities;
- expected levels of royalty rates, production and workover costs, office field expenses, general and administrative costs, costs of services and other costs and expenses; and
- benefits or costs related to settlement of financial instruments
- treatment under government regulation and taxation, including carbon taxation regimes

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The Company cannot guarantee future results, levels of activity, performance, or achievements. Moreover, neither the Company nor any other person assumes responsibility for the outcome of the forward-looking statements. Many of the risks and other factors are beyond the Company's control, which could cause actual results to differ materially from those anticipated in these forward-looking statements as a result of risk factors as set forth, but not limited to, those below and elsewhere in this MD&A:

- volatility in market prices for oil, natural gas, and CO<sub>2</sub>;
- liabilities and risks inherent in oil and natural gas operations;
- uncertainties associated with estimating reserves;
- competition for capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- incorrect assessments of the value of acquisitions;
- incorrect assessments of the recoverability of asset costs and investments;
- geological, technical, drilling and processing problems; and
- governmental, regulatory and taxation regimes.

**ABBREVIATIONS AND DEFINITIONS**

**Crude Oil and Natural Gas Liquids**

Bbl	barrel
Bbls	barrels
BBls/d	barrels per day
BOEPD	barrel of oil equivalent per day
MMbbls	million barrels
Mbbls	thousand barrels

**Carbon Dioxide and Natural Gas**

Bcf	billion cubic feet
CO <sub>2</sub>	carbon dioxide
Mcf	thousand cubic feet
MMcf	million cubic feet
Mcf/d	thousand cubic feet per day
MMcf/d	million cubic feet per day
Tcf	trillion cubic feet

API American Petroleum Institute

Boe Barrel of oil equivalent of natural gas and crude oil on the basis of one boe for six mcf of natural gas and one boe for forty- two gallons of plant products (these conversion factor are an industry accepted norm and is not based on either energy content or current prices).

Contingent resource Those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from known accumulations, but which are not currently considered to be commercially recoverable.

DD&A Depreciation, depletion and amortization

DOE United States Department of Energy

EBITDA Income before income taxes, depletion, depreciation, amortization and accretion and often referred to as 'cash flow from operations'

EOR Enhanced oil recovery, typically any method of economically removing oil incremental to that produced by primary or conventional improved-recovery methods.

MBoe 1,000 barrels of oil equivalent

Net revenue Gross revenue less all taxes, royalties and lease operating expenses.

NI 51-101 National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* adopted by the Canadian Securities Administrators.

Primary recovery Production in which only existing natural energy sources in the reservoir provide for movement of well fluids.

Permian Basin A large crude oil and natural gas producing area representing a sedimentary basin dating from the Permian geologic period and covering an area extending from West Texas to eastern New Mexico.

Reserves Estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward based on (i) analysis of drilling, geophysical and engineering data; (ii) the use of established technology; (iii) specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed; and (iv) a remaining reserve life of 50 years. These definitions and disclosures are in accordance with the definitions, procedures and standards contained in the Canadian Oil and Gas Evaluation (COGE) Handbook and the Canadian Securities Administrators NI 51-101.

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Secondary recovery	Any method by which an essentially depleted reservoir is restored to producing status by the injection of liquids or gases (from external sources) into the formation, thereby effecting a restoration of reservoir energy which moves the unrecoverable secondary reserves through the reservoir to the wellbore.
Tertiary recovery	Any of various methods, chiefly reservoir drive mechanisms and enhanced recover techniques, designed to improve the flow of hydrocarbons from the reservoir to the wellbore to recover more oil after the primary and secondary methods (water and gas floods) are uneconomic.
\$	United States dollars
C\$	Canadian dollars