

Petro Basin Energy Corp.
Management's Discussion and Analysis
Year ended December 31, 2015

Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the Petro Basin Energy Corp. ("Petro Basin" or the "Company") financial statements. The information provided herein should be read in conjunction with the Company's unaudited financial statements for the year ended December 31, 2015 and audited financial statements for the year ended December 31, 2015 and related notes attached thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures in this report are stated in Canadian dollars ("CAD"). The effective date of this report is April 28, 2016.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company's board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee reviews with management on a quarterly basis the financial statements including the MD&A as well as other financial, operating and internal control matters.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. See "Forward-Looking Statements" that are subject to risk factors set out in a cautionary note contained herein.

The reader is encouraged to review Company statutory filings on www.sedar.com.

DESCRIPTION OF BUSINESS AND OVERVIEW

Petro Basin is a junior oil and gas exploration and production company, with oil and gas interests in Ontario (Canada) and Montana (USA).

On September 19, 2011, the Company announced that it was not able to maintain the requirements for a TSX Venture Tier 2 company, and thus, the Company's listing was transferred to NEX Board ("NEX"). As a result of the transfer to NEX, the Company is subject to restrictions on share issuances and certain types of payments as set out in the NEX policies. The common shares now trade under the symbol "PBA.H".

On September 23, 2015, the Company completed a Plan of Arrangement with Breathtech Biomedical Inc. In connection with the Arrangement, Breathtec has issued one Class "A" common share for each ten common shares in the capital of the Company to holders as of June 30, 2015.

Oil and Gas Operations

The Company has producing oil and gas interests in Canada (which are fully developed and are in the stripper-production stage of their asset-lives) and in Montana, USA. On April 29, 2015, the Company filed its annual filing requirements under National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*, including a statement of reserves data and other information in accordance with Form 51-101F1, a report of independent qualified reserves evaluator or auditor in accordance with 51-101F2, and a report of management and directors in accordance with Form 51-101F3 for the year ended December 31, 2014. These NI 51-101 filings are available for viewing on the company's profile on www.sedar.com.

Oil and Gas Operations (cont'd)

The Company's oil and gas properties are detailed below, by geographic area.

Ontario, Canada

The Ontario well interest is a non-operated working interest in 225 gross acres (17.43 net acres) with 2 gross (0.16 net) producing oil wells located in Gosfield Township, Ontario.

Montana, United States Properties

Petro Basin Energy LLC, a wholly-owned subsidiary of Petro Basin Energy Corp., has held working interests, ranging from 25% to 100% in certain oil and gas leases throughout Montana. These leasehold interests were acquired for cash consideration of \$399,195. The leases are exploration-stage leases with no reserves assigned and are subject to 12.5% to 16.67% gross over-riding royalty interests on production held by the land-owners. During the year ended December 31, 2010, the Company sold certain interests in properties owned by its subsidiary, OSE Montana Corp. to an arms-length party and now holds an Overriding Royalty Interest of 2.5% of oil, gas and minerals produced from or pursuant to each of the leases assigned pursuant to the Agreement.

During the years ended December 31, 2014 and 2013, the Company made payments of \$nil to maintain its interest in the properties. As a result, some of the leases were terminated and the Company impaired exploration and evaluation assets by \$204,504 for the year ended December 31, 2013. On December 31, 2015, the remaining balance in exploration and evaluation assets of \$3,839 which represented the interest that is in good standing was written down to \$nil as management recognized an impairment on the asset.

SELECTED ANNUAL INFORMATION

	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013
Total revenues	\$ 28,731	\$ 61,223	\$ 86,385
General and administrative expenses	207,100	236,929	517,825
Loss for the year	(181,888)	(215,506)	(513,974)
Loss per share - basic and diluted	(0.01)	(0.01)	(0.03)
Total assets	19,849	100,827	201,851
Total liabilities	498,289	410,275	291,735

RESULTS OF OPERATIONS

Financial results

For the year ended December 31, 2015, the Company incurred a net loss of \$181,888 (\$0.01 loss per share) compared to a net loss of \$215,506 (\$0.01 loss per share) for the year ended December 31, 2014.

For the year ended December 31, 2015, the Company had sales, net of royalties of \$28,731 (2014 - \$61,223), operating costs and depletion and accretion of \$3,519 (2014 - \$39,800), and income from oil and gas operations of \$25,212 (2014 - \$21,423). The comprehensive loss of \$45,104 (2014 - \$4,058) is comprised mainly of general and administrative expenses of \$207,100 (2014 - \$236,929).

Operating costs

The cost of oil and gas operations for the year ended December 31, 2015 was \$16,873 compared to \$14,981 for the same period in 2014.

General and administrative expenses

General and administrative expenses of \$207,100 decreased for the year ended December 31, 2015 as compared to \$236,929 in 2014. Significant expenses during the year ended December 31, 2015 were professional and administrative fees of \$55,000 (2014 - \$55,379), consulting and management fees of \$7,115 (2014 - \$42,410), regulatory and transfer agent fees of \$23,308 (2014 - \$9,980), general and office of \$16,396 (2014 - \$47,080), and filing fees of \$45,910 (2014 - \$60,377).

General and administrative expenses decreased due to less corporate activity during the current period as compared to the same period in 2014.

SUMMARY OF QUARTERLY RESULTS

The following table is a summary of quarterly production and revenue results for the periods indicated.

	For the three months ended			
	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Production				
Natural gas - mcf/d		-	-	-
Oil volumes - bbls/d	1	1	1	1
boe/d	1	1	1	1
Realized Prices				
Natural gas - \$/mcf	\$ -	\$ -	\$ -	\$ -
Oil - \$/bbl	40.68	43.99	68.03	42.01
Netback* - mcf	-	-	-	-
Netback* - bbl	140.35	137.19	116.59	159.40
Operations				
Oil and gas revenue	\$ 6,201	\$ 7,382	\$ 7,999	\$ 7,149
Net loss for the period	(102,473)	(56,229)	(33,822)	(34,468)
Net loss per share	(0.01)	(0.00)	(0.00)	(0.00)

Historical	For the three months ended			
	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Production				
Natural gas - mcf/d	-	-	-	-
Oil volumes - bbls/d	1	1	1	1
boe/d	1	1	1	1
Realized Prices				
Natural gas - \$/mcf	\$ -	\$ -	\$ -	\$ -
Oil - \$/bbl	65.49	89.70	91.84	85.05
Netback* - mcf	-	-	-	-
Netback* - bbl	166.30	162.39	173.50	175.58
Operations				
Oil and gas revenue	\$ 10,370	\$ 15,915	\$ 17,727	\$ 17,211
Net loss for the period	(142,205)	(8,779)	(36,846)	(31,734)
Net loss per share	(0.01)	(0.00)	(0.00)	(0.00)

The variation between the quarters is due to changes in oil and gas production, the operating netback* per boe, changes in realized oil prices and sales volume and other external economic factors. In addition, the variation in loss over the fiscal quarters is also attributable due to write-down of certain oil and gas properties.

* A measure of oil and gas sales net of royalties, production and transportation expenses.

LIQUIDITY, FINANCINGS AND CAPITAL RESOURCES

Liquidity

The Company is primarily financed through the issuance of common shares to accredited investors, through private placements and the exercise of warrants. Minor amounts of working capital have been provided through operating funds from the Company's oil and gas wells and through loans from related parties and shareholders.

The Company does not have self-sustaining revenues at this time and must rely on equity financing to fund working capital and to carry out its business goals.

As at December 31, 2015, the Company had a cash balance of \$1,568 (2014 - \$11,802) to settle current liabilities of \$492,082 (2014 - \$391,210). The Company expects to fund these liabilities and exploration and operational commitments through the issuance of capital stock and loans from related parties over the coming year.

During the year ended December 31, 2015, the cash used in operating activities was \$23,626 (2014 - \$52,706). The cash used in operating activities for the period consists primarily of general and administrative expenses of \$207,100 (2014 - \$236,929) and a net change in non-cash working capital items of \$112,245 (2014 - \$137,981).

During the year ended December 31, 2015, cash from financing activities was \$58,000 (2014 - \$nil).

On March 25, 2015, the Company entered into a line of credit agreement with Charterhouse Capital Inc. ("Charterhouse") whereby Charterhouse provided a line of credit to the Company in the principal amount of \$500,000. Amounts drawn against the line of credit are due on demand and interest bearing at a rate of 6% per annum. During the year ended December 31, 2015 and as at the reporting date, the Company has drawn \$nil against the line of credit.

Capital resources

The Company has a shortfall of capital resources, owing to its uncertain ability to monetize its oil and gas interests. The Company's oil and gas interests are not fully developed and significant exploration and development work will be required to recover the carrying value of these properties.

While some of the Company's oil and gas interests are revenue generating, they are not significant enough to fund continued exploration and development activities. As a result, the Company's source of long-term funding has traditionally been the issuance of common shares for cash, primarily through private placements to accredited investors.

The Company has traditionally supplemented equity financing from time to time by obtaining loans from related parties. These are used to provide interim, short-term financing to meet day-to-day cash flow needs, on occasion, and are not intended to be a long-term source of capital.

Fourth Quarter

For the fourth quarter ended December 31, 2015, the Company incurred a net loss of \$110,210 (\$0.01 loss per share) compared to a net loss of \$142,205 (\$0.03 loss per share) for the fourth quarter ended December 31, 2014. The Company had oil and gas revenue of \$6,180 (2014 - \$10,370) and net income from oil and gas operations of \$29,074 (2014 - (net loss of \$4,888)).

The general and administrative expenses, before impairment, were \$105,198 for the fourth quarter ended December 31, 2015 as compared to \$138,045 for the fourth quarter ended December 31, 2014. These expenses increased mainly due to an increase corporate activity due to management reorganization and other efforts to explore various business opportunities.

The Company recognized an impairment charge on exploration and evaluation assets of \$3,839 (2014 - \$nil) for the fourth quarter December 31, 2015. The impairment charge in 2015 relates to the Montana oil and gas leases that were deemed impaired. The Company also recognized an impairment charge of \$55,532 (2014 - \$nil) on its Hawkins 29-32 #1H Well.

RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the year ended December 31, 2015 and 2014:

Key management personnel compensation:

	2015	2014
Consulting and management fees	\$ 6,250	\$ 36,250
Professional fees	14,000	20,789
Total	\$ 20,250	\$ 57,039

Due to related parties:

	December 31, 2015	December 31, 2014
Amounts due to a director or a company controlled by a director	\$ 79,541	\$ 66,603
Amounts due to shareholders	56,000	56,000
Total	\$ 135,541	\$ 122,603

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

SHARES AND SHARE BASED UNITS

Common shares

As at December 31, 2015 and April 28, 2016, there are 25,774,396 common shares issued and outstanding.

Share purchase warrants

As at December 31, 2015 and April 28, 2016, there were 5,000,000 share purchase warrants outstanding. Each Warrant entitles the holder to purchase one additional share at a price of \$0.05 until June 24, 2016

Stock options

As of December 31, 2015 and April 28, 2016, there were no stock options outstanding.

FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to certain financial risks, including credit risk, capital market risk and liquidity risk, interest rate risk, commodity price risk and foreign exchange risk.

Financial instruments, consisting of trade receivables, trade payables and due to related parties are carried at amortized cost. Cash is reported at fair value. The Company classifies the fair value of these transactions according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash has been assessed on the fair value hierarchy described above and is considered to be Level 1.

As at December 31, 2015, the carrying values of cash, trade and other receivables, trade and other payables, and due to related parties approximate their fair values due to their short terms to maturity.

Credit risk

Credit risk is the risk that a counterparty will fail to discharge an obligation and cause the Company to incur a financial loss. The Company's primary exposure to credit risk relates to its cash held in bank accounts. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of off-set exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

(a) Trade credit risk

The Company's trade receivables are due from operators of its oil and gas properties, whose revenue may be affected by fluctuation in oil and natural gas prices. The Company generally extends unsecured credit to its customers and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by the size and reputation of the company to which they extend credit. The Company has not experienced any credit loss in the collection of trade receivables to date. The carrying value of trade receivables reflects management's assessment of the associated risk.

The following is a schedule of the Company's trade receivables:

	December 31, 2015	December 31, 2014
Less than 30 days	\$ 747	\$ 2,251
31 to 60 days	792	3,929
61 to 90 days	1,125	1,496
Greater than 90 days	-	-
	\$ 2,664	\$ 7,676

(b) Cash

In order to manage credit and liquidity risk the Company invests only in highly rated investment grade instruments that have maturities of a year or less. Limits are also established based on the type of investment, the counterparty and the credit rating.

(c) Derivative financial instruments

As at December 31, 2015, the Company has no derivative financial instruments. It may, in the future, enter into derivative financial instruments and in order to manage credit or price risk, will only enter into derivative financial instruments with highly rated investment grade counterparties.

Capital market risk and liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at December 31, 2015:

	Within one year	Between one and five years	Total
Trade payables	\$ 303,041	\$ -	\$ 303,041
Due to related parties	135,541	-	135,541
	\$ 438,582	\$ -	\$ 438,582

Interest rate risk

The Company is not exposed to material interest-rate risk as the Company had no interest-bearing debt as of December 31, 2015.

Commodity price risk

The Company is exposed to material oil and gas commodity price risk. A decrease in the price of oil and gas would reduce the Company's cash flows, reduce the realizable market value of the Company's oil and gas assets, reduce the Company's economic reserves, and make it more difficult for the Company to raise the equity capital required to meet its commitments and carry out its development-stage business plans. Management has assessed that the Company's degree of exposure to commodity price risk is material, but consistent with the development stage oil and gas business operations. The Company does not use financial derivative sales contract to hedge commodity price risk.

Foreign exchange risk

The Company is subject to foreign exchange risk as fluctuations in the value of the Canadian dollar relative to the United States dollar impact the realized Canadian dollar value of its oil sales (as oil is denominated in United States dollars), while certain operating expenses and lease payments are primarily incurred in Canadian dollars.

Sensitivity analysis

The Company's operational results and financial position are materially impacted by global financial and commodity market volatility over which it has no control. The following sensitivity analysis is suggestive of ways in which the financial results of the Company may reasonably be expected to be directly impacted by volatility in those markets.

- (i) The Company is exposed to foreign currency risk on its US dollar denominated assets and financial liabilities. At December 31, 2015, the Canadian dollar cost of paying the Company's US dollar denominated liabilities and property payment commitments would increase by approximately \$2,500 with a 1% increase in the value of the US dollar relative to the Canadian dollar.
- (ii) Oil and gas revenues would be impacted by changes in oil and gas prices. As at December 31, 2015, for a 1% increase/decrease in the cost of oil and gas, revenue would increase/decrease by approximately \$2,600 per year based upon December 2015 prices and volumes.

Commodity price risk affects the Company beyond its impact on realized revenue. In particular, the Company's future ability to raise capital for development stage activities is affected by, among many other factors, the price of oil and gas. Furthermore, changes in commodity prices will also affect the price of oil and gas leases, as well as exploration and drilling services and operating costs. Changes in oil and gas prices will also determine the Company's ultimate recoverable reserves.

CAPITAL COMMITMENTS

The Company has no commitments for equipment expenditures for 2016. The Company has forecasted that any property and equipment expenditures based on future needs will be funded from working capital and/or from operating or capital leases.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of oil and gas properties and exploration and evaluation assets, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets, provisions for restoration and environmental obligations and contingent liabilities.

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification / allocation of expenditures as oil and gas properties, exploration and evaluation expenditures or operating expenses;
- the classification of financial instruments; and
- the determination of the functional currency of the Company and its subsidiaries.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this filing, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

RISKS AND UNCERTAINTIES

The Company's principal activity is oil and gas exploration and development. Companies in this industry are subject to many and varied kinds of risks, including but not limited to, environmental, fluctuating oil and gas prices, social, political, financial and economics. Additionally, few exploration projects successfully achieve development due to factors that cannot be predicted or foreseen. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage such risks to the extent possible and practicable.

The risks and uncertainties are considered by management to be the most important in the context of the Company's business. The risks and uncertainties are not limited to but include risks associated with the Company's dependence on the oil and gas properties and exploration and evaluation assets in Canada and in United States are: geological exploration and development; changes in law; continued negative operating cash flow and the availability of additional funding as and when required; infrastructure; inflation; governmental regulation; environmental; hazards, insurance; uninsured risks; competition; currency fluctuations; labour and employment; joint ventures; contract repudiation; dependence on key management personnel and executives; and litigation risks.

GOING CONCERN

At December 31, 2015, the Company had working capital deficiency of \$480,525 (2014 - \$358,046) and had accumulated a deficit of \$9,457,052 since inception. The Company has not yet reached a profitable level of production from its oil and gas operations. Realizing the carrying value of the Company's oil and gas properties, requires continued cost efficient production or sale of the properties, and completing the exploration and development of its unproven oil and gas properties requires significant additional financing. While the Company has been successful in obtaining financing in the past, there is no assurance that it will be able to do so in the future. Additional financing will be required by the Company to explore and develop its unproven oil and gas properties and to carry out the business development required to achieve a self-sustaining level of revenue.

The recoverability of the amounts shown for oil and gas properties and exploration and evaluation assets is dependent upon such factors as the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development, and future profitable production or proceeds from disposition of such interests.

FORWARD-LOOKING STATEMENTS

Statements herein that are not historical facts are forward-looking statements that are subject to risks and uncertainties. Words such as "expects", "intends", "may", "could", "should", "anticipates", "likely", "believes" and words of similar import also identify forward-looking statements. Forward-looking statements are based on current facts and analyses and other information that are based on forecasts of future results, estimates of amounts not yet determined and assumptions of management, including, but not limited to, the Company's ability to raise additional debt and/or equity financing to fund operations and working capital requirements and the Company's oil and gas reserves. Actual results may differ materially from those currently anticipated due to a number of factors including, but not limited to, general economic conditions, the geology of oil and gas properties, oil and gas industry conditions, the Company's ability to generate sufficient cash flows from operations and financing to support general operating activities and capital expansion plans, and laws and regulations and changes thereto that may affect operations, and other factors beyond the reasonable control of the Company.

Management periodically reviews information reflected in forward-looking statements. The Company has and continues to disclose in its Management Discussion and Analysis and other publicly filed documents, changes to material factors or assumptions underlying the forward-looking statements and to the validity of the statements themselves, in the period the changes occur.

Historical results of operations and trends that may be inferred from the above discussions and analysis may not necessarily indicate future results from operations.

OTHER INFORMATION

Additional information on factors that may affect the business and financial results of the Company can be found on www.sedar.com.