This is Exhibit "E" referred to in the Affidavit of Leonard B. Van Betuw sworn before me this 2nd day of September A.D. 2016

[Signature]

A COMMISSIONER FOR OATHS IN AND FOR ALBERTA

James W. Reid
Barrister & Solicitor
INTERIM FINANCIAL STATEMENTS

For the three and six months ended at June 30, 2016 and 2015
Management's Report to the Shareholders

Management is responsible for the reliability and integrity of these interim financial statements. The accompanying interim financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"); the interim financial statements are presented in Canadian Dollars.

The accompanying interim financial statements have been prepared using policies and procedures established by management and fairly reflect the Company's financial position, results of operations and changes in financial position, within reasonable limits of materiality and within the framework of the accounting policies outlined in the notes to the interim financial statements. Management has established and maintains a system of internal controls which is designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit Committee of the Board, which is composed of a majority of non-management directors. The Company discloses that its auditor does not review the unaudited interim financial statements. The Audit Committee meets periodically with management and the auditors to satisfy itself that management's responsibilities are properly discharged, to review the interim financial statements and to recommend approval of the interim financial statements to the Board.

“signed”
Leonard Van Betuw, President and Chief Executive Officer

“signed”
Stacey LePla Martin, Chief Financial Officer
**QUATTRO Exploration and Production Ltd.**

**Interim Statements of Financial Position**  
For the period ended,

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2016</th>
<th>December 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents - Note 5</td>
<td>$184,422</td>
<td>$2,100,363</td>
</tr>
<tr>
<td>Accounts receivable, net - Note 8</td>
<td>6,557,102</td>
<td>6,018,838</td>
</tr>
<tr>
<td>Inventories - Note 6</td>
<td>103,927</td>
<td>92,946</td>
</tr>
<tr>
<td>Promissory note receivables - Note 26</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Investments - Note 23</td>
<td>900,000</td>
<td>900,000</td>
</tr>
<tr>
<td>Marketable securities</td>
<td>40,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Prepaid and deposits</td>
<td>176,667</td>
<td>163,014</td>
</tr>
<tr>
<td>Assets held for sale - Note 9</td>
<td>281,855</td>
<td>272,966</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$8,343,974</td>
<td>$9,688,127</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exploration and evaluation assets - Note 11</td>
<td>$6,229,146</td>
<td>$6,228,562</td>
</tr>
<tr>
<td>Petroleum and natural gas properties and equipment - Note 10</td>
<td>61,821,942</td>
<td>52,992,522</td>
</tr>
<tr>
<td>Properties and equipment intangible - Note 12</td>
<td>3,721,230</td>
<td>3,857,850</td>
</tr>
<tr>
<td>Deposits - Note 14</td>
<td>119,998</td>
<td>124,998</td>
</tr>
<tr>
<td>Goodwill</td>
<td>2,103,332</td>
<td>2,103,332</td>
</tr>
<tr>
<td><strong>Total Non-current Assets</strong></td>
<td>$82,339,622</td>
<td>$74,995,391</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$82,339,622</td>
<td>$74,995,391</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>8,296,157</td>
<td>7,950,704</td>
</tr>
<tr>
<td>Current portion of long-term bank debt - Note 16</td>
<td>9,523,600</td>
<td>9,761,800</td>
</tr>
<tr>
<td>Current portion of finance lease obligation - Note 24</td>
<td>8,349</td>
<td>6,994</td>
</tr>
<tr>
<td>Decommissioning liabilities associated with assets held for sale - Note 9</td>
<td>217,709</td>
<td>207,821</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>18,045,815</td>
<td>17,927,319</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Convertible debenture - Note 25</td>
<td>500,000</td>
<td>500,000</td>
</tr>
<tr>
<td>Earn-out payable - Note 7</td>
<td>2,120,443</td>
<td>2,120,443</td>
</tr>
<tr>
<td>Long term portion of finance lease obligation - Note 24</td>
<td>49,566</td>
<td>16,220</td>
</tr>
<tr>
<td>Decommissioning liabilities - Note 13</td>
<td>32,225,786</td>
<td>27,542,876</td>
</tr>
<tr>
<td>Deferred tax liability - Note 17</td>
<td>1,587,001</td>
<td>1,878,539</td>
</tr>
<tr>
<td>Shareholder loan - Note 27</td>
<td>225,000</td>
<td>225,000</td>
</tr>
<tr>
<td><strong>Total Non-current Liabilities</strong></td>
<td>54,753,611</td>
<td>50,210,397</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>$82,339,622</td>
<td>$74,995,391</td>
</tr>
</tbody>
</table>

**Shareholders' Equity**

|                |              |                   |
| Share capital - Note 18 | 17,163,300 | 13,474,200 |
| Warrants - Note 19 | 470,084 | 470,084 |
| Contributed surplus - Note 20 | 1,181,696 | 1,164,275 |
| Retained earnings | 8,770,331 | 9,676,435 |
| **Total Shareholders' Equity** | 27,586,011 | 24,784,994 |

**Going concern – Note 2**

Commitments and contingencies - Note 24

Subsequent events - Note 31

Approved by:

("signed")

Leonard Van Betuw, President and Chief Executive Officer

("signed")

Daniel Harding, Director
<table>
<thead>
<tr>
<th></th>
<th>Three months ended,</th>
<th>Six months ended,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Petroleum and natural gas sales</td>
<td>$2,379,209</td>
<td>$2,909,648</td>
</tr>
<tr>
<td>Royalties</td>
<td>23,711</td>
<td>(86,817)</td>
</tr>
<tr>
<td>Other revenue</td>
<td>337,279</td>
<td>554,542</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production and operating</td>
<td>2,572,986</td>
<td>1,811,818</td>
</tr>
<tr>
<td>General and administration</td>
<td>425,311</td>
<td>530,250</td>
</tr>
<tr>
<td>Wages and benefits</td>
<td>327,164</td>
<td>186,958</td>
</tr>
<tr>
<td>Accretion – Note 9,13</td>
<td>79,364</td>
<td>134,536</td>
</tr>
<tr>
<td>Share-based payments – Note 18</td>
<td>17,421</td>
<td>51,443</td>
</tr>
<tr>
<td>Depreciation, amortization and depletion – Note 10,12</td>
<td>1,127,406</td>
<td>967,717</td>
</tr>
<tr>
<td>Business acquisitions costs</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interest and financing costs</td>
<td>186,140</td>
<td>138,699</td>
</tr>
<tr>
<td><strong>Income (Loss) before other items and taxes:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(1,995,594)</td>
<td>(450,028)</td>
</tr>
<tr>
<td>Other items:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on business acquisition – Note 7</td>
<td>-</td>
<td>2,297,919</td>
</tr>
<tr>
<td>Gain on hedge – Note 28</td>
<td>457,376</td>
<td>-</td>
</tr>
<tr>
<td><strong>Income (loss) before taxes</strong></td>
<td>(1,538,217)</td>
<td>1,847,891</td>
</tr>
<tr>
<td><strong>Income tax recovery (expense) – Note 17</strong></td>
<td>386,230</td>
<td>(194,096)</td>
</tr>
<tr>
<td><strong>Net and comprehensive income</strong></td>
<td>$1,151,987</td>
<td>$1,653,795</td>
</tr>
</tbody>
</table>

Net income per common share
- Basic – Note 21: 0.03
- Income (loss) per share: 0.03
- Basic and diluted - Note 21: 0.04
## Interim Statements of Changes in Equity

For the period ended at June 30,

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Share capital</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>$13,474,200</td>
<td>$7,388,600</td>
</tr>
<tr>
<td>Issued pursuant to common shares to employees - Note 18</td>
<td>87,600</td>
<td>-</td>
</tr>
<tr>
<td>Issued pursuant to common shares on purchase of assets - Note 18</td>
<td>120,000</td>
<td>-</td>
</tr>
<tr>
<td>Issued pursuant to Class C-Series III, I convertible preferred shares on purchase of assets - Note 18</td>
<td>3,500,000</td>
<td>1,500,000</td>
</tr>
<tr>
<td>Share issues costs – Note 18</td>
<td>(18,500)</td>
<td>105</td>
</tr>
<tr>
<td>Warrants converted to shares</td>
<td></td>
<td>78,000</td>
</tr>
<tr>
<td>Balance, end of period</td>
<td>17,163,300</td>
<td>8,966,705</td>
</tr>
<tr>
<td><strong>Warrants</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>470,084</td>
<td>480,151</td>
</tr>
<tr>
<td>Conversion of warrants - Note 19</td>
<td>-</td>
<td>(10,067)</td>
</tr>
<tr>
<td>Exercise of warrants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, end of period</td>
<td>470,084</td>
<td>470,084</td>
</tr>
<tr>
<td><strong>Contributed surplus</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>1,164,275</td>
<td>984,099</td>
</tr>
<tr>
<td>Share based on payments - Note 18</td>
<td>17,421</td>
<td>51,443</td>
</tr>
<tr>
<td>Warrants converted - Note 19</td>
<td></td>
<td>10,067</td>
</tr>
<tr>
<td>Balance, end of period</td>
<td>1,181,696</td>
<td>1,045,609</td>
</tr>
<tr>
<td><strong>Deficit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>9,676,435</td>
<td>13,366,025</td>
</tr>
<tr>
<td>Dividend per class C share - Note 20</td>
<td>26,465</td>
<td></td>
</tr>
<tr>
<td>Net (loss) income</td>
<td>(931,968)</td>
<td>1,861,394</td>
</tr>
<tr>
<td>Balance, end of period</td>
<td>8,770,931</td>
<td>15,227,419</td>
</tr>
<tr>
<td><strong>Shareholders’ equity</strong></td>
<td>$27,586,011</td>
<td>$25,709,818</td>
</tr>
</tbody>
</table>
Interim Statements of Cash Flows
For the three and six months ended June 30,

<table>
<thead>
<tr>
<th></th>
<th>Three months ended</th>
<th></th>
<th>Six months ended</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td><strong>Cash provided by (used for)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income (loss)</td>
<td>$(1,151,987)</td>
<td>$1,653,795</td>
<td>$(931,968)</td>
<td>$1,861,394</td>
</tr>
<tr>
<td>Add item not affecting cash</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation, amortization and depletion</td>
<td>1,127,406</td>
<td>967,717</td>
<td>2,254,515</td>
<td>1,953,325</td>
</tr>
<tr>
<td>Income tax expense (recovery) Note -15</td>
<td>(386,230)</td>
<td>194,096</td>
<td>(806,806)</td>
<td>194,096</td>
</tr>
<tr>
<td>Accretion in decommissioning liabilities</td>
<td>79,364</td>
<td>134,536</td>
<td>171,602</td>
<td>232,216</td>
</tr>
<tr>
<td>Share based payments</td>
<td>17,421</td>
<td>51,443</td>
<td>17,421</td>
<td>51,443</td>
</tr>
<tr>
<td>(Gain) loss on settlements of decommissioning liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(Gain) loss on sale - lease back</td>
<td>(457,376)</td>
<td>-</td>
<td>(457,376)</td>
<td>-</td>
</tr>
<tr>
<td>(Gain) on acquisition of properties</td>
<td>-</td>
<td>(2,297,919)</td>
<td>(1,393,132)</td>
<td>(2,297,919)</td>
</tr>
<tr>
<td><strong>Change in non-cash operating working capital</strong></td>
<td>(771,402)</td>
<td>703,668</td>
<td>(1,145,744)</td>
<td>1,996,555</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>78,392</td>
<td>(362,095)</td>
<td>(538,265)</td>
<td>(1,420,840)</td>
</tr>
<tr>
<td>Promissory notes receivable</td>
<td>-</td>
<td>50,500</td>
<td>-</td>
<td>50,500</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>500,046</td>
<td>300,076</td>
<td>602,161</td>
<td>964,095</td>
</tr>
<tr>
<td>Prepaid and deposits</td>
<td>63,508</td>
<td>(56,619)</td>
<td>73,947</td>
<td>(135,293)</td>
</tr>
<tr>
<td><strong>Financing activities</strong></td>
<td>(129,457)</td>
<td>635,530</td>
<td>(1,007,900)</td>
<td>1,455,017</td>
</tr>
<tr>
<td>Increase (decrease of) bank debt</td>
<td>-</td>
<td>(400,500)</td>
<td>(238,200)</td>
<td>(801,000)</td>
</tr>
<tr>
<td>Current portion finance lease</td>
<td>-</td>
<td>(3,245)</td>
<td>-</td>
<td>(3,245)</td>
</tr>
<tr>
<td>Conversion of warrants to shares, net of issue costs</td>
<td>-</td>
<td>78,000</td>
<td>-</td>
<td>78,005</td>
</tr>
<tr>
<td>Proceeds from loans to shareholders</td>
<td>-</td>
<td>225,000</td>
<td>-</td>
<td>225,000</td>
</tr>
<tr>
<td><strong>Investing activities</strong></td>
<td>-</td>
<td>(100,745)</td>
<td>(238,200)</td>
<td>(501,140)</td>
</tr>
<tr>
<td>Deposits</td>
<td>5,000</td>
<td>-</td>
<td>5,000</td>
<td>-</td>
</tr>
<tr>
<td>Finance lease</td>
<td>(2,019)</td>
<td>-</td>
<td>34,701</td>
<td>-</td>
</tr>
<tr>
<td>Exploration and evaluations assets</td>
<td>(584)</td>
<td>(822,017)</td>
<td>(584)</td>
<td>(959,024)</td>
</tr>
<tr>
<td>Additions to petroleum and natural properties and equipment</td>
<td>36,754</td>
<td>490,970</td>
<td>(708,957)</td>
<td>(1,173,197)</td>
</tr>
<tr>
<td><strong>Change in cash</strong></td>
<td>39,151</td>
<td>(331,048)</td>
<td>(669,840)</td>
<td>(2,132,221)</td>
</tr>
<tr>
<td><strong>Cash, beginning of period</strong></td>
<td>(90,206)</td>
<td>203,737</td>
<td>(1,915,941)</td>
<td>(1,178,344)</td>
</tr>
<tr>
<td><strong>Cash, end of period</strong></td>
<td>$184,422</td>
<td>$2,197,948</td>
<td>$184,422</td>
<td>$2,197,948</td>
</tr>
<tr>
<td>Interest paid</td>
<td>176,168</td>
<td>141,805</td>
<td>343,036</td>
<td>244,028</td>
</tr>
<tr>
<td>Tax paid</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these interim financial statements
Note 1 - General Information
Quattro Exploration and Production Ltd. ("Quattro" or the "Company") was incorporated as Sparling Capital Corporation pursuant to the provisions of the Business Corporations Act of Alberta on February 21, 1997. By the Articles of Amendment filed August 3, 2000, and October 11, 2011, the Company changed its name to Life Sciences Institute Inc. and Quattro Exploration and Production Ltd., respectively. The Company has expanded its focus on exploration and development of oil and natural gas reserves in Western Canada, located in south central Saskatchewan and central Alberta in conjunction with the aggressive pursuit of a series of exploration efforts in Central and South America. The Company’s registered office is located at 1250, 639-5 Avenue SW, Calgary, Alberta, Canada.

Note 2 - Basis of Preparation and Going Concern
The interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting Interpretation Committee ("IFRIC"). The policies applied in the financial statements are based on IFRS in effect on January 1, 2015. The Board of Directors approved the interim financial statements on Aug 29, 2016.

As at June 30, 2016, the Company had negative working capital of $9,701,841, negative cash flow from operations of $1,007,900, and comprehensive loss of $931,968 for the period. These conditions, in addition to the breach of bank covenants (Note 16), indicate the existence of a material uncertainty which may cast doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent on its ability to generate future profitable operations and obtain additional financing to continue the development of the Company’s properties and to meet current and future obligations. If, for any reason, the Company is unable to continue as a going concern, it could impact the Company’s ability to realize assets at their recognized values and to meet its liabilities in the ordinary course of business at the amounts stated in the interim financial statements.

Basis of Measurement
The Company's interim financial statements have been prepared on the historical cost basis, except for certain items, which are measured at fair value, as explained in Note 3.

Basis of Consolidation
The interim financial statements include the accounts of the Company and its wholly owned subsidiaries, Quattro Guatemala and Quattro Innovations. A subsidiary is fully consolidated from the date on which control is obtained by the Company and is de-consolidated from the date that control ceases. Intercompany balances and transactions are eliminated on consolidation.

Functional Currency
The interim financial statements are presented in Canadian dollars, which is the functional currency of both the Company and its subsidiaries.

Note 3 - Significant Accounting Policies
The interim financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Cash
Cash consists of cash deposits at banks.

b) Petroleum and Natural Gas Properties and Equipment
Petroleum and natural gas properties ("P&NG") and equipment are recorded at cost less accumulated depletion or depreciation. Depreciation of equipment has been provided at the following annualized rates in order to apportion the cost of the asset over its useful life:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilities</td>
<td>20 years straight-line</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>3 - 5 years straight-line</td>
</tr>
<tr>
<td>Computer hardware</td>
<td>3 - 5 years straight-line</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>5 years straight-line</td>
</tr>
<tr>
<td>Computer software</td>
<td>5 years straight-line</td>
</tr>
<tr>
<td>Equipment under finance lease</td>
<td>3 years straight-line</td>
</tr>
<tr>
<td>Seismic, well and intellectual properties</td>
<td>7 years to 40 years straight-line</td>
</tr>
</tbody>
</table>
Note 3 - Significant Accounting Policies (continued)

b) Petroleum and Natural Gas Properties and Equipment (continued)

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

Year-end proved plus probable reserves are determined by independent engineers in accordance with National Instrument 51-101. Production and reserves of natural gas are converted to equivalent barrels of crude oil on the basis of six thousand cubic feet of gas to one barrel of oil. Changes in estimates used in prior periods, such as proved plus probable reserves that affect the unit-of-production calculations, do not give rise to prior year adjustments and are dealt with prospectively.

Future development costs are estimated taking into the account the level of development required to produce the reserves. These estimates are reviewed at least annually by independent qualified reserves evaluation engineers. An item of P&NG properties and equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising upon de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognized in the interim statement of comprehensive income.

c) Assets held for sale

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

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

d) Jointly Controlled Assets and Operations

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

e) Business Combinations

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

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

f) Decommissioning Liabilities

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

g) Farmouts

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

Compound financial instruments issued by the Company comprise convertible debentures that can be converted into common shares of the Company. The liability component of the convertible debentures is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the convertible debenture as a whole and the fair value of the liability component.

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

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

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

i) Inventories

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

j) Exploration and Evaluation Assets

Exploration and evaluation ("E&E") assets consist of the Company’s oil and natural gas exploration projects that are pending the determination of proved reserves.

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

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

E&E assets are also tested for impairment when facts and circumstances indicate that the carrying amount of E&E assets may exceed their recoverable amount, by comparing the relevant costs to the recoverable amount of the Cash Generating Units ("CGU’s"), aggregated at the segment level.

k) Impairment

The Company assesses P&NG properties and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset or group of assets may not be recoverable. Indications of impairment include the existence of low benchmark commodity prices for an extended period of time, significant downward revisions of estimated reserves, or increases in estimated future development expenditures. If any such indication of impairment exists, the Company performs an impairment test related to the assets. Individual assets are grouped for impairment assessment purposes into CGU’s, which are the lowest level at which there are identifiable cash inflows that are largely independent of the cash inflows of other groups of assets. A CGU’s recoverable amount is the higher of its fair value less costs to sell ("FVLCTS") and its value in use ("VIU"). FVLCTS is determined to be the amount for which the asset could be sold in an arm’s length transaction. VIU is based upon the estimated before tax net present value of the Company’s proved plus probable reserves, as prepared by independent reserve evaluators. Where the carrying amount of a CGU exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount. In subsequent periods, an assessment is made at each reporting date to determine whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is re-estimated and the net carrying amount of the asset is increased to its revised recoverable amount. The recoverable amount cannot exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset in prior periods. Such reversal is recognized in the interim statement of comprehensive income (loss).
Note 3 - Significant Accounting Policies (continued)

i) Intangible assets and goodwill

a) Seismic, well and intellectual properties are recorded at cost. Amortization is calculated on a straight-line basis over a period of seven years for tangible assets and up to forty years for intangible assets. Management periodically reviews the carrying value of these properties intangible as are seismic, well and intellectual properties and if appropriate, the carrying value is reduced to its estimated net realized value based on projected revenues over a three year period.

b) Other intangible assets consist of patents acquired in conjunction with the acquisition of a technology company on November 26, 2015. These patents relate to various areas of wireless networking and data transmission. Currently, there are three patents that management believes provide coverage for proprietary networking technology, with expiration dates between 2028 and 2032. There are also pending applications that if issued will provide further protection.

c) Goodwill represents the excess of the consideration transferred over the fair value of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate a potential impairment, and is carried at cost less accumulated impairment losses.

m) Revenue Recognition

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

n) Flow-Through Shares

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

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

o) Financial Instruments

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

Fair values through profit or loss financial instruments are subsequently measured at fair value with changes in fair value recognized in the interim statement of comprehensive income (loss). Available for sale financial instruments are subsequently measured at fair value with changes in fair value recognized in other comprehensive income. All other categories of financial instruments are measured at amortized cost using the effective interest method.

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

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

p) Taxes

The Company follows the liability method of accounting for taxes. Under this method, deferred tax assets and liabilities are recognized based on the estimate tax effects of temporary differences in the carrying amount of assets and liabilities in the interim financial statements and their respective tax bases.
Note 3 - Significant Accounting Policies (continued)

p) Taxes (continued)

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

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

q) Per Share Amounts

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

r) Share-Based Compensation

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

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

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

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

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

Estimates:

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

Allocation of fair value to corporate acquisitions

In a business combination, fair value measurements are used to determine the carrying amounts of assets received, liabilities assumed and consideration given. The date of measurement is the acquisition date. In the acquisitions described in Note 7, the assets acquired were primarily P&NG and equipment and E&E assets.

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

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

Classification and carrying amount of E&E assets

Each reporting period, E&E assets are subject to an impairment review conducted internally corresponding to the Company’s view as to the recoverability of the asset. Factors brought into the consideration of impairment include the Company’s future plans for the property, lease expiries, drilling and development results on proximate or analogous properties, facility and pipeline access, views as to future commodity prices, operating and development costs and availability of capital for exploration and development programs. An impairment review is also completed when E&E assets are transferred to P&NG properties and equipment.
Note 3 - Significant Accounting Policies (continued)

s) Use of Estimates and Judgments in Application of Accounting Policies (Continued)

Impairment of P&NG properties and equipment

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

Decommissioning liabilities

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

Measurement and utilization of tax assets

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

Measurement of share-based compensation

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

Judgments:

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

Determination of Cash Generating Units

The Company’s assets are aggregated into CGUs for the purpose of calculating impairment. CGUs are based on an assessment of the unit’s ability to generate independent cash inflows. The determination of the Company’s CGUs was based on management’s judgement in regards to shared infrastructure, geographical proximity, petroleum type and similar exposure to market risk and materiality. The Company has 6 CGUs at June 30, 2016 (2015 – 5).

Impairment

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

Contingencies

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

Sale of exclusive distribution rights

Management has applied judgement in determining the appropriate accounting treatment of the sale of exclusive distribution rights (see note 23). Management has considered the specific terms of the arrangement to determine whether the consideration pertains to the sale of a good at the time of entering into the contract. This assessment considers whether the consideration is for a pre-determined amount, whether it is non-refundable, whether the counterparty is able to exploit the rights freely within specified contractual terms and whether the Company has any remaining obligations to perform subsequent to the closing of the contract.
Note 4 – New and Future Accounting Policies

Recent accounting pronouncements

Standards and amendments effective in the current period

The Company adopted no new IFRS's or Interpretations during 2016.

Standards and amendments in issue not yet adopted

At the date of authorization of these interim financial statements, certain new standards, amendments and interpretations to existing IFRS standards have been published but are not yet effective, and have not been adopted early by the Company. Management anticipates that all of the pronouncements will be adopted in the Company’s accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company’s interim financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company’s interim financial statements.

IFRS 9 “Financial Instruments: Classification and Measurement” is a new financial instruments standard effective for annual period beginning on or after January 1, 2018 that replaces IAS 39 and IFRIC 9 for classification and measurement of financial assets and financial liabilities. The Company is currently assessing the impact of this standard.

IFRS 15, “Revenue from Contracts with Customers” was issued in 2014 and replaces the two main recognition standards IAS 18, “Revenue”, and IAS 11, “Construction Contracts”. The new standard provides a five step model framework as a core principle upon which an entity recognizes revenue and becomes effective January 1, 2018. The Company is currently assessing the impact of this standard.

IFRS 16, “Leases” was issued and IAS 17 “Leases” was amended. IFRS 16 specifies how to recognize, measure, present and disclose leases effective for annual period beginning on or after January 1, 2019. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained. IAS 17, as revised, now prescribes the accounting policies and disclosures applicable to leases, both for lessees and lessors. The Company is currently assessing the impact of this standard.

Note 5 – Cash and cash equivalents

At June 30, 2016, the Company has a restricted cash balance of $865 (2015 - $1,698,510) which is held in fixed term deposits with a Canadian bank securing outstanding Letters of Credit.

Note 6 – Inventories

The cost of inventories recognised as an expense and included in cost of sales amounted to $50 (December 31, 2015 - $89). Raw materials and supplies, work in progress and finished goods are valued at the lower of acquisition or production cost and net realizable value.

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2016</th>
<th>December 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials and supplies</td>
<td>$12,494</td>
<td>11,174</td>
</tr>
<tr>
<td>Work in progress</td>
<td>28,084</td>
<td>25,116</td>
</tr>
<tr>
<td>Finished goods</td>
<td>$103,927</td>
<td>92,946</td>
</tr>
</tbody>
</table>
Note 7 – Business Combinations and Dispositions

On January 29, 2016, the Company acquired certain oil and natural gas properties in the Superb area of southwestern Saskatchewan. The acquired oil and gas properties were valued at $4,198,098 and the purchase was paid for through assumption of $1,855,677 in decommissioning liabilities, the issuance of 35,000 non-voting, Class C Series III convertible preferred shares at $100 per share, a promissory note of $550,000 and $148,098 in cash. The purchase and sale agreement was signed on December 30, 2015, with an effective date of December 31, 2015. The transaction was accounted for as business combination under IFRS 3 - “Business Combinations” as the assets met the definition of a business.

This contributed $283,464 in revenues and $184,140 royalties and direct operating expense from January 29, 2016 to March 31, 2016, resulting in $99,324 of net income. All of these amounts are recorded in the interim statement of comprehensive income. Had this acquisition been producing as at January 1, 2016, management estimates that an additional $381,557 in revenues and $272,663 in royalties and direct operating expenses would have been recorded for an additional reduction of $108,894 in operating income.

<table>
<thead>
<tr>
<th>Net assets acquired</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Petroleum and natural gas properties and equipment</td>
<td>$ 7,962,174</td>
</tr>
<tr>
<td>Decommissioning liabilities</td>
<td>(1,855,677)</td>
</tr>
<tr>
<td>Deferred tax liability</td>
<td>(515,268)</td>
</tr>
<tr>
<td>Gain on acquisition</td>
<td>(1,393,131)</td>
</tr>
<tr>
<td><strong>Total consideration paid</strong></td>
<td>$ 4,198,098</td>
</tr>
</tbody>
</table>

The fair value of petroleum and natural gas properties acquired is based on market values. The market value is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports which apply forward looking price decks as at the date of acquisition.

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

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

<table>
<thead>
<tr>
<th>Net assets acquired</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Petroleum and natural gas properties and equipment</td>
<td>$ 3,576,405</td>
</tr>
<tr>
<td>Decommissioning liabilities</td>
<td>(1,396,079)</td>
</tr>
<tr>
<td>Deferred tax liability</td>
<td>(176,885)</td>
</tr>
<tr>
<td>Gain on acquisition</td>
<td>(503,441)</td>
</tr>
<tr>
<td><strong>Total consideration paid</strong></td>
<td>$ 1,500,000</td>
</tr>
</tbody>
</table>
Note 8 - Accounts Receivable

Accounts receivable are presented on the interim statement of financial position net of estimated uncollectible amounts. Trade receivables are non-interest bearing. In determining the recoverability of trade receivables, the Company considers the age of the outstanding receivable and the credit worthiness of counterparties. The Company records an allowance for estimated uncollectible accounts in an amount approximating anticipated impairment loss. Individual uncollectible accounts are written off against the allowance when collection of the individual accounts appears doubtful. The Company recorded an allowance for doubtful accounts of $nil as of June 30, 2016 (December 31, 2015 – $2,327,139). The determination was based on the dramatic change in 12-month average trailing commodity prices that the industry has experienced that has resulted in unreasonable time for the Company’s receivables to be collected. If these amounts are subsequently recovered, the Company will record the recovery in the period that it occurs.

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2016</th>
<th>December 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued accounts receivable</td>
<td>(1,658,157)</td>
<td>6,876,328</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>8,215,260</td>
<td>1,271,459</td>
</tr>
<tr>
<td>GST and other receivables</td>
<td>-</td>
<td>198,190</td>
</tr>
<tr>
<td>Total accounts receivable</td>
<td>6,557,102</td>
<td>8,345,977</td>
</tr>
<tr>
<td>Less: allowance for doubtful accounts</td>
<td>-</td>
<td>(2,327,139)</td>
</tr>
<tr>
<td>Account receivables net</td>
<td>6,557,102</td>
<td>6,018,838</td>
</tr>
</tbody>
</table>

Note 9 - Assets Held for Sale

At June 30, 2016, the Company not reclassified assets and liabilities associated to assets held for sale.

A reconciliation of the assets and related liabilities held for sale are set out below:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets held for sale at December 31, 2014</td>
<td>1,347,700</td>
</tr>
<tr>
<td>Disposed</td>
<td>(763,036)</td>
</tr>
<tr>
<td>Transfer to E&amp;E</td>
<td>(584,664)</td>
</tr>
<tr>
<td>Additions</td>
<td>272,966</td>
</tr>
<tr>
<td>Total assets held for sale at December 31, 2015</td>
<td>272,967</td>
</tr>
<tr>
<td>Changes in estimates of decommissioning liabilities</td>
<td>8,888</td>
</tr>
<tr>
<td>Additions</td>
<td></td>
</tr>
<tr>
<td>Total assets held for sale at June 30, 2016</td>
<td>281,855</td>
</tr>
<tr>
<td>Total liabilities related to assets held for sale at December 31, 2014</td>
<td>(56,311)</td>
</tr>
<tr>
<td>Disposition of decommissioning liabilities</td>
<td>568,750</td>
</tr>
<tr>
<td>Reclassification of decommissioning liabilities</td>
<td>(720,260)</td>
</tr>
<tr>
<td>Total liabilities related to assets held for sale at December 31, 2015</td>
<td>(207,821)</td>
</tr>
<tr>
<td>Accretion</td>
<td>(1,000)</td>
</tr>
<tr>
<td>Changes in estimates of decommissioning liabilities</td>
<td>(8,888)</td>
</tr>
<tr>
<td>Total liabilities related to assets held for sale at June 30, 2016</td>
<td>(217,709)</td>
</tr>
<tr>
<td>Net assets held for sale at December 31, 2015</td>
<td>$65,145</td>
</tr>
<tr>
<td>Net assets held for sale at June 30, 2016</td>
<td>$64,146</td>
</tr>
</tbody>
</table>
Note 10 – Petroleum and Natural Gas Properties and Equipment

<table>
<thead>
<tr>
<th>Cost</th>
<th>Petroleum and natural gas properties</th>
<th>Property &amp; Equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at December 31, 2014</td>
<td>$41,670,967</td>
<td>3,420,947</td>
<td>45,091,914</td>
</tr>
<tr>
<td>Additions</td>
<td>1,925,309</td>
<td>606,753</td>
<td>2,532,062</td>
</tr>
<tr>
<td>Changes in estimates of decommissioning liabilities</td>
<td>8,847,096</td>
<td>-</td>
<td>8,847,096</td>
</tr>
<tr>
<td>Acquisitions through business combinations – Note 7</td>
<td>7,711,833</td>
<td>29,008</td>
<td>7,740,841</td>
</tr>
<tr>
<td>Disposal of assets</td>
<td>(541,492)</td>
<td>-</td>
<td>(541,492)</td>
</tr>
<tr>
<td>Transfer to assets held for sale – Note 9</td>
<td>(272,966)</td>
<td>-</td>
<td>(272,966)</td>
</tr>
<tr>
<td>Balance at December 31, 2015</td>
<td>$59,340,747</td>
<td>4,056,708</td>
<td>63,397,455</td>
</tr>
<tr>
<td>Additions</td>
<td>163,992</td>
<td>163,572</td>
<td>327,564</td>
</tr>
<tr>
<td>Changes in estimates of decommissioning liabilities</td>
<td>2,753,152</td>
<td>-</td>
<td>2,753,152</td>
</tr>
<tr>
<td>Acquisitions through business combinations – Note 7</td>
<td>6,821,000</td>
<td>1,261,174</td>
<td>8,082,174</td>
</tr>
<tr>
<td>Disposal of assets</td>
<td>(215,575)</td>
<td>-</td>
<td>(215,575)</td>
</tr>
<tr>
<td><strong>Balance at June 30, 2016</strong></td>
<td><strong>68,863,316</strong></td>
<td><strong>5,481,454</strong></td>
<td><strong>74,344,770</strong></td>
</tr>
</tbody>
</table>

**Accumulated depletion and depreciation**

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at December 31, 2014</td>
<td>5,463,160</td>
<td>477,663</td>
<td>5,940,823</td>
</tr>
<tr>
<td>Depletion</td>
<td>3,973,298</td>
<td>-</td>
<td>3,973,298</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>490,812</td>
<td>490,812</td>
</tr>
<tr>
<td>Balance at December 31, 2015</td>
<td>$9,436,458</td>
<td>968,475</td>
<td>10,404,933</td>
</tr>
<tr>
<td>Depletion</td>
<td>1,847,592</td>
<td>-</td>
<td>1,847,592</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>270,303</td>
<td>270,303</td>
</tr>
<tr>
<td><strong>Balance at June 30, 2016</strong></td>
<td><strong>11,284,050</strong></td>
<td><strong>1,238,778</strong></td>
<td><strong>12,522,828</strong></td>
</tr>
</tbody>
</table>

**Net book value**

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>At December 31, 2015</td>
<td>$49,904,289</td>
<td>3,088,233</td>
<td>52,992,522</td>
</tr>
<tr>
<td>At June 30, 2016</td>
<td>$57,579,266</td>
<td>4,242,676</td>
<td>61,821,942</td>
</tr>
</tbody>
</table>

At June 30, 2016, an estimated capital cost of $37,193,200 (2015 - $32,100,000) of future capital costs over a period of five years were included in the calculation of depletion expense.


As a result of the significant decline in commodity prices in 2015, impairment tests were performed at June 30, 2016 and were based on fair value less costs to sell ("FVLCTS") calculation using the following commodity price estimates.

<table>
<thead>
<tr>
<th>WTI Oil</th>
<th>Edmonton Reference Price</th>
<th>AECO Gas</th>
</tr>
</thead>
<tbody>
<tr>
<td>(US$/bbl)</td>
<td>(Cdn$/bbl)</td>
<td>(Cdn$/mmbtu)</td>
</tr>
<tr>
<td>2016</td>
<td>51.00</td>
<td>63.34</td>
</tr>
<tr>
<td>2017</td>
<td>55.00</td>
<td>66.45</td>
</tr>
<tr>
<td>2018</td>
<td>58.00</td>
<td>67.50</td>
</tr>
<tr>
<td>2019</td>
<td>63.00</td>
<td>70.30</td>
</tr>
<tr>
<td>2020</td>
<td>67.00</td>
<td>72.94</td>
</tr>
<tr>
<td>2021</td>
<td>71.00</td>
<td>77.65</td>
</tr>
<tr>
<td>2022</td>
<td>75.00</td>
<td>82.35</td>
</tr>
<tr>
<td>Annual escalation thereafter</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>

The Company did not record impairment losses at June 30, 2016. The recoverable amount was determined using FVLCTS based on discounted cash flows of proven plus probable reserves using forecast future prices and a discount rate of 10%.
Note 11 - Exploration and Evaluation ("E&E") Assets

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
</tr>
<tr>
<td>Balance at December 31, 2014</td>
<td>$4,152,918</td>
</tr>
<tr>
<td>Additions</td>
<td>2,075,644</td>
</tr>
<tr>
<td><strong>Balance at December 31, 2015</strong></td>
<td>$6,228,562</td>
</tr>
<tr>
<td>Additions</td>
<td>584</td>
</tr>
<tr>
<td><strong>Balance at June 30, 2016</strong></td>
<td>$6,229,146</td>
</tr>
</tbody>
</table>

E&E assets consist of the Company's exploration projects that are pending and the determination of proven or probable reserves. Additions represent the Company's share of costs incurred on E&E assets during the period and acquisitions represent E&E assets included in business combinations during the period.

Note 12 – Properties and equipment intangible

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
</tr>
<tr>
<td>Balance at December 31, 2014</td>
<td>$200,000</td>
</tr>
<tr>
<td>Additions</td>
<td>3,709,192</td>
</tr>
<tr>
<td>Balance at December 31, 2015</td>
<td>3,909,192</td>
</tr>
<tr>
<td>Additions</td>
<td></td>
</tr>
<tr>
<td><strong>Balance at June 30, 2016</strong></td>
<td>3,909,192</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td></td>
</tr>
<tr>
<td>Balance at December 31, 2014</td>
<td>2,381</td>
</tr>
<tr>
<td>Amortization</td>
<td>48,961</td>
</tr>
<tr>
<td>Balance at December 31, 2015</td>
<td>51,342</td>
</tr>
<tr>
<td>Amortization</td>
<td>136,620</td>
</tr>
<tr>
<td><strong>Balance at June 30, 2016</strong></td>
<td>187,962</td>
</tr>
</tbody>
</table>

|                                |          |
| Net book value                 |          |
| Balance at December 31, 2015   | $3,857,850|
| Balance at June 30, 2016       | $3,721,230|
Note 13 - Decommissioning Liabilities

The Company has estimated the net present value of decommissioning liabilities to be $32,225,786 as at June 30, 2016, based on an undiscounted total future liability of $60,229,602 (2015 - $56,756,187). These payments are expected to be incurred over a period of 4 to 50 years with the majority of costs to be incurred between 2052 and 2064. At June 30, 2016, risk-free rates between 0.53% - 2.00% (2015 - 0.47% - 2.31%) and an inflation rate of 2% (2015 - 2%) were used to calculate the net present value of the decommissioning liabilities.

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2016</th>
<th>December 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance - beginning of year</td>
<td>$ 27,542,876</td>
<td>16,624,860</td>
</tr>
<tr>
<td>Liabilities acquired through business acquisition – Note 7</td>
<td>1,855,677</td>
<td>2,456,488</td>
</tr>
<tr>
<td>Change in estimates</td>
<td>2,753,152</td>
<td>8,847,096</td>
</tr>
<tr>
<td>Accretion</td>
<td>170,602</td>
<td>424,761</td>
</tr>
<tr>
<td>Liabilities settlements</td>
<td>(55,947)</td>
<td>(64,159)</td>
</tr>
<tr>
<td>Transfer to liabilities associated with assets held for sale – Note 9</td>
<td>-</td>
<td>(207,821)</td>
</tr>
<tr>
<td>Disposals</td>
<td>(40,575)</td>
<td>(538,349)</td>
</tr>
<tr>
<td>Balance - end of period</td>
<td>$ 32,225,786</td>
<td>27,542,876</td>
</tr>
</tbody>
</table>

Note 14 – Deposits

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2016</th>
<th>December 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease rentals and other deposits</td>
<td>$ 119,998</td>
<td>124,998</td>
</tr>
</tbody>
</table>

Note 15 – Key Management Compensation and Related Party Transactions

a) Key Management Compensation

Key management are compensated on a consulting basis with their contracts reviewed on an annual basis, to ensure that compensation remains both competitive within the industry and represents fair compensation in relation to the performance of the Company and the contribution from management. The Company provides their employees compensation in the forms of salary, stock options and benefits.

Key management includes the Company’s directors, and members of the executive management. Compensation awarded to key management included:

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2016</th>
<th>December 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consulting fees and short-term benefits</td>
<td>$ 209,080</td>
<td>375,660</td>
</tr>
<tr>
<td>Share-based compensation</td>
<td>30,000</td>
<td>160,506</td>
</tr>
<tr>
<td></td>
<td>$ 239,080</td>
<td>536,166</td>
</tr>
</tbody>
</table>

b) Related Party Transactions

During the period ended June 30, 2016, the Company recorded $55,151 (2015 - $28,039) in legal fees to a law firm of which one of the directors of the Company is a partner. Included in accounts payable and accrued liabilities at June 30, 2016 was $7,991 (2015 - $28,039) due to this law firm.
Note 16 – Long-Term Bank Debt

On March 30, 2016, upon review of the Company’s assets with the closing of the acquisition in Saskatchewan, the Company completed the negotiation of and signed an amending agreement with its term lender that included the postponement of principal payments for six months totaling $714,600 ending August 31, 2016. At this time the principal amounts of the term loans will then continue to be repaid starting September 14, 2016 in accordance with the terms negotiated in 2015.

As at June 30, 2016, the Company had drawn $3,557,500 on this loan. The expanded loan is fixed for four years calculated using the bank’s base rate of 4.95% plus 2.25% per year. Commencing January 2016, the principal amount of the loan will be repaid by consecutive monthly instalments as set forth below, with the final payment due and payable in October 2019 plus accrued interest.

- 2 principal payments of $44,500 from January 2016 to February 2016,
- 6 principal payments of $44,500 from March 2016 to August 2016,
- 16 principal payments of $44,500 from September 2016 to December 2017,
- 12 principal payments of $66,750 from January 2018 to December 2018,
- 9 principal payments of $100,125 from January 2019 to September 2019,
- 1 principal payment of $1,143,375 in October 2019.

As at June 30, 2016, the Company had drawn $5,966,100 on this loan. The loan was an expansion of the term loan facility previously funded on June 30, 2014. The expanded loan is fixed for four years calculated using the bank’s base rate of 5.30% plus 1.25% per year. The principal amount of the loan will be repaid by consecutive monthly instalments as set forth below, with the final payment due and payable in October 2019 plus accrued interest.

- 2 principal payments of $74,600 from January 2016 to February 2016,
- 6 principal payments of $74,600 from March 2016 to August 2016,
- 16 principal payments of $74,600 from September 2016 to December 2017,
- 12 consecutive monthly instalments of $112,000 from January 2018 to December 2018,
- 9 consecutive monthly instalments of $168,000 from January 2019 to September 2019,
- A final payment of $1,916,500 due in October 2019.

Under the terms of its lending facility, the Company is required to maintain a working capital ratio of 1:1 or greater, a maximum debt to LTM EBITDA Ratio of 2.25:1 or less, and a minimum coverage ratio of 1.50 to 1.0 on all fixed interest charges. LTM EBITDA is defined as net earnings before taxes, interest, depreciation, depletion and amortization, non-cash expenses and non-cash gains/losses on disposal of assets calculated over the most recent rolling twelve month period. As at June 30, 2016, the Company is in breach of several of its covenants and therefore, both fixed term loans are shown as current in the interim financial statements.
Note 20 – Contributed Surplus

Details of changes in the Company’s contributed surplus balance are as follows:

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2016</th>
<th>December 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>$1,164,275</td>
<td>$984,999</td>
</tr>
<tr>
<td>Share-based compensation - Note 18</td>
<td>17,421</td>
<td>170,109</td>
</tr>
<tr>
<td>Converted warrants - Note 19</td>
<td></td>
<td>10,067</td>
</tr>
<tr>
<td>Balance, end of period</td>
<td>$1,181,696</td>
<td>$1,164,275</td>
</tr>
</tbody>
</table>

Note 21 - Per Share Amounts

The weighted average number of common shares outstanding during the period ended June 30, 2016 used in computing basic and diluted (loss) earnings per share was 44,338,754 (2015 – 39,569,185 and 41,567,663).

Note 22 – Dividends per Share

As of June 30, 2016, the Company has not recognized dividends payable on Class C shares issued on acquisition by $122,500 (2015-$48,160) for a total of $162,660 (2015-$40,160) of which $122,500 is not reflected as dividend payable and $nil (2015-$8,000) was paid.

Note 23 – Investments

On December 15, 2015, the Company entered into an arm’s length agreement, whereby it sold the exclusive worldwide distribution rights to certain of its intellectual property, in the areas of agricultural and associated rural markets, to a private company for $5,000,000. The purchase price was settled by way of cash and notes receivable of $2,000,000 and 600,000 common non-voting shares of the distributor at a deemed value of $5 per share. Following closing and year end, a fair value assessment in accordance with IFRS was conducted and the acquisition of the 600,000 shares received was recorded at a fair value of $1.50 per share.

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2016</th>
<th>December 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preferred shares</td>
<td>900,000</td>
<td>900,000</td>
</tr>
</tbody>
</table>

Note 24 – Commitments and Contingencies

Operating leases

The Company has an operating lease for office space in Calgary, Alberta. The agreement commenced on October 1, 2011 for a term of 60 months with monthly payments of $2,395 and is subject to a 6 month penalty for early termination.

The Company entered into an operating lease for office space in Calgary Alberta. The agreement commenced on November 1, 2013 for a term of 60 months with monthly payments of $6,208 and is subject to a 6 month penalty for early termination.

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

The lease required future minimum lease payments as follows:

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2016</th>
<th>December 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within one year</td>
<td>$92,485</td>
<td>96,071</td>
</tr>
<tr>
<td>After one year but not more than five years</td>
<td>104,733</td>
<td>136,746</td>
</tr>
<tr>
<td>More than five years</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$197,218</td>
<td>232,817</td>
</tr>
</tbody>
</table>
Note 24 – Commitments and Contingencies (continued)

Finance leases

On March 17, 2016, the Company entered into a new truck finance lease for a term of 60 months with monthly payments of $965 having an implied interest rate totalling 4.98% per annum.

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

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2016</th>
<th>December 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within one year</td>
<td>$8,349</td>
<td>6,994</td>
</tr>
<tr>
<td>After one year but not more than five years</td>
<td>49,566</td>
<td>16,220</td>
</tr>
<tr>
<td>More than five years</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$57,915</td>
<td>23,214</td>
</tr>
</tbody>
</table>

Legal Risk

The Company from time to time becomes party to legal proceedings in the normal course of business. At June 30, 2016, the Company was party to a number of claims from trade creditors and joint venture partners for unpaid invoices amounts in the aggregate sum of $601,436.

In the normal conduct of operations, there are a number of additional contract disputes the Company is party to. The Company does not anticipate any material costs to be incurred in addition to the accrued amounts owing.

Note 25 – Convertible Debentures and Debentures

The convertible debentures have a face value of $1,000 per debenture and are convertible into units consisting of one common share and one common share purchase warrant at a conversion price of $0.15 per unit share. The debentures will accrue interest at a rate of 8% per annum payable semi-annually in whole or part, and mature in July 2015. As the convertible debentures carry interest at a rate that approximates the market rate of interest for the Company, no equity component has been recognized. The fair market value assigned to the liability and the residual value assigned to the equity component on issuance costs are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Equity Component</th>
<th>Liability Component</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of December 31, 2013</td>
<td>$</td>
<td>-</td>
<td>1,250,000</td>
</tr>
<tr>
<td>Proceeds from issuance of debentures (i)</td>
<td>-</td>
<td>-</td>
<td>757,500</td>
</tr>
<tr>
<td>Balance as of December 31, 2013</td>
<td>$</td>
<td>-</td>
<td>1,250,000</td>
</tr>
<tr>
<td>Payment of convertible debentures (i),(ii)</td>
<td>-</td>
<td>-</td>
<td>(1,507,500)</td>
</tr>
<tr>
<td>Balance as of December 31, 2014</td>
<td>$</td>
<td>-</td>
<td>500,000</td>
</tr>
<tr>
<td>Balance as of December 31, 2015</td>
<td>$</td>
<td>-</td>
<td>500,000</td>
</tr>
<tr>
<td>Balance as of June 30, 2016</td>
<td>$</td>
<td>-</td>
<td>500,000</td>
</tr>
</tbody>
</table>

(i) In the first quarter of 2014, the Company issued a debenture in the principal amount of $757,500, the amount maturing in April of 2015 and bearing interest 8.6% per annum. During the year ended December 31, 2015, the Company repaid this debenture of $757,500. As at June 30, 2016, there is $40,000 (2015 - $40,000) in accrued interest payable in accounts payable and accrued liabilities related to this debenture, due to an officer of the Company.

(ii) Of the $1,250,000 in convertible debentures that were outstanding as at December 31, 2013, $130,000 was repaid in cash and $600,000 was converted to 4,000,000 Class A common shares and 4,000,000 warrants on December 27, 2014 with no value being assigned to the warrants. At June 30, 2016, the remaining $500,000 in debentures outstanding (2015 - $500,000) was held by an officer of the Company and the deadline for conversion or repayment was extended to April 30, 2017.
Note 28 - Financial Instruments (continued)

Foreign Currency Risk (continued)

As at June 30, 2016 and June 30, 2015, the Company had no forward exchange rate contracts in place or any working capital items denominated in foreign currencies.

Note 29 – Capital Disclosures

The Company’s primary objective for managing its capital structure is to maintain financial capacity for the purpose of sustaining the future development of the business and maintaining investor, creditor and market confidence.

The Company considers its capital structure to include shareholders’ equity of $27,586,011 (2015 - $25,709,818) and non-current liabilities of $36,707,796 (2015 - $27,995,897). Management is continually monitoring changes in economic conditions and the risk characteristics of the market. In the event that adjustments to the capital structure are necessary, the Company may consider issuing additional equity, raising debt or revising its capital investment programs.

The Company’s share capital is not subject to any external restrictions.

Note 30 – Segmented Information

The Company continues to operate in Canada and Guatemala. All of the Company’s assets are situated in Canada, other than $1,718,830 (2015 - $1,718,830) of E&E assets that pertain to Guatemala.

Note 31 – Subsequent Events

The Company signed an agreement effective June 30, 2016 agreed to purchase a 100% interest in the El Cedro License, Block 6-2012 in Guatemala, consisting of approximately 34,723 hectares in the South Peten Basin, from GFI Petroleum (Guatemala) Limited, from a Guatemalan subsidiary of an oil and gas exploration and production company residing in the British Virgin Islands. The purchase price for the acquisition is CDN $6,176,800, to be paid through the issuance of 60,000 non-voting, Class C, series III convertible preferred shares at a deemed price of $100 per share (“Preferred Shares”) and the assumption of $376,800 in liabilities related to current work in progress. The closing date for the transaction was amended and is anticipated to occur on or about August 31, 2016. The Preferred Shares are priced at $100 per share and pay an annual preferred dividend of $3.50 per share. The holder will have the right on the anniversary of the 2nd year of issuance to convert the Preferred Shares into Class A common shares at a ratio of 40 Class A shares for each Preferred Share converted.

At the Company’s annual general and special meeting of shareholders held on July 27, 2016, the shareholders of the Company approved the consolidation of the Company’s Class A common shares on an up to 10 old for one new share basis at the discretion of the board of directors. The directors of Quattro have not implemented the consolidation and there is no current timetable for doing so.

Subsequent to the second quarter of 2016, the Company signed a letter of intent for the sale of certain oil and gas production, facilities and lands in Western Canada that represents 40% and 35% of the Company reserves and lands respectively to an Alberta-based private oil and gas exploration and production company. The aggregate sale price is CDN $24,250,000 including cash totalling CDN $8,000,000, 8,000,000 common shares of the purchaser at deemed price of $0.50 per common share and the transfer of an estimated CDN $12,250,000 in decommissioning liabilities. Upon closing of the sale, the Company intends to settle its outstanding liabilities including trade payables and a reduce its term debt owing to improve the Company’s working capital and ability to invest. Average production following the sale is anticipated by management to remain approximately 1,200 barrels per day and positions the Company to retain the potential to grow to 3,000 bopd per day within a short period.

The Company announced an increase in its divestiture plan to CDN $30,000,000, including its previously announced asset sale of CDN $24,250,000 and filed a Notice of Intention to Make a Proposal (“Notice of Intention”) under the provisions of Part III of the Bankruptcy and Insolvency Act (the “BIA”). The notice was filed by the Company in order to allow it the necessary time to complete the asset sale detailed above and the sale of additional non-core assets that are currently in process, protecting Quattro and its assets from the claims of creditors and others while the Company pursues these objectives. A Notice of Intention permits the Company to pursue the restructuring of its financial affairs through an orderly and formal proposal process. The filing of the Notice of Intention has the effect of imposing an automatic stay of proceedings (“Stay”) that will protect the Company and its assets from the claims of creditors and others. The initial Stay period of 30 days can be extended by court order, during which time the Company will be presenting its debt settlement proposal to its creditors.
This is Exhibit "F" referred to in the Affidavit of Leonard B. Van Betuw sworn before me this 2nd day of September A.D. 2016

A COMMISSIONER FOR OATHS IN AND FOR ALBERTA

James W. Reid
Barrister & Solicitor
Quattro Exploration and Production Ltd.

Reserve estimation and economic evaluation

Executive summary

Effective date: December 31, 2015
CONFIDENTIAL

EXHIBIT "F"

Reserve Report from Deloitte LLP
This is Exhibit "G" referred to in the Affidavit of Leonard B. Van Betuwin sworn before me this 2nd day of September A.D. 2016

[Signature]

A COMMISSIONER FOR OATHS IN AND FOR ALBERTA

James W. Reid
Barrister & Solicitor
Letter of Offer dated June 24, 2014

Quattro Exploration and Production Ltd.
4110, 825 - 8th Avenue SW
Calgary, AB
T2P 2T3

Attention of: Mr. Leonard Van Betuw

Re: Loan Account No. 073911-03

Business Development Bank of Canada is pleased to offer Quattro Exploration and Production Ltd. a loan in the amount of $8,000,000 according to the terms of this letter ("Letter of Offer"). The Letter of Offer is open for acceptance until 10 days from the date hereof ("Acceptance Date") after which date it will become null and void. This Letter of Offer contains all the terms and conditions pertaining to the availability of the Loan and as a result, it amends, incorporates and restates the terms and conditions of all existing commitments.

SCHEDULE

The Letter of Offer includes Schedule "A", which contains Definitions, Representations and Warranties and General Terms and Conditions. Schedule "A" has been inserted after the signature page and forms an integral part of the Letter of Offer.

LENDER

Business Development Bank of Canada ("BDC")

BORROWER

Quattro Exploration and Production Ltd. ("Borrower")

GUARANTOR

Quattro Guatemala S.A. ("Guarantor")

LOAN AMOUNT

Cdn $8,000,000.00 ("Loan")
LETTER OF OFFER Quattro Exploration and Production Ltd. - 073911, June 23, 2014

LOAN PURPOSE AND FUNDING

Loan Purpose
Supersede BDC Loan 073911 - 01 5,107,245.00
Working Capital 2,319,926.00
Refinance of Capital Leases 572,829.00

8,000,000.00

Funding
BDC 073911-03

8,000,000.00

Loan 073911-03 supersedes the existing loan 073911-01 on which $5,107,245 is outstanding. Payment of interest on the superseded loan will continue at its existing rate until first disbursement of the Loan 073911-03 when the Loan 073911-03 interest rate will take effect. The amount required to pay out the superseded loan will be adjusted to the amount of principal outstanding on the superseded loan at disbursement.

The Loan is available by way of a fixed-rate term loan in Canadian dollars and draw on or before July 30, 2014 ("Expiry Date"), subject to delivery of a written notice to BDC at least two Business Days prior to the date of the requested Advance of the Loan. Any amount not drawn down on or prior to the Expiry Date will be cancelled and no longer available to the Borrower. The Loan is non-revolving and as such, amounts repaid may not be re-borrowed.

No change to the Loan Purpose or Funding may be made without BDC's prior written consent. The proceeds of the Loan may only be used for the Loan Purpose.

INTEREST RATE

The Borrower shall pay interest on the outstanding principal amount of the Loan at an effective rate per annum equal to 6.55%, being comprised of BDC's Base Rate for four year fixed term loans plus a variance of 1.25% per year.

As of this date, BDC’s Base Rate for three year fixed term loans is 5.30% per annum.

INTEREST CALCULATION

Interest shall be calculated monthly on the outstanding principal, commencing on the date of the date of the Advance of the Loan ("Funding Date"), both before and after maturity, default and judgment.

Arrears of interest or principal of the Loan and all other amounts owing by the Borrower pursuant to the Loan Documents shall bear interest at the effective rate applicable to the Loan, plus 2% per annum and shall be calculated and compounded monthly.
LETTER OF OFFER Quattro Exploration and Production Ltd. - 073911, June 23, 2014

LOAN PROCESSING FEE

A non-refundable loan processing fee of $30,000 ("Loan Processing Fee") is payable as follows:

1. $15,000 - Payable upon execution of the Letter of Offer (acknowledged by BDC as being received), and
2. $15,000 – Payable on the Funding Date.

REPAYMENT

Principal of the Loan is repayable according to the following. The balance of the Loan in principal and interest and all other amounts owing pursuant to the Loan Documents shall become due and payable on September 14th 2017 (the "Maturity Date").

Regular

<table>
<thead>
<tr>
<th>Number</th>
<th>Frequency</th>
<th>Amount ($)</th>
<th>Start Date</th>
<th>End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Once</td>
<td>133,500.00</td>
<td>14-08-2014</td>
<td>14-08-2014</td>
</tr>
<tr>
<td>36</td>
<td>Monthly</td>
<td>133,500.00</td>
<td>14-09-2014</td>
<td>14-08-2017</td>
</tr>
<tr>
<td>1</td>
<td>Balloon</td>
<td>3,060,500.00</td>
<td>14-09-2017</td>
<td>14-09-2017</td>
</tr>
</tbody>
</table>

In addition, interest is payable monthly on the 14th day of the month ("Payment Date"), commencing on the next occurring Payment Date following the Funding Date and continuing on the Payment Date in each month thereafter to and including the Maturity Date.

On the Maturity Date, the balance of the principal amount of the Loan plus interest and all other amounts owing pursuant to the Loan shall be due and payable.

PREPAYMENT

Prepayment privilege: Upon giving BDC not less than 2 days' prior written notice, the Borrower may prepay at any time all or part of the then outstanding principal of the Loan provided that the Borrower pays all accrued and unpaid interest owing in respect of the Loan at the time of the prepayment and the "Prepayment Indemnity" set forth below.

Prepayment Indemnity: The Borrower shall pay BDC three months' further interest calculated on the prepaid principal amount, together with the Interest Differential Charge, which together constitute a genuine pre-estimate of liquidated damages.

Prepayment on account of change of laws/illegality: If BDC determines in good faith and notifies the Borrower that by reason of a change since the date of this Letter of Offer in any applicable law, rule, regulation, order, treaty or official direction, or in the interpretation thereof by any Governmental Authority, it would be unlawful for BDC to make the Loan or any relevant
portion thereof or to give effect to its obligations in respect of any of the Loan as contemplated hereby, then BDC may, by written notice to the Borrower, immediately terminate its obligations hereunder in respect of the Loan, and thereupon the Borrower shall, within five (5) Business Days following the date such notice is received by the Borrower, repay all of the outstanding amounts owing at such time to BDC in respect of the Loan, whereupon the Loan shall be cancelled and terminated.

Partial prepayments shall be applied regressively on the then last maturing instalments of principal.

SECURITY

The Loan, interest on the Loan and all other amounts owing in respect of the Loan, or otherwise owing pursuant to the Loan Documents, shall be secured by the following ("Security"), all of which shall be in form and substance reasonably required by BDC and its legal counsel:

1. General assignment of book debts from the Borrower;
2. A debenture in the face amount of $10,000,000 from the Borrower providing a security interest in all present and after-acquired personal property of the Borrower, fixed charges on all the oil and gas assets of the Borrower and a floating charge over all other present and after-acquired real property, which may be registered in such places and at such times in the sole discretion of BDC, the debenture will contain a negative pledge and undertaking to provide such further fixed charges on the Borrower's oil and gas assets as may be requested by BDC from time to time;
3. Evidence of Insurance coverage in accordance with normal industry standards designating BDC as first loss payee in respect of the proceeds of the Insurance;
4. Appropriate title representation (Officer's Certificate as to Title Matters) by the Borrower, including a schedule of petroleum and natural gas reserves described by lease (type, date, term, parties), legal description (wells and spacing units), interest (working interest or other after payout/before payout interest, overriding royalty interest), lessor royalties, overriding royalties and other liens, encumbrances and charges to which the interest may be subject;
5. Environmental agreement and indemnity from the Borrower in favour of BDC;
6. Deposit instrument regarding the debenture;
7. Unlimited guarantee from the Guarantor;
8. Subordination agreement between GMR Management Corp., BDC and the Borrower;
9. Subordination agreement between Leonard Van Betuw, BDC and the Borrower; and
10. Such other security, documents and agreements that BDC or its legal counsel shall reasonably request.

The Security shall be registered/perfected in all jurisdictions requested by BDC, including, the Provinces of Alberta, British Columbia and Saskatchewan, in a first priority position, subject only to Permitted Encumbrances.
CONDITIONS PRECEDENT

The Advance of the Loan contemplated by this Letter of Offer is subject to the following conditions ("Conditions Precedent") being fulfilled to the satisfaction of or waived by BDC on or before the Expiry Date:

1. The Letter of Offer and the Security shall have been duly authorized, executed and delivered to BDC by the Borrower and other Persons party thereto and shall constitute legal, valid and binding obligations of each of them, as applicable.

2. All registrations, filings or recordings necessary to preserve, protect or perfect the enforceability and first priority of the Security (subject only to Permitted Encumbrances) shall have been completed.

3. BDC shall have received a certificate of a senior officer of the Borrower certifying (and where applicable, attaching copies of):
   (a) constating documents and bylaws of the Borrower;
   (b) true and complete copies of each of the "Material Contracts",
   (c) resolutions of the board of directors of the Borrower authorizing the transactions contemplated hereby and the execution, delivery and performance of this Letter of Offer and all other Loan Documents and the Material Contracts to which it is party; and
   (d) incumbency.

4. BDC shall have received a certificate of a director of the Guarantor certifying (and where applicable, attaching copies of):
   (a) constating documents of the Guarantor;
   (b) resolutions of the sole director of the Guarantor authorizing the execution, delivery and performance of the unlimited guarantee by the Guarantor; and
   (c) incumbency.

5. Certificate of Status in respect of the Borrower.

6. Satisfactory review by BDC of all financial information relating to the Borrower and its business as BDC may reasonably require.

7. No Default or Event of Default shall exist.

8. All representations and warranties of the Borrower contained in each Loan Document and each Material Contract shall be true and correct in all material respects on and as of the Funding Date as though made on and as of such date and BDC shall have received a certificate of an officer of the Borrower certifying same with specific reference to Schedule A.
9. BDC shall have received confirmation from the Borrower that there is no fact known that would reasonably be expected to have or give rise to a Material Adverse Change.

10. BDC shall have received confirmation to its satisfaction that the Borrower is the legal and beneficial owner of the Borrower Assets.

11. All fees, costs and expenses (including reasonable legal expenses) that are due and payable to BDC on the Funding Date, including but not limited to the Loan Processing Fee, shall have been paid in full.

12. BDC shall have completed its technical, financial, legal, tax and transaction due diligence, and the results of such due diligence shall be satisfactory to BDC.

13. BDC shall have received customary legal opinions from the Borrower's legal counsel in form and substance satisfactory to BDC and BDC's legal counsel.

14. Registrations made by Nexen Inc. ("Nexen") at the Alberta Personal Property Registry on September 10, 2013 as Registration Nos. 13091011766 and 1309101185 (collectively, "Registrations") shall have been acknowledged by Nexen as having been made pursuant to various joint operating agreements, farmout agreements and production facilitation and sharing agreements (collectively, "Agreements") and having application only to the joint lands, wells and equipment thereon, the petroleum substances produced therefrom and any production facilities, all as more particularly set forth in the Operating Procedures attached to and forming part of the Agreements, such acknowledgement to be in form and content reasonably satisfactory to BDC and its legal counsel.

15. BDC shall have received confirmation to its reasonable satisfaction of the payment of all fees owed to AJM Deloitte in respect of Engineering Reports prepared on behalf of BDC.

16. The Loan is to be disbursed directly to BDC's legal counsel and shall be released once all Conditions Precedent have been fulfilled and upon BDC's legal counsel being satisfied to the security undertaken.

17. Receipt of executed written confirmation of all convertible debentures in the principal amount of $757,500 issued in the first quarter of 2014 have been repaid in full.

18. A $15,000 in loan application fee (50% of $30,000) to be collected upon loan authorization. The remaining $15,000 is to be collected prior to first disbursement.

UNDERLYING CONDITIONS

The following conditions shall apply throughout the term of the Loan:

1. FINANCIAL COVENANTS:

The Borrower will maintain the following financial covenants, which will be measured at the end of each fiscal quarter of the Borrower in accordance with the reporting requirements specified herein:
i. Commencing September 30, 2014 and for the duration of the Loan, the Borrower will maintain the following financial ratios:
(a) a minimum Working Capital Ratio of at least 1.0:1.0;
(b) a maximum Debt to LTM EBITDA Ratio of 2.0:1.0

ii. Commencing on September 30, 2014, the Borrower will maintain a minimum Fixed Charge Coverage Ratio of 1.25:1.0 increasing to 1.50:1.0 commencing on December 31, 2014 and beyond;

"Working Capital Ratio" means the ratio of the total Current Assets to the total Current Liabilities;

"Debt to LTM EBITDA Ratio" means, as of the last day of a quarter, the ratio of Debt as at such date to LTM EBITDA for the four quarter period ending as of such date, as determined by reference to the Borrower's Financial Statements prepared on a Consolidated Bases;

"Debt" means, with respect to the Borrower, the following as determined in accordance with GAAP, GAAP for Private Enterprises or IFRS, as applicable, on a Consolidated Basis and without duplication:
(a) indebtedness for borrowed money, including, without limitation, the Loan, any and all convertible debentures with maturities less than 12 months and subordinated debentures with maturities less than 12 months;
(b) obligations arising pursuant to bankers' acceptances (including payment and reimbursement obligations in respect thereof), tender cheques or letters of credit and letters of guarantee supporting obligations which would otherwise constitute Debt within the meaning of this definition or indemnities issued in connection therewith;
(c) obligations under guarantees, indemnities, assurances, legally binding comfort letters or other contingent obligations relating to the indebtedness for borrowed money of any other Person or the obligations of any other Person which would otherwise constitute Debt within the meaning of this definition and all other obligations incurred for the purpose of or having the effect of providing financial assistance to another Person in respect of indebtedness for borrowed money or such other Debt obligations, including, without limitation, endorsements of bills of exchange (other than for collection or deposit in the ordinary course of business);
(d) all indebtedness representing the deferred purchase price of any property, if such indebtedness is not due and payable within ninety (90) days from the date of purchase, and all Purchase Money Obligations and obligations under capital leases and Financing Leases; and
(e) notwithstanding GAAP, GAAP for Private Enterprises or IFRS, as applicable, any unrealized mark-to-market position, whether positive or negative, from any applicable Risk Management Transactions will be excluded.

"EBITDA" means net earnings before income taxes, interest (long term and short term), depreciation, depletion, amortization and all extraordinary items, non-cash expenses and non-cash gains/losses on disposal of assets;

"LTM EBITDA" means the EBITDA calculated over the most recent rolling twelve month
legal hypothec, without subrogation or consolidations, and provide BDC with proof of payments as BDC may request from time to time.

eviii. Promptly furnish to BDC such information, reports, certificates and other documents concerning any Loan Party as BDC may reasonably request from time to time.

3. NEGATIVE COVENANTS:

No Loan Party (or the Borrower, as applicable) shall, without the prior written approval of BDC:

i. Allow a Change of Control.

ii. Merge, amalgamate, consolidate, or windup its assets.

iii. Make any Distribution.

iv. Make loans or investments to any Person.

v. Make any material changes in the nature of its business as carried on at the date hereof.

vi. Move its property, assets or undertaking outside the jurisdictions in which the Security is registered.

vii. The Borrower shall not move its chief executive office from Alberta.

viii. Create, acquire or suffer to exist any Subsidiary unless, if requested by BDC, such Subsidiary provides a guarantee and such other security required by BDC, in its sole discretion.

ix. Experience a change in its executive management which, in the opinion of BDC, acting in its sole discretion, has or may result in a Material Adverse Change.

x. Create, incur, assume or suffer to exist any Debt, other than the Loan and the following (collectively, "Permitted Debt Limitations"), all of which Debt must be on terms and conditions acceptable to BDC, and subordinated and postponed to the Loan and all other obligations and liabilities of the Borrower to BDC on terms and conditions acceptable to BDC:

(a) unsecured convertible subordinated debenture - $750,000 (Holder: GMR Management Corp.; Maturity Date: March 22, 2015);

(b) unsecured subordinated debenture - up to $1,000,000 (Holder: Leonard Van Betuw (or nominee with the consent of BDC); Maturity Date: not less than 3 years from the date of issue; Interest Rate: not more than 10% per annum) on terms and conditions satisfactory to BDC;

(c) unsecured subordinated debenture - up to $5,000,000 (Holder: nominee with consent of BDC; Maturity Date: not less than 3 years from the date of issue; Interest Rate: not more than 8% per annum) on terms and conditions satisfactory to BDC;

(d) line of credit and/or credit card facilities of up to $500,000 on terms and conditions satisfactory to BDC;
LETTER OF OFFER Quattro Exploration and Production Ltd. - 073911, June 23, 2014

(e) unsecured convertible subordinated debenture - $500,000 (Holder: Leonard Van Betuw or nominee with the consent of BDC); Maturity Date: December 31, 2016; Interest Rate: 8% per annum) on terms and conditions satisfactory to BDC;
(f) equipment loans / finance / capital lease obligations not exceeding $600,000 on terms and conditions satisfactory to BDC;

xi. Dispose of any of the Borrower Assets or Subsidiary Assets included in the Proved Developed Producing reserves category without BDC's prior written consent.

xii. For any assets that are not included in the Proved Developed Producing reserves category, dispose of any of the Borrower Assets or Subsidiary Assets, except for Permitted Dispositions, without BDC's prior written consent. Maximum Permitted Dispositions in the aggregate shall be $2,000,000 in any fiscal year of the Borrower.

xiii. Enter into any Risk Management Transactions that represent more than 25% of oil and gas production.

4. Standard Representations and Warranties

5. Standard Events of Default

DISBURSEMENT

The Loan funds shall be disbursed as follows:

The working capital portion of this Loan will be disbursed once all Conditions Precedent have been met. Invoices evidencing working capital expenditures are not required.

For the lease being refinanced as described in the Loan Purpose in the total amount of $572,829, written confirmation of the payout balance must be obtained directly from the refinanced lender or from the external solicitor/notary. Any adjustments to the payout amount less than or greater than the amount presented in the Loan Purpose will be offset by an equivalent increase or reduction in the amount designated as working capital proceeds within the Loan Purpose.

The Borrower hereby authorizes BDC to disburse and use a portion of the Loan to be disbursed directly to the Financial Institution.

Unless otherwise authorized, funds for each Loan account number shall be disbursed to the solicitor or notary who shall confirm to BDC the execution, delivery and registration of the Security relating to the Loan.

REPORTING OBLIGATIONS

The Borrower shall submit copies of each of the following documents:

1. Monthly production and revenue reports of the Borrower and the Material Subsidiaries (either individually or combined) within 60 calendar days of each month end of the Borrower;
2. Quarterly unaudited consolidated financial statements of the Borrower which will include the Borrower and the Material Subsidiaries for the first three fiscal quarters of the Borrower within 50 calendar days of each fiscal quarter end of the Borrower;

3. An annual audited consolidated financial statements of the Borrower which will include the Borrower and any Material Subsidiaries within 120 calendar days of each fiscal year end of the Borrower;

4. A Compliance Certificate at the time of each delivery of financial statements required, which shall include a quarterly Management Discussion and Analysis report;

5. Within 15 days prior to the end of each fiscal year, consolidated annual forecasted income statements, balance sheets, cash flow projections and capital expenditure budgets for the next fiscal year prepared on a quarterly and annualized basis including forecasted LTM EBITDA and forecasted financial covenant levels;

6. On or before April 30 in each year, the Borrower shall deliver an Engineering Report as to its and any Material Subsidiaries’ reserves as of the immediately preceding December 31 prepared by an Independent Engineer;

7. Any other information BDC may reasonably require from time to time.

For the purposes of the foregoing, reference to "consolidated" in regards to financial statements, forecasted income statements, balance sheets, cash flow projections and capital expenditure budgets shall include the Guarantor.

EVENTS OF DEFAULT

The occurrence of any of the following events by the Borrower constitutes an Event of Default at which time BDC may demand immediate payment of the Loan and enforce the Security.

1. Any Loan Party fails to pay any amount owing under or pursuant to the Loan Documents.

2. Any Loan Party fails to comply with or to perform any material provision of the Letter of Offer or the other Loan Documents, with the exception of a failure to pay any amount referred to in paragraph 1 above, and such failure to comply or perform is not cured, if capable of being cured, within 7 days of notice from BDC to do so.

3. Any Loan Party is in default under any other agreement with BDC or any third party for the granting of a loan or other financial assistance and such default remains unremedied after any cure period provided in such other agreement.

4. Any material representation or warranty made by any Loan Party herein or in any other Loan Document is breached, false or misleading in any material respect, or becomes at any time false.

5. Any schedule, certificate, financial statement, report, notice or other writing furnished by any Loan Party to BDC in connection with the Loan is false or misleading in any material respect on the date as of which the facts therein set forth are stated or certified.
6. Any Loan Party becomes insolvent or generally fails to pay, or admits in writing its inability or refusal to pay its debts as they become due; or any Loan Party applies for, consents to, or acquiesces in the appointment of a trustee, receiver or other custodian for such Loan Party or any property thereof, or makes a general assignment for the benefit of creditors; or, in the absence of such application, consent or acquiescence, a trustee, receiver or other custodian is appointed for any Loan Party or for a substantial part of the property of such Loan party; or any bankruptcy, reorganization, debt arrangement, or other case or proceeding under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding, is commenced in respect of any Loan Party; or any Loan Party takes any action to authorize, or in furtherance of, any of the foregoing.

7. The Borrower ceases or threatens to cease to carry on all or a substantial part of its business.

8. Without the prior written consent of BDC, the occurrence of a Change of Control of any Loan Party who is not a Public Issuer.

9. Any Loan Party is in violation of any applicable law relating to terrorism or money laundering, including the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada).

10. In the event that either a) any Person or group of Persons, acting jointly or in concert, that already owns 20% or more of the outstanding Equity Interests of a Public Issuer, acquires a number of Equity Interests from such Public Issuer or from any third party that would result in such Person or group of Persons owning more than 50% of the outstanding Equity Interests of such Public Issuer or b) any Person or group of Persons, acting jointly or in concert, that does not already own 20% or more of the outstanding Equity Interests of a Public Issuer, acquires a number of Equity Interests from such Public Issuer or from any third party that would result in such Person or group of Persons owning at least 20% of the outstanding Equity Interests of such Public Issuer, BDC may review the Loan and may require that the Loan, together with interest and any other amounts then outstanding, be repaid within sixty (60) days. Should the Borrower fail to repay the Loan, accrued interest, and all other amounts outstanding within sixty (60) days of the demand by BDC under this provision, the Borrower shall be in Default and same shall constitute an Event of Default.

11. The occurrence of a Default under any existing or future subordinated debentures, convertible debentures or other debt instruments of the Borrower.

**ADDITIONAL FEES**

Payable by Borrower:

**Cancellation:** $20,000, which amount is a genuine pre-estimate of liquidated damages, payable on demand, if the Letter of Offer is accepted and the Loan is not drawn by the Expiry Date, at which time the availability of the Loan will be cancelled.

**Legal:** Reasonable fees and expenses, payable on demand, incurred by BDC in connection with the placing of the Loan and the Security including the enforcement of the Loan and the Security, whether or not any documentation is entered into or any advances made.
LETTER OF OFFER Quattro Exploration and Production Ltd. - 073911, June 23, 2014

Loan Management: $3,000.00 per year (non-refundable). Payable on the next Payment Date following the Funding Date and thereafter on each anniversary of the Funding Date.

Transaction: Standard Loan Amendment Fee of $1,000.00 per amendment request for the administrative handling of the Loan.

CONFLICTS

The Loan Documents constitute the entire agreement between BDC and the Loan Parties. To the extent that any provision of the Letter of Offer is inconsistent with or in conflict with the provisions of the other Loan Documents, such provision of the Letter of Offer shall govern.

INDEMNITY

The Borrower shall indemnify and hold BDC harmless against any and all claims, damages, losses, liabilities and expenses incurred, suffered or sustained by BDC by reason of or relating directly or indirectly to the Loan Documents save and except any such claim, damage, loss, liability and expense resulting from the gross negligence or wilful misconduct of BDC.

SUCCESSORS AND ASSIGNS

The Letter of Offer shall extend to and be binding on each Loan Party and BDC and their respective successors and assigns. BDC, in its sole discretion, may assign, sell or grant participation in (a "transfer") all or any part of its rights and obligations under this Letter of Offer or the Loan to any third party, and the Borrower agrees to sign any documents and take any actions that BDC may reasonably require in connection with any such transfer. Upon completion of the transfer, the third party will have the same rights and obligations under this Letter of Offer as if it were a party to it, with respect to all rights and obligations included in the transfer and BDC will be released to the extent of any interest under this Letter of Offer or the Loan it assigns. BDC may disclose information it has in connection with the Borrower or any Loan Party to any actual or prospective transferee. No Loan Party shall have the right to assign any of its rights or obligations under or pursuant to the Loan Documents without BDC's prior written consent.

ACCEPTANCE

The Letter of Offer and any modification of it may be executed and delivered by original signature, fax, or any other electronic means of communication acceptable to BDC and in any number of counterparts, each of which is deemed to be an original and all of which taken together shall constitute one and the same Letter of Offer.

GOVERNING LAW AND JURISDICTION

This Letter of Offer shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein. The parties irrevocably attorn to the non-exclusive jurisdiction of the courts of Alberta and all courts of appeal therefrom.
AMENDMENT AND
RESTATEMENT


Should you have any questions regarding the Letter of Offer, do not hesitate to communicate with one of the undersigned.

Scott Overes  
Senior Manager, Specialized Credit Group  
Phone: (403) 292-6034  
Fax: (403) 292-6951  
scott.overes@bdc.ca

Michelle Lo  
Senior Account Manager, Specialized Credit Group  
Phone: (403) 407-9302  
Fax: (403) 292-6616  
michelle.lo@bdc.ca

ACCEPTANCE

The Borrower agrees that a public announcement of this financing can be made by BDC in the form of a news release or other medium.  

☐ Yes  
☐ No
AMENDMENT AND
RESTATEMENT


Should you have any questions regarding the Letter of Offer, do not hesitate to communicate with one of the undersigned.

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Fax: (403) 292-6616
michelle.lo@bdc.ca

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[ ] Yes  
[ ] No
LETTER OF OFFER Quattro Exploration and Production Ltd. - 073911, June 23, 2014

We accept the above terms and condition this 24th day of June, 2014

Quattro Exploration and Production Ltd.

[Signature]
Authorized Signing Officer

Leonard Van Betuw

GUARANTOR

Quattro Guatemala S.A

[Signature]
Authorized Signing Officer

Leonard Van Betuw
SECTION I – DEFINITIONS

In this Letter of Offer, including all Schedules to the Letter of Offer, and in all notices given pursuant to the Letter of Offer, unless something in the subject matter or context is inconsistent therewith, capitalized words and phrases shall have the meanings given to them in the Letter of Offer in their proper context, and capitalized words and phrases not otherwise defined in the Letter of Offer shall have the following meanings:

"Advance" means an advance of funds made by BDC to the Borrower pursuant to the Letter of Offer;

"Affiliate" means any Person which, directly or indirectly, controls, is controlled by or is under common control with another Person; and for the purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" or "under common control with") means the power to direct or cause the direction of the management and policies of any Person, whether through the ownership of shares or by contract or otherwise;

"Business Day" means a day on which banks are open for business in Calgary, Alberta, Montreal, Quebec and Toronto, Ontario, but does not in any event, include a Saturday or Sunday;

"BDC's Base Rate" means the annual rate of interest announced by BDC through its offices from time to time as its base rate and, as the case may be, subject to a discount for the duration, applicable to each of BDC's fixed interest rate plans then in effect for determining the fixed interest rates on Canadian dollar loans;

"Borrower" means Quattro Exploration and Production Ltd;

"Borrower Assets" means, collectively, all of the real and personal property, Hydrocarbon Properties, assets, undertakings, title, interests, rights and benefits owned by the Borrower;

"Canadian Dollars" and "Cdn. $" means the lawful money of Canada;

"Cash Flow" means LTM EBITDA as at such date less Unfunded Capital Expenditures for the same period;

"Change of Control" means the occurrence of any of the following events:
(a) any Person or Persons acting jointly or in concert (within the meaning of the Securities Act (Alberta)), shall beneficially, directly or indirectly, hold or exercise control or direction over and / or has the right to acquire or control or direction over (whether such right is
exercisable immediately or only after the passage of time) more than 30% of the issued and outstanding Voting Shares of the Borrower;

(b) the Borrower ceases to own, control or direct 100% of the Voting Shares of a Material Subsidiary;

"Compliance Certificate" means a compliance certificate substantially in the form of Schedule "B" to the Letter of Offer to be executed by any one of the president, chief financial officer, treasurer or controller of the Borrower and delivered to BDC quarterly in accordance with the reporting requirements outlined in the Letter of Offer;

"Commodity Agreement" means any agreement for the making or taking of delivery of any commodity (including, without limitation, Petroleum Substances but excluding agreements for the sale of Petroleum Substances in the ordinary course of business which are terminable on less than 31 days' notice without penalty or costs), any commodity swap agreement, floor, cap or collar agreement or commodity future or option or other similar agreements or arrangements, or any combination thereof, entered into by the Borrower or a Material Subsidiary where the subject matter of the same is any commodity or the price, value or amount payable thereunder is dependent or based upon the price of any commodity or fluctuations in the price of any commodity;

"Consolidated Basis" means, relative to any financial statements or financial results of the Borrower (or any determination derived therefrom), the financial statements and financial results of the Borrower and its Subsidiaries, prepared and calculated on a consolidated basis all in accordance with GAAP, GAAP for Private Enterprises or IFRS, as applicable;

"Currency Hedging Agreement" means any currency swap agreement, cross-currency agreement, forward agreement, floor, cap or collar agreement, futures or options, insurance or other similar agreement or arrangement, or any combination thereof, entered into by the Borrower or any Material Subsidiary where the subject matter of the same is currency exchange rates or the price, value or amount payable thereunder is dependent or based upon currency exchange rates or fluctuations in currency exchange rates as in effect from time to time;

"Current Assets" means, as at any date of determination, the current assets of the Borrower on a Consolidated Basis with only Material Subsidiaries for such date as determined in accordance with, GAAP for Private Enterprises or IFRS, as applicable, including but not limited to the following: cash on deposit, accounts receivable (trade and other), inventory and prepaid expenses;

"Current Liabilities" means, as at any date of determination, the current liabilities of the Borrower on a consolidated basis with only Material Subsidiaries for such date as determined in accordance with generally accepted accounting principles but including but not limited to the following: bank advances, cheques in transit, accounts payable (trade and other) and the current portion due within the next 12 months of all long term debts;
"Debt" means, with respect to the Borrower, the following as determined in accordance with GAAP, GAAP for Private Enterprises or IFRS, as applicable, on a Consolidated Basis and without duplication:

(c) indebtedness for borrowed money, including, without limitation, the Loan, any and all convertible debentures with maturities less than 12 months and subordinated debentures with maturities less than 12 months;

(d) obligations arising pursuant to bankers’ acceptances (including payment and reimbursement obligations in respect thereof), tender cheques or letters of credit and letters of guarantee supporting obligations which would otherwise constitute Debt within the meaning of this definition or indemnities issued in connection therewith;

(e) obligations under guarantees, indemnities, assurances, legally binding comfort letters or other contingent obligations relating to the indebtedness for borrowed money of any other Person or the obligations of any other Person which would otherwise constitute Debt within the meaning of this definition and all other obligations incurred for the purpose of or having the effect of providing financial assistance to another Person in respect of indebtedness for borrowed money or such other Debt obligations, including, without limitation, endorsements of bills of exchange (other than for collection or deposit in the ordinary course of business);

(f) all indebtedness representing the deferred purchase price of any property, if such indebtedness is not due and payable within ninety (90) days from the date of purchase, and all Purchase Money Obligations and obligations under capital leases and Financing Leases; and

(g) notwithstanding GAAP, GAAP for Private Enterprises or IFRS, as applicable, any unrealized mark-to-market position, whether positive or negative, from any applicable Risk Management Transactions will be excluded.

"Debt to LTM EBITDA Ratio" means, as of the last day of a quarter, the ratio of Debt as at such date to LTM EBITDA for the four quarter period ending as of such date, as determined by reference to the Borrower's Financial Statements prepared on a Consolidated Basis;

"Default" means an Event of Default or any condition that, with the giving of notice, the passage of time or otherwise, is susceptible of being an Event of Default;

"Distribution" means:

(a) any declaration or payment of dividends, royalties or fees of any kind directly or indirectly to any holder of shares of any Person;

(b) any repurchase, retraction, redemption, acquisition or retirement of shares of the Borrower or any Material Subsidiary;

(c) any payment by a Person of any amount of principal, interest or other amounts in respect of any Debt owed to any Affiliate of such Person;

(d) any loan or advance which is made by the Person to or in favour of a holder in such Person or an Affiliate of such holder;

(e) the transfer by a Person of any of its property or assets for consideration of less than the fair market value thereof, to any of its Affiliates;
f) the payment of any bonus, management consulting fee or other payment or reward to a director, officer or senior manager of the Borrower or any Material Subsidiary unless such payment is either contemplated in the terms of his or her employment contract or paid to such Person in the ordinary course of business of the Borrower or such Material Subsidiary; or

g) the lending of money, the guaranteeing of a loan or the granting of any other form of financial assistance or benefit to a shareholder, employee, director, officer or senior manager of the Borrower or any Material Subsidiary except in the ordinary course of business or unless otherwise agreed to in writing by BDC;

"EBITDA" means net earnings before income taxes, interest (long term and short term), depreciation, depletion, amortization and all extraordinary items, non-cash expenses and non-cash gains/losses on disposal of assets;

"Engineering Report" means a report on the reserves of Petroleum Substances attributable to the Borrower Assets and Subsidiary Assets (in form and substance satisfactory to BDC, acting reasonably) prepared by an Independent Engineer, and such Engineering Report shall, as of the date of such Report, include the following: anticipated rates of production, shrinkage and reinjection of Petroleum Substances; Crown, freehold and overriding royalties and freehold mineral taxes with respect to Petroleum Substances produced from or attributable to such Borrower Assets and Subsidiary Assets; production, revenue, value-added, wellhead or severance taxes, imposts or levies with respect to Petroleum Substances produced from or attributable to such Borrower Assets and Subsidiary Assets; operating costs; gathering, transporting, processing, marketing and storage fees payable with respect to Petroleum Substances produced from or attributable to such Borrower Assets and Subsidiary Assets; capital expenditures expected to be necessary to achieve anticipated rates of production; and net cash flow with respect to such Borrower Assets and Subsidiary Assets; but not, for greater certainty, any overhead recoveries or operators' fees or charges from third parties;

"Environmental Claims" means any and all administrative, regulatory or judicial actions, suits, demands, claims, liens, notices of non-compliance or violation, investigations, inspections, inquiries or proceedings relating in any way to any Environmental Laws or to any permit issued under any such Environmental Laws including without limitation:

(a) any claim by a Governmental Authority for enforcement, clean-up, removal, response, remedial or other actions or damages pursuant to any Environmental Laws; and

(b) any claim by a Person seeking damages, contribution, indemnification, cost recovery, compensation or injunctive or other relief resulting from or relating to Hazardous Materials, including any Release thereof, or arising from alleged injury or threat of injury to human health or safety (arising from environmental matters) or the environment;

"Environmental Laws" means all applicable federal, provincial, regional, municipal or local laws, including those at common law or in equity, with respect to the environment or environmental or occupational health and safety matters contained in statutes, regulations, rules, ordinances, orders judgments, approvals, notices, permits or policies, guidelines or directives having the force of law;
"Equity Interest" means, with respect to any Person, any and all shares, interest, participations, rights in, or other equivalents (however designated) of such Person's capital, including any interest in a partnership, limited partnership or other similar Person and any beneficial interest in a trust, which carry the right to vote on the election of directors or individuals exercising similar functions in respect of such Person and/or which entitle their holder to participate in the profits of such Person;

"Financial Instrument" means any Interest Hedging Agreement, Currency Hedging Agreement or Commodity Agreement;

"Financing Leases" means leases of the Borrower or any Material Subsidiaries which are, in the opinion of BDC, acting reasonably, in the nature of financing transactions;

"Fixed Charge Coverage Ratio ("FCCR")" means as of the last day of a fiscal quarter, the ratio of Cash Flow to Fixed Charges;

"Fixed Charges" means the sum of Net Interest Expense plus scheduled principal payments of Indebtedness during such period plus taxes on or measured by income paid or payable in cash during such period;

"GAAP" means generally accepted accounting principles in Canada applied consistently;

"GAAP for Private Enterprises" means generally accepted accounting principles approved by the Accounting Standards Board for financial reporting for private companies in Canada who have elected not to adopt IFRS;

"Governmental Authority" means any federal, provincial, state, regional, municipal or local government or any department, agency, board, tribunal or authority thereof or other political subdivision thereof and any entity or Person exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, government or the operation thereof;

"Hazardous Materials" means any substance or mixture of substances which, if released into the environment, would likely cause, immediately or at some future time, harm or degradation to the environment or to human health or safety and includes any substance determined to be a pollutant, contaminant, waste, hazardous waste, hazardous chemical, hazardous substance, toxic substance or dangerous good under any Environmental Law;

"Hydrocarbon Properties" means rights and interests in Hydrocarbons, produced Hydrocarbons or the proceeds from the sale of Hydrocarbons or any of them and includes all profits à prendre, leasehold interests, working interests, royalty interests, lands, geological horizons and reserves pertaining thereto; all plants, facilities, wells, pipelines, transmission and processing facilities and equipment used or useful in connection with any and all developments
and operations in connection therewith; and all agreements and documents in any way affecting or pertaining to those rights and interests;

"Hydrocarbons" means any crude oil, crude bitumen or products derived therefrom, synthetic crude oil, natural gas, natural gas liquids, other liquid or gaseous hydrocarbons and products and substances derived therefrom or produced in association therewith, including, but not limited to, sulphur and sulphur compounds;

"HydroCarbon Rights" means all of the right, title, estate and interest, whether contingent or absolute, legal or beneficial, present or future, vested or not, and whether or not an "interest in land", of the Borrower or a Material Subsidiary in and to any of the following, by whatever name the same are known:

(a) rights to explore for, drill for and produce, take, save or market Petroleum Substances;

(b) rights to a share of the production of Petroleum Substances;

(c) rights to a share of the proceeds of, or to receive payments calculated by reference to the quantity or value of, the production of Petroleum Substances;

(d) rights to acquire any of the rights described in paragraphs (a) through (c) of this definition;

(e) interests in any rights described in paragraphs (a) through (d) of this definition; and

(f) all extensions, renewals, replacements or amendments of or to the foregoing items described in paragraphs (a) through (e) of this definition;

and including, without limitation, interests and rights known as working interests, royalty interests, overriding royalty interests, gross overriding royalty interests, production payments, profits interests, net profits interests, revenue interests, net revenue interests, economic interests and other interests and fractional or undivided interests in any of the foregoing and freehold, leasehold or other interests;

"IFRS" means, International Financial Reporting Standards approved by the Accounting Standards Board for accounting for publicly accountable enterprises and private enterprises who have voluntarily decided to adopt this set of standards;

"Independent Engineer" means any firm of independent petroleum engineers approved by BDC, acting reasonably;

"Insurance" means insurance of such types, in such amounts and with such deductibles as are customary in the case of businesses of established reputation engaged in the same or similar businesses and in any event as are acceptable to BDC, acting reasonably;

"Interest Adjustment Date" means, in respect of any fixed interest rate plan, the day after the Interest Expiration Date of such fixed interest rate plan;
“Interest Differential Charge” means, in respect of the prepayment of the Loan if, on the date of the prepayment, BDC’s Base Rate for four year fixed term loans is lower than the BDC’s Base Rate in effect when the Borrower entered or renewed the four year fixed term, whichever is most recent, the amount calculated as follows:

(a) the difference between the two rates;

(b) such interest differential is multiplied by the principal that would have been outstanding at each future Payment Date until the Maturity Date; and

(c) the Interest Differential Charge is the present value of those monthly amounts calculated using BDC’s Base Rate for four year fixed term loans as the discount rate. In the case of partial prepayment, the Interest Differential Charge will be reduced in the same proportion as the amount prepaid bears to the principal outstanding on the Loan at the time prepayment is received;

“Interest Hedging Agreement” means any interest swap agreement, forward rate agreement, floor, cap or collar agreement, futures or options, insurance or other similar agreement or arrangement, or any combination thereof, entered into by the Borrower or a Material Subsidiary where the subject matter of the same is interest rates or the price, value or amount payable thereunder is dependent or based upon the interest rates or fluctuations in interest rates in effect from time to time (but, for certainty, shall exclude conventional floating rate debt);

“Loan” shall have the meaning set forth in the Letter of Offer;

“Loan Documents” means, collectively, the application for financing, the Letter of Offer, the Security contemplated by the Letter of Offer and all other documents, instruments and agreements delivered in connection with the foregoing;

"Loan Party" means either the Borrower or the Guarantor and "Loan Parties" means collectively each of the Borrower and the Guarantor;

"LTM EBITDA" means the EBITDA calculated over the most recent twelve month period;

"Management Discussion and Analysis" means a written overview of the operations over the current reporting period and how the company fared in that time period. Management will also include discussion on the upcoming year, outlining future goals and approaches to new projects;

“Material Adverse Change” means:

(a) a material adverse change in, or a material adverse effect upon, the financial condition, operations, assets, business, properties or prospects of any Loan Party;

(b) a material impairment of the ability of any Loan Party to perform any of its obligations under any Loan Document; or
a material adverse effect upon any substantial portion of the assets subject to security in favour of BDC or upon the legality, validity, binding effect, rank or enforceability of any Loan Document;

"Material Subsidiary" means, (a) each Subsidiary that executes and delivers Subsidiary Security to BDC, (b) any other Subsidiary of the Borrower that BDC determines is material to the business, affairs or condition, financial or otherwise, of the Borrower (such determination to be made in the sole discretion of BDC, acting reasonably), provided BDC has given written notice of such determination to the Borrower, (c) any Subsidiary of the Borrower the total assets of which (determined in accordance with GAAP or IFRS, as applicable) exceeds 5.0% of the Borrower’s assets determined on a Consolidated Basis, (d) any Subsidiary of the Borrower the total revenue of which, on a Consolidated Basis, exceeds 5.0% of the total revenue of the Borrower on a Consolidated Basis, (e) any Subsidiary that carries on the business of petroleum and natural gas exploration and development, or (f) any Subsidiary whose Subsidiary Assets have been included in the Engineering Reports, it being acknowledged that as of the date hereof the Borrower has no Subsidiaries; and the Person referred to subclauses (a) to (f) above has executed and delivered Subsidiary Security to BDC over all of its assets that ranks as a first charge over such assets;

"Operating Account" means, a transactional deposit account held at a Canadian financial institution that allows for withdrawals and deposits;

"Permitted Dispositions" means, in respect of the Borrower or any of its Subsidiaries, any of the following:

(a) a sale or disposition by such Person of any of its Hydrocarbon Properties (and related tangibles) resulting from any pooling, unit or farmout agreement entered into in the ordinary course of business and in accordance with industry practice when, in the reasonable judgment of such Person, it is necessary or desirable to do so in order to facilitate the orderly exploration, development or operation of such Hydrocarbon Properties;

(b) a sale or disposition by such Person in the ordinary course of business and in accordance with industry practice of tangible personal property which forms part of its Hydrocarbon Properties, which is obsolete, no longer used or useful for its intended purpose or being replaced in the ordinary course of business;

(c) a sale or disposition by such Person of current or future production from Hydrocarbon Properties made in the ordinary course of business;

"Permitted Encumbrances" means, as of any time, any of the following:

(a) a lien for taxes, assessments or governmental charges (including Taxes):

(i) which are not due or delinquent at that time; or

(ii) the validity of which the Borrower or any of its Material Subsidiaries is contesting in good faith at that time and which at such time would not reasonably be expected to result in a Material Adverse Change;
(b) the lien of any judgment rendered, or order filed, against assets of the Borrower or any of its Material Subsidiaries which the Borrower or such Material Subsidiary is contesting in good faith at that time:

(i) in respect of which the Borrower or such Material Subsidiary has set aside a reserve sufficient to pay such judgment or claim in accordance with GAAP; or

(ii) which could not reasonably be expected to result in a Material Adverse Change;

(c) a lien, privilege or other charge imposed or permitted by law (such as, without limitation, a carrier's lien, builder's lien or materialmen's lien) which either:

(i) relates to obligations not due or delinquent at that time; or

(ii) at such time, the lien, privilege or charge could not reasonably be expected to result in a Material Adverse Change;

(d) an undetermined or inchoate lien, privilege or charge arising in the ordinary course of and incidental to construction or current operations:

(i) which has not been filed pursuant to law against the Borrower or any of its Material Subsidiaries or the assets of the Borrower or any of its Material Subsidiaries at that time;

(ii) in respect of which no steps or proceedings to enforce such lien, privilege or charge have been initiated at that time;

(iii) which relates to obligations which are not due or delinquent at that time; or

(iv) if, at such time, such lien, privilege or charge would not reasonably be expected to result in a Material Adverse Change;

(e) a Security Interest on any of the Borrower's Hydrocarbon Properties arising in the ordinary course of the oil and gas business pursuant to a processing or transmission arrangement securing the payment of the fees, costs and expenses of the processing or transmission (as the case may be) of Hydrocarbons under such processing or transmission arrangement, but only insofar as such Security Interest relates to obligations which are not due or delinquent at that time or if due or delinquent which the Borrower or any of its Material Subsidiaries is contesting in good faith, provided such contest could not reasonably be expected to result in a Material Adverse Change;

(f) to the extent a Security Interest is constituted or created thereby, a pooling or unitization of the Borrower's Hydrocarbon Properties in the ordinary course of business which, in the reasonable judgment of the Borrower, is necessary or advisable to facilitate the orderly exploration, development or operation of such Hydrocarbon Properties;

(g) a farmout or overriding royalty interest created in respect of Borrower's Hydrocarbon Properties that:

(i) is granted or entered into with arm's length third parties, in the ordinary course of business and in accordance with sound industry practice; and

(ii) in the reasonable judgment of the Borrower, is necessary or advisable to grant or enter into in order to facilitate the orderly exploration or development of such Hydrocarbon Properties;

(h) a penalty arising under non-participation or independent operations provisions of an operating agreement in respect of the Borrower's Hydrocarbon Properties as a result of an election made by the Borrower or any of its Material Subsidiaries not to participate in
a drilling or other operation, where the election not to participate has been made in accordance with the terms of the operating agreement and sound industry practices;

(l) easements, rights-of-way, servitudes or other similar rights or restrictions in respect of land in which the Borrower or any of its Material Subsidiaries has an interest (including, without limitation, rights-of-way and servitudes for railways, sewers, drains, pipelines, gas and water mains, electric light and power and telephone, and cable television conduits, poles, wires and cables) granted to or reserved or taken by other Persons which either alone or in the aggregate could not reasonably be expected to result in a Material Adverse Change;

(j) a Security Interest given to a public utility or any municipality or governmental or other public authority when and to the extent required by such utility or municipality or other authority where such Security Interest could not, either alone or in the aggregate, reasonably be expected to result in a Material Adverse Change;

(k) the right reserved to or vested in any municipality or governmental or other public authority by the terms of any lease, license, franchise, grant or permit, or by any statutory provision, to terminate any such lease, license, franchise, grant or permit, or to require annual or other periodic payments as a condition of the continuance thereof;

(l) any Security Interest for money borrowed by the Borrower or any of its Material Subsidiaries, complete satisfaction of which has been provided for by deposit with BDC of cash or, if required by BDC, a surety bond satisfactory to BDC in an amount sufficient to pay the liability in respect thereof in full;

(m) the reservation in any original grant from the Crown of any land or interests therein and statutory exceptions to title;

(n) any right of first refusal or requirement to obtain consent of a third party to a disposition created in the ordinary course of the oil and gas business to the extent that it is not in default at the time;

(o) lessees' royalties, rights to convert, take-or-pay obligations, freehold royalties, gross royalty certificates and other similar interests not otherwise provided for in this definition: if such interests and obligations are granted or created in the ordinary course of business and in accordance with sound industry practice and are taken into account by the most recent Engineering Report;

(p) Security interests, farmouts, royalty interests, independent operating penalties and other interests, rights, privileges and encumbrances which encumber or charge the assets of a Material Subsidiary and which are in favour of the Borrower or another Material Subsidiary;

(q) The following Registrations made by at the Alberta Personal Property Registry:

(i) Alberta Leaseco Ltd. on March 5, 2014 as Registration No. 14030508703

(ii) Canadian Western Bank on April 7, 2014 as Registration No. 14040714702 and;

(r) the Security;

"Person" includes any natural, corporation, company, limited liability company, trust, joint venture, association, incorporated organization, partnership, governmental authority or other entity;
Quattro Exploration and Production Ltd.  

SCHEDULE “A”

“Petroleum Substances” means crude oil, crude bitumen, synthetic crude oil, petroleum, natural gas, natural gas liquids, related hydrocarbons and any and all other substances, whether liquid, solid or gaseous, whether hydrocarbons or not, produced or producible in association with any of the foregoing, including hydrogen sulphide and sulphur;

“Public Issuer” means any Loan party whose Equity Interest are listed or posted for trading on the Toronto Stock Exchange or the TSX Venture Exchange or any other stock exchange or over-the-counter market acceptable to BDC;

“Purchase Money Obligation” means:

(a) any indebtedness incurred or assumed by the Borrower or any Material Subsidiary as all or part of, or incurred or assumed by the Borrower or any Material Subsidiary to provide funds to pay all or part of, the purchase price of any property or assets acquired by the Borrower or the relevant Material Subsidiary provided that neither of the Borrower nor any Affiliates of the Borrower immediately prior to entering into an agreement for the acquisition of such property or assets, owns or has any interest in, or any entitlement to own, or have any interest in, the property or assets or portion thereof being so acquired unless such prior ownership, interest or entitlement is in the nature of an undivided co-ownership interest in Hydrocarbon Properties; and

(b) any extension, renewal, refinancing or replacement (or successive extensions, renewals, refinancings or replacements), whether from the same or another lender, in whole or in part, of any indebtedness referred to in subsection (a) immediately above, provided that the principal amount of indebtedness secured by such extension, renewal, refinancing or replacement shall not exceed the principal amount of such indebtedness immediately prior to such extension, renewal, refinancing or replacement, and the Security Interests granted in respect of such indebtedness shall be limited to all or a part of the property or assets which secured such indebtedness immediately prior to such extension, renewal, refinancing or replacement;

“Release” means any release, spill, emission, leak, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration into the environment of Hazardous Materials including, without limitation, the movement of Hazardous Materials through ambient air, soil, surface water, ground water, wetlands, land or sub-surface strata;

“Risk Management Transactions” means any foreign exchange or interest rate risk management transactions or hydrocarbon price risk management transactions to which the Borrower or any of its Material Subsidiaries is a party;

“Schedule” means a schedule to the Letter of Offer;

“Security” means collectively, all security and documents granted or required pursuant to the Letter of Offer, including without limitation, any security taken in replacement of the Security;
"Security Interest" means mortgages, charges, pledges, hypothecs, assignments by way of security, conditional sales or other title retentions, security created under the Bank Act (Canada), liens, encumbrances, security interests or other interests in property, howsoever created or arising, whether fixed or floating, perfected or not, which secure payment or performance of an obligation and, including, in any event, (a) rights of set-off created for the purpose of securing (directly or indirectly) any indebtedness, (b) the rights of lessors under capital leases and any other lease financing, and (c) absolute assignments of accounts receivable;

"Subsidiary" means:

(a) any corporation of which at least a majority of the outstanding shares having by the terms thereof ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time shares of any other class or classes of such corporation might have voting power by reason of the happening of any contingency, unless the contingency has occurred and then only for as long as it continues) is at the time directly, indirectly or beneficially owned or controlled by the Borrower, or one or more of its Subsidiaries, or any combination thereof;

(b) any partnership of which, at the time, the Borrower or one or more of its Subsidiaries, or any combination thereof:

(i) directly, indirectly or beneficially own or control at least 50% of the income, capital, beneficial or ownership interest (however designated) thereof; and

(ii) is a general partner, in the case of limited partnerships, or is a partner or has authority to bind the partnership, in all other cases; or

(c) any other Person of which at least a majority of the income, capital, beneficial or ownership interests (however designated) are at the time directly, indirectly or beneficially owned or controlled by the Borrower or one or more of its Subsidiaries, or any combination thereof;

"Subsidiary Assets" means collectively, all of the real and personal property, assets, undertakings, title, interests, rights, benefits owned by the Material Subsidiaries;

"Unfunded Capital Expenditures" means the aggregate of all expenditures and obligations, for the relevant period, which are capitalized under GAAP, GAAP for Private Enterprises or IFRS, as applicable, less the portion of these capitalized expenditures and obligations financed under capital leases or with proceeds of other long term Debt incurred substantially concurrently with such expenditure;

"Voting Shares" means:

(a) in respect of a corporation or limited liability company, shares of any class or equity ownership interests of such entity:

(i) carrying voting rights in all circumstances; or

(ii) which carry the right to vote conditional on the happening of an event if such event shall have occurred and be continuing;
SCHEDULE "A"

provided that subparagraph (ii) above shall not include voting rights created solely by statute, such as those rights created pursuant to section 183(4) of the Business Corporations Act (Alberta) as in effect on the date hereof;

(b) in respect to a trust, trust units of the trust:
   (i) carrying voting rights in all circumstances; or
   (ii) which carry the right to vote conditional on the happening of an event if such event shall have occurred and be continuing;

(c) in respect to a partnership, the partnership interests or partnership units:
   (i) carrying voting rights in all circumstances; or
   (ii) which carry the right to vote conditional on the happening of an event if such event shall have occurred and be continuing;

"Working Capital Ratio" means the ratio of the total Current Assets to the total Current Liabilities; and

"Year" means a 12 month period from any date.

SECTION II - REPRESENTATIONS AND WARRANTIES

Each Loan Party hereby represents and warrants to BDC that:

1. It is a partnership, trust or corporation, as the case may be, duly constituted, validly existing and duly registered or qualified to carry on business in each jurisdiction where it is required by applicable laws to be so registered or qualified.

2. The execution, delivery and performance of its obligations under the Letter of Offer and the other Loan Documents to which it is a party have been duly authorized and constitute legal, valid and binding obligations enforceable in accordance with their respective terms.

3. It is not in violation of any applicable law, which violation could lead to a Material Adverse Change.

4. No Material Adverse Change exists and there are no circumstances or events that constitute or would constitute, with the lapse of time, the giving of notice or otherwise, a Material Adverse Change.

5. No Default or Event of Default exists.

6. All information provided by it to BDC is complete and accurate and does not omit any material fact and, without limiting the generality of the foregoing, all financial statements delivered by it to BDC fairly present its financial condition as of the date of such financial statements and the results of its operations for the period covered by such financial statements, all in accordance with GAAP.

7. There is no pending or threatened claim, action, prosecution or proceeding of any kind including but not limited to non-compliance with environmental law or arising from the presence or release of any contaminant against it or its assets before any court or
administrative agency which, if adversely determined, could lead to a Material Adverse Change.

8. In respect of properties and assets charged to BDC, it has good and marketable title, free and clear of any encumbrances, except those encumbrances which BDC has accepted in writing.

The foregoing representations and warranties shall remain in force and true until the Loan is repaid in full.

SECTION III - GENERAL TERMS AND CONDITIONS

Each Loan Party agrees to the following additional provisions:

Pre-Authorized Payment System
All payments provided for in the Letter of Offer must be made by pre-authorized debits from the Borrower’s bank account. The Borrower shall sign all documentation required to that effect and provide a sample cheque marked void.

Application of Payments
All payments shall be applied in the following order:

1. any prepayment indemnity (including the monthly interest and Interest Differential Charge);
2. protective disbursements;
3. standby fees (arrears and current);
4. arrears, in the following order: transaction fees, administration fees, management fees, interest and principal;
5. current balances, in the following order: transaction fees, management fees, interest and principal;
6. cancellation fees;
7. credits to the tax reserve account and asset maintenance and upgrade account, if applicable; and
8. other amounts due and payable.

Other than regular payments of principal and interest, BDC may apply any other monies received by it, before or after Default, to any debt the Borrower may owe BDC under or pursuant to the Letter of Offer or any other agreement and BDC may change those applications from time to time.

Consent to Obtaining Information
Each Loan Party authorizes BDC, from time to time, to obtain financial, compliance, account status and any other information about a Loan Party and its respective business from its accountants, its auditors, any financial institution, creditor, credit reporting or rating agency, credit bureau, governmental department, body or utility.
Notices
Notices must be in writing and may be given in person, or by letter sent by fax, mail, courier or electronically; if to the Borrower, at the Borrower’s address above or such other addresses as the Borrower may advise BDC in writing, or if to BDC, at BDC’s address above.

Joint and Several Liability
Where in the Loan Documents, any covenant, agreement, warranty, representation or obligation is made or imposed upon two or more Persons or a party comprised of more than one Person, each such covenant, agreement, warranty, representation or obligation shall be deemed to be and be read and construed as a joint and several (solidary in Quebec) covenant, agreement, warranty, representation or obligation of each such Person or party, as the case may be. Without limiting the generality of the foregoing, each Loan Party shall be jointly and severally (solidarily) liable with each other to BDC for the full performance of all obligations under the Loan Documents.

Anti-Money Laundering/Know Your Client
Each Loan Party acknowledge that, pursuant to prudent banking practices in respect of "knowing your client", BDC, in compliance with its internal policies, is required to verify and record information regarding the Loan Parties, their directors, authorized signing officers, shareholders and other Persons in control of each Loan Party. Each Loan Party shall promptly provide all such information, including supporting documentation and other evidence, as may be reasonably requested by BDC or any prospective assignee or other financial institution participating in the Loan with BDC, in order to comply with internal policies and applicable laws on anti-money laundering and anti-terrorist financing.

Ineligible Activities
The Loan Parties shall not engage in, or permit its premises to be used by a tenant or other Person, for any activity which BDC, from time to time, deems ineligible, including without limitation any of the following ineligible activities:

(a) businesses that are sexually exploitive or that are inconsistent with generally accepted community standards of conduct and propriety, including those that feature sexually explicit entertainment, products or services; businesses that are engaged in or associated with illegal activities; businesses trading in countries that are proscribed by the Federal Government;
(b) businesses that operate as stand-alone nightclubs, bars, lounges, cabarets, casinos, discotheques, video arcades, pool and billiard halls, and similar operations; or
(c) businesses that promote nudism and naturism.

BDC’s finding that there is an ineligible activity shall be final and binding between the parties and will not be subject to review. The prohibitions set out in this paragraph shall also apply to any entity that controls, is controlled by, or that is under the common control with, any Loan Party.

Confidentiality
SCHEDULE "C" to the Letter of Offer dated June 24, 2014 between Quattro Exploration and Production Ltd., Quattro Guatemala S.A. and BDC.

PREPAYMENT NOTICE

TO: Business Development Bank of Canada

DATE: ______________________

1. This Prepayment Notice is delivered to you pursuant to the terms and conditions of the Letter of Offer dated June 23, 2014 between Quattro Exploration and Production Ltd., Quattro Guatemala S.A. and BDC therein named relating to the establishment of a Term Loan in favour of the Borrower (as amended, modified, supplemented or restated, the "Letter of Offer"). Unless otherwise expressly defined herein, capitalized terms set forth in this Prepayment Notice shall have the respective meanings set forth in the Letter of Offer.

2. The Borrower hereby gives notice of a repayment as follows:
   (a) Date of prepayment: ______________________
   (b) Credit Facility: ______________________
   (c) Borrowing: ______________________
   (d) Interest Period maturity: ______________________
   (e) Amount Being Prepaid: Cdn. $ ______________________

Quattro Exploration and Production Ltd.

Per: ______________________

Name: Leonard Van Betuw
Title: President
This is Exhibit "H" referred to in the Affidavit of Leonard B. Van Betuw sworn before me this 2nd day of September A.D. 2016

[Signature]

A COMMISSIONER FOR OATHS IN AND FOR ALBERTA

James W. Reid
Barrister & Solicitor
March 30, 2016

Quattro Exploration and Production Ltd.
4110, 825 – 8th Avenue SW
Calgary, AB T2P 2T3

Attention: Leonard Van Betuw, President and Chief Executive Officer

Dear Sir:

Re: Amendment No. 3 to Letter of Offer dated June 24, 2014 (Loan 073911-03)

Business Development Bank of Canada ("Lender") has advanced Quattro Exploration and Production Ltd. a fixed rate term loan ("Credit Facility") on the terms and conditions set out in a Letter of Offer dated June 24, 2014, as amended September 2, 2015 and September 14, 2015 (collectively, "Existing Letter of Offer") between the Lender, the Borrower and Quattro Guatemala S.A.

This Letter Amending Agreement amends the Existing Letter of Offer only to the extent of the amended or additional clauses detailed below and the Existing Letter of Offer, as hereby amended, shall continue in full force and effect.

1. Unless otherwise defined herein, the capitalized terms used herein shall have the meanings ascribed to them in the Existing Letter of Offer.

2. Page 1 of the Existing Letter of Offer is amended by deleting the following:

"GUARANTOR
Quattro Guatemala S.A. ("Guarantor")"

and replacing it with:

"GUARANTORS
Quattro Guatemala S.A. and Quattro Innovations Inc. ("Guarantors")"

3. The terms under the heading "Repayment" in the Existing Letter of Offer are deleted in their entirety and replaced with the following:

"Repayment
Principal of the Loan is repayable according to the following. The balance of the Loan in principal and interest and all other amounts owing pursuant to the Loan Documents shall become due and payable on October 14, 2019 (the "Maturity Date").
<table>
<thead>
<tr>
<th>Payments</th>
<th>Number</th>
<th>Frequency</th>
<th>Amount ($)</th>
<th>Start Date</th>
<th>End Date</th>
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<tr>
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<tr>
<td></td>
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<td>14/08/2015</td>
</tr>
<tr>
<td></td>
<td>4</td>
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<td>14/09/2016</td>
<td>14/12/2017</td>
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<td>12</td>
<td>Monthly</td>
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<td>14/12/2018</td>
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<td>Monthly</td>
<td>168,000.00</td>
<td>14/01/2019</td>
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<tr>
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<td>Balloon</td>
<td>1,916,500.00</td>
<td>14/10/2019</td>
<td>N/A</td>
</tr>
</tbody>
</table>

In addition, interest is payable monthly on the 14th day of the month ("Payment Date"), commencing on the next occurring Payment Date following the Funding Date and continuing on the Payment Date in each month thereafter to and including the Maturity Date.

On the Maturity Date, the balance of the principal amount of the Loan plus interest and all other amounts owing pursuant to the Loan shall be due and payable."

4. Paragraph 7 under the heading "Security" in the Existing Letter of Offer is amended by deleting it in its entirety and replacing it with the following:

   "7. Unlimited guarantees from each of the Guarantors and a general security agreement from Quattro Innovations Inc., providing a fixed charge and security interest in all present and after-acquired personal property and a floating charge over all present and after-acquired real property, which may be registered in such places and at such times in the sole discretion of the Lender."

5. Paragraph 4 under the heading "Conditions Precedent" in the Existing Letter of Offer is amended by:

   (a) deleting the phrase, "of the Guarantor", in each case where it appears and replacing it with the phrase, "of each of the Guarantors"; and

   (b) adding the phrase, "and the general security agreement in the case of Quattro Innovations Inc.", to the end of sub-paragraph (b).

6. Line three of the last paragraph under the heading "Reporting Obligations" is amended by deleting "Guarantor" and replacing it with "Guarantors".

7. The definition of "Loan Party" in "Section 1 - Definitions" of Schedule "A" to the Existing Letter of Offer is amended by deleting it in its entirety and replacing it with the following:

   ""Loan Party" means any one of the Borrower or either of the Guarantors and "Loan Parties" means collectively, the Borrower and the Guarantors"

8. Subject to the amendments contained herein, the Existing Letter of Offer remains in full force and effect and is hereby ratified and confirmed.

   *** Remainder of Page Intentionally Left Blank ***
This Amending Agreement is open for acceptance until April 5, 2016 ("Expiry Date") at which time it will expire unless extended by the Lender at its option.

This Letter Amending Agreement may be executed in any number of counterparts and delivered by facsimile, PDF or other electronic copy, each of which when executed and delivered shall be deemed to be an original, and such counterparts together shall constitute one and the same agreement, but the party delivering the facsimile, PDF or other electronic copy shall deliver an originally executed copy of this amendment as soon as possible after delivery of the facsimile, PDF or other electronic copy.

Yours very truly,

[Signatures]

Scott Overes  
Director, Specialized Credit Group  
Phone: (403) 292-6034  
Fax: (403) 292-6951  
scott.overes@bdc.ca

Bobby Chan  
Manager, Specialized Credit Group  
Phone: (403) 292-5305  
Fax: (403) 292-6951  
bobby.chan@bdc.ca

Quattro Exploration and Production Ltd. and Quattro Guatemala S.A. acknowledge and agree to the terms of this Letter Amending Agreement this 1 day of April, 2016.

Quattro Exploration and Production Ltd.  

[Signature]  
Leonard Van Betuw  
Authorized Signing Officer

Quattro Guatemala S.A.  

[Signature]  
Leonard Van Betuw  
Authorized Signing Officer

Quattro Innovations Inc. acknowledges and agrees to the terms of the Existing Letter of Offer, as amended by this Letter Amending Agreement, and agrees to be bound as a Guarantor therein as of this 1 day of April, 2016.

Quattro Innovations Inc.  

[Signature]  
Leonard Van Betuw  
Authorized Signing Officer