Avanti Energy Inc.

Management Discussion and Analysis

For the six months ended June 30, 2015 and 2014

(Expressed in Canadian Dollars)

THE ATTACHED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FORM AN INTEGRAL PART OF THIS MANAGEMENT DISCUSSION AND ANALYSIS AND ARE HEREBY INCLUDED BY REFERENCE

INTRODUCTION

Avanti Energy Inc. (the "Company" or "AVN", formerly Overlord Capital Ltd.) is a resource company whose common shares trade on the TSX Venture Exchange ("TSX-V") and is in the business of acquiring, developing, exploring and evaluating oil and gas properties. The Company was incorporated as a private company by Certificate of Incorporation issued pursuant to the provisions of the *British Columbia Business Corporations Act* on March 7, 2011.

On May 31, 2013, the Company announced the successful completion of the acquisitions of Avanti Exploration SA LLC ("Avant SA") and Avanti Oil, LLC ("Avanti Oil"). As a result, the Company has acquired all of the issued and outstanding interests in Avanti SA and Avanti Oil. On April 15, 2015, the Company completed the acquisition of CMI Energia S.p.A. ("CMI Energia"). The acquisition of CMI Energia was deemed an asset acquisition, as a result, the Company has acquired all of the issued and outstanding interests in CMI Energia. The Company's results of operations and cash flows include those of CMI Energia from the date of acquisition to June 30, 2015.

The following management discussion and analysis ("MD&A"), prepared as of August 26, 2015, should be read together with the condensed consolidated interim financial statements and accompanying notes for the three months ended June 30, 2015 and related notes hereto, which are prepared in accordance with IFRS. The reader should also refer to the audited consolidated financial statements and accompanying notes for the year ended December 31, 2014 and related notes thereto, which are prepared in accordance with IFRS.

All statements in this report that do not directly and exclusively relate to historical facts constitute forward-looking statements. These statements represent the Company's intentions, plans, expectations and beliefs, and are subject to risks, uncertainties, and other factors of which many are beyond the control of the Company. These factors could cause actual results to differ materially from the Company's expectations. The Company assumes no obligation to update or revise any forward-looking statements, as a result of new information, future events or otherwise.

FORWARD LOOKING STATEMENTS

The information herein contains forward-looking statements and assumptions. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and other similar expressions. Such statements and assumptions also include those relating to guidance, results of operations and financial condition, capital spending and financing sources. By their nature, forward-looking statements are subject to numerous known and unknown risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, actual results may differ materially from those predicted. The Company is exposed to numerous operational, technical, financial and regulatory risks and uncertainties, many of which are beyond its control and may significantly affect anticipated future results.

The financial risks the Company is exposed to include, but are not limited to, access to debt or equity markets and fluctuations in interest rates. The Company is subject to regulatory legislation; compliance with which may require significant expenditures and non-compliance with which may result in fines, penalties or production restrictions.

Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. The Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

OVERALL PERFORMANCE

ITALY

<u>*Colle Santo*</u>

In April of this year, the Company acquired CMI Energia S.p.A. ("CMI") an Italian oil and gas exploration and development company formerly owned by Forest Oil Corporation and Dove Energy B.V. CMI was acquired from Dove Energy B.V. for a cash payment of US$1.53 million and 12,970,000 common shares of Company's stock. CMI owns 90% working interest in a 35.72 square kilometers exclusive exploration permit now in the process of being converted into an exploitation concession.

The field limits and reserves have been fully delineated by two existing new wells along with other older wells. The two new wells tested combined production in excess of 20 million cubic feet per day (Mcf/d). The permit area holds 76 billion cubic feet (Bcf) of proved and probable natural gas. These figures are based on a detailed independent reserve report commissioned by the Company in February 2015 from Chapman Petroleum Engineering Ltd. In addition, based on mapping and reprocessed seismic data, the Company has identified an extension to the existing field that may represent a sizeable increase to the reserves. The extension area covers in excess of 2,400 acres as mapped and would share a common gas water contact with the known accumulation in the permit.

Concurrent with closing of CMI, the Company arranged for a syndicate of investors to acquire 41.66% working interest in the Colle Santo gas development project ("Project") for US$ 1.43 million, plus the commitment of the initial US$ 1.3 million to finance the operating budget for the Project. The operating budget is designed to complete the engineering required to reach full exploitation concession status. At conclusion of this transaction CMI will continue as the operator of the Project and retains a 33.33% working interest, carried through the initial operating budget.

Since closing the CMI transaction the Company has entered agreements with recognized Italian engineering firms; namely: High Technology Engineering Srl and Ediltop Srl for plant and pipeline engineering; and University of Torino's oil and gas consulting division DREAM, and Prof. Leonardo Tognotti, renowned chemical engineer University of Pisa, to handle environmental engineering work. These firms will assist the Company in making changes and improvements to the original field development plan to be submitted to the Ministry of Environment and the Ministry of Industry in Q4 of this year.

Lucana Idrocarburi

As part of the Company's strategy to acquire additional oil and gas properties in Italy, the Company formed Lucana Idrocarburi Srl, ("Lucana") on June 19, 2015. Lucana is a Basilicata-based company that is owned 80% by CMI Energia S.p.A and 20% by Olimar Srl, a holding company of the Calciano family that is active in the engineering, construction, and oil and gas services sectors since the 1970s. In this regard, Lucana has already begun evaluation of potential acquisition opportunities. Lucana will focus its efforts on the purchase and further development of proven reserves primarily in Southern Italy.

USA

VUA Miller#1 Well, Louisiana, USA

The Company currently holds a 25% working interest in the VUA Miller #1 Well

A workover to isolate water and install artificial lift commenced in mid-December. The work successfully isolated the lower perforations which tested water, and the well was placed on artificial lift. Since going back on production, the well averaged approximately 10-12 bopd at a water cut of 82%. The well is marginally economic at current prices. There are additional behind pipe reserves above the current producing zone. Pending oil prices and economics of current zone, the operator will evaluate moving uphole later in the year.

Since going back on production in January the well produced at marginal rates with water cuts increasing to 93% by the end of June. The well was shut-in at the end of June as the low oil rates and high water cuts were uneconomic at current prices. In mid-July, a workover rig was moved on to plug-back the well to the Lower Bearhead Creek "B" sand. The zone had produced in the offset wells, but testing of this zone in the Miller well produced mostly water and 1-2% oil, indicating the previous producers had swept the oil from this location. In mid-August, the operator conducted a through tubing plug-back to the Lower Bearhead Creek "A" sand. Preliminary test results indicate a daily production range of 50 to 70 barrels of oil, 5-10 barrels of water and 75psi of FTP. It should be noted that the test results are based on only two days of production at this point.

PWK Well, Louisiana, USA

The well was shut in due to low oil prices in early January and the surface artificial lift equipment was moved to the VUA; Miller #1 well. The operator plans to plug and abandon this well in the future.

Forestar 8 Well, Louisiana, USA

The well remains shut in for potential conversion to a saltwater disposal

Temple Inland 1 Well, Louisiana, USA

After a failed workover attempt resulting in stuck equipment down hole, the well was left in a condition whereby it could be easily re-entered with a coiled tubing unit in an effort to prepare the well for a future attempt at retrieving the squeeze tool. It should be noted that the well did recover oil during the cementing procedures. The operator has a plan to re-enter the well at such time as oil prices recover and coiled tubing costs have come down. There has been significant reduction in service costs since the oil price collapse and the operator continues to monitor those costs in the context of the proposed work.

Outlook

Italy is a high value gas market and with recent changes and improvements to the oil and gas legislation, the Company is particularly focused on leveraging its activities in Italy to create a larger, multi-property, development oriented portfolio. The Company believes that its strategy to focus on distressed, reserve-based, natural gas weighted acquisitions in Italy will yield additional investment opportunities over the next twelve months.

The dramatic decline in oil prices has required Avanti to re-evaluate its marginal oil field strategy in Louisiana. Current prices in the low $40s/bbl are not conducive to high risk projects, until such time that the service costs are reduced by a similar percentage.

Management believes that attractive opportunities still exist in Latin America and Louisiana; however, it will take some time for the realities of the new oil price environment to sink-in and for those opportunities to become actionable. We expect that if prices stay at current levels that by the end of October there will be a number of high debt operators forced to shed assets as a result of bank redeterminations.

ASSET ACQUISITIONS

CMI Energia

Effective April 15, 2015, pursuant to the terms of an amended purchase and sale agreement (PSA) with Dove Energy BV, the Company completed the acquisition of CMI Energia. The Company acquired CMI Energia for a cash payment of $1.53-million (U.S.) of which $1.43-million (U.S.) was financed as described below, and 12,970,000 common shares of Avanti valued at $0.30 per share. As additional consideration, Dove retained a 15-per-cent working interest in the Colle Santo project – a key asset of CMI Energia. Concurrent with closing of the acquisition, Avanti arranged for a syndicate of investors to acquire a 41.66-per-cent working interest in the Colle Santo project for $1.43-million (U.S.), plus the commitment of $1.3-million (U.S.) to finance the 2015 operating budget for the Colle Santo project commencing as at January 1, 2015.

The acquisition of CMI Energia and the concurrent syndicate financing and contribution has been treated as a single transaction and recorded as an asset acquisition. The fair value of the assets acquired and liabilities assumed as at the date of acquisition were as follows:

Cash	$ 195
Other current assets	238,069
Equipment	919
Other assets	1,924
Exploration and evaluation assets	4,538,049
Accounts payable	(160,720)
Asset retirement obligation	(437,515)
Net assets acquired	$ 4,180,921

Consideration paid:	
Fair value of 12,970,000 common shares of the Company	$ 3,891,000
Transaction related expenses	176,161
Cash (net of syndicate investors) – $100,000 (U.S.)	113,760
	$4,180,921

RESULTS OF OPERATIONS

Selected Annual Information

	Years ended December 31		
	2014	2013	2012
Revenue	**$ 481,391**	$ Nil	$ Nil
Net loss for the period	**$ (1,757,830)**	$ (2,069,266)	$ (238,776)
Net loss per common share, basic and diluted	**$ (0.04)**	$ (0.09)	$ (0.02)
Weighted average number of common shares	**45,046,505**	22,607,867	10,347,397
Financial position data			
Working capital as at December 31	**$ 207,365**	$ 283,529	$ 546,209
Total assets as at December 31	**$ 2,570,282**	$ 2,523,006	$ 755,122

Revenues

Prior to May 2014 the Company had no commercial production from its properties. Commencing with the quarter ended June 30, 2014 the Company began to record oil and gas revenue from its working interests. For the six months ended June 30, 2015, the Company recorded revenue of $19,546 [2014: $79,160]. The significant decline in revenues is reflected in lower volumes of production and a large reduction in realized commodity pricing.

Six months ended June 30, 2015

During the six months ended June 30, 2015, total operating expense showed an overall decrease from $992,112 in the 2014 period to $313,484 in the current period. The reduction was primarily due to a reduction in domestic production-related expenditures and a recovery of Colle Santo operating expenses from the JV partner. The bulk of the expenses in the current period were related to oil & gas operations, which are represented in consulting fees of $209,352 versus $398,530 in the corresponding 2014 period; and in lease operating expense of $11,905 compared with $221,568 in 2014. In the current period the non-cash charge for share-based compensation was $nil versus the 2014 amount of $38,183 reflecting the 2014 grants of stock options in that period. Charges for administrative expenses increased to $181,509 [2014: $110,439] indicative to the increased burden of the CMI Energia acquisition; and management fees were unchanged at $150,000 [2014: $150,000].

The Company will use its available resources to pursue its operations in Italy and Louisiana and its efforts internationally.

Fiscal year ended December 31, 2014

During the twelve months ended December 31, 2014, most operating categories showed an increase in expense levels due to expanded operations and an increased due diligence effort in international markets. The Company incurred operating expenses of $2,239,221 [2013: $2,069,266]. The bulk of the expenses in the current period were related to oil & gas operations, which are represented in consulting fees of $696,673 versus $692,035 in the corresponding 2013 period; and in lease operating expense of $616,663 compared with $421,682 in 2013. The non-cash charge of $38,183 for share-based compensation in 2014 reflected grants of stock options in the period and decreased from the $472,171 figure in 2013 as fewer options were granted in 2014; and the recording of a non-cash impairment expense of $84,988 (2013: $191,345) captures the write-off of the book value attributed to the Forestar 8 and Turnkey Temple Wells. Charges for administrative expenses and management fees also increased to $305,618 [2013: $78,330], and $300,000 [2013: $131,250], respectively. Professional fees also increased commensurately with the increased corporate activity to $71,306 compared with $58,043 in the 2013 period.

Selected Financial Data [Quarterly - unaudited]

		Quarter Ended							
		6/30/2015	**3/31/2015**	**12/31/2014**	**09/30/2014**	**06/30/2014**	**03/31/2014**	**12/31/2013**	**9/30/2013**
Operating Revenue	$	15,986	3,560	132,250	269,981	79,160	0	0	0
Comprehensive loss	$	(24,805)	(288,679)	(122,490)	(161,725)	(912,952)	(560,663)	(1,121,371)	(496,780)
Loss per share	$	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.04)	(0.02)
Share capital	$	10,330,297	5,943,821	5,943,821	5,943,821	5,934,751	5,853,614	4,244,331	3,256,040
Common shares issued		61,785,910	47,149,243	47,149,243	47,149,243	47,124,243	46,376,743	34,901,665	28,065,000
Weighted average shares outstanding		59,373,273	47,149,243	47,149,243	47,124,243	47,021,606	38,776,084	31,412,246	26,795,163
Total Assets	$	7,217,580	3,000,610	2,570,282	3,139,511	3,341,172	3,649,514	2,523,006	2,276,035
Net Assets	$	6,480,976	2,103,319	2,388,438	3,071,591	3,228,316	3,499,514	2,384,593	2,022,908
Cash Dividends Declared per Common Shares	$	0	0	0	0	0	0	0	0

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Company's activities have been funded to date through the issuance of common shares. Please refer to the financial risk section in this MD&A.

As at June 30, 2015, the Company had working capital of $313,772 [December 31, 2014 year-end: $207,365] and cash of $305,132 [December 31, 2014 year-end: $294,634]

RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

	Period ended June 30,	
Key Management Personnel	**2015**	2014
Salaries and short term benefits[(i)]	**$ 326,355**	$ 302,933
Share-based payments	**-**	38,183
	$ 326,355	$ 341,116

[(i)]Salaries and short term benefits include $150,000 (2014: $150,000) in Management fees and $176,355 (2014: $152,933) in Consulting fees; recorded on the Statement of Loss and Comprehensive Loss.

During the period ended June 30, 2015, the Company entered into the following transactions with key management personnel:

Related party	Nature of transaction
Mark Frascogna.LLC (“Frascogna”)	Consulting fees for the services provided by Mark Frascogna as Vice President, Commercial Affairs
Tim Berge LLC (“Berge”)	Consulting fees for the services provided of Tim Berge as Vice President, Exploration and Development
Contact Financial Corp. (“CFC”)	Rent and shared office expenses.
Pacific Equity Management Corp. (“PEMC”)	Management fees for services provided by CFO, VP Corporate Development, VP Finance, Independent Director, Accountant, and Administrator.
Avanti Exploration, LLC (“Avanti Exploration”)	Participation agreements, and operating arrangements for exploration and evaluation assets in Louisiana. Loan Agreement related to the acquisition of CMI Energia S.p.A. Joint Interest Agreement regarding the Colle Santo project.

(a) Paid $5,000 (2014 - $3,000) in rent to CF, a company in which a director is a significant shareholder.

(b) Paid $150,000 (2014: $150,000) to PEMC, a company controlled by a director and an officer for management services.

(c) Paid $117,570 (2014: $101,955) to Frascogna, a company controlled by an officer for consulting fees.

(d) Paid $58,785 (2014: $50,978) to Berge, a company controlled by an officer for consulting fees.

(e) Included in prepaids and deposits is $nil (2014: $26,647) paid to Avanti Exploration, a company with two common directors for advances on exploration work to be completed after period-end.

(f) Issued nil (2014: 200,000) stock options to officers and directors with a fair value of $nil (2014: $38,183).

Pursuant to a Loan Agreement of $633,000 [USD$500,000] (2014: $nil) with Avanti Exploration, a Company owned jointly by a director and the Chief Executive Officer. The Loan Agreement was secured by the amended purchase and sale agreement between the Company and Dove Energy BV for the acquisition by Avanti of all of the issued and outstanding shares of CMI Energia. CMI Energia owns a 90% working interest in a natural gas permit in Italy (Note 4). The borrowed amount was due upon demand and was convertible into a beneficial working interest in the CMI Italian asset. During the period, the borrowed amount was converted.

Due to related parties includes $7,348 (2014: $52,504) unsecured with no fixed terms for payment. During the current and prior fiscal periods the Company entered into certain agreements with Avanti Exploration, a Company owned jointly by a director and the Chief Executive Officer

FINANCIAL INSTRUMENTS AND RISK

Fair value

The Company’s consolidated financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and due to related parties. As at June 30, 2015, the carrying value of accounts receivable, accounts payable and accrued liabilities and due to related parties approximate their fair value due to their short terms to maturity. Cash and cash equivalents is measured at fair value using level 1 inputs.

The Company’s risk exposures and the impact on the Company’s financial statements are summarized below.

Financial risk factors

The Company’s risk exposures and the impact on the Company’s financial statements are summarized below.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash and cash equivalents is held at large Canadian and US financial institution in interest bearing accounts and in lawyers trust accounts. The Company has no investment in asset-backed commercial paper. The Company's accounts receivable consist mainly of government sales tax ("GST") receivable due from the government of Canada. As a result, the Company does not believe it is exposed to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The Company intends to settle these with funds from its positive working capital position.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

   Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

   The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risk on cash is not considered significant.

b) Foreign currency risk

   The Company is exposed to foreign currency risk on fluctuations related to cash, receivables, and accounts payable and accrued liabilities that are denominated in a foreign currency. As at June 30, 2015, the Company considers foreign currency risk to be insignificant.

c) Price risk

   Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and gas are impacted not only by the relationship between the Canadian and United States dollar, but also by world economic events that dictate the levels of supply and demand. The Company does not have any financial risk management contracts in place as at June 30, 2015 to manage this risk.

NEW ACCOUNTING PRONOUCEMENTS

New standards adopted during the period

Effective January 1, 2015, the following standards were adopted but did not have a material impact on the financial statements.

- IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2015.

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IFRS 9: New standard that replaced IAS 39 for classification and measurement, tentatively effective for annual periods beginning on or after January 1, 2018.

RISKS AND UNCERTAINTIES

Limited liquidity, additional financing and uncertainty of such financing
Current financial resources are able to fund the Company's operations. The Company will require additional financing, however, to conduct exploration programs on its properties and fund corporate costs that are beyond the current financial resources. There is no assurance that the Company will be successful in obtaining the required financing either through issuance of common shares, divestment of properties or partnerships. A lack of financing would cause the Company to postpone its exploration and development plans, reduce its technical staff, and could necessitate reducing mineral concessions and/or will cause going concern issues for the Company.

PFIC Tax Risk
U.S. persons who are potential holders of our common shares, warrants or options to purchase our common shares, should be aware that the Company could constitute a "passive foreign investment company" (or a "PFIC") for U.S. federal income tax purposes. The tests for determining PFIC status for a taxable year depend upon the relative values of certain categories of assets and the relative amounts of certain kinds of income. The application of these factors depends upon our financial results for the year, which is beyond our ability to predict or control, and may be subject to legal and factual uncertainties. While the Company does not believe that we were a PFIC in 2014 and do not expect to be a PFIC in 2015, the Company cannot guarantee its PFIC status in 2014, 2015 or in later years. The Company undertakes no obligation to advise investors as to our PFIC status for any year.

If the Company is a PFIC for any year, any holder of our equity securities who is a U.S. person for U.S. federal income tax purposes, a "U.S. holder", and whose holding period for the equity securities includes any portion of a year in which the Company is a PFIC generally would be subject to a special adverse tax regime in respect of "excess distributions." Excess distributions would include certain distributions received with respect to our common shares. Gain recognized by a U.S. holder on a sale or other transfer of our equity securities also would be treated as an excess distribution. Under the PFIC rules, excess distributions would be allocated ratably to a U.S. holder's holding period. For this purpose, the holding period of common shares acquired through either an exercise of warrants or options includes the holder's holding period in those warrants or options.

The portion of any excess distributions (including gains treated as excess distributions) allocated to the current year would be includible as ordinary income in the current year. In contrast, the portion of any excess distributions allocated to prior years would be taxed at the highest marginal rate applicable to ordinary income for each year (regardless of the taxpayer's actual marginal rate for that year and without reduction by any losses or loss carryforwards) and would be subject to interest charges to reflect the value of the U.S. federal income tax deferral.

Elections may be available to mitigate the adverse tax rules that apply to PFICs (the so-called "QEF" and "mark-to-market" elections), but these elections may accelerate the recognition of taxable income and may result in the recognition of ordinary income. The QEF and mark-to-market elections are not available to U.S. holders with respect to warrants or options. The Company has not decided whether we will provide the U.S. Holders of our common shares with the annual information required to make a QEF election.

Additional special adverse rules could apply to our equity securities if the Company is a PFIC and has a non-U.S. subsidiary that is also a PFIC. Finally, special adverse rules that impact certain estate planning goals could apply to our equity securities if the Company is a PFIC.

Dilution
Issuances of additional securities at or near the current share price of the Company would result in significant dilution of the equity interests of any persons who are holders of common shares.

Market condition and liquidity crisis
The global liquidity crisis of 2008-2009 resulted in extreme volatility in equity and commodity markets and negatively impacted common share prices of junior exploration companies. Although global economies have improved, equity capital market conditions continue to be troublesome. The valuation of the Company and other junior exploration companies have suffered, and the environment for raising additional financing continues to be difficult.

Share price subject to volatility
The market price of the securities of a publicly traded issuer, in particular a junior resource issuer, is affected by many variables not directly related to exploration success, including the market for junior resource securities, economic performance, market liquidity, commodity prices, availability of alternative investments and the breadth of the public market for the securities.

Hydrocarbon prices subject to volatility
The Company is primarily targeting oil and gas. These commodities are traded on exchanges and their prices have been volatile and are affected by, among other things, forecast global economic conditions, and current supply and demand. While the Company is not currently producing or selling a large dollar value of products, the value of its projects are impacted by current and future expected prices of the commodities that it is seeking.

No history of earnings
To date, the Company has only begun earning revenues during fiscal 2014 from production at its oil and gas properties, and there is no certainty that the Company will continue to produce revenue, operate profitably or provide a return on investment in the future.

Dependence on management
The Company will be dependent upon the personal efforts and commitment of its management, which is responsible for the development of future business. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the business.

Exploration and development activities are inherently risky
The business of exploration and extraction involves a high degree of risk. Few properties that are explored are ultimately developed into production. Unusual or unexpected formations, formation pressures, power outages, labour disruptions, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs. These factors can all affect the timing, cost and success of exploration programs and any future development. Although the Company carries liability insurance with respect to its exploration operations, the Company may become subject to liability for damage to life and property, environmental damage, cave-ins or hazards against which it cannot insure or against which it may elect not to insure.

Previous operations may have caused environmental damage at certain of the Company's properties. It may be difficult or impossible to assess the extent to which such damage was caused by the Company or by the activities of previous operators, in which case, any indemnities and exemptions from liability may be ineffective, and the Company may be responsible for the costs of reclamation.

If any of the Company's properties move to a development stage, the Company would be subject to additional risks respecting any development and production activities.

Potential conflicts of interest
Certain of the Company’s directors and officers may serve as directors and/or officers of other public and private companies and devote a portion of their time to manage other business interests. This may result in certain conflicts of interest, to the extent that such other companies may participate in ventures in which the Company is also participating. The laws of British Columbia require the directors and officers to act honestly, in good faith, and in the best interests of the Company. In addition, each director must declare his or her interest and abstain from voting on any contract or transaction in which the director may have a conflict of interest.

Political investment risk; Political instability in developing countries
Some of the Company's interests are in countries that may be affected by varying degrees of political instability and the policies of other nations in respect of these countries. These risks and uncertainties include military repression, political and labour unrest, fluctuations in currency exchange rates, rates of inflation, terrorism, hostage taking and expropriation.

The Company's exploration and development activities may be affected by changes in government, political instability and the nature of various government regulations relating to the mining industry. The Company cannot predict the government's positions on foreign investment, mining concessions, land tenure, environmental regulation or taxation. A change in government positions on these issues could adversely affect the Company's business and/or its holdings, assets and operations. Any changes in regulations or shifts in political conditions are beyond the control of the Company. The Company's operations entail governmental, economic, social, medical and other risk factors common to all developing countries. See "Economic Uncertainty in Developing Countries". The status of developing countries may make it more difficult for the Company to obtain any required financing because of the associated investment risks.

Economic uncertainty in developing countries

The Company's operations may be adversely affected by economic uncertainty characteristic of developing countries. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and safety factors. Any such changes could have a material adverse effect on the Company's results of operations and financial condition.

Risks relating to statutory and regulatory compliance

The current and future operations of the Company, from exploration through development activities and commercial production, if any, are and will be governed by laws and regulations governing mineral concession acquisition, prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in exploration activities and in the development and operation of mines and related facilities may experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. Permits are subject to the discretion of government authorities and there can be no assurance that the Company will be successful in obtaining all required permits. Further, there can be no assurance that all permits which the Company may require for future exploration, construction of mining facilities and conduct of mining operations, if any, will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project which the Company may undertake.

Failure to comply with applicable laws, regulations and permits may result in enforcement actions there under, including the forfeiture of claims, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or costly remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its exploration activities and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits. The Company is not currently covered by any form of environmental liability insurance. See "Insurance Risk", below.

Existing and possible future laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or require abandonment or delays in exploration.

Title risks

The acquisition of title to resource properties or interests therein is a detailed process. Title to the area of resource concessions may be disputed. There is no guarantee of title to any of the Company's properties. The properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. Title may be based upon interpretation of a country's laws, which laws may be ambiguous, inconsistently applied and subject to reinterpretation or change. The Company has not surveyed the boundaries of any of its properties and consequently the boundaries of the properties may be disputed.

Foreign currency fluctuations

The Company's activities in South America and/or Italy will render it subject to foreign currency fluctuations. While the Company expects to minimize the risks associated with foreign currency fluctuations by holding its cash and short-term investments in U.S. and Canadian dollars rather than the local currencies, to the extent that its operations in those countries are carried out using the local currency, any appreciation of such local currency relative to the U.S. and Canadian dollar could have an adverse impact on the financial position of the Company. Since the Company's financial results will be reported in Canadian dollars, its financial position and results will be impacted by exchange rate fluctuations between the Canadian dollar, U.S. dollar and Euro dollar.

Insurance risk

No assurance can be given that insurance to cover the risks to which the Company's activities are subject will be available at all or at commercially reasonable premiums. The Company maintains insurance within ranges of coverage which it believes to be consistent with industry practice for companies of a similar stage of development. The Company carries liability insurance with respect to its exploration operations, but does not currently intend to carry any form of political risk insurance or any form of environmental liability insurance, since insurance against political risks and environmental risks (including liability for pollution) or other hazards resulting from exploration and development activities is prohibitively expensive. The payment of any such liabilities would reduce the funds available to the Company. If the Company is unable to fully fund the cost of remedying an environmental problem, it might be required to suspend operations or enter into costly interim compliance measures pending completion of a permanent remedy.

Competition
Significant and increasing competition exists for oil and gas assets in each of the jurisdictions in which the Company conducts operations. As a result of this competition, much of which is with large established companies with substantially greater financial and technical resources than the Company, the Company may be unable to acquire additional attractive properties or financing on terms it considers acceptable. The Company also competes with other companies in the recruitment and retention of qualified employees.

Legal proceedings
Substantially all of the Company's assets are located outside of Canada, which may create difficulties in enforcing in Canadian courts any judgments obtained by the Company in foreign jurisdictions. Similarly, to the extent that the Company's assets are located outside of Canada, investors may have difficulty collecting from the Company on any judgments obtained in Canadian courts and predicated on the civil liability provisions of securities legislation. The Company may be subject to legal proceedings and judgments in foreign jurisdictions.

Dividends unlikely
The Company has not paid any dividends since the date of its incorporation, and it is not anticipated that dividends will be declared in the short or medium term.

CAPITAL MANAGEMENT

Capital is comprised of the Company’s shareholders’ equity. As at June 30, 2015, the Company’s shareholders’ equity was $6,480,976. The Company’s capital structure consists of the components of shareholders’ equity. The Company’s objective when managing capital is to maintain adequate levels of funding to support the development of its business and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing and amounts payable to related parties. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, high liquid, high-grade financial instruments. There were no changes to the Company’s approach to capital management during the year. The Company is not subject to externally imposed capital requirements. The Company may raise additional debt or equity financing in the future to meet its obligations.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual reports could differ from management’s estimates.

The Company is required to make certain estimates, judgments and assumptions. Please refer to Note 2 in the annual financial statements for more details.

CONTINGENCIES

Other than $465,803 recorded as a reclamation obligation to cover the Company’s portion of the anticipated future expense to remove equipment and restore wellsites applicable regulations, there are no contingent liabilities.

The Company's reclamation obligation consists of costs accrued based on the current best estimate of the plug and abandonment liability expense to be incurred upon the cessation of economic use of well locations. The Company's provision for future site closure and reclamation costs is based on the level of known disturbance at the reporting date, known legal requirements and estimates prepared by a third party specialist. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments.

Management used a risk-adjusted interest rate of 6% in preparing the Company's provision for closure and reclamation. Although the ultimate amount of reclamation costs to be incurred cannot be predicted with certainty, the net undiscounted aggregate amount of estimated cash flows required to settle the Company's estimated obligations is $5,860,050 over the next 14 years.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Changes in Internal Control over Financial Reporting ("ICFR")

In connection with National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109") adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issue Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the financial statements.

OUTSTANDING SHARES, STOCK OPTIONS AND WARRANTS

As at August 26, 2015:

a) Authorized: unlimited common shares without par value.

b) Issued and outstanding: 61,785,910 common shares.

c) Outstanding stock options:

Number of options	Exercise price	Expiry date
50,000	$ 0.10	April 19, 2017
2,875,000	0.20	November 25, 2018
200,000	0.205	February 5, 2019
3,100,000	0.20	July 26, 2020
6,225,000		

d) Outstanding warrants:

Number of warrants	Exercise price	Expiry date
170,000	0.15	November 25, 2015
145,991	0.16	March 3, 2016
315,991		

EVENTS SUBSEQUENT TO JUNE 30, 2015

Effective July 26, 2015, the Company granted options to acquire 3,100,000 common shares at $0.20 per share under the Company's Stock Option Plan.

Effective August 26, 2015, the Board of Directors appointed a Compensation Committee of the Board of Directors with a time-limited mandate. The Committee has the responsibility for, among other things, establishing, reviewing and recommending to the Board compensation and incentive plans and programs and reviewing and approving compensation and awards under compensation and incentive plans and programs for the CEO, CFO and senior officers, with the intention of attracting, retaining and appropriately rewarding officers in order to motivate their performance in the achievement of the Company's business objectives and aligning their interest with the long-term interests of the shareholders of the Company.

OTHER MD&A REQUIREMENTS

Additional disclosure of the Company's technical reports, material change reports, news releases and other information can be obtained on SEDAR at www.sedar.com.