Avanti Energy Inc.

Management Discussion and Analysis

For the six months ended June 30, 2016 and 2015

(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") 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 date.

The following management discussion and analysis ("MD&A"), prepared as of May 30, 2016, should be read together with the condensed consolidated interim financial statements and accompanying notes for the six months ended June 30, 2016 and related notes hereto, which are prepared in accordance with IFRS. The reader should also refer to the audited financial statements and accompanying notes for the year ended December 31, 2015 and related notes hereto, 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 2015, 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 84.3 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 March 2016 from Chapman Petroleum Engineering Ltd. In addition, based on mapping and reprocessed seismic data, the Company has identified an extension to the existing field. The Vallecupa extension has been attributed Prospective Resources in a range to 51 to 59 billion cubic feet of natural gas. The Vallecupa extension area covers in excess of 2,200 acres as mapped and would share a common gas water contact with the known accumulation in the permit.

Concurrent with closing of the CMI acquisition, 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. CMI will continue as the operator of the Project and retains a 33.33% working interest.

Since closing the CMI transaction, the Company has entered into agreements with Olimar Srl and a team of recognized Italian engineering firms to carry out the new gas development plan. The technical team involved in the design, engineering, and environmental aspects of the Project include: Ediltop Srl, Libra Engineering, TEA Sistemi, TEA Ambiente, DREAM Consulting of Torino, and Prof. Leonardo Tognotti, renowned chemical engineer University of Pisa.

The Company is pleased to report that it has completed its new development plan which was formally submitted to the Ministry of Economic Development on April 18, 2016. The new plan consists of placing the two existing wells on production, drilling two additional development wells at a later date, and construction of a 21 Km pipeline to connect the field with a gas treatment facility located in an existing industrial park. Management believes moving the gas treatment facility to an existing industrial zone, therefore away from the field and local community, mitigates local concerns and represents a material improvement to the previous development plan. As regards a new environmental impact assessment (EIA) which covers all development components of the new development plan, namely: production, pipeline, and treatment plant, the Company submitted its report to the Ministry of Environment on June 26, 2016.

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") in 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. Lucana continues to evaluate a number of development projects in Southern Italy.

USA

During the fourth quarter of 2015, the Company decided to abandon its USA production efforts due to the marginal nature of the production, the low-price environment for the produced liquids, and the high operating costs resulting from ever-increasing water-cut. Through negotiation with the operator the Company surrendered its interests in the two producing wells, the two shut-in wells, and the associated used production equipment -- in consideration of a release from all abandonment costs and future liabilities as of December 1, 2015. In the 2015 period, the Company's interest in the two producing wells generated gross revenues of $44,616 (2014: $481,391). During the year, the Company recorded non-cash depletion expenses of $92,900 (2014: $93,100), effectively reducing the carrying value of the assets to $nil.

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.

Management continues to monitor the fallout from low commodity prices. While there is considerable distress within the industry, high quality opportunities such as Colle Santo remain scarce. In the short term management will focus its efforts on reaching project sanction at Colle Santo during Q4 and identifying synergistic producing property acquisitions in Italy.

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 100% 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 AVN with a fair value of $0.30 per share.

As additional consideration, Dove retained a 15% working interest in the Colle Santo project – a key asset of CMI Energia. Concurrent with closing of the acquisition, AVN arranged for a syndicate of investors to acquire a 41.66% 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.

CMI reflects the receipt of funds under the work commitment as a recovery of expenses. During the period ended June 30, 2016, $273,608 (2015: $294,925) was recorded as recovery of expenses.

Upon completion of the PSA, CMI remained operator of Colle Santo and the 90% working interest held by CMI is owned as follows:

- 33.34% - AVN
- 41.66% - Syndicate of investors including Avanti Exploration
- 15% - Dove

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	157,947
Equipment	81,041
Other assets	1,924
Exploration and evaluation assets	4,239,534
Accounts payable	(160,720)
Asset retirement obligation	(139,000)
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

The Company's results of operations and cash flows include those of CMI Energia from the date of acquisition, to date.

RESULTS OF OPERATIONS

Selected Annual Information

	Years ended December 31		
	2015	2014	2013
Revenue	**$ 44,616**	$ 481,391	$ Nil
Net loss for the period	**$ (2,380,018)**	$ (1,757,830)	$ (2,069,266)
Net loss per common share, basic and diluted	**$ (0.04)**	$ (0.04)	$ (0.09)
Weighted average number of common shares	**57,575,362**	45,046,505	22,607,867
Financial position data			
Working capital as at December 31	**$ 108,671**	$ 207,365	$ 283,529
Total assets as at December 31	**$ 4,762,853**	$ 2,570,282	$ 2,523,006

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 USA working interests. For the year ended December 31, 2015, the Company recorded revenue of $44,616 [2014: $481,391]. The significant decline in revenues is reflected in lower volumes of production and a large reduction in realized commodity pricing. During the fourth quarter of 2015, the Company decided to abandon its USA production efforts due to the marginal nature of the production, the low-price environment for the produced liquids, and the high operating costs resulting from ever-increasing water-cut.

Six months ended June 30, 2016

During the three months ended June 30, 2016, the Company continued to streamline its operations reflecting its singular focus on Italy. The acquisition of CMI did burden management with some additional expenses related to administration. The Company incurred operating expenses totaling $641,358 [2015: $313,484], which includes a recovery of $273,608 [2015: $294,925] for certain Colle Santo operating expenses - from the JV partner. The bulk of the expenses in the current period were related to corporate and oil & gas operations, which are represented in administrative expense of $303,803 [2015: $181,509] and consulting fees of $99,692 versus $209,352 in the corresponding 2015 period; and in lease operating expense related to USA operations, which was reduced to $nil compared with $11,905 in 2015. Administrative expense rose during the period reflecting the additional burden required dealing with the Italy permitting process, while the consulting fee reduction is tied to the elimination of USA operations. The non-cash charge of $304,481 [2015: $nil] for share-based compensation reflects that a grant of stock options occurred in the current period. Professional fees increased to $31,233 [2015: $18,347] reflecting the additional work required to operate in multiple jurisdictions.

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

Fiscal year ended December 31, 2015

During the twelve months ended December 31, 2015, the Company trimmed some expense categories reflecting its singular focus on Italy. The acquisition of CMI did burden management with some additional expenses related to administration. The Company incurred operating expenses of $2,424,634 [2014: $2,239,221], which includes a recovery of $849,600 [2014: $nil] for certain Colle Santo operating expenses - from the JV partner. The bulk of the expenses in the current period were related to acquisitions and oil & gas operations, which are represented in administrative expense of $428,996 [2014: $305,618] and consulting fees of $409,615 versus $696,673 in the corresponding 2014 period; and in lease operating expense related to USA operations, which was reduced to $75,919 compared with $616,663 in 2014. The non-cash charge of $nil [2014: $38,183] for share-based compensation reflects that no grants of stock options occurred in the year. The recording of a non-cash impairment expense of $1,903,043 [2014: $84,988] captures the write-off of the book value attributed to the Avanti SA and Avanti Oil acquisitions in 2013. A further non-cash charge of $77,900 [2014: $nil] was recorded to capture the disposal of property and equipment associated with the Louisiana well sale. Professional fees decreased to $54,460 [2014: $71,306] reflecting the additional work undertaken by management and the reclassification of certain acquisition related expenses.

Selected Financial Data [Quarterly - unaudited]

		Quarter Ended							
		6/30/2016	**3/31/2016**	**12/31/2015**	**9/30/2015**	**6/30/2015**	**3/31/2015**	**12/31/2014**	**09/30/2014**
Operating Revenue	$	-	-	21,318	3,752	15,986	3,560	132,250	269,981
Comprehensive loss	$	(48,752)	(592,606)	(1,978,965)	(87,569)	(24,805)	(288,679)	(122,490)	(161,725)
Loss per share	$	(0.00)	(0.01)	(0.03)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)
Share capital	$	10,690,972	10,690,972	10,330,297	10,330,297	10,330,297	5,943,821	5,943,821	5,943,821
Common shares issued		65,435,910	65,435,910	61,785,910	61,785,910	61,785,910	47,149,243	47,149,243	47,149,243
Weighted average shares outstanding		65,435,910	63,023,273	61,785,910	61,785,910	59,373,273	47,149,243	47,149,243	47,124,243
Total Assets	$	4,747,759	4,772,074	4,762,853	7,228,099	7,217,580	3,000,610	2,570,282	3,139,511
Net Assets	$	4,418,694	4,467,446	4,394,896	6,393,407	6,480,976	2,103,319	2,388,438	3,071,591
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, 2016, the Company had working capital of $92,913 [2015 year-end: $108,671] and cash of $97,724 [2015 year-end: $109,913]. During the six months ended June 30, 2016, the Company closed 2 tranches of a non-brokered private placement for gross proceeds of $365,000 via the issuance of 3,650,000 units at $0.10 per unit. In connection with the private placement the Company incurred legal and other costs of $4,325.

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	**2016**	2015
Salaries and short term benefits(i)	**$ 273,783**	$ 326,355
Share-based payments	**276,801**	-
	$ 550,584	$ 326,355

(i)Salaries and short term benefits include $150 (2015: $150,000) in Management fees and $123,783 (2015: $176,355) in Consulting fees; recorded on the Statement of Loss and Comprehensive Loss.

During the period ended June 30, 2016, 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 Senior Vice President
Tim Berge LLC ("Berge")	Consulting fees for the services provided by Tim Berge as former 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.

(a) Paid $15,000 (2015: $5,000) in rent to CFC, a company in which a director is a significant shareholder.

(b) Paid $150,000 (2015: $150,000) to PEMC, a company controlled by two officers for management services as disclosed in key management personnel compensation within salaries and short term benefits.

(c) Paid $123,783 (2015: $117,570) to Frascogna, a company controlled by an officer for consulting fees as disclosed in key management personnel compensation within salaries and short term benefits.

(d) Paid $nil (2015: $58,785) to Berge, a company controlled by a former officer for consulting fees as disclosed in key management personnel compensation within salaries and short term benefits.

(e) Granted 2,750,000 (2015: nil) stock options to officers and directors with a fair value of $276,801 (2015: $nil).

(f) Due to related parties includes $5,250 (2015: $7,348) and is unsecured with no fixed terms for payment.

FINANCIAL INSTRUMENTS AND RISK

Fair value

The Company's consolidated financial instruments consist of cash and cash equivalents, sales tax and other receivables, accounts payable and accrued liabilities, and due to related parties. As at June 30, 2016, the carrying value of sales tax and other receivables, 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, Italian and US financial institutions in interest bearing accounts and in lawyers' trust accounts. The Company's sales tax and other receivables consists mainly of government sales tax ("GST") receivable due from the government of Canada, and IVA sales tax receivable from the Government of Italy. 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 and cash equivalents, accounts receivable, and accounts payable and accrued liabilities that are denominated in a foreign currency. As at June 30, 2016, a 10% fluctuation in the foreign exchange rate of the Euro or United States dollar against the Canadian dollar would affect the Company's loss for the period by approximately, $64,136.

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, 2016 to manage this risk.

NEW ACCOUNTING PRONOUCEMENTS

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.
- IAS 27: Amended to restore option to use equity method to account for investments in subsidiaries, joint ventures and associates.
- IAS 12: Amended to clarify the recognition of a deferred tax asset for unrealized losses.
- IFRS 15: New standard to establish principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

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, issuance of debt instruments, 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 2015 and do not expect to be a PFIC in 2016, the Company cannot guarantee its PFIC status in 2015, 2016 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, 2016, the Company's shareholders' equity was $4,418,694. 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.

PROPOSED TRANSACTIONS

The Company has no proposed transactions to report at this time.

CONTINGENCIES

Other than $150,000 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.

The present value of the estimated costs for the decommissioning of the Colle Santo wells at the end of their useful lives is estimated to be $150,000 (€104,493). As operator, the Company has recorded the obligation at 100%. The obligation is subject to a pro-rata allocation to the working interest holders who are expected to incur their proportionate expenditure for the 66.67% working interest held by joint venture partners.

The estimated gross costs of the obligation is estimated at $626,630 (€436,524). The Company estimates that the timing of incurring the expenditures is 15 years, an inflation rate of 1%, and a risk free adjusted rate of 10%.

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 29, 2016:

a) Authorized: unlimited common shares without par value.

b) Issued and outstanding: 65,435,910 common shares.

c) Outstanding stock options:

Number of options	Exercise price	Expiry date
50,000	$ 0.10	April 19, 2017
2,575,000	0.20	November 25, 2018
200,000	0.205	February 5, 2019
3,025,000	0.12	February 4, 2021
5,850 ,000		

d) Outstanding warrants:

Number of warrants	Exercise price	Expiry date
550,000	$ 0.15	February 4, 2017
1,275,000	0.15	March 11, 2017
1,825,000		

EVENTS SUBSEQUENT TO JUNE 30, 2016

On August 11, 2016, Avanti announced that it has arranged a non-brokered private placement of convertible, redeemable debentures in the principal amount of up to $500,000 (the "Debentures"). Closing of the private placement is expected to take place in tranches during the Company's third quarter.

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.