BRUIN
oil & gas

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2015

AND THE PERIOD FROM JANUARY 30, 2014

TO DECEMBER 31, 2014

August 17, 2016

LETTER TO OUR SHAREHOLDERS

Dear Shareholder:

As many of you are aware, on June 15, 2016 our management team recapitalized Bruin Oil & Gas Inc. while simultaneously closing on a $22.0 million acquisition. There are many familiar faces with most of our team returning from Beaumont Energy Inc. Our executive is comprised of myself as Chief Executive Officer, Derek Kreba as President, Ken McNeill as Vice President Corporate Development and Shane Helwer as Vice President Finance and Chief Financial Officer.

We recently completed a non-brokered financing for $33.5 million and, after closing the property acquisition are currently in a positive working capital position of over $32.0 million. The acquisition is at Consort and Hamilton Lake in east central Alberta, an area we are familiar with from Cutpick Energy Inc., one of our predecessor companies. Similar to the focus of our three previous companies, the properties are prospective for Viking light oil.

The acquisition consists of current production of 450 BOE/d from 642 wells that are 99% operated with 85% of production being from the Viking formation. The land position is significant with 182 gross sections (153 net) with an average working interest of 84% in the two strike areas. Similar to our experience at Beaumont, current operating expense is over $30.00 per BOE.

We have already been active in the field as we continue to optimize production and reduce operating expense. Horizontal drilling locations have been identified and we expect to initiate our drilling program in late Q3 or early Q4. The capital program will be determined as we evaluate ongoing field operations and the commodity price environment throughout 2016. Bruin expects to provide guidance on its 2017 capital program in December of this year.

We will hold our Annual General Meeting on Wednesday September 15, 2016 at 2:00PM at our offices located at Suite 1700, 205 5 AVE SW, Calgary, Alberta. At the AGM, among other items, we are asking our shareholders to approve a change of the Company's name to Karve Energy Inc. to reflect the change in management, Board and strategic focus.

You will find enclosed the Bruin Oil & Gas Inc. audited financial statements and MD&A for the twelve months ended December 31, 2015. These financial statements have been prepared in accordance with International Financial Reporting Standards. If you would like to be added to our email distribution list to receive financial statements and MD&A by email, please send your request to info@bruinoil.com.

We look forward to reporting our progress to you and thank all of our shareholders for their ongoing support.

On behalf of the Board of Directors,

Signed "Bob Chaisson"

Bob Chaisson
Chief Executive Officer
Bruin Oil & Gas Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") is a review of Bruin Oil and Gas Inc.'s ("Bruin") results and management's analysis of its financial performance for the year ended December 31, 2015 and the period from January 30, 2014 to December 31, 2014. It is dated August 17, 2016 and should be read in conjunction with the audited financial statements for the year ended December 31, 2015 and the audited financial statements for the period ended December 31, 2014. Both financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The MD&A contains non-generally accepted accounting principles ("non-GAAP") measures and forward-looking statements and readers are cautioned that the MD&A should be read in conjunction with Bruin's disclosure under "Non-GAAP Measures" and "Forward-Looking Information" included at the end of this MD&A. All amounts are in Canadian dollars unless otherwise noted. All references to "Bruin" or "the Company" refer to Bruin Oil & Gas Inc.

DESCRIPTION OF THE COMPANY

Bruin is a growth-oriented, private oil and natural gas company whose principal business activities are the acquisition, exploration and development of oil and natural gas properties in western Canada. The Company was incorporated in Alberta on January 30, 2014 under the name "1799380 Alberta Ltd." and on June 16, 2014, the Company changed its name to "Bruin Oil & Gas Inc.". While the Company was incorporated in January 2014, it did not commence operations until August 1, 2014.

On December 15, 2015, the Company signed a purchase and sale agreement to dispose of all its producing oil and natural gas properties which were located in the Fiske CGU. On January 15, 2016, the disposition of these assets closed.

Subsequent to year end, on June 15, 2016 a new management team replaced the previous Bruin management team. This new management team organized (i) a recapitalization of the Company through a series of private placements; (ii) the appointment of a new Board of Directors; and (iii) the acquisition of an oil-weighted asset base in the Alberta Viking formation.

FINANCIAL AND OPERATING HIGHLIGHTS

Financial Highlights	**Year ended**	**Period ended**
(Canadian $000, except for per bbl and share amounts)	**31-Dec-15**	**31-Dec-14**
Revenue *(1)*	1,616	910
Funds flow used for operations *(2)*	(1,309)	(275)
Per basic and diluted shares *(2)*	(0.05)	0.05
Net loss from continuing operations	(4,532)	(635)
Per basic and diluted shares	(0.17)	(0.12)
Net loss from discontinued operations	(4,039)	(4,110)
Per basic and diluted shares	(0.16)	(0.76)
Net loss and comprehensive loss	(8,571)	(4,745)
Capital expenditures *(3)*	875	12,612
Total assets	22,142	34,786
Working capital	18,994	20,309
Funds available under put-call agreement, net of fees (4)	6,615	6,615
Net available working capital *(4)*	25,609	26,924
Shareholder equity	21,718	28,331
Common shares: *(000s)*		
Shares outstanding	25,789	25,789
Weighted average shares outstanding	25,789	5,375

Operating Highlights

Average daily production *(bbl/d)*	83	68
($/bbl)		
Operating		
Oil revenue	53.53	67.19
Royalties	(4.18)	(6.22)
Operating expenses	(21.17)	(20.58)
Operating netback	28.18	40.39
General and administration	(49.86)	(34.40)
Financial income	6.48	2.12
Corporate netback	(15.20)	8.11
Wells drilled *(#)*		
Gross	-	16
Net	-	8

(1) Revenue is not disclosed separately in the statement of net loss and comprehensive loss but is included in net loss from discontinued operations in the statement of net loss and comprehensive loss for the periods ended December 31, 2015 and December 31, 2014.

(2) Non-GAAP measure, see page 13 for details

(3) Capital expenditures relate to discontinued operations for the periods ended December 31, 2015 and December 31, 2014.

(4) Net available working capital includes the total funds available to the Company under the put-call obligation agreement (net of fees of $385,000), as disclosed in note 10 of the Company's December 31, 2015 audited year-end financial statements.

ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

On December 15, 2015, the Company signed an agreement to dispose of all its producing oil and natural gas properties which were located in the Fiske CGU. At December 31, 2015 this property was classified as assets held for sale as it was highly probable that its carrying value would be received through a sales transaction rather than through continuing use. The cash proceeds, after closing adjustments were $2.5 million based on an executed purchase and sales contract. The Company recorded an impairment charge on the assets held for sale of $3.5 million on the re-measurement of the property to the lower of its carrying amount and its fair value less costs of disposal which has been included within loss from discontinued operations in the statement of net loss and comprehensive loss.

The comparative statement of net loss and comprehensive loss has been re-presented to show the discontinued operation separately from continuing operations.

	2015	2014
Oil and gas revenue	$ 1,616	$ 910
Royalties	(126)	(84)
	1,490	826
Operating expense	639	279
Accretion expense	13	4
Depletion	1,121	662
Bad debt expense	231	-
Impairment of property, plant and equipment	3,525	3,991
Loss from discontinued operations	**$ (4,039)**	**$ (4,110)**

All working capital amounts associated with assets held for sale have been reclassified to assets held for sale and liabilities associated with assets held for sale.

The assets presented as Assets held for sale on the statement of financial position are comprised of the following:

	2015	2014
Accounts receivable	**$132**	$-
Property, plant and equipment	**2,679**	-
Assets held for sale	**$2,811**	**$-**

The liabilities presented as liabilities associated with Assets held for sale on the statement of financial position are comprised of the following:

	2015	2014
Accounts payable and accrued liabilities	**$135**	$-
Decommissioning liabilities	**193**	-
Liabilities associated with Assets held for sale	**$328**	**$-**

PRODUCTION VOLUMES

At December 31, 2015 Bruin operated approximately 32 gross (16 net) wells. Bruin drilled no wells and completed 1 gross well (0.5 net) during the year ended December 31, 2015 compared to drilling and completing 16 gross wells (8 net) during the period ended December 31, 2014.

Production *(bbl/d)*	**Year ended 31-Dec-15**	**Period ended 31-Dec-14**
Average oil production	83	68
Exit oil production	14	186

Production averaged 83 bbl/d for the year ended December 31, 2015 compared to 68 bbl/d for the period ended December 31, 2014.

Exit production decreased from 186 bbl/d for the period ended December 31, 2014 to 14 bbl/d for the year ended December 31, 2015 due to well declines and no drilling activities during 2015.

REALIZED SALES PRICE AND REVENUE

(Canadian $000, except for per bbl amounts)	**Year ended 31-Dec-15**	**Period ended 31-Dec-14**
Gross petroleum revenue	1,616	910
Average realized sales price – Oil *($/bbl)*	53.53	67.19
Average benchmark price – Canadian light sweet ($/bbl)	57.45	93.99

For the year ended December 31, 2015, the Company generated revenue of $1.6 million (December 31, 2014 - $910,000). The average sales price per bbl for the year ended December 31, 2015 was $53.53 compared to $67.19 for the year ended December 31, 2014. The decrease relates to lower benchmark commodity pricing for crude oil throughout 2015. The Company sells its production at current market prices discounted for Saskatchewan delivery points and adjusted for quality based on the density of the Company's sweet, light crude oil. The Canadian light sweet benchmark decreased from $93.99 during the period ended December 31, 2014 to $57.45 during the year ended December 31, 2015 which represents a decrease of 39% in benchmark commodity pricing.

The Company has not hedged against any of its future production as at August 17, 2016, the date of this MD&A.

ROYALTIES

(Canadian $000, except for per bbl amounts)	Year ended 31-Dec-15	Period ended 31-Dec-14
Royalty expense	126	84
Royalty expense as a % of revenue	7.8%	9.2%
$/bbl	4.18	6.22

Royalties include Crown, freehold and gross overriding royalties. Royalties for the year ended December 31, 2015 were $126,000 ($4.18 per bbl) compared to $84,000 ($6.22 per bbl) for the period ended December 31, 2014. For the year ended December 31, 2015, the Company's royalty rate was 7.8% of revenues (December 31, 2014 – 9.2%), a decrease of 1.4% due to higher production on Crown lands where the Company benefited from the Saskatchewan Government's Crown royalty incentive program for new horizontal wells and lower realized commodity prices that resulted in lower Crown royalty rates.

OPERATING EXPENSES

(Canadian $000, except for per bbl amounts)	Year ended 31-Dec-15	Period ended 31-Dec-14
Operating expense	639	279
$/bbl	21.17	20.58

Operating expenses include activities in the field required to operate wells and facilities, lift to surface, gather, process and in field trucking of production. Operating expenses were $639,000 ($21.17 per bbl) for the year ended December 31, 2015 and $279,000 ($20.58 per bbl) for the period ended December 31, 2014. The modest increase in operating expenses for the year relates to higher in-field trucking and fuel and power costs, offset by increased production volumes.

NETBACK

Operating and corporate netbacks are summarized in the table below:

	Year ended 31-Dec-15	Period ended 31-Dec-14
Netbacks: *($/bbl)*		
Operating		
Petroleum sales	53.53	67.19
Royalties	(4.18)	(6.22)
Operating expenses	(21.17)	(20.58)
Operating netback	**28.18**	**40.39**
General and administration	(49.86)	(34.40)
Financial income	6.48	2.12
Corporate netback	**(15.20)**	**8.11**

The decrease in the operating netback for the year ended December 31, 2015 compared to the period ended December 31, 2014 is related to lower realized commodity prices during 2015, partially offset by lower royalty expense per bbl.

The decrease in corporate netback for the year ended December 31, 2015 compared to the period ended December 31, 2015 is due to general and administrative expenses ("G&A") being incurred for a full twelve months during the year ended December 31, 2015 compared to the period ended December 31, 2014 where G&A expense was only incurred for five months (the Company began commercial production in August 2014). This resulted in G&A expense increasing from $34.40 per bbl during the period ended December 31, 2014 to $49.86 per bbl during the year ended December 31, 2015.

GENERAL AND ADMINISTRATION ("G&A")

(Canadian $000, except for per bbl amounts)	**Year ended 31-Dec-15**	**Period ended 31-Dec-14**
Salaries and consulting fees	828	482
Professional fees	418	127
Office and rent costs	172	79
Other	179	76
General and administrative expense (gross)	1,597	764
Capitalized G&A and overhead recovery	(92)	(298)
General and administrative expense (net)	1,505	466
$/bbl	49.86	34.40

General and administrative expenses (net) for the year December 31, 2015 were $1.5 million ($49.86 per bbl) and $466,000 ($34.40 per bbl) for the period ended December 31, 2014. The increase in gross G&A expense for the year ended December 31, 2015 compared to the period ended December 31, 2014 relates a full twelve months of commercial production during the year ended December 31, 2015 compared to only five months of commercial production during the period ended December 31, 2014 (the Company began commercial production in August 2014).

Capitalized G&A relates to the salaries, software costs and other indirect costs related to the exploration and development of oil and gas properties. The decrease in capitalized G&A from $298,000 during the period ended December 31, 2014 to $92,000 during the period ended December 31, 2015 is due to less capital expenditures during 2015.

Subsequent to December 31, 2015, termination benefits of $997,000 were paid on the termination of all executive officers without cause.

FINANCIAL INCOME

(Canadian $000, except for per bbl amounts)	**Year ended 31-Dec-15**	**Period ended 31-Dec-14**
Interest income	196	29
$/bbl	6.48	2.12

Financial income relates to interest income earned on bank deposits. Interest income increased to $196,000 ($6.48 per bbl) for the year ended December 31, 2015 compared to $29,000 ($2.12 per bbl) due to bank deposits being held for a full twelve months during the year ended December 31, 2015 compared to only five months during the period ended December 31, 2014, as the Company raised cash from equity issuances in August 2014. The Company has no bank debt and does not pay interest expense.

SHARE-BASED COMPENSATION

(Canadian $000)	**Year ended 31-Dec-15**	**Period ended 31-Dec-14**
Share-based compensation - options	1,626	248
Share-based compensation – performance warrants	332	179
Capitalized share-based compensation	(391)	(68)
Share-based compensation expense	1,567	359
$/bbl	51.93	26.50

Share-based compensation ("SBC") is an estimate of the fair value of the share options and performance warrants granted by the Company using the Black-Scholes valuation methodology at the grant date. The Black-Scholes pricing model requires the Company to make assumptions including share volatility, a risk-free rate, and expected life of the options and performance warrants. SBC expense for the period ended December 31, 2015, was $1.6 million (December 31, 2014 - $359,000) using the graded vesting method. The increase in SBC for the year ended December 31, 2015 is due to a full year of vesting of all options and warrants granted during 2014 compared to only four months of vesting during the period ended December 31, 2014. This increase was offset by a SBC recovery of $654,000 due to the cumulative SBC recognized being reversed for performance warrants that are not anticipated to vest in the future due to management's assumption that the liquidity event vesting condition is improbable.

As at December 31, 2015, 2,731,000 share options and 1,951,000 performance warrants remain outstanding. The weighted average exercise price of the stock options and performance warrants outstanding was $1.39 per option and $3.78 per warrant, respectively. As at December 31, 2015 861,000 options were exercisable and 321,000 performance warrants were exercisable. No options or performance warrants were exercised during the year ended December 31, 2015 (December 31, 2014 – nil).

On February 12, 2015, 150,000 share options were granted by the Board of Directors to certain employees of the Company at an exercise price of $1.60 per share under the Company's Stock Option Plan and 100,000 performance warrants were granted by the Board of Directors to certain employees of the Company at a weighted average exercise price of $3.10 per share.

All stock options and performance warrants to the previous Bruin management were cancelled on June 15, 2016 and a new stock option and performance warrant plan has been put in place for the new Bruin management team. Refer to the "Subsequent Events" section for additional information.

DEPLETION, DEPRECIATION AND AMORTIZATION

(Canadian $000)	**Year ended 31-Dec-15**	**Period ended 31-Dec-14**
Depletion	1,121	662
Depreciation and amortization	4	1
Impairment of oil properties	3,525	3,991
Impairment of exploration and evaluation assets	1,652	-
Total depletion, depreciation and amortization	6,302	4,654
$/bbl	208.82	343.64

Depletion, depreciation and amortization ("DD&A") are associated with production assets in the Fiske area of Saskatchewan and also include the depreciation and amortization of corporate assets such as computer equipment. The net carrying value of production assets is depleted using the unit-of-production method by determining the ratio of production in the period to the related proved plus probable reserves and estimated future development costs necessary to bring those reserves into production.

The increase in depletion expense for the year ended December 31, 2015 relates to higher production volumes as a result of the Company being in commercial production for a full twelve months during the year ended December 31, 2015 compared to only five months of commercial production during the period ended December 31, 2014.

On December 15, 2015, the Company signed an agreement to dispose of all its producing oil and natural gas properties which were located in the Fiske CGU and re-classified this property as assets held for sale on the statement of financial position. The Company recorded an impairment charge on the assets held for sale of $3.5 million on the re-measurement of the property to the lower of its carrying amount and its fair value less costs of disposal which has been included within loss from discontinued operations in the statement of net loss and comprehensive loss.

At December 31, 2015, the Company assessed the exploration and evaluation assets for impairment. The Company concluded that $1.7 million of land, seismic, and geological and geophysical assets were impaired as the Company does not have intentions to develop the undeveloped lands to which these assets relate.

During the period ended December 31, 2014, indicators of potential impairment were identified and recoverable amounts for the Fiske CGU were estimated based on fair value less cost of disposal, calculated using the present value of the CGUs expected future after-tax cash flows. The after-tax discount rate applied in the impairment calculation at December 31, 2014 was 10%. The Company determined that the aggregate carrying value of the Fiske CGU was $4.0 million higher than the recoverable amount and therefore an impairment loss of $4.0 million was recorded in the period ended December 31, 2014.

CAPITAL EXPENDITURES

	Year ended	Period ended
(Canadian $000)	**31-Dec-15**	**31-Dec-14**
Drilling and completions	712	9,895
Facilities and well equipment	74	885
Geological and geophysical	28	347
Land acquisitions	56	1,470
Office equipment	5	15
Total capital expenditures	**875**	**12,612**

Capital expenditures for the year ended December 31, 2015 were $875,000 and $12.6 million for the period ended December 31, 2014. During the year ended December 31, 2015, the Company drilled no wells and completed 1 gross well (0.5 net) compared to drilling and completing 16 gross wells (8 net) during the period ended December 31, 2014.

The table below details the Company's developed and undeveloped land holdings (in acres) as at December 31, 2015.

	Undeveloped		Developed		Total	
Land holding *(acres)*	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Saskatchewan – Fiske area	16,834	7,894	-	-	16,834	7,894

DECOMMISSIONING LIABILITY

At December 31, 2015, Bruin recorded a decommissioning liability of $193,000 (December 31, 2014 – $597,000) for the future abandonment and reclamation of the Company's properties. The estimated decommissioning liability includes assumptions in respect of actual costs to abandon wells and reclaim the property the time frame in which such costs will be incurred as well as annual inflation factors in order to calculate the discounted total future liability. The Company estimates that its total undiscounted amount of cash flow required to settle its decommissioning liability is approximately $700,000 which will be incurred over the remaining life of the assets with the majority of costs to be incurred in approximately 20 years. The estimated future cash flows have been discounted using a credit adjusted risk-free rate of 8.0% and an inflation rate of 1.5% (December 31, 2014 – 1.5%). At December 31, 2015 a 1 percent decrease in the discount rate used would result in a $39,000 increase in the decommissioning liability, and a 1 percent increase in the discount rate would result in a $33,000 decrease in the decommissioning liability.

All decommissioning liabilities are associated with assets held for sale at December 31, 2015 and have been reclassified to liabilities associated with assets held for sale.

SHARE CAPITAL

Common shares

(Canadian $000, except share amounts)	**# Shares**	**$ Amount**
Common shares		
Balance, January 30, 2014	-	-
Issuance of common shares	24,706,501	33,296
Issuance of flow-through common shares	1,082,779	1,083
Share issue costs	-	(1,730)
Balance, December 31, 2014 and 2015	**25,789,280**	**32,649**

There were no equity financings during the year ended December 31, 2015. The Company was re-capitalized by a new management team subsequent to year end. Refer to the "Capital Resources and Liquidity Section".

In 2014, the Company completed the following equity financings:

i. In August 2014, the Company closed a private placement offering for 9,640,251 common shares for gross proceeds of $9.6 million. In connection with the private placement, the Company paid transaction fees of $0.4 million.

ii. In August 2014, the Company closed a private placement offering for 1,082,779 flow through common shares for gross proceeds of $1.2 million. In connection with the offering, the Company has recognized a flow through premium liability of $0.2 million.

iii. In October 2014, the Company closed a private placement offering of 750,000 common shares for gross proceeds of $0.75 million.

iv. In December 2014, the Company closed a private placement offering for 14,316,250 common shares for gross proceeds of $22.9 million. In connection with the private placement, the Company paid transaction fees of $1.2 million.

Preferred shares and Put-Call Options

Preferred shares and put–call options	**For the year ended December 31, 2015**			
	Preferred Shares		**Put–Call Options**	
(Canadian $000, except share amounts)	**# Shares**	**$ Amount**	**# Shares**	**$ Amount**
Preferred shares				
Balance, January 30, 2014	-	-	-	-
Issuance of series 1 special voting preferred shares	4,375,000	-	-	-
Issuance of put – call options	-	-	4,375,000	-
Balance, December 31, 2014 and 2015	**4,375,000**	**-**	**4,375,000**	**-**

In December 2014, the Company issued 4,375,000 series 1 special voting preferred shares and 4,375,000 put–call options on the Company's common shares. The preferred shareholders do not participate in dividends of the Company. Each preferred share entitles the holder to one vote at meetings of the shareholders of the Company.

Each put–call may be exercised by either the Company or the preferred shareholder with 30 days' notice. If a put–call option is exercised by either party, the preferred shareholder will pay $1.60 and will receive a common share of the Company, and a series 1 special voting preferred share owned by the preferred shareholder will be canceled. In November 2015, the put-call option expiry date was extended from December 17, 2015 to June 17, 2016. If the put-call options have not been fully exercised by June 17, 2016 the outstanding put-call options will automatically be exercised on this date.

Subsequent to December 31, 2015, on June 15, 2016 the remaining put-call options were exercised for $7.0 million ($6.6 million net of fees) resulting in the issuance of 4,375,000 common shares and the cancellation of 4,375,000 special voting shares.

INCOME TAXES

At December 31, 2015, the Company determined that there is no certainty that the non-capital losses, resource tax pools, capital cost allowance and share issue costs can be utilized in the future to offset income subject to tax and has therefore not recognized the associated deferred tax asset that would otherwise have been available to the Company. At December 31, 2015, the Company has estimated tax pools of $19.5 million.

During the period ended December 31, 2014, the Company recorded an income tax recovery of $162,000 representing the amount of deferred tax assets that were recognized to offset the amount of flow through share amounts incurred and renounced during 2014. All expenditures associated with the flow through shares were renounced and spent prior to December 31, 2014.

CONTRACTUAL OBLIGATIONS

Subsequent to year-end, the Company entered into an office lease for five years with an option to both the Company and the lessor to terminate the lease at any time after July 2019. Future minimum lease payments are as follows:

	2016	2017	2018	2019	2020	Thereafter
Operating lease – office building	47,250	142,650	295,538	494,819	596,984	164,145
Total annual commitments	**47,250**	**142,650**	**295,538**	**494,819**	**596,984**	**164,145**

The sublandlord has the right to terminate the office lease with 6 months written notice at any point after July 30, 2019. There is no compensation to the Company should the sublandlord terminate the lease after this date.

The subtenant has the right to terminate the lease if there is a sale of the Company. If the subtenant terminates the lease, there is a $600,000 penalty. Should the subtenant terminate the lease prior to July 30, 2019, the subtenant is required to pay lease payments up to July 30, 2019 with no payment required for lease payments after July 30, 2019.

RELATED PARTY DISCLOSURES

The Company had related party transactions that were entered into the normal course of business for the year ended December 31, 2015.

A Director of the Company as at December 31, 2015 is a Director of a company which received office rental payments of $112,000 (December 31, 2014 - $33,000) from Bruin. The Company also incurred a total of $101,000 (December 31, 2014 - $73,000) for legal services provided by a law firm where the Corporate Secretary is a partner of this law firm.

As at December 31, 2015 no related party amounts are included in accounts payable (December 31, 2014 - $nil).

Subsequent to December 31, 2015, the Company signed a purchase and sale agreement with a Company owned by certain members of the new Bruin management team, wherein the Company agreed to purchase $55,000 of office equipment and software licenses, reimburse the related Company for incurred third party consulting fees of $42,000 and issue 43,000 common shares at $1.00 per share to the related Company in return for a payment of $43,000. All payments resulted in a total issuance of 140,000 common shares at $1.00 per share. This transaction has been reviewed and approved by the Board of Directors.

CAPITAL RESOURCES AND LIQUIDITY

Subsequent to year-end, the Company installed a new management team which organized a series of new private placements.

Equity

The Company is authorized to issue an unlimited number of common shares and preferred shares. As at December 31, 2015 there were 25,789,280 common shares outstanding (December 31, 2014 – 25,789,280).

Subsequent to year-end, on June 15, 2016 the remaining put-call options were exercised for $7 million ($6.6 million net of fees) resulting in the issuance of 4,375,000 common shares and the cancellation of 4,375,000 special voting shares.

Subsequent to year-end, in June and July 2016 the Company entered into a series of private placement financings for a total of 34,298,324 common shares issued for gross proceeds of $33.2 million. The financings were comprised of:

(i) 7,058,824 common shares issued to certain members of new management at $0.85 per share for proceeds of $6 million.

(i) 27,239,500 common shares issued to other investors at $1.00 per share for proceeds of $27.2 million.

All stock options and performance warrants to the previous Bruin management were cancelled on June 15, 2016 and a new stock option and performance warrant plan has been put in place by the Board of Directors for the new Bruin management team. As at August 17, 2016, the date of this MD&A, there were 64,752,604 common shares, 6,365,000 stock options, and 16,125,000 performance warrants outstanding.

Liquidity
The Company relies on operating cash flows and equity issuances to fund its capital requirements and provide liquidity. From time to time, the Company expects to access capital markets to meets its additional financing needs to maintain flexibility in funding its capital programs. Future liquidity depends primarily on cash flow generated from operations and the ability to access equity markets.

The Company has no bank debt at December 31, 2015 (December 31, 2014 - $nil).

SUBSEQUENT EVENTS

Implementation of new executive team

On June 15, 2016 a new management team replaced the previous Bruin management team. This new management team organized (i) a recapitalization of the Company through a series of private placements; (ii) the appointment of a new Board of Directors; and (iii) the acquisition of an oil-weighted asset base in the Alberta Viking formation.

Acquisition of oil and gas assets

On June 15, 2016, the Company closed an acquisition of oil and gas assets located in the Alberta Viking formation (the "Viking Acquisition") for a total purchase price of $23.0 million, subject to customary closing adjustments. The Viking Acquisition will be accounted for as a business combination using the acquisition method, whereby the net assets acquired and the liabilities assumed are recorded at fair value. The assets acquired consisted of producing properties, reserves, facilities and undeveloped land. The effective date of the acquisition was April 1, 2016.

As a result of the Viking Acquisition, the Company was also required to pay deposits associated with the Alberta Energy Regulators ("AER") licensee liability rating program of $13.7 million. The deposits are refundable once the Company's operated license's deemed assets are greater than their deemed liabilities based on parameters determined by the AER.

The following table summarizes the aggregate fair value of net assets acquired and the preliminary allocation of the purchase price:

Fair value of net assets acquired	
Exploration and evaluation assets	$ 8,705
Property, plant and equipment	20,058
Prepaid expenses	846
Decommissioning liabilities	(6,554)
Total net assets acquired (1)	**$23,055**
Consideration	
Cash	$23,055
Total purchase price	**$23,055**

(1) The fair values allocated to the net assets acquired were estimated based on information available at the time of the preparation of this MD&A. The amount of cash consideration, after closing adjustments, was estimated based on an interim statement of adjustments. The actual amounts which will ultimately be recognized by the Company upon finalizing the accounting for the property acquisition may differ from these estimates.

In August 2016, the Company acquired certain oil and gas assets in the Consort area for total consideration of $650,000 comprised of $500,000 cash and 150,000 common shares at $1.00 per share.

Stock option and performance warrant grants

Subsequent to year-end, the Board of Directors granted 3,722,310 stock options with an exercise price of $0.85 per option and 2,642,690 stock options with an exercise price of $1.00 per option. The stock options have a life of 5 years and time vest one third on each of the first three anniversary dates of the grant.

Subsequent to year-end, the Board of Directors granted 16,125,000 performance warrants. The performance warrants are equally divided into five tranches with exercise prices of $1.50, $1.70, $1.90, $2.10 and $2.30. The performance warrants have a life of 5 years and time vest one fifth on the grant date and one fifth on each of the first four anniversary dates of the grant. The right to exercise the performance warrants is subject to a performance event taking place which includes the occurrence of any of the following (i) the Company raising a minimum of $25 million through a private placement, excluding the securities issued as part of the recapitalization that occurred in June 2016 (ii) the occurrence of an initial public offering on a recognized Canadian or U.S. stock exchange, or (iii) a change of control.

OFF-BALANCE SHEET ARRANGEMENTS

Bruin has certain lease agreements that were entered into in the normal course of operations, all of which are discussed in the Contractual Obligations section above.

All leases have been treated as operating leases whereby the lease payments are included in operating expenses or general and administrative expenses depending on the nature of the lease. No asset or liability value has been assigned to these leases on the statement of financial position as at December 31, 2015.

BUSINESS RISKS

In the normal course of business, the Company is exposed to a variety of risks and uncertainties. In addition to the risks associated with liquidity and capital resources described in this MD&A, the Company is exposed to various operational, technical, financial and regulatory risks and uncertainties, many of which are beyond its control and may significantly affect future results. Operations may be unsuccessful or delayed as a result of competition for services, supplies and equipment, mechanical and technical difficulties, the ability to attract and retain employees and contractors on a cost-effective basis, commodity and marketing risk and seasonality.

The Company is exposed to considerable risks and uncertainties including, but not limited to:

- finding oil and natural gas reserves on an economical basis;
- uncertainties related to estimating the Company's reserves;
- financial risks including access to debt or equity markets which the Company is dependent upon in order to meet obligation and liabilities as they fall due;
- technical problems which could lead to unsuccessful wells, well blowouts and environmental damage;
- obtaining timely regulatory approvals;
- third party related operational risks including the ability to obtain access to wells, access to third party gathering and processing facilities, access to pipeline, railway and other transportation infrastructure;
- fluctuations in commodity prices;
- adverse factors including climate, geographical and weather conditions and labour disputes;
- timing of future debt and other obligations and lender uncertainty;
- regulatory legislation and policies, including the fulfilment of contractual minimum work programs, the compliance with which may require significant expenditures and non-compliance with which may result in fines, penalties, production restrictions, suspensions or revocations of contracts;
- changes to taxation policies, laws and interpretations thereof; and
- obtaining comprehensive and appropriate insurance coverage at reasonable rates;

OUTLOOK

Bruin exited 2015 with no producing assets. On June 15, 2016 a new management team organized (i) a recapitalization of the Company through a series of private placements; (ii) the appointment of a new Board of Directors; and (iii) the acquisition of an oil-weighted asset base in the Alberta Viking formation.

The Company acquired assets in the Alberta Viking formation and will focus on optimizing and developing this property through a waterflood and horizontal drilling program which is expected to commence in the third quarter of 2016.

The Company is also focused on the evaluation and identification of further light crude oil opportunities to expand the Company's land and production base.

FORWARD-LOOKING INFORMATION

Certain information in this MD&A is forward-looking and is subject to important risks and uncertainties. The results or events predicted in this information may differ materially from actual results or events. Factors which could cause actual results or events to differ materially from current expectations include the ability of the Company to implement its strategic initiatives, the availability and price of energy commodities, government and regulatory decisions, plant availability, competitive factors in the oil and gas industry and prevailing economic conditions in the regions the Company operates. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "project", "predict", "potential", "could", "might", "should" and other similar expressions. The Company believes the expectations reflected in forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct. These forward-looking statements are as of the date of this MD&A. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required pursuant to applicable securities laws.

Forward-looking statements concerning expected operating and economic conditions are based upon prior year results as well as assumptions that increases in market activity and growth will be consistent with industry activity in Canada. Forward-looking statements concerning the availability of funding for future operations are based upon the assumption that the sources of funding which the Company has relied upon in the past will continue to be available to the Company on terms favorable to the Company and that future economic and operating conditions will not limit the Company's access to debt and equity markets. Forward-looking statements in respect of the costs anticipated being associated with the acquisition of oil and gas properties are based upon assumptions that future acquisition costs will not significantly increase from past acquisitions. Many of these factors, expectations and assumptions are based on management's knowledge and experience in the industry and on public disclosure of industry participants and analysts related to anticipated exploration and development programs, the effect of changes to regulatory, taxation and royalty regimes. The Company believes that the material factors, expectations and assumptions reflected in the forward-looking statements and information are reasonable; however, no assurances can be given that these factors, expectations and assumptions will prove to be correct.

Forward-looking statements involving significant risks and uncertainties should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in these forward-looking statements. The Company cannot assure investors that actual results will be consistent with the forward-looking statements and readers are cautioned not to place undue reliance on them.

The Company's actual results could differ materially from those anticipated in such forward-looking statements as a result of the risk factors set forth below and elsewhere in this document; general economic conditions in Canada; changes in the level of capital expenditures, volatility in market prices for oil and natural gas, risks inherent in the Company's ability to acquire any economic interest in certain oil and gas assets and then to generate sufficient cash flow from operations to meet its current and future obligations, the Company's ability to access external sources of debt and equity capital, changes in legislation and the regulatory environment, including uncertainties with respect to uncertainties in weather and temperature affecting the duration of the oilfield drilling activities, competition, sourcing, pricing and availability of oil field services, consumables, component parts, equipment, suppliers, facilities, and skilled management, technical and field personnel, liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations, credit risk to which the Company is exposed in the conduct of its business, and changes to the royalty regimes applicable to entities.

Although forward-looking statements contained in this MD&A are based upon what the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements in this MD&A are expressly qualified by this cautionary statement. Unless otherwise required by law, Bruin does not intend, or assume any obligation, to update these forward-looking statements.

NON-GAAP MEASURES

The MD&A contains the term funds flow from operations which should not be considered an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with IFRS as an indicator of the Company's performance. The reconciliation between cash flow from operating activities and funds flow from operations can be found in the statement of cash flows in the annual financial statements and is presented before the change in non-cash operating working capital. The Company reconciles funds flow from operations to cash flow from operating activities, which is the most directly comparable measure calculated in accordance with IFRS, as follows:

(Canadian $000)	Year ended 31-Dec-15	Period ended 31-Dec-14
Cash flow used for continuing operations	$(1,298)	$(309)
Changes in non – cash working capital	11	(34)
Funds flow from operations	**$(1,309)**	**$(275)**

The Company presents funds flow from operations per share whereby per share amounts are calculated consistent with the calculation of earnings per share. The MD&A contains other terms such as operating netbacks and corporate netbacks, which are not recognized measures under IFRS. Management believes these measures are useful supplemental information. Operating netback is the amount of revenues received on a per unit of production basis after the royalties and operating costs are deducted. Corporate netback is the amount of revenues received on a per unit of production basis after the royalties, operating, general and administration and financial income are deducted. Net available working capital represents current assets plus funds available under the equity line of credit less current liabilities and is used to assess efficiency, liquidity and the general financial strength of the Company. Readers are cautioned however, that these measures should not be construed as an alternative to other terms such as current and long-term debt or net earnings in accordance with IFRS as measures of performance. The Company's method of calculating these measures may differ from other companies, and accordingly, such measures may not be comparable to measures used by other companies.

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Vice President, Finance & Chief Financial Officer

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Vice President, Exploration

Justin Crawford
Vice President, Engineering

Robert Verbuck
Corporate Secretary

[A] Denotes member of the Audit Committee.
[R] Denotes member of the Reserves Committee.
[C] Denotes member of the Compensation Committee.

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