BRUIN
oil & gas

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED

MARCH 31, 2016 AND MARCH 31, 2015

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 period from January 1, 2016 to March 31, 2016 ("three months ended March 31, 2016"). It is dated August 17, 2016 and should be read in conjunction with the unaudited interim financial statements for the three months ended March 31, 2016 and the audited financial statements for the year ended December 31, 2015. Both 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 undertakings are to acquire and develop oil and natural gas assets primarily 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.". Although the Company was incorporated in January 2014, it did not commence operations until August 1, 2014.

On January 15, 2016, the Company disposed of all its producing oil and natural gas properties which were located in the Fiske CGU.

Subsequent to the quarter ended March 31, 2016, 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.

OPERATIONAL AND FINANCIAL SUMMARY

FINANCIAL *(Canadian $000, except per share and per bbl amounts)*	For the three months ended Mar. 31, 2016	For the three months ended Mar. 31, 2015
Net loss from continuing operations	(606)	(788)
Per basic and diluted shares	(0.02)	(0.03)
Net income (loss) from discontinued operations	18	(168)
Per basic and diluted shares	-	(0.01)
Funds flow used for operations (1)	(368)	(226)
Per basic and diluted shares (1)	(0.01)	(0.01)
Cash flow used for operating activities	(339)	(640)
Per basic and diluted shares	(0.01)	(0.02)
Capital Expenditures (2)	-	450
Working Capital	21,130	19,861
Funds available under put-call agreement, net of fees (3)	6,615	6,615
Net available working capital (3)	27,745	26,476
Total assets	21,542	29,331
Shares outstanding, weighted average (000s)	25,789	25,789
OPERATIONAL		
Average daily production (bbl per day)	10	111
Netback ($ per bbl)		
Operating		
Sales price	33.48	47.36
Royalties	(2.16)	(4.42)
Operating expense	(11.88)	(20.07)
Field netback	19.44	22.87
General and administration	(447.08)	(28.20)
Financial income	49.68	5.52
Corporate netback	**(377.96)**	**0.19**

(1) Non-GAAP measure, see page 11 for details.

(2) Capital expenditures relate to discontinued operations for the three month period ended March 31, 2015.

(3) Net available working capital includes the total funds available to the Company under the put-call obligation (net of fees of $385,000), as disclosed in NOTE 11 of the Company's March 31, 2016 unaudited financial statements.

PROPERTY DISPOSITION AND DISCONTINUED OPERATIONS

On January 15, 2016, the Company completed a disposition of all its producing oil and natural gas property which were located in the Fiske CGU for proceeds of $2.5 million after closing adjustments. These assets were classified as held for sale on the December 31, 2015 statement of financial position.

The carrying value of assets and associated decommissioning liabilities disposed during the three months ended March 31, 2016 are summarized below.

($000s)	
Property, plant and equipment	2,679
Decommissioning liabilities	(193)
Carrying value of net assets disposed	2,486
Cash proceeds, after closing adjustments	2,486
GAIN (LOSS) ON SALE OF ASSETS	-

As a result of the property disposition, during the three months ended March 31, 2016 the Company only had oil and gas production operations for the fifteen-day period January 1, 2016 to January 15, 2016. The comparative statement of net loss and comprehensive loss has been re-presented to show the discontinued operation separately from continuing operations.

($000s)	For the three months ended Mar. 31, 2016	For the three months ended Mar. 31, 2015
Oil revenue	31	472
Royalties	(2)	(44)
	29	428
Operating expense	11	200
Accretion expense	-	3
Depletion, depreciation and amortization	-	393
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	**18**	**(168)**

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

($000s)	As at Mar. 31, 2016	As at Dec. 31, 2015
Trade and other receivables	-	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:

($000s)	As at Mar. 31, 2016	As at Dec. 31, 2015
Trade and other payables	-	135
Decommissioning liabilities	-	193
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE	**-**	**328**

For the year ended December 31, 2015, decommissioning liabilities included in liabilities associated with assets held for sale related to the Company's net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The key assumptions, on which the carrying amount of the decommissioning liability is based, include a credit adjusted risk-free rate of 8% and an inflation rate of 1.5%. The undiscounted amount of the estimated cash flows required to settle the obligations is $0.7 million which will be incurred over the next 20 years.

All decommissioning liabilities are associated with assets held for sale at December 31, 2015.

SALES VOLUMES

Production averaged 10 bbl/d during the three months ended March 31, 2016 compared to 111 bbl/d for the three months ended March 31, 2015. The decrease in production is due to the disposal of all producing oil and natural gas assets on January 15, 2016.

AVERAGE SALES VOLUMES	For the three months ended Mar. 31, 2016	For the three months ended Mar. 31, 2015
Oil (bbl/d)	10	111
TOTAL SALES VOLUMES (bbl/d)	**10**	**111**

SALES PRICES AND REVENUE

For the fifteen-day production period during the three months ended March 31, 2016, the Company generated revenue of $31,000 (three months ended March 31, 2015 - $472,000) on average sales volumes of 10 bbl/d (three months ended March 31, 2015 – 111 bbl/d). All sales were from the Fiske property which was disposed of on January 15, 2016. The average sales price per bbl for the three months ended March 31, 2016 was $33.48 compared to $47.36 for the three months ended March 31, 2015. The decrease relates to lower benchmark commodity pricing for crude oil during the fifteen-day production period during 2016. 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 $53.29 during the three months ended March 31, 2015 to $41.22 during the three months ended March 31, 2016 which represents a decrease of 23% in benchmark commodity pricing.

BRUIN AVERAGE REALIZED PRICE	For the three months ended Mar. 31, 2016	For the three months ended Mar. 31, 2015
Revenue ($000s)	31	472
Bruin realized price ($/bbl)	33.48	47.36
AVERAGE BENCHMARK PRICES		
Canadian light sweet ($CDN/bbl)	41.22	53.29

ROYALTIES

Royalties include Crown, freehold and gross overriding royalties. Royalties during the three months ended March 31, 2016 were $2,000 ($2.16 per bbl) compared to $44,000 ($4.42 per bbl) for the three months ended March 31, 2015. For the three months ended March 31, 2016, the Company's royalty rate was 6.5% of revenues (three months ended March 31, 2015 – 9.3%), a decrease of 2.9% due to lower production volumes and lower realized commodity prices that resulted in lower Crown royalty rates.

($000s, except per bbl amounts)	For the three months ended Mar. 31, 2016	For the three months ended Mar. 31, 2015
Royalty expense	2	44
Royalty expense as a % of revenue	6.5%	9.3%
Per bbl ($)	2.16	4.42

OPERATING EXPENSE

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 $11,000 ($11.88 per bbl) during the three months ended March 31, 2016 and $200,000 ($20.07 per bbl) for the three months ended March 31, 2015. Operating expenses decreased significantly during the three months ended March 31, 2016 due to limited operational activity during the fifteen-day production period in the quarter.

($000s, except per bbl amounts)	For the three months ended Mar. 31, 2016	For the three months ended Mar. 31, 2015
Operating expense	11	200
Per bbl ($)	11.88	20.07

FIELD NETBACK

The components of field netbacks are summarized in the following table:

($000s, except per bbl amounts)	For the three months ended March 31, 2016	$/bbl	For the three months ended March 31, 2015	$/bbl
Revenue	31	33.48	472	47.36
Royalties	(2)	(2.16)	(44)	(4.42)
Operating expense	(11)	(11.88)	(200)	(20.07)
Field Netback ($) (1)	**18**	**19.44**	**228**	**22.87**

(1) Non-GAAP measure, see page 11 for details.

GENERAL AND ADMINISTRATION EXPENSE ("G&A")

The following is a breakdown of the main components of G&A for the three months ended March 31, 2016 and March 31, 2015:

($000s, except per bbl amounts)	For the three months ended Mar. 31, 2016	For the three months ended Mar. 31, 2015
Staff and consulting costs	204	211
Professional fees	82	37
Office and rent costs	94	55
Other	34	21
General and administration expense (Gross)	414	324
Capitalized G&A overhead recovery	-	(43)
General and administration expense (Net)	414	281
Per bbl ($)	447.08	28.20

General and administrative expenses (net) for the three months ended March 31, 2016 were $414,000 ($447.08 per bbl) and $281,000 ($28.20 per bbl) for the three months ended March 31, 2015. The increase in G&A relates to increased professional fees, office costs and lower G&A overhead recoveries due to no capital activity during the three months ended March 31, 2016.

Capitalized G&A relates to the salaries, software costs and other indirect costs related to the development of oil and gas properties. The decrease in capitalized G&A from $281,000 during the three months ended March 31, 2015 to $nil during the three months ended March 31, 2016 is due to no capital activity during the three months ended March 31, 2016.

Subsequent to the quarter ended March 31, 2016, termination benefits of $997,000 were paid on the termination of all executive officers without cause.

FINANCIAL INCOME

($000s, except per bbl amounts)	For the three months ended Mar. 31, 2016	For the three months ended Mar. 31, 2015
Financial income	46	55
Per bbl ($)	49.68	5.52

Financial income relates to interest income earned on bank deposits. Interest income decreased to $46,000 ($49.68 per bbl) for the three months ended March 31, 2016 compared to $55,000 ($5.52 per bbl) due to lower cash balances held on deposit during the three months ended March 31, 2016 compared to March 31, 2015. The Company has no bank debt and does not pay interest expense.

SHARE-BASED COMPENSATION EXPENSE ("SBC")

($000s, except per bbl amounts)	For the three months ended Mar. 31, 2016	For the three months ended Mar. 31, 2015
Share-based compensation - options	186	430
Share-based compensation - performance warrants	51	267
Capitalized share-based compensation	-	(136)
Share based compensation expense	237	561
Per bbl ($)	255.94	56.29

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 three months ended March 31, 2016, was $237,000 (three months ended March 31, 2015 - $561,000) using the graded vesting method. The decrease in SBC for the three months ended March 31, 2016 is due to the expense being recognized using graded vesting, where are larger proportion of the SBC expense is recognized in the first year after being granted.

As at March 31, 2016, 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 $2.21 per warrant, respectively. As at March 31, 2016, 911,000 options were exercisable and 321,000 performance warrants were exercisable.

No options or performance warrants were exercised or granted during the three months ended March 31, 2016. During the three months ended March 31, 2015, no options were exercised and 150,000 options and 100,000 performance warrants were granted to certain employees.

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

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.

During the three months ended March 31, 2016 depletion expense was $nil (March 31, 2015 - $393,000) due to all production assets in the Fiske area of Saskatchewan being classified as "assets held for sale" until January 15, 2016 when the disposition closed. Assets held for sale are not subject to depletion.

($000s, except per bbl amounts)	For the three months ended Mar. 31, 2016	For the three months ended Mar. 31, 2015
Depletion	-	393
Depreciation and amortization	1	1
Total DD&A ($)	1	394
Per bbl ($)	1.08	39.53

CAPITAL EXPENDITURES & ACQUISITIONS

Additions to property, plant and equipment for the three months ended March 31, 2016 and March 31, 2015 consisted of the following:

($000s)	For the three months ended Mar. 31, 2016	For the three months ended Mar. 31, 2015
Drilling and completions	-	317
Facilities and well equipment	-	51
Geological and geophysical	-	37
Land acquisitions	-	40
Office equipment	-	5
TOTAL CAPITAL EXPENDITURES AND ACQUISITIONS ($000s)	**-**	**450**

There was no capital spending during the three months ended March 31, 2016 as the Company focused its efforts on closing the disposition of its producing oil and natural gas property in the Fiske CGU and the acquisition of oil and gas assets located in the Alberta Viking formation which closed on June 15, 2016. Refer to the "Subsequent Events" section for additional information.

SHARE CAPITAL

COMMON SHARES

	Number	Amount
Common Shares		
Balance, beginning of period	25,789,279	32,649
BALANCE, END OF PERIOD	**25,789,279**	**32,649**

There were no equity financings during three months ended March 31, 2016. The Company was re-capitalized by a new management team subsequent to the quarter ended March 31, 2016. Refer to the "Capital Resources and Liquidity Section" for additional information.

PREFERRED SHARES AND PUT-CALL OTPIONS

	Preferred Shares		Put-Call Options	
	Number	Amount	Number	Amount
Balance, beginning of period	4,375,000	-	4,375,000	-
BALANCE, END OF PERIOD	**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, for a nominal fee. 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 the quarter ended March 31, 2016, 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 March 31, 2016 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 March 31, 2016 the Company has estimated tax pools of $19.5 million.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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	Therafter
Operating lease – office buildings	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 three months ended March 31, 2016.

A Director of the Company as at March 31, 2016 is a Director of a company which received office rental payments of $42,000 (three months ended March 31, 2015 - $25,000) from Bruin. The Company also incurred a total of $25,000 (three months ended March 31, 2015 -$75,000) for legal services provided by a law firm where the Corporate Secretary is a partner of this law firm.

As at March 31, 2016 no related party amounts are included in accounts payable (December 31, 2015 - $nil).

Subsequent to the quarter ended March 31, 2016, 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 the quarter ended March 31, 2016, 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 March 31, 2016 there were 25,789,280 common shares outstanding (December 31, 2014 – 25,789,280).

Subsequent to the quarter ended March 31, 2016, 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 the quarter ended March 31, 2016, 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 $6.0 million.

(ii) 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 accesses 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 March 31, 2016 (December 31, 2015 - $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, undeveloped land and prepaid mineral leases. 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)
FAIR VALUE OF 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.

On August 10, 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 (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 (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 and Commitments" 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 March 31, 2016.

OUTLOOK

Bruin exited the quarter ended March 31, 2016 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 AND STATEMENTS

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 MEASUREMENTS

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:

($000s)	For the three months ended Mar. 31, 2016	For the three months ended Mar. 31, 2016
Cash flow used for continuing operations	(339)	(640)
Change in non-cash working capital	(29)	414
FUNDS FLOW USED FOR OPERATIONS	**(368)**	**(226)**

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 field netback which is not a recognized measures under IFRS. Management believes this measure is useful supplemental information. Field netback is the amount of revenues received on a per unit of production basis after the royalties and operating costs are deducted. Net available working capital represents current assets 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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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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