United Hunter Oil and Gas Corp.

Form 51-102F1
Management's Discussion and Analysis
For the Three months Ended March 31, 2015

(Presented in Canadian Dollars)

May 29, 2015

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United Hunter Oil & Gas Corp.
Management's Discussion and Analysis

Management's Discussion and Analysis ("MD&A") of the financial position of United Hunter Oil & Gas Corp. (the "Company", "United Hunter" or "UHO") should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2014. Unless otherwise specified herein, the information provided is as of May 29, 2015. These documents and additional information about the Company are available at www.sedar.com. Unless otherwise noted, dollar amounts are expressed in Canadian dollars. References to US$ means America dollars.

Description of Business

The Company is engaged in the exploration and development of oil and gas properties. The Company owns a 65% indirect joint venture interest in Excelaron, LLC ("Excelaron"), an exploration stage company based in San Luis Obispo, California, and a 25% joint venture interest in Alamo Creek Oil LLC ("Alamo"), an exploration stage company based in San Luis Obispo, California. The Company's common shares are listed for trading on the TSX Venture Exchange under the symbol "UHO".

Forward-looking Statements

The MD&A contains forward-looking statements, are intended to provide readers with a reasonable basis of assessing performance of the Company. The use of any of the words "believe", "expect", "estimate", "will", "should", "intend", and similar expressions are intended to identify forward looking statements. Forward looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Stakeholders reading this report are cautioned that any forward-looking statements, including those regarding us or our management's current beliefs, expectations, anticipations, estimations, projections, strategies, proposals, plans, or intentions, are not guarantees of future performance or results of events and involve risks and uncertainties. Such risks and uncertainties include but are not limited to; the Company's goals to acquire, sustain or grow production and reserves through prudent management and acquisitions; the impact of any potential acquisitions and the timing for achieving such impact; sufficiency of our capital resources to meet our on-going short, medium and long-term commitments; expectations regarding our the ability to raise sufficient capital resources to achieve these goals; statements with respect to: the focus of capital expenditures; the sale, farming in, farming out or development of certain exploration properties; the implied assessment pursuant to interest in our joint venture partners resources in place based on certain estimates and assumptions that described resources exist in the quantities predicted or estimated, and can be profitably produced in the future; the impact of changes in petroleum and natural gas prices on cash flow; drilling plans, processing capacity; operating and other costs; treatment under governmental regulatory regimes and tax laws; liquidity and financial capital markets; The Company undertakes no obligation to update such forward-looking statements or information if circumstances or management's estimates or opinions should change, unless required by law.

Other factors, many of which are beyond the Company's control, and the effects of which are difficult to predict include, but are not limited to: general economic conditions in Canada, the United States of America and globally; supply and demand for petroleum and natural gas; industry conditions, including fluctuations in the price of petroleum and natural gas; governmental regulation of the petroleum and natural gas industry, including income tax, environmental and regulatory matters; fluctuation in foreign exchange or interest rates; risks and liabilities inherent in petroleum and natural gas operations, including exploration, development, exploitation, marketing and transportation risks; geological, technical, drilling and processing problems; unanticipated operating events which can reduce production or cause production to be shut-in or delayed; the ability of our industry partners to pay their proportionate share of joint interest billings; failure to obtain industry partner and other third party consents and approvals, when required; stock market volatility and market valuations; competition for, among other things, capital, acquisition of reserves, processing and transportation capacity, undeveloped land and skilled personnel; and the need to obtain required approvals from regulatory authorities.

In addition, other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements.

Readers should be aware that historical results are not necessarily indicative of future performance. No assurance can be given that any events anticipated by the forward looking statements or information will transpire or occur, or if any of them do, what benefits the Company may derive therefrom.

Statements relating to "resources" are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the described resources exist in the quantities predicted or estimated, and can be profitably produced in the future. There is no certainty that it will be commercially viable to produce any portion of the resources described in this MD&A.

The following table outlines certain forward-looking statements contained in this MD&A and provides material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Page No.	Forward looking statements	Assumptions	Risk factors
7	Other Activities "The Company will continue to source and review potential oil and gas prospects for possible participation in the coming months"	The Company will review potential oil and gas prospects and find suitable prospects in which to participate.	The Company may not find any appropriate oil and gas opportunities in which it can participate due to inadequate financial resources or other factors.
9	Liquidity and Capital Resources – Liquidity "While the Company is planning to secure and maintain leases with regard to these assets in conjunction with its joint venture partners there is no guarantee that the legal rights to operate the leased properties will be granted or that the leases will be able to be farmed out or sold in the future.	The Company is a going concern.	The Company is unable to obtain future financing to meet liabilities as they come due.
10	Liquidity and Capital Resources – Liquidity "Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. After careful consideration, the Board has reasonable expectation that the Company has adequate resources to meet its working capital requirements through 2015."	We currently have adequate financial resources to pay liabilities as the come due through 2015. Financing will be sought during the interim to continue as a going concern beyond the eight months.	The Company is unable to obtain future financing to meet liabilities as they come due.

<u>Overall Performance</u>

Huasna Property

The Company holds an indirect 65% indirect interest in Excelaron, which holds a 100% interest in an oil and natural gas property consisting of more than 500 acres on the western edge of the Huasna Basin, an existing California Department of Oil, Gas and Geothermal Resources designated oilfield within the Meridian Anticline located in Arroyo Grande, California ("Huasna"). The Company's objective is to pursue the exploration and development of these oil and gas properties held by Excelaron pursuant to the terms of a joint operating agreement. Its joint venture partner in Excelaron is Australia Oil Company Investments Pty Limited.

Description of the Geologic Area

The onshore portion of the Santa Maria Basin is a triangular shaped structural basin located north of Los Angeles in the state of California and bounded by the Santa Ynez Mountains to the south and the San Rafael Mountains to the north.

The basin contains Cenozoic Miocene to Quaternary strata that pinch out against the older strata of the mountain ranges to the south and north. An unconformity at the top of the Mesozoic strata indicates a period of widespread emergence and erosion during the middle Tertiary period. Sedimentation commenced again when Lower Miocene strata were deposited during a period of regional crustal extension. During much of the ensuing Miocene time the Monterey Formation was deposited, the major reservoir zone and only source rock in the basin. The Monterey Formation ranges in thickness from 1,000 to 4,000 feet and consists primarily of organic rich clastic poor strata, more calcareous in the lower section and increasingly cherty and siliceous in the upper section. These are deeper water deposits as sea level was high at this time.

Much of the oil in the Santa Maria Basin is trapped in west-northwest trending faulted anticlines. In the Monterey Formation, the reservoirs are very thick fractured sections of chert, siliceous shale and dolomite. The oil is usually heavy and typically ranges from 10° to 20° API. Matrix porosity is typically about 10% to 35% but the permeability within the matrix is negligible. The recoverable oil is predominantly located in the fracture system for which the porosity ranges from 1% to 2% or less, but permeability can be very large.

The Huasna Field is located in the northern portion of the Santa Maria Basin and is a mapped surface anticlinal feature with tar sealed Monterey Formation as the outcropping formation. Structural closure is 450 acres and the first well drilled into the structure, Scherer-Dickes #1, was perforated from 900 to 2,200 feet in the Monterey Formation.

The Huasna Field is considered to be a known accumulation of oil because it produced approximately 23,000 bbl of oil in the past. Therefore, the Company was willing to make a significant investment to evaluate this field to assess whether development would be commercially viable.

The major obstacle in carrying out this development plan was and continues to be securing the necessary permits from the regulatory authorities, which requires environmental impact compliance and approval. The Draft Environmental Impact Report ("DEIR") was released by the County Planning and Building Department on June 19, 2011 and was circulated for 45 days ending on August 5, 2011. Interested parties provided comments on the environmental document that would then be addressed by the County's consultant, Marine Research Specialists, in the Final Environment Impact Review. The Planning Commission reviewed the DEIR on February 23, 2012 and March 8, 2012. The County's Planning Commission voted 4-1 to deny the Huasna project from proceeding in the Huasna Valley. The decision was appealed to the County's Board of Supervisors ("Board of Supervisors") for the final decision. The meeting for the Board of Supervisors hearing was held on May 15, 2012 and concluded with all public testimony, but due to the lateness of the hour, did not deliberate. Excelaron presented an alternative drilling plan and other data at the Board of Supervisors meeting to mitigate the Class 1 impacts and the Board of Supervisors requested time to have their questions answered by the County Technical Staff. At a hearing held on August 21, 2012, the Board of Supervisors denied Excelaron's application for conditional use permits ("Notice") for its planned exploration and development of Huasna.

On November 19, 2012, Excelaron filed a petition for writ of mandate, with the complaint of inverse condemnation and a damages action against the County (the "Complaint") seeking a writ commanding the County to set aside its decision denying the Huasna project and either approving or remanding the Huasna project to the Board of Supervisors for further consideration consistent with the Court's opinion on the merits or to recover just compensation for the value of the Huasna project, as well as reasonable attorney's fees, expenses, and costs of suit. As required by County Code and Code of Civil Procedure, Excelaron filed the Complaint within 90 days of the Notice and served the Complaint to the County within 60 days of filing. On January 25, 2013, the County filed a general demurrer to all causes of action in the Complaint, claiming that it was barred by statute of limitations imposed by Government Code, which required the action to be filed and served within 90 days of the Notice.

On March 18, 2013, the Superior Court dismissed the Complaint and on April 8, 2013, the Company filed an Appeal of the dismissal. On November 7, 2013, Excelaron filed an Opening Brief setting out its arguments and on March 19, 2014, the County filed a response. The Court heard the case in San Luis Obispo County in late May, 2014. Subsequently, on July 25, 2014, the Second Appellate District, Court of Appeal of the State of California affirmed the

Superior Court of California, County of San Luis Obispo's ruling to dismiss the writ and takings lawsuit filed by Excelaron, LLC, in regards to the San Luis Obispo Board of Supervisors denial of the permit to drill the Huasna Field.

During the year ended December 31, 2014, after several years of Excelaron being denied the required permits and after unsuccessful legal actions to reverse these denials, the Company has decided to write-down its investment in Excelaron resulting in the Company recognizing an impairment of $3,742,916 (2013 - $nil) which consists of the carrying value of the investment of $4,670,996 offset by a reversal of the consideration payable of $928,080 that will not be required to be paid out as the required permits have not been obtained. However, the Company will continue to manage the assets of Excelaron in this area and review each alternative available so as to develop this project in a reasonable prudent manner.

Alamo Creek Oil, LLC - Porter Ranch Property

The Company acquired a 45% joint venture interest in Alamo Creek Oil LLC ("Alamo") in the year 2010. Shortly after that, Alamo leased 4,068 acres adjacent to the Santa Maria Basin and south east of the Company's Huasna property ("Porter Ranch"). The property was briefly explored in the 1980's by Phillips Petroleum Company ("PPCo") who drilled one well and completed extensive roadwork and wells pads for two additional well locations prior to abandoning the project due to depressed oil prices. There has been no subsequent exploration since that time. The only well PPCo drilled in 1984 tested oil from three separate zones and then abandoned and plugged this well. Adjacent wells have tested oil ranging from light (30 API) to heavy (15 – 18 API), some with associated gas and numerous surface oil seeps. Within the leased area there are currently two anticlinal structures, which have been only tested at their extremities. The forward work program includes acquiring all historical well and seismic data prior to the possible acquisition of new seismic data over the anticlines. Based on this information, up to three exploration wells could be drilled. Alamo has paid a net $53,000 for the license for the 91 miles of 2D seismic data which cover the Porter Ranch from ConocoPhillips. These seismic lines have been reprocessed and evaluated by Alamo's geophysical team.

In the second quarter of 2011, Alamo leased an additional 4,983 acres increasing the acreage under lease to 9,051 acres.

Effective March 31, 2012, the Company declined to pay its share of a cash call and its joint venture interest in Alamo was reduced from 45% to 25%.

The initially submitted proposed minor use permit for drilling and testing was for up to 4 exploratory oil/gas wells on two existing pads, approximately 1 acre in total area, to determine commercial viability of the targeted hydrocarbons. Subsequently, Alamo amended the permit application to be for just one test well. No permanent facilities are proposed with this application request. The entire work program on the single test well is expected to be completed within a 3 month period, where at such time the single test well would be shut in after the initial testing has been completed. No further oil related activities would be allowed on the site without subsequent discretionary permit approval.

As previously mentioned, Phillips Petroleum Company received permitting approval from the County and the State Division of Oil, Gas & Geothermal Resources (DOGGR) in 1981. All three pads and access roads were graded and completed and one well was drilled on Pad "C" the westernmost pad. This application seeks a minor use permit to drill and test the previously permitted exploratory test wells on existing Pads "A" and "B" to establish whether mineral resources in commercial quantities are accessible via these locations.

As at December 31, 2014, the Company reviewed the investment for indication of impairment and noted continuing equity losses in operations, the decline in market prices for oil and gas, and the market capitalization of Alamo was higher than their net assets. In addition, the minor use permit has yet to be approved and there is no guaranty that this permit will be acquired due to continued opposition to oil and gas exploration and production in the Huasna valley. Based on these factors, the Company recorded an impairment loss of $27,675 on their investment in Alamo Creek.

However, the Company will continue to jointly manage the assets of Alamo Creek in this area and review each alternative available so as to develop this project in a reasonable prudent manner. The Company continues its efforts to obtain the single well, minor use permit and will review all upcoming lease expirations and any potential renewals in the area. Should the minor use permit ultimately be granted the impairment recognized could be reversed.

Impairment losses

During the year ended December 31, 2014, after several years of Excelaron being denied the required permits and filing unsuccessful legal actions to overturn the denial, the Company has decided to write-down its investment in

Excelaron resulting in the Company recognizing an impairment of $3,742,916 (2013 - $nil) which consists of the carrying value of the investment of $4,670,996 offset by a reversal of the consideration payable of $928,080 that will not be required to be paid out as the required permits have not been obtained.

As at December 31, 2014, the Company reviewed the investment in Alamo Creek for indication of impairment and noted continuing equity losses in operations, the decline in market prices for oil and gas, and the market capitalization of Alamo was higher than their net assets. In addition, the minor use permit has yet to be approved and there is no guaranty that this permit will be acquired due to continued opposition to oil and gas exploration and production in the Huasna valley. Based on these factors, the Company recorded an impairment loss of $27,675 on their investment in Alamo Creek.

Other Activities

In 2014 and 2015, the Company initiated three different consulting agreements with industry consultants to assist the Company in sourcing and performing technical and commercial reviews on certain identified, and newly sourced, oil and gas prospects in California and internationally. The Company has identified and is currently reviewing several prospective international projects that would be suitable assets to acquire a working interest in and we will continue with any due diligence necessary to secure any one or more of these prospective projects that would suit the Company's future objectives. Besides the current opportunities, the Company will continue to search and evaluate potential oil and gas prospects for possible participation in the coming months.

Also, during the past year, the Company has also worked to clean up the reporting and financial disclosures and will continue to build upon the cost-efficiencies already achieved. We are continuously working to reduce costs at all levels of our operations, including the activities within Alamo Creek and Excelaron.

Result of Operations

Selected Annual Information

For the years ended December 31, 2014.

	Year ended December 31		
	2014	2013	2012
	$	$	$
Expenses			
Consulting fees	75,923	48,000	61,000
Depletion and depreciation	-	43,827	553,750
Equity loss on Alamo Creek	21,906	27,492	11,616
Equity loss on Excelaron	12,602	40,842	192,791
Foreign exchange loss	71,196	43,382	-
General and administrative	26,084	28,321	82,730
Impairment of investment in Alamo Creek and Excelaron	3,770,591	-	-
Operating and transportation	7,448	42,856	198,396
Professional fees	70,625	54,089	104,985
Publiic company costs	45,395	18,223	41,193
Salaries and benefits	146,249	98,720	387,154
Stock-based compensation	5,313	46,560	177,208
Travel	20,343	4,350	38,241
Interest expense	12,490	6,721	-
Total Expense	**4,286,165**	**503,383**	**1,849,064**

Expenses

The Company had a net and comprehensive loss for the year ended December 31, 2014 of $4,286,165 (2013: $442,147; 2012: $1,849,064). Significant increases and decreases over the year ended December 31, 2014 compared to the prior comparative periods results are as follows:

- Consulting fees increased to $75,923 (2013: $48,000, 2012:$ 61,000). The Company contracted with an engineer in September to evaluate several potential properties as well as a contract for business advisory services.

- Depletion and Depreciation was $nil during the current year (2013: $43,827, 2012: $553,750). At the end of the current year the Company had no oil and gas extraction operations.

- Equity loss for Excelaron and Alamo were $12,602 and $21,906 respectively (2013: $40,842, $27,492, 2012: $192,781, $11,616) for ongoing operations on the Company's property interests.

- Foreign exchange losses increased $71,196 due to the depreciation of the Canadian dollar versus the US$ (2013: $43,382, 2012: $nil).

- General and administrative costs remain level to prior year costs $26,084 (2013: $28,321, 2012: $82,730). The main component of this was the cost for insurance, which accounted for 56% of the general and administrative costs, while office expenses, and other sundry accounts, accounted for the other 44%.

- Impairment of investment in Alamo Creek and Excelaron in the current year resulted in an expense of $3,770,591 compared to $nil in the prior year. The increase was due to the Company's decision to record impairment losses for its two primary assets due to the long delays in acquiring drilling permits.

- Operating and transportation expense decreased to $7,448 (2013: $42,856, 2012: $198,396) as the Company had no transportation needs in the current year as there was no oil or gas production.

- Professional fees increased over the year to $70,625 (2013:$54,089, 2012: $104,985) due to the private placement financing completed during the period as well as legal costs to settle an employment dispute with a former employee.

- Public company costs increased significantly to $45,395 (2013: $18,223, 2012: $41,193) pursuant to cost incurred on the private placement completed during the year ended December 31, 2014 as well as cost to transfer agents for two annual general meetings held in 2014.

- Salaries and benefits increased over the year to $146,249 (2013: $98,720, 2012: $387,154). The Company had two full time employees as December 31, 2014.

- Travel increased over the year to $20,343 as a result of managements travel for property visits and meetings with various stakeholders (2013: $4,350, 2012: $38,241).

- Interest expense was increased to $12,490 (2013: $6,721, 2012: $nil) as interest and principle of all outstanding loans were repaid during the current year pursuant to funds received from the private placement.

For the three months ended March 31, 2015:

	Three Months ended March 31, 2015	Three Months ended March 31 2014
	$	$
Expenses		
Consulting fees	6,245	8,000
Exploration and evaluation	5,674	-
Equity loss on Alamo	-	646
Equity loss on Excelaron	-	2,906
Foreign exchange loss (gain)	(13,343)	3,717
General and administrative	5,921	5,660
Professional fees	34,052	8,649
Public company costs	10,366	11,646
Salaries and benefits	41,815	24,337
Share-based compensation	2,629	666
Travel	2,408	2,307
Interest expense	-	3,601
Total expenses	95,767	72,135

Expenses for the Quarter:

The Company had a net and comprehensive loss for the three months ended March 31, 2015 of $95,767 (2014: $72,135). Significant increases and decreases over the three months ended March 31, 2015 compared to the prior comparative three months in 2014 results are as follows:

- Consulting fees decreased to $6,245 (2014: $8,000). The Company incurred expenses for business advisory services during the quarter as the Company continues to look for further opportunities.
- Exploration and expense consists of ongoing costs associated with joint venture projects on a post impairment basis. While the legal right to drill and explore for hydrocarbons on the properties remains in doubt the Company still has ongoing commitments with respect the properties and possibly other future endeavours. Cost pertaining to Alamo Creek were expensed during the quarter were $5,674 (2014: $nil).
- Equity losses for Alamo and Excelaron were $nil (2014: $646, $2,906) as the Company recognized the impairment of all prior capitalized cost for these joint venture assets.
- General and administrative costs remain approximately the same quarter over quarter $5,921 (2014: $5,660).
- Public company costs decreased slightly to $10,366 (2014: $11,646).
- Salaries and benefits increased over the quarter to $41,845 (2013: $24,337). The Company had two full time employees over the period ended March 31, 2015.
- Travel increased slightly to $2,408 as a result of managements travel for property visits and meetings with various stakeholders (2014: $2,307)
- Interest expense was $nil (2014: $3,601) as interest and principle of all outstanding loans were repaid during the prior year from proceeds to funds received from the private placement.

Summary of Quarterly Results (prepared in accordance with IFRS)

		(note 1)				(note 2)	(note 3)	
Net revenue	14,960	-	-	-	-	-		-
Total loss	219,437	32,473	78,133	53,421	126,550	141,937	3,964,757	95,767
Per share	(0.02)	(0.00)	(0.01)	(0.01)	(0.00)	(0.00)	(0.21)	(0.00)

Note 1: Reduction in loss reflects reduction in salaries due to voluntary reduction in management salaries and the resignation of two officers and a reduction in other expenses in an effort to conserve cash

Note 2: Increase in net loss reflects an increases in salaries for management. In addition, legal and public company expenses increased due to the private placement completed during the period.

Note 3: The increase in loss is due to the impairment expense on the write down of Alamo Creek and Excelaron taken at the year ended December 31, 2014.

The loss during the three months ending March 31, 2015 was $94,767 an increase of $42,345 over the loss incurred during the three months ended March 31, 2014 due to cash disbursements related to the $30,000 settlement with a former officer and director of the Company as settlement for disputed compensation payable. In addition, the company incurred legal and consulting expenses to maintain the Company's continuous disclosure requirements.

Liquidity & Capital Resources

The Company has financed its operations through the issue of equity. At March 31, 2015, the Company had working capital of $243,438 (2014: deficit $319,924) and for the three months ended March 31, 2015, the Company incurred losses of $95,767 (2014 - $72,135) and negative cash flows from operations of $95,380 (2013 - $67,115). Limited working capital and losses limit the Company's ability to fund future operations and any exploration and development of oil and gas properties. The Company has expensed as impaired its two main projects due to unsuccessful and prolonged attempts to secure the necessary drilling permits for Alamo Creek and Excelaron.

As at March 31, 2015, the Company currently has no assets or operations that generate revenue, and has an accumulated deficit of $11,008,538. Additionally, the Company is planning to maintain and possibly renew several of the leases within the two projects in California, at additional costs. However, there is no guarantee that the legal rights or permits to operate the leased properties will be granted or that the leases will be able to be farmed out or sold to any other interested party in the future. The continued operations of the Company is dependent on its ability to generate future cash flows or obtain additional financing in its pursuit of such projects. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. After careful consideration, the Board has reasonable expectation that the Company has adequate resources to meet its working capital requirements through 2015. However, in order to acquire new projects with the potential to produce in commercial quantities or should the Company acquire the required permits for the Excelaron or Alamo Creek projects, additional equity financing will be required. The continuation of the Company as a going concern is dependent on raising the necessary financing and secure new projects, but the outcome of these efforts cannot be predicted at this time.

Revenues

The Company has generated no current revenues.

Financing

On July 21, 2014 the Company implemented a consolidation of the issued and outstanding common shares of the Company on the basis of one post-consolidation common share for 10 pre-consolidation common shares resulting in 12,030,272 in common shares outstanding.

On September 2, 2014, the Company completed a non-brokered private placement of 20,000,000 common shares at $0.05 per common share for gross proceeds of to US$920,600 (CAD$1,000,000).

The net proceeds from the Offering have been and will be used for: continuing expenses associated with the minor use permit application currently being reviewed by San Luis Obispo County and the anticipated drilling of the Porter Ranch prospect near the Huasna Valley, in San Luis Obispo County, California; ongoing legal expenses associated with the Company's interest in the Huasna Valley; general working capital and the repayment of debt.

The following table shows expenses to date from proceeds raised:

Items	**Expenses**
Repayment of debt	CAD$329,200
Payment of accrued salary	73,131
Investment in Alamo Creek	21,906
Legal	30,024

As of March 31, 2015, the Company had repaid debt of C$329,220 and paid $73,131 of accrued salary to a director and manager of the Company. A further $21,906 has been invested in Alamo Creek to continue with work to acquire permits.

At March 31, 2015 the Company had a cash balance of $290,029. The Company believes it currently has the funds on hand to meet its obligations and liabilities as they come due through 2015.

In order to continue its efforts to acquire and carry out additional operations on its 65% interest in Excelaron, its 25% interest in Alamo Creek or its interest in any other projects which managements believes the Company should undertake, further funds will be required either through further equity financing and/or loans.

Impairment

At December 31, 2014 the Company wrote down the full cost of its capitalized assets as follows:

	Alamo $	Excelaron $	Total $
Balance, December 31, 2012	38,139	4,675,189	4,713,328
Cash investments	18,342	36,418	54,760
Equity loss for the year	(27,492)	(40,842)	(68,334)
Balance, December 31, 2013	28,989	4,670,765	4,699,754
Cash investments	20,592	12,833	33,425
Reversal of consideration payable	–	(928,080)	(928,080)
Impairment	(27,675)	(3,742,916)	(3,770,591)
Equity loss for the year	(21,906)	(12,602)	(34,508)
Balance, December 31, 2014	–	–	–

Cash Flows from Operation Activities

Cash flows from operations resulted in a loss of $95,380 for the three months ended March 31, 2015 compared to a loss of $67,115 for the comparable three months ended March 31, 2014. Increases in professional fees and salaries accounted for the increase.

Cash Flows from Financing Activities

There were no cash flows from financing activities during the quarter compared to a $60,000 inflow during the comparable three months ended March 31, 2014.

Cash Flows on Investing Activities

The were no cash flow from investing activities from either the three months ended March 31, 2015 or the corresponding comparable period in 2014.

Commitments

On September 8, 2014 all principle and interest on loans previously received were repaid for a total expenditure of $335,066. No loans were outstanding as at March 31, 2015.

<u>Legal Matters</u>

The Company may, from time to time, be involved in various claims, lawsuits or disputes with third parties, or breach of contract incidental to the operations of its business. The Company is not currently involved in any claims, disputes, litigation or other actions with third parties which it believes could have a material adverse effect on its financial condition or results of operations.

The Company did resolve a recent dispute with a former employee over past severance claims. The Company does not believe this will have a materially adverse effect on its financial conditions or results of operations.

<u>Disclosure of Outstanding Share Data (as at May 31, 2015)</u>

Shares
Authorized:
Unlimited number of common shares, no par value.
Unlimited number of preference shares, issuable in series. The preference shares are issuable in series and may be issued in one or more series, from time to time, by the directors of the Company. The directors of the Company are authorized to fix, among other things, the designation, preferences, rights and restrictions attaching to each series of preference shares, in addition to the entitlement of each series of preference shares to receive the assets of the Company available on a liquidation, dissolution or winding-up of the Company. The preference shares are entitled to preference over the common shares and any other shares ranking junior to the such preference shares with respect to, among other things, payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding-up of the Company. Unless the rights attaching to the preference shares state otherwise, each preference share carries one vote at all meetings of shareholders, other than at meetings of the holders of the common shares meeting separately as a class.

Outstanding
32,430,272 common shares.
No preferred shares are outstanding.

On September 2, 2014, the Company closed a private placement of 20,000,000 common shares at a price of $0.05 in for total proceeds of $1,000.000.

On December 16, 2014, the Company announced the granting of 400,000 of the Company's common shares to an officer of the Company in lieu of unpaid salary.

Stock options

Authorized

The Company may grant options to its directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding common shares at the time of the grant.

Outstanding

Subject to regulatory approval, the Company granted 35,000 stock options to a director on July 30, 2014 at an exercise price of CAD$1.00 and with an expiry date 5 years from the date of grant. The stock options will vest 1/3 on the date of grant and an additional 1/3 vesting each subsequent year until the options are fully vested on July 30,

2016. The Company also granted 110,000 stock options at September 1, 2014, to a consultant at an exercise price of $0.07 for 5 years from the grant date. These options fully vested 3 months from the grant date.

	Outstanding			Exercisable	
Exercise price $	Number of stock options	Weighted average remaining contractual life (years)	Weighted average exercise price $	Number of stock options	Weighted average exercise price $
0.07	110,000	4.4	0.07	110,000	0.07
1.00	140,000	3.4	1.00	93,333	1.00
	250,000	3.85	0.59	203,333	0.50

During the three months ended March 31, 2015, the Company granted stock options with a fair value of $2,629 (2014 - $666) which was charged to operations and recorded as share-based payment reserve. The fair value of stock options granted was determined using the Black-Scholes option pricing model. The weighted average fair value of the options vested during the year ended December 31, 2014 was $0.04 (2013 - $0.35) per option. Weighted average assumptions used in calculating the fair value of stock-based compensation expense, assuming no expected dividends or forfeitures are as follows: No stock options have been granted in the three month period ended March 31, 2015.

	2014	2013
Risk-free rate	1.59%	1.95%
Volatility	112%	100%
Weighted average expected life (years)	4.00	3.59

Related Party Transactions

(a) During the three months ended March 31 31, 2015, the amount of $22,500 (2014 – $22,500) was incurred to a company controlled by the President of the Company for salaries and benefits.

(b) During the three months ended March 31, 2015, the amount of $18,000 (2014 – $2,000) was incurred to the Chief Financial Officer of the Company for salaries and benefits.

(c) During the three months ended March 31, 2015, the amount of $30,986 (2014 - $5,986) was incurred to former directors and officers of the Company for consulting fees, salaries, and benefits.

(d) During the three months ended March 31, 2015, the amount of $63 (2014 - $229) was recognized as stock-based compensation for the vesting of stock options granted to directors and officers of the Company.

Off Balance Sheet Arrangements and Proposed Transactions

The Company does not have any off-balance sheet arrangements. The Company has no proposed transactions.

Financial Instruments and Other Instruments

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at March 31, 2015 as follows:

	Fair Value Measurements Using			
	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Balance, March 31, 2015 $
	290,029	–	–	290,029

The fair values of other financial instruments, which include amounts receivable, accounts payable and accrued liabilities, and loans payable, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and amounts receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Amounts receivable consists of GST refunds due from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

The Company operates in Canada and United States, but has the majority of its cash held in Canada in Canadian dollars. Future exploration programs may be denominated in US dollars. Foreign exchange risk arises from purchase transactions as well as financial assets and liabilities denominated in these foreign currencies.

The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk. However, management of the Company believes there is no significant exposure to foreign currency fluctuations due to the limited number of transactions conducted in the United States dollar.

(d) Interest Rate Risk

The Company's cash may contain highly liquid investments that earn interest at market rates. The Company manages its interest rate risk by maximizing the interest earned on excess funds while maintaining the liquidity necessary to fund daily operations. Fluctuations in market interest rates do not have a significant impact on the Company's results of operations due to the short term to maturity of the investments held.

(e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

(f) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

Property, plant and equipment

The Company estimated the VIU to determine the recoverable amounts of the Company's CGUs for impairment testing based on consideration of the following:

- net present value of proved plus probable reserves using a pre-tax discount rate of 10% as determined by independent qualified reserves evaluators;
- management's estimate of the fair value of undeveloped land; and
- a review of the values indicated by the metrics of recent market transactions of similar assets within the oil and gas industry.

The market value of other items of property, plant and equipment is based on the quoted market prices for similar items.

Changes in Accounting Policies including Initial Adoption

Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2014, and have not been applied in preparing these financial statements.

IFRS 9, *Financial Instruments* (New)
IFRS 10, *Consolidated Financial Statements* (Amended)
IFRS 11, *Joint Arrangements* (Amended)
IFRS 12, *Disclosure of Interests in Other Entities* (Amended)
IAS 16, *Property, Plant, and Equipment* (Amended)
IAS 27, *Separate Financial Statements* (Amended)
IAS 28, *Investments in Associates and Joint Ventures* (Amended)
IAS 32, *Financial Instruments: Presentation* (Amended)

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

Risks and Uncertainties

The Company is subject to various risks and uncertainties due to the nature of the business and its present stage of development.

Liquidity

The Company has financed its operations through the issuance of equity. At March 31, 2015, the Company had working capital of $243,438 (2014: deficit $319,924) and for the three months ended March 31, 2015, the Company incurred losses of $95,767 (2014 - $72,136) and negative cash flows from operations of $95,380 (2013 - $67,115). Limited working capital and losses limit the Company's ability to fund operations and the exploration and development of oil and gas properties. The Company has expensed its two main projects as impaired due to unsuccessful attempts to secure the necessary drilling permits for Alamo Creek and Excelaron in a timely manner, and while still working to achieve permits on these impaired investments the Company's focus going forward will be to find and finance new opportunities.

As at March 31, 2015, the Company currently has no assets or operations that generate revenue, and has an accumulated deficit of $11,008,538. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. After careful consideration, the Board has reasonable expectation that the Company has adequate resources to meet its working capital requirements for the foreseeable future. However, in order to acquire new projects with the potential to produce in commercial quantities or should the Company acquire the required permits for the Excelaron or Alamo Creek projects, additional equity financing will be required. The continuation of the Company as a going concern is dependent on raising the necessary financing and secure new project, but the outcome of these efforts cannot be predicted at this time.

Permits

The operations of the Company require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits, including conditional use permits that may be required to carry out exploration and development of its projects, in particular, Huasna. The Company will work to secure the conditional use permits, but the outcome of these efforts cannot be predicted at this time.

Exploration

The Company is exposed to the inherent risks associated with oil and gas exploration and development, including the uncertainty of oil and gas resources and their development into recoverable reserves; the uncertainty as to potential project delays from circumstances beyond the Company's control; and the timing of production; as well as title risks, risks associated with joint venture agreements and the possible failure to obtain mining licenses.

Commodity price

The Company is exposed to commodity price risk with respect to oil and gas prices. A significant decline in oil and gas commodity prices may affect the Company's ability to obtain capital for the exploration and development of its interest in oil and gas properties.

Share-based payments

Share-based payments are measured using a Black-Scholes option pricing model. Measurement inputs include share price on grant date, exercise price, expected volatility (based on historical volatility of securities of comparable companies), weighted average expected life and forfeiture rate (both based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds).

Classification of fair value of financial instruments

The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 - quoted prices in active markets for identical assets and liabilities;
- Level 2 - inputs, other than the quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly;
- Level 3 - inputs for the asset or liability that are not based on observable market data

The carrying value of cash, accounts receivable, accounts payable and accrued liabilities and consideration payable approximate fair value due to their short-term nature.

Financial risk management

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production and financing activities, including credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company’s cash balances and receivables. The maximum exposure to credit risk is equal to the balances of cash and receivables.

The Company’s limits its exposure to credit risk on its cash by holding its cash balances in deposits with a high credit quality Canadian chartered bank.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities that are settled in cash or other financial assets. The Company’s approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet is liabilities as they come due. The amounts for accounts payable and accrued liabilities and consideration payable are due in less than one year.

Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates, and interest rates will affect the Company’s income or the value of its financial instruments.

Currency risk

Currency risk arises from the Company’s financial instruments and purchases that are denominated in a currency other than the Canadian dollar, the Company’s functional currency.

Interest rate risk

The Company’s exposure to interest rate risk is limited due to the short-term nature of its financial instruments.

Capital management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company’s overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2013.

Other Information

Additional Disclosure for Venture Corporations without Significant Revenue

The following tables set out a breakdown of material components of the general and administration costs and capitalized exploration and evaluation of the Company:

General and administration costs

	Three months ended March 31,	
	2015	**2014**
	$	**$**
Bank charges	562	497
Office	5,359	5,163
	5,921	5,660

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Judgments
The key judgments made in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements are as follows:

Identification of cash generating units
Cash generating units ("CGUs") are defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The classification of assets into cash generating units requires significant judgment and interpretations with respect to shared infrastructure, geographical proximity, petroleum type and similar exposure to market risk and materiality.

Estimates
Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are as follows:

Impairment of investment in joint ventures
The Company assesses the carrying amount of its investment in joint ventures at each reporting date to determine whether there are any indicators that the carrying amount of the investment may be impaired. For the purposes of determining fair value of its investments in joint ventures, management assesses the recoverable amount of each CGU considering estimated recoverable production, commodity or contracted prices, foreign exchange rates, production levels, capital and cash costs. Changes in any of these assumptions or judgments could result in a significant difference between the carrying amount and fair value of these investments.

Deferred income taxes
Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates at the reporting date in effect for the period in which the temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized as part of the provision for income taxes in the period that includes the enactment date. The recognition of deferred income tax assets is based on the assumption that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Share-based compensation

The Company uses the Black-Scholes option pricing model in determining share-based compensation, which requires a number of assumptions to be made, including the risk-free interest rate, expected life, forfeiture rate and expected share price volatility. Consequently, the actual share-based compensation expense may vary from the amount estimated.