



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

This Management's Discussion and Analysis ("MD&A") provides discussion and analysis of the financial condition of United Hunter Oil & Gas Corp. (the "Company") for the year ended December 31, 2017 and should be read in conjunction with the audited consolidated financial statements and the accompanying notes which have been prepared in accordance with International Financial Reporting Standards.

The MD&A is the responsibility of management and is dated as of April 27, 2018.

All dollar amounts in the MD&A are stated in Canadian dollars unless otherwise indicated.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.unitedhunteroil.com](http://www.unitedhunteroil.com).

### **Description of Business**

The Company is engaged in the exploration and evaluation of oil and gas properties, and is currently looking for new opportunities in the oil and gas sector worldwide.

The Company's common shares are listed for trading on the TSX Venture Exchange under the symbol "UHO" and the Frankfurt Stock Exchange under the symbol A118VK.

### **Forward-looking Statements**

This MD&A may contain, without limitation, statements concerning possible or assumed future operations, performance or results preceded by, followed by or that include words such as "believes", "expects", "potential", "anticipates", "estimates", "intends", "plans" and words of similar connotation, which would constitute forward-looking statements. Forward-looking statements are not guarantees. The reader should not place undue reliance on forward-looking statements and information because they involve risks and uncertainties that may cause actual operations, performance or results to be materially different from those indicated in these forward-looking statements. Except as required by Canadian securities law, the Company is under no obligation to update any forward-looking statements contained herein should material facts change due to new information, future events or other factors. These cautionary statements expressly qualify all forward-looking statements 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.

See page 6 for *Material assumptions and risk factors for forward-looking statements*.

### **Overall Performance**

#### *Private placements*

On November 28, 2017, the Company completed the private placement consisting of 700,000 common shares for gross proceeds of \$70,000. In connection with the private placement, the Company paid a cash commission of \$3,500.

On December 6, 2017, the Company completed the private placement consisting of 350,000 common shares for gross proceeds of \$35,000.

On February 8, 2018 and March 7, 2018, the Company completed a private placement consisting of 10,000,000 common shares for gross proceeds of \$1,000,000. Of the private placement, two officers of the Company acquired 865,870 common shares. Proceeds of the private placement of \$372,289 were used to repay loans.

#### *Loans*

During the year ended December 31, 2017, the Company received the following proceeds from the issue of unsecured promissory notes:

<b>Date</b>	<b>Interest rate</b>	<b>Due date</b>	<b>\$</b>
January 17, 2017	6%	On demand	12,000
May 2, 2017	6%	On demand	15,000
August 8, 2017	6%	On demand	10,000
			<b>US\$</b>
March 1, 2017	6%	March 1, 2018	30,000

Subsequent to December 31, 2017, the Company repaid all outstanding loans of \$372,289 from the proceeds of the private placements.

#### *Proposed share consolidation*

At the Annual General and Special Meeting held on April 30, 2018, the shareholders of the Company will be asked to approve an amendment to the articles of the Company in order to consolidate the common shares by a ratio of 2.5:1.

#### *Option agreement to purchase oil and gas interests in Archer County, Texas*

On December 12, 2016, the Company paid US\$75,000 to acquire an exclusive option to purchase oil and gas interests in the Hull Silk Sikes 4,300' Sand Unit (the "HSS Unit") in Archer County, Texas. The HSS Unit is approximately 12 miles southwest of Wichita Falls, Texas and comprises approximately 2,300 acres in a single operating unit. The Company has been advised that the overall size of the reservoir is approximately 5,200 acres in size and the HSS Unit, which sits in the heart of the field, has produced approximately 27,000,000 barrels since its discovery in 1938 through primary and secondary efforts.

The option provides the Company with the exclusive right to purchase the interest, for a period that has been extended, by way of two negotiated Purchase and Sale Agreements ("PSA") for a combined purchase price of US\$13,000,000, subject to any closing cost adjustments as defined in the PSA's, payable over a 5-year period from closing. The Company would receive an estimated 80.23% net revenue interest, which includes an enhanced oil recovery tax credit of 2.3% of the market value of the total operated basis from the State of Texas.

#### *Agreement to acquire producing and drillable prospects in South Texas*

Through its US subsidiary, United Hunter Texas, LLC ("UHT"), the Company reached an agreement with Vesta Resources, LLC and others to acquire a working interest operatorship in two producing wells and 100% working interest in eight additional prospects in multiple South Texas Counties for an all-inclusive cost of \$400,000. The final Purchase and Sale Agreements, to be executed by UHT, are subject to completion of its due diligence, including negotiation of, and any adjustments to, the purchase price, board approval, financing and TSX Venture Exchange approval.

Both of the aforementioned agreements have since expired by their own terms and the Company has, after sufficient due diligence, elected to not pursue these projects any further.

### **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.

#### *Going concern*

The Company is in the exploration stage and has no revenue. During the year ended December 31, 2017, the Company recorded a loss of \$253,260 (2016 - \$387,823) and as at that date, the Company had accumulated deficit of \$11,862,975 (2016 - \$11,609,714), working capital deficit of \$479,878 (2016 - \$351,980) and cash flow deficit from operations of 118,095 (2016 - \$318,666). The losses, accumulated deficit, working capital deficit and cash flow deficit from operations limit the Company's ability to fund its operations and the acquisition, exploration and development of oil and gas properties. As a result, there is significant doubt about the Company's ability to continue as a going concern.

The continued operation of the Company is dependent upon the support of its creditors and its ability to secure financing to fund its operations and finance the acquisition, exploration and development of oil and properties. The Company is actively seeking to raise the necessary financing, however, there can be no assurance that additional financing will be available.

#### *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 licenses.

### Commodity prices

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.

### Selected Annual Information

	2017	Years ended December 31	
		2016	2015
Total revenues	–	–	–
Net loss			
Total	253,260	(387,823)	(309,119)
Per share - basic and diluted	(0.01)	(0.01)	(0.01)
Total assets	84,883	6,377	48,817
Total long-term liabilities	–	–	–
Cash dividends declared per common share	–	–	–

### Result of Operations

	Years ended December 31,	
	2017	2016
	\$	\$
<b>Expenses</b>		
Professional fees	13,685	30,836
Management fees, salaries and benefits	127,793	200,660
Consulting fees	15,000	–
Share-based compensation	–	42
General and administrative	11,899	22,655
Public company costs	38,994	20,825
Travel	28,731	1,969
Exploration and evaluation	–	102,808
Foreign exchange loss (gain)	(4,964)	171
Interest	22,123	7,857
	<u>253,260</u>	<u>387,823</u>
<b>Loss</b>	<u>(253,260)</u>	<u>(387,823)</u>

#### Year ended December 31, 2017

During the year ended December 31, 2017, the Company incurred a loss of \$253,260 compared to a loss of \$387,823 during the previous year. The decrease in net loss is mainly due to:

- a reduction in management fees, salaries and benefits, general and administrative expenses in an effort to conserve cash
- a reduction in exploration and evaluation as no potential acquisitions were identified during the year.

The decreases in net loss were offset by:

- an increase in consulting fees for a consultant to identify business opportunities.
- an increase in public company costs which reflects an expenditure of \$21,000 to list the Company's common shares for trading on the Frankfurt Stock Exchange.
- an increase in travel which reflects expenditures related to arranging potential acquisitions and financings.
- an increase in interest related to the increase in loans payable.

#### 3 months ended December 31, 2017

During the 3 months ended December 31, 2017, the Company incurred a net loss of \$53,822 compared to a net loss of \$70,699 during the comparative period of the previous year. The decrease in net loss is mainly due to:

- a decrease in professional fees which reflects a decrease in the level of activity and efforts to conserve cash.
- a decrease in management fee, salaries and benefits reflecting reduced salaries in an effort to conserve cash.

## Summary of Quarterly Results (prepared in accordance with IFRS)

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	–	–	–	–	–	–	–	–
Loss								
- Total	58,040	67,897	59,292	203,957	90,503	53,164	55,771	53,822
- Per share	0.002	0.002	0.002	0.006	0.003	0.002	0.002	0.002

## Liquidity & Capital Resources

At December 31, 2017, the Company had a cash balance of \$69,365, accounts payable of \$192,472 and loans payable of \$372,289, of which, US\$31,250 was due on March 1, 2018 and the balance was due on demand.

On February 8, 2018 and March 7, 2018, the Company completed a private placement consisting of 10,000,000 common shares for gross proceeds of \$1,000,000. Proceeds of the private placement were used to repay loans payable of \$372,289 and accounts payable owing to management of \$155,457, leaving working capital of \$472,254.

Corporate and general costs to maintain the requirements of a listed company in the years ended December 31, 2016 and 2017 were approximately \$205,000 and \$200,000, respectively. Therefore, the Company has estimated its corporate and general costs to be approximately \$200,000 for the year ended December 31, 2018.

As the Company is in the exploration stage and has no revenue, the Company has financed its operations with the proceeds of loan and equity financings. The Company is dependent upon the support of its creditors and the Company's ability to secure loan and equity financings to meet its existing obligations and to fund its working capital requirements and the acquisition, exploration and development of oil and gas properties.

Management is of the opinion that sufficient working capital is on hand and additional working capital will be obtained from loan and equity financings to meet the Company's liabilities and commitments as they become due. The Company is actively seeking to raise the necessary loan and equity financings.

## Transactions with Related Parties

	Years ended December 31, 2017 \$	Outstanding as at December 31, 2017 \$
<b>Related party</b>		
Tim Turner & Associates, LLC., a company controlled by Tim Turner, for management fees for his services as Chief Executive Officer	90,000	98,169
Marlborough Management Limited, a company controlled by Miles Nagamatsu, for management fees for his services as Chief Financial Officer (note 1)	31,973	35,926
Jeff Ratcliffe for management fees for his services as Chief Financial Officer (note 2)	6,000	7,000

Note 1: Miles Nagamatsu was appointed as Chief Financial Officer on April 19, 2017.

Note 2: Jeff Ratcliffe resigned as Chief Financial Officer on March 31, 2017.

## Changes in Accounting Policies including Initial Adoption

The following amendment to standards will be effective for periods beginning on or after January 1, 2018:

### IFRS 9, Financial Instruments ("IFRS 9")

This standard will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held for trading are measured at FVTPL and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The Company has not determined the extent of the impact of IFRS 9 on its financial statements.

The following new standard will be effective for periods beginning on or after January 1, 2019:

*IFRS 16, Leases ("IFRS 16")*

This standard will replace *IAS 17, Leases*. IFRS 16 provides an updated definition of a lease contract, including guidance on the combination and separation of contracts. The standard requires lessees to recognize a right-of-use asset and a lease liability for substantially all lease contracts. The accounting for lessors is substantially unchanged from IAS 17. The Company has not determined the extent of the impact of IFRS 16 on its financial statements

**Financial Instruments and Other Instruments**

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

*Receivables, accounts payable and accrued liabilities and loans payable*

The fair value of receivables, accounts payable and accrued liabilities and loans payable approximates their carrying value due to their short term to maturity.

*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

Cash is measured at fair value at Level 1 of the fair value hierarchy.

*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 consolidated 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 from the Company's cash and receivables. The maximum exposure to credit risk is equal to the carrying amount of cash and receivables. The Company's limits its exposure to credit risk on its cash by holding its cash in deposits with high credit quality Canadian chartered banks. Receivables consists of refunds for Goods and Services Tax from the Government of Canada.

**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 its liabilities as they come due. The amounts for accounts payable and accrued liabilities are subject to normal trade terms.

**Market risk**

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

**Foreign exchange risk**

Foreign exchange risk is the risk of financial loss to the Company due to a change in foreign exchange rates. The majority of the Company's cash is held in Canadian dollars. Foreign exchange risk arises as the Company makes expenditures denominated in US dollars.

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 US dollars.

**Interest rate risk**

Interest rate risk is the risk of financial loss to the Company due to a change in interest rates. The Company's exposure to interest rate risk is limited due to the short-term nature of its financial instruments.

**Capital management**

Capital of the Company consists of share capital, contributed surplus and deficit. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can acquire, explore and develop mineral resource properties for the benefit of its shareholders. The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Board of Directors has not established quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the Company. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's principal source of capital is from the issue of common shares and loans payable. In order to achieve its objectives, the Company intends to raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to capital management during the year.

**Material assumptions and risk factors for forward-looking statements**

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 statement	Assumption	Risk factor
4	Liquidity and Capital Resources – Liquidity “Management is of the opinion that sufficient working capital will be obtained from loan and equity financings to meet the Company's liabilities and commitments as they become due”	Financing will be obtained to continue as a going concern.	The Company is unable to obtain future financing to meet liabilities as they come due.

**Other Information****Additional Disclosure for Venture Corporations without Significant Revenue**

For the years ended December 31, 2017 and December 31, 2016, the Company incurred no exploration and evaluation expenditures.

The following table set out a breakdown of material components of the general and administration costs:

	Years ended December 31,	
	2017	2016
	\$	\$
Bank charges	2,024	1,926
Capital tax		2,231
Insurance	7,827	13,489
Office	1,757	5,009
	11,608	22,655

**Disclosure of Outstanding Share Data (as at April 27, 2018)**

**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*

Common Shares: 43,700,957 common shares.

Preferred Shares: no preferred shares

**Stock options**

*Authorized*

3,265,096 stock options, representing 10% of the issued and outstanding common shares.

*Outstanding*

Exercise price	Expiry date	Number of stock options
\$1.00	November 26, 2018	70,000