CANUC RESOURCES CORPORATION

MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended December 31, 2015

The following discussion of the results of operations and financial condition of Canuc Resources Corporation ("Canuc" or "the Company") prepared as of April 26 ,2016 consolidates Management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2015, and factors reasonably expected to impact on future operations and results. This discussion is intended to supplement and complement the Company's Consolidated Financial Statements ("FS") as at and for the years ended December 31, 2015 and 2014 and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS").

The FS as well as additional information is available at www.sedar.com and at the Company's website www.canucresources.ca. All amounts disclosed are in Canadian dollars, unless otherwise stated.

COMPANY OVERVIEW

Canuc is a Canadian based exploration Company with a long term focus on the acquisition, exploration and development of natural resource projects in the Americas. Currently, the Company has oil and gas assets in Texas, USA and is actively pursuing mineral exploration assets in North America. The Company intends to continue to acquire quality natural resource projects in the Americas. Management of the Company has a proven track record in the discovery, resource expansion, permitting and development of resource projects.

The Company notes that although the exploration of its existing projects is prospective, mineral exploration in general is uncertain. As a result, the Company believes that by acquiring additional mineral properties, it is able to better minimize overall exploration risk. Risk factors to be considered in connection with the Company's search for, and acquisition of, additional mineral properties include the significant expenses required to locate and establish mineral reserves; the fact that expenditures made by the Company may not result in discoveries of commercial quantities of minerals; environmental risks; risks associated with land title; the competition faced by the Company; and the potential failure of the Company to generate adequate funding for any such acquisitions. Refer to the "Risks and Uncertainties" section for additional information.

The Company's common shares trade on the TSX Venture Exchange using the ticker symbol "CDA".

Going Concern

The Company is subject to the risks and challenges experienced by other companies at a comparable stage. These risks include, but are not limited to, continuing losses, dependence on key individuals and the ability to secure adequate financing or to complete corporate transactions to meet the minimum capital required to successfully complete the Company's projects and to fund operating expenses. Development of the Company's current projects to the production stage will require significant financing. Refer to the "Risks and Uncertainties" section for additional information.

Overview

The Company's mineral exploration efforts have not commenced commercial production and, accordingly, the Company is dependent upon debt and/or equity financings and the optioning and/or sale of resource or resource-related assets for its funding. However, the Company's oil and gas assets are producing net income at this time. The recoverability of the carrying value of exploration and evaluation projects, and ultimately the Company's ability to continue as a going concern, is dependent upon this oil and gas income growing and upon exploration results which indicate the potential for the discovery of economically recoverable reserves and resources, the Company's ability to finance exploration of its projects through debt or equity financings and the optioning and/or sale of resource or resource-related assets for its funding.

HIGHLIGHTS

- In May 2015, Mr. Robert Lelovic took on the Chief Financial Officer role and is also a director of the Company.
- On September 3, 2015, the Company's common stock started trading on a consolidated ten (10) for one (1) basis.
- On October 6, 2015, the board of directors approved and the Company issued 595,000 options in accordance with its stock option plan. The options have a strike price of $0.06, have a term of three years and vested immediately.
- On November 5, 2015, the company closed a non-brokered private placement totaling $160,000 through the sale of 3,200,000 units. Each unit is comprised of a share priced at $0.05 and a warrant priced at $0.10, with warrants having a term of 2 years. The offering was fully subscribed and no commissions or finder's fees were paid in connection with the offering.
- The Company welcomed its returning directors, namely Hubert Mockler, Christopher J. Berlet and Robert Lelovic and welcomes its newest Director Marc-André Lavoie.
- As of December 31, 2015, there are 6 producing wells in an area designated as the Thompson project. The most recent well intersected the Iona Hickey conglomerate and commenced production in September of 2014. The well has performed admirably so far, but production has not been as strong as that of the other five Thompson wells.
- Production from the Thompson project wells represented 65% of Canuc revenues during the year ended December 31, 2015 (December 31, 2014-70%), the Coody Morales well represented 30% (December 31, 2014-22%) and the Walker Buckler wells represented 5% (December 31, 2014-8%)
- Canuc and its subsidiary Midtex Oil & Gas Corporation saw significant declines in natural gas prices. The average price received for 2015 was US$2.75 per MCF as compared to the 2014 annual average of US$4.90 per MCF of gas produced. Gas prices to the date of this MD&A have remained low.

OIL AND GAS ASSETS

Midtex Project, Texas

In July 2011, the Company completed the acquisition of Midtex Oil & Gas Corporation ("Midtex"), a private Ontario corporation, and a 100% working interest in a gas and oil well located on the leased property held by Midtex (collectively the "Midtex Assets"). An officer and 2 directors had ownership interests in Midtex and received 40% of the 3,600,000 common shares issued for the purchase of Midtex. As this was a related party transaction, an independent committee of the Board of Directors met, and upon receipt of the independent engineer's report, agreed on a valuation of $720,000 for Midtex.

The Midtex Assets included a producing gas well and undeveloped acreage located on the east half of Section 66, Block 4, T&P Ry. Co. Survey, Stephens County, Texas; north central Texas. The undeveloped acreage could accommodate an additional 3 to 4 wells, which could intersect 2 or 3 known productive gas horizons. This acreage, while having low pressure gas zones, benefited from a low pressure gas pipeline which bisects the property making the gas immediately saleable without constructing capital intensive transportation facilities. A second producing gas well was completed in late August 2011. Production from both wells began to decline sharply in late 2012 and in 2013 production was negligible. The first well was capped and the repair work was completed in Q1 2014 on the second well.

The Midtex project was expanded in 2012 and the Company is now an investor in two parcels of leased land in north-central Texas. The Company has a 20% working interest (16% net revenue interest) in the 2,000 acre

Thompson project located in Stephens County Texas and a 15% working interest (12% net revenue interest) in the 14,574 acre Walker Buckler lease located in Shackelford County Texas.

In February 2013, the Thompson 40 #2 well intersected the same reservoir as the initial Thompson 40 well and commenced production in March 2013. The Thompson "A" well, to the north of the Thompson 40, was drilled in March 2013 and intersected the same horizon as the Thompson 40. In July 2013, the Thompson "B" well was spudded to the east of the Thompson "A" and was successful, commencing production later in the month. In February 2014, the Thompson 40 #5 well was drilled and it was also successful, commencing production in March of 2014. Drilling was initiated on the Thompson C well in June 2014 and intersected the same horizons as the other Thompson wells and came on stream in September 2014. The Thompson C well has performed admirably so far, but production has not been as strong as that of the other Thompson wells.

In February of 2014, the Nickell lease was drilled and the hole was dry. The capital invested in drilling this well of $48,071 was written off at the end of the first quarter of 2014.

In December of 2015, all of the Company's wells were reviewed for impairment. Gas prices were declining all through 2015 and as of the date of this MD&A, have not recovered. Management in its judgement, determined that the low prices were prolonged and as such, an impairment assessment was required and an impairment charge $569,731 was taken to the consolidated statement of (loss) income and comprehensive (loss) income.

The $569,731 impairment charge relates to both the oil and gas property ($205,340) and oil and gas interests ($364,391). The oil and gas property consists of the Coody Morales well. At the end of 2015, management decided to shut in this well due to low gas prices. This decision contributed to the impairment charge as management was not able to predict when gas prices would rise and accordingly, was unable to predict the well's value in use. This well is a good producer which will generate strong cash flow for many years. Upon the recommencement of production, the well may be written up reversing some of the charge taken in the current year.

Management 's estimates of value in use for the oil and gas interests considered the remaining production life of each well and production curves. Management also estimated future gas prices by taking the last known sales price for gas for each well and setting gas price increases that could be probable. Management also determined a reasonable discount rate to assess each well's current value. Sensitivity analysis was run to assess the impact of variables such as discount rate and gas price increase rates. As noted above, $364,391 was written off to the consolidated statement of (loss) income and comprehensive (loss) income. Unlike the oil and gas property, the write-down of the oil and gas interests are not reversible and therefore, no future write-up is possible.

Outlook

Due to the continued success encountered on the Thompson lease, the operator, Marjac Oil Company Inc., has informed Canuc that additional wells are planned for the undeveloped acreage in 2015 and 2016 but not until natural gas prices begin to improve.

EXPLORATION AND EVALUATION PROJECTS

ECUADOR PROPERTIES

Nambija Project

In the 1990's the Company acquired 2 contiguous mining concessions and 634 mining rights within those 2 concessions which comprise approximately 85% of the total mining rights contained in the 2 contiguous mining concessions. The mining concessions are known as "Condominios Mineros Norte" with an area of 35.4 hectares, and "Condominios Mineros Sur" with an area of 33.3 hectares. The property is located in the eastern foothills of the Andes close to the Peruvian border and approximately 400 km from Quito, the capital of Ecuador.

Canuc's mining rights gave it the right to operate tunnels from which gold bearing ore could be mined on the Nambija property. Since 1998, the Company carried out various exploration programs consisting of surface and underground sampling as well as limited diamond drilling. The exploration results from work at Nambija in 2010 were positive, outlining widespread gold mineralization at surface, underground and in drill holes along the eastern El Tierrero structure in Condominios Mineros Norte.

Despite the tremendous mineral wealth of Ecuador, slow progress and the bureaucracy, as well as the inability to come to a deal with the owners of the adjacent Campanillas mill led Canuc to initiate discussions on the divestiture of the Nambija Project during the third quarter of 2014. On October 9, 2014 Canuc announced that it had signed an agreement to transfer ownership of the Company's wholly owned Ecuadorian subsidiary, MiningAndos, to Jorge Guzman of Quito, Ecuador. The agreement requires Mr. Guzman to pay to Canuc a 10% royalty after stabilized production is reached. The Company has retained the right to acquire a 49% interest in Mr. Guzman's operations by paying 200% of his costs to achieve stabilized production, in the event that investing in Ecuador becomes more attractive.

OUTLOOK

Management actively pursues new mineral exploration opportunities and has been investigating a number of potential exploration properties in the North American arena. Currently none have met the two most important objectives set by Canuc: one, to be attractive enough to warrant further investigation; and two, to be exciting enough to attract the capital necessary to fund the exploration necessary to advance the projects to the next level.

Management will continue to seek out new mineral exploration properties that meet these two objectives.

SELECTED QUARTERLY INFORMATION

Set forth below is a summary of selected unaudited financial information for the past eight quarters:

Three Months Ending	Dec 31, 2015	Sept. 30, 2015	June 30, 2015	Mar 31, 2015
	$	$	$	$
Revenue	50,436	60,578	73,067	64,537
comprehensive (loss) income	(511,785)	(64,372)	(35,863)	(54,142)
(loss) Income per share - basic and fully diluted	(0.06)	(0.01)	(0.00)	(0.01)

Three Months Ending	Dec. 31, 2014	Sept. 30, 2014	June 30, 2014	Mar. 31, 2014
	$	$	$	$
Revenue	139,031	153,659	178,311	171,983
Net income (loss) and comprehensive income (loss)	100,205	50,932	52,782	(29,294)
Income (loss) per share - basic and fully diluted	0.01	0.01	0.01	(0.00)

Quarter ended December 31, 2015

Despite management's switch to a US functional currency for Midtex, all income and expense items as a result of the Midtex business have been translated at the date of the transaction in both 2014 and 2015 and therefore remain comparable. The primary difference is the cumulative translation difference which results from assets and liabilities being translated at the closing rate at the date of the balance sheet whereas, income and expenses are being translated at the exchange rates at the dates of the transactions. These different rates result in exchanges differences and are recognized in other comprehensive (loss) income and accumulated as a separate

component of equity. For the year ended December 31, 2015, the cumulative translation difference was $101,541.

The Company reported oil and gas revenues of $50,436 as compared to $139,031 for the 2014 comparative period. While the number of strong producing wells remained consistent on a period over period basis, the price of gas declined sharply which has contributed to the significant decline.

Operating oil and gas income declined from $75,276 for the three months ended December 31, 2014 to $1,148 for three months ended December 2015. This is due to the substantial decline in revenues directly driven by the gas price for MCF.

Before consideration of currency translation differences which arise as a result of the change in the functional currency of Midtex (as described at the inception of this section), the Company generated a net loss for the three months ended December 31, 2015 of $613,326 (comprehensive loss of $511,785) compared to the net income of $100,205 for the 2014 comparable period. There were certain non-recurring items in both 2015 and 2014. They include stock based compensation of $35,200 (2015), gain on conversion of loan payable of $36,000 (2015), write-down of oil and gas properties and interests of $569,731 (2015) and gain on write-down of long term payable of $40,000 (2014). Adjusting for these items, net loss for the three months ending December 31, 2015 would be $44,395 compared to net income for the comparable period of 2014 of $60,205.

Management has paid close attention to its liquidity and accordingly, has tried to reduce expenses to the extent possible. A summary of the changes period over period of recurring operating expenses is set out below.

Management fees were $30,513 for the three month period ended December 31, 2015 compared to $35,906 for the 2014 comparative period. The decrease is due to lower fees being charged by the CEO.

General and administrative costs for the three months ended December 31, 2015 were $(4,117) compared to $4,808 for the comparative period. During the quarter management reconfirmed the terms of a sublease and recorded rental revenue of approximately $16,000. This was partially offset by normally recurring costs.

Professional fees increased from a nominal amount for the three months ended December 31, 2014 to $30,000 in 2015. The increase pertains to the finalization of the 2015 audit fee negotiation process as well as consulting fees paid in connection with the private placement which occurred in November 2015.

Shareholder and investor relations costs for the three months ended December 31, 2015 were $12,770 compared to $8,131 for the comparative period of 2014. Fees increased period over period due to the private placement which took place in November and some trailing fees for the share consolidation which occurred during Q3 of 2015.

Foreign exchange for the quarter ended December 31, 2015 was a gain of $23,642 compared to a gain of $5,067. This is principally due to the decline of the Canadian dollar relative to the US dollar. Also contributing to the change are intercompany payables held by Midtex. In prior periods, these intercompany balances were denominated in Canadian dollars. They are now denominated in US dollars and therefore, will generate unrealized foreign exchange gains or losses upon conversion to Canadian dollar reporting and realized gains and losses on settlement.

Year ended December 31, 2015

The Company reported oil and gas revenues of $248,618 for the year ended December 31, 2015 (2014 - $642,894). The decrease is principally a result of weakening gas prices as volumes remained strong. Operating oil and gas income declined from $208,345 to $18,669. Operating costs year on year were relatively stable as including depletion and therefore, principle contributor to lower oil and gas income was gas prices.

There are several non-recurring items in 2015 as follows. First there was the gain on settlement of loan payable of $36,000. This was realized on the conversion of Mr. Lohman's $60,000 loan payable to common shares and principally a result of the venture exchange setting a share price floor on the conversion which was above market value on the date of settlement. In the prior year, the Company also recorded a gain of $40,000 on the write-

down of the long-term payable to Mr. Lohman as part of the agreement to convert the $60,000 balance of the payable into common shares and which at the time was subject to TSX-V approval.

Also in the year was the write-down of oil and gas properties and oil and gas investments of $205,340 and $364,391 respectively. There was also a loss of $48,071 on the write-down of investments in oil & gas interests in 2014. The write-downs were a result of management judgements and estimates. The balances remaining on the consolidated statement of financial position represent the value in use as of December 31, 2015.

For 2014 there were some additional non-recurring items. There was a net gain of $73,427 on the sale of its wholly-owned subsidiary, “MiningAndos, to Mr. Jorge Guzman of Quito, Ecuador. The agreement requires for Mr. Guzman to pay to Canuc a 10% royalty after stabilized production is reached. The Company has retained the right to acquire a 49% interest in Mr. Guzman’s operations by paying 200% of his costs to achieve stabilized production, in the event that investing in Ecuador becomes more attractive.

There was a gain of $17,211 on the sale of oil & gas equipment.

The Company generated a net loss of $767,703 compared to a net income of $174,625 for 2014 and comprehensive loss of $666,162 compared to comprehensive income of $174,625. Noted below are the other significant line items.

Management remained prudent regarding all expenses due to the continuation of challenging market conditions. Despite management’s switch to a US functional currency for Midtex, all income and expense items as a result of the Midtex business have been translated at the date of the transaction in both 2014 and 2015 and therefore remain comparable. The primary difference is the cumulative translation difference which results from assets and liabilities being translated at the closing rate at the date of the balance sheet whereas, income and expenses are being translated at the exchange rates at the dates of the transactions. These different rates result exchanges differences and are recognized in other comprehensive (loss) income and accumulated as a separate component of equity. For the year ended December 31, 2015, the currency translation difference was $101,541.

Management fees for the year ended December 31, 2015 were $102,837 compared to $143,480 for December 31, 2014, a decrease of 28%.

Professional fees increased in 2015 by $19,047 from $45,284 to $64,331. The increase is a result of incremental audit fees from the period prior and increased consultant activity which was not incurred in the prior period.

Office and general costs in 2015 are comparable to the previous year. Shareholder and Investor relations costs increased year on year by $14,426 from $23,254 to $37,680. The increase is a result of timing as the Company held its annual general meeting (“AGM”) this year however significant costs for the prior year’s AGM were incurred in 2013 as opposed to 2014.

The Company issued stock options during the period whereas no options were issued in 2014 and therefore, stock based compensation expense increased by $35,200.

Foreign exchange increased by $30,229 from a loss of $2,719 to a gain of $27,510. This is principally due to the decline of the Canadian dollar relative to the US dollar. Also contributing to the change are intercompany payables held by Midtex. In prior periods, these intercompany balances were denominated in Canadian dollars. They are now denominated in US dollars and therefore, will generate unrealized foreign exchange gains or losses upon conversion to Canadian dollar reporting and realized gains and losses on settlement.

LIQUIDITY AND CAPITAL RESOURCES

The activities of Canuc, principally the exploration and acquisition of gold and base metal properties and the acquisition and development of oil and gas properties, are financed through the completion of equity transactions such as equity offerings and the exercise of stock options and warrants. The biggest change in the Company’s position is that it has been able to fund the majority of the corporate activities in 2015 from oil and gas cash flow.

The Thompson C drilling, the sixth well on the Thompson Lease, was paid for with cash flow from the Company's existing interests in oil & gas wells. Natural gas prices have been declining since 2014, which has resulted in lower monthly averages in 2015, despite expected higher natural gas volumes. There is no assurance that future cash flows from oil and gas activities will cover the Company's corporate activities.

In the third quarter of 2015 the Company closed a non-brokered private placement through which it financed $160,000 whereas, in 2014, the Company had not initiated any new equity financings. 3,200,000 Units were subscribed for of which 3,040,000 commons shares and 3,200,000 common share purchase warrants ("Warrants") exercisable at $0.10 per warrant on or before November 4, 2017 were issued prior to December 31, 2015. Subsequent to the year end, the remaining 140,000 common shares were issued.

In the future there is no assurance that equity capital will be available to the Company in the amounts or at the times desired by the Company or on terms that are acceptable, if at all.

At December 30, 2015, trade and other payables were $170,181 as compared to $222,351, as at December 31, 2014. The Company's cash position at December 31, 2015, was $41,072 compared to the December 31, 2014 cash position of $11,739. The increase in cash is a result of the private placement which took place during the year coupled with cost saving measures put in place to preserve capital. Accounts receivable were $54,303 at December 31, 2015 compared to $83,978 at December 31, 2014. The decline in accounts receivable is directly attributed to gas prices. The Company's working capital is in a deficit position both at December 31, 2015 and December 31, 2014 and is not sufficient to pay existing liabilities however, the Company is managing its working capital diligently.

While the Company has growing oil and gas volumes, it still must utilize its funds obtained from the sale of equity and other financing transactions to maintain its working capital requirements as well as its ongoing exploration programs and operating activities. The Company must raise additional working capital within several months and is currently investigating several financing alternatives. Refer to the "Risks and Uncertainties" section for additional information.

To the date of this MD&A, the cash resources of the Company are held in cash and its credit and interest rate risk is minimal. Accounts payable and accrued liabilities are primarily short-term and non-interest bearing. The Company has no liquidity risk with financial instruments as it only holds cash. In addition, accounts receivable consist primarily of oil and gas sales in Texas, USA and also of sales tax owing from government authorities in Canada. The Company's use of cash at present occurs principally in two areas, funding of its working capital and funding of its investments in oil and gas interests in Texas. Currently, the Company's operating expenses are averaging approximately $11,000 per month, excluding non-recurring items and non-cash charges. In the future, should the Company acquire new exploration properties it will be required to raise new capital to fund the purchase of, and activities on, those properties.

With the Company's working capital deficit is $67,519 at December 31, 2015 (December 31, 2014-$108,769) and If natural gas prices continue to decline, repairs and maintenance expenses pertaining to wells continue to occur at such levels or Management increases expenditures at the corporate level, additional equity and/or debt financings will be necessary.

PROPOSED TRANSACTIONS

While the Company continues to seek and evaluate mines, mineral deposits, exploration projects and financing opportunities to advance the Company, there were no reportable transactions pending during this time.

TRANSACTIONS WITH RELATED PARTIES

Related parties include the Board of Directors, key management personnel, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Related party transactions conducted in the normal course of operations are measured at the exchange value

(the amount established and agreed to by the related parties). The following is a summary of the Company's related party transactions for the periods ended December 31, 2015 and 2014.

Rental Payments and Receipts

For the year ended December 31, 2015 sublease rental revenue of $nil (2014 - $41,275) was earned from a corporation where the former president of Canuc was a director. Rent expense in the consolidated statement of (loss) income and comprehensive (loss) income is shown net of sublease revenue

For the year ended December 31, 2015 sublease rental revenue of $27,284 (2014 – $11,101) was earned from a corporation, of which a director of Canuc is the President. At December 31, 2015 there is $16,183 (2104 - $nil) included in accounts receivable. Rent expense in the consolidated statement of (loss) income and comprehensive (loss) income is shown net of sublease revenue.

Private Placement Financings

In 2015, a director of the Company subscribed for 140,000 Units of an offering at $0.05 per Unit. Each Unit consisted of one common share and one common share purchase warrant, each warrant is exercisable at $0.10 per share on or before November 4, 2017. The value assigned to the warrants using a modified Black-Scholes Option pricing calculation was $nil.

Compensation of key management personnel and directors

The remuneration of directors and key management personnel during the period was as follows:

For the period ended December 31,	**2015**	**2014**
Hubert Mockler, Chairman & CEO [1]	$ 11,000	$ 18,000
Gary Lohman, former President & CEO [1]	-	45,000
James Macintosh, former CFO [2]	24,000	48,000
John Lynch, Director [3]	-	15,000
Robert Lelovic, CFO[4]	42,000	-
Christopher Berlet[5]	10,000	-
Non-cash consideration	35,200	-
	$ 122,200	$ 126,000

(1) As of September 30, 2014, Mr. Lohman resigned and Mr. Mockler became CEO.
(2) Mr. Macintosh, was CFO between the dates of August 1, 2013 and April 30, 2015
(3) Mr. Lynch, was paid a consulting fee related to the Company's Midtex Assets from July 1, 2013 to June 30, 2014.
(4) Mr. Lelovic became CFO on May 1, 2015
(5) Mr. Berlet was paid a consulting fee for management of the private-placement process which closed on November 5, 2015

During 2013, due to market conditions, the Company's former President (as of October 2014) agreed to write-off $120,000 of the amount that he billed to the Company during 2012 and 2013, to reduce his future consulting fee to $60,000 and to transfer $127,980 of what he was owed at December 31, 2013 from accounts payable to a long-term payable.

During 2014, a net number of $27,980 was transferred to accounts payable, reducing the total to $100,000. At year end, an agreement was reached with the Company's former President to write off a further $40,000 of

the payable and to convert the balance of $60,000 into common shares, subject to TSX-V approval. As a result the remaining $60,000 became a short-term loan payable. There was $27,100 in accounts payable at December 31, 2015 (December 31, 2014 - $37,100) owed to the former President for consulting fees.

There was $nil (2014 -$6,000) in accounts payable at December 31, 2015 owed to the Chairman and CEO.

There is $8,000 payable to the former Chief Financial Officer of the Company as at December 31, 2015 (December 31, 2014–$nil) due to the change of this corporate officer during the year.

CRITICAL ACCOUNTING ESTIMATES

Significant assumptions about the future that management has made and that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to the following:

- The recoverability of accounts receivable that are included in the FS in the December 31, 2015 financial statements;
- The inputs used in accounting for share based payment transactions in profit or loss;
- Fair value allocation of Units between common shares and warrants
- Management assumption of no material restoration, rehabilitation and environmental, based on the facts and circumstances that existed during the year; and
- Management's position that there are no income tax considerations required within the December 2015 financial statements.
- Management's estimates of value in use on its oil and gas property and investments.

The Company's financial instruments are considered level 1.

Critical accounting judgments

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy that involves judgments or assessments made by Management.

During the year, Management judgementally determined that the use of a Canadian functional currency for its wholly owned subsidiary Midtex was no longer appropriate. After careful analysis, Management selected the US dollar as Midtex's functional currency. The key factor in management's assessment of functional currency and its decision to change the functional currency was the fact that Midtex had become self sustaining where as in the past it had been supported by its parent. Management also judgementally determined that the transition date was January 1, 2015.

Management also makes judgement about its segments, cash generating units, when and if deferred taxes are recoverable and the economic recoverability of its investments in oil and gas producing assets.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Set out below is a comparison, by category, of the carrying amounts and fair values of all of the Company financial instruments that are carried in the financial statements and how the fair value of financial instruments is measured.

Fair values

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

The following provides an analysis of the financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of all the Company's financial instruments approximate the carrying value due to the short term nature of the financial instrument.

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (currency fluctuations, interest rates and commodity prices). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risks

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Credit Risk

Credit risk is the risk of a financial loss to the Company if a customer is unable to meet its contractual obligations and arises principally from the Company's accounts receivable. The Company currently does not have any revenue producing mineral assets, but does have revenues from oil and gas sales. The Company's receivables are primarily revenues from oil and gas sales and also refundable sales taxes issued by the government of Canada. The Company has not experienced any credit losses in the collection of its receivables.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company has established a standard of ensuring that it has enough resources available to withstand any downturn in the industry. As the natural resource industry is very capital intensive, the majority of our spending is related to capital programs. The Company prepares periodic capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures. The Company's goal is to prudently spend its capital while maintaining its credit reputation amongst its suppliers. The Company also mitigates liquidity risk by maintaining an insurance program to minimize exposure to insurable losses.

Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in certificates of deposit issued by a Canadian chartered bank with which it keeps its bank accounts. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of the Canadian chartered bank.

Foreign exchange risk

The Company engages in transactions and activities in currencies other than its reported currency. The Company's current exploration activities are primarily in the United States of America; ongoing exploration

expenses, assets and liabilities are exposed to foreign exchange fluctuations. The Company's revenues and part of its expenses are transacted in US dollars.

Commodity and equity risk

The Company is exposed to price risk with respect to commodity and equity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. Equity price risk is defined as the potential adverse impact on the Company's comprehensive earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors commodity prices, as they relate to precious and base metals and oil and gas, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depend upon the world market price of precious and base metals. Precious and base metals have fluctuated widely in recent years. There is no assurance that, even if commercial quantities of precious and base metals are produced in the future, a profitable market will exist for them.

Sensitivity analysis

Based on Management's knowledge and experience of the financial markets, the Company believes the following assumptions are reasonable for the year ended December 31, 2015: (i), while cash and cash equivalents are subject to floating interest rates, a plus or minus one percentage point change in interest rates would not have a material impact on the Company's reported net (loss) income and comprehensive (loss) income; (ii), if the US dollar appreciated/depreciated by 10%, the Company's net (loss) income would decrease/increase by approximately $1,000; and (ii), if the gas price appreciated/depreciated by 10%, the Company's net loss would decrease/increase by approximately $22,000.

CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas assets. The Company's objective is met by retaining adequate equity to guard against the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements.

The Company considers its capital structure to include cash, cash equivalents and working capital. The Company has a working capital deficit of $67,519. In order to maintain or adjust the capital structure, the Company may from time to time issue shares and adjust its capital spending to manage current and projected debt levels. To assess capital and operating efficiency and financial strength, the Company continually monitors its net cash and working capital.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

OUTSTANDING SHARE DATA

As of the date of this Management Discussion and Analysis the Company had 10,086,781 issued and outstanding common shares.

Warrants Outstanding

Expiry Date	Exercise Price	Warrants
October 9, 2017 [1]	$0.50/1.00	350,000
November 4, 2017	$0.10	3,200,000
		3,550,000

[1] These warrants are exercisable at $0.50 until October 9, 2015 and thereafter at $1.00 until October 9, 2017.

Stock Options Outstanding

Expiry Date	Exercise Price	Options Granted	Options Vested
October 5, 2018	$0.06	595,000	595,000

MANAGEMENT'S RESPONSIBILITY

Management is responsible for all information contained in this report. The December 31, 2015 audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and include amounts based on management's informed judgments and estimates. The financial and operating information included in this report is consistent with that contained in the year end audited consolidated financial statements in all material aspects.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the audited consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the audited consolidated financial statements; and (ii) the audited financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented. In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

RISKS AND UNCERTAINTIES

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Only investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment should undertake such investment. Prospective investors should carefully consider the risk and uncertainties that have affected, and which in the future are reasonably expected to affect, the Company and its financial position.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this discussion, including information as to future activities, events and financial or operating performance of the Company and its projects, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks and uncertainties that could cause actual events or results to, differ materially from estimated or anticipated activities, events or results implied or expressed in such 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, competitive, political and social uncertainties and contingencies.

Generally, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, “believes”, or variations of such words and phrases. Forward-looking information may also be identified in statements where certain actions, events or results “may”, “could", "would”, “might” or “will be taken”, “occur” or “be achieved”.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made.

Many factors could cause actual activities and events and the Company’s actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. These include metal prices, oil and gas commodity prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions.

These forward-looking statements are made as of the date hereof and the Company disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise. Investors are cautioned that forward-looking statements are not guarantees of future performance and accordingly investors are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainly therein.

April 26, 2016

Hubert Mockler *Robert Lelovic*

Hubert Mockler
Chairman and Chief Executive Officer

Robert Lelovic
Chief Financial Officer