The following Management Discussion and Analysis ("MD&A") of Cheetah Canyon Resources Corp formerly Cardiff Energy Corp. ("Cheetah" or "Cardiff" "the Corporation" or "the Company") is management's assessment and analysis of the financial condition and results of operations for the twelve-month period ended December 31, 2017 and has been prepared based on information known to management as of April 30, 2018. This MD&A should be read in conjunction with the Corporation's consolidated financial statements and notes for the twelve-month period ended December 31, 2017. The preparation of financial data is in accordance with International Financial Reporting Standards ("IFRS").

Additional information relating to the Corporation is available on SEDAR at www.sedar.com and on the Company's website at www.cheetahcanyon.com.

**FORWARD LOOKING STATEMENTS**

This Management Discussion and Analysis contains certain forward-looking information and forward-looking statements as defined in applicable securities laws (collectively referred to as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan', "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "should", "believe" and similar expressions is intended to identify forward-looking statements. 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. These statements speak only as of the date of this Management Discussion and Analysis.

These forward-looking statements include but are not limited to, statements concerning:

forecast production; estimates of oil and gas reserves, forecast operating costs and capital costs; the Company's strategies and objectives; prices and price volatility for oil and natural gas; the demand for and supply of oil and natural gas; the Company's interest and other expenses; the Company's tax position and the applicable tax rates; the costs of drilling oil and gas wells including the Clayton #1H and decisions regarding acquiring and evaluating new oil and gas and resource based projects including, the pending Mali Gold Project acquisition and the issuance of the necessary permits and required authorizations .

Additional forward-looking statements could include the Company's planned capital expenditures and estimates of reclamation and other costs related to environmental protection; future capital and mine production costs, including the costs and potential impact of complying with existing and proposed environmental laws and regulations in the operation and closure of various operations; the Company's financial and operating objectives; exploration, environmental, health and safety initiatives; the outcome of legal proceedings and other disputes which may arise.

Inherent in forward-looking statements are risks and uncertainties beyond the Company's ability to predict or control, including risks that may affect operating or capital plans; risks generally encountered in the permitting and development of mineral and oil and gas properties such as unusual or unexpected geological formations, unanticipated metallurgical difficulties, delays associated with permit appeals or other regulatory processes, ground control problems, adverse weather conditions, process upsets and equipment malfunctions; risks associated with labour disturbances and unavailability of skilled labour;

fluctuations in the market prices of commodities, which are cyclical and subject to substantial price fluctuations; risks created through competition for oil and gas and mining properties; risks associated with lack of access to markets; risks associated with mineral and oil and gas reserve estimates; risks posed by fluctuations in exchange rates and interest rates, as well as general economic conditions; risks associated with environmental compliance and changes in environmental legislation and regulation; risks associated with the Company's dependence on third parties for the Operation of their oil and natural gas projects; risks associated with non-performance by contractual counterparties; risks associated with potential disputes with partners and co-owners; risks associated with aboriginal title claims and other title risks; social and political risks associated with operations in foreign countries; risks of changes in tax laws or their interpretation.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Management Discussion and Analysis. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about general business and economic conditions; interest rates; changes in commodity prices, acts of foreign governments and the outcome of legal proceedings; the supply and demand for, deliveries of, and the level and volatility of prices of oil and natural gas, the timing of the receipt of permits and regulatory and governmental approvals for the development projects and other operations, the Company's production costs and production and productivity levels, as well as those of our competitors; the Company's ability to secure adequate transportation for products; changes in credit market conditions and conditions in financial markets generally; the availability of funding to refinance borrowings as they become due or to finance development projects on reasonable terms; the Company's ability to procure equipment and operating supplies in sufficient quantities and on a timely basis; the availability of qualified employees and contractors, the impact of changes in Canadian-U.S. dollar; engineering and construction timetables and capital costs for development and expansion projects; costs of closure, and environmental compliance costs generally, of operations; market competition; the accuracy of our reserve and resource estimates (including, with respect to size, grade and recoverability) and the geological, operational and price assumptions on which these are based, the ability to obtain, comply with and renew permits in a timely manner.

The Company cautions that the foregoing list of important factors and assumptions is not exhaustive. Other events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by, our forward-looking statements. You should also carefully consider the matters discussed under "Financial Instruments And Related Risks" in this Management Discussion and Analysis. Except as required by law, the Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise.

Cautionary Note to U.S. Investors Concerning Estimates of Measured, Indicated and Inferred Mineral Resources and Oil and Gas Reserves. This Management Discussion and Analysis has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of U.S. securities laws. In this Management Discussion And Analysis, the Company may use the term "mineral resources" and its subcategories "measured", "indicated" and "inferred" mineral resources. Readers are advised that while such terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission ("SEC') does not recognize them and does not permit U.S.

mining companies in their filings with the SEC to disclose estimates of mineral resources. Investors are cautioned not to assume that any part or all of the mineral resources in these categories will ever be converted into reserves. "Inferred mineral resources' have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. Under Canadian rules, issuers must not make any disclosure of results of an economic evaluation that includes inferred mineral resources, except in very limited cases. Investors are cautioned not to assume that part or all of an inferred mineral resource exists, or is, or will be economically or legally mineable.

Canadian standards of oil and gas disclosure also differ significantly from the requirements of the SEC and oil and gas reserve and resource information contained in this Management Discussion and Analysis may not be comparable to similar information disclosed by U.S. companies.

**CORPORATION OVERVIEW**

The Corporation was incorporated under the laws of the Province of British Columbia on February 1, 2010. On January 18, 2017 the Company announced that the TSX Venture Exchange accepted the consolidation of the Company's common share capital on a seven (7) old for one (1) new share basis. The consolidation became effective on January 19, 2017 under new CUSIP number 14146A301.

On July 19, 2017 the Company changed its corporate name from "Cardiff Energy Corp." to "Cheetah Canyon Resources Corp" and commenced trading under the new symbol "CHTA" and CUSIP number 16308A102.

To date the Corporation's principal business activities have been the acquisition, exploration, evaluation, development and production of oil and gas and resource projects in the United States. However, on July 10, 2017 the Company announced the pending acquisition of a 100% mineral interest in a gold project in Mali, Africa (the "Mali Gold Project"). This acquisition is subject to TSX Venture Exchange approval.

Upon Exchange approval, as full consideration for the purchase the Company will issue:

1. 2,500,000 common shares of the Company on the Closing Date at a deemed price of $0.10 per share; and
2. $250,000 payable as follows:
    a. $25,000 on signing of definitive agreement (paid)
    b. 9 payments of $25,000 payable every 3 months after Closing Date of the Definitive Agreement
3. Upon Exchange approval, the Company will convey a 10% Net Profit Interest Royalty on bulk samples which will revert to Net Smelter Return ("NSR") Royalty equal to 2% of the Company's interest in the NSR from the sale or disposition of minerals produced from the property. The Company has the right to purchase one-half, equal to 1%, of the NSR in consideration for $1,000,000 USD. In addition, the Company has the option to buy down the balance of the NSR, equal to 1%, for a further $1,500,000 USD.

***Q4 2017 HIGHLIGHTS/ SUMMARY***

On October 5, 2017, the Company announced that they will issue up to 16,000,000 units (the "Units") at a price of $0.06 per Unit for gross proceeds of up to $960,000 in a non-brokered private placement (the "Private Placement"). Each Unit will consist of one common share of the Company and one transferable share purchase warrant (a "Warrant"). Each whole Warrant shall be exercisable to acquire one additional common share of the Company (a "Warrant Share") for a period of 24 months at a price of $0.08 per Warrant Share. Proceeds derived from this Private Placement will be used for general working capital purposes, the Mali Gold Project and for evaluation of additional potential projects. The private placement is subject to TSX Venture Exchange approval. The Company also announced the cancelation of their non-brokered private placement announced July 10, 2017.

**Subsequent to December 31, 2017**

On April 5, 2018, further to the TSX Venture Exchange bulletin dated March 28, 2018, trading in the shares of Cheetah Canyon Resources Corp. will remain halted pending receipt and review of acceptable documentation regarding the Company's fundamental acquisition of the Mali Gold Project. At this time the Company is working towards providing all required documentation and is looking forward to receiving Exchange approval and the removal of the trading halt.

**The Corporation previously held/holds working interests in the following oil and gas properties:**

*Lincoln County, Oklahoma, USA*
On March 26, 2010 the Company, through its wholly-owned subsidiary acquired from a number of non-arm-length parties various WIs (varying from 8.75% to 39.4%) in 15 producing oil wells, 1 producing gas well and 3 shut-in oil wells in the Lincoln County area of central Oklahoma. As at December 31, 2016, the Company had 15 producing oil wells, 1 producing gas well and 1 shut-in oil well. The field is operated by Brower Oil and Gas Co. Inc. At December 31, 2016, management determined the Company's interest in the oil and gas wells comprising the Lincoln County totaling $110,186 to be impaired to $1, carried value of the property.

*Garvin County, Oklahoma, USA*
On October 18, 2010 the Company, through its wholly-owned subsidiary, acquired from Nitro Petroleum Inc., a 20% WI in 7 producing oil and gas wells in the Garvin County area of southern Oklahoma. At December 31, 2014, management determined the Company's interest in the oil and gas wells comprising the Garvin County to be impaired to $1, carried value of the property.

*Osage County, Oklahoma, USA*

In 2013, the Company transferred exploration and development costs of 1 gas well from exploration and evaluation assets to oil and gas properties. The Company had a 75% WI in 1 producing gas well and 2 shut in oil wells. The field was operated by Superior Oil and Gas LLC. In 2015, the Company sold its interest in Osage County to Superior Oil and Gas LLC for $20,000 and discharged itself from all the duties, obligations and responsibilities on the property. Accordingly, a gain on sale of $29,272 was recorded at December 31, 2015.

*Runnels County, Texas, USA*

**Bearcat #4 well**

On November 21, 2013, the Company, through its wholly-owned subsidiary, Cardiff Energy (USA) Inc. entered into a Partnership and Operating agreement with Martin Energies, LLC to drill and develop the Gardner Lime target in Runnels County, Texas, USA. Under the agreement, Cardiff had the right to raise the funds for the drilling of the well by selling 100% working interest on a 1/3 for 1/4 basis to partners. Based on this agreement, Cardiff would have retained 15% working interest and the operator, Martin Energies, LLC would have retained 10% working interest. As this formula was not accomplished, on July 13, 2014, the Company amended the terms to fund 50% of the interest and receive 45% working interest as its share of the project. On September 26, 2014, the Company purchased an additional 10% interest in the Bearcat #4 well in Runnels County. The Company now holds a net 55% working interest in the Bearcat #4.

On September 4th, 2014, drilling of the Bearcat #4 in Ballinger, Texas commenced and on September 17, 2014 the Company through its wholly owned subsidiary, Cardiff Energy (USA) Inc. with its Joint Venture Partner, Martin Energy LLC, provided a drilling updated of the Bearcat #4 well. The well reached total depth on September 16, 2014 and the logs indicate hydrocarbon presence in the following formations; Palo Pinto Limestone, Jennings Sand, and Gardiner Limestone. Production testing of the Gardiner Lime, the primary zone, will be completed and results announced.

On October 10, 2014 the Company provided a progress update on the Bearcat #4 well. Martin Energies, the operator of the Bearcat #4 reported that it has successfully completed the acid frac on the Gardiner Limestone formation. The frac consisted of 130 barrels of acid followed by 260 barrels of 2% KCL water penetrating the formation at 2000 pounds pressure at a rate of 5 ½ barrels per minute. The 5 minute shut in pressure was 1200 pounds, and the 15 minute shut in was 850 pounds. Frac fluid flowed back for approximately 2 hours prior to swabbing. Flow back during swabbing maintained fluid levels at about 800 feet from surface, returning approximately 80 barrels of fluid from flowing and swabbing. Strong gas kicks were encountered during swabbing and flow action was at a rate of 180 barrels per day. Martin Energies, the operator has ordered an electric meter and has made provisions to install a pump jack to recover the rest of the acid frac fluid and put the well online. There are two additional formations present in the well, the Palo Pinto Lime and the Jennings Sand. Both of these formations are prevalent and productive in the area and will likely be tested in the Bearcat #4 in the future.

On November 7, 2014, the Company announced that Martin Energies, the operator reports the Bearcat #4 well has been placed on pump and the initial zone of testing, the Gardner Lime, is unloading approximately 40 barrels of frac fluid per 24 hour period. There is still approximately 90 barrels of frac fluid to recover. Further testing for oil and gas in the Gardner Zone will follow. The operator, Martin Energies has further analysed the well logs and states that, “the Goen Lime, Middle Caps Lime and Dog Bend Lime structures are present in the well and warrant testing”.

On November 25, 2014, the Company announced initial production from the Bearcat #4 well. Martin Energies, the operator of the Bearcat #4 well reported an initial production of 180 BOPD (Barrels of Oil per day) and 250,000 Cubic Feet of Gas (250 MCF). Most of the Gas was tested from the Gardner formation. Logs indicate Oil is also present in the Gardner Lime formation, however, it is believed this zone may have been contaminated during the drilling and cementing phase. Martin Energies and the Company are in the process of evaluating the timing and impact of a Horizontal Radial Drilling test on the Gardner formation penetrating any contamination to bring on-stream the oil believed to be trapped.

On November 20, 2015 the Company announced that they completed a 100% Buyout Agreement with Martin Energies, the Operator of the Bearcat #4 well. To date the Company is in dispute over their ownership in the well and its status.

On November 25, 2016, the Company announced that due to the sizeable debt that was incurred in their subsidiary Cardiff Energy (USA) Inc. while drilling the Clayton #1H, the Company will take the necessary steps to seek creditor protection while they shut-down all operations in Cardiff Energy (USA) Inc.

As of December 31, 2016, the Company has written off this project

***467 Acre Lease***

On September 25, 2014, the Company announced that it had acquired a 467 acre oil and gas lease through its wholly owned subsidiary Cardiff Energy (USA) Inc. in Ballinger Texas. The lease is adjacent to the recently drilled Bearcat #4 well. In addition to new drilling locations on this property, the lease contains eight existing well bores with unproduced oil and gas zones that should be tested.

On January 13, 2015, the Company announced its plans to drill a horizontal well on its 467 lease in Runnels Country Texas, to test the Gardner Lime. The Gardiner Lime is a fractured limestone which is approximately 15 feet thick and comparable geologically to another major field in Texas called the Austin Chalk. The Austin Chalk has had a number of successful horizontal wells, of which some of the more prolific wells have had initial production of 1500 barrels of oil per day (BL/day). Martin Energies the Operator states, "The key to determining where to drill a horizontal well is to know where decent production has happened historically in older vertical wells." Martin Energies has drilled a number of Gardner Lime vertical wells in the early 1980s in Runnels County, Texas and a number of these wells initially produced between 180-240 BL/day. By drilling a horizontal leg in this area the results could be the equivalent production of 5-7 vertical wells. With this in mind, the Company has decided to focus its current activity on drilling this horizontal well and will not be proceeding with the 3 well vertical drilling program. An important feature of drilling in the Gardner Lime is that it is a naturally fractured limestone and will not require a costly hydraulic fracture treatment. The cost of this well is estimated to be $1,300,000. Cardiff is actively negotiating with joint venture partners to participate in this well. Partners will pay 1/3 of the cost to earn 1/4 of the working interest; with a maximum of 50% working interest available for joint venture partners. Martin Energies, the Operator has committed to participate in the well based on the same terms and will fund 1/3 of the cost to earn a 25% working interest. The Company expects to announce the remaining 25% working interest funding shortly.

On February 3, 2015, the Company announced that it has signed Definitive Participation Agreements with Martin Energies, the Operator, and Archer Petroleum to participate in the drilling of the Clayton # 1H, a Horizontal Well. This well will target the Gardner Lime on the Company's 467 Acre lease in Runnels County, Texas. The permit for the well will allow the well to be drilled to a depth of approximately 4100 feet with a horizontal leg of up to 5500 feet. The Company's joint venture partners will fund 2/3 of the cost of the Clayton #1H to earn a 50 % working interest. The estimated cost to drill and complete the Clayton # 1H is $1,300,000. The Agreement with Archer was terminated and the Company signed a new agreement with Martin Energies, the Operator, who will fund 1/3 of the cost of the Clayton # 1H to earn a 25% WI with the Company funding the balance.

On April 28, 2015, the Company updated its plans to drill the Clayton #1H horizontal well in Runnels, County Texas. With recent changes in the oil and gas industry, plans for the drilling of the Clayton #1H have been re-scheduled to commence May 31, 2015. Part of the benefit to Cardiff in the delay is that drilling costs continue to improve. The total well cost originally estimated at $ 1,300,000 is being reduced and a final estimate is under negotiation. Cardiff feels that this is a great opportunity not only to take advantage of the lower costs but to establish themselves as a key player in Runnels, County Texas as they plan for ongoing development in this area. The well will be drilled to a depth of approximately 4100 feet with a horizontal leg of up to 3500 feet. The Company has also signed a confidentiality and non-circumvent agreement with a private company wishing to introduce distressed producing assets in Texas. The Company will evaluate different opportunities as they are presented.

On May 28, 2015, the Company provided an update on the Clayton # 1 H. Site preparations are underway including pad construction and digging of pits to allow the rig to move in and commence drilling. The estimated drilling date of the Clayton # 1H is June 15, 2015. In addition, it has been determined that the Bearcat #4 is capable of producing more natural gas than was expected. Therefore, management has decided to tie both the Clayton #1H and the Bearcat #4 gas production together at completion. Currently the Bearcat # 4 is on minimal production to retain gas reserves until the pipeline connection can be made.

On June 15, 2015, the Company announced that the drill rig for the Clayton # 1H Horizontal well arrived. The location pits are complete and surface casing is set. On June 19, 2015 The Company announced that drilling of the Clayton # 1H commenced.

On July 16, 2015, the Company provided a drilling update on the Clayton #1H. Upon further geological evaluation, the Company has decided to increase the horizontal leg from 3500 feet to 5500 feet to maximize the horizontal leg in the Gardner formation. Due to the additional footage being drilled and adverse weather conditions, completion of the Clayton #1H has been pushed back 10 days. Furthermore, the Company's CEO and VP Exploration are heading to Ballinger, Texas next week to sign definitive agreements on newly negotiated leases in Runnels County.

On August 4, 2015, the Company announced that they had signed a definitive agreement with Murphree Oil LLC. ("Murphree") to acquire an additional 700 acre lease in Runnels County, Texas. The geological report on the new 700 acre parcel indicates there are multi-zone features with oil and gas development potential. The zones of interest include: Gardner Lime, Capps Lime, Palo Pinto Lime, Jennings Sand, and Dog Bend Lime. These zones are also present in the lease that the Company currently owns and where the Clayton # 1H is being drilled. The Company now controls close to 1200 acres of land for drill ready exploration in Runnels County. The full development of the 1200 acres will include both horizontal and vertical drilling as well as re-entry to zones in existing well bores not previously produced. The geological study indicates there are more than 15-20 targets to be drilled to develop both properties to their full potential. The Company is also pleased to announce that they have signed a significant 5 year AMI (Area of Mutual Interest) Agreement with Murphree for lands surrounding the 700 acre lease. This agreement allows the Company to have first right on any lands in the AMI to do its own geological study and if it fits the goals of the Company, purchase the lease (or leases) from Murphree. To update shareholders on the status of the Clayton #1H, the drilling phase continues and the Clayton #1H will be completed in the Gardner Lime as a horizontal well. The Company's previous new release anticipated completion of the drilling of the Clayton #1H by now. However, due to complications during the drilling process the time line has been extended. Upon completion and testing of the Clayton #1H a flow rate will be reported.

On August 10, 2015, the Company provided an update on the drilling of the Clayton #1H well. It has been determined with consultation from Martin Energies, operator of the Clayton #1H well and Company's representatives that the current drill contractor should be replaced due to performance issues. A new drill contractor has been engaged and will commence drilling shortly. The drill employed will be larger and more powerful with a very experienced crew.

On September 1, 2015, the Company announced the signing of a Participation And Joint Venture Agreement ("Agreement") with Cache Exploration Inc. ("Cache") to fund the increased AFE of $1,700,000 USD for the Clayton #1H well and expedite the development of their Runnels County oil and gas leases in Texas. Under the terms of the Agreement Cache will purchase a 15% working interest ("WI") in the Clayton #1H for $256,000 USD from the Company and will have the opportunity to purchase a 25% WI on all future wells drilled on the Company's leases in Runnels County. Furthermore, a new drill arrived at the Clayton #1H well on August 19, 2015 and is working to case the well to depth, after which 5 days of horizontal drilling will take place to complete the drilling of the well.

On September 8, 2015, the Company provided an update on the status of the Clayton #1H. On August 19, 2015 the services of a new drilling contractor and crew were engaged and work began to remedy problems at the well site. Significant efforts were spent preparing the hole to free the stuck reamer and the Company is pleased to announce that on September 4, 2015 the reamer was successfully fished out of the hole. The Clayton #1H is now being re-conditioned to depth in preparation for setting casing.
On September 28, 2015, the Company provided a corporate and drilling update on the status of Clayton #1H. The Operator successfully re-entered the hole and cleaned and re-conditioned the Clayton #1H to depth. The Operator is in the process of reaming the hole to total depth in preparation for setting casing. As of Sunday evening September 27, 2015 reaming has reached 4250 ft with roughly 600ft to go. Once reaming is completed the Clayton #1H will be immediately cased. Additionally, the Company announced that negotiations are underway on new lease acquisitions and drilling opportunities.

On September 30, 2015, the Company announced the signing of a Participation And Joint Venture Agreement ("Agreement") with Equitorial Exploration Corp. ("Equitorial") to fund the completion of the Clayton #1H well and to help expedite the development of their Runnels County oil and gas leases in Texas. Under the terms of the Agreement, Equitorial will purchase a 15% working interest ("WI") in the Clayton #1H for $270,000 USD from the Company and will have the opportunity to purchase a 25% WI on all future wells drilled on the Company's leases in Runnels County. The Company also announced that the

Participation and Joint Venture Agreement with Cache Exploration Inc. announced on September 1, 2015 has been terminated.

On October 5, 2015, the Company announced that casing of the Clayton #1H has commenced. Cement crew will arrive today and once complete preparations and commencement of 5 days of horizontal drilling will take place. On October 6, 2015 the Company reported that the Clayton #1H was successfully cased and cemented to total depth. On October 9 the Company reported that the casing cement of the Clayton #1H has cured and site and equipment preparations are in their final stages with lateral drilling scheduled to commence shortly. Following lateral drilling the Company will test the well and release an initial flow rate.

On October 19, 2015, the Company provided an update on the lateral drilling of the Clayton #1H. Martin Energies, Operator of the Clayton #1H, states "We have landed the lateral into the Gardner Lime and have encountered significant Gas and Oil shows, indicating a zone with strong potential. The zone came in structurally at a very favourable sub sea level. This drill out has thus far exceeded our expectations." The Company also reported that they acquired an additional 100 Acre prime oil and gas lease bordering the Clayton #1H and have entered into a letter of intent to acquire an additional 400 Acre oil and gas lease adjacent to the Clayton #1H.

On October 23, 2015, the Company provided a follow up to their October 19, 2015 news release. Lateral drilling of the Clayton #1H currently resides at 6500ft with the remaining footage to be completed this weekend. Martin Energies, operator of the Clayton #1H states; "During the past few days of drilling numerous impressive gas kicks and oil shows were encountered. The deeper into the zone we drill the formation appears to be much richer in hydrocarbons. With drilling scheduled to be completed this weekend we are looking forward to testing the well." The Company is also announced that they acquired an additional 10% Working Interest ("WI") in the Clayton #1H bringing its WI to 60% and their JV Partner Equitorial Exploration Corp. has acquired an additional 15% bringing their WI to 30%.

On October 26, 2015, the Company reported that Martin Energies, Operator of the Clayton #1H reports; "We have completed the lateral drilling of the Clayton #1H and will be commencing completion activities shortly. The lateral was drilled with no issues, and encountered numerous strong gas kicks and oil shows from the Gardner zone. We have high expectations for this well." The next steps involve equipment being released and the site being prepared to allow completion activities to commence.

On November 9, 2015, the Company announced that they negotiated a deal to purchase the 10% working Interest ("WI") from Martin Energies, the Operator of the Clayton #1H project. A new Operator will take over the Clayton #1H well and an operator agreement will be signed very shortly. The Company elaborated that they strongly believe in their business plan in Runnels County, Texas and need to work with a team of experts who can deliver results within a set budget. With this is mind management spent the last week in Texas meeting with oil and gas experts in the fields of operating, drilling, land/ lease acquisitions and completion and have put a go forward team together for the Clayton #1H and for their planned follow up wells. The Company was hoping to have consummated the Buyout Agreement with the Operator late last week so that flow tests could have been completed over the weekend; however, paper work before the lawyers is taking additional time to finalize and so the agreement is scheduled to be signed shortly. At this time all equipment needed to complete an initial flow test is on site and the Company should be in a position to commence the 2 day operation this week. In addition, the Company is pleased to announce that the Bearcat #4 has commenced production and the Company will be reporting a production rate as it becomes available. On November 20, 2015 the Company announced that they completed a Buyout Agreement with Martin Energies, the Operator of the Clayton #1H and the Bearcat #4 wells. The Company now holds a 70% working Interest ("WI") in the Clayton #1H with their JV Partner Equitorial Exploration Corp. holding a 30% WI and the Company holds a 100% WI in the Bearcat #4. Although, additional time was needed to finalize the Buyout Agreement and to transfer the operating license to the new Operator, the Company is now in a strong position and focused on moving their Runnels County, Texas business plan forward. With all necessary equipment on site the new Operator is scheduled to commence the initial flow test of the Clayton #1H within the next few days. Additionally, the new Operator will be reviewing the Bearcat #4 site to determine the amount of oil currently stored in the tanks, analyses the production rate and to consider additional production opportunities.

On November 23, 2015, the Company announced that the new Operator of the Clayton #1H, Eastern Shelf Operating LLC is on site and is commencing work to prepare for the initial production test. The results of the test are expected later this week and will be shared with the market as soon as they are available. On November 30, 2015 the Company reported that Senior management of the Company arrived in Runnels County, Texas on Tuesday November 24, 2015 and met with the Operator to go over the initial production test plan. A high powered water and chemical treatment was applied to the Clayton #1H to enlarge the pore spaces and passages through which the Gardiner Lime formation will flow. Following the treatment the crew began to swab the well in preparation for the flow test. The crew worked hard to be in a position to complete the flow test late last week, however, with a severe weather pattern in the forecast and American Thanksgiving the Company with input from the Operator decided to hold off on the test until this week.

On December 9, 2015, the Company provided a follow up to their November 30, 2015 news release. Eastern Shelf Operating LLC, Operator of the Clayton #1H, swabbed the well for 3 days with the objective of unloading the completion fluid from water jetting that was used to clean the Gardner Lime formation. The swabbing operation was successful in recovering a large amount of completion fluid with significant oil and gas shows. With these positive results the Operator decided to install a Moyno production pump which required the installation of 3200ft of new production tubing to accelerate the removal of the completion fluid. The pump was installed on Saturday December 5, 2015 and began pumping completion fluid out of the formation. Continuous pumping of the well has demonstrated that the Gardner has strong inflow, and is flowing completion fluid along with good gas flow and increasing oil showings. Additional tubing is being installed today to allow the production pump to extract from the 4200ft level which is the beginning of the lateral. The Company expects the completion fluid to decrease and hydrocarbons to be the dominant flow. Once the completion fluid is depleted the Operator will commence flow testing of the Clayton #1H well.

On December 21, 2015, the Company announced that the Operator, Eastern Shelf Operating LLC, has commenced the flow test on the Clayton #1H and results are expected later this week and on December 22, 2015 the Company announced that the Operator, Eastern Shelf Operating LLC, has completed an initial flow test on the Clayton #1H reporting an initial flow rate of 275 Barrels of Oil Per Day without any stimulation to the formation. Furthermore, early in the New Year the Company has plans to apply an acid treatment to the Clayton #1H which has the potential to substantially increase the flow rate.

On March 30, 2016, the Company announced that the acid treatment of the Clayton #1H was successfully completed. Based on drilling logs of the Clayton #1H, the well was treated with 19,000 gallons of acid in 9 intervals which encountered the highest hydrocarbon shows during drilling. During the acid treatment, strong pressure was encountered in the well with numerous gas kicks with fluids flowing to surface. At this time a pump is being installed to pump off the completion fluid, the well will then be prepared for commercial production. Once production stabilizes the Company will be in a position to report a flow rate. All indications are that the Clayton #1H will be a strong production well.

On April 27, 2016 the Company provided an update on the status of the Clayton #1H. As previously announced on March 30, 2016 the Clayton #1H was treated with 19,000 gallons of acid in 9 intervals which encountered the highest hydrocarbon shows during drilling. The reservoir responded extremely well to the treatment; strong pressure was encountered in the well with numerous gas kicks and fluids flowing to surface. The next step was to install a pump to begin pumping off the completion and drilling fluid. The completion team estimates that roughly 3000 barrels of fluid needs to be removed from the Clayton #1H before significant oil cuts will be encountered. To date over 1000 barrels has been removed and during the next 10 days the completion team expects to see increased oil shows and to be in a position to prepare the well for commercial production. Once production stabilizes the Company will be in a position to report a flow rate.

On June 22, 2016 the Company announced that the Clayton #1H operations have been temporarily suspended until the Company secures additional funding or a Joint Venture partner can be found to help move the project forward.

During the fourth quarter of 2016 the Company announced that due to the sizeable debt that was incurred in their subsidiary Cardiff Energy (USA) Inc. while drilling the Clayton #1H, the Company outlined that it will take the necessary steps to seek creditor protection while they shut-down all operations in Cardiff Energy (USA) Inc.

As of December 31, 2016, the Company has written off the Runnels, County exploration assets.

| | | Runnels County |
|---|---|---|
| As at December 31, 2015 | $ | 2,615,993 |
| Drilling | | 269,311 |
| Write-off of exploration assets | | (2,885,304) |
| As at December 31, 2016 and 2017 | $ | - |

At December 31, 2016 and 2017, the undiscounted liability for provision for decommissioning is estimated to be $71,143, which is expected to be settled in 2 to 15 years. Management has used a risk-free rate of 3.00% to determine the present value of the decommissioning provision. During the year ended December 31, 2017, the Company recorded an accretion on decommissioning provision of $1,112 (2016 - $1,577).

A continuity summary of decommissioning provision is as follows:

| | Lincoln | Garvin | Total |
|---|---|---|---|
| Balance, December 31, 2015 | $ 33,651 | $ 18,897 | $ 52,548 |
| Accretion expense | 1,010 | 567 | 1,577 |
| Balance, December 31, 2016 | 34,661 | 19,464 | 54,125 |
| Accretion expense | 871 | 241 | 1,112 |
| Balance, December 31, 2017 | $ 35,532 | $ 19,705 | $ 55,237 |

**RESULTS OF OPERATIONS / SELECTED FINANCIAL INFORMATION**

This summary financial information should only be read in conjunction with the consolidated financial statements and notes of the Company for the years ended December 31, 2017, December 31, 2016 & December 31, 2015. The financial statements are expressed in U.S. currency, are in accordance with IFRS and can be found at www.sedar.com.

The following table sets forth the selected financial information for the last eight quarters.

| | Dec 31/17 | Sept 30/17 | June 30/17 | March 31/ 17 | Dec 31/16 | Sept 30/16 | June 30/16 | March 31/16 |
|---|---|---|---|---|---|---|---|---|
| Total Revenue | 6,303 | 5,054 | 5,729 | 7,432 | 5,410 | 10,208 | 5,890 | 4,291 |
| Total Expenses | (211,284) | (145,586) | (110,908) | (78,840) | (145,416) | (3,337,029) | (315,816) | (267,703) |
| Impairment of oil and gas properties | - | - | - | - | - | (110,186) | - | - |
| Exploration Expense | 53,105 | - | - | - | - | - | - | - |
| Net gain/ (loss) for the Period | (207,981) | (140,532) | (105,179) | (67,408) | (140,006) | (3,326,821) | (309,926) | (263,412) |
| Loss Per share | (.02) | (0.01) | (0.00) | (0.01) | (.00) | (0.01) | (0.00) | (0.00) |

As outlined in the above table revenues have fluctuate during the last 8 quarters and are tied to the price of oil and gas and the overall production from the Company’s oil and gas wells. Expenses have also fluctuated from a high of $3,337,029 for the quarter ended September 30, 2016 largely due to the write off of exploration assets and impairment of the Company’s oil and gas properties to a low of $78,840 during the first quarter of 2017 which relates to a reduction in business activity. It is important to note that as of December 31, 2016 the Company has written off all projects in Cardiff Energy (USA) Inc.

**THREE MONTHS ENDED DECEMBER 31, 2017 COMPARED TO THE THREE MONTHS ENDED DECEMBER 31, 2016**

During the three-month period ended December 31, 2017 revenues totalled $6,303 (2016 – $5,410) and expenses totalled $211,284 (2016 - $145,416).

The majority of the net loss for the three months period ended December 31, 2017 relates to consulting fees $117,397 (2016-$77,588), Exploration Expense $53,105 which relates to advances on the Mali project pending Exchange approval (2016 - $Nill), Audit an Accounting $24,749 (2016 - $19,633), Travel $12,481 (2016 – $13,778), and Share-based payment $20,215 (2016 – $Nill).

Net oil and gas production and revenue Lincoln County project for Q4 2017/2016:

| | October 2017 | November 2017 | December 2017 |
|---|---|---|---|
| Net oil production barrels | 21.15 | - | 85.6 |
| Net Gas production mcf | 183.24 | 192.78 | 175.46 |
| Oil revenue | 1245.33 | - | 4967.48 |
| Gas revenue | 717 | 765.34 | 710.84 |

| | October 2016 | November 2016 | December 2016 |
|---|---|---|---|
| Net oil production barrels | 21.31 | 58.47 | 20.41 |
| Net Gas production mcf | 196.88 | 68.04 | 315.00 |
| Oil revenue | 1205.42 | 3058.96 | 1207.40 |
| Gas revenue | 583.17 | 218.18 | 926.64 |

**TWELVE MONTHS ENDED DECEMBER 31, 2017 COMPARED TO TWELVE MONTHS ENDED DECEMBER 31, 2016 & 2015**

| | **Year Ended December 31, 2017** | **Year Ended December 31, 2016** | **Year Ended December 31, 2015** |
|---|---|---|---|
| Total Revenue | 24,518 | 21,508 | 32,573 |
| Total Expenses | 546,618 | 3,798,261 | 1,567,515 |
| Other Items | - | - | 29,272 |
| Net Loss for the Period | (521,100) | (3,776,753) | (1,505,670) |
| Total Assets | 53,894 | 7,400 | 2,788,815 |
| Total Current Assets | 53,892 | 7,398 | 54,537 |
| Oil and Gas Properties | 2 | 2 | 118,285 |
| Exploration and Evaluation Assets | - | - | 2,615,993 |
| Total Current Liabilities | 1,321,768 | 1,524,205 | 1,131,264 |
| Total non-current financial liabilities | 55,237 | 54,125 | 52,548 |

| | | | |
|---|---|---|---|
| Working Capital | (1,267,876) | (1,516,807) | (1,076,727) |
| Total Equity | (1,323,111) | (1,570,930) | 1,605,003 |
| Loss per share | (0.04) | (0.40) | (0.24) |

During the twelve-month period ended December 31, 2017 the Company spent significant time and effort evaluation business opportunities which resulted in the July 10, 2017 announcement of the pending acquisition of a 100% mineral interest in a gold project in Mali, Africa (the "Mali Gold Project"). This acquisition is subject to TSX Venture Exchange approval.

During the twelve-month periods ended December 31, 2016 and December 31, 2015 significant funds, business and management and consulting efforts were spent exploring and evaluating the Company's exploration assets. Total current liabilities during this period increased significantly and are payables primarily to vendors of the Clayton #1H horizontal well and to short terms loans that the Company secured. See Note 8 & 9 on the consolidated financial statements for the 12-month period ended December 31, 2016 for full details on Trade and Other Payables.

On November 25, 2016, the Company announced that due to the sizeable debt that was incurred in their subsidiary Cardiff Energy (USA) Inc. while drilling the Clayton #1H, the Company will take the necessary steps to seek creditor protection while they shut-down all operations in Cardiff Energy (USA) Inc. As of December 31, 2016, the Company's has written off this project.

During the twelve months ended December 31, 2017 expenses totaled $546,618 (2016, $3,798,261), (2015, $1,567,515) and the net loss was $521,100 (2016, $3,776,753), (2015, $1,505,670). The majority of the net loss for the twelve months ended December 31, 2017 related to consulting fees of $272,562, (2016, $355,254), (2015, $347,465), which related to business and management consulting as the company evaluated its oil and gas project in Texas ( 2016 & 2015) and reviewed new business opportunities including the Mali Gold Project (2017), Exploration Expenses of $53,105 related to the Mali Gold project (2016, $NIll), (2015, $12,856), audit and accounting of $40,429 (2016 $37,616), (2015, $42,994), Listing and filing fees of $38,979 (2016, $21,280), (2015, $30,225), Office and Misc of $59,010 (2016, $76,020), (2015, $18,942) which includes interest expense, Share based payments $20,215 (2016, $151,214), (2015, $917,656) which was the result of the issuance and exercise of stock options and impairment and write off of the Company's oil and gas properties and exploration assets $Nill (2016, $2,995,490), (2015, $54,634),

During the twelve months ended December 31, 2017 the Corporation earned net revenues of $24,518 (2016, $21,508), (2015, $32,573) from the sale of oil and gas. Revenues are tied to production and the price of oil and gas which fluctuates.

Net oil and gas production and revenue Lincoln County Project for the twelve months ended December 31 2017:

| | Jan 16 | Feb 16 | March 16 | April 16 | May 16 | June 16 | July 16 | Aug 16 | Sept 16 | Oct 16 | Nov 16 | Dec 16 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Net oil production barrels | - | 20.65 | 101.80 | - | 34.37 | 59.66 | 21.40 | 21.17 | 39.67 | 21.15 | - | 85.60 |
| Net Gas production mcf | 284.76 | 256.41 | 184.59 | 226.49 | 224.28 | 224.60 | 209.16 | 210.74 | 196.56 | 183.24 | 192.78 | 175.46 |
| Oil revenue | - | 1255.19 | 5769.88 | - | 1900.72 | 3112.32 | 1138.94 | 1168.78 | 2315.17 | 1245.33 | - | 4967.48 |
| Gas revenue | 1082.15 | 1025.05 | 719.06 | 698.95 | 758.30 | 742.29 | 690.43 | 723.88 | 712.97 | 717.57 | 765.34 | 710.84 |

On May 12, 2017 the Company announced the closing of their oversubscribed 6,401,538-unit Private Placement set at $0.065 per Unit, each Unit consisting of one common share and one transferable share purchase warrant. One warrant is exercisable for one additional common share at $0.10 per share during the next two years. Proceeds derived from the Private Placement are to be used for general working capital purposes and for the evaluation of potential projects.

| | |
|---|---|
| Use of funds to December 31, 2017 | As of December 31, 2017, all funds raised in the Private Placement have been spent for general working capital purposes and evaluation of potential projects including the Mali gold project. |

## Details of issuances of common shares

i) During the year ended December 31, 2016, 571,428 options were exercised at an exercised average price of $0.35 CAD for proceeds of $162,138 ($212,500 CAD). A fair value of $133,943 was reallocated to share capital upon exercise of these stock options.

ii) On March 15, 2016, the Company closed a non-brokered private placement for 1,111,429 units at $0.35 CAD per unit for gross proceeds of $291,205 ($389,000 CAD). Each unit is comprised of one common share and one common share purchase warrant. Each warrant is exercisable into one common share at a price of $0.525 CAD until March 15, 2018. A fair value of $124,435 was assigned to these warrants.

iii) On May 15, 2017, the Company closed a private placement consisting of 6,401,538 units for gross proceeds of $305,037 ($416,100 CAD). Each unit comprised of one common share at a price of $0.065 CAD and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.10 CAD until May 15, 2019. A fair value of $145,900 was assigned to the warrants. The Company paid $9,150 CAD of finder's fees in connection to this private placement.

iv) During the year ended December 31, 2017, 400,000 options were exercised at an exercised average price of $0.07 CAD for proceeds of $20,808 ($28,000 CAD). A fair value of $20,215 was reallocated to share capital upon exercise of these stock options.
v) During the year ended December 31, 3017, the Company settled outstanding indebtedness of $149,885 CAD with arm's-length creditors (see Note 8 on financial statements) through the issuance of 1,698,850 common shares.

During the year ended December 31, 2016, $110,186 of impairment was recognized on the Company's oil and gas properties relating to the Lincoln County property. Assets are tested for impairment either individually or as part of a cash-generating unit. The recoverable amount is the higher of the asset's fair value less costs to sell and value-in-use. The Company estimates value-in-use using a discounted cash flow model. The future cash flows are adjusted for risks specific to the asset and discounted using a pre-tax discount rate of 8%. Oil and gas future prices are based on commodity price forecast of independent reserve evaluators

The Company is engaged in the business activities, being the acquisition, exploration, development and production of oil and gas reserves and, in the future, exploration of mineral properties. The two geographical segments are Canada and United States. All non-current assets are held in the United States segment.

Summarized financial information on the geographic segments the Company operates in are as follows:

| | Canada | United States | Consolidated |
|---|---|---|---|
| For the year ended December 31, 2017 | | | |
| Oil and gas properties | $ - | $ 2 | $ 2 |
| Oil sales | $ - | $ 22,874 | $ 22,874 |
| Gas sales | $ - | $ 9,347 | $ 9,347 |
| Loss for the year | $ (529,720) | $ 8,620 | $ (521,100) |

| | Canada | United States | Consolidated |
|---|---|---|---|
| For the year ended December 31, 2016 | | | |
| Oil and gas properties | $ - | $ 2 | $ 2 |
| Depreciation, depletion and amortization | $ - | $ (8,097) | $ (8,097) |
| Oil sales | $ - | $ 22,013 | $ 22,013 |
| Gas sales | $ - | $ 6,266 | $ 6,266 |
| Loss for the year | $ (759,043) | $ (3,017,710) | $ (3,776,753) |

**LIQUIDITY**

As at December 31, 2017, the Corporation had negative working capital of $1,267,876 (2016 – ($1,516,807)), and cash totaled $498 (2016 - $151). The negative working capital relates to the expenses the Corporation incurred in exploring and developing its projects primarily the Clayton #1H in Runnels County, Texas and managing the Corporation. In addition, less revenue has been earned due to a reduction in production and the price of oil and gas.

On October 5, 2017, the Company announced that they will issue up to 16,000,000 units (the "Units") at a price of $0.06 per Unit for gross proceeds of up to $960,000 in a non-brokered private placement (the "Private Placement"). Each Unit will consist of one common share of the Company and one transferable share purchase warrant (a "Warrant"). Each whole Warrant shall be exercisable to acquire one additional common share of the Company (a "Warrant Share") for a period of 24 months at a price of $0.08 per Warrant Share. Proceeds derived from this Private Placement will be used for general working capital purposes, the Mali Gold Project and for evaluation of additional potential projects. The private placement is subject to TSX Venture Exchange approval.

The Corporation has been successful in the past in financings its activities through the sale of equity securities, however, there can be no assurance that it will be able to obtain sufficient financing in the future to carry out future exploration and development or acquire new assets. In part, the ability of the Corporation to arrange financing in the future will depend on the prevailing market conditions.

## COMMITMENTS

Key management personnel comprise the President, Chief Executive Officer, Chief Financial Officer, and Directors of the Company. As at December 31, 2017 the Company doesn't have any management consulting agreements and commitments in place.

The remuneration of the key management personnel for the years ended December 31, 2017 and 2016 was as follows. During the year ended December 31, 2017, the Company incurred consulting fees totalling $130,527 (2016 - $166,056) to the officers and directors and to two companies owned by two directors of the Company (3 Stones Exploration and Bakerview Farms.)

## CAPITAL RESOURCES

As of December 31, 2017, the Company doesn't have any Capital resources commitments.

## SHARE CAPITAL

As at December 31, 2017 the authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid. As at April 30, 2018 the Company had a total of 18,066,020 common shares issued and outstanding.

| | No. of Common Shares Issued & outstanding | Share Capital Amount |
|---|---|---|
| December 31, 2017 | 18,066,020 | $5,958,491 |
| December 31, 2016 | 66,959,611 | $5,266,346 |
| December 31, 2015 | 55,179,611 | $4,674,614 |

### Options

Effective May 16, 2011, the Company adopted a stock option plan. Under this plan, the Company may grant options of up to 10% of its outstanding common shares to its directors, officers, employees and consultants. The exercise price of the share purchase options will be no less than the closing price of the shares on the Exchange on the business day immediately before the date of granting of the option, unless the Exchange permits discounts, or allows some other minimum exercise price. Options will expire 5 years from the date granted.

The continuity of options for the period ended December 31, 2017, is summarized below:

| Expiry date | Exercise price (CAD$) | December 31, 2016 | Granted | Exercised | Expired/ Cancelled | December 31, 2017 |
|---|---|---|---|---|---|---|
| October 10, 2019 | 1.295 | 35,714 | - | - | (35,714) | - |
| June 1, 2020 | 1.120 | 64,286 | - | - | - | 64,286 |
| July 16, 2020 | 1.050 | 78,570 | - | - | - | 78,570 |
| September 28, 2020 | 1.015 | 214,286 | - | - | (185,714) | 28,571 |
| October 14, 2020 | 1.330 | 71,429 | - | - | - | 71,429 |
| November 20, 2020 | 1.155 | 214,286 | - | - | (185,714) | 28,571 |
| February 4, 2021 | 0.350 | 71,429 | - | - | - | 71,429 |
| May 26, 2017 | 0.070 | - | 400,000 | (400,000) | - | - |
| Options outstanding and exercisable | | 750,000 | 400,000 | (400,000) | (407,142) | 342,858 |
| Weighted average exercise price (CAD$` | | $ 1.05 | $ 0.07 | $ 0.07 | $ 1.10 | $ 0.98 |

The weighted average remaining life for the options outstanding and exercisable at December 31, 2017 is 2.73 years.

During the year ended December 31, 2017, the Company recognized $20,215 (2016 - $151,214) of share-based payments for options granted, using the Black-Scholes Option Pricing Model.

| | 2017 | 2016 |
|---|---|---|
| Risk-free interest rate | 0.94% | 0.53% - 0.79% |
| Annualized volatility | 195% | 175% - 177% |
| Expected dividend yield | Nil | Nil |
| Expected option life in years | 5 years | 5 years |

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Company's share purchase options.

**Warrants**

The continuity of warrants for the year ended December 31, 2017 is summarized below:

| Expiry date | Exercise price (CAD$) | December 31, 2016 | Issued | Expired | December 31, 2017 |
|---|---|---|---|---|---|
| June 19, 2017 | 1.400 | 977,059 | - | (977,059) | - |
| March 15, 2018 * | 0.525 | 1,111,429 | - | - | 1,111,429 |
| May 15, 2019 | 0.100 | - | 6,401,538 | - | 6,401,538 |
| Warrants outstanding and exercisable | | 2,088,488 | 6,401,538 | (977,059) | 7,512,967 |
| Weighted average exercise price (CAD$) | | $ 0.934 | $ 0.10 | $ 1.40 | $ 0.16 |

* Subsequently expired, unexercised.

The weighted average remaining life for the warrants outstanding and exercisable at December 31, 2017 is 1.19 years.

The fair value of the warrants issued was determined on the date of issuance based upon the average of the pro-rata method and the Black-Scholes Option Pricing Model using the following assumptions:

| | 2017 | 2016 |
|---|---|---|
| Risk-free interest rate | 0.69% | 0.53% |
| Annualized volatility | 215% | 177% |
| Expected dividend yield | Nil | Nil |
| Expected warrants life in years | 2 years | 2 years |

**OFF BALANCE SHEET ARRANGEMENTS**

The Corporation has no off-balance sheet arrangements.

**RELATED PARTY TRANSACTIONS**

Key management personnel comprise the President, Chief Executive Officer, Chief Financial Officer, Vice-President of Exploration and Directors of the Company. The remuneration of the key management personnel for the periods ended December 31, 2017 and 2016 was as follows:

During the year ended December 31, 2017, the Company incurred consulting fees totalling $130,527 ($169,500 CAD) (2016 - $166,056 ($217,500 CAD)) to officers (Jack Bal, Greg Campbell, Derek Stonehouse) and the companies (3 Stones Exploration & Bakerview Farms) owned by Derek Stonehouse and Steve Froese.)

| | Short-term employee benefits |
|---|---|
| Year ended December 31, 2017 | |
| Directors and officers | $ 130,527 |
| Directors and officers | $ 166,056 |

As at December 31, 2017, included in trade payables is $81,826 (2016 -$99,844) owed to these related parties.

On November 16, 2015, the Company entered into a loan agreement for $100,000 CAD by way of a promissory note. The loan is payable by December 31, 2017 and bears interest at a rate of 24% per annum. To December 31, 2017, the Company accrued $47,404 CAD in interest and $20,480 CAD loan extension fees (December 31, 2016 - $19,429 in interest and $12,480 CAD in loan extension fee). During the year, $120,000 CAD was repaid. As of December 31, 2017, $52,027 CAD is outstanding in a loan principal and $5,235 in interest. Amounts due to related parties are non-interest bearing, unsecured and have no fixed terms of repayment.

## CRITICAL ACCOUNTING ESTIMATES

The Corporation has not made any Critical Accounting Estimates with regards to matters that are highly uncertain and that would require a significant amount of judgement by the Corporation and could materially impact the Condensed and Consolidated Financial Statements.

## CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted in Canada as issued by the International Accounting Standards Board ("IASB").

As the Corporation was incorporated on February 1, 2010 and had never prepared financial statements in accordance with Canadian generally accepted accounting principles as contained in Part V of the CICA Handbook, management determined that it was preferable that the Corporation's first financial statements be prepared in accordance with IFRS.

## CONTINGENCIES & ENVIRONMENTAL PROVISIONS

The Company's exploration activities are subject to various federal, provincial and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment, and believes its operations are in compliance with all applicable laws and regulations.

At December 31, 2016 and 2017, the undiscounted liability for provision for decommissioning is estimated to be $71,143, which is expected to be settled in 2 to 15 years. Management has used a risk-free rate of 3.00% to determine the present value of the decommissioning provision. During the year ended December 31, 2017, the Company recorded an accretion on decommissioning provision of $1,112 (2016 - $1,577).

A continuity summary of decommissioning provision is as follows:

| | Lincoln | Garvin | Total |
|---|---|---|---|
| Balance, December 31, 2015 | $ 33,651 | $ 18,897 | $ 52,548 |

| | | | |
|---|---|---|---|
| Accretion expense | 1,010 | 567 | 1,577 |
| Balance, December 31, 2016 | 34,661 | 19,464 | 54,125 |
| Accretion expense | 871 | 241 | 1,112 |
| Balance, December 31, 2017 | $ 35,532 | $ 19,705 | $ 55,237 |

**IMPAIRMENT**

During the year ended December 31, 2016, $110,186 of impairment was recognized on the Company's oil and gas properties relating to the Lincoln County property. Assets were tested for impairment either individually or as part of a cash-generating unit. The recoverable amount is the higher of the asset's fair value less costs to sell and value-in-use. The Company estimates value-in-use using a discounted cash flow model. The future cash flows were adjusted for risks specific to the asset and discounted using a pre-tax discount rate of 8%. Oil and gas future prices were based on commodity price forecast of independent reserve evaluators

**FINANCIAL INSTRUMENTS AND RELATED RISKS**

The Corporation's operations consist of the acquisition, exploration, development and production of oil and gas reserves in the United States. The Corporation examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include commodity price risk, credit risk, liquidity risk, currency risk and other risks. Where material, these risks are reviewed and monitored by the Board of Directors.

a) Commodity price risk

Commodity price risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted by world economic events that dictate the levels of supply and demand. The Corporation does not use financial derivatives sales contracts to hedge commodity price risk.

b) Credit risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Corporation by those counterparties, less any amounts owed to the counterparty by the Corporation where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

(i) Trade credit risk

Corporation's trade receivables are due from operators of its oil and gas properties. The Corporation generally extends unsecured credit to its customers and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by the size and reputation of the Corporation to which they extend credit. The Corporation has not experienced any credit loss in the collection of trade receivables to date.

(ii) Cash and cash equivalents

In order to manage credit and liquidity risk the Corporation invests only in highly rated investment grade instruments that have maturities of nine months or less. Limits are also established based on the type of investment, the counterparty and the credit rating.

(iii) Derivative financial instruments

As at December 31, 2017 the Corporation has no derivative financial instruments. It may in the future enter into derivative financial instruments and in order to manage credit or price risk, it will only enter into derivative financial instruments with highly rated investment grade counterparties.

c) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through the management of its capital structure. Liquidity risk is assessed as high.

d) Currency risk

The Corporation's property interests in the United States subject it to foreign currency fluctuations which may adversely affect the Corporation's financial position, results of operations and cash flows. The Corporation is affected by changes in exchange rates between the Canadian dollar and US dollar. The Corporation does not invest in derivatives to mitigate these risks.

**SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, 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 amounts receivable and prepayments which are included in the consolidated statement of financial position;
- the carrying value of the oil and gas properties and the recoverability of the carrying value which are included in the consolidated statement of financial position;
- the provision for income taxes which is included in the consolidation statements of comprehensive loss and composition of deferred income tax assets and liabilities included in the

consolidated statement of financial position at December 31, 2017;

- the inputs used in determining the net present value of the liabilities for asset retirement obligations included in the consolidated statement of financial position; and
- the inputs used in determining the various commitments and contingencies accrued in the consolidated statement of financial position.

**FINANCIAL INSTRUMENTS**

As of December 31, 2017, the Corporation has no funds invested in a GIC or similar type secured/safe investment.

**ADDITIONAL INFORMATION**

Financial statements, MD&A's and additional information relevant to the Company and the Company's activities can be found on SEDAR at www.sedar.com and at www.cheetahcanyon.com

**DISCLAIMER**

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Corporation. The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR (www.sedar.com). No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.