TANAGER ENERGY INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

This Management Discussion and Analysis ("MD&A") reviews the financial condition and results of operations of Tanager Energy Inc. ("Tanager" or the "Company") for the financial years ended December 31, 2017 and 2016. The MD&A was prepared as of April 30, 2018, and should be read in conjunction with the audited annual financial statements for the year ended December 31, 2017, including the notes thereto, and the audited annual financial statements for the year ended December 31, 2016, including the notes thereto, and the related MD&A. The Company's financial statements for the years ended December 31, 2017 and 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS). All amounts in the financial statements are denominated in Canadian dollars. Tanager's financial statements are filed on the SEDAR website at www.sedar.com.

Overview

Tanager is an oil and gas and mineral exploration company, the common shares of which are listed on the TSX Venture Exchange under the stock symbol "TAN" and on the OTCQB under the symbol "TANEF". The Company's principal business is the acquisition, exploration and development of conventional and non-conventional oil and gas assets under a joint operating agreement with Paleo Oil Company LLC ("Paleo") in Polk County and Tyler County, Texas, USA. Tanager is also evaluating the purchase of producing oil and gas properties with development potential and nonconventional shale plays in the Austin Chalk, Buda and Eagle Ford formations.

The Joffre D-3 B Oil Pool

In Alberta, Canada, Tanager holds a 50% interest in the former Joffre D-3 Oil Unit No 1, and has plans to re-complete or re-drill up to 4 wells for oil production. In July of 2016, the Company installed a pumpjack on the first well, and production has increased significantly and remained steady through February of 2017. In February 2017, the well was shut-in pending a workover that was completed and brought the well back online in May 2017. The well continues to produce at an average daily production rate of 25 bbls/day.

Tanager / Paleo Working Interests in Texas Oil and Gas Properties

On June 27, 2016, the Company completed the acquisition, through its US subsidiary, of an undivided 50% interest in a non-producing well and in certain lease holdings, including well lease holdings, and a 50% joint venture participation right in the drilling of prospects underlying 223 square miles of 3D seismic data within an area of mutual interests ("AMI") of approximately 200,000 acres (312.5 square miles) geographical area, in Polk County and Tyler County Texas, to formations which include the Woodbine, Eagle Ford, and Yegua sandstones (the "Texas Assets"). In connection with the acquisition, Tanager entered into a joint operating agreement with Paleo.

Pursuant to the terms of the amended Exploration Agreement with Paleo (the "Paleo Agreement"), commencing with the drilling of the 2nd Yegua well and each Yegua well thereafter, Tanager shall be responsible for paying 100% of all costs associated with the wells until it has in the aggregate spent the sum of US$3.5 million dollars (the "Carry Funding Amount"). Such associated well costs include, but are not limited to, lease acquisition costs, lease bonuses, title examination, curative, drilling, testing, completing, plugging prior to completion and equipping the well, and any facilities necessary to connect the well to a sales line or to bring the well on production. Tanager will then receive 75%

of the net revenue (less royalties and ORRI) from each of the Yegua wells that the Carry Funding Amount is applied toward. Once the Carry Funding Amount has been recouped out of this net revenue, the working interest will be reduced to 50% for each Yegua well. In addition, once the Carry Funding Amount has been spent, all additional Yegua wells will be drilled based on 50% Tanager and 50% Paleo. In 2017, the Company drilled six joint venture wells in the Yegua formation and has calculated that it has nearly incurred costs up to the US$3.5 million Carrying Fund Amount as of December 31, 2017.

In addition, pursuant to the exploration agreement, the Company has agreed to pay 100% of the costs associated with recompletion of the Cain-Carter #1 well and earns a 50% working interest in the net revenue from that well. The Cain-Carter #1 well has not been recompleted as of December 31, 2017.

During the first quarter of 2017, the Company drilled its first 2 new Yegua sandstone wells in Polk County, Texas – the Raptor A #1 and Raptor B #1 wells.

During the second quarter of 2017, the Company drilled an additional 1 Yegua sandstone well in Polk County, Texas – the Ranger A#1 well.

During the third quarter of 2017, the Company drilled an additional 3 Yegua sandstone well in Polk County, Texas – the Stampede A #1, Sidekick A #1, and Jones #1 wells. The Sidekick A #1 well produced non-commercial quantities of gas and water from two separate prospective sandstone sections, and Tanager decided to plug and abandon the well in the fourth quarter.

The Ranger A#1, Stampede A#1 and Jones #1 wells await tie-in to pipelines that is anticipated to occur in 2018.

During the third quarter, the Company settled a title dispute with Vision Resources, LLC ("Vision") and Pantheon Resources PLC ("Pantheon") resulting in Tanager acquiring an undivided fifty percent (50%) working interest in over 18,000 gross acres of undeveloped mineral leases in Polk County, Texas covering shallow rights including the Yegua formation. Additionally, Tanager's one percent (1%) working interest in the Vision/Pantheon Woodbine prospect acreage was confirmed and acknowledged. Lastly, Tanager will own a one percent (1%) back-in-after-payout working interest in the Vision Operating Blackstone Minerals Unit #1 (API #42-373-31295) and Vision Operating Blackstone Minerals Unit 2H (API #242-373-31305) wells that have already been drilled in the I. Pate Survey (A-467) Polk County, Texas. Tanager paid no cash consideration in connection with this transaction.

The Burchell Lake Property

Tanager holds a 100% interest in 5900 hectares at Burchell Lake in the Shebandowan gold camp in Ontario. About 300m east of Hermia Lake, an area has been identified that carries significant mineralization and yielded good gold and copper grades in six drill holes and one which returned low-grade copper and molybdenum over significant widths. The results of the geochemical pattern in this area suggest the zone is open to the east and west. The second area at the Burchell Lake Property, located about 1 km east of Fountain Lake and in the southwest part of the grid, is represented by six drill holes, all carrying substantial sulphide mineralization. The area’s geochemical anomalies appear to continue to the south indicating the zone may be bigger than currently outlined. Tanager has conducted a comprehensive review and compilation of the work done on the property to date. The Company will continue to evaluate options for further development work on the property, the possibility of a joint venture, or a sale of the asset.

Financial Review

This section should be read in conjunction with the audited financial statements for the years ended December 31, 2017 and 2016 and the corresponding notes thereto. The financial statements, including comparatives, have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from December 31, 2017. The Company is subject to risks and challenges similar to companies in a comparable stage of exploration and development. As at December 31, 2017, the Company had a net loss of $9,717,661 (2016 - $1,640,367), a working capital deficiency of $4,023,347 (2016 - $1,057,610) and an accumulated deficit of $34,010,875 (2016 - $24,293,214). The Company will need additional funding in order to continue operations. While the Company has been successful in obtaining funding in the past, through the issuance of equity and non-arm's length loans, there is no assurance that such funding will be available in the future. An inability to raise additional funds would adversely impact the future assessment of the Company as a going concern. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

The Company is dependent upon its ability to finance its operations and oil and gas drilling programs through financing activities that may include issuances of additional debt or equity securities. The recoverability of the carrying value of exploration and evaluation assets and plant property and equipment, and, ultimately, the Company's ability to continue as a going concern, is dependent upon the existence and economic recovery of reserves, the ability to raise financing to complete the exploration and development of the properties, and upon future profitable production or, alternatively, upon the Company's ability to dispose of its interests in one or more assets on an advantageous basis, all of which are uncertain. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statements of financial position classifications that would be necessary if the going concern assumption was inappropriate.

Subsequent to December 31, 2017, the Company's US denominated convertible debentures were converted into 110,451,428 common shares of the Company.

Annual Highlights

	Years ended December 31,		
	2017	**2016**	**2015**
Selected Financial Results			
(CDN$ except share and per share amounts)			
Revenue	503,629	223,928	142,033
Royalties	124,971	32,475	37,920
Production taxes	15,453	-	-
Operating expenses	268,028	243,733	17,883
General and administrative expenses	1,503,394	576,318	299,612
Impairment	2,591,039	-	-
Finance expenses	1,553,415	849,364	46,091
Loss (gain) on unrealized embedded derivatives	4,154,986	(98,779)	-
Net loss	(9,717,661)	(1,640,367)	(344,494)
Per common share – basic and fully diluted	$(0.09)	$(0.02)	$(0.01)
Comprehensive loss	(10,407,855)	(1,330,444)	(345,842)
Cash flow from operating activities	(1,986,141)	(931,892)	(105,503)
Per common share – basic and fully diluted	$(0.01)	$(0.00)	$(0.00)
Total capital expenditures (excluding acquisitions)	5,918,142	923,194	299,803
Total assets	16,156,275	14,068,605	1,460,209
Total liabilities	21,882,698	10,774,718	1,941,423
Shareholders' equity (deficiency)	(5,726,423)	3,293,887	(481,214)
Common Shares			
Common shares outstanding	124,835,388	107,716,388	55,410,968
Weighted average number of common shares outstanding	110,483,569	71,821,580	54,930,146
TSX Venture Share Trading Statistics			
(CDN$/share except volumes based on intra-day trading)			
High	0.20	0.12	0.12
Low	0.08	0.03	0.02
Close	0.10	0.10	0.04
Average daily volume	78,656	48,196	27,983

Selected Quarterly Information

Following is a summary of selected unaudited financial information of the Company for the quarterly periods indicated:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2017	**($)**	**($)**	**($)**	**($)**
Revenue, net of royalties and production taxes	33,227	33,268	67,155	229,555
Net loss	(549,462)	(481,867)	(365,423)	(8,320,909)
Per share – basic and fully diluted	(0.01)	(0.01)	(0.01)	(0.07)
Comprehensive loss	(643,288)	(761,377)	(773,349)	(8,229,841)
Cash flow from operating activities	(906,145)	(403,667)	(369,896)	(306,433)
Per share – basic and fully diluted	(0.01)	(0.00)	(0.00)	(0.00)
Total assets	15,749,628	16,363,940	18,346,200	16,153,275
Total liabilities	13,099,029	14,393,314	17,135,846	21,882,698
Shareholders' equity (deficiency)	2,650,599	1,970,626	1,210,354	(5,726,423)
Weighted average number of common shares outstanding	107,716,388	107,716,388	107,716,388	118,694,877

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2016	**($)**	**($)**	**($)**	**($)**
Revenue, net of royalties	31,891	7,158	89,803	62,601
Net loss	(49,977)	(226,177)	(649,861)	(714,352)
Per share – basic and fully diluted	(0.00)	(0.00)	(0.01)	(0.01)
Comprehensive loss	(49,977)	(226,177)	(592,227)	(462,063)
Cash flow from operating activities	9,674	(664,907)	273,545	(550,204)
Per share – basic and fully diluted	(0.00)	(0.00)	0.00	(0.01)
Total assets	1,487,277	12,656,221	13,084,874	14,068,605
Total liabilities	2,050,754	10,426,496	11,421,876	10,774,718
Shareholders' equity (deficiency)	(563,477)	2,229,725	1,662,998	(24,293,214)
Weighted average number of common shares outstanding	55,410,968	57,606,770	84,855,409	90,143,018

Financial highlights

	Years ended December 31					
Operations by operating segment		**2017**			2016	
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Oil and gas sales	**262,612**	**241,017**	**503,629**	223,928	-	223,928
Royalties	**49,514**	**75,457**	**124,971**	32,475	-	32,475
Production taxes	**-**	**15,453**	**15,453**	-	-	-
Operating expenses	**238,329**	**29,699**	**268,028**	243,733	-	243,733
Sales volumes						
Light oil and natural gas liquids (bbls)	**4,417**	**-**	**4,417**	4,010	-	4,010
Natural gas (mcf)	**7,556**	**70,147** (1)	**77,703**	28,915	-	28,915
Total sales volumes (boe)	**5,676**	**11,691**	**17,367**	8,829	-	8,829

(1) Sales volumes for the U.S. in 2017 reflect those recognized in the fourth quarter of 2017 after the Yegua formation assets cash generating unit ("CGU") were transferred into property, plant, and equipment effective October 1, 2017. This does not include Tanager's working interest share of natural gas volumes of 14,291 mcf from the two producing Yegua wells in the month of September 2017. Operations for the Yegua assets formation CGU were capitalized to exploration and evaluation assets prior to October 1, 2017.

For the three and twelve month periods ended December 31, 2017, the Company had oil and gas revenues of $330,228 and $503,629, compared to $67,350 and $223,928 in the same periods in 2016, respectively. Revenue for the fourth quarter of 2017 of $330,228 was up from revenue of $92,431 in the third quarter of 2017. Commencing in the fourth quarter of 2017, the Company's Yegua formation assets CGU in Polk County, Texas were transferred from exploration and evaluation assets into property, plant and equipment under International Financial Reporting Standards ("IFRS") following a determination that the CGU met the criteria for technical feasibility and commercial viability. Therefore, the increase in revenues for the fourth quarter and the 2017 year was due to revenue of $241,017 recognized from the first two Yegua wells on production in Texas.

Operating expenses for the three and twelve month periods ended December 31, 2017 were $101,108 and $268,028, as compared to $73,534 and $243,733 in the same periods in 2016, respectively. Operating expenses for fourth quarter of 2017 of $101,108 was up from operating of $92,431 in the third quarter of 2017 primarily due to the results of the US operations recognized in the fourth quarter. Operating expenses for the year also increased as a result of changes in estimates due to additional billed contract operator charges on Canadian properties primarily for gas processing and gathering fees, emulsion treating and salt water disposal relating to prior periods.

General and administrative expenses for the three and twelve month periods ended December 31, 2017 were $450,519 and $1,503,394, as compared to $408,573 and $576,318 in the same periods in 2016, respectively. The increase in G&A expenses for the year to date is attributable to increased compensation, legal fees, reporting issuer costs and other administrative and general costs. G&A for the year includes approximately $172,000 of costs attributable to legal, investment advisor and related costs incurred in marketing a limited partnership investment for Austin Chalk Texas assets that did not proceed.

Finance expenses for the three and twelve month periods ended December 31, 2017 were $426,478 and $1,553,415, respectively, compared to $454,493 and $849,364, respectively, in the 2016 periods. Finance expenses for the year ended December 31, 2017 were comprised of $646,472 in interest charges and $906,943 of accretion on decommissioning liabilities and convertible debentures, as compared to $383,926 in interest charges and $465,438 of accretion on convertible debentures for the same period in 2016. The increase in interest expense and accretion on convertible debentures from 2016 to 2017 is due to the timing of the closing of the May 3, 2016 and June 27, 2016 convertible debenture offerings. Interest expense for the year ended December 31, 2017 includes $566,428 (2016 – $321,426) of interest on convertible debentures, $nil (2016 - $62,450) of interest on the loan payable to a former Director and Officer of the Company and $80,044 (2016 - $nil) of interest accrued on the Credit Facility. All interest accrued and payable under the Credit Facility from inception until September 27, 2017 has been waived by the Lender pursuant to a September 27, 2017 amending agreement.

For the three and twelve months ended December 31, 2017, the non-cash loss (gain) on unrealized embedded derivatives related to the USD denominated convertible debentures was $4,753,042 and $4,154,986, respectively, compared to $98,779 for both periods in 2016. This amount is a result of the change in the fair value of the embedded derivative component is adjusted to fair value at each financial statement date. The fair value of this conversion feature was determined using a Black-Scholes option pricing model and updated assumptions as of December 31, 2017. Subsequent to December 31, 2017 and on March 27, 2018, these US $6 million convertible debentures were converted into 110,451,428 common shares of the Company.

As at October 1, 2017, the Company determined that its Yegua formation assets CGU met the criteria for technical feasibility and commercial viability under IFRS. Accordingly, prior to transfer of those assets to property, plant and equipment, the Company conducted an impairment test of the carrying value at the transfer date and recorded an impairment charge of $2,591,039. The recoverable amount of the CGU was estimated based on the higher of the value in use and the fair value less costs to sell. The estimate of fair value less costs to sell was determined using a post-tax discount rate of 10% and forecasted cash flows, with escalating prices and future development costs, as obtained from an independent reserve engineer for the Company's proved plus probable reserves.

The net loss for the three and twelve month periods ended December 31, 2017 was $8,359,866 and $9,756,618, as compared to $635,578 and $1,640,367 in the same periods of 2016. The increase in the loss between for the year ended December 31, 2017 as compared to 2016 is primarily attributable to the non-cash charges for depletion, the impairment of exploration and evaluation assets and the loss on unrealized embedded derivatives, as well as, increased operating expenses, G&A, interest, accretion, share-based payments, and mining royalty and staking expenses, offset somewhat by an increase to net sales revenue and foreign exchange. The net cash flow used in operating activities for the three and twelve periods ended December 31, 2017 was $306,433 and $1,986,141, as compared to $550,204 and $931,892 in the same periods of 2016.

Capital Expenditures

The Company incurred additions to exploration and evaluation ("E&E") expenditures (excluding acquisitions) of $5,416,771 (2016 - $787,338) and property, plant & equipment ("PP&E") expenditures of $501,371 (2016 - $135,856) for the year ended December 31, 2017. The capital expenditure activities in Canada and the US for the year ended December 31, 2017 were as follows:

(a) Canada
There were no capital expenditures in Canada during the year ended December 31, 2017 (2016 - $96,521).

(b) US
The Company incurred E&E expenditures of $5,416,771 (2016 - $761,234) primarily related to drilling and completion and equipping costs on the Company's first six Yegua wells and pipeline installation costs related to the Raptor A #1 and B #1 wells which were brought onto production in September 2017. The remainder of costs were primarily related to lease bonus payments and lease rentals on undeveloped leases, and related capitalized net operating costs in Polk County, Texas. As at October 1, 2017, the Company determined that its Yegua formation assets CGU met the criteria for technical feasibility and commercial viability under IFRS. Accordingly, those assets were transferred from exploration and evaluation assets to property, plant and equipment at that date. A further $501,371 of property, plant and equipment costs were incurred on these Yegua wells during the fourth quarter of 2017.

Liquidity and Capital Resources

Tanager had a cash position of $173,516 at December 31, 2017, compared with a cash position of $693,852 at December 31, 2016. As at December 31, 2017, the Company had a net loss of $9,717,661 (2016 - $1,640,367), a working capital deficiency of $4,023,347 (2016 - $1,057,610) and an accumulated deficit of $34,010,875 (2016 - $24,293,214).

The Company had the following financing activities during 2016, 2017 and into 2018 to date:

(a) completed a private placement offering of 10% convertible debentures in the principal amount of $1,198,330 in May 2016;

(b) completed a private placement of subscription receipts for gross proceeds of $2,854,542 in June 2016 that was used partly to fund the property acquisition in the US and for general working capital purposes;

(c) completed private placement of common shares and warrants for gross proceeds of $2.1 million in December 2016 that was partly used to fund expenditures in developing the Company's Texas Assets, for repayment of debt and for general working capital purposes;

(d) entered into a line of credit for US$8,000,000 with a third party lender in December 2016 for the purposes of funding the Company's 2017 drilling program in Polk County Texas for which US$3,775,000 was drawn as at December 31, 2017. As a result of lender default due to the lender's failure to timely fund loan draw advances under the credit facility, the Company entered into amending agreements with the lender. It is not anticipated that there will be further draws available under this Credit Facility;

(e) the outstanding convertible debentures in the aggregate principal amount of CDN $1,198,330 due on November 3, 2017, were converted by the holders at a conversion price of $0.07 per share, into an aggregate of 17,119,000 common shares of Tanager;

(f) In November 2017, an arm's length third-party individual funded a US$200,000 note payable. The note is unsecured, bears interest at 6% per annum and monthly principal payments commence in July 2018 and the note shall mature and the remaining principal shall be due and payable on December 31, 2019;

(g) On March 26, 2018, received loan proceeds of US$400,000 from a third-party lender. Pursuant to the terms of the loan agreement, the loan is unsecured and bears interest at 6% per annum. The loan shall mature and be due and payable, along with accrued interest, on June 26, 2018; and

(h) On March 27, 2018, the outstanding USD dollar denominated convertible debentures in the aggregate principal amount of US$6,000,000 due on June 27, 2019, have been converted by the holders at a conversion price of CDN$0.07 per share, into an aggregate of 110,451,428 Common Shares of the Company.

Roger S. Braugh, Jr., a director of Tanager, acquired 55,225,714 Common Shares pursuant to the conversion, representing 23.47% of the issued and outstanding Common Shares of the Company. Prior to the conversion, Mr. Braugh held 13,515,000 Common Shares, or approximately 10.8% of the total issued and outstanding Common Shares, and the secured convertible debenture in the principal amount of US$3,000,000. Upon completion of the conversion, Mr. Braugh now controls 68,740,714 Common Shares, or approximately 29.22% of the total issued and outstanding Common Shares. In addition, Chris Pettit & Associates PC, controlled by Mr. Pettit, a director of Tanager, as trustee of a trust, acquired 55,225,714 Common Shares pursuant to the conversion, representing 23.47% of the issued and outstanding Common Shares of the Company. Prior to the conversion, the Trust held the secured convertible promissory note in the principal amount of US$3,000,000. Upon completion of the conversion, the Trust now controls 55,225,714 Common Shares, or approximately 23.47% of the total issued and outstanding Common Shares.

The Company's short and long-term debt obligations as at December 31, 2017 and April 30, 2018 are as follows:

	April 30, 2018	December 31, 2017
	$	US$
Credit facility (USD)	**3,775,000**	3,775,000
Note and loan payable (USD)	**600,000**	200,000
Loan payable (CDN)	**190,000**	190,000
Convertible debentures – principal (USD)	**-**	6,000,000

The Company's ability to raise additional funds and its future performance is subject to the financial markets related to exploration companies. Although economic conditions in Canada, the US and elsewhere have improved since the last commodities downturn, the Company remains cautious about economic factors that impact the petroleum and mining industries. These factors include uncertainty and volatility of commodity prices and the availability of equity financing or private funding for exploration and development of the Company's assets. The Company's future performance is largely tied to the successful development of its current and future oil and gas properties and future acquisitions in Canada and the United States.

Additional financing will be required to develop and operate the Company's properties, additional projects and to replenish working capital. The Company is dependent upon its ability to finance its operations and oil and gas drilling programs through financing activities that may include issuances of additional debt or equity securities. The recoverability of the carrying value of exploration and evaluation assets and plant property and equipment, and, ultimately, the Company's ability to continue as a going concern, is dependent upon the existence and economic recovery of reserves, the ability to raise financing to complete the exploration and development of the properties, and upon future profitable production or, alternatively, upon the Company's ability to dispose of its interests in one or more assets on an advantageous basis, all of which are uncertain.

Credit facility

On December 14, 2016 and in connection with an equity offering (Note 10 of the financial statements), the Company entered into a line of credit agreement (the "Credit Facility") with an arm's length third party private corporation (the "Lender") for U.S. $8,000,000. The Credit Facility may be drawn at the option of the Company during the period ended December 14, 2017. The Credit Facility matures on December 14, 2019. Funds advanced under the Credit Facility bear interest at a rate of 6% per annum, payable monthly. The Credit Facility is secured by a first lien on the Company's Texas properties. The obligations of the Company under the Credit Facility are also guaranteed by the Company's wholly owned US subsidiary pursuant to an unconditional secured guarantee. The Lender and the holders of the outstanding debentures and notes of Tanager have entered into an intercreditor agreement that provides that such creditors will rank on a pari passu basis (only with respect to those specific creditors) in the event of any enforcement on any assets of the Company, provided that the Lender will have a first priority claim on certain property of Tanager and its US subsidiary.

As of December 31, 2017, the Company has drawn an aggregate of US$3,775,000 (or an equivalent of CDN $4,735,738) on the Credit Facility.

Following the failure of the Lender to timely fund loan draw advances, the Company and Lender agreed to amendments of the Credit facility on July 27, 2017 and September 27, 2017 (the "Amendments"). Pursuant to the terms of the Amendments:

1) The Credit Facility availability end date was extended from December 14, 2017 to June 17, 2018 and the remaining US$4,225,000 available under the line of credit was agreed to be advanced by the Lender in varying scheduled amounts from October 3, 2017 through to December 5, 2017. The extension of the Credit Facility availability end date, in conjunction with the receipt of timely funding of the remaining US$4,225,000 from the Lender as of September 27, 2017, also extends the date that a minimum of twelve (12) wells in Polk County, Texas must be drilled and completed in the Yegua formation from December 31, 2017 to June 17, 2018. Monthly principal payments shall commence on the Credit Facility starting on the month after the Credit Facility availability date or July 2018.
2) The Lender has granted the Company options to purchase certain interests in oil and gas properties, subject to entering into formal documentation.
3) The Lender entered into a subordination agreement pursuant to which it has agreed to subordinate all of its rights in all collateral securing the loan under the Credit Facility and its right to repayment, to a future senior lender of the Company to be determined by the Company in its sole discretion.

4) All interest accrued and payable under the Credit facility from inception until September 27, 2017 has been waived. Interest shall commence on the Credit facility from September 28, 2017 forward.

After September 27, 2017 and through December 31, 2017, the Lender did not provide any further loan advances pursuant to the Amendments.

The Amendments also include further remedies available to the Company due to the default of the Lender, which the Company is actively pursuing. Pursuant to the July 27, 2017 amendment, the Lender was restricted from exercising, selling, transferring or assigning all common share purchase warrants held by the Lender. Pursuant to the September 27, 2017 amendment, the Lender agreed that up to 12,337,500 common shares of the Company held by the Lender would be available for repurchase or sale to a third party (with the proceeds being paid to the Company), and in that regard are currently held in escrow until completion of such repurchase or sale. In the event of a repurchase and cancellation of such shares by the Company, the purchase price of $0.10 per share would be deemed to be a further loan advance under the Credit Facility. During the fourth quarter of 2017, the Company sold 383,190 common shares to a third party for US$30,000 (or an equivalent of CDN $38,957) which has been recognized as a gain on disposition of shares on the consolidated statements of loss. In addition, as of September 27, 2017, all common share purchase warrants held by the Lender (Note 10 of the consolidated financial statements) are available to be cancelled or transferred to third parties at the discretion of the Company.

Contingency

On April 18, 2018, a third-party individual (the "Plaintiff") filed a claim against the Company's Lender, the Company, and its wholly owned subsidiary, Tanager Energy (USA) Inc., as defendants, (the "Tanager Defendants") in a Dallas, Texas court. The Plaintiff's claims against the Tanager Defendants arise from alleged fraudulent representations and omissions which induced the Plaintiff, to make investments and loans, directly or indirectly, to the Company. The total amount of recoupment sought by the Plaintiff is US$3,775,000.00. The Plaintiff is also seeking unspecified amounts for legal fees, pre and post judgement interest at the highest rate allowed by law, and unspecified exemplary damages. The Plaintiff has sued the Lender for fraud, fraud by non-disclosure, and statutory fraud. Plaintiff has sued the Tanager Defendants for money had and received and seeks relief in the form of a declaratory judgment that 21,000,000 common shares and 21,000,000 share purchase warrants, originally issued in December 2016, (Notes 11, 13 and 17 of the consolidated financial statements) should be issued in the name of the Plaintiff instead of the Lender. The Company denies all allegations and claims for relief and intends to vigorously defend the claims filed against them by the Plaintiff. While the Company believes this claim to be without merit, US$3,775,000 of amounts claimed are already recognized as a liability under the Credit Facility (Note 11 of the consolidated financial statements), although the timing of repayment of this amount would change and may all become current if the Company is unsuccessful in its defense. The outcome of this matter is not determinable at this time.

Share Capitalization

The Company is authorized to issue an unlimited number of common shares. As of December 31, 2017, 124,835,388 common shares, 2,000,000 stock options, and 21,000,000 common share purchase warrants were outstanding for a total of 147,835,388 common shares on a fully diluted basis.

Subsequent to December 31, 2017 and on March 27, 2018, the USD $6 million convertible debentures were converted into 110,451,428 common shares of the Company resulting in a total of 235,286,816 common shares outstanding since that date.

On April 6, 2017, the Company granted 2,000,000 stock options to directors and officers of the Company with an exercise price of $0.15 and an expiry date of April 6, 2022. These stock options vest, as to 50%, on the grant date, as to 25%, on each of the first and second anniversaries of the grant date.

Transactions with Related Parties

Related parties include the Board of Directors, senior management and enterprises that are controlled by these individuals. Related party transactions are conducted in the normal course of operations under normal market conditions and terms. The following transactions were entered into with related parties during the years ended December 31, 2017 and 2016:

(a) A director of the Company provided $946,050 of the total $1,198,330 principal of the Canadian dollar convertible debenture financing raised in May 2016 and US$3,000,000 of the total US$6,000,000 principal of the US dollar convertible debenture financing raised in June 2016. In addition, another director acts as trustee of a Trust which provided the remaining US$3,000,000 of the US dollar convertible debenture financing raised in 2016. The Company incurred 10% coupon interest expense on the Canadian dollar debentures and 6% coupon interest expense on the US dollar denominated debentures. A total of $313,648 (2016 - $184,431) and $234,526 (2016 - $121,707) coupon interest was incurred on the portion of these convertible debentures held by the director and the Trust, respectively, of which $179,422 (2016 - $286,514) was included in accounts payable and other liabilities. The Canadian dollar convertible debenture was converted by the director effective November 3, 2017 into 13,515,000 common shares of the Company. Upon completion of the conversion, this Director controlled 13,515,000 common shares, or approximately 10.8% of the total issued and outstanding common shares and the US dollar denominated convertible debenture. Subsequent to December 31, 2017, the US dollar denominated debentures were converted into 110,451,428 Common Shares of the Company.

(b) For the year ended December 31, 2016, the Company paid $62,450 of interest on a loan payable to a former Director and Officer of the Company.

(c) Further to the acquisition of U.S. assets described in Note 6, the Company now conducts all of U.S. operations with one joint venture partner (the “US JV Partner”). The US JV Partner is owned by a director of the Company and a Trust controlled by another director in his capacity as trustee of the Trust. The US JV Partner is considered a related party for accounting purposes by virtue of a common director and that the ownership group of the US JV Partner also holds convertible debentures of the Company which could be convertible into 107,528,572 common shares of the Company as at December 31, 2017 based upon a conversion price of $0.07/share and a CDN/US exchange rate of 1.2545 for the US dollar denominated debentures. The director of the Company holds 13,515,000 common shares of the Company. The results of the Company's US operations conducted with the US JV Partner are shown in the segmented financial information in Note 24 of the consolidated financial statements. Included in accounts receivable at December 31, 2017 is $121,899 of unapplied cash call advances paid to the US JV Partner. Included in accounts payable at December 31, 2017 is $2,389,183 owing to the US JV Partner.

Key management personnel include the Company's senior management and all the Company's directors. The Company recorded the following amounts in its Financial Statements relating to key management personnel compensation in 2017 and 2016:

	2017	2016
	$	$
Short term benefits	**458,655**	226,577
Share-based payments	**189,215**	3,818
	647,870	220,395

Future Accounting Changes

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB on December 16, 2011 and will replace the IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having two categories: amortized cost and fair value.

The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial asset. IFRS 9 also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. This standard is mandatorily effective from January 1, 2018, with different transitional arrangements depending on the date of initial application. The Company is currently assessing the impact of the new standards on its consolidated financial statements.

IFRS 15 – Revenue from Contracts and Customers ("IFRS 15") was issued by the IASB on May 28, 2014, and will replace IAS 18 – Revenue, IAS 11 – Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard, and it is effective for annual periods beginning on or after January 1, 2018.

The Company intends to adopt IFRS 15 using a modified transition approach on January 1, 2018. The Company is in the process of reviewing its various revenue streams and underlying contracts with customers and joint venture operations partners. The Company is currently assessing the impact of the new standards on its consolidated financial statements. However, the Company will be required to expand the disclosures in the notes to its financial statements as prescribed by IFRS 15, including disclosing the Company's disaggregated revenue streams by product type.

IFRS 16 – Leases - On January 13, 2016, the IASB issued the final version of IFRS 16 Leases. The new standard will replace IAS 17 Leases and is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that also apply IFRS 15 Revenue from Contracts with Customers. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets. The Company is currently assessing the impact of the new standards on its consolidated financial statements.

Significant Accounting Judgments and Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions about future events that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are regularly evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Development Costs

Management uses judgment to determine when exploration and evaluation assets are reclassified to Property, Plant and Equipment. This decision considers several factors, including the existence of reserves, appropriate approvals from regulatory bodies and the Company's internal project approval processes.

Decommissioning Liabilities

Decommissioning liabilities will be incurred by the Company at the end of the operating life of some of the Company's facilities and properties. The ultimate costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditures can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

Fair Value Estimates

Estimates are made in determining the fair value of assets and liabilities including the valuation of the Company's embedded derivative liability component related to convertible debentures. These estimates may be further based on management's best assessment of the related inputs used in valuation models, such as future cash flows and discount rates.

Going Concern

The Financial Statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business within the foreseeable future. Management uses judgement to assess the Company's ability to continue as a going concern and the existence of conditions that cast doubt upon the going concern assumption.

Stock based compensation

The Company provides share-based awards to certain employees in the form of stock options. The Company follows the fair-value method to record share-based payment expense with respect to stock options granted. The fair value of each option granted is estimated based on the date of grant and a provision for the costs is provided for with a corresponding credit to reserves in shareholders' equity over the vesting period of the option agreement. Share- based payment expense associated with options issued to employees, consultants, officers and directors of the Company are expensed. The consideration received by the Company on the exercise of share options is recorded as an increase to issued capital together with corresponding amounts previously recognized in reserves in shareholders' equity. Forfeitures are estimated for each tranche, and adjusted as required to reflect actual forfeitures that have occurred in the period.

In order to record share-based payment expense, the Company estimates the fair value of share options granted using assumptions related to interest rates, expected lives of the options, volatility of the underlying security, forfeitures and expected dividend yields.

Asset Impairment and Reversals

Management applies judgment in assessing the existence of impairment and impairment reversal indicators based on various internal and external factors.

The recoverable amount of CGUs and individual assets is determined based on the higher of fair value less costs to sell or value-in-use calculations. The key estimates the Company applies in determining the recoverable amount normally include estimated future commodity prices, expected production volumes, future operating and development costs, discount rates, tax rates, and refining margins. In determining the recoverable amount, management may also be required to make judgments regarding the likelihood of occurrence of a future event. Changes to these estimates and judgments will affect the recoverable amounts of CGUs and individual assets and may then require a material adjustment to their related carrying value.

Determination of Cash Generating Units ("CGUs")

A CGU is defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The allocation of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures, and the way in which management monitors the operations. Management has determined that the Company has a Canada CGU and a Woodbine formation assets CGU and Yegua formation assets CGU in the United States.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Capital Risk Management

Tanager manages its capital with the following objectives:

- To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- To maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, comprising share capital, contributed surplus, reserves and deficit which at December 31, 2017 totaled a $5,726,423 shareholders' deficiency (2016 - $3,293,887 equity).

Tanager manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating and capital expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral and oil and gas properties. The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2017. The Company is not subject to any capital requirements imposed by a lending institution.

Property, Financial, Instruments, Risk Management and Sensitivity

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate and commodity and equity price risk.)

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable. Cash is held with select major Canadian chartered banks and major US banks, from which management believes the risk of loss to be minimal.

Accounts receivable include accrued and joint venture receivables from joint venture partners and a contract operator, as well as an unexpended cash call advance to a joint venture partner and sales tax receivable from government authorities in Canada. Accounts receivable includes certain joint venture receivables that are past due but not considered impaired. Management believes that the credit risk with respect to accounts receivable is minimal.

The Company's approach to managing liquidity risk is to endeavor to have sufficient liquidity to meet liabilities when due. As at December 31, 2017, the Company had a cash and cash equivalents balance of $173,516 (December 31, 2016 - $693,852) to settle current liabilities of $4,839,323 (December 31, 2016 - $2,136,965). Most of the Company's accounts payable have contractual maturities of less than 30 days and are subject to normal trade terms, other than amounts due to related parties which may have no fixed terms of repayment. Included in the $3,402,664 balance of accounts payable and other liabilities as of December 31, 2017 is $179,422 of interest accrued on convertible debentures held by a direct of the Company and a trust and $2,389,183 due to the Company's US JV Partner. The US JV Partner is considered a related party for financial statement purposes as is discussed above.

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and prices of commodities and equities.

In regard to interest rate risk, the Company has cash and cash equivalents balances and fixed interest rate debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by banks with which it keeps its bank accounts. The Company regularly monitors its cash management policy.

In regard to currency risk, the Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in both Canadian and US dollars. The Company operates its Texas Assets through a US subsidiary. As a result, the Company is subject to gains and losses from fluctuations in the US Dollar.

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices of securities held by the Company or general movements in the level of the stock market. The Company's investment in marketable security is subject to fair value fluctuations arising from price changes in the resource sector and equity markets. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as they relate to gold and oil and gas, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

The Company's future profitability and viability from mineral and oil and gas exploration depends upon the world market price of valuable minerals and oil and gas pricing. Commodity prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of valuable minerals and oil and gas may be produced in the future, a profitable market will exist for them. As of December 31, 2017, the Company was not a producer of valuable minerals, but is a producer of quantities of oil and gas. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations. The Company's available-for-sale securities are denominated in Canadian dollars and are subject to fair value fluctuations.

Risks and Uncertainties

Mineral and oil and gas drilling and exploration are speculative ventures. There is no certainty that expenditure on exploration and development will result in the discovery of an economic ore body or economic oil and gas reserves. At the present time, the Company does not hold any interest in a mining property in production. The Company's viability and potential success lie in its ability to develop, permit, exploit and generate revenue out of mineral deposits and oil and gas reservoirs. Revenues, profitability and cash flow from any future mining operations involving the Company will be influenced by precious and/or base metal prices and by the relationship of such prices to production costs. Such prices have fluctuated widely and are affected by numerous factors beyond the Company's control.

During 2016, the Company was successful in raising over $6.1 million in convertible debenture and equity financings, as well as arranged a US$8,000,000 line of credit for the ongoing US drilling program.

The Company's ability to raise additional funds and its future performance is largely tied to the financial markets related to exploration companies. Although economic conditions in Canada and the US have improved in 2017, the Company remains cautious in case the economic factors that impact the oil and gas and mining industry deteriorate. These factors include uncertainty regarding the price of petroleum and natural gas, gold, and base metals and the availability of equity financing for the purposes of mineral exploration and development. The price of crude oil and natural gas, gold and base metals have been volatile in recent periods and financial markets have become unpredictable to the point where it could become difficult for companies, particularly junior exploration companies, to raise new capital. The Company's future performance is largely tied to the development of its current mineral property and oil and gas interests and the overall financial markets. Financial markets could be volatile, reflecting ongoing concerns about the global economy. Some companies worldwide have been affected negatively by these trends. As a result, the Company may have difficulties raising equity financing for the purposes of mineral and oil and gas exploration and development, particularly without excessively diluting the interests of its current shareholders. With continued market volatility expected, the Company's current strategy is to spend its funds in a prudent manner, continue drilling its Polk County Yegua wells, review multiple low cost oil and gas ventures, and look into the acquisition of non-conventional oil and gas plays. The Company believes that this focused strategy will enable it to meet the near- term challenges presented by the capital markets. These trends may limit the Company's ability to develop and/or further explore its mining properties, its oil and gas assets, and/or other property interests that could be acquired in the future. Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in short-term operating and longer-term strategic decisions.

Disclosure and Internal Financial Controls

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the audited 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 financial statements, and (ii) the audited financial statements fairly present in all material respects the financial condition, results of operations and cash flow 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"), the 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 the issuer's GAAP.

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 the 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.

Cautionary Note Regarding Forward Looking Statements

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical fact, included herein are forward-looking information. Generally, forward-looking information may be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "proposed", "is expected", "budgets", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases, or by the use of words or phrases which state that certain actions, events or results may, could, would, or might occur or be achieved. In particular, this MD&A contains forward-looking information regarding: the business of Tanager; future opportunities; business strategies, goals and plans of Tanager. There can be no assurance that such forward-looking information will prove to be accurate, and actual results and future events could differ materially from those anticipated in such forward-looking information. This forward-looking information reflects Tanager's current beliefs and is based on information currently available to Tanager and on assumptions Tanager believes are reasonable. These assumptions include, but are not limited to: market acceptance and approvals, and future costs and expenses being based on historical costs and expenses.

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Tanager to be materially different from those expressed or implied by such forward-looking information. Such risks and other factors may include, but are not limited to: volatility in market prices for oil and natural gas; liabilities inherent in oil and natural gas operations; uncertainties associated with estimating oil and natural gas reserves; geological, technical, drilling and processing problems; general business, economic, competitive, political and social uncertainties; general capital market conditions and market prices for securities; delay or failure to receive board or regulatory approvals; the actual results of future operations; competition; changes in legislation, including environmental legislation, affecting Tanager; the timing and availability of external financing on acceptable terms; and lack of qualified, skilled labour or loss of key individuals. A description of additional assumptions used to develop such forward-looking information and a description of additional risk factors that may cause actual results to differ materially from forward-looking information can be found in Tanager's disclosure documents on the SEDAR website at www.sedar.com. Although Tanager has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Readers are cautioned that the foregoing list of factors is not exhaustive. Readers are further cautioned not to place undue reliance on forward-looking information as there can be no assurance that the plans, intentions or expectations upon which they are placed will occur. Forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. The forward-looking information contained in this MD&A represents the expectations of Tanager as of the date of this MD&A and, accordingly, is subject to change after such date. However, Tanager expressly disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities law.

BOE Presentation. References herein to "boe" mean barrels of oil equivalent derived by converting gas to oil in the ratio of six thousand cubic feet (Mcf) of gas to one barrel (bbl) of oil. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl is based on an energy conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

On behalf of the board of directors, **[*signed*] Tom M. Crain, Jr.**

Tom M. Crain, Jr.
Chairman and Chief Executive Officer
Tanager Energy Inc.

May 1, 2018