Paleo Resources, Inc.
(Formerly Tanager Energy Inc.)

Management's Discussion and Analysis

For the years ended December 31, 2018 and 2017

On March 6, 2019, Tanager Energy Inc. ("Tanager") continued from the Province of Alberta to the Province of British Columbia pursuant to a resolution passed by shareholders of Tanager at the annual general and special meeting held December 19, 2018. On April 11, 2019, the Company amended its articles of incorporation to change its name from Tanager Energy Inc. to Paleo Resources, Inc. ("Paleo Resources" or the "Company"). In addition, the Company's subsidiary, Tanager Energy (USA) Inc. changed its name to Paleo Resources (USA), Inc.

This Management's Discussion and Analysis ("MD&A") reviews the financial condition and results of operations of Paleo Resources, Inc. ("Paleo Resources" or the "Company") for the financial years ended December 31, 2018 and 2017. The MD&A was prepared as of April 25, 2019, and should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2018, including the notes thereto, and the audited annual financial statements for the year ended December 31, 2017, including the notes thereto, and the related MD&A.

The Company's financial statements for the years ended December 31, 2018 and 2017 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

Paleo Resources is an oil and gas and mineral exploration company headquartered in Calgary, Alberta, with executive offices in Houston, Texas. The Company is active in oil and gas exploration and development in Western Canada and Texas. The common shares of the Company are listed on the TSX Venture Exchange under the stock symbol "PRE" and on the OTCQB Venture Market under the symbol "PRIEF".

Paleo Resources / POC 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, Paleo Resources entered into a joint operating agreement with Paleo Oil Company LLC ("POC").

Pursuant to the terms of the amended Exploration Agreement with POC (the "POC 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 in 2018.

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. During the fourth quarter of 2018, the Company rigged up and ran coil tubing in the Cain Carter #1 well down the tubing to clean out the well bore and prepare for a future fracture stimulation. In addition, well pressure data was gathered while a new wellhead was installed. The Cain-Carter #1 well has not been reworked or re-completed as of December 31, 2018 but this is currently anticipated to occur by late 2019 or early 2020.

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 wells 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 the latter part of 2019.

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 2 wells for oil production. In July of 2016, the Company installed a pumpjack on the first well, and production had 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 is currently producing at a daily production rate of between 15 to 20 bbls/day.

The Burchell Lake Property

The Company 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. The Company 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.

Strategic Plan for 2019

As previously announced on March 5, 2019, the Company has obtained the approval by its directors of a strategic plan for the balance of the 2019 fiscal year. Following its recent announcement of the appointment of a new CEO, the plan includes the following principal elements:

- Place Tanager's three (3) Polk County, Texas Yegua formation wells (Ranger, Stampede and Jones) into production via installation of gas pipelines.
- Drill and complete two (2) additional Polk County shallow conventional wells and/or market the interest for sale to pay off debt and replenish working capital.
- Drill and complete first appraisal well in the Joffre B pool lease area in Alberta.
- Secure one or more interests in a high-impact resource play such as the Austin Chalk in Texas.
- Approach prospective investors, including strategic partners, regarding potential financing terms required to fund existing and new projects and replenish working capital.

Financial Review

This section should be read in conjunction with the audited annual consolidated financial statements for the years ended December 31, 2018 and 2017 and the corresponding notes thereto. These consolidated 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, 2018. The Company is subject to risks and challenges similar to companies in a comparable stage of exploration and development. As at December 31, 2018, the Company had a net loss of $3,170,384 (2017 - $9,717,661), a working capital deficiency of $10,890,660 (2016 - $3,759,968) and an accumulated deficit of $37,181,259 (2016 - $34,010,875). 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, 2018, the Company's credit facility balance of US$3,775,000 is to be settled following the completion of US$1,000,000 in all required payments made in January to April 2019 and the pending transfer of certain common shares to a third party as disclosed further in this MD&A.

Annual 2018 Highlights

	Years ended December 31,		
	2018	**2017**	**2016**
Selected Financial Results			
(CDN$ except share and per share amounts)			
Revenue	1,015,836	503,629	223,928
Royalties	256,297	124,971	32,475
Production taxes	69,217	15,453	-
Operating expenses	320,900	268,028	243,733
General and administrative expenses	1,791,483	1,503,394	576,318
Impairment	908,686	2,591,039	-
Finance expenses	724,180	1,553,415	849,364
Loss (gain) on unrealized embedded derivatives	(818,338)	4,154,986	(98,779)
Foreign exchange loss (gain)	472,466	(378,514)	76,565
Net loss	(3,170,384)	(9,717,661)	(1,640,367)
Per common share – basic and fully diluted	$(0.02)	$(0.09)	$(0.02)
Comprehensive loss	(2,471,461)	(10,407,855)	(1,330,444)
Cash flow from operating activities	(1,372,160)	(1,986,141)	(931,892)
Per common share – basic and fully diluted	$(0.01)	$(0.01)	$(0.00)
Total capital expenditures (excluding acquisitions)	480,932	5,918,142	923,194
Total assets	15,806,512	16,156,275	14,068,605
Total liabilities	11,570,953	21,882,698	10,774,718
Shareholders' equity (deficiency)	4,235,559	(5,726,423)	3,293,887
Common Shares			
Common shares outstanding	235,286,816	124,835,388	107,716,388
Weighted average number of common shares outstanding	209,565,251	110,483,569	71,821,580
TSX Venture Share Trading Statistics			
(CDN$/share except volumes based on intra-day trading)			
High	0.14	0.20	0.12
Low	0.03	0.08	0.03
Close	0.08	0.10	0.10
Average daily volume	22,818	78,656	48,196

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
2018	**($)**	**($)**	**($)**	**($)**
Revenue, net of royalties and production taxes	220,085	158,358	165,722	146,157
Net loss	(112,032)	(514,146)	(612,940)	(1,931,266)
Per share – basic and fully diluted	(0.00)	(0.00)	(0.00)	(0.01)
Comprehensive income (loss)	73,230	(380,666)	(721,991)	(1,442,034)
Cash flow from operating activities	(178,127)	(298,122)	(187,435)	(708,476)
Per share – basic and fully diluted	(0.00)	(0.00)	(0.00)	(0.00)
Total assets	16,580,480	16,522,573	16,165,595	15,806,512
Total liabilities	9,803,320	10,124,304	10,495,671	11,570,953
Shareholders' equity (deficiency)	6,777,160	6,398,269	5,669,924	4,235,559
Weighted average number of common shares outstanding	130,971,578	235,286,816	235,286,816	235,286,816

	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

Financial highlights

	Three months ended December 31					
Operations by operating segment		**2018**			2017	
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Crude oil	**22,975**	**-**	**22,975**	68,177	-	68,177
Natural gas liquids	**3,597**	**-**	**3,597**	15,151	-	15,151
Natural gas	**1,533**	**185,029**	**186,562**	5,194	241,017	246,211
Petroleum and natural gas sales	**28,105**	**185,029**	**213,134**	88,522	241,017	329,539
Other income	**691**	**-**	**691**	689	-	689
Total revenue	**28,796**	**185,029**	**213,825**	89,211	241,017	330,228
Royalties	**3,417**	**47,883**	**51,300**	9,763	75,457	85,220
Production taxes	**-**	**16,368**	**16,368**	-	14,453	14,453
Operating expenses	**48,820**	**24,854**	**73,674**	71,409	29,699	101,108
Sales volumes						
Light oil and natural gas liquids (bbls)	**686**	**-**	**686**	1,520	-	1,520
Natural gas (mcf)	**795**	**39,188**	**39,983**	2,787	70,147	72,934
Total sales volumes (boe)	**819**	**6,531**	**7,350**	1,985	11,691	13,676

	Years ended December 31					
Operations by operating segment		**2018**			2017	
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Crude oil	**155,855**	**-**	**155,855**	213,491	-	213,491
Natural gas liquids	**15,926**	**-**	**15,926**	28,672	-	28,672
Natural gas	**6,128**	**835,777**	**841,905**	15,758	241,017	256,775
Petroleum and natural gas sales	**177,909**	**835,777**	**1,013,686**	257,921	241,017	498,938
Other income	**2,150**	**-**	**2,150**	4,691	-	4,691
Total revenue	**180,059**	**835,777**	**1,015,836**	262,612	241,017	503,629
Royalties	**31,437**	**224,860**	**256,297**	49,514	75,457	124,971
Production taxes	**-**	**69,217**	**69,217**	-	15,453	15,453
Operating expenses	**175,270**	**145,630**	**320,900**	238,329	29,699	268,028
Sales volumes						
Light oil and natural gas liquids (bbls)	**2,719**	**-**	**2,719**	4,417	-	4,417
Natural gas (mcf)	**3,634**	**216,332**	**219,966**	7,556	70,147	77,703
Total sales volumes (boe)	**3,325**	**36,055**	**39,380**	5,676	11,691	17,367

For the three and twelve month periods ended December 31, 2018, the Company had oil and gas revenues of $213,825 and $1,015,686, compared to $330,228 and $503,629 during the same periods in 2017, respectively. 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 revenues and operations for the fourth quarter of 2017 forward reflected revenue recognized from the first two Yegua wells on production in Texas, USA. Revenue for the fourth quarter of 2018 was down from that in the fourth quarter of 2017 primarily due to slightly less sales volumes in both Canada and the US as well as reduced crude oil pricing, offset somewhat by the impact of higher natural gas pricing on US volumes. Revenue for the fourth quarter of 2018 of $213,825 was down $26,304 from revenue of $240,129 in the third quarter of 2018. This decrease was primarily the result of a $34,215 decrease in revenue from Canada due to reduced volumes and crude oil pricing experienced, offset somewhat by an $7,911 increase in US revenues as a result of better natural gas pricing despite slightly lower volumes.

Royalties for the three and twelve month periods ended December 31, 2018 were $51,300 and $256,297, respectively, as compared to $85,220 and $124,971 in the same periods in 2017. Production taxes for the three and twelve month periods ended December 31, 2018 were $16,368 and $69,217, respectively, as compared to $15,453 in the same periods in 2017. The change in royalties and production taxes between periods is related to the commencement of U.S. operations from the Yegua wells in the fourth quarter of 2017.

Operating expenses for the twelve month periods ended December 31, 2018 were $73,674 and $320,900, as compared to $101,108 and $268,028 in the same periods in 2017. The change in operating expenses between periods is primarily related to the commencement of U.S. operations from the Yegua wells in the fourth quarter of 2017. Operating expenses for fourth quarter of 2018 of $73,674 are down from operating expenses of $95,867 in the third quarter of 2018.

General and administrative expenses for the three and twelve month periods ended December 31, 2018 were $659,135 and $1,791,483, as compared to $450,519 and $1,503,394 for the same periods in 2017, respectively. G&A expenses for the year ended December 31, 2018 include approximately $144,000 of transaction costs attributable to legal and related costs in marketing a limited partnership investment for Austin Chalk assets as well as an equity financing and asset purchase transaction that did not proceed. In addition, Tanager has incurred significant further legal expenses defending, countering and settling the lawsuit as described in the credit facility section of this MD&A. The increase in G&A expenses from the year ended December 31, 2017 to the same period in 2018 was due to the costs incurred related to the transaction costs and legal expenses noted above, offset by less payroll, consulting and other professional fees. The increase in G&A expenses from $480,441 in the third quarter of 2018 to $659,135 in the fourth quarter of 2018 was due to additional legal costs related to defending, countering and settling the lawsuit.

Finance expenses for the three and twelve month periods ended December 31, 2018 were $130,342 and $724,180, compared to $376,457 and $1,553,415 in the same periods of 2017, respectively. Finance expenses for the year ended December 31, 2018 were comprised of $490,820 in interest charges and $233,360 of accretion on decommissioning liabilities and convertible debentures, as compared to $646,472 in interest charges and $906,943 of accretion on decommissioning liabilities and convertible debentures in 2017. Interest expense for the 2018 year consists of $105,156 of interest on convertible debentures and $385,664 of interest accrued on the Credit Facility and Loans Payable, compared to $556,428 of interest on convertible debentures and $80,044 of interest accrued on the Credit Facility and Loans Payable in the same period in 2017. The decrease in interest expense and accretion on convertible debentures from 2017 to 2018 is due to reduced average principal outstanding from the conversion of CAD dollar denominated debentures effective November 3, 2017 and the conversion of the US dollar denominated debentures effective March 27, 2018. The increase in accrued interest expense on the Credit Facility and Loans Payable from the fourth quarter 2017 to 2018 is due to the higher average debt balance outstanding due to the timing of the receipt of the US$200,000 Loan Payable in November 2017, the US$400,000 Loan Payable in March 2018, and a US$1,745,591 promissory note and US$670,000 drawn on a new loan from the US JV partner and its subsidiary, respectively, in the fourth quarter of 2018.

The net loss for the three and twelve month periods ended December 31, 2018 was $1,931,266 and $3,170,384, as compared to a net loss of $8,320,909 and $9,717,661 during the same periods in 2017. The decrease in the loss between the year to date periods is primarily attributable to the increase in net revenues (net of royalties and production taxes), a non-cash gain on unrealized embedded derivatives in 2018 compared to a loss in 2017, a gain on forgiveness of debt in 2018, as well as a reduction in impairment, finance, share-based payments and mining expenses, partially offset by an increase in G&A, operating expenses, depletion, and foreign exchange. The net cash flow used in operating activities for the three and twelve month periods ended December 31, 2018 was $708,476 and $1,372,160, as compared to $306,433 and $1,986,141 in the same periods of 2017.

Capital Expenditures

The Company incurred additions to exploration and evaluation ("E&E") expenditures (excluding acquisitions) of $292,901 (2017 - $5,416,771) and property, plant & equipment ("PP&E") expenditures of $188,031 (2017 - $526,797) for the year ended December 31, 2018. The capital expenditure activities in Canada and the US for the year ended December 31, 2018 were as follows:

(a) Canada
There were $5,316 of property, plant & equipment expenditures in Canada during the year ended December 31, 2018 (2017 - $nil) that were incurred on engineering and geological review for an upcoming new well in Joffre, Alberta.

(b) US
During the year ended December 31, 2018, the Company incurred E&E expenditures of $292,901 (2017 - $5,416,771) primarily related to lease bonus payments and land title work on undeveloped leases, as well as a coil tubing cleanout of the Cain Carter #1 well in the fourth quarter of 2018 to prepare for a future fracture stimulation treatment. In the comparative 2017 period, the E&E expenditures were primarily related to drilling, completion and equipping costs on the Company's first six Yegua wells in Polk County, Texas and pipeline installation costs related to the Raptor A #1 and B #1 wells which were brought onto production in September 2017.

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 $182,715 of property, plant and equipment costs were incurred on these Yegua wells during the year ended December 31, 2018 (2017 - $526,797).

Liquidity and Capital Resources

The Company had a cash position of $55,640 at December 31, 2018, compared with a cash position of $173,516 at December 31, 2017. As at December 31, 2018, the Company had a net loss of $3,170,384 (2017 - $9,717,661), a working capital deficiency of $10,890,660 (2017 - $3,759,968) and an accumulated deficit of $37,181,259 (2017 - $34,010,875).

The Company had the following financing activities during 2017 and 2018:

(a) 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 and 2018. 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. There will be no further draws available under this Credit Facility. In addition, this Credit Facility is to be settled in 2019 as disclosed further in this MD&A.

(b) 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.

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

On March 25, 2019, the Company entered into a new loan agreement with the same arm's length third-party individual extending the maturity date of the loan to December 31, 2020 with the $200,000 outstanding principal and all accrued interest due at that date.

(d) 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 matured and was originally due and payable, along with accrued interest, on June 26, 2018. The loan was amended subsequent to December 31, 2018.

On April 11, 2019, the Company entered into a loan amendment with the third-party lender which extends the maturity date to December 1, 2019. The repayment of the loan shall be as follows: a) if the Company is successful in raising additional capital of at least US$3,500,000 on or before August 1, 2019, then the Company shall pay in full the balance of outstanding principal and accrued interest on or before August 10, 2019; or if the Company is unable to close a transaction to raise additional capital of US$3,500,000 by August 1, 2019, then the Company shall begin making monthly principal payments of US$50,000 each beginning on August 1, 2019 and the balance of the outstanding principal and accrued interest shall be due in full on December 1, 2019. The US JV Partner has agreed to provide a guarantee of US$400,000 in the event the Company fails to make the payment in part a) above and shall guarantee any monthly principal payments the Company fails to make in part b) above to a maximum of US$400,000.

(e) 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, were 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 the Company, acquired 55,225,714 Common Shares pursuant to the conversion, representing 23.47% of the issued and outstanding Common Shares of the Company. 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 the Company, 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.

(f) In September 2018, the Company converted outstanding accounts payable owing to the US JV Partner in the amount of US$1,745,591 into a promissory note. In addition, the Company entered into a loan from a wholly-owned subsidiary of the US JV Partner for a total available amount of US$400,000. As of December 31, 2018, a total of US$670,000 (or an equivalent of CDN $914,014) was drawn under this loan. Each of these loans are guaranteed by the Company, shall be repaid on demand, provided that if no demand is made, the loans are due on September 1, 2020, bear interest at a rate of 0.5% above the Wall Street Journal prime rate, and are secured against all of Company's US subsidiary oil and gas properties in Texas.

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, the Company entered into a line of credit agreement (the "Credit Facility") with ACH Management, LLC, an arm's length third party private corporation ("ACH" or 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 the Company 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 the Company and its US subsidiary.

As of December 31, 2018, the Company has drawn an aggregate of US$3,775,000 (2017 – US$3,775,000), or an equivalent of CDN $5,149,855 (2017 – CDN $4,735,737), 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 ("the ACH 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. As reflected in Note 8 of the financial statements, this subordination has become effective and no repayments under the Credit Facility are currently due by the Company to the Lender.
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, 2018, 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 considering 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 was recognized as a gain on disposition of shares on the 2017 consolidated statements of loss.

In addition, as of September 27, 2017, all common share purchase warrants held by the Lender (Note 13 of the financial statements) are available to be cancelled or transferred to third parties at the discretion of the Company.

Litigation and Mediated Settlement Agreement

On April 18, 2018, William E. Robinson, Jr. (the "Plaintiff") filed a claim against the Company's lender ACH Management, LLC ("ACH"), the Company, and its wholly owned subsidiary, Tanager Energy (USA) Inc., as defendants, in a Dallas, Texas state court. ACH was also a shareholder in the Company. The Company filed an answer, affirmative defenses and counterclaims against the Plaintiff, and cross-claims against ACH.

A mediation among the parties occurred resulting in the execution of a Mediated Settlement Agreement (the "Agreement") dated December 11, 2018 setting forth a binding agreement among William E. Robinson, Jr., ACH Management, LLC, Tanager Energy Inc., and Tanager Energy (USA) Inc. (collectively the "Parties").

Pursuant to the Agreement, the Company is to pay to the Plaintiff in the total amount of US$1,000,000, to be paid in equal installments over 4 months on dates from January 15 through April 15, 2019. After the final US$250,000 payment to the Plaintiff made was by the Company on April 12, 2019, the Company owes no more money to any of the Parties for any reason. Also, after final payment, with respect to the securities of the Company currently held by ACH, 9,765,000 common shares are in the process of being transferred from ACH to the Plaintiff, and the remaining 10,851,810 common shares and 21,000,000 common share purchase warrants shall be cancelled, transferred or assigned as directed by the Company at a future date.

Given the timely completion of the final payment and upon the pending transfer of the shares to the Plaintiff, the existing lawsuit against the Company and its subsidiary is in the process of being dismissed with prejudice. Then all the outstanding loan principal of US$3,775,000 and accrued interest shall be forgiven and there shall be no further obligations under the credit facility.

Share Capitalization

The Company is authorized to issue an unlimited number of common shares. As of December 31, 2018, 235,286,816 common shares, 2,000,000 stock options, and 21,000,000 common share purchase warrants were outstanding for a total of 258,286,816 common shares on a fully diluted basis.

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, 2018 and 2017:

(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 on the Canadian dollar debentures and 6% coupon interest on the US dollar denominated debentures. During the year ended December 31, 2018, a total of $52,578 (2017 - $313,648) and $52,578 (2017 - $234,526) coupon interest was incurred on the portion of these convertible debentures held by the director and the Trust, respectively. Total accrued interest payable to the director and the Trust as of December 31, 2018, 2018 was $306,991 (2017 – 179,422) and is 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. On March 27, 2018, the US dollar denominated debentures were converted into 110,451,428 Common Shares of the Company.

(b) The Company 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 123,966,428 common shares of the Company, representing an ownership of 52.69% 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 23 of the Financial Statements. In September 2018, the Company converted outstanding accounts payable owing to the US JV Partner in the amount of US$1,745,591 into a promissory note. In addition, the Company entered into a loan from a wholly-owned subsidiary of the US JV Partner for a total available amount of US$1,250,000. For further details, refer to Note 8 of the Financial Statements. Each of these loans bear interest at a rate of 0.5% above the Wall Street Journal prime rate. During the year ended December 31, 2018, a total of $49,012 (2017 - $nil) interest was accrued on both of these loans. Included in accounts payable at December 31, 2018 is $379,659 (2017 - $2,389,183) owing to the US JV Partner and its subsidiary.

(c) 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:

	2018	2017
	$	$
Short term benefits	**432,584**	458,655
Share-based payments	**46,261**	189,215
	478,845	647,870

(d) In October 2018, the US JV Partner interest in the Joffre, Alberta D-3 B oil pool assets from the Company's former JV partner for $300,000 payable in cash. Pursuant to the terms of the agreement with the former JV partner, it was agreed that all net balances owing to or from the Company would be settled for no further consideration. As a result, in the fourth quarter of 2018 the Company reduced its accounts receivable, accounts payable and extinguished the $190,000 loan payable to the former JV partner (Note 8 of the financial statements) and recorded the $96,770 difference to a gain on settlement on the Consolidated Statements of Loss and Comprehensive Loss.

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.

Upcoming Changes in Issuer's GAAP / Foreign Private Issuer Status

Under the US Securities Exchange Act of 1934, a foreign private issuer ("FPI") is an entity incorporated or organized under the laws of a jurisdiction outside of the US, unless:

- more than 50% of its outstanding voting securities are directly or indirectly owned of record by US residents; and
- any of the following applies: (i) the majority of its executive officers or directors are US citizens or residents; (ii) more than 50% of its assets are located in the United States; or (iii) its business is administered principally in the United States.

A company's ongoing FPI status is tested annually at the end of the most recently completed second fiscal quarter. If an issuer fails to qualify as a FPI at the end of its second fiscal quarter, it remains eligible to use the forms and rules applicable to FPIs until the end of that financial year.

As of June 30, 2018, the Company has determined that it no longer qualifies as an FPI. Therefore, the Company must transition to U.S. domestic company reporting status and become subject to SEC reporting requirements applicable to a U.S. domestic company, beginning in 2019. These reporting requirements will require that the Company's 2019 financial statements and selected financial data be recast into US GAAP and US dollar reporting currency for all periods presented, which will include the 2018 annual filings. The extent of the impact of adoption of these standards has not yet been determined. In addition, the Company will be required to file annual, quarterly and current report filing with the SEC, comply with US insider filing requirements under the Exchange Act, and follow Regulation FD for "fair disclosure" of materially non-public information through public disclosure that is broadly available to all members of the public at the same time.

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, 2018 totaled $4,235,559 (2017 - $5,726,423 deficiency).

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, 2018. 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 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, 2018, the Company had cash and cash equivalents of $55,640 (2017 - $173,516) to settle current liabilities of $11,063,858 (2017 - $4,839,323). Most of the Company's third-party 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. Current liabilities include $3,981,999 (2017 - $2,568,605) of amounts due to related parties for accrued interest and loans as is further described in notes 7 and 8 of the financial statements. Subsequent to December 31, 2018, the Company's credit facility balance of US$3,775,000 is to be settled following the completion of US$1,000,000 in all required payments made in January to April 2019 and the pending transfer of certain common shares to a third party as described earlier in this MD&A.

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 interest-bearing 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 credit facility and certain loans payable are at fixed rates and not subject to rate fluctuations. There are two related party loans that bear interest at a floating rate of interest. The Company regularly monitors compliance to 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. 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, 2018, 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.

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.

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 and 2018, 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 the Company; future opportunities; business strategies, goals and plans of the Company. 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 the Company's current beliefs and is based on information currently available to the Company and on assumptions the Company 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 the Company 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 the Company; 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 Company's disclosure documents on the SEDAR website at www.sedar.com. Although the Company 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 the Company as of the date of this MD&A and, accordingly, is subject to change after such date. However, the Company 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*] Marc Rhoades**

Marc Rhoades
Chief Executive Officer
Paleo Resources, Inc.

April 29, 2019