
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: March 31, 2017

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from:

Commission file number: 333-190836

FOOTHILLS EXPLORATION, INC.

(Exact Name of Registrant as Specified in Charter)

Delaware

27-3439423

(State or other jurisdiction
of incorporation)

(IRS Employer
Identification No.)

**633 17th Street, Suite 1700-A
Denver, Colorado 80202**

(Address of Principal Executive Offices)

(720) 449-7478

(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

Indicate by checkmark whether the registrant has (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of May 4, 2017, the issuer had 14,074,612 shares of its common stock, \$0.0001 par value per share, outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

FOOTHILLS EXPLORATION, INC.
Condensed Consolidated Balance Sheets

	March 31, 2017	December 31, 2016
<u>Assets</u>	<u>(Unaudited)</u>	
Current Assets		
Cash and cash equivalents	\$ 385,768	\$ 801,377
Accounts receivable	21,988	-
Prepaid expenses	426,946	49,140
Total Current Assets	834,702	850,517
Fixed assets, net	338,640	353,363
Restricted cash	240,000	240,000
Surety and performance bonds	295,000	295,000
Oil and gas property, net	11,345,451	11,198,411
Total Assets	\$ 13,053,793	\$ 12,937,291
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,225,148	\$ 1,710,328
Related party payable	-	10,600
Accrued interest	50,486	-
Note payable – related party	1,250,000	-
Note payable	1,000,000	-
Contingent liabilities	213,372	213,372
Total Current Liabilities	3,739,006	1,934,300
Long-Term Liabilities		
Long-term debt, net (unamortized debt discount of \$285,670 and \$0, respectively)	5,714,330	6,000,000
Asset retirement obligation	294,576	-
Total Liabilities	9,747,912	7,934,300
Stockholders' Equity		
Preferred stock, \$0.0001 par value; 25,000,000 shares authorized; no shares outstanding	-	-
Common stock, \$0.0001 par value; 100,000,000 shares authorized; 14,074,612 and 13,779,612 shares issued and outstanding, respectively	1,407	1,378
Stock payable	57,639	51,397
Additional paid in capital	7,380,928	6,924,810
Accumulated deficit	(4,134,093)	(1,974,594)
Total stockholders' equity	3,305,881	5,002,991
Total Liabilities and Stockholders' Equity	\$ 13,053,793	\$ 12,937,291

See accompanying notes to unaudited condensed consolidated financial statements.

FOOTHILLS EXPLORATION, INC.
Condensed Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended March 31, 2017	For the Three Months Ended March 31, 2016
Revenue	\$ 73,894	\$ -
Operating expenses		
Selling, general and administrative	831,753	208,750
Depreciation, depletion and amortization	18,369	-
Impairment of oil and gas properties	1,272,753	-
Total operating expenses	<u>2,122,875</u>	<u>208,750</u>
Loss from operations	(2,048,981)	(208,750)
Other income (expenses):		
Interest expense	(110,518)	(11,967)
Total other income (expenses)	<u>(110,518)</u>	<u>(11,967)</u>
Loss from operations before income taxes	(2,159,499)	(220,717)
Provision for income taxes	-	-
Net Loss	<u>\$ (2,159,499)</u>	<u>\$ (220,717)</u>
Net loss per share – basic and diluted	<u>(0.15)</u>	<u>(0.05)</u>
Weighted average common shares – basic and diluted	<u>13,970,001</u>	<u>4,500,000</u>

See accompanying notes to unaudited condensed consolidated financial statements.

FOOTHILLS EXPLORATION, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	For the Three Months Ended March 31, 2017	For the Three Months Ended March 31, 2016
Cash Flows from Operating Activities		
Net loss	\$ (2,159,499)	\$ (220,717)
Depreciation and amortization	18,369	-
Impairment of assets	1,272,753	-
Amortization of debt discount	57,134	-
Accretion of asset retirement obligation	2,917	-
Common stock and stock payable issued for services	202,067	-
Changes in operating assets and liabilities:		
Prepaid expenses	(117,484)	97,250
Accounts payable and accrued liabilities	(485,180)	61,500
Accounts payable - related party	(10,600)	-
Accounts receivable	(21,988)	-
Accrued interest	50,486	11,967
Net cash used in operating activities	<u>(1,191,025)</u>	<u>(50,000)</u>
Cash Flows from Investing Activities		
Payments for acquisition of oil and gas property	(1,474,584)	(20,000)
Net cash from investing activities	<u>(1,474,584)</u>	<u>(20,000)</u>
Cash Flows from Financing Activities		
Proceeds from note payable - related party	1,250,000	-
Proceeds from note payable	1,000,000	-
Net cash provided by financing activities	<u>2,250,000</u>	<u>-</u>
Net decrease in cash and cash equivalents	(415,609)	(70,000)
Cash and Cash Equivalents, beginning of period	801,377	375,000
Cash and Cash Equivalents, end of period	<u>\$ 385,768</u>	<u>\$ 305,000</u>
Supplemental disclosures on cash flow information:		
Prepaid expenses in shares	\$ 260,322	\$ -
Asset Retirement Obligation	\$ 291,659	\$ -
Debt discount	\$ 342,804	\$ -

See accompanying notes to unaudited condensed consolidated financial statements.

FOOTHILLS EXPLORATION, INC.
Notes to the Condensed Consolidated Financial Statements
Three Months Ended March 31, 2017
(Unaudited)

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Business

Foothills Exploration, Inc., (“Company” or “Foothills Exploration”) was incorporated in the State of Delaware on May 13, 2010, under the name of “Key Link Assets Corp.” for the purpose of acquiring a portfolio of heavily discounted real estate properties in the Chicago metropolitan area. The Company changed its focus and planned to acquire small and medium sized grocery stores in non-urban locales that are not directly served by large national supermarket chains.

On May 2, 2016, Foothills Petroleum Inc., a Nevada corporation (“FPI”), acquired over 14.1 million pre-split (56.4 million post-split) shares of the Company’s common stock constituting approximately 96% of our then issued and outstanding shares (“FPI Acquired Shares”). As of May 16, 2016, we effected a 4:1 forward split of our shares of common stock.

On May 27, 2016, we entered into a Share Exchange Agreement with shareholders of FPI whereby we acquired all of the outstanding shares of FPI in exchange for 4,500,000 shares of our common stock and also issued 1,503,759 shares of our common stock on automatic conversion of debt (please see discussion below under Overview) for an aggregate of 6,003,759 shares of our common stock (the “Share Exchange”). As a result of the Share Exchange, FPI became our wholly owned subsidiary and the FPI Acquired Shares were returned to treasury and deemed cancelled. For accounting purposes, this transaction is being accounted for as a reverse acquisition and has been treated as a recapitalization of the Company with FPI considered the accounting acquirer, and the financial statements of the accounting acquirer became the financial statements of the registrant. The completion of the Share Exchange resulted in a change of control. The FPI Shareholders obtained approximately 96% of voting control on the date of Share Exchange. FPI was the acquirer for financial reporting purposes and the Company was the acquired company. The condensed consolidated financial statements after the acquisition include the balance sheets of both companies at historical cost, the historical results of FPI and the results of the Company from the acquisition date. All share and per share information in the accompanying condensed consolidated financial statements and footnotes have been retroactively restated to reflect the recapitalization.

Prior to the Share Exchange, we had minimal assets and recognized no revenues from operations, and were accordingly classified as a shell company. On June 24, 2016, we filed an amendment to our Current Report on Form 8-K originally filed on June 10, 2016, indicating that we were no longer a shell company as defined by Rule 12b-2 of the Exchange Act. In light of closing the Share Exchange transaction with the shareholders of FPI, the Company became actively engaged in oil and gas operations through its wholly owned subsidiary.

On December 12, 2016, the Company entered into a participation agreement with Magna Operating, LLC, a privately held Houston-based independent exploration and production company (“Magna Operating”), in relation to the Labokay prospect, covering approximately 240 acres in Calcasieu Parish, Louisiana.

As consideration for an assignment of interest in and to the leases and the prospect, Foothills Petroleum Operating, Inc., a Nevada corporation and indirect wholly-owned subsidiary of the Company (“FPOI”), tendered to Magna Operating the purchase price in the amount of \$144,000. This amount covered FPOI’s share of the land, lease, and administrative costs that Magna Operating incurred in generating and assembling the Labokay prospect as of November 15, 2016. As further consideration for an assignment of working interest in and to the leases, FPOI agreed to participate in the cost, risk, and expense of drilling the Labokay test well. The well was plugged and abandoned in February 2017.

On December 30, 2016, the Company acquired various oil and gas assets in Utah from Total Belief Limited, a wholly owned subsidiary of New Times Energy Corporation Limited. These assets included certain oil and gas wells throughout the Uinta Basin in Utah on acreage with over 30 proven undeveloped drilling locations, additional non-operating interest in other leases, and access to approximately 6,000 acres in the Uinta Basin with proven and probable reserves and existing infrastructure in place. Through the acquisition, Foothills also obtained six shut-in wells in the Natural Buttes Field, Utah. The transaction provides Foothills with the rights to an agreement to acquire up to 6,000+ acres and up to 16 shut-in oil and gas wells with proved and proved undeveloped reserves on Tribal lands in the Uinta Basin. This acquisition delivers to the Company an additional 40% working interest in the Ladysmith Prospect covering 3,060 acres in the Greater Green River Basin, Wyoming, bringing the Company's total working interest in the prospect from 35% (pre-acquisition) up to 75%.

By this agreement, the Company acquired 13,166,667 shares, constituting 55.63% of the outstanding shares of Grey Hawk Exploration, Inc. ("Grey Hawk"), a British Columbia, Canada company. Grey Hawk owns a non-operated working interest in two non-producing wells in the southern portion of the Natural Buttes Field.

On December 30, 2016, the Company also acquired the remaining 25% membership interest in TEPI from Green Stone Capital Partners Limited, a Cayman Islands limited liability company, in exchange for assumption of Greenstone's proportionate share of TEPI obligations and liabilities.

Nature of Operations

FPI, the Company's main operating subsidiary, was incorporated in Nevada in December 2015. Foothills is an independent oil and gas exploration company with a focus on the acquisition and development of oil and gas properties in the Rockies and Gulf Coast. Foothills seeks to acquire dislocated and underdeveloped oil and gas assets and maximize those assets to create shareholder value (the "Business").

The Company's principal obligations include:

- A debenture in the amount of \$1,250,000, plus interest accruing at a rate of 9% per annum issued to Berwin Trading Limited with principal and interest due upon maturity on May 6, 2017. Subsequent to the period ending March 31, 2017 the Company and Berwin Trading Limited agreed to extend the maturity date of the debenture to June 20, 2017, in return for an annual interest rate increase from 9% to 13.5% per annum for the life of the debenture;
- A second debenture in the amount of \$1,000,000, plus interest accruing at a rate of 9% issued to Full Wealth Investment Hong Kong Limited (collectively the "Debentures") with principal and interest due upon maturity on or before May 5, 2017. The Company and Full Wealth Investment Hong Kong Limited have been in discussions to extend the term of this debenture upon terms that are comparable to those for the Berwin Trading Limited debenture and Full Wealth Investment Hong Kong Limited has acknowledged that its debenture is not deemed to be in default.
- A promissory note in the amount of \$6,000,000 to Total Belief Limited ("TBL"), a direct wholly-owned subsidiary of New Times Energy Corporation Limited, in connection with the assets acquired on December 30, 2016, with a maturity date of June 30, 2018. This promissory note accrues no interest during its term and is due and payable in full on or before its maturity date.

From its inception in December 2015 through the period ended March 31, 2017, Foothills produced limited revenues from its business and principal properties and is currently an exploration stage company. Prior to January 2017, Foothills had minimal operations that were focused mainly on administrative activities connected to the identification and evaluation of potential oil and gas prospects and other potential leasehold acquisitions in our geographical areas of interest. As of March 31, 2017, Foothills had rights to 45,648 acres of oil and gas property in the state of Wyoming, excluding 6,115 acres of the Ironwood prospect that are subject to drilling a well in 2017.

Note 2 – Going Concern

The Company has incurred an accumulated deficit of \$4,134,093 through March 31, 2017, and had a working capital deficit of \$2,904,304 at March 31, 2017. The Company is subject to those material risks associated with exploration stage companies. The Company has sustained losses since inception and additional debt and equity financing will be required by the Company to fund its development activities and to monetize economically recoverable oil and gas reserves.

We are currently engaged in discussions with financing sources seeking more than \$5 million intended to repay or refinance amounts due at the beginning of May 2017 and also provide the company additional working capital. Additionally, other prospects are being evaluated for acquisition and will likely need additional capital in the form of equity or debt, including possible bank debt that is significantly greater than \$5 million. However, no assurance can be given that the Company will be able to obtain additional financing to further its ongoing activities so that profitable operations can be attained. The Company also continues to search for producing and/or additional productive properties and seeks to strategically lease additional acreage positions adjoining leases currently owned by the Company. There can be no assurance that the Company's efforts will be successful, or that those efforts will translate in a beneficial manner to the Company. These factors raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued.

The accompanying statements do not include any adjustments relating to the recoverability and classification of assets and/or liabilities that might be necessary, should the Company be unable to continue as a going concern.

Note 3 – Summary of Significant Accounting Policies

Principles of Consolidation

The financial statements include the accounts of Foothills Exploration, Inc., and all of its direct and indirect wholly-owned subsidiaries. Intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation and Functional Currency

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X and are expressed in United States dollars (USD). Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete annual financial statements. These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. Operating results for the three months ended March 31, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017 or for any other future period. The condensed consolidated balance sheet at December 31, 2016 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the period ended December 31, 2016 and notes thereto included in the Company's annual report on Form 10-K. The Company follows the same accounting policies in the preparation of interim reports as noted in the Company's annual report on Form 10-K.

Exploration Stage

The Company has produced minimal revenues from its principal business and is still in the exploration stage. The Company is engaged in the acquisition, exploration, development and production of oil and gas properties. As of March 31, 2017, the Company had rights to 45,648 acres of oil and gas property in the state of Wyoming, excluding 6,115 acres of the Ironwood prospect that are subject to drilling a well in 2017, through its transaction with the shareholders of Foothills, its farmout agreement with Koch Exploration Company, and other acquisitions made by the Company since its inception.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and 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 reported periods. Actual results could materially differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The carrying value of those investments approximates their fair market value due to their short maturity and liquidity. Cash and cash equivalents include cash on hand and amount on deposit with financial institutions, which amounts may at times exceed federally insured limits. The Company has not experienced any losses on such accounts and it does not believe it is exposed to any significant credit risk. As of March 31, 2017, the Company had no cash equivalents.

Restricted Cash

Cash and cash equivalents that are restricted as to withdrawal or use under the terms of certain contractual agreements are recorded in restricted cash in the non-current assets section of our condensed consolidated balance sheet. As of March 31, 2017, and December 31, 2016, the Company had restricted cash of \$240,000 and \$240,000 respectively; the \$240,000 is being held in escrow for the benefit of the State of Utah for certain properties located in Utah.

Oil and Gas Properties

The Company follows the full cost method of accounting for its investments in oil and gas properties. Under the full cost method, all costs associated with the exploration of properties are capitalized into appropriate cost centers within the full cost pool. Internal costs that are capitalized are limited to those costs that can be directly identified with acquisition, exploration, and development activities undertaken and do not include any costs related to production, general corporate overhead, or similar activities. Cost centers are established on a country-by-country basis.

Capitalized costs within the cost centers are amortized on the unit-of-production basis using proved oil and gas reserves. The cost of investments in unevaluated properties and major development projects are excluded from capitalized costs to be amortized until it is determined whether or not proved reserves can be assigned to the properties. Until such a determination is made, the properties are assessed annually to ascertain whether impairment has occurred. The costs of drilling exploratory dry holes are included in the amortization base immediately upon determination that the well is dry.

For each cost center, capitalized costs are subject to an annual ceiling test, in which the costs shall not exceed the cost center ceiling. The cost center ceiling is equal to: (i) the present value of estimated future net revenues computed by applying current prices of oil and gas reserves (with consideration of price changes only to the extent provided by contractual arrangements) to estimated future production of proved oil and gas reserves as of the date of the latest balance sheet presented, less estimated future expenditures (based on current costs) to be incurred in developing and producing the proved reserves computed using a discount factor of ten percent and assuming continuation of existing economic conditions; plus (ii) the cost of properties not being amortized; plus (iii) the lower of cost or estimated fair value of unproven properties included in the costs being amortized; and less (iv) income tax effects related to differences between the book and tax basis of the properties. If unamortized costs capitalized within a cost center, less related deferred income taxes, exceed the cost center ceiling, the excess is charged to expense and separately disclosed during the period in which the excess occurs.

As of March 31, 2017 the Company determined that no impairment was required for the period ended March 31, 2017 based on the guidance in Regulation S-X, Rule 4-10; SAB Topic 12.D; and FRC Section 406.01.c.

Capitalization of Fixed Assets

The Company capitalizes expenditures related to property and equipment, subject to a minimum rule, that have a useful life greater than one year for: (1) assets purchased; (2) existing assets that are replaced, improved or the useful lives have been extended; or (3) all land, regardless of cost. acquisitions of new assets, additions, replacements and improvements (other than land) costing less than the minimum rule in addition to maintenance and repair costs, including any planned major maintenance activities, are expensed as incurred.

Office equipment – 3 years
Vehicle(s) – 5 years
Drilling and production equipment – 7 years
Oil and gas properties – 20 years

Asset Retirement Obligations

The asset retirement obligation relates to the plug and abandonment costs when its wells are no longer useful. The Company determines the value of the liability by obtaining quotes for this service and then estimating the increase it will face in the future. The Company then discounts the future value based on an intrinsic interest rate that is appropriate. If costs rise more than what was expected there could be additional future charges, however, Foothills monitors the costs of the abandoned wells and intends to adjust this liability as required.

Fair Value of Financial Instruments

For certain of the Company's financial instruments, including cash and equivalents, restricted cash, accounts receivable, accounts payable, accrued liabilities and short-term debt, the carrying amounts approximate their fair values due to their short maturities. ASC Topic 820, "Fair Value Measurements and Disclosures," requires disclosure of the fair value of financial instruments held by the Company. ASC Topic 825, "Financial Instruments," defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The carrying amounts reported in the condensed consolidated balance sheets for receivables and current liabilities each qualify as financial instruments and are a reasonable estimate of their fair values because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest. The three levels of valuation hierarchy are defined as follows:

- Level 1, defined as observable inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.
- Level 2, defined as inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company analyzes all financial instruments with features of both liabilities and equity under ASC 480, "Distinguishing Liabilities from Equity," and ASC 815.

As of March 31, 2017, the Company did not identify any assets and liabilities that are required to be presented on the balance sheet at fair value.

Net Earnings (Loss) Per Common Share

The Company computes earnings per share under ASC 260-10, "Earnings Per Share." Basic earnings (loss) per share is computed by dividing the net income (loss) attributable to the common stockholders (the numerator) by the weighted average number of shares of common stock outstanding (the denominator) during the reporting periods. Diluted loss per share is computed by increasing the denominator by the weighted average number of additional shares that could have been outstanding from securities convertible into common stock (using the "treasury stock" method), unless their effect on net loss per share is anti-dilutive. There were 225,000 potentially dilutive shares, which include outstanding warrants, for the period ended March 31, 2017. The potential shares are excluded from the determination of basic and diluted net loss per share as their effect is anti-dilutive.

Stock-Based Compensation

All share-based payments, including grants of stock to employees, directors and consultants, are recognized in the condensed consolidated financial statements based upon their estimated fair values.

The Company's accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows ASC Topic 505. As such, the value of the applicable stock-based compensation is periodically re-measured and income or expense is recognized during their vesting terms. The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete. In the case of equity instruments issued to consultants, the fair value of the equity instrument is primarily recognized over the term of the consulting agreement. In accordance with FASB guidance, an asset acquired in exchange for the issuance of fully vested, non-forfeitable equity instruments should not be presented or classified as an offset to equity on the grantor's balance sheet once the equity instrument is granted for accounting purposes.

Recent Accounting Pronouncements

In November 2015, the FASB issued Accounting Standards Update No. 2015-17, *Balance Sheet Classification of Deferred Taxes* (“ASU 2015-17”). ASU 2015-17 requires companies to classify all deferred tax assets and liabilities as noncurrent on the balance sheet instead of separating deferred taxes into current and noncurrent amounts. The guidance is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted. The guidance may be adopted on either a prospective or retrospective basis. The Company does not expect the adoption of this guidance to have a material effect on the Company’s condensed consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases* (Topic 842) (“ASU 2016-02”). ASU 2016-02 addresses the financial reporting of leasing transactions. Under current guidance for lessees, leases are only included on the balance sheet if certain criteria, classifying the agreement as a capital lease, are met. This update will require the recognition of a right-of-use asset and a corresponding lease liability, discounted to the present value, for all leases that extend beyond 12 months. For operating leases, the asset and liability will be expensed over the lease term on a straight-line basis, with all cash flows included in the operating section of the statement of cash flows. For finance leases, interest on the lease liability will be recognized separately from the amortization of the right-of-use asset in the statement of operations and the repayment of the principal portion of the lease liability will be classified as a financing activity while the interest component will be included in the operating section of the statement of cash flows. This guidance is effective for annual and interim reporting periods beginning after December 15, 2018. Early adoption is permitted. The Company has not yet completed the analysis of how adopting this guidance will affect its condensed consolidated financial statements.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, *Improvements to Employee Share-Based Payment Accounting* (“ASU 2016-09”). ASU 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Some of the areas of simplification apply only to nonpublic entities. For public business entities, the amendments in ASU 2016-09 are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company has not yet completed the analysis of how adopting this guidance will affect its condensed consolidated financial statements.

In January 2017, the FASB issued Accounting Standards Update No. 2017-01, *Clarifying the Definition of a Business* (“ASU 2017-01”). The standard clarifies the definition of a business by adding guidance to assist entities in evaluating whether transactions should be accounted for as acquisitions of assets or businesses. ASU 2017-01 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Under ASU 2017-01, to be considered a business, the assets in the transaction need to include an input and a substantive process that together significantly contribute to the ability to create outputs. Prior to the adoption of the new guidance, an acquisition or disposition would be considered a business if there were inputs, as well as processes that when applied to those inputs had the ability to create outputs. Early adoption is permitted for certain transactions. Adoption of ASU 2017-01 may have a material impact on the Company’s condensed consolidated financial statements if it enters into future business combinations.

In January 2017, the FASB issued Accounting Standards Update No. 2017-04, *Simplifying the Test for Goodwill Impairment* (“ASU 2017-04”). ASU 2017-04 simplifies the accounting for goodwill impairment by removing Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. ASU 2017-04 is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019, and should be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company does not anticipate the adoption of ASU 2017-04 will have a material impact on its condensed consolidated financial statements.

Other recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company’s present or future condensed consolidated financial statements.

Note 4. Share Exchange Agreement

On May 2, 2016, Foothills Petroleum Inc., a Nevada corporation (“FPI”) acquired over 14.1 million pre-split (56.4 million post-split) shares of Key Link’s common stock from five persons constituting approximately 96% of our issued and outstanding shares (the “FPI Acquired Shares”). In conjunction with this purchase we incurred a charge of \$316,035 for the purchase of these shares.

As of May 16, 2016, the Company effected a 4:1 forward split of its shares of common stock.

On May 27, 2016, the Company entered into a Share Exchange Agreement with the shareholders of FPI, whereby the Company acquired all of the outstanding shares of FPI for an aggregate of 6,003,759 shares of common stock of which 4,500,000 shares of common stock were issued to Wilshire Energy Partners, LLC, (“Wilshire”) and 1,503,759 of shares of common stock were issued to Alternus Capital Holdings Ltd., a British Virgin Islands company (“Alternus”) (the “Share Exchange”) for automatic conversion of debt. As a result of the Share Exchange, FPI became the Company’s wholly owned subsidiary and the FPI Acquired Shares were subsequently returned to treasury, deemed canceled and no longer outstanding.

The Company also exchanged warrants to purchase 700,000 shares of FPI’s common stock that were issued to Wilshire for a like amount of warrants to purchase shares of Key Link’s common stock (the “Wilshire Warrants”). The Wilshire Warrants:

- have a term of five years;
- are exercisable at \$1.25 per share as to 100,000 shares;
- are exercisable at \$2.00 per share as to 200,000 shares;
- are exercisable at \$3.00 per share as to 400,000 shares;
- do not have a cashless exercise feature; and
- are not exercisable for one year from the date of issuance.

Following the closing of the Share Exchange transaction the Company had approximately 8,363,759 shares of common stock outstanding (excluding the FPI Acquired Shares, which are deemed canceled following the Share Exchange), of which Wilshire and Alternus own in the aggregate 6,003,759 shares, or approximately 52% of the outstanding common stock. As of the date of this filing the Company has 25,000,000 shares of preferred stock authorized of which no shares are issued and outstanding.

Note 5 – Fixed Assets

As of March 31, 2017, and December 31, 2016, fixed assets consisted of the following:

	<u>March 31, 2017</u>	<u>December 31, 2016</u>
	<u>(unaudited)</u>	
Computer equipment and fixtures	\$ 22,453	\$ 22,453
Vehicle	69,446	69,446
Drilling Equipment	265,578	265,578
Accumulated depreciation	(18,837)	(4,114)
Fixed assets, net	<u>\$ 338,640</u>	<u>\$ 353,363</u>

Depreciation and amortization expense for the three months ended March 31, 2017 and 2016 was \$14,723 and \$0, respectively.

Note 6 – Oil and Gas Properties

Upon organization of Foothills Petroleum Inc., on December 24, 2015, Wilshire Energy Partners, LLC, contributed its 100% membership interest in Foothills Exploration, LLC, a Wyoming limited liability company, to FPI in exchange for 4,500,000 shares of FPI's common stock. At the time of contribution, Wilshire Energy Partners, LLC, had acquired and owned the rights to 38,120 acres of oil and gas leases in the State of Wyoming. On completion of the Share Exchange, effective May 27, 2016, Wilshire Energy Partners, LLC, exchanged its FPI shares for 4,500,000 shares of the Company's common stock. As a result, the Company owns 100% of FPI and Foothills Exploration, LLC, is now a wholly owned indirect subsidiary of the Company that retains title to these oil and gas leases. This transaction is treated as the founding transaction by the Company. The asset was valued at \$72,430 at the time of transfer based on costs associated with the payment of lease bonuses, fees and taxes paid during the formation of the asset.

On December 24, 2015, Foothills entered into a convertible promissory note in the amount of \$600,000 with Alternus. The two-year note matures on December 23, 2017, and accrues interest at 8% per year. By its terms the note was automatically required to convert the outstanding principal and interest due under the terms of the note upon a merger or other combination occurring between Foothills and an entity with shares listed for trading ("Pubco"). The conversion price in the note was established at \$0.665 per share, (the "Conversion Price"). On April 5, 2016, and under substantially similar terms described herein, Foothills received an additional \$400,000 from Alternus. Under the agreements between Alternus and Foothills, Alternus had the right but not the obligation to subscribe for an aggregate of up to \$3,500,000 of convertible notes which, in the event of that full subscription would convert into not less than 30% of the outstanding shares of Pubco. At May 27, 2016, the date of the Share Exchange, Alternus had invested \$1,000,000 and, based on the Conversion Price, 1,503,759 shares of Common Stock of Pubco (Key Link) were issued in full satisfaction of its two notes.

Alternus transferred to Berwin Trading Limited its right to purchase the remaining \$2,500,000 in equity in the Company at substantially the same terms as the conversion of the convertible note purchase agreement. Berwin agreed to purchase \$2,000,000 or 3,007,519 common shares and completed the documents related to the purchase of equity on June 30, 2016, and funded its investment on July 6, 2016. The additional investment option has expired.

On March 29, 2016, Foothills acquired a 35% working interest in the Ladysmith Anticline prospect that is located in Fremont County, Wyoming. Total acreage position is 3,061 acres located between the Great Divide/Greater Green River Basin and the Wind River Basin, in return for covering certain costs of operation in the amount of \$20,000, and to a share of the working interest in the leases. The primary target zones are the variable Phosphoria and Tensleep sandstone with secondary considerations in the Madison limestone and Flathead sandstone. The prospect generation was based on licensed 2-D seismic comprised of two seismic lines covering the Chevron/Echo – Greater Green River Basin. The asset is valued at \$20,000 based on the agreement and consideration paid by the Company. During the three months ended March 31, 2017, the Company capitalized an additional \$11,517 in costs related to this asset.

On December 12, 2016, the Company entered into a participation agreement with Magna Operating, LLC, a privately held Houston-based independent exploration and production company (“Magna Operating”), in relation to the Labokay prospect, covering approximately 240 acres in Calcasieu Parish, Louisiana. As consideration for an assignment of interest in and to the leases and the prospect, Foothills Petroleum Operating, Inc., a Nevada corporation and indirect wholly-owned subsidiary of the Company (“FPOI”), tendered to Magna Operating the purchase price in the amount of \$144,000. This amount covered FPOI’s share of the land, lease, and administrative costs that Magna Operating incurred in generating and assembling the Labokay prospect as of November 15, 2016. As further consideration for an assignment of working interest in and to the leases, FPOI agreed to participate in the cost, risk, and expense of drilling the Labokay test well.

During the period ended March 31, 2017, the Company drilled a test well on Labokay to the total measured depth of 8,795 feet, where hydrocarbons shows were present, but not in commercial quantities to warrant completion. The well was plugged and abandoned. The Company recognized impairment of oil and gas property in amount of \$1,272,753 during three month ended March 31, 2017.

On December 30, 2016, the Company acquired various oil and gas assets in Utah from Total Belief Limited, a wholly owned subsidiary of New Times Energy Corporation Limited. These assets included certain oil and gas wells throughout the Uinta Basin in Utah on acreage with over 30 proven undeveloped drilling locations, additional non-operating interest in other leases, and access to approximately 6,000 acres in the Uinta Basin with proven and probable reserves and existing infrastructure in place. This purchase provides us with an entry point into the Uinta Basin and a basis from which to seek other bolt-on acquisition opportunities in the Rockies. The transaction delivers a licensed and bonded operator in Utah having bonds in place with the BLM, State of Utah and BIA. Through the acquisition, Foothills also obtained six shut-in wells in the Natural Buttes Field, Utah. Three of these wells have already been worked over and brought back online with production averaging around 500 barrels per month during Q1 2017. The remaining three wells will be worked over in the coming months with the goal of bringing additional production back online.

The transaction provides Foothills with the rights to an agreement to acquire up to 6,000+ acres and up to 16 shut-in oil and gas wells with proved and proved undeveloped reserves on Tribal lands in the Uinta Basin. These properties provide in-field drilling potential, the ability to bring online shut-in wells and behind pipe development. Five shut-in wells located on fee lands in the Altamont-Bluebell Field that are undergoing title curative also have the potential to achieve near term production with stimulation and the addition of surface equipment. Furthermore, this acquisition delivers to the Company an additional 40% working interest in the Ladysmith Prospect covering 3,060 acres in the Greater Green River Basin, Wyoming, bringing the Company’s total working interest in the prospect from 35% (pre-acquisition) up to 75%. Lastly through this transaction, the Company also acquired 13,166,667 shares of common stock, constituting 55.63% of the outstanding shares of Grey Hawk Exploration, Inc. (“Grey Hawk”), a British Columbia, Canada company. Grey Hawk owns a non-operated working interest in two non-producing wells in the southern portion of the Greater Natural Buttes Field in Utah.

On December 30, 2016, concurrent with the TBL transaction, the Company also acquired the remaining 25% membership interests in TEPI from Green Stone Capital Partners Limited, a Cayman Islands limited liability company, in exchange for assumption of Greenstone’s proportionate share of TEPI obligations and liabilities.

On December 30, 2016, in connection with the TBL acquisition (see Note 1), Foothills entered into a promissory note in the amount of \$6,000,000 with Total Belief Limited. This note matures on June 30, 2018, and accrues no interest during its term. \$342,804 imputed interest was recorded as debt discount. \$342,804 was determined using interest method based on the following assumptions: (i) adjusted interest rate 4% (ii) expected life of 1.5 years. During the three months ended March 31, 2017, we amortized \$57,134 debt discount into interest expense.

During the three months ended March 31, 2017 and 2016, we capitalized an additional \$1,474,584 and \$20,000 of oil and gas properties, respectively.

Note 7 - Asset Retirement Obligation

Our asset retirement obligations relate to the abandonment of oil and gas wells. The amounts recognized are based on numerous estimates and assumptions, including future retirement costs, inflation rates and credit adjusted risk-free interest rates. The following shows the changes in asset retirement obligations:

Asset retirement obligations, January 1, 2017	\$	-
Liabilities incurred during the period		291,659
Release of liabilities associated with the sale of oil properties		-
Liabilities settled during the year		-
Accretion		2,917
Asset retirement obligations, March 31, 2017	\$	<u>294,576</u>

Depletion expense for the three months ended March 31, 2017 and 2016 was \$3,646 and \$0, respectively.

Note 8 – Note Payable

On December 30, 2016, in connection with the TBL acquisition (see Note 1), Foothills entered into a promissory note in the amount of \$6,000,000 with Total Belief Limited. This note matures on June 30, 2018, and accrues no interest during its term. \$342,804 imputed interest was recorded as debt discount. \$342,804 was determined using the present value method based on the following assumptions: (i) adjusted interest rate 4% (ii) expected life of 1.5 years. During the three months ended March 31, 2017, we amortized \$57,134 debt discount into interest expense. The Company has reduced the value of its oil and gas properties in the proportion of the debt discount allocated to the note.

Effective January 5, 2017, Foothills borrowed \$1,000,000 from Full Wealth Investment Hong Kong Limited, a limited liability company organized under the laws of Hong Kong. The Company executed a promissory note, titled as a Debenture, with the lender dated as of December 30, 2016, with proceeds being received by the Company on the above stated date. This loan is unsecured, bears interest at 9% per year and is due and payable in 120 days from the receipt of fund. If any amount payable is not paid when due, any such overdue amount shall bear interest at the default rate of 11% from the date of such non-payment until such amount is paid in full. The Company used net proceeds of this loan to satisfy certain obligations under a Purchase and Sale Agreement with Total Belief Limited, dated December 30, 2016, for general working capital and to support certain target drilling activities. As of March 31, 2017, the balance of accrued interest was \$22,438. The Company and Full Wealth Investment Hong Kong Limited have been in discussions to extend the term of this debenture upon terms that are comparable to those for the Berwin Trading Limited debenture and Full Wealth Investment Hong Kong Limited has acknowledged that its debenture is not deemed to be in default.

Note 9 – Common Stock

On December 24, 2015, Foothills issued 4,500,000 shares of its common stock to Wilshire Energy Partners, LLC, as more fully discussed in Note 6 of these financial statements.

On December 24, 2015, Foothills entered into a convertible promissory note in the amount of \$600,000 with Alternus. The two-year note matures on December 23, 2017, and accrues interest at 8% per year. By its terms, the note was automatically required to convert the outstanding principal and interest due under the terms of the note upon a merger or other combination occurring between Foothills and an entity with shares listed for trading (“Pubco”). The conversion price of the note was established at \$0.665 per share (the “Conversion Price”). On April 5, 2016, and under substantially similar terms described herein, Foothills received an additional \$400,000 from Alternus. On May 27, 2016, the shareholders of Foothills entered into the Share Exchange Agreement with Key Link, pursuant to which the principal amount of the notes together with any accrued, but unpaid interest was converted into the shares of the Company at a conversion price of \$0.665 per share. The total number of shares issued to Alternus pursuant to the conversion of their note was 1,503,759. All accrued interest was waived and recorded as additional paid in capital.

Effective April 1, 2016, Foothills appointed two directors to its board. Each director was granted 125,000 shares of its common stock (the “Foothills Directors Shares”), vesting according to the following schedule: (i) 40% vesting ninety (90) days from the appointment date; (ii) 20% vesting one hundred eighty (180) days from the appointment date; (iii) 20% vesting two hundred seventy (270) days following the appointment date; (iv) 20% vesting three hundred sixty (360) days following the Effective Date. As of March 31, 2017, 100,000 shares were issued to each director. From the date of the agreement until March 31, 2017, these shares were valued at an aggregate of \$2,281. As of March 31, 2017, 50,000 common shares were issued for an aggregate of \$616.

On May 2, 2016, FPI acquired 14,112,250 pre-split shares of the common stock of Key Link Assets Corp. (“Key Link” or the “Company”) from five persons constituting approximately 96% of our issued and outstanding shares (the “FPI Acquired Shares”). These shares were acquired for cash of \$316,035, which was expensed in the period it was incurred.

As of May 16, 2016, Foothills effected a 4:1 forward split of its shares of common stock. All references to the number of shares issued and outstanding in these financial states have been retrospectively restated for the forward split.

The 14,112,250 pre-split shares were converted into 56,449,000 shares post-split, and were returned to treasury for cancellation. A total of 2,360,000 shares remained outstanding held by the shareholders of the merged public company post the reverse merger acquisition.

On May 2, 2016, after obtaining the FPI Acquired Shares, FPI caused the Company to appoint its two non-executive directors to the Board of the Company. These directors exchanged their rights to the FPI Directors Shares for Company shares having substantially the same terms and provisions. On May 2, 2016, the Company also granted 150,000 restricted shares of its common stock to its CEO as a part of his compensation package. The shares have the same vesting schedule as directors' shares described above. As of March 31, 2017, 120,000 shares were issued to the Company's CEO. From the date of the agreement until March 31, 2017, these shares were valued at \$1,368. As of March 31, 2017, 30,000 common shares were issued for a total value of \$370.

On May 27, 2016, we entered into a Share Exchange Agreement with the shareholders of FPI whereby we acquired all of the outstanding shares of FPI for an aggregate of 6,003,759 shares of our common stock, of which 4,500,000 shares of our common stock were issued to Wilshire Energy Partners, LLC, ("Wilshire") and 1,503,759 of our shares of common stock were issuable to Alternus ("Share Exchange"). As a result of the Share Exchange, FPI became our wholly owned subsidiary and the FPI Acquired Shares were to be returned to treasury, deemed canceled and no longer outstanding. We also exchanged warrants to purchase 700,000 shares of Foothills' common stock, that were issued to Wilshire on May 4, 2016, for a like amount of warrants to purchase shares of the Company's common stock (the "Wilshire Warrants"). The Wilshire Warrants:

- have a term of five years;
- are exercisable at \$1.25 per share as to 100,000 shares;
- are exercisable at \$2.00 per share as to 200,000 shares;
- are exercisable at \$3.00 per share as to 400,000 shares;
- do not have a cashless exercise feature; and
- are not exercisable for one year.

On June 30, 2016, we entered into a Securities Purchase Agreement with Berwin Trading Limited, a British Virgin Islands company ("Berwin"), pursuant to which we sold and agreed to issue 3,007,519 shares of our common stock, \$0.0001 par value, at a purchase price of \$0.665 per share for an aggregate amount of \$2,000,000.

On December 30, 2016, we issued 2,083,334 shares of common stock in connection with the TBL acquisition (see Note 6), at a purchase price of \$1.83 per share for an aggregate amount of \$3,812,500.

During three months ended March 31, 2017, the Company issued 175,000 shares of common stock to various third parties for services, valued at \$359,500.

As of March 31, 2017, the Company had 14,074,612 shares of common stock issued and outstanding.

Restricted Stock Units (RSUs)

Effective August 11, 2016, and on August 15, 2016, Foothills granted Mr. Lanclos 100,000 restricted stock units (RSUs) of the Company of which (i) 20,000 vested 180 days from August 15, 2016, (ii) another 20,000 shall vest 270 days from August 15, 2016, and (iii) the remaining 60,000 shall vest 365 days from August 15, 2016. The Company has a right, but not an obligation to repurchase all or any portion of RSUs granted to the executive at a purchase price of \$0.665 per share if executive's employment with the Company is terminated for any reason within 30 months of start of employment on August 15, 2015. As of March 31, 2017, these shares were valued at \$42,586. As of March 31, 2017, 20,000 shares were issued Mr Lanclos in the amount of \$13,400.

On August 15, 2016, Foothills also granted Mr. Ovalle 100,000 restricted stock units (RSUs) of the Company of which (i) 20,000 shall vest 180 days from August 15, 2016, (ii) another 20,000 shall vest 270 days from August 15, 2016, and (iii) the remaining 60,000 shall vest 365 days from August 15, 2016. The Company has a right, but not an obligation to repurchase all or any portion of RSUs granted to the executive at a purchase price of \$0.665 per share if executive's employment with the Company is terminated for any reason within 30 months of start of employment on August 15, 2015. As of March 31, 2017, these shares were valued at \$41,852. As of March 31, 2017, 20,000 shares were issued Mr. Ovalle in the amount of \$13,400.

Warrants

On May 27, 2016, the Company granted to Wilshire Energy Partners, LLC, warrants ("Wilshire Warrants") to purchase (i) 100,000 common shares at a strike price of \$1.25 per share, (ii) 200,000 common shares at a strike price of \$2.00 per share and (iii) 400,000 common shares at a strike price of \$3.00 per share. The Wilshire Warrants commence to be exercisable on the earlier of (i) 12-month anniversary of the closing of a going public transaction or (ii) June 30, 2017, and expire on June 1, 2021.

On May 27, 2016, the Company granted to an unrelated party warrants to purchase (i) 125,000 common shares at a strike price of \$1.25 per share, (ii) 100,000 common shares at a strike price of \$2.00 per share and (iii) 100,000 common shares at a strike price of \$3.00 per share. The warrants commence to be exercisable on the earlier of (i) 12-month anniversary of the closing of a going public transaction or (ii) June 30, 2017, and expire on June 1, 2021.

The fair value of all warrants was determined to be \$2,144 on May 27, 2016, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 120%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 5 years.

The following table summarizes all stock warrant activity for the three months ended March 31, 2017:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Balance outstanding, December 31, 2016	1,025,000	2.32	4.42
Granted	-	-	-
Exercised	-	-	-
Cancelled or expired	-	-	-
Balance outstanding, March 31, 2017	1,025,000	\$ 2.32	4.42
Exercisable, March 31, 2017	-	\$ -	-

Options

On May 19, 2016, the Company granted to each of its three directors options to purchase (i) 50,000 common shares at a strike price of \$2 per share, vesting when the Company achieves and maintains a total average daily production level of 100 barrels of oil equivalent per day ("boe/d") for at least 30 days, (ii) 50,000 common shares at a strike price of \$3 per share, vesting when the Company achieves and maintains a total average daily production level of 200 boe/d for at least 60 days, and (iii) 50,000 common shares at a strike price of \$4 per share, vesting when the Company achieves and maintains a total average daily production level of 500 boe/d for at least 90 days.

On February 27, 2017, the Company granted to Mr. Christopher Jarvis options to purchase 400,000 common shares at a strike price of \$1.99 per share, vesting quarterly over two years commencing with the first quarter following the 90-day probationary period.

The fair value of 400,000 options was determined to be \$616,055 on February 27, 2017, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 129%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 5 years.

On February 27, 2017, the Company granted to Mr. Kevin Sylla options to purchase 1,200,000 common shares at a strike price of \$1.99 per share, vesting quarterly over the term of three years.

The fair value of 1,200,000 options was determined to be \$1,986,902 on February 27, 2017, using the Black-Scholes option-pricing model based on the following assumptions: (i) volatility rate of 129%, (ii) discount rate of 0%, (iii) zero expected dividend yield, and (iv) expected life of 7 years.

The following table summarizes all stock option activity for the three months ended March 31, 2017:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Balance outstanding, December 31, 2016	450,000	3.00	9.39
Granted	1,600,000	1.99	6.42
Exercised	-	-	-
Cancelled or expired	-	-	-
Balance outstanding, March 31, 2017	<u>2,050,000</u>	<u>\$ 2.21</u>	<u>7.01</u>
Exercisable, March 31, 2017	<u>-</u>	<u>\$ -</u>	<u>-</u>

Note 10 – Related Party Transactions

Wilshire Energy Partners, LLC, and Aegis International, LLC

Effective as of December 18, 2015, in connection with the then formation and organization of Foothills Petroleum Inc., Wilshire Energy Partners, LLC (“Wilshire”), Aegis International, LLC (“Aegis”), and Foothills entered into a Business Development Services Agreement (“BDSA”). Under the BDSA the parties agreed that:

1. Wilshire would transfer its 100% membership interest in Foothills Exploration LLC, a Wyoming limited liability company (“FEL”) to Foothills, and that Foothills would issue 4.5 million shares of its common stock to Wilshire on its organization or as soon thereafter as may be practicable.
2. Wilshire would endeavor in good faith, with the assistance of Aegis, to obtain \$3 million to \$3.5 million of financing in the form of equity and/or convertible notes to implement the business plan that was under formation on behalf of Foothills.
3. Aegis would perform the following business development services:
 - provide senior management principally in the form of services of B.P. Allaire;
 - deliver or oversee administrative services on day to day basis;
 - assist in securing a chief financial officer;
 - formulate, craft and deliver a detailed business plan including forecasts;
 - formulate or assist in formulating, budgets and other financial information;
 - recruit or assist in recruiting experienced executive directors with proven track records whose backgrounds will be attractive to the oil and gas community and potential investors;
 - create and deliver a website that depicts the Foothills operations; and
 - provide such other services as may be appropriate and necessary to implement and execute upon the business plan of Foothills.
4. For its services as outlined under the BDSA, Foothills would pay to Aegis from funds received, \$150,000 through December 31, 2016, (the “Foothills Initial Organizational Term”). As of December 31, 2016, this payment was made in full.
5. Following the Foothills Initial Organizational Term, Foothills on an at-will basis shall pay B.P. Allaire \$5,000 per month for his services as chief operating officer and executive director, on terms subject to cancellation, on 30 days’ notice, by either of Foothills or B.P. Allaire. Effective January 1, 2017, the Company increased Mr. Allaire’s salary to \$10,000 per month.
6. Wilshire would assign, effective no later than December 29, 2015, all right, title and interest in FEL in exchange for 4.5 million shares of common stock of Foothills.

In furtherance of the BDSA, Wilshire assigned FEL to Foothills on its organization in exchange for 4.5 million shares of Foothills, and Foothills thereby acquired control of the Springs Prospect, owned by FEL, consisting of 38,120 contiguous acres. Foothills regards the Springs Prospect as a valuable multiple objective oil resource play in the Greater Green River Basin of Wyoming. Through Wilshire's assistance, Foothills entered into two agreements with Alternus, whereby Foothills obtained a total of \$1,000,000 of financing in the form of convertible notes that upon completion of the Share Exchange were converted, at \$0.665 per share, into 1,503,759 shares of the Company's common stock.

In connection with the hiring of Ritchie Lanclos as Executive Vice President of the Company and Vice President of Exploration of FPI, and Eleazar Ovalle as Executive Vice President of the Company and Vice President of Geology and Geophysical of FPI, FPI agreed to pay Wilshire, one of our principal shareholders, pursuant to a Services Agreement entered into by and between FPI and Wilshire, a fee of 25% of the gross annual salary, including all cash and equity compensation, but excluding any bonuses to be received by Mr. Lanclos and Mr. Ovalle. In the event either of Mr. Lanclos or Mr. Ovalle leaves FPI of his own volition or is terminated for cause within 90 days from commencement of their employment, Wilshire shall refund FPI 100% of fees received, minus \$2,500.

Alternus Capital Holdings Limited

On December 24, 2015, FPI entered into a convertible promissory note in the amount of \$600,000 with Alternus. The two-year note originally matured on December 23, 2017, and accrued interest at 8% per year. By its terms the note was automatically required to convert the outstanding principal and interest due under the terms of the note upon a merger or other combination occurring between FPI and an entity with shares listed for trading, which occurred on May 27, 2016. The conversion price of the note was established at \$0.665 per share (the "Conversion Price"), subject to adjustment as described below. On April 5, 2016, and under substantially similar terms described herein, FPI received an additional \$400,000 from Alternus. Under the agreements between Alternus and Foothills, Alternus had the right but not the obligation to subscribe for an aggregate of up to \$3,500,000 of convertible notes, which, in the event of that full subscription, would convert into not less than 30% of the then outstanding shares of the "public" company. Through May 27, 2016, the date the Share Exchange, Alternus had invested \$1,000,000 and based on the Conversion Price was issued 1,503,759 shares of the Company's common stock in full satisfaction of its two notes. All accrued interest was waived and recorded as additional paid in capital.

On December 30, 2016, Foothills, through its indirect wholly owned subsidiary Foothills Exploration Operating, Inc. ("FEOI"), entered into a purchase and sale agreement with Total Belief Limited (see Note 1). As a result of the purchase and sale agreement the Company acquired a \$10,600 related party payable due to Equipment Solutions, Inc., which is owned by a director of the Company, Alex Hemb. As of March 31, 2017, the balance was paid off.

Berwin Trading Limited

Effective January 6, 2017, the Company borrowed \$1,250,000 from Berwin Trading Limited, a British Virgin Islands limited liability company. The Company executed a promissory note, titled as a Debenture, with the lender dated as of December 30, 2016, with proceeds being received by the Company on the above stated date. This loan is unsecured, bears interest at 9% per year and is due and payable in 120 days from the receipt of funds. If any amount payable is not paid when due, any such overdue amount shall bear interest at the default rate of 11% from the date of such non-payment until such amount is paid in full. The Company used net proceeds of this loan to satisfy certain obligations under a Purchase and Sale Agreement with Total Belief Limited, dated December 30, 2016, for general working capital and to support certain target drilling activities. As of March 31, 2017, the balance of accrued interest was \$28,048.

Subsequent to the period ending March 31, 2017 the Company and Berwin Trading Limited agreed to extend the maturity date of the debenture to June 20, 2017, in return for an annual interest rate increase from 9% to 13.5% per annum for the life of the debenture.

Note 11 – Commitments and Contingencies

Management Additions and Changes

On March 3, 2017, the Company announced the appointment of Christopher Jarvis and Kevin J. Sylla to its senior management team. Mr. Jarvis is a current Director of Foothills Exploration and FPI and has taken on the full-time role of Executive Vice President of Finance for the Company and Vice President of Risk Management for FPI. Mr. Sylla has been appointed Director and Chief Executive Officer of FPI, which oversees the Company's oil and gas operations. These appointments reinforce the Company's team of oil and gas industry professionals.

Christopher Jarvis has over 20 years of capital markets and investments experience covering the equity, commodity, and fixed-income markets. He engineered and executed energy risk management hedges for large multi-national companies and as a publishing analyst, he was ranked #1 by Bloomberg's BARR analyst ranking system. He has earned the designation of Chartered Financial Analyst (CFA) and Chartered Market Technician (CMT) and routinely appears on CNBC, Fox Business News, and Reuters. He is a contributor to major print media outlets including Reuters, Bloomberg and the Wall Street Journal as an oil and gas analyst. Mr. Jarvis earned a B.A. in Art History from University of Massachusetts and M.B.A. from the University of Connecticut, with a concentration in Finance. He is a member of the CFA Institute and also the Market Technician's Association (MTA). He has been a member of the University of Connecticut Financial Accelerator Advisory Board for the last 10 years and previously served as the Vice President of the Autism Society of New Hampshire (2004-09). In addition to assuming his full-time role with the Company, Christopher Jarvis will remain a Director of both Foothills Exploration and FPI.

Kevin J. Sylla has served as Managing Director of Tiger Energy Operating, LLC, Tiger Energy Partners International, LLC, and Tiger Energy Mineral Leasing, LLC, for the past five years and he will continue in those roles for the foreseeable future. Mr. Sylla played a key advisory role in the successful combination and integration of Tiger properties into Foothills Exploration. He has over 10 years of oil and gas industry experience with extensive knowledge in business development, mergers and acquisitions, and management of oil and gas field operations. Mr. Sylla has participated extensively in the financing, acquisition and development of numerous domestic oil and gas properties. His acquisition experience has been focused on improving operating and financial efficiencies with underperforming assets resulting in enhanced value creation. Mr. Sylla is the managing member of Wilshire Energy Partners, LLC, a principal shareholder of the Company and has provided consulting services to the Company since its formation. Mr. Sylla completed the Petroleum Land Management Program at Texas Christian University and earned his Energy & Finance Management Certification from the University of Denver.

Legal proceedings

SCI Welding & Oilfield Service vs. Tiger Energy Operating LLC. (Case Number 169000023, Eighth District Court-Roosevelt Duchesne County, State of Utah)

This case concerns the collection of unpaid debt owed by Tiger Energy Operating, LLC (TEO), concerning the workover of wells in Duchesne County, Utah. SCI Welding was granted a judgment in the amount of \$67,470 on April 27, 2016. A garnishment was filed by SCI resulting in their collection of \$17,063 prior to our acquisition of TEO. Presently, writs of execution have been issued against TEO properties in Duchesne and Uintah Counties, Utah. In addition, the writs seek execution upon various land parcels in Duchesne and Uintah Counties, Utah. As of December 31, 2016, the Company recorded a contingent liability in the amount of \$53,407.

Graco Fishing & Rental Tools, Inc. vs. Tiger Energy Operating LLC., (Case No. 160800005 Eighth Judicial District Court in and for Duchesne County, State of Utah)

This case concerns the collection of unpaid debt owed by TEO for services performed by plaintiff. A default judgment in the amount of \$159,965 was obtained on June 1, 2016, against TEO, for unpaid accounts in connection with its workover of wells in Duchesne County, Utah. Graco has filed a writ of execution against the A Rust 2, Dye-Hall 2-21 A1, Wilkins 1-24 A5 and Rust 3-22A-4 wells located in Duchesne County. A Motion to Set Aside a sheriff's sale concerning these properties was filed based on the fact that TEO is not the owner of these properties. A hearing for this matter was held on May 1, 2017, in Duchesne County, Utah, at which a Company representative was present to comply with the court's order to produce documents. Prior to the hearing, TEO made an initial settlement offer, which was eventually rejected by the Plaintiffs. The matter remains unresolved as of the filing of this report. As of December 31, 2016, the Company recorded a contingent liability in the amount of \$159,965.

Peak Well Service, LLC

Peak Well Service, LLC, filed mechanics and materialman's liens against the Wilkins, Rust 2 Well, Dye Hall 2, Rust 3, and Josie 1 wells for unpaid accounts in connection with work performed on these wells. During the three months ended March 31, 2017, both parties agreed to settle this legal action with a payment of \$120,000 from the Company to Peak Well Service, LLC. As of March 31, 2017, the settlement has been satisfied and the liens have been released.

Other than as noted above, we are not currently a party to any other material legal proceedings. However, legal claims are inherently uncertain, and we cannot assure you that we will not be adversely affected in the future by legal proceedings.

Note 12. Subsequent Events

Subsequent to the period ending March 31, 2017 the Company and Berwin Trading Limited agreed to extend the maturity date of a debenture in the amount of \$1,250,000, originally made on December 30, 2016 and funded on January 6, 2017, with interest accruing at a rate of 9% per annum and principal and interest due at the original maturity of May 6, 2017. The parties agreed that the debenture will become due and payable on June 20, 2017, and the interest charged on the debenture will increase from 9% per year to 13.5% per year for the life of the debenture.

Effective May 1, 2017, we signed a 39-month lease for our Denver corporate office and effective April 1, 2017, we signed a 37-month lease for our Houston division office.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our financial statements, including the notes thereto, appearing elsewhere in this Report. The discussions of results, causes and trends should not be construed to imply any conclusion that these results or trends will necessarily occur. This discussion includes forward-looking statements that involve risks and uncertainties. As a result of many factors, such as those set forth under "Risk Factors" and elsewhere in this Report, our actual results may differ materially from those anticipated in these forward-looking statements.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 2 of Part I of this report include forward-looking statements. Additionally, forward-looking statements may be made orally or in press releases, conferences, reports, on our website or otherwise, in the future, by us or on our behalf. Such statements are generally identifiable by the terminology used such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "potential," "predict," "project," "should" or other similar words.

By their very nature, forward-looking statements require us to make assumptions that may not materialize or that may not be accurate. Forward-looking statements are subject to known and unknown risks and uncertainties and other factors that may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Such factors include, among others: changes in oil or natural gas prices, the success of our drilling program, the timing of planned capital expenditures, availability of acquisitions, uncertainties in estimating proved reserves and forecasting production results, operational factors affecting the commencement or maintenance of producing wells, the condition of the capital markets generally, as well as our ability to access them, the proximity to and capacity of transportation facilities, uncertainties regarding environmental regulations or litigation and other legal or regulatory developments affecting our business, and the other factors discussed below and elsewhere in this prospectus and in other documents that we file with or furnish to the SEC, all of which are difficult to predict. Forward-looking statements may include statements about:

- our business strategy;
- our reserves or reserves that may expect to develop;
- our cash flows and liquidity;
- our financial strategy, budget, projections and operating results;
- oil and natural gas prices that we may realize;
- the timing and amount of future production of oil and natural gas;
- the availability of drilling and production equipment;
- the availability of oil field labor;
- the amount, nature and timing of capital expenditures, including future exploration and development costs;
- the availability and terms of capital;

- our drilling of wells;
- government regulation and taxation of the oil and natural gas industry;
- our marketing of oil and natural gas;
- our exploitation projects or our ability to make property acquisitions on terms that meet our acquisition criteria;
- our costs of exploiting and developing our properties and conducting other operations;
- general economic conditions;
- competition in the oil and natural gas industry;
- the effectiveness of our risk management and hedging activities;
- environmental liabilities;
- our future operating results;
- estimated future reserves and the present value thereof; and
- our plans, objectives, expectations and intentions contained in this report that are not historical.

Although we believe that the expectations conveyed by the forward-looking statements are reasonable based on information available to us on the date such forward-looking statements were made, no assurances can be given as to future results, levels of activity, achievements or financial condition.

You should not place undue reliance on any forward-looking statement and should recognize that the statements are predictions of future results, which may not occur as anticipated. Actual results could differ materially from those anticipated in the forward-looking statements and from historical results, due to the risks and uncertainties described above, as well as others not now anticipated. The impact of any one factor on a particular forward-looking statement is not determinable with certainty as such factors are interdependent upon other factors. The foregoing statements are not exclusive and further information concerning us, including factors that potentially could materially affect our financial results, may emerge from time to time. We do not intend to update forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements, except as required by law, including the securities laws of the United States and the rules and regulations of the SEC.

Unless otherwise noted, the terms “Foothills Exploration”, the “Company”, “we”, “us”, and “our” refer to the ongoing business operations of Foothills Exploration, Inc. and our wholly-owned subsidiary, Foothills Petroleum, Inc., as well as, the past operations of Foothills Petroleum, Inc. The terms “Key Link Assets Corp.” or “Key Link” refer to the operations of Key Link Assets Corp. prior to May 27, 2016.

History

Foothills Exploration, Inc. was incorporated in the State of Delaware on May 13, 2010, under the name “Key Link Assets Corp.” for the purpose of acquiring a portfolio of heavily discounted real estate properties in the Chicago metropolitan area. The Company changed its focus and planned to acquire small and medium sized grocery stores in non-urban locales that are not directly served by large national supermarket chains.

On May 2, 2016, Foothills Petroleum Inc., a Nevada corporation (“FPI”) acquired approximately 14.1 million pre-split (56.4 million post-split) shares of the Company’s common stock constituting approximately 96% of our then issued and outstanding shares (“FPI Acquired Shares”). As of May 16, 2016, we effected a 4:1 forward split of our shares of common stock. On May 27, 2016, we entered into a Share Exchange Agreement with the shareholders of FPI, whereby we acquired all of the outstanding shares of FPI for 4,500,000 shares and also issued 1,503,759 shares on automatic conversion of debt (please see discussion below under Overview) for an aggregate of 6,003,759 shares of our common stock (the “Share Exchange”). As a result of the Share Exchange, FPI became our wholly owned subsidiary and the FPI Acquired Shares were returned to treasury and deemed cancelled.

Prior to the Share Exchange, we had minimal assets and recognized no revenues from operations, and were accordingly classified as a shell company. On June 24, 2016, we filed an amendment to our Current Report on Form 8-K originally filed on June 10, 2016, indicating that we were no longer a shell company as defined by Rule 12b-2 of the Exchange Act. In light of closing of the Share Exchange transaction with FPI, the Company became actively engaged in oil and gas operations through its wholly owned subsidiary.

On June 30, 2016, we completed a sale of 3,007,519 shares of our common stock to a single investor for proceeds totaling \$2,000,000. For a more complete description of this transaction please see our Form 8-K filed with the SEC on July 7, 2016.

On August 4, 2016, we were advised that the Financial Industry Regulatory Association had approved (i) our name change from Key Link Assets Corp. to Foothills Exploration, Inc., and (ii) a change of trading symbol from KYLK to FTXP. Please see our Form 8-K filed with the SEC on August 9, 2016.

On October 5, 2016, the Company launched its Exploration Division and opened a new office in Houston to support the division’s staff. The Company’s Exploration Division consists of geologists and petroleum engineers engaged in the exploration and development of hydrocarbons and tasked with building a portfolio of high impact exploration projects in the Gulf Coast region.

Overview

Foothills Exploration is an independent oil and gas exploration company engaged in the acquisition and development of oil and natural gas properties, through its wholly-owned subsidiary, Foothills Petroleum, Inc. (“FPI”). FPI is focused on acquiring producing and developmental properties in the Rockies and Gulf Coast regions. FPI seeks to acquire non-core, dislocated and underdeveloped oil and gas assets and maximize those assets to create shareholder value (the “Business”).

On December 31, 2015, FPI acquired the rights to 38,120 acres of oil and gas property in the state of Wyoming, through Foothills Exploration, LLC, a wholly owned subsidiary acquired by FPI upon its organization in December 2015.

The Company’s principal obligations include:

- A debenture in the amount of \$1,250,000, plus interest accruing at a rate of 9% per annum issued to Berwin Trading Limited with principal and interest due upon maturity on May 6, 2017. Subsequent to the period ending March 31, 2017 the Company and Berwin Trading Limited agreed to extend the maturity date of the debenture to June 20, 2017, in return for an annual interest rate increase from 9% to 13.5% per annum for the life of the debenture;
- A second debenture in the amount of \$1,000,000, plus interest accruing at a rate of 9% issued to Full Wealth Investment Hong Kong Limited (collectively the “Debentures”) with principal and interest due upon maturity on or before May 5, 2017. The Company and Full Wealth Investment Hong Kong Limited have been in discussions to extend the term of this debenture upon terms that are comparable to those for the Berwin Trading Limited debenture and Full Wealth Investment Hong Kong Limited has acknowledged that its debenture is not deemed to be in default; and
- A promissory note in the amount of \$6,000,000 to Total Belief Limited (“TBL”), a direct wholly-owned subsidiary of New Times Energy Corporation Limited, in connection with the assets acquired on December 30, 2016, with a maturity date of June 30, 2018. This promissory note accrues no interest during its term and is due and payable in full on or before its maturity date.

From its inception in December 2015 through March 31, 2017, Foothills generated \$73,894 in revenue from its principal business operations and is currently still an exploration stage company. Prior to January 2016, Foothills' operations were focused mainly on administrative activities connected to the identification and evaluation of potential oil and gas prospects and other potential leasehold acquisitions in our geographical areas of interest.

On December 30, 2016, the Company acquired various oil and gas assets in Utah from a subsidiary of New Times Energy Corporation Limited ("New Times"). These assets included certain oil and gas wells throughout the Uinta Basin in Utah, on acreage with over 30 proven undeveloped drilling locations, additional non-operating interest in other leases, and access to approximately 6,000 acres in the Uinta Basin with proven and probable reserves and existing infrastructure in place. This purchase provides the Company with an entry point into the Uinta Basin and a basis from which to seek other bolt-on acquisition opportunities in the Rockies. The transaction delivers to the Company a licensed and bonded operator in Utah having bonds in place with the Bureau of Land Management (BLM), State of Utah and Bureau of Indian Affairs (BIA).

Through this acquisition from New Times, the Company also obtained six shut-in wells in the Natural Buttes Field, Utah. After the acquisition, these wells were worked over and brought back online with production averaging around 500 barrels per month in Q1 2017. The Company plans to work over the remaining four wells in the coming months.

The transaction provides the Company with the rights to an agreement to acquire up to 6,000+ acres and up to 16 shut-in oil and gas wells with proved and proved undeveloped reserves on Ute Tribal lands in the Uinta Basin. These properties provide in-field drilling potential, the ability to bring online shut-in wells and behind pipe development. Five shut-in wells located on fee lands in the Altamont-Bluebell Field that are undergoing title curative have the potential to achieve near term production with stimulation and the addition of surface equipment.

Furthermore, this acquisition delivered to the Company an additional 40% working interest in the Ladysmith Prospect, covering 3,060 acres in the Greater Green River Basin, Wyoming, increasing the Company's pre-acquisition working interest of 35% up to a total of 75%.

Lastly, through this acquisition, the Company also acquired 13,166,667 shares of common stock, constituting 55.63% of the outstanding shares of Grey Hawk Exploration, Inc. ("Grey Hawk"), a British Columbia, Canada company. Grey Hawk owns a non-operated working interest in two wells in the southern portion of the Greater Natural Buttes Field in Utah. These two wells are not currently producing.

A third party independent study conducted on behalf of the Company in Q4 2016 estimates a total of 1.28 million barrels of net proved reserves for the Uinta Basin properties from the Green River and Wasatch Formations.

To acquire these assets, the Company paid a total consideration of \$10.75 million in a combination of cash, stock and promissory note consisting of:

- \$750,000 cash;
- 2,083,334 shares of the Company's restricted common stock valued by the parties at \$4,000,000 at an agreed upon price per share of \$1.92; and a
- Promissory note in the principal amount of \$6,000,000 due and payable in full 18 months from December 30, 2016 and accruing no interest during its term.

For financial accounting purposes the 2,083,334 shares were valued at the closing market price on the day of the transaction, which was \$1.83, accordingly the shares were presented at a value of \$3,812,501 on the Company's financial statements on December 30, 2016.

Market Environment

Oil pricing has declined significantly from a 2014 high of over \$120 a barrel and have, in the opinion of the Company, created attractive new opportunities to acquire oil and gas assets at what we believe to be favorable pricing. The International Energy Agency recently highlighted that capital expenditures on new energy (exploration) declined 16% year-over-year in 2014, followed up by another 20% decline year-over-year in 2015. With oil prices falling below \$30 a barrel at one point in 2016, and WTI trading at about \$45 a barrel on May 4, 2017, the Company currently anticipates a 3rd consecutive year of material spending cutbacks for new supply globally.

The Energy Information Administration (EIA) in its January 12, 2016, U.S. short-term energy outlook highlighted that consumption for gasoline increased by 270,000 barrels per day in 2015 to an average of 9.2 million barrels per day, representing a year-over-year growth of 2.6% and just below the record high of 9.3 million barrels per day set in 2007. The EIA forecasts that total global demand for petroleum will grow by 1.4 million barrels per day from 93.7 million per day in 2015 to 95.2 million per day by the end of 2016, and similar growth in 2017 to 96.6 million per day, where demand outstrips supplies by the 4Q 2017. For these and other reasons, Foothills' medium to long-term outlook is for oil and gas prices to be at sustainably higher levels, but no assurance can be given that this outlook will prove to be accurate.

Our Strategy

Foothills' strategic objective is to build a portfolio of producing properties that have low operating costs, long lived reserves and upside development potential. The Company's goal is to build a land bank of over 200,000 acres of proven, probable and prospective reserves during this period of relatively low commodity pricing. Foothills intends to accomplish this by acquiring oil and gas properties with attractive valuation metrics and attractive geological risk/reward profiles that are well positioned to benefit from an improvement in commodity prices.

The Company's primary focus is the Rocky Mountain and Gulf Coast regions, where its consultants and technical staff have successfully conducted oil and gas operations. Management believes that the Company's tight geographical focus and regional experience, coupled with our strategic industry relationships will advantageously position Foothills to acquire high quality oil and gas assets at attractive valuations in the current environment.

The Company's acquisitions and roll up strategy is based on identifying undercapitalized, yet attractive oil and gas assets selling at a discount to intrinsic value. Foothills focuses on acquiring oil and gas assets that have existing production, with existing infrastructure in place and future developmental potential. Once we acquire oil and gas assets, management expects to target adjacent oil and gas properties with similar characteristics for bolt on acquisitions to increase our geographical acreage position. By consolidating and exploiting additional acreage as part of its rollover strategy, management intends to achieve operating efficiencies to maximize shareholder value.

Wyoming Properties

The principal Wyoming assets owned by the Company consist of non-producing, yet prospective mineral leases spread across four key projects: (i) Springs, (ii) Ladysmith, (iii) Paw Paw and (iv) Ironwood.

Springs Project

Consisting of 38,120 contiguous acres, the Springs project is a multiple objective oil resource play in the Greater Green River Basin. The prospect's unconventional target is a Niobrara and Mowry fractured shale. Numerous oil and gas shows in the Niobrara and Mowry shales surround the prospect acreage. Foothills has also identified and mapped several conventional drilling targets in the Muddy and Tensleep throughout the prospect area. The Springs project has been reevaluated as a Paleozoic stacked carbonate, dolostone, sandstone resource play dominated by pressure and thermal maturity. Seismic is currently being reviewed for licensing, a unit outline proposed and a BLM area and depth study is underway to propose unit obligation wells for late summer 2017 drilling.

Ladysmith Project

Foothills owns a 75% working interest in the Ladysmith Anticline prospect that is located in Fremont County, Wyoming. Total acreage position is 3,061 acres located between the Great Divide/Greater Green River Basin and the Wind River Basin. The primary target zones are the variable Phosphoria and Tensleep sandstone with secondary considerations in the Madison limestone and Flathead sandstone. The prospect generation was based on licensed 2-D seismic comprising of two seismic lines covering the Chevron/Echo – Greater Green River Basin. Development continues on the Ladysmith project with two applications for permit to drill (APD) in progress. Foothills' has conducted two BLM onsite inspections to date and the Company is currently reviewing access, drilling and development plans for two wells. Work continues on a surface access use agreement, completion of drilling unit outline and a schedule for BLM area and depth meeting in the near term.

Paw Paw Project

The Paw Paw project is a 3-D seismic defined prospect, which covers 4,467 acres and is a direct analog to the highly productive Tensleep Formation "Enigma" Field (EUR 3.7 million barrels of oil) located only two miles to the south. The Tensleep Formation has a history of prolific area production with two nearby analogues. The Paw Paw project has potential from primary and secondary recovery of up to 2 million barrels of oil. On December 11th, the Company completed drilling operations on the Paw Paw Federal #1 test well. The Big Horn County Wyoming test well reached total depth in the Madison Formation and the Company successfully logged and acquired valid data to further evaluate the project's potential. The Company's technical team and consulting geological firm, Geopinion® Inc., are meeting with Koch Exploration Company's geoscientists to evaluate test well results and further interpret and analyze 3D seismic data in order to identify favorable potential future locations for possible commercial wells. The test well has been temporarily abandoned while the parties continue to analyze results during the evaluation stage. Total test well costs to date are approximately \$730,000. No assurance can be given that evaluation of test well data obtained will result in further drilling activity that will yield commercial production and as a result the Company's activities on this project may result in a complete loss of the costs incurred.

The Paw Paw Federal #1 test well reached total depth in the Madison Formation after drilling an anticipated stratigraphic section and thrust fault. Oil shows were found in the Muddy, Phosphoria, and Madison formations. The Phosphoria is a regionally productive formation and could end up being the secondary zone in sidetrack operations should that type of operation be deemed commercially economic. Upon evaluation of the test well's seismic structural position and analysis of modern well log data, the technical team will determine whether a successful sidetrack operation is likely to yield commercial oil reserves from the Tensleep and any other sands with oil shows and if the test well, which is temporarily abandoned, should be considered for re-entry. No assurance can be given that these precise efforts by our experienced technical team and our further development efforts of the prospect, including further drilling activity in 2017, will yield a commercially successful well.

Ironwood Project

The Ironwood Project is a 6,115 acre updip field extension play. The adjacent "Cotton Creek" Field produced approximately 67 million barrels of oil ("MMBO") and 68 billion cubic feet of gas ("BCFG") primarily from the Phosphoria Formation. Koch Exploration's evaluations and the Company's preliminary analyses indicate that collectively potential estimated ultimate recovery ("EUR") is 5 MMBO. The Ironwood project has both vertical and horizontal development opportunities, with the potential of 9 vertical wells using 80-acre spacing or 12 horizontal wells on 320-acre spacing. The Company intends to drill a test well on the Ironwood prospect in 2017.

Utah Properties

On December 30, 2016, the Company acquired the following principal oil and gas assets in Utah, from Total Belief Limited, a wholly-owned subsidiary of New Times Energy Corporation Limited. The acquired properties are organized across three limited liability companies with owned assets described below.

Tiger Energy Operating, LLC

Tiger Energy Operating, LLC, (“TEO”) is a licensed and bonded oil and gas operator in the state of Utah. TEO is the operator of record for a total of six oil and gas wells situated on 280 acres in the Duck Creek area of the Altamont Bluebell field. In late 2015 and early 2016 these wells were shut-in due to financial issues with the previously owner. Recent work over operations have yielded oil production from the Green River formation from three wells brought back online in Q1 2017, which delivered total revenues of about \$73,677. Additional work over operations are presently underway on the remaining three wells to bring them back into producing status during 2017. TEO has cash and surety bonds in place with the Bureau of Land Management, Bureau of Indian Affairs and Utah Department of Natural Resources Division of Oil, Gas and Mining that are valued at about \$295,000.

Tiger Energy Partners International, LLC

Tiger Energy Partners International, LLC, (“TEPI”) owns all rights and interests pertaining to the Global Settlement Agreement (“GSA”) for the Uintah and Ouray Reservation between Mountain Oil & Gas, Inc. and the MOG Entities (Craig Phillips) and the Ute Indian Tribe of the Uintah and Ouray Reservation, dated December 22, 2014. This GSA is the subject of an administrative approval request made to the BIA that is expected to be received in 2017, and when approved, as to which no assurance can be given, additional funds will be required to complete the transactions therein described. TEPI also owns all rights and interests acquired in the Purchase and Sale Agreements between TEPI and Mountain Oil & Gas, Inc. dated April 16, 2012, and December 18, 2012. In addition, TEPI, as of December 31, 2016, had a total of \$331,953 cash held in an IOLTA trust fund account with a law firm held for use in connection with possible settlement of outstanding vendor claims.

Tiger Energy Mineral Leasing, LLC

Tiger Energy Mineral Leasing, LLC (“TEML”) owns certain non-operating working interest, with Bill Barrett Corp as the operator, in leases located in Duchesne County, Utah. Bill Barret Corp. sold its operated interest to Rig II, LLC, in late 2016. In addition, TEML also owns a 40% working interest, in the Ladysmith prospect, which increases the Company’s total working interest in this prospect to 75%. TEML also owns all rights and interests pertaining to the Rio Capital Acquisition dated September 25, 2014, pertaining to oil and gas leases in the Altamont-Bluebell field located in Duchesne and Uintah Counties, Utah.

Gulf Coast Properties

On December 15, 2016, the Company announced a Participation Agreement with Magna Operating, LLC, in relation to the Labokay prospect, covering 240 acres in Calcasieu Parish, Louisiana.

Labokay Prospect

Labokay is an “*amplitude versus offset*” (“AVO”) oil play in Southwestern Louisiana targeting the Frio Nododaria Blanpiedi Sand. On February 14, 2017, the Company announced that it had reached total depth in its Labokay Prospect well located in Calcasieu Parish, Louisiana. The well was drilled to a total measured depth of 8,795 feet where hydrocarbon shows were present, but not in commercial quantities to warrant completion. The well has been plugged and abandoned as required. The Company estimates well costs incurred or to be incurred for the Labokay at approximately \$1.3 million, including plugging and abandonment liability.

Plan of Operations

Over the near-term the Company believes that it is well positioned to capitalize on the current relatively low price environment. Current energy prices have exposed attractive U.S. based assets that are poorly capitalized and neglected, which are now selling at discounted prices, providing multiple entry points to acquire attractive oil and gas assets. Foothills intends to acquire dislocated oil and gas assets as well as non-core assets from larger exploration and production companies seeking to raise cash to pay down debt and shore up their balance sheets.

In addition to a favorable macroeconomic environment for acquiring attractive oil and gas assets, management intends to leverage Foothills' geographical focus in the Rockies and Gulf Coast. Foothills is focused on acquiring and rolling up smaller operators in a considerably fragmented oil and gas market and through consolidation, management believes Foothills can effectively scale its production and acreage position and collectively unlock value in the acquired oil and gas assets to create shareholder value.

Acquiring additional assets and companies throughout Rockies

The Company is targeting acquisitions in a tightly defined geographical area of interest, which meet certain metrics and future development potential. The Company anticipates that these acquisitions will be funded through the sale of common stock, debt and cash generated from the Company's financing activities, including public, private and institutional offerings in capital market transactions and future reserve based lending activities. Subject to the securing of additional capital, the Company anticipates the expenditure of up to \$25 million to fund additional bolt-on acquisitions of producing properties, which can potentially be leveraged and optimized by applying its technical capabilities and improving operational efficiencies. Although the Company is currently evaluating several prospective acquisitions, which meet its criteria and anticipates making an announcement regarding its next acquisition in the near term, no assurance can be given that it will be successful in any of these endeavors.

Retain Operational Control and Significant Working Interest

In its principal acquisition and development targets, the Company aims to preserve operational control of its development and drilling activities. As the operator for its projects, the Company retains more control over the timing, selection and process of drilling prospects and completion design, which enhances its ability to maximize the return on invested capital and gives greater control over the timing, allocation and amounts of capital expenditures.

Leasing of Prospective Acreage

In the course of our day-to-day business, the Company regularly identifies drilling and development opportunities on additional acreage in its areas of interest that have not yet been leased. Subject to securing additional capital, the Company may take the initiative to lease prospective acreage in our areas of interest and may sell all or any portion of our leased acreage to other companies seeking to participate in the drilling and development of the prospect acreage.

Government Regulations

Governmental Regulation and Environmental Consideration

The oil and gas business in the United States is subject to regulation by both federal and state authorities, particularly with respect to pricing, allowable rates of production, marketing and environmental matters. The production of crude oil and gas has, in recent years, been the subject of increasing state and federal controls. No assurance can be given that newly imposed or changed federal laws will not adversely affect the economic viability of any oil and gas properties we currently own and/or may acquire in the future. Federal income and "windfall profit" taxes have in the past affected the economic viability of such properties. The following discussion provides a brief overview of potential state and federal regulations. Because Foothills to date has acquired specific properties, and because of the wider range of activities in which the Company expects to participate, management believes that it is not practical currently to set forth in detail the potential impact federal and state regulations may have on our operations.

The Department of Energy

The Department of Energy Organization Act (Pub. L. No. 95-91) became effective October 1, 1977. Under this Act various agencies, including the Federal Energy Administration (FEA) and the Federal Power Commission (FPC), have been consolidated to constitute the cabinet-level Department of Energy (DOE). The Economic Regulatory Administration (ERA), a semi-independent administration within the DOE, now administers most of the regulatory programs formerly managed by the FEA, including oil pricing and allocation. The Federal Energy Regulatory Commission (FERC), an independent agency within the DOE, has assumed the FPC's responsibility for natural gas regulation.

Crude Oil and Natural Gas Liquids Price and Allocation Regulation

Pursuant to Executive Order Number 12287, issued January 28, 1981, President Reagan lifted all existing federal price and allocation controls over the sale and distribution of crude oil and natural gas liquids. Executive Order Number 12287 was made effective as of January 28, 1981, and consequently, sales of crude oil and natural gas liquids after January 27, 1981 are free from federal regulation. The price for such sales and the supplier-purchaser relationship will be determined by private contract and prevailing market conditions. Because of this action, oil that may be sold by us will be sold at deregulated or free market prices. At various times, certain groups have advocated the reestablishment of regulations and control on the sale of domestic oil and gas.

State Regulations

Foothills' production of oil and gas, if any, will be subject to regulation by state regulatory authorities in the states in which we may produce oil and gas. In general, these regulatory authorities are empowered to make and enforce regulations to prevent waste of oil and gas and to protect correlative rights and opportunities to produce oil and gas as between owners of a common reservoir. Some regulatory authorities may also regulate the amount of oil and gas produced by assigning allowable rates of production.

Environmental Laws

Oil and gas exploration and development are specifically subject to existing federal and state laws and regulations governing environmental quality and pollution control. Such laws and regulations may substantially increase the costs of exploring for, developing, or producing oil and gas and may prevent or delay the commencement or continuation of a given operation.

All of our operations involving the exploration for or the production of any minerals are subject to existing laws and regulations relating to exploration procedures, safety precautions, employee health and safety, air quality standards, pollution of streams and fresh water sources, odor, noise, dust, and other environmental protection controls adopted by federal, state and local governmental authorities as well as the right of adjoining property owners. We may be required to prepare and present to federal, state or local authorities data pertaining to the effect or impact that any proposed exploration for or production of minerals may have upon the environment. All requirements imposed by any such authorities may be costly, time consuming, and may delay commencement or continuation of exploration or production operations.

It may be anticipated that future legislation will significantly emphasize the protection of the environment, and that, as a consequence, our activities may be more closely regulated to further the cause of environmental protection. Such legislation, as well as future interpretation of existing laws, may require substantial increases in equipment and operating costs to us and delays, interruptions, or a termination of operations, the extent to which cannot now be predicted.

Title to Properties

Foothills owns the interest in its properties and also at times relies on contracts with the owner or operator of the property, pursuant to which, among other things, the Company has the right to have its interest placed of record. As is customary in the oil and gas industry, we anticipate that a preliminary title examination will be conducted at the time unproved properties or interests are acquired by us. Prior to commencement of drilling operations on such acreage and prior to the acquisition of proved properties, Foothills will conduct a title examination and attempt to cure extremely significant defects before proceeding with operations or the acquisition of proved properties, as it may deem appropriate. Foothills properties are subject to royalty, overriding royalty and other interests customary in the industry, liens incident to agreements, current taxes and other burdens, minor encumbrances, easements and restrictions. Foothills' Utah properties acquired from Total Belief Limited on December 30, 2016, are subject to a certain Bureau of Indian Affairs ("BIA") Administrative Appeal and a Ute Indian Tribe Global Settlement Agreement, each of which does or may affect title to some, all or none of the properties acquired. Foothills is currently attempting to cure title on said properties, subject to the outcome of the BIA Administrative Appeal, which is still ongoing as of May 15, 2017. To the extent that such defects or disputes exist and cannot be cured, Foothills would suffer title failures, which could result in property valuation impairments and other material adverse consequences to the operations of the company.

Corporate Headquarters and Subsidiary Locations

We are headquartered in Denver, Colorado, where we have a 4,295 sq. ft. corporate office. We also have a 1,532 sq. ft. division office in Houston, Texas, and our indirect subsidiary also maintains a 1,500 sq. ft. office in Woodland Hills, California. Effective May 1, 2017, we signed a 39-month lease for our Denver corporate office and effective April 1, 2017, we signed a 37-month lease for our Houston division office. Our California offices are rented on a month-to-month basis. Total combined rent for all three locations is approximately \$16,577 per month and the Company deems them to be adequate for our current operations.

Results of Operations

Three months ended March 31, 2017 compared to three months ended March 31, 2016

Revenue

We had revenue of \$73,894 for the three months ended March 31, 2017, and no revenues for the three months ended March 31, 2016. We can provide no assurance that we will commence drilling and revenue producing operations or that such drilling and revenue operations, if commenced, will be successful.

Operating Expenses

Selling, general and administrative expenses consist primarily of salaries and related expenses for our management and personnel, and professional fees, such as accounting, consulting and legal. During the three months ended March 31, 2017 and 2016, we incurred \$831,753 and \$208,750 in selling, general and administrative expenses \$18,369 and \$0 in depreciation, depletion and amortization and \$1,272,753 and \$0 in impairment of oil and gas properties related to abandonment of Labokay, respectively. The increase in selling and administrative expenses is primarily attributed to the increase of development of newly acquired wells on December 30, 2016.

Other Expenses

Interest expenses for the three months ended March 31, 2017 and 2016, were \$110,518 and \$11,967, respectively. The increase in interest expense is primarily attributed to new notes entered into for the three months ended March 31, 2017.

Net Loss

As a result of the foregoing, during the three months ended March 31, 2017 and 2016, we recorded a net loss of \$2,159,499 and \$220,717, respectively.

Liquidity and Capital Resources

As shown in the accompanying financial statements, we incurred an accumulated loss of \$4,134,093 through March 31, 2017, and have a working deficit of \$2,904,304 at March 31, 2017. The Company is subject to those risks associated with exploration stage companies. The Company has sustained losses since inception and additional debt and equity financing will be required by the Company to fund its development activities and to monetize economically recoverable oil and gas reserves.

On June 30, 2016, we entered into a securities purchase agreement to sell 3,007,519 shares of our common stock to a single investor for proceeds totaling \$2,000,000.

Management believes that its existing cash on hand will only be sufficient to fund its operations for a short period of time. The Company also continues to search for producing and/or additional productive properties and seeks to strategically lease additional acreage positions adjoining leases currently owned by the Company. There can be no assurance that the Company's efforts will be successful, or that those efforts will translate in a beneficial manner to the Company. The accompanying statements do not include any adjustments relating to the recoverability and classification of assets and/or liabilities that might be necessary, should the Company be unable to continue as a going concern.

Operating Activities

During the three months ended March 31, 2017 and 2016, we used \$1,191,025 and \$50,000 of cash in operating activities, respectively. Non-cash adjustments included \$1,272,753 and \$0 related to assets written off, \$202,067 and \$0 related to stock compensation expense, \$57,134 and \$0 related to amortization of debt discount, \$18,369 and \$0 in depreciation and amortization, \$2,917 and \$0 related to accretion of asset retirement obligation and net changes in operating assets and liabilities of (\$584,766) and \$170,717, respectively.

Investing Activities

During the three months ended March 31, 2017, we used \$1,474,584 net cash in investing activities for acquisition of an oil and gas property. During the three months ended March 31, 2016, we acquired \$20,000 in oil and gas property.

Financing Activities

During the three months ended March 31, 2017, we received \$1,250,000 in proceeds from issuance of related party note payable and \$1,000,000 in proceeds from issuance of note payable. During the three months ended March 31, 2016, we received no cash from financing activities.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Critical Accounting Policies

Our discussion and analysis of our results of operations, liquidity and capital resources are based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In accordance with GAAP, we are required to make estimates and assumptions that affect the reported amounts included in our financial statements. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. On an ongoing basis, management reviews and refines those estimates.

Management's judgments are based on information including, but not limited to, historical experience, industry trends, conventional practices, expert opinions, terms of existing agreements and information from outside sources. Judgments are subject to an inherent degree of uncertainty, and therefore actual results could differ from these estimates.

Item 3. QUANTITATIVE AND QUALITATIVE ANALYSIS ABOUT MARKET RISK

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, the Company is not required to provide the information required by this Item.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our disclosure controls and procedures were designed to provide reasonable assurance that the controls and procedures would meet their objectives.

As required by SEC Rule 13a-15(b), our management carried out an evaluation, with the participation of our Chief Executive and Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective at the reasonable assurance level.

A material weakness is a control deficiency (within the meaning of the Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 2) or combination of control deficiencies that result in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Management has identified the following two material weaknesses in our disclosure controls and procedures:

1. We do not have written documentation of our internal control policies and procedures. Written documentation of key internal controls over financial reporting is a requirement of Section 404 of the Sarbanes-Oxley Act. Management evaluated the impact of our failure to have written documentation of our internal controls and procedures on our assessment of our disclosure controls and procedures and has concluded that the control deficiency that resulted represented a material weakness.
2. We do not have sufficient segregation of duties within accounting functions, which is a basic internal control. Due to our size and nature, segregation of all conflicting duties may not always be possible and may not be economically feasible. However, to the extent possible, the initiation of transactions, the custody of assets and the recording of transactions should be performed by separate individuals. Management evaluated the impact of our failure to have segregation of duties on our assessment of our disclosure controls and procedures and has concluded that the control deficiency that resulted represented a material weakness.

To address these material weaknesses, management performed additional analyses and other procedures to ensure that the financial statements included herein fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented.

Changes in Internal Controls

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

From time to time, we may be involved in routine legal proceedings, as well as demands, claims and threatened litigation that arise in the normal course of our business. The ultimate amount of liability, if any, for any claims of any type (either alone or in the aggregate) may materially and adversely affect our financial condition, results of operations and liquidity. In addition, the ultimate outcome of any litigation is uncertain. Any outcome, whether favorable or unfavorable, may materially and adversely affect us due to legal costs and expenses, diversion of management attention and other factors. We expense legal costs in the period incurred. We cannot assure you that additional contingencies of a legal nature or contingencies having legal aspects will not be asserted against us in the future, and these matters could relate to prior, current or future transactions or events.

We are currently a party to the following legal proceedings:

SCI Welding & Oilfield Service vs. Tiger Energy Operating LLC. (Case Number 169000023, Eighth District Court-Roosevelt Duchesne County, State of Utah)

This case concerns the collection of unpaid debt owed by Tiger Energy Operating, LLC (TEO), concerning the workover of wells in Duchesne County, Utah. SCI Welding was granted a judgment in the amount of \$67,470 on April 27, 2016. A garnishment was filed by SCI resulting in their collection of \$17,063 prior to our acquisition of TEO. Presently, writs of execution have been issued against TEO properties in Duchesne and Uintah Counties, Utah. In addition, the writs seek execution upon various land parcels in Duchesne and Uintah Counties, Utah.

Graco Fishing & Rental Tools, Inc. vs. Tiger Energy Operating LLC., (Case No. 160800005 Eighth Judicial District Court in and for Duchesne County, State of Utah)

This case concerns the collection of unpaid debt owed by TEO for services performed by plaintiff. A default judgment in the amount of \$159,965 was obtained on June 1, 2016, against TEO, for unpaid accounts in connection with its workover of wells in Duchesne County, Utah. Graco has filed a writ of execution against the A Rust 2, Dye-Hall 2-21 A1, Wilkins 1-24 A5 and Rust 3-22A-4 wells located in Duchesne County. A Motion to Set Aside a sheriff's sale concerning these properties was filed based on the fact that TEO is not the owner of these properties. A hearing for this matter was held on May 1, 2017, in Duchesne County, Utah, at which a Company representative was present to comply with the court's order to produce documents. Prior to the hearing, TEO made an initial settlement offer, which was eventually rejected by the Plaintiffs. The matter remains unresolved as of the filing of this report.

Peak Well Service, LLC

Peak Well Service, LLC, filed mechanics and materialman's liens against the Wilkins, Rust 2 Well, Dye Hall 2, Rust 3, and Josie 1 wells for unpaid accounts in connection with work performed on these wells. During the three months ended March 31, 2017, both parties agreed to settle this legal action with a payment of \$120,000 from the Company to Peak Well Service, LLC. As of March 31, 2017, the settlement has been satisfied and the liens have been released.

Other than as noted above, we are not currently a party to any other material legal proceedings. However, legal claims are inherently uncertain, and we cannot assure you that we will not be adversely affected in the future by legal proceedings.

Item 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1, "Risk Factors" in our Current Report on Form 10-K filed on April 14, 2017, which could materially affect our business, financial condition or operating results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the three months ended March 31, 2017, the Company issued 175,000 shares of common stock for services rendered in the amount of \$359,500.

During the three months ended March 31, 2017, the Company issued 120,000 shares of common stock for services to CEO and directors in the amount of \$27,786.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not Applicable.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

No.	Description
3.1	Certificate of Amendment of Certificate of Incorporation of Foothills Exploration, Inc. **
10.1	Share Exchange Agreement between Registrant and Foothills Petroleum, Inc., dated May 27, 2016**
10.2	Securities Purchase Agreement between Registrant and Berwin Trading Limited dated June 30, 2016**
10.3	Securities Purchase Agreement between Registrant and Alternus Capital Holdings Ltd. dated December 23, 2015**
10.4	Securities Purchase Agreement between Registrant and Alternus Capital Holdings Ltd. dated April 5, 2016**
10.5	Form of Convertible Promissory Note**
10.5	Form of Wilshire Warrant**
10.6	Form of Zhuge Liang Warrant **
10.7	Business Development Services Agreement with Wilshire Energy Partners LLC and Aegis International LLC**
10.8	Executive Director Agreement between Foothills Petroleum, Inc. and Alex M. Hemb dated March 24, 2016**
10.9	Executive Director Agreement between Foothills Petroleum, Inc. and Christopher Jarvis dated March 24, 2016**

No.	Description
10.10	Executive Employment Agreement between registrant and Ritchie Lanclos dated August 11, 2016**
10.11	Executive Employment Agreement between registrant and Eleazar Ovalle dated August 15, 2016**
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101.INS	XBRL Instance Document***
101.SCH	XBRL Taxonomy Extension Schema Document***
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document***
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document***
101.LAB	XBRL Taxonomy Extension Label Linkbase Document***
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document***

* Filed herewith.

** Previously filed.

*** Pursuant to Rule 406T of Regulation S-T, the interactive files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 15, 2017

FOOTHILLS EXPLORATION, INC.

By: /s/ B.P. Allaire

B.P. Allaire
Chief Executive Officer

**CERTIFICATION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, B.P. Allaire, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Foothills Exploration, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2017

/s/ B.P. Allaire

B.P. Allaire

Chief Executive Officer

(Principal Executive Officer and Principal Financial Officer)

**CERTIFICATION PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, B.P. Allaire, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Foothills Exploration, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2017

/s/ B.P. Allaire

B.P. Allaire
Interim Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Foothills Exploration, Inc., a Delaware corporation (the "Company"), on Form 10-Q for the three months ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, as Principal Executive Officer and Principal Financial Officer, hereby certifies pursuant to 18 U.S.C. Sec. 1350 as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002 that, to the undersigned's knowledge:

- (1) the Report of the Company filed today containing the financial statements fully complies with the requirements of Section 13(a) or (15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: May 15, 2017

/s/ B.P. Allaire

B.P. Allaire

Chief Executive Officer (Principal Executive Officer) and Interim
Chief Financial Officer (Principal Financial Officer)
