

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: June 30, 2016

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
(State or other jurisdiction
of incorporation)

27-3439423
(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"/> |

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

As of August 12, 2016, the issuer had 11,536,278 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

| | June 30, 2016 | December 31, 2015 |
|---|--------------------------|------------------------------|
| <u>Assets</u> | (Unaudited) | |
| Current Assets | | |
| Cash and cash equivalents | \$ 87,150 | \$ 375,000 |
| Prepaid expenses | 7,144 | 170,833 |
| Total Current Assets | <u>94,294</u> | <u>545,833</u> |
| Restricted cash | - | 25,000 |
| Oil and gas properties | 105,672 | 72,430 |
| Total Assets | <u>\$ 199,966</u> | <u>\$ 643,263</u> |
| Liabilities and Stockholders' Equity | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 8,935 | \$ 3,500 |
| Accrued interest | - | 789 |
| Total Current Liabilities | <u>8,935</u> | <u>4,289</u> |
| Long-Term Liabilities: | | |
| Long-term debt | - | 600,000 |
| Total Liabilities | <u>8,935</u> | <u>604,289</u> |
| 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; 11,536,278 and 4,500,000 shares issued and outstanding, respectively | 1,154 | 4,500 |
| Common stock subscribed | (2,000,000) | |
| Additional paid in capital | 3,111,471 | 67,930 |
| Accumulated deficit | (921,594) | (33,456) |
| Total stockholders' equity | <u>191,031</u> | <u>38,974</u> |
| Total Liabilities and Stockholders' Equity | <u>\$ 199,966</u> | <u>\$ 643,263</u> |

See accompanying notes to unaudited condensed consolidated financial statements.

FOOTHILLS EXPLORATION, INC.
Condensed Consolidated Statement Of Operations
(Unaudited)

| | For the three months ended June 30, 2016 | For the six months ended June 30, 2016 |
|---|---|---|
| Revenue | \$ - | \$ - |
| Operating expenses | | |
| Selling, general and administrative | 651,378 | 860,128 |
| Total operating expenses | <u>651,378</u> | <u>860,128</u> |
| Loss from operations | (651,378) | (860,128) |
| Other income (expenses): | | |
| Interest expense | (16,043) | (28,010) |
| Total other income (expenses) | <u>(16,043)</u> | <u>(28,010)</u> |
| Loss from operations before income taxes | (667,421) | (888,138) |
| Provision for income taxes | - | - |
| Net Loss | <u>(667,421)</u> | <u>(888,138)</u> |
| Net loss per share – basic and diluted | <u>(0.11)</u> | <u>(0.17)</u> |
| Weighted average common shares – basic and diluted | <u>6,047,723</u> | <u>5,273,862</u> |

See accompanying notes to unaudited condensed consolidated financial statements.

FOOTHILLS EXPLORATION, INC.
Condensed Consolidated Statement Of Cash Flows
(Unaudited)

| | For the six months ended June 30, 2016 |
|--|---|
| Cash Flows from Operating Activities | |
| Net loss | \$ (888,138) |
| Common stock issued for services | 9,250 |
| Changes in operating assets and liabilities: | |
| Prepaid expenses | 165,833 |
| Accounts payable and accrued liabilities | 29,647 |
| Accrued interest | 28,801 |
| Net cash used in operating activities | <u>(654,607)</u> |
| Cash Flows from Investing Activities | |
| Payments for acquisition of oil and gas property | <u>(33,243)</u> |
| Net cash from investing activities | (33,243) |
| Cash Flows from Financing Activities | |
| Proceeds from notes payable | 400,000 |
| Net cash provided by financing activities | <u>400,000</u> |
| Net decrease in cash and cash equivalents | (287,850) |
| Cash and Cash Equivalents, beginning of period | 375,000 |
| Cash and Cash Equivalents, end of period | <u>\$ 87,150</u> |
| Supplemental disclosures of cash flow information: | |
| Prepaid warrants issued for services | \$ 2,144 |
| Stock issued for conversion of notes payable | <u>\$ 1,000,000</u> |
| Accrued interest forgiven by related party | <u>\$ 28,801</u> |
| Accounts payable settled with restricted cash | <u>\$ 25,000</u> |

See accompanying notes to unaudited condensed consolidated financial statements.

FOOTHILLS EXPLORATION, INC.
Notes To The Condensed Consolidated Financial Statements
Three and six months ended June 30, 2016 and 2015
(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 pre split (56.4 post split) million 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 for 4,500,000 shares and also issued 1,503,759 shares on automatic conversion of debt (please see discussion below under Company’s Business 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 Share Exchange was accounted for as a reverse acquisition and re-capitalization. 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 unaudited 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 unaudited condensed consolidated financial statements and footnotes has 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 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 subsequent to the closing of quarter ending June 30, 2016, the Company received the funds. For a more complete description of this transaction please see our Form 8-K filed with the Securities and Exchange Commission (“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.

Nature of Operations

FPI was incorporated in Nevada in December 2015. FPI is an independent oil and gas exploration company with a focus on the acquisition and development of oil and natural gas properties in the Rockies and Mid-Continent. FPI seeks to acquire dislocated and underdeveloped oil and gas assets and maximize those assets to create shareholder value (the “Business”). Its principal obligations, consisting of convertible promissory notes in the aggregate amount of approximately \$1,000,000 plus interest accruing at a rate of 8% per annum (the “Note”), issued to a single investor as part of convertible debt financing, was converted into 1,503,759 shares of common stock of the Company at the closing of the Share Exchange transaction at a conversion price of \$0.665 per share with any accrued and outstanding interest under the Note waived.

From its inception in December 2015 through the date of the Share Exchange, FPI has produced no revenues from its business and principal properties and is currently an exploration stage company. Prior to January 2016, FPI 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 December 31, 2015, FPI had 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 in connection with its organization in December 2015.

FPI's technical team and strategic advisors have a proven track record of finding, exploiting and developing oil resources in the Rockies, with a deep technical and operational knowledge of the area.

Basis of Presentation and Functional Currency

These financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States of America, and are expressed in United States dollars (USD), and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2015. In the opinion of management all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the financial position and the results of operations for the interim period presented have been reflected herein. The results of operations for the interim period are not necessarily indicative of the results to be expected for the full year. The Company was formed on December 17, 2015, therefore there are no comparative financial statements for the period for three and six months statement of operations and cash flows.

Exploration Stage

The Company has not produced revenues from its principal business and is in the exploration stage. The Company is engaged in the acquisition, exploration, development and production of oil and gas properties. As of June 30, 2016, the Company had acquired the rights to 38,120 acres of oil and gas property in the state of Wyoming through its transaction with the shareholders of FPI.

The Company's success will depend in large part on its ability to obtain and develop oil and gas interests within the Rocky Mountain and Mid-Continent regions. There can be no assurance that oil and gas properties obtained by the Company will contain reserves or that properties with reserves will be profitable to extract. The Company will be subject to local and national laws and regulations which could impact its ability to execute its business plan.

As discussed in Note 2, the accompanying unaudited condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern. On June 30, 2016, the Company sold 3,007,519 shares of its common stock for an aggregate amount of \$2,000,000, and subsequent to the closing of the quarter ending June 30, 2016, the Company received the \$2,000,000 funding.

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 six 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 June 30, 2016, the Company had no cash equivalents.

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.

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 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 inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.
- Level 2 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 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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 June 30, 2016, 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 June 30, 2016. 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 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.

Principles of Consolidation

These consolidated financial statements include the accounts of Foothills Exploration, Inc., and its wholly-owned subsidiary Foothills Petroleum Inc. All intercompany balances and transactions have been eliminated in consolidation.

Recent Accounting Pronouncements

There were various updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

Note 2. Going Concern

As shown in the accompanying financial statements, the Company has incurred an accumulated loss of \$921,594 through June 30, 2016, and had working capital of \$85,359 at June 30, 2016. 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, the Company sold 3,007,519 shares of its common stock for an aggregate amount of \$2,000,000 and subsequent to the closing of the quarter ending June 30, 2016, the Company received the \$2,000,000 funding. As a result, Management believes that its existing cash on hand will be sufficient to fund its operations for the next 12 months. 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. 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. Share Exchange Agreement

On May 2, 2016, Foothills Petroleum Inc., a Nevada corporation ("FPI") acquired over 14.1 pre split (56.4 post split) million 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. Please see our Form 8-K filed with the SEC on May 6, 2016.

As of May 16, 2016, the Company effected a 4:1 forward split of our shares of common stock. Please see our Form 8-K filed with the SEC on May 19, 2016.

On May 27, 2016, the Company entered into a Share Exchange Agreement ("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 issuable to Alternus Capital Holdings Ltd. ("Alternus") (the "Share Exchange"). 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.

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 71.8% 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 4. Oil and Gas Properties

On December 24, 2015, Wilshire Energy Partners, LLC sold its 100% membership interest in Foothills Exploration, LLC, a Wyoming limited liability company, which at the time owned 38,120 acres of productive oil and gas leases to the Company in return for 4,500,000 shares of the Company's common stock. Foothills Exploration, LLC is now a wholly owned subsidiary of the Company and 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 March 29, 2016, FPI 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. 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 a licensed 2-D seismic comprising of two seismic lines covering the Chevron/Echo – Greater Green River Basin. The asset is valued at \$20,000 based on the agreement. During the six months ended June 30, 2016, the Company capitalized an additional \$33,243 in costs related to this asset.

Note 5. Notes Payable

On December 24, 2015, FPI entered into a convertible promissory note in the amount of \$600,000 with Alternus Capital Holdings Limited, a BVI company. 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 FPI 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") 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 Capital Holdings Limited. Under the agreements between Alternus and FPI, 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. Through May 27, 2016, the date of the Share Exchange, Alternus had invested \$1,000,000 and based on the Conversion Price was issued 1,503,759 shares of Common Stock of Pubco (Key Link) in full satisfaction of its two notes.

During the period ended June 30, 2016, 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 and completed the documents related to the purchase of equity on June 30, 2016, and subsequent to the period ended June 30, 2016, funded its investment on July 6, 2016. The additional investment option has expired.

Note 6. Common Stock

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

On April 5, 2016, FPI issued a convertible promissory note in the amount of \$400,000 to Alternus Capital Holding Limited. The note matures 12 months from the later of (i) April 5, 2017 or (ii) the next business day after FPI received the funds, and accrues interest at a rate of 8% per annum. On May 27, 2016, the shareholders of FPI entered into the Share Exchange Agreement with Key Link, pursuant to which the principal amount of the note 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 amount of shares issued to Alternus Capital Holdings Limited pursuant to the conversion of the note is 1,503,759. All accrued interest was waived and recorded as additional paid in capital.

Effective April 1, 2016, FPI appointed two directors to its board. Each director was granted 125,000 shares of its common stock (the "FPI Directors Shares"), vesting according to the following schedule: (i) 40% vesting ninety (90) days from the Effective Date; (ii) 20% vesting one hundred eighty (180) days from the Effective Date; (iii) 20% vesting two hundred seventy (270) days following the Effective Date; (iv) 20% vesting three hundred sixty (360) days following the Effective Date. As of June 30, 2016, 50,000 shares were issued to each director. These shares were valued at \$1,000.

On May 2, 2016, Foothills Petroleum Inc., a Nevada corporation ("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. Please see our Form 8-K filed with the Securities and Exchange Commission on May 6, 2016.

As of May 16, 2016, we effected a 4:1 forward split of our shares of common stock. Please see our Form 8-K filed with the SEC on May 19, 2016. 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, and were returned to treasury for cancellation. A total of 2,360,000 shares were retained from the 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 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 June 30, 2016, 60,000 shares were issued to the Company's CEO. These shares were valued at \$600.

During the six months ended June 30, 2016, the Company issued 5,000 shares to a service provider per consulting agreement. The shares were valued at \$7,650.

On May 27, 2016, we entered into a Share Exchange Agreement ("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 Capital Holdings Ltd. ("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 FPI common stock, that were issued to Wilshire on May 4, 2016, for a like amount of warrants to purchase shares of Company 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.

Following the closing of the Share Exchange transaction we had 8,363,759 shares of common stock outstanding (excluding the FPI Acquired Shares, which were deemed canceled following the Share Exchange), of which Wilshire and Alternus own in the aggregate 6,003,759 shares, or approximately 71.8% of the outstanding common stock. As of the date of this filing the Company has no shares of preferred stock issued and outstanding.

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.

As of June 30, 2016, the Company had 11,536,278 shares of common stock issued and outstanding.

Warrants

On May 27, 2016, the Company granted to Wilshire Energy Partners warrants for services (“Wilshire Warrants”) to purchase (i) 100,000 shares at a strike price of \$1.25 per share, (ii) 200,000 shares at a strike price of \$2.00 per share and (iii) 400,000 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 will expire on June 1, 2021.

On May 27, 2016, the Company granted to Zhuge Liang LLC warrants for services to purchase (i) 125,000 shares at a strike price of \$1.25 per share, (ii) 100,000 shares at a strike price of \$2.00 per share and (iii) 100,000 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 will expire on June 1, 2021.

The fair value of all warrants was determined to be \$2,144 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 six months ended June 30, 2016:

| | <u>Number of Warrants</u> | <u>Weighted Average Exercise Price</u> | <u>Weighted Average Remaining Contractual Term</u> |
|--|---------------------------|--|--|
| Balance outstanding, December 31, 2015 | - | \$ - | - |
| Granted | 1,025,000 | 2.32 | 4.92 |
| Exercised | - | - | - |
| Cancelled or expired | - | - | - |
| Balance outstanding, June 30, 2016 | <u>1,025,000</u> | <u>\$ 2.32</u> | <u>4.92</u> |
| Exercisable, June 30, 2016 | <u>-</u> | <u>\$ -</u> | <u>-</u> |

Options

On May 19, 2016, the Company granted to each of its three directors options to purchase (i) 50,000 shares at a strike price of \$2 per share, vesting when the Company achieves and maintains a total average daily production level of 100 boe/d for at least 30 days, (ii) 50,000 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 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.

The following table summarizes all stock option activity for the six months ended June 30, 2016:

| | <u>Number of Option</u> | <u>Weighted Average Exercise Price</u> | <u>Weighted Average Remaining Contractual Term</u> |
|--|-------------------------|--|--|
| Balance outstanding, December 31, 2015 | - | \$ - | - |
| Granted | 450,000 | 3.00 | 9.89 |
| Exercised | - | - | - |
| Cancelled or expired | - | - | - |
| Balance outstanding, June 30, 2016 | <u>450,000</u> | <u>\$ 3.00</u> | <u>9.89</u> |
| Exercisable, June 30, 2016 | <u>-</u> | <u>\$ -</u> | <u>-</u> |

Note 7. 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 100% of Foothills Exploration LLC, a Wyoming limited liability company (“FEL”) to Foothills Petroleum, 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 to \$3.5 million of financing in the form of equity and/or convertible notes to implement the business plan that is 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 Petroleum would pay to Aegis from funds received, \$150,000 through June 30, 2016 (the “Foothills Initial Organizational Term”). As of June 30, 2016, the payment was made in full.
5. Following the Foothills Initial Organizational Term, Foothills on at-will basis would 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.
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 Petroleum on its organization in exchange for 4.5 million shares of Foothills Petroleum, and Foothills Petroleum 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 Petroleum entered into two agreements with Alternus Capital Holdings Ltd 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 common stock of Key Link.

Alternus Capital Holdings Limited

On December 24, 2015, FPI entered into a convertible promissory note in the amount of \$600,000 with Alternus Capital Holdings Limited, a British Virgin Islands company. 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 FPI 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”), 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 Capital Holdings Limited. Under the agreements between Alternus and FPI, 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. 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 Common Stock of Pubco (Key Link) in full satisfaction of its two notes. All accrued interest was waived and recorded as additional paid in capital.

Note 8. Subsequent Events

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. Subsequent to the closing of quarter ending June 30, 2016, the Company received the funds.

The pro forma consolidated balance sheet as of June 30, 2016, gives effect to the transaction described above, and is based on the historical financial statements of the Company, as if the funds were received on June 30, 2016, for purposes of the pro forma consolidated balance sheet.

Foothills Petroleum
Pro Forma Condensed Consolidated Balance Sheet
(Unaudited)

| | <u>June 30,</u> <u>2016</u> | <u>December 31,</u> <u>2015</u> |
|---|--------------------------------|------------------------------------|
| <u>Assets</u> | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 2,087,150 | \$ 375,000 |
| Prepaid expenses | 7,144 | 170,833 |
| Total Current Assets | <u>2,094,294</u> | <u>545,833</u> |
| Restricted cash | - | 25,000 |
| Oil and gas property | 105,672 | 72,430 |
| Total Assets | <u>\$ 2,199,966</u> | <u>\$ 643,263</u> |
| <u>Liabilities and Stockholders' Equity</u> | | |
| Current Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 8,935 | \$ 3,500 |
| Accrued interest | - | 789 |
| Total Current Liabilities | <u>8,935</u> | <u>4,289</u> |
| Long-Term Liabilities: | | |
| Long-term debt | - | 600,000 |
| Total Liabilities | <u>8,935</u> | <u>604,289</u> |
| Stockholders' Equity: | | |
| Preferred stock, \$0.0001 par value; 25,000,000 shares authorized; no shares issued and outstanding | - | - |
| Common stock, \$0.0001 par value; 100,000,000 shares authorized; 11,536,278 and 4,500,000 shares issued and outstanding, respectively | 1,154 | 4,500 |
| Additional paid in capital | 3,111,471 | 67,930 |
| Accumulated deficit | (921,594) | (33,456) |
| Total stockholders' equity | <u>2,191,031</u> | <u>38,974</u> |
| Total Liabilities and Stockholders' Equity | <u>\$ 2,199,966</u> | <u>\$ 643,263</u> |

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., ("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 approximately 14.1 pre split (56.4 post split) million 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 Company's Business 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 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. Subsequent to the closing of the quarter ending June 30, 2016, we received the funds.

Subsequent to the period ending June 30, 2016, and 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.

FPI's Business Overview

FPI was incorporated in Nevada in December 2015. FPI is an independent oil and gas exploration company with a focus on the acquisition and development of oil and natural gas properties in the Rockies and Mid-Continent. FPI seeks to acquire dislocated and underdeveloped oil and gas assets and maximize those assets to create shareholder value (the "Business"). Its principal obligations, consisting of convertible promissory notes in the aggregate amount of approximately \$1,000,000, plus interest accruing at a rate of 8% per annum (the "Note"), issued to a single investor as part of convertible debt financing, was converted into 1,503,759 shares of common stock of the Company at the closing of the Share Exchange transaction at a conversion price of \$0.665 per share with any accrued and outstanding interest under the Note waived.

From its inception in December 2015 through the date of the Share Exchange, FPI has produced no revenues from its business and principal properties and is currently an exploration stage company. Prior to January 2016, FPI 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 December 31, 2015, FPI had 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 in connection with its organization in December 2015.

FPI's technical team and strategic advisors have a proven track record of finding, exploiting and developing oil resources in the Rockies, with a deep technical and operational knowledge of the area.

Market Environment

Oil pricing has declined significantly over the last 18-months from a one time 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 in 2015 year-over-year, respectively. With oil prices falling below \$30 a barrel in 2016 at one point, and WTI currently trading at about \$40 a barrel on August 1, 2016, the Company currently anticipates a 3rd consecutive year of material spending cutbacks for new supply globally.

In the U.S., the Energy Information Administration (EIA) in its January 12, 2016 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 set in 2007 of 9.3 million barrels per day. The EIA forecasts that total global demand for petroleum to grow by 1.4 million barrels per day from 2015's 93.7 million per day to 95.2 million by the end of 2016, and similar growth in 2017 to 96.6 million per day where demand out strips supplies by the 4Q 2017. For these and other domestic reasons, FPI medium to long-term outlook are for oil and gas prices to be at sustainable higher levels. No assurance can be given that this outlook will prove to be accurate.

Our Strategy

FPI's strategic objective is to build a portfolio of producing properties that have low operating costs, long lived reserves and upside development potential. FPI'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. FPI intends to accomplish this by acquiring oil and gas properties with attractive valuation metrics and appealing geological risk/reward profiles that are better positioned to benefit from an improvement in commodity prices.

FPI's primary focus is the Rockies and Mid-Continent regions, where its consultants and technical staff have successfully conducted oil and gas operations. FPI believes its geographical focus and regional experience coupled with strategic industry relationships will advantageously position them to acquire quality oil and gas assets at attractive valuations in the current environment.

FPI's acquisitions and roll up strategy is based on identifying undercapitalized, yet attractive oil and gas assets selling at a discount to intrinsic value. FPI focuses on acquiring oil and gas assets that have existing production, with existing infrastructure and future developmental potential. Once it acquires oil and gas assets, FPI expects to target adjacent oil and gas properties with similar characteristics to bolt on and increase its geographical acreage position. By consolidating and exploiting additional acreage and rolling it up into FPI, management believes that it may achieve efficiencies and be able to further create shareholder value.

FPI's Wyoming Properties

The principal assets currently owned by FPI consist of non-producing, prospective mineral leases located in Wyoming.

Springs Prospect

The Springs Prospect, consisting of 38,120 contiguous acres, 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 Niobara and Mowry shales surround the prospect acreage. FPI has also identified and mapped conventional drilling targets in the Muddy and Tensleep throughout the prospect area. Although FPI plans to acquire 3-D Seismic and complete its geologic assessment in the current fiscal year, no assurance can be given that it will be able to do so.

Ladysmith Prospect

On March 29, 2016, FPI acquired a 35% working interest in the Ladysmith Anticline prospect that is located in Fremont County, Wyoming. This prospect in entirety amounts to 3,061 acres and is 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 a licensed 2-D seismic comprising of two seismic lines covering the Chevron/Echo – Greater Green River Basin.

Plan of Operations

Over the near-term with energy prices depressed, FPI believes that it is well positioned to capitalize on the current low price environment. Current energy prices have exposed attractive U.S. based assets that are poorly capitalized, which are now selling at discounted prices, providing multiple entry points to acquire attractive oil and gas assets. FPI intends to acquire distressed 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 what management believes to be a favorable macroeconomic environment for acquiring attractive oil and gas assets, FPI intends to leverage its geographical focus in the Rockies and Mid-Continent. FPI is focused on acquiring smaller operators in a considerably fragmented oil and gas market and through consolidation, management believes FPI can effectively scale its production and acreage position and collectively unlock value in the acquired oil and gas assets thereby increasing shareholder value.

Acquiring additional assets and companies throughout Rockies

FPI is targeting acquisitions in a tightly defined geographical area of interest, which meet certain metrics and future development potential to increase shareholder value. FPI anticipates that these acquisitions will be funded through the sale of common stock, and from issuance of convertible debt, other institutional and private borrowing, as well as future reserve based borrowing activities.

Pursuing the initial development of the Greater Green River conventional and unconventional assets, FPI plans to drill one or two vertical wells in 2016 on the Springs Prospect acreage. FPI anticipates that drilling activities will target the well-established conventional Muddy and Tensleep formations and unconventional Niobrara and Mowry shale formations.

Retain Operational Control and Significant Working Interest

In its principal acquisition and development targets, FPI expects to preserve operational control of its development and drilling activities. As the operator for its projects, FPI 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 its day-to-day business, FPI regularly identifies drilling and development opportunities on additional acreage in its area of interest that has not yet been leased. Subject to securing additional capital, FPI may take the initiative to lease prospective acreage in an area of interest and may sell all or any portion of the leased acreage to other companies that want 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 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 FPI to date has acquired specific properties, and because of the wider range of activities in which it expects to participate, management believes that it is not practical to set forth in detail the potential impact federal and state regulations may have on FPI.

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. As a result of this action, oil which 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

FPI 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 stream 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

FPI 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, we have the right to have our interest placed of record. As is customary in the oil and gas industry, a preliminary title examination will be conducted at the time unproved properties or interests are acquired by us and prior to commencement of drilling on unproved properties and prior to acquisition of proved properties we will conduct a full title examination and attempt to take such further corrective steps as may be appropriate to address material title defect.

FPI 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. Although FPI is not aware of any material title defects or disputes with respect to its undeveloped acreage as of the date of this filing, to the extent such defects or disputes exist, FPI would suffer title failures which could result in material adverse consequences to the operations of the company.

Results of Operations

The successor entity as a result of the reverse acquisition is FPI, which was formed on December 17, 2015. Since this is the entity for which we are now reporting, no operating results were available for the comparative period in 2015 since the entity had not yet been formed.

Three months ended June 30, 2016 compared to three months ended June 30, 2015

Revenue

We have not earned any revenues for the three months ended June 30, 2016 and 2015. We can provide no assurance that we will commence operations or that such 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. We also incurred a non-recurring expense of \$316,035 in conjunction with the purchase of 14.1 million shares related to our reverse acquisition. Our total selling, general and administrative expenses for the three months ended June 30, 2016, were \$651,378.

Other Expenses

Interest expense for the three months ended June 30, 2016, was \$16,043.

Net Loss

As a result of the foregoing, during the three months ended June 30, 2016, we recorded a net loss of \$667,421.

Six months ended June 30, 2016 compared to six months ended June 30, 2015

Revenue

We have not earned any revenues for the six months ended June 30, 2016 and 2015. We can provide no assurance that we will commence operations or that such 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. We also incurred a non-recurring expense of \$316,035 in conjunction with the purchase of 14.1 million shares related to our reverse acquisition. Our total selling, general and administrative expenses for the six months ended June 30, 2016, were \$860,128.

Other Expenses

Interest expense for the six months ended June 30, 2016, was \$28,010.

Net Loss

As a result of the foregoing, during the six months ended June 30, 2016, we recorded a net loss of \$888,138.

Liquidity and Capital Resources

As shown in the accompanying financial statements, we incurred an accumulated loss of \$921,594 through June 30, 2016, and have working capital of \$85,359 at June 30, 2016. 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. Subsequent to the closing of quarter ending June 30, 2016, the Company received the funds.

The pro forma consolidated balance sheet as of June 30, 2016, gives effect to the transaction described above, and is based on the historical financial statements of the Company, as if the funds were received on June 30, 2016, for purposes of the pro forma consolidated balance sheet.

Foothills Petroleum
Pro Forma Condensed Consolidated Balance Sheet
(Unaudited)

| | <u>June 30,</u> <u>2016</u> | <u>December 31,</u> <u>2015</u> |
|---|--------------------------------|------------------------------------|
| <u>Assets</u> | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 2,087,150 | \$ 375,000 |
| Prepaid expenses | 7,144 | 170,833 |
| Total Current Assets | <u>2,094,294</u> | <u>545,833</u> |
| Restricted cash | - | 25,000 |
| Oil and gas property | 105,672 | 72,430 |
| Total Assets | <u>\$ 2,199,966</u> | <u>\$ 643,263</u> |
| <u>Liabilities and Stockholders' Equity</u> | | |
| Current Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 8,935 | \$ 3,500 |
| Accrued interest | - | 789 |
| Total Current Liabilities | <u>8,935</u> | <u>4,289</u> |
| Long-Term Liabilities: | | |
| Long-term debt | - | 600,000 |
| Total Liabilities | <u>8,935</u> | <u>604,289</u> |
| 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; 11,536,278 and 4,500,000 shares issued and outstanding, respectively | 1,154 | 4,500 |
| Additional paid in capital | 3,111,471 | 67,930 |
| Accumulated deficit | (921,594) | (33,456) |
| Total stockholders' equity | <u>2,191,031</u> | <u>38,974</u> |
| Total Liabilities and Stockholders' Equity | <u>\$ 2,199,966</u> | <u>\$ 643,263</u> |

Management believes that its existing cash on hand will be sufficient to fund its operations for the next 12 months. 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 six months ended June 30, 2016, we used \$654,607 of cash in operating activities. Non-cash adjustments included \$9,250 related to stock compensation expense, and net changes in operating assets and liabilities of \$224,281.

Investing Activities

During the six months ended June 30, 2016, we used \$33,243 of cash in investing activities for acquisition of an oil and gas property.

Financing Activities

During the six months ended June 30, 2016, we received \$400,000 in proceeds from issuance of notes. On June 30, 2016, we executed a mutually binding securities purchase agreement pursuant to which we have sold approximately 3,007,519 shares of our common stock to a single investor for net proceeds of \$2 million.

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 and 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.

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, we are not required to provide this disclosure.

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 Securities and Exchange Commission'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 Chief 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 June 30, 2016 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 not currently a party to any 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 8-K filed on June 10, 2016 (the "June 8-K"), which could materially affect our business, financial condition or operating results. The risks described in our Annual Report on Form 10-K and in our June 8-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

On June 30, 2016, we sold 3,007,519 shares of our common stock to an investor in exchange for proceeds of \$2 million, received on July 6, 2016, that we may use for acquiring oil and gas properties as well as for general operating and marketing expenses.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not Applicable.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

| <u>No.</u> | <u>Description</u> |
|------------|---|
| 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**
- 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
- 32.2 Certification of Principal Financial 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*

* 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.

** Previously filed.

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: August 15, 2016

FOOTHILLS EXPLORATION, INC.

By: */s/ B.P. Allaire*

B.P. Allaire

Chief Executive Officer

**WARRANT
TO PURCHASE SHARES OF COMMON STOCK**

KEY LINK ASSETS CORP.

A Delaware Corporation

THIS WARRANT HAS BEEN, AND THE SHARES OF COMMON STOCK WHICH MAY BE PURCHASED PURSUANT TO THE EXERCISE OF THIS WARRANT (THE "WARRANT SHARES") WILL BE, ACQUIRED SOLELY FOR INVESTMENT AND NOT WITH A VIEW TO, OR FOR RESALE IN CONNECTION WITH, ANY DISTRIBUTION THEREOF. NEITHER THIS WARRANT NOR THE WARRANT SHARES (TOGETHER, THE "SECURITIES") HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF SUCH REGISTRATION OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY AND ITS COUNSEL THAT SUCH DISPOSITION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF THE SECURITIES ACT AND OF ANY APPLICABLE STATE SECURITIES LAWS. THIS WARRANT MUST BE SURRENDERED TO THE COMPANY OR ITS TRANSFER AGENT AS A CONDITION PRECEDENT TO THE SALE, PLEDGE OR OTHER TRANSFER OF ANY INTEREST IN ANY OF THE SHARES REPRESENTED BY THIS WARRANT.

Warrant No.:
Denver, Colorado

May , 2016

THIS CERTIFIES THAT, effective as of May , 2016, for U.S. Dollars (\$) and other good and valuable consideration the receipt of which the Company hereby acknowledges, Zhuge Liang, LLC, a Delaware limited liability company (the "Holder"), is entitled to subscribe for and purchase from Key Link Assets Corp., a Delaware corporation (the "Company"), (,000) shares of the Company's Common Stock (as adjusted pursuant to Section 2 hereof) (the "Warrant Shares") at the purchase price of (\$) per share (as adjusted pursuant to Section 2 hereof) (the "Exercise Price") , upon the terms and subject to the conditions hereinafter set forth.

1. **Exercise Rights.**

(a) **Cash Exercise.** The purchase rights represented by this Warrant may be exercised by the Holder at any time during the term hereof, in whole or in part commencing on June , 2017, by surrender of this Warrant and delivery of a completed and duly executed Notice of Cash Exercise, in the form attached as Exhibit A hereto, accompanied by payment to the Company of an amount equal to the Exercise Price then in effect multiplied by the number of Warrant Shares to be purchased by the Holder in connection with such cash exercise of this Warrant, which amount may be paid, at the election of the Holder, by wire transfer, delivery of a check payable to the order of the Company or delivery of a promissory note made by the Company for whole or partial cancellation, or any combination of the foregoing, to the principal offices of the Company. The exercise of this Warrant shall be deemed to have been effected on the day on which the Holder surrenders this Warrant to the Company and satisfies all of the requirements of this Section. Upon such exercise, the Holder will be deemed a shareholder of record of those Warrant Shares for which the Warrant has been exercised with all rights of a shareholder (including, without limitation, all voting rights with respect to such Warrant Shares and all rights to receive any dividends with respect to such Warrant Shares). If this Warrant is to be exercised in respect of less than all of the Warrant Shares covered hereby, the Holder shall be entitled to receive a new warrant covering the number of Warrant Shares in respect of which this Warrant shall not have been exercised and for which it remains subject to exercise. Such new warrant shall be in all other respects identical to this Warrant.

(b) **Cashless Exercise.**

(i) In lieu of exercising the purchase rights represented by this Warrant on a cash basis pursuant to Section 1(a) hereof, the Holder may elect to exercise such rights represented by this Warrant at any time during the term hereof, in whole or in part, on a cashless basis by electing to receive the number of Warrant Shares which are equal in value to the value of this Warrant (or any portion thereof to be canceled in connection with such cashless exercise) at the time of any such cashless exercise, by delivery to the principal offices of the Company this Warrant and a completed and duly executed Notice of Cashless Exercise, in the form attached as Exhibit B hereto, properly marked to indicate (A) the number of Warrant Shares to be delivered to the Holder in connection with such cashless exercise, (B) the number of Warrant Shares with respect to which the Warrant is being surrendered in payment of the aggregate Exercise Price for the Warrant Shares to be delivered to the Holder in connection with such cashless exercise, and (C) the number of Warrant Shares which remain subject to the Warrant after such cashless exercise, if any (each as determined in accordance with Section 1(b)(ii) hereof).

(ii) In the event that the Holder shall elect to exercise the rights represented by this Warrant in whole or in part on a cashless basis pursuant to this Section 1(b), the Company shall issue to the Holder the number of Warrant Shares determined in accordance with the following formula:

$$X = \frac{Y (A-B)}{A}$$

X = the number of Warrant Shares to be issued to the Holder in connection with such cashless exercise.

Y = the number of Warrant Shares subject to this Warrant.

- A = the Fair Market Value (as defined below) of one share of common stock of the Company on the date of exercise.
- B = the Exercise Price in effect as of the date of such cashless exercise (as adjusted pursuant to Section 2 hereof).

(c) Additional Conditions to Exercise of Warrant. Unless there is a registration statement declared or ordered effective by the Securities and Exchange Commission (the "Commission") under the Securities Act which includes the Warrant Shares to be issued upon the exercise of the rights represented by this Warrant, such rights may not be exercised unless and until:

- (i) each certificate evidencing the Warrant Shares to be issued upon the exercise of the rights represented by this Warrant shall be stamped or imprinted with a legend substantially in the following form:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT FOR DISTRIBUTION, AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR ANY STATE SECURITIES LAWS. SUCH SHARES MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED, OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY AND ITS COUNSEL THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT. THIS CERTIFICATE MUST BE SURRENDERED TO THE COMPANY OR ITS TRANSFER AGENT AS A CONDITION PRECEDENT TO THE SALE, PLEDGE OR OTHER TRANSFER OF ANY INTEREST IN ANY OF THE SHARES REPRESENTED BY THIS CERTIFICATE.

(d) Fractional Shares. Upon the exercise of the rights represented by this Warrant, the Company shall not be obligated to issue fractional shares of Common Stock, and in lieu thereof, the Company shall pay to the Holder an amount in cash equal to the Fair Market Value per share of Common Stock immediately prior to such exercise multiplied by such fraction (rounded to the nearest cent).

(e) Expiration of Warrant. This Warrant shall expire at 5:00 p.m. Pacific Standard Time on June , 2021, and shall thereafter no longer be exercisable or have any value whatever.

(f) Record Ownership of Warrant Shares. The Warrant Shares shall be deemed to have been issued, and the person in whose name any certificate representing Warrant Shares shall be issuable upon the exercise of the rights represented by this Warrant (as indicated in the appropriate Notice of Exercise) shall be deemed to have become the holder of record of (and shall be treated for all purposes as the record holder of) the Warrant Shares represented thereby, immediately prior to the close of business on the date or dates upon which the rights represented by this Warrant are exercised in accordance with the terms hereof.

(g) Stock Certificates. In the event of any exercise of the rights represented by this Warrant, certificates for the Warrant Shares so purchased pursuant hereto shall be delivered to the Holder promptly and, unless this Warrant has been fully exercised or has expired, a new Warrant representing the Warrant Shares with respect to which this Warrant shall not have been exercised shall also be issued to the Holder within such time.

(h) Issue Taxes. The issuance of certificates for shares of stock upon the exercise of the rights represented by this Warrant shall be made without charge to the Holder for any issuance tax in respect thereof; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any certificate in a name other than that of the Holder of the Warrant.

(i) Conditional Exercise. The Holder of this Warrant shall have the right to submit a notice of exercise of this Warrant conditional upon an acquisition of the Company. If such transaction upon which such exercise is conditioned is not consummated, such notice of exercise shall be deemed of no further force or effect. For the purposes hereof, the Fair Market Value for the purposes of Section 1(b) hereto shall be the value of the consideration payable or issuable to the holders of the Company's Common Stock.

(j) Stock Fully Paid; Reservation of Shares. All Warrant Shares that may be issued upon the exercise of the rights represented by this Warrant, upon issuance, will be duly and validly issued, will be fully paid and nonassessable, will not violate any preemptive rights or rights of first refusal, will be free from restrictions on transfer other than restrictions on transfer imposed by applicable federal and state securities laws, will be issued in compliance with all applicable federal and state securities laws, and will have the rights, preferences and privileges described in the Company's Articles of Incorporation, as amended; and the Warrant Shares will be free of any liens or encumbrances, other than any liens or encumbrances created by or imposed upon the Holder through no action of the Company. During the period within which the rights represented by the Warrant may be exercised, the Company will at all times have authorized and reserved for the purpose of issuance upon exercise of the purchase rights evidenced by this Warrant, a sufficient number of shares of Common Stock to provide for the exercise of the right represented by this Warrant.

2. Adjustment Rights.

(a) **Right to Adjustment.** The number of Warrant Shares purchasable upon the exercise of the rights represented by this Warrant, and the Exercise Price therefor, shall be subject to adjustment from time to time upon the occurrence of certain events, as follows:

(i) **Merger.** If at any time there shall be a merger, consolidation or any other transaction of the Company with another entity pursuant to which the Company is not the surviving corporation, then, as a part of such merger or consolidation, lawful provision shall be made so that the holder of this Warrant shall thereafter be entitled to receive Warrant of the surviving entity with substantially equivalent terms as this Warrant, exercisable for the period specified herein. In any such case, appropriate adjustment shall be made in the application of the provisions of this Warrant with respect to the rights and interests of the Holder after the merger or consolidation.

(ii) **Stock Splits, Dividends, Combinations and Consolidations.** In the event of a stock split, stock dividend or subdivision of or in respect of the outstanding shares of Common Stock, the number of Warrant Shares issuable upon the exercise of the rights represented by this Warrant immediately prior to such stock split, stock dividend or subdivision shall be proportionately increased and the Exercise Price then in effect shall be proportionately decreased, effective at the close of business on the date of such stock split, stock dividend or subdivision, as the case may be. In the event of a reverse stock split, consolidation, combination or other similar event of or in respect of the outstanding shares of Common Stock, the number of Warrant Shares issuable upon the exercise of the rights represented by this Warrant immediately prior to such reverse stock split, consolidation, combination or other similar event shall be proportionately decreased and the Exercise Price shall be proportionately increased, effective at the close of business on the date of such reverse stock split, consolidation, combination or other similar event, as the case may be.

(b) **Adjustment Notices.** Upon any adjustment of the Exercise Price, and any increase or decrease in the number of Warrant Shares subject to this Warrant, in accordance with this Section 2, the Company, within 30 days thereafter, shall give written notice thereof to the Holder at the address of such Holder as shown on the books of the Company, which notice shall state the Exercise Price as adjusted and, if applicable, the increased or decreased number of Warrant Shares subject to this Warrant, setting forth in reasonable detail the method of calculation of each such adjustment.

3. Transfer of Warrant.

(a) **Conditions.** This Warrant and the rights represented hereby may be transferred by the Holder in whole or in part. In order to effect any transfer of all or a portion of this Warrant, the Holder hereof shall deliver to the Company a completed and duly executed Notice of Transfer, in the form attached as Exhibit C hereto. The Company shall, upon receipt of a transfer notice and appropriate documentation, promptly register any Transfer on the Company's Warrant Register

4. Piggyback Registration Rights.

(a) If the Company, during the term of this Warrant, proposes to register any of its securities under the Securities Act (other than in connection with a transaction contemplated by Rule 145(a) promulgated under the Securities Act or pursuant to registration on Form S-4 or any successor forms) whether for its own account or for the account of any holder or holders of its shares, the Company shall at each such time give prompt (but not less than thirty (30) days prior to the anticipated effectiveness thereof) written notice to the holder of this Warrant and to its assignees, if any, of its intention to do so. The holder of Warrant shall exercise the “piggy-back” rights provided herein by giving written notice within ten (10) days after the receipt of any such notice. Except as set forth in Section 4(ii), the Company will use reasonable commercial efforts to effect the registration under the Securities Act of all of the Warrant Shares which the Company has been so requested to register by such holder, to the extent required to permit the disposition of the Warrant Shares so to be registered, by inclusion of such Warrant Shares in the registration statement which covers the securities which the Company proposes to register. The Company will pay all registration expenses in connection with each registration of Warrant Shares pursuant to this Section 4.

(b) If the Company at any time proposes to register any of its securities under the Securities Act as contemplated by this Section 4 and such securities are to be distributed by or through one or more underwriters, the Company will, if requested by a holder of Warrant, use its reasonable commercial efforts to arrange for such underwriters to include all the Warrant Shares to be offered and sold by such holder among the securities to be distributed by such underwriters.

5. Registration Procedures.

(c) Whenever the holders of Warrant have properly requested that any Warrant Shares be registered pursuant to the terms of this Warrant, the Company shall effect the registration for the sale of such Warrant Shares in accordance with the intended method of disposition thereof, and pursuant thereto the Company shall as expeditiously as possible:

(d) prepare and file with the SEC a registration statement with respect to such Warrant Shares and cause such registration statement to become effective;

(e) notify such holders of the effectiveness of each registration statement filed hereunder and prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to (i) keep such registration statement effective and the prospectus included therein usable for a period commencing on the date that such registration statement is initially declared effective by the SEC and ending on the date when all Warrant Shares covered by such registration statement have been sold pursuant to the registration statement, and (ii) comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement during such period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement;

(f) furnish to such holders such number of copies of such registration statement, each amendment and supplement thereto, of the prospectus included in such registration statement (including each preliminary prospectus) and such other documents as such seller may reasonably request in order to facilitate the disposition of the Warrant Shares owned by such holders;

(g) register or qualify such Warrant Shares under such other securities or blue sky laws of such jurisdictions as such holders reasonably request and do any and all other acts and things which may be reasonably necessary or advisable to enable such holders to consummate the disposition in such jurisdictions of the Warrant Shares owned by such holders; provided, however, that the Company shall not be required to: (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subparagraph; (ii) subject itself to taxation in any such jurisdiction; or (iii) consent to general service of process in any such jurisdiction;

(h) notify such holders, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus included in such registration statement contains an untrue statement of a material fact or omits any material fact necessary to make the statements therein, in light of the circumstances in which they are made, not materially misleading, and, at the reasonable request of such holders, the Company shall prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Warrant Shares, such prospectus shall not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances in which they are made, not materially misleading;

(i) provide a transfer agent and registrar for all such Warrant Shares not later than the effective date of such registration statement;

(j) make available for inspection by any underwriter participating in any disposition pursuant to such registration statement, and any attorney, accountant or other agent retained by any such underwriter, all financial and other records, pertinent corporate documents and properties of the Company, and cause the Company's officers, directors, managers, employees and independent accountants to supply all information reasonably requested by any such underwriter, attorney, accountant or agent in connection with such registration statement;

(k) comply with all applicable rules and regulations of the SEC, and make available to its security holders, as soon as reasonably practicable, an earnings statement of the Company, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and, at the option of the Company, Rule 158 thereunder;

(l) in the event of the issuance of any stop order suspending the effectiveness of a registration statement, or of any order suspending or preventing the use of any related prospectus or suspending the qualification of any Warrant Shares included in such registration statement for sale in any jurisdiction, the Company shall use reasonable commercial efforts promptly to obtain the withdrawal of such order; and

(m) if the offering is underwritten, to furnish on the date that Warrant Shares are delivered to the underwriters for sale pursuant to such registration, an opinion dated such date of counsel representing the Company for the purposes of such registration, addressed to the underwriters covering such issues as are reasonably required by such underwriters.

6. No Shareholder Rights.

(a) The Holder of this Warrant (and any transferee hereof) shall not be entitled to vote on matters submitted for the approval or consent of the shareholders of the Company or to receive dividends declared on or in respect of shares of Common Stock, or otherwise be deemed to be the holder of Common Stock or any other capital stock or other securities of the Company which may at any time be issuable upon the exercise of the rights represented hereby for any purpose, nor shall anything contained herein be construed to confer upon the Holder (or any transferee hereof) any of the rights of a shareholder of the Company or any right to vote for the election of directors or upon any matter submitted for the approval or consent of the shareholders, or to give or withhold consent to any corporate action (whether upon any recapitalization, issuance of stock, reclassification of stock, merger or consolidation, conveyance, or otherwise) or to receive notice of meetings, or to receive dividends or subscription rights or otherwise until this Warrant shall have been exercised as provided herein. No provision of this Warrant, in the absence of the actual exercise of such Warrant or any part thereof into Common Stock issuable upon such exercise, shall give rise to any liability on the part of such Holder as a shareholder of the Company, whether such liability shall be asserted by the Company or by creditors of the Company.

7. Miscellaneous.

(a) **Governing Law.** This Warrant will be construed in accordance with, and governed in all respects by, the laws of the State of California, as applied to agreements entered into, and to be performed entirely in such state, between residents of such state.

(b) *Dispute Resolution.*

(i) **Negotiation.** In the event of any dispute, controversy or claim arising out of or relating to this Warrant, representatives of the parties will meet in a location chosen by the party initiating the negotiation not later than ten business days after written notice from one party to the other of such dispute and will enter into good faith negotiations aimed at resolving the dispute. If they are unable to resolve the dispute in a mutually satisfactory manner within 30 business days from the date of such notice, the matter may be submitted by either party to arbitration as provided for in Section 5(b)(ii), below.

(ii) **Arbitration.**

(a) Any dispute, controversy or claim between or among any of the parties hereto arising out of or relating to this Warrant or the breach, termination or invalidity thereof, including any dispute as to whether any dispute is subject to arbitration, which has not been resolved after good faith negotiations pursuant to subsection 5(b)(i) hereof will be settled by binding arbitration administered by the American Arbitration Association in accordance with its then current Commercial Arbitration Rules except as provided herein.

(b) Any arbitration will be conducted in a location in the metropolitan area of the party responding to the action by a three person arbitration panel. The three person arbitration panel will consist of one party arbitrator selected by the Company, one party arbitrator selected by the Holder, each of whom will be named within ten business days of the demand for arbitration, and one neutral arbitrator selected by the first two arbitrators. If the two party appointed arbitrators cannot agree on the neutral arbitrator within ten business days of the selection of the last party appointed arbitrator, the American Arbitration Association will appoint the neutral arbitrator, who will act as chairperson. In the event of a vacancy with respect to an arbitrator, the vacancy will be filled within ten business days of notice of the vacancy in the same manner and subject to the same requirements as are provided for in the original appointment to that position. If the vacancy is not filled within ten business days, the American Arbitration Association will make the appointment.

(c) It is the intent of the parties to avoid the appearance of impropriety due to bias or partiality on the part of the neutral arbitrator. Accordingly, prior to his or her appointment, such neutral arbitrator will disclose to the parties and the other members of the tribunal, any financial, fiduciary, kinship or other relationship between the neutral arbitrator and any party or its counsel. Any party will have the right to challenge in writing the appointment of the neutral arbitrator on the basis of and within five days of such disclosure. In the event of a challenge, the American Arbitration Association will uphold or dismiss the challenge and its decision will be conclusive.

(d) The law applicable to the validity of the arbitration clause, the conduct of the arbitration, including the resort to a court for interim relief, enforcement of the award or any other question of arbitration law or procedure will be the United States' Federal Arbitration Act, 9 U.S.C. § 1 et seq. The parties shall be entitled to engage in reasonable discovery including requests for the production of all relevant documents and a reasonable number of depositions. The arbitration panel shall have the sole discretion to determine the reasonableness of any requested document production or deposition. It is the intent of the parties that a substantive hearing be held as soon as practicable after the appointment of the neutral arbitrator or the rejection of a challenge thereto, whichever occurs later. The presentation of evidence will be governed by the federal Rules of Evidence. A stenographic record of all witness testimony will be made.

(e) Any award, including any interim award, made will be made by a majority of the arbitrators applying the substantive law of California and will (i) be in writing and state the arbitration panel's findings of fact and conclusions of law, (ii) be made promptly, and in any event within 60 days after the conclusion of the arbitration hearing; and (iii) be binding against the parties involved and may be entered for enforcement in any court of competent jurisdiction.

(f) Fifty percent of the costs of any arbitration proceeding (e.g., arbitrators, court reporter and room rental fees) will be borne by the Company with the remaining 50% to paid by the other party to the dispute. However, each party will pay its own expense, including attorneys' and other professionals' fees and disbursements.

(g) The arbitration provision set forth in this Section 5(b)(ii) will be a complete defense to any suit, action or proceeding instituted in any court with respect to any matter arbitrable under this Warrant, except that judicial intervention may be sought in accordance with Section 5(b)(iii) hereof.

(iii) **No Waivers; Interim Relief.** The parties mutually acknowledge that an award of damages may be inadequate to remedy any breach hereof and that injunctive relief may be required. Therefore, (i) a party may request a court of competent jurisdiction to provide interim injunctive relief in aid of arbitration or to prevent a violation of this Warrant pending arbitration, and any such request will not be deemed a waiver or breach of the obligations to arbitrate set forth herein and (ii) the arbitrators may order equitable relief where they deem it appropriate and the parties agree that any interim relief ordered by the arbitrators may be immediately and specifically enforced by a court otherwise having jurisdiction over the parties.

(c) **Successors and Assigns.** Subject to the restrictions on transfer described in Section 3, the rights and obligations of the Company and Holder of this Warrant shall be binding upon and benefit the successors, assigns, heirs, administrators and transferees of the parties.

(d) **Waiver and Amendment.** Any provision of this Warrant may be amended, waived or modified upon the written consent of the Company and the Holder.

(e) **Notices.** All notices and other communications required or permitted hereunder will be in writing and will be sent by fax or mailed by first-class mail, postage prepaid, or delivered either by hand or by messenger, addressed (a) if to the Holder, at the address indicated on the Company's books, or at such other address and fax number as Holder will have furnished to the Company in writing, or (b) if to the Company, at 633 17th Street, Suite 1700-A, Denver, Colorado 80202, Attn: Chief Executive Officer, or at such other address and fax number as the Company will have furnished to the Holder and each such other holder in writing.

Each such notice or other communication will for all purposes of this Agreement be treated as effective or having been given when delivered if delivered personally or by messenger, or, if sent by mail, at the earlier of its receipt or 72 hours after the same has been deposited in a regularly maintained receptacle for the deposit of the United States mail addressed and mailed as aforesaid.

(f) Severability. In case any provision of this Warrant will be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired thereby.

(g) Lost Warrant. Upon receipt from the Holder of written notice or other evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of the Warrant and, in the case of any such loss, theft or destruction, upon receipt of an unsecured indemnity agreement and an affidavit of lost warrant, or in the case of any such mutilation upon surrender and cancellation of the Warrant, the Company, at the Company's expense, will make and deliver a new Warrant in lieu of the lost, stolen, destroyed or mutilated Warrant carrying the same rights and obligations as the original Warrant. The Company will also pay the cost of all deliveries of the Warrant upon any exchange thereof.

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed by its duly authorized officer as of the date first written above.

KEY LINK ASSETS CORP.

a Delaware corporation

By: _____
B.P. Allaire

Its: Chief Executive Officer

EXHIBIT A

NOTICE OF CASH EXERCISE

TO: _____

1. The undersigned hereby elects to purchase _____ shares of Common Stock of Key Link Assets Corp., a Delaware corporation (the "Company"), pursuant to the terms of Warrant No. issued May , 2016, to and in the name of Zhuge Liang LLC, a copy of which is attached hereto (the "Warrant"), and tenders herewith full payment of the aggregate Exercise Price for such shares in accordance with the terms of the Warrant.

2. Please issue a certificate or certificates representing said shares of _____ Stock in such name or names as specified below:

(Name)

(Name)

(Address)

(Address)

The undersigned hereby represents and warrants that the aforesaid shares of stock are being acquired for the account of the undersigned for investment and not with a view to, or for resale in connection with, the distribution thereof, and that the undersigned has no present intention of distributing or reselling such shares.

Date: _____

By: _____

Print Name: _____

(Signature must conform in all respects to name of the Holder as set forth on the face of the Warrant)

EXHIBIT B

NOTICE OF NET-ISSUE EXERCISE

TO: [_____]

1. The undersigned hereby elects to purchase _____ shares of common stock of Key Link Assets Corp., a Delaware corporation, (the "Company"), on a cashless basis pursuant to the terms of Warrant No. issued May , 2016, to and in the name of Zhuge Liang LLC, a copy of which is attached hereto (the "Warrant").

2. Cashless Information:

(a) Number of shares of common stock to be delivered: _____

(b) Number of Share of Common Stock Subject to the Warrant Surrendered: _____

(c) Number of Shares of Common Stock Remaining Subject to Warrant: _____

3. Please issue a certificate or certificates representing said shares of common stock in such name or names as specified below:

(Name)

(Name)

(Address)

(Address)

Date: _____

Print Name

By: _____

(Signature must conform in all respects to name of the Holder as set forth on the face of the Warrant)

EXHIBIT C

NOTICE OF TRANSFER

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the right represented by Warrant No. issued on May , 2016, to and in the name of _____, to purchase _____ shares of Common Stock of Key Link Assets Corp, a Delaware corporation (the "Company"), a copy of which is attached hereto (the "Warrant"), and appoints _____ as attorney-in-fact to transfer such right on the books of the Company with full power of substitution in the premises.

Date: _____

Name. _____

By: _____
(Signature must conform in all respects to name of the Holder as set forth on the face of the Warrant)

(Address)

Signed in the presence of:

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: August 15, 2016

/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, Shawn Clark, 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: August 15, 2016

/s/ Shawn Clark

Shawn Clark
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 six months ended June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, as Principal Executive 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: August 15, 2016

/s/ B.P. Allaire
B.P. Allaire
Chief Executive Officer
(Principal Executive 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 six months ended June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, as 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: August 15, 2016

/s/ Shawn Clark

Shawn Clark
Interim Chief Financial Officer
(Principal Financial Officer)
