Year End Report 2014

Waldron ENERGY

SUMMARY OF FINANCIAL AND OPERATING RESULTS

($000s unless noted)	Three months ended December 31, 2014	2013	Twelve months ended December 31, 2014	2013
FINANCIAL				
Operating netback (1)	**1,443**	2,401	**8,019**	9,664
Petroleum and natural gas sales	**3,644**	5,172	**21,581**	21,805
Funds from operations (1)	**233**	1,169	**3,706**	5,322
Funds from operations per share – basic and diluted	**0.00**	0.03	**0.06**	0.13
Proceeds from the issuance of equity (net of expenses)	-	6,427	**2,778**	6,427
Capital expenditures, net of dispositions	**1,795**	2,514	**10,567**	3,779
Proceeds on sale of gross overriding royalty	**-**	-	**(7,000)**	-
Net loss	**(27,526)**	(2,425)	**(29,859)**	(8,690)
Net loss per share - basic and diluted	**(0.44)**	(0.06)	**(0.50)**	(0.21)
Weighted average number of shares outstanding	**62,727**	42,058	**59,464**	40,545
BALANCE SHEET (at year-end)				
Property and equipment	**53,444**	75,528	**53,444**	75,528
Exploration and evaluation assets	**4,872**	9,538	**4,872**	9,538
Net debt (1)	**26,500**	29,104	**26,500**	29,104
Shareholders' equity	**19,295**	46,249	**19,295**	46,249
Number of shares outstanding at year end	**62,727**	55,045	**62,727**	55,045
AVERAGE DAILY PRODUCTION				
Natural gas (Mcf/d)	**5,786**	7,347	**6,605**	8,364
Natural gas liquids (bbls/d)	**180**	305	**239**	355
Light crude oil (bbls/d)	**173**	154	**158**	154
Total production (boe/d) (2)	**1,317**	1,684	**1,498**	1,903
Approximate average daily production before estimated impact of third-party plant downtime and volume allocation adjustments (2)	**1,567**	1,684	**1,618**	1,903
AVERAGE REALIZED PRICES				
Natural gas ($/Mcf)	**3.87**	3.72	**4.82**	3.40
Natural gas liquids ($/bbl)	**26.63**	54.49	**54.85**	50.70
Light crude oil ($/bbl)	**71.75**	79.83	**89.75**	86.14
Average realized price ($/boe)	**30.07**	33.38	**39.66**	31.39
OPERATING NETBACK ($/boe)				
Sales price	**30.07**	33.38	**39.47**	31.39
Realized gain (loss) on commodity price contracts	**2.62**	(0.59)	**(1.53)**	(0.12)
Royalties	**(0.54)**	(3.59)	**(4.83)**	(3.61)
Operating expense	**(17.67)**	(11.60)	**(16.10)**	(11.96)
Transportation expense	**(2.57)**	(2.10)	**(2.35)**	(1.79)
Operating netback (1)	**11.91**	15.50	**14.67**	13.91
PRODUCTION VOLUME CONTRIBUTION (% based on boe)				
Natural gas	**73**	73	**73**	73
Natural gas liquids	**14**	18	**16**	19
Light crude oil	**13**	9	**11**	8

(1) See definition under section "Non-GAAP Measures" (2) Natural gas is converted to boe at a ratio of six thousand standard cubic feet to one barrel of oil

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2014 AND 2013

The following Management's Discussion and Analysis ("MD&A") of financial results should be read in conjunction with the audited financial statements as at and for the year ended December 31, 2014 of Waldron Energy Corporation ("Waldron" or the "Corporation"). The MD&A is based on information available to March 26, 2015. Additional information on the Corporation can be found in the Annual Information Form ("AIF") on SEDAR at www.sedar.com or the Corporation's website at www.waldronenergy.ca. All tabular amounts are stated in thousands of Canadian dollars unless indicated otherwise.

WALDRON'S BUSINESS

Waldron is a publicly traded corporation incorporated under the laws of Alberta, domiciled in Canada. The Corporation's shares trade on the Toronto Stock Exchange ("TSX") under the symbol "WDN". The principal business of Waldron is the exploration, development and production of liquids rich natural gas and light crude oil in Western Canada. Waldron's current focus and operations are concentrated in west central Alberta in the Deep Basin fairway. Specifically, current operations are concentrated in the following areas: Crystal, Ferrybank, Ricinus and Strachan.

FORWARD-LOOKING AND CAUTIONARY STATEMENTS

This MD&A may include forward-looking statements including opinions, assumptions, estimates and management's assessment of future plans and operations, the timing of the bank's lending review, plans to monitor operating and capital expenditures and to adjust capital spending if required, expectations as to the non-taxability of the Corporation and capital expenditures and the timing and funding thereof. When used in this document, the words "anticipate", "believe", "estimate", "expect", "intent", "may", "project", "plan", "should" and similar expressions are intended to be among the statements that identify forward-looking statements. Forward-looking statements are subject to a wide range of risks and uncertainties, and although the Corporation believes that the expectations represented by such forward-looking statements are reasonable; there can be no assurance that such expectations will be realized. Any number of important factors could cause actual results to differ materially from those in the forward-looking statements including, but not limited to, risks associated with the Corporation's ability to continue as a going concern, the outcome of the Corporation's Disposition process, the Corporation's ability to negotiate acceptable arrangements with its creditors or to obtain alternate sources of financing on acceptable terms, petroleum and natural gas exploration, development, exploitation, production, marketing and transportation, the volatility of petroleum and natural gas prices, currency fluctuations, the ability to implement corporate strategies, the state of domestic capital markets, the ability to obtain financing, incorrect assessments of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, changes in petroleum and natural gas acquisition and drilling programs, delays resulting from inability to obtain required regulatory approvals, delays resulting from inability to obtain drilling rigs and other services, labor supply risks, environmental risks, competition from other producers, imprecision of reserve estimates, changes in general economic conditions, whether farm-in and farm-out opportunities result in agreements and other factors more fully described from time to time in the reports and filings made by the Corporation with securities regulatory authorities. Statements relating to "reserves" or "resources" are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future. The forward looking statements contained in this MD&A are expressly qualified by this cautionary statement. Readers are cautioned not to place undue reliance on forward-looking statements, as no assurances can be given as to future results, levels of activity or achievements. Except as required by applicable securities laws, the Corporation does not undertake any obligation to publicly update or revise any forward-looking statements. The forward-looking statements contained in the MD&A are expressly qualified by this cautionary statement.

NON-GAAP MEASURES

Funds from operations, funds from operations per share, operating netback and net debt are not recognized measures under IFRS as issued by the International Accounting Standards Board ("IASB"). Management believes that in addition to cash flow from operations and net earnings, funds from operations, funds from operations per share and operating netback are useful supplemental measures as they demonstrate the Corporation's ability to generate the cash necessary to fund future growth through capital investment or repay debt if incurred in future periods. The Company uses net debt as an alternative measure of outstanding debt and is used as a measure to assess the Company's financial position. Investors are cautioned, however, that these measures should not be construed as an alternative to cash flow from operating activities or net earnings determined in accordance with IFRS as an indication of the Corporation's performance or financial position. The Corporation's method of calculating these measures may differ from other entities and, accordingly, they may not be comparable to measures used by other entities. For these purposes, the Corporation defines funds from operations as cash flow from operations before changes in non-cash operating working capital, transaction and other costs and decommissioning expenditures and defines operating netback as revenue, net of any realized gains or losses on commodity price contracts, less royalties, operating and transportation expenses. Funds from operations per share is calculated in the same manner as net earnings (loss) per share. Net debt is defined as current assets less current liabilities, excluding commodity price contracts.

FREQUENTLY RECURRING TERMS

Waldron uses the following frequently recurring industry terms in this MD&A: "bbls" refers to barrels, "boe" refers to barrels of oil equivalent, "Mcf" refers to thousand cubic feet. Disclosure provided herein in respect of a boe may be misleading, particularly if used in isolation. A boe conversion ratio of six Mcf of natural gas to one barrel of crude oil (6:1) equivalent is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency conversion ratio of 6:1, utilizing a conversion on a 6:1 basis is misleading as an indication of value.

TERMINATION OF PLAN OF ARRANGEMENT

On February 19, 2014, the Corporation announced that the previously announced Plan of Arrangement with Montana Exploration Corp. had been terminated as a result of Montana failing to complete the financings necessary to close the Transaction.

SECURED SUBORDINATED DEBENTURE FINANCING

On February 28, 2014, the Corporation closed a $6 million secured subordinated debenture financing which bears an interest rate of 9.5% per annum. The debenture had an original maturity date of February 28, 2015 and, subsequent to December 31, 2014 the maturity date of the debenture was revised to March 31, 2015. The Corporation continues to work with its subordinated lender in negotiating a further extension as the Corporation continues with its formal disposition process, as discussed below.

PRIVATE PLACEMENTS

On January 15, 2014, the Corporation closed a private placement for 2,222,223 common shares of Waldron at $0.45 per share for gross proceeds of $1.0 million.

On July 30, 2014, the Corporation issued 5,459,545 common shares at a price of $0.33 per common share on a flow-through basis for gross proceeds of $1.8 million.

SALE OF GROSS OVERRIDING ROYALTY

On June 18, 2014, the Corporation closed the sale of a 3% gross overriding royalty on its existing land base for proceeds of $7 million. The royalty transaction also includes an incremental 7% gross overriding royalty on two Ferrybank Falher wells that had yet to be drilled at the time of closing and includes a provision that $750,000 per well is to be returned to the royalty owner in the event the Ferrybank Falher wells are not drilled. The Corporation also has an option to purchase the GORR back for 15 months from the closing date at a price of 30% above the original proceeds on the royalty sale less any royalties paid under the agreement and less two thirds of any amounts returned as a result of any failure to drill the remaining Ferrybank well. During the year ended December 31, 2014, one of the two qualifying wells was drilled. The second well is to be drilled by April 18, 2015 in order to avoid the $750,000 payment. The Corporation is currently negotiating with the royalty owner regarding the drilling of the second well.

FORMAL DISPOSITION PROCESS

On December 2, 2014, the Corporation announced that it had engaged Cormark Securities Inc. as its exclusive financial advisor to assist the Corporation in order to pursue the sale of a material portion of the assets of the Corporation, either in one transaction or in a combination of transactions; a merger or other business combination; the outright sale of the Corporation; or some combination thereof (the "Disposition process"). As at the date hereof, the Disposition process is still ongoing.

FUNDS FROM OPERATIONS

A reconciliation of cash flow from operations to funds from operations is as follows:

	Three months ended December 31,			Twelve months ended December 31,		
($000s)	**2014**	**2013**	**% change**	**2014**	**2013**	**% change**
Cash Flow from operations	**343**	1,059	**(68)**	**3,855**	5,204	(26)
Transaction and other costs	**-**	197	**(100)**	**110**	979	(89)
Changes in non-cash working capital	**(230)**	(87)	**164**	**(462)**	(1,037)	(55)
Allowance for uncollectable accounts receivable	**120**	**-**	**-**	**203**	**-**	**-**
Decommissioning expenditures	**-**	-	**-**	**-**	176	(100)
Funds from operations	**233**	1,169	**(80)**	**3,706**	5,322	(30)

RESULTS OF OPERATIONS

AVERAGE PRODUCTION VOLUMES

	Three months ended December 31,			Twelve months ended December 31,		
	2014	**2013**	**% change**	**2014**	**2013**	**% change**
Natural gas (mcf/d)	**5,786**	7,347	(21)	**6,605**	8,364	(21)
NGLs (bbls/d)	**180**	305	(41)	**239**	355	(33)
Light crude oil (bbls/d)	**173**	154	12	**158**	154	3
Total (boe/d)	**1,317**	1,684	(22)	**1,498**	1,903	(21)

PETROLEUM AND NATURAL GAS SALES

	Three months ended December 31,			Twelve months ended December 31,		
($000s)	**2014**	**2013**	**% change**	**2014**	**2013**	**% change**
Natural gas	**2,061**	2,512	(18)	**11,620**	10,393	12
Natural gas liquids ("NGLs")	**441**	1,529	(71)	**4,785**	6,570	(27)
Light crude oil	**1,142**	1,131	1	**5,176**	4,842	7
Total	**3,644**	5,172	(30)	**21,581**	21,805	(1)

Natural gas sales for the three months ended December 31, 2014 decreased 22% compared to the preceding third quarter. Included in fourth quarter 2014 natural gas sales is a downward adjustment of 36.5 MMcf of natural gas sales volumes totaling $0.2 million in reduced natural gas sales. This was a result of volume allocation adjustments performed by operators of certain third party plants and facilities related to 2010 to 2013 production volumes. Also impacting production volumes in the fourth quarter 2014 was the December 2014 shut-in of the Corporation's Strachan production which typically produces approximately 1,700 mcf/d, plus NGLs. Otherwise, natural gas sales for the three months ended December 31, 2014 decreased compared to the preceding third quarter as a result of benchmark natural gas pricing deceasing by 11% as well as lower production volumes arising from natural decline. Compared to the fourth quarter of 2013, natural gas sales decreased 18% as an increase in realized pricing was more than offset by lower production volumes arising from certain production adjustments, unscheduled down-time as well as natural decline. For the twelve months ended December 31, 2014, natural gas sales increased 12% over the twelve months ended December 31, 2013 as the increase in natural gas realized pricing more than offset lower production volumes arising from certain production adjustments, unscheduled down-time as well as natural decline.

NGL sales for the three months ended December 31, 2014 decreased 62% compared to the preceding third quarter. Included in fourth quarter 2014 NGL sales is a downward adjustment of 6.7 Mboe of NGL sales volumes totaling $0.5 million in reduced NGL sales. This was a result of volume allocation adjustments performed by operators of certain third party plants and facilities related to 2010 to 2013 production volumes. Also impacting production volumes in the fourth quarter 2014 was the December 2014 shut-in of the Corporation's Strachan production which typically produces approximately 50 bbl/d. Otherwise, NGL sales for the three months ended December 31, 2014 decreased compared to the preceding third quarter as a result of reduced pricing as well as lower production volumes arising from natural decline. Compared to the fourth quarter of 2013, NGL sales decreased 71% as a result of deceased pricing and lower production volumes arising from certain production adjustments, unscheduled down-time as well as natural decline. For the twelve months ended December 31, 2014, NGL sales decreased 27% over the twelve months ended December 31, 2013 as a result of deceased pricing and lower production volumes arising from certain production adjustments, unscheduled down-time as well as natural decline.

Light crude oil sales for the three months ended December 31, 2014 were down 26% compared to the preceding third quarter of 2014 as a result of a 23% decrease in realized pricing and a slight 4% decrease in production resulting from natural decline. Compared to the fourth quarter of 2013, light crude oil remained flat as increased production, resulting from certain well workovers and recompletions completed in 2014, was offset by a 10% decrease in realized pricing. For the twelve months ended December 31, 2014, light crude oil increased over the twelve months ended December 31, 2013 as a result of higher production as well as increased realized pricing.

PRICING

A comparison of the Corporationøs average selling price and benchmark pricing for the three and twelve months ended 2014 and 2013 is as follows:

	Three months ended December 31,			Twelve months ended December 31,		
	2014	**2013**	**% change**	**2014**	**2013**	**% change**
Average selling price						
Natural gas ï ($/mcf)	**3.87**	3.72	4	**4.82**	3.40	42
NGLs ($/bbl)	**26.63**	54.49	(51)	**54.85**	50.70	8
Light crude oil ($/bbl)	**71.75**	79.83	(10)	**89.75**	86.14	4
Benchmark pricing						
AECO Daily Spot ($/mcf)	**3.58**	3.52	2	**4.46**	3.16	41
WTI Oil (US$/bbl)	**73.00**	97.50	(25)	**93.78**	98.00	(4)
Edmonton Par ($/bbl)	**75.64**	86.38	(12)	**96.12**	93.02	3
Hardisty Bow River ($/bbl)	**69.71**	69.93	-	**82.08**	76.25	8
US$/CAD$ average exchange rate	**0.89**	0.94	(5)	**0.91**	0.97	(6)

During the three and twelve months ended December 31, 2014, the Corporationøs average selling price for natural gas was 10% and 9% higher, respectively, than the average AECO Daily Spot benchmark price per Mcf due to the high heating value of the Corporationøs natural gas production.

ROYALTIES

Total royalties are the combination of royalties paid on Crown lands, royalties paid on freehold lands, and gross overriding royalties. Total royalties payable are a function of the mix between Crown and freehold lands, as the rates differ.

Crown royalties under the Alberta Royalty Framework (õARFö) are sensitive to both commodity prices and production levels. Therefore, royalty rates and royalties under the ARF will fluctuate with commodity prices, well production rates, production decline of existing wells, and performance and locations of new wells drilled.

	Three months ended December 31,			Twelve months ended December 31,		
($000s unless noted)	**2014**	**2013**	**% change**	**2014**	**2013**	**% change**
Royalties	**65**	557	(88)	**2,639**	2,505	5
Royalties as a % of sales	**1.8**	10.8	(83)	**12.2**	11.5	6

For the three and twelve months ended December 31, 2014, the royalty rate was 1.8% and 12.2%, respectively, compared to 10.8% and 11.5% for the comparable periods in the preceding year. The fourth quarter 2014 royalty rate of 1.8% was relatively low as a result of decreased commodity prices compared to the same time period in 2013 as well as $0.3 million in crown royalty credits received in the fourth quarter 2014. For the twelve months ended December 31, 2014, the increase in overall royalty rates compared to 2013 is due to the June 2014 sale of a 3% gross overriding royalty, partially offset by crown royalty credits.

Operating and Transportation Expenses

All activities required to operate wells and facilities are included in operating and transportation expenses and include items such as the lifting, gathering, processing, treating and storage of production.

	Three months ended December 31,			Twelve months ended December 31,		
($000s)	**2014**	**2013**	**% change**	**2014**	**2013**	**% change**
Operating	**2,142**	1,798	19	**8,801**	8,308	6
Transportation	**311**	325	(4)	**1,287**	1,246	3
Total	**2,453**	2,123	16	**10,088**	9,554	6

	Three months ended December 31,			Twelve months ended December 31,		
($/boe)	**2014**	**2013**	**% change**	**2014**	**2013**	**% change**
Operating	**17.67**	11.60	52	**16.10**	11.96	35
Transportation	**2.57**	2.10	22	**2.35**	1.79	32
Total	**20.24**	13.70	48	**18.45**	13.75	34

Operating and transportation expense per boe for the three months ended December 31, 2014 increased from the $18.78 per boe recorded in the third quarter of 2014 as the per boe metric for the quarter increased as a result of the impact fixed costs had on a reduced fourth quarter 2014 production base, where reported production decreased from 1,545 boe/d for the third quarter 2014 to 1,317 boe/d for the fourth quarter 2014, largely due to production allocation adjustments and the temporary shut-in of the Corporation's Strachan production. For the three and twelve months ended December 31, 2014, total operating and transportation expenses per boe have increased compared to the same periods in 2013 due to higher third party facility expenses, which are not expected to be indicative of future operating costs, increased expenses in the first quarter of 2014 as a result of the extreme weather that was experienced and the impact of fixed operating costs whereby operating expense per boe increased as production decreased.

Operating Netback

	Three months ended December 31,			Twelve months ended December 31,		
($/boe)	**2014**	**2013**	**% change**	**2014**	**2013**	**% change**
Sales price	**30.07**	33.38	(10)	**39.47**	31.39	26
Realized gain (loss) on commodity price contracts	**2.62**	(0.59)	(543)	**(1.53)**	(0.12)	1,173
Royalties	**(0.54)**	(3.59)	(85)	**(4.83)**	(3.61)	34
Operating expenses	**(17.67)**	(11.60)	52	**(16.10)**	(11.96)	35
Transportation expenses	**(2.57)**	(2.10)	22	**(2.35)**	(1.79)	32
Operating netback	**11.91**	15.50	(23)	**14.67**	13.91	5

For the three months ended December 31, 2014, the Corporation's operating netback decreased by 7% compared to the preceding third quarter of 2014 as a result of lower realized sales prices, net of any realized gains or losses on commodity contracts. Additionally, lower royalties expense per boe in the fourth quarter 2014 compared to the preceding third quarter of 2014 were offset by higher operating and transportation expenses per boe. Compared to the same period in 2013, the Corporation's operating netback for the three months ended December 31, 2014 decreased by 23% as a result of higher expenses, which are generally due to the impact of fixed operating costs whereby operating expenses per boe increased as production decreased. For the twelve months ended December 31, 2014, the operating netback increased by 5% when compared to the same period in 2013 as a result of higher sales pricing more than offsetting higher expenses.

GENERAL AND ADMINISTRATIVE ("G&A")

	Three months ended December 31,			Twelve months ended December 31,		
($000s unless noted)	**2014**	**2013**	**% change**	**2014**	**2013**	**% change**
Total G&A costs	**943**	803	17	**3,119**	3,328	(6)
Less capitalized G&A	**98**	33	197	**367**	479	(23)
Expensed G&A costs	**845**	770	10	**2,752**	2,849	(3)
$/boe	**6.97**	4.97	30	**5.03**	4.10	23

Total G&A costs for the three months ended December 31, 2014 were $0.3 million (or 56%) higher than the preceding third quarter 2014 as a result of higher professional fees, which were largely related to year-end regulatory requirements in the fourth quarter 2014. Also impacting fourth quarter 2014 total G&A costs were higher employee costs. The lower employee costs in the third quarter 2014 related to the removal of an estimate regarding the Corporation's bonus plan. Compared to the three months ended December 31, 2013, total G&A costs were 17% higher as a result of increased rent expense in the current quarter as well as higher professional fees. Similarly, total G&A costs for the twelve months ended December 31, 2014 decreased 6% compared to the same period in 2013 due to lower employee and other staffing costs. Compared to the preceding third quarter of 2014 and to the prior year, general and administrative expenses per boe increased due to the reduction in production.

TRANSACTION AND OTHER COSTS

Transaction and other costs incurred in 2014 included legal fees associated with a now-terminated proposed Arrangement Agreement with Montana Exploration Corp. ("Montana"), the sale of a 3% gross overriding royalty, costs incurred related to the secured subordinated debt financing that closed in the first quarter 2014 and other professional and financial advisor fees.

The Corporation incurred $0.2 million and $1.0 million in transaction costs for the three and twelve months ended December 31, 2013 for professional services required in relation to the announced arrangement agreement with Montana as well as other corporate initiatives, including financial advisor and legal fees. Subsequent to December 31, 2013, the arrangement agreement was terminated.

FINANCE EXPENSE

	Three months ended December 31,			Twelve months ended December 31,		
($000s unless noted)	**2014**	**2013**	**% change**	**2014**	**2013**	**% change**
Interest	**365**	461	(21)	**1,561**	1,767	(12)
Accretion	**58**	108	(46)	**308**	322	(4)
Allowance for uncollectable accounts receivable	**120**	-	-	**203**	-	-
Total	**543**	569	(5)	**2,072**	2,089	(1)
Total ($/boe)	**4.48**	3.67	22	**3.79**	3.01	26
Average debt level	**22,170**	33,500	(34)	**23,374**	33,526	(30)
Effective interest rate (%)	**6.6%**	5.5%	20	**6.7%**	5.3%	26

Interest expense decreased for the three and twelve months ended December 31, 2014 compared to the same periods in 2013 as a reduction in average debt levels was only partially offset by an increase in the effective interest rate as a result of the $6 million subordinated debt agreement entered into on February 28, 2014. Under its demand operating loan, the Corporation pays interest based on a bank determined pricing grid that is a direct function of the preceding quarter's net debt to cash flow ratio as defined by the bank. Under the terms of the subordinated debt agreement, the Corporation pays interest of 9.5% per annum.

Accretion expense decreased in the fourth quarter of 2014 as a result of a decrease in the risk-free interest rate from 3.2% to 2.3%.

During the year ended December 31, 2014, $0.2 million was written off to allowance for uncollectable accounts receivable due to the uncertainty of collection. Other than these specific amounts, no other provision for doubtful accounts has been recorded.

DEPLETION AND DEPRECIATION

Depletion and depreciation costs are calculated based upon capital, future development costs, production rates and reserves.

	Three months ended December 31,			Twelve months ended December 31,		
($000s)	**2014**	**2013**	**% change**	**2014**	**2013**	**% change**
Depletion and depreciation	**1,856**	2,280	(19)	**8,066**	10,202	(21)
($/boe)	**15.31**	14.72	4	**14.75**	14.69	-

Depletion and depreciation of property and equipment for the three and twelve months period ended December 31, 2014 decreased compared to the same periods in the preceding year as a result of lower production levels. On a per boe basis, depletion and depreciation has remained relatively consistent.

IMPAIRMENT

The recoverable amounts of CGUs tested for impairment was estimated based on the greater of fair value less costs to sell and value in use. Value in use was derived using forecasted cash flows related to both proved and probable reserves, with escalating prices and future development costs, as estimated by Waldron's independent reserve evaluator and were estimated based on discount rates of approximately 11 to 15 percent. Consideration was also given to acquisition metrics of recent transactions completed on similar assets to those contained within the relevant CGU.

At December 31, 2014, on a proved plus probable reserves basis, the Corporation's CGUs ranged from a gas weighting of 48% to 97%. As a result of decreasing commodity prices during the quarter ended December 31, 2014, Waldron recognized an impairment related to the Corporation's petroleum and natural gas properties of $20.3 million as at December 31, 2014 (2013 - $nil).

The carrying amount of the Newton CGU was higher than its recoverable amount, which was estimated based on proved plus probable reserve values using before-tax discount rates, and an impairment loss of $0.4 million was recognized.

The carrying amount of the Ricinus CGU was higher than its recoverable amount, which was estimated based on proved plus probable reserve values using before-tax discount rates, and an impairment loss of $2.5 million was recognized.

The carrying amount of the Ferrybank CGU was higher than its recoverable amount, which was estimated based on proved plus probable reserve values using before-tax discount rates, and an impairment loss of $17.4 was recognized.

An increase of 2% in the discount rate used would have increased the pre-tax impairment charge by $4.7 million and a decrease of 10% in the prices used would have increased the pre-tax impairment charge by approximately $12.5 million. Conversely, a decrease of 2% in the discount rate used would have decreased the pre-tax impairment charge by $5.7 million and an increase of 10% in the prices used would have decreased the pre-tax impairment charge by approximately $12.3 million.

Additionally, during the three months ended December 31, 2014, Waldron recognized a $3.5 million pre-tax impairment charge as a result of an impairment test performed on its undeveloped land base, the carrying value of which is included in exploration and evaluation (“E&E”) assets. The impairment was recognized as certain lands are scheduled to expire and the Corporation has no current plans to drill on those lands prior to expiry.

Exploration and Evaluation (“E&E”) Expense

E&E expense includes pre-licensing costs, expiry of land rights and unsuccessful PP&E expenditures. During the twelve months ended December 31, 2014, the Corporation recognized $2.2 million in expiring land and unsuccessful drilling costs (2013 - $1.5 million).

Share-based Compensation

The Corporation has established a Stock Option Plan in compliance with the requirements of the Toronto Stock Exchange. The aggregate number of shares which may be reserved for issuance under the plan is 10% of the Corporation’s issued and outstanding common shares. No one person can receive options within a one-year period entitling the person to purchase more than 5% of the issued common shares. Options typically vest over a two year period and expire five years from the date of grant. For the three and twelve months ended December 31, 2014, the Corporation recognized $0.02 million and $0.2 million in share-based compensation expense compared to $0.02 million and $0.1 million for the three and twelve months ended December 31, 2013, respectively.

For the twelve months ended December 31, 2014, the Corporation capitalized $0.05 million of share-based compensation expenses related to exploration and development (2013 - $nil).

During the twelve months ended December 31, 2014, the Corporation granted a total of 1,720,000 options to certain employees, officers and directors at an exercise price of $0.33 per option. These options vest over two years and expire five years from the date of grant.

Other Income

No other income was recorded for the twelve months ended December 31, 2014.

The Corporation recorded other income of $0.2 million for the twelve months ended December 31, 2013 as a result of the sale of licenses for certain seismic data. In addition, the Corporation recorded a gain of $0.1 million upon the sale of certain undeveloped lands for the twelve months ended December 31, 2013.

Gain in Sale of Oil and Gas Properties

The Corporation recorded a total gain of $0.3 million upon the sale of certain undeveloped lands (2013 - $0.1 million) as well as a gain of $0.9 million related to the sale of a Gross Overriding Royalty, for a total gain of $1.2 million for the twelve months ended December 31, 2014.

Deferred Income Taxes

The Corporation recorded a deferred income tax recovery of $0.03 million for the three months ended December 31, 2014 compared to an expense of $0.8 million for the three months ended December 31, 2013. Waldron recorded a deferred income tax recovery of $0.2 million for the twelve months ended December 31, 2014 compared to an expense of $0.9 million for the twelve months ended December, 2013.

TAX POOLS

At December 31, 2014, Waldronôs current estimated tax pools are as follows:

($000s)	December 31, 2014
UCC	7,404
COGPE	19,196
CEE	8,685
CDE	12,795
Share issue costs	510
Non-capital losses	30,422
Total	79,012

On December 30, 2013, the Corporation issued 9.5 million common shares at a price of $0.45 per common share on a flow-through basis for gross proceeds of $4.3 million.

On July 30, 2014, the Corporation issued 5.5 million common shares at a price of $0.33 per common share on a flow-through basis for gross proceeds of $1.8 million and the Corporation is committed to incurring $1.8 million on qualified exploration expenditures by December 31, 2015. As at December 31, 2014, the Corporation has a remaining commitment of $1.8 million.

NET LOSS AND COMPREHENSIVE LOSS

For the three months ended December 31, 2014, the Corporation incurred a net loss of $27.5 million or $0.44 per share, basic and diluted, compared to a net loss of $2.4 million or $0.06 per share, basic and diluted, for the three months ended December 31, 2013.

For the twelve months ended December 31, 2014, the Corporation incurred a net loss of $29.9 million or $0.50 per share, basic and diluted, compared to a net loss of $8.7 million or $0.21 per share, basic and diluted, for the twelve months ended December 31, 2013.

LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL

The following table summarizes the change in net debt during the twelve months ended December 31, 2014 and 2013:

($000s)	December 31, 2014	December 31, 2013
Net debt [1] ï beginning of period	**(29,104)**	(35,919)
Funds from operations [1]	**3,706**	5,322
Issue of common shares for cash (net of share issue expense)	**2,778**	6,427
Proceeds on sale of gross overriding royalty	**7,000**	
Capital expenditures, net of minor dispositions	**(10,567)**	(3,779)
Transaction and other costs	**(110)**	(979)
Allowance for uncollectable accounts receivable	**(203)**	-
Decommissioning expenditures	**-**	(176)
Net debt [1] ï end of period	**(26,500)**	(29,104)

(1) See ñNon-GAAP Measuresò

The Corporation had net debt at December 31, 2014 of $26.5 million compared to $29.1 million at December 31, 2013, a reduction of $2.6 million. The decrease in net debt is a result of $7.0 million in proceeds from the sale of a gross overriding royalty, private placement equity financings totaling $2.8 million and funds from operations of $3.7 million for the twelve months ended December 31, 2014. Offsetting these inflows of cash was capital expenditures as well as transaction and other costs. Capital expenditures for the twelve months ended December 31, 2014 were focused on the drilling and completion of the Corporation's first Ferrybank Falher liquids-rich natural gas well, which came on production in September 2014, a Glauconite liquids-rich natural gas well in the Corporation's Crystal area, which came on production in April 2014, certain costs associated with the completion and tie-in of the Falher oil well the Corporation drilled and largely completed in the fourth quarter of 2013, a Sullivan Lake Glauconite oil well drilled in the fourth quarter 2014 and certain reactivations in the Corporation's Ferrybank area.

COMMODITY PRICE CONTRACTS

During the twelve months ended December 31, 2014, the Corporation fixed the price applicable to certain oil and natural gas production which resulted in a realized loss of $0.5 million on the natural gas contract and a realized loss of $0.3 million on the crude oil contract.

CAPITAL MANAGEMENT

On January 15, 2014, Corporation completed a private placement whereby 2.2 million shares were issued at a price of $0.45 per share for gross proceeds of $1.0 million.

On July 30, 2014, the Corporation completed a private placement whereby 5.5 million shares were issued on a flow-through basis at a price of $0.33 per common share for gross proceeds of $1.8 million.

On February 28, 2014, the Corporation closed a $6 million secured subordinated debenture financing that bears an interest rate of 9.5% per annum. The debenture had an original maturity date of February 28, 2015, which, subsequent to December 31, 2014, was extended to March 31, 2015 and is to be repaid in full upon maturity. In advance of the March 31, 2015 maturity date, the Corporation expects to continue to work with its lender to demonstrate a justifiable lending base and renegotiate lending terms, including a possible extension, if required. In addition to continuing discussions with its lender, the Corporation will also evaluate other financing alternatives, such as asset sales or equity financings, if available on favourable terms. To assist in the valuation of alternatives, the Corporation engaged a financial advisor on December 2, 2014 to assist the Corporation in pursuing the sale of a material portion of the assets of the Corporation, either in one transaction or in a combination of transactions; a merger or other business combination; the outright sale of the Corporation; or some combination thereof ("Disposition process"). As at the date hereof, the Disposition process is still ongoing.

On June 18, 2014, Waldron closed the sale of a 3% gross overriding royalty ("GORR") on its existing land base for proceeds of $7 million. As part of this transaction, the Corporation is committed to drilling a qualifying well by April 18, 2015. If this well is not drilled, the Corporation will forfeit $0.8 million of the initial $7 million advanced to the royalty holder. The Corporation will evaluate financing alternatives, such as asset sales or equity financings, if available on favourable terms, as discussed above, in order to satisfy its obligation under the GORR transaction.

During the first quarter of 2014, the Corporation's senior lender completed its borrowing base review and the Corporation's revolving operating demand loan credit facility was set at $30 million. Subsequent to this borrowing base review and in accordance with the terms of the $6 million secured subordinated debenture financing that closed in the first quarter 2014, the Corporation's credit facility limit of $30 million with its senior lender was reduced to $27 million, for a combined credit facility limit of $33 million. Subsequently, in conjunction with the sale of the GORR and in accordance with the terms of the $6 million secured subordinated debenture financing, the Corporation's credit facility limit of $27 million with its senior lender was reduced to $20.6 million, for a combined credit facility limit of $26.6 million. During the third quarter of 2014, the Corporation's senior lender completed its interim borrowing base review and no further changes were made to the Corporation's revolving operating demand loan credit facility. The next review occurred in December 2014 and the credit facility limit was maintained at $20.6 million at December 31, 2014, reducing to $19.3 million by February 1, 2015. The next borrowing base review is expected to occur on April 1, 2015.

At December 31, 2014, the Corporation had a total of $24.1 million owing on its credit facilities and had a working capital deficiency of $2.4 million, for total net debt of $26.5 million on total credit facilities of $26.6

million. At December 31, 2014, the Corporation was in compliance with the financial covenants under its lending agreement with its senior lender and, with the exception of two financial covenants, was also in compliance with the financial covenants under its lending agreement with its subordinated lender. The Corporation was in compliance with the lenders' defined adjusted working capital ratio covenant. At December 31, 2014, the Corporation's adjusted working capital ratio was 1.02:1 (minimum required: 1.0:1). The Corporation had an Alberta Energy Regulator Licensee Liability Rating of 1.93:1 (minimum required: 1.25:1). The two covenants where the Corporation was not in compliance were a subordinated lender defined debt to equity ratio covenant (maximum allowable: 1.0:1) and a subordinated debt lender defined debt to trailing cash flow ratio covenant (maximum allowable 3.75:1, reducing to 2.50:1 for the quarter ended March 31, 2015 and every quarter-end thereafter). Subsequent to December 31, 2014, the Corporation received waivers of non-compliance from its subordinated lender as at December 31, 2014.

On an ongoing basis, in addition to continuing discussions with its lender, the Corporation will also evaluate other financing alternatives, such as asset sales or equity financings, if available on favourable terms, as discussed above, in order to retire the subordinated debt. The Corporation also expects to utilize a variety of sources of funding to finance its capital expenditure program, such as its requirement to incur $1.8 million in qualifying exploration expenditures by December 31, 2015.   These sources of funding may include: funds from operations; the marketing of non-core properties for disposition; available credit facilities; and new equity issues if available on favorable terms. The Corporation warns that there can be no certainty that these sources of financing will be available. The Corporation has and will continue to closely monitor its operational and capital expenditure plans with regards to commodity pricing, access to credit and equity capital.

Future Operations

The consolidated financial statements as at and for the year-ended December 31, 2014 have been prepared on a going concern basis which assumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business. If this assumption were not appropriate, adjustments to the consolidated financial statements may be necessary. The Corporation's $6 million secured subordinated debt facility becomes due on March 31, 2015, extended from the original maturity date of February 28, 2015. Additionally, the Corporation's senior bank facility will undergo a borrowing base review on or before April 1, 2015 which may lead to further decreases to the facility amount. The maturity of the subordinated debt facility and the upcoming review of the senior bank debt facility give rise to material uncertainties that may cast significant doubt on the Corporation's ability to continue as a going concern if the facilities are not renewed, paid out, extended and/or refinanced. In advance of the revised maturity date of the subordinated debenture and the borrowing base review of the senior bank debt, the Corporation continues to work with its lenders to demonstrate a justifiable lending base and renegotiate lending terms. Additionally, the Corporation engaged a financial advisor in December 2014 to undertake a sales process whereby certain assets or the entire Corporation may be sold. The realization of proceeds from the sales process, if acceptable bids are successfully negotiated, gives rise to material uncertainties that may cast significant doubt on the Corporation's ability to continue as a going concern. As at the date hereof, the sales process is still ongoing. Subsequent to December 31, 2014, the subordinated debt lender's waived the Corporation's default of the lender-defined debt to trailing cash flow ratio covenant as well as the lender-defined debt to equity covenant as at December 31, 2014. While continuing open discussions with its lender, the Corporation will also evaluate other financing alternatives, if available on favourable terms, in order to retire the debt.   Management believes that the going concern assumption is appropriate for these financial statements. The appropriateness of the going concern assumption is dependent upon the events and circumstances outlined above.

Capital Expenditures

The Corporation's E&E and property and equipment cash capital additions are summarized in the following table:

($000s)	Three months ended December 31, 2014	2013	% change	Twelve months ended December 31, 2014	2013	% change
Drilling and completions	**1,300**	2,130	(39)	**9,230**	3,301	180
Geological and geophysical	**-**	-	-	**46**	7	557
Plant and facilities	**219**	258	(15)	**1,111**	113	883
Land and rentals	**262**	126	108	**573**	339	69
Office equipment	**14**	-	-	**14**	19	(26)
Capital expenditures	**1,795**	2,514	(29)	**10,974**	3,779	190
Proceeds on disposition of oil and gas properties	**-**	-	-	**(407)**	-	-
Proceeds on sale of gross overriding royalty	**-**	-	-	**(7,000)**	-	-
Net capital expenditures	**1,795**	2,514	(29)	**3,567**	3,779	(6)

Capital expenditures for the twelve months ended December 31, 2014 were focused on the drilling and completion of the Corporation's first Ferrybank Falher liquids-rich natural gas well, which came on production in September 2014, a Glauconite liquids-rich natural gas well in the Corporation's Crystal area, which came on production in April 2014, certain costs associated with the completion and tie-in of the Falher oil well the Corporation drilled and largely completed in the fourth quarter of 2013, a Sullivan Lake Glauconite oil well drilled in the fourth quarter 2014 and certain reactivations in the Corporation's Ferrybank area.

Outstanding Share Data

At December 31, 2014, the Corporation had 62.7 million common shares issued and outstanding and 3.3 million options outstanding to directors, officers and employees at a weighted average exercise price of $0.45 per common share. On December 31, 2014, 7.2 million performance warrants entitling the holder to purchase one common share per warrant at a price of $1.70 per common share expired unexercised.

As of the date of this MD&A, the Corporation had 62.7 million common shares and 3.1 million stock options outstanding.

Shareholder Rights Plan

On March 31, 2014, the Corporation adopted a shareholder rights plan (the "Rights Plan"). The Rights Plan has been accepted for filing by the Toronto Stock Exchange and was ratified by the Corporation's shareholders at its annual general meeting held in May 2014.

The Rights Plan is available under the Corporation's profile on SEDAR at www.sedar.com.

Commitments

See *Tax Pools* and *Outstanding Share Data* sections for flow-through share commitment.

(000s)	2015	2015	2016	2017	Thereafter
Lease obligation – Office	$ 107	$ -	$ -	$ -	$ -
Lease obligation – Field vehicles	15	-	-	-	-
	$ 122	$ -	$ -	$ -	$ -

Off-Balance Sheet Arrangements

The Corporation does not have any special purpose entities nor is it a party to any transactions or arrangements that would be excluded from the balance sheet.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Corporation is accumulated and communicated to management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), to allow timely decisions regarding required disclosure. Waldron's CEO and CFO have concluded, based on their evaluation as of the end of the period covered by the Corporation's annual filings that the Corporation's disclosure controls and procedures are effective to provide reasonable assurance that material information related to the issuer is made known to them by others within the Corporation.

Internal Controls over Financial Reporting

In order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Corporation are responsible for designing, or causing them to be designed under their supervision, internal controls over financial reporting. An evaluation of the design and effectiveness of our internal control over financial reporting was conducted as of the end of the fiscal year covered by this report based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control – Integrated Framework (1992)*. Based on this evaluation, the CEO and CFO concluded that as of December 31, 2014, effective internal controls over financial reporting was maintained.

It should be noted that while Waldron's CEO and CFO believe that the Corporation's internal controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that these controls will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Critical Accounting Estimates and Judgments

The financial statements are prepared in accordance with IFRS. Management is required to use estimates and make judgments in the application of IFRS that have significant impact on the financial results of the Corporation. Certain of these estimates and judgments may change from period to period resulting in a material impact on Waldron's results of operations, financial position, and change in financial position. The following discussion outlines the accounting policies and practices that are critical to determining Waldron's financial results.

Estimating oil and gas reserves

The Corporation engages a qualified, independent oil and gas reserves evaluator to perform an estimation of the Corporation's oil and gas reserves at least annually. Reserves form the basis for the calculation of depletion charges and assessment of impairment of oil and gas assets. Reserves are estimated using the reserve definitions and guidelines prescribed by National Instrument 51-101 (NI 51-101) and the Canadian Oil and Gas Evaluation Handbook (COGEH).

Proved plus probable reserves are defined as the "best estimate" of quantities of oil, natural gas and related substances estimated to be commercially recoverable from known accumulations, from a given date forward, based on drilling, geological, geophysical and engineering data, the use of established technology and specified economic conditions. It is equally likely that the actual remaining quantities recovered will be greater than or less than the sum of the estimated proved plus probable reserves. The estimates are made using all available geological and reservoir data as well as historical production data.

Estimates are reviewed and revised as appropriate. Revisions occur as a result of changes in prices, costs, fiscal regimes and reservoir performance or a change in Waldron's plans with respect to future development or operating practices.

Determination of Cash Generating Units ("CGUs")

CGUs are the smallest group of assets that generate cash inflows largely independent from other assets or group of assets. Determination of what constitutes a CGU is subject to management's judgment. The asset composition of a CGU can directly impact the recoverability of the asset included therein.

The recoverability of development and production asset carrying values are assessed at the CGU level. Determination of what constitutes a CGU is subject to management's judgment. The asset composition of a CGU can directly impact the recoverability of the assets included therein. In assessing the recoverability of oil and gas properties, each CGU's carrying value is compared to its recoverable amount, defined as the greater of fair value less costs to sell and value in use.

Decommissioning Liabilities

Waldron estimates obligations under environmental regulations in respect of decommissioning and site restoration. These obligations are determined based on the expected present value of expenses required in the process of plugging and abandoning wells, dismantling of wellheads, production and transportation facilities and restoration of producing areas in accordance with relevant legislation, discounted from the date when expenses are expected to be incurred. Most of the abandonment of future expenses, estimated logistics of performing abandonment work and the discount rate used to calculate the present value of future expenses would have a significant effect on the carrying amount of the decommissioning provision.

Depreciation and Depletion

The net carrying value of development or production assets is depleted using the unit of production method by reference to the ratio of production in the period to the related proved plus probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually.

Proved plus probable reserves are estimated annually using independent reserve engineer reports, in accordance with Canadian Securities Regulation National Instrument 51-101, and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate, with a specified degree of certainty, to be recoverable in future years from known reservoirs and which are considered commercially producible. For interim financial statements, internal estimates of changes in reserves and future development costs are used for determining depletion for the period.

For other assets, depreciation is recognized in earnings on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term.

Impairment Testing

The Corporation tests impairment of property, plant and equipment on each of its CGUs. Assessment of impairment is based on management's judgment on whether there are sufficient internal and external factors that would indicate a CGU may be impaired. Impairment testing is based on estimates of proved plus probable reserves, production rates, oil and gas prices, future costs, discount rates and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and may impact the financial statements of future periods.

Income Taxes

The determination of Waldron's income and other tax liabilities requires interpretation of complex laws and regulations. All tax filings are subject to audit and potential reassessment after lapse of considerable time. Accordingly, the actual income tax liabilities could differ significantly from the liabilities estimated or recorded.

Share-Based Compensation

The fair value of stock options granted is measured using a Black Scholes model. Measurement inputs include share price on measurement date, exercise price of the option, expected volatility, expected life of the options, expected dividends and the risk-free rate. The Corporation estimates volatility based on historical share price excluding specific time frames in which volatility was affected by specific transactions that are not considered to be indicative of the Corporations expected share price volatility. The expected life of the options is based on the historical experience and general option holder behavior. Dividends were not taken into consideration as the Corporation does not expect to pay dividends.

Management also makes an estimate of the number of options that will forfeit and the rate is adjusted to reflect the actual number of options that actually vest.

FUTURE ACCOUNTING POLICY CHANGES

The International Accounting Standards Board (IASB) regularly issues new and revised accounting pronouncements which have future effective dates and are therefore not reflected in the Corporation's financial statements. Once adopted, these pronouncements may have an impact on the Corporation's financial statements. Waldron's analysis of recent accounting pronouncements is included in the notes to the financial statements as at and for the year ended December 31, 2014.

RISKS AND UNCERTAINTIES

The petroleum and natural gas industry is subject to numerous risks that can affect the amount of cash flow from operating activities and the ability to grow. These risks include but are not limited to:

- Volatility in commodity pricing, exchange and interest rates;
- Debt capital risk and the ability to obtain and maintain adequate borrowing base levels in order to finance future growth and current operations;
- The timing and extent of a recovery from the economic downturn and resulting economic uncertainty;
- Uncertainties associated with the ability to complete asset dispositions;
- Government and regulatory risk with respect to royalty and income tax regimes;
- Operation risks that may affect the quality and recoverability of reserves;
- Geological risks associated with accessing and recovering new quantities of reserves;
- Whether farm-in and farm-out opportunities result in agreements;
- Production risks associated the ability to extract commercial quantities of petroleum, natural gas and NGL's;
- Transportation risk with respect to the ability to transport petroleum, natural gas and NGL's to market;
- Third party credit risk and the resulting ability to collect amounts owed;
- Capital markets risk and the ability to finance future growth;
- Weather risk with respect to the ability to enter and drill wells in wet areas;
- Gas processing risk with respect to the ability to process natural gas and NGL's into third party owned facilities;
- Uncertainty as to the nature of evolving environmental legislation that is likely to result in stricter standards and enforcement; and
- Environmental risk with respect to the ability to remedy spills, releases or emissions of various substances produced in association with petroleum and natural gas operations.

The Corporation will do its best to minimize these business risks by:

- Employing management, technical staff and consultants with extensive industry experience;
- Engaging expert advisors to assist with acquisitions and dispositions;
- Trying to maintain a low cost structure;
- Maintaining prudent financial practices;
- Operating to control timing and costs; and
- Maintaining insurance in accordance with industry standards to address the risk of liability for pollution, blow-outs, property damage, personal injury and other hazards.

Additional risk factors can be found under ñ*Risk Factors*ò in the Corporationôs AIF which can be found on SEDAR at www.sedar.com or the Corporationôs website at www.waldronenergy.ca.

SELECTED ANNUAL INFORMATION

The following table summarizes selected annual financial information for the years ended 2014, 2013 and 2012:

	Twelve Months Ended December 31,		
	2014	**2013**	**2012**
Financial ($000's except per share amounts)			
Revenue, net of royalties	**$ 18,942**	$ 19,300	$ 22,249
Net loss	**(29,859)**	(8,690)	(18,339)
Per share basic and diluted(1)	**(0.50)**	(0.21)	(0.50)
Funds from operations(2)	**3,706**	5,322	8,191
Per share basic and diluted(1)	**0.06**	0.13	0.22
Total assets	**60,956**	94,556	100,115
Capital expenditures	**10,974**	3,779	12,134
Dispositions	**7,407**	-	-
Reserves			
Total proved (mboe)(3)	**4,169**	4,920	5,078
Total proved plus probable (mboe)(3)	**8,684**	10,418	10,567
Undeveloped land – gross (acres)	**83,728**	84,372	99,932
Undeveloped land – net (acres)	**70,252**	70,627	85,072
Operating			
Production			
Crude oil & NGLs (bbls per day)	**397**	509	685
Natural gas (mcf per day)	**6,605**	8,364	10,951
Combined (boe per day)	**1,498**	1,903	2,510
Netback ($ per boe)			
Petroleum and natural gas sales	**$ 39.47**	$ 31.39	$ 26.70
Realized gain (loss) on commodity contracts	**(1.53)**	(0.12)	0.27
Royalties	**(4.83)**	(3.61)	(2.48)
Operating expenses	**(16.10)**	(11.96)	(9.08)
Transportation expenses	**(2.35)**	(1.79)	(1.86)
Operating netback	**14.67**	13.91	13.55
Common shares (000's)			
Shares outstanding, end of year	**62,727**	55,045	40,035
Weighted average common shares – basic & diluted(1)	**59,464**	40,545	36,825

NOTES:

(1) At December 31, 2014, there were 3,276,167 (2013 – 1,983,667; 2012 – 2,733,000) options and nil (2013 and 2012 – 7,182,560) warrants outstanding that were not included in the calculation of weighted average shares outstanding as the effect would be anti-dilutive.

(2) See "Non-GAAP Measures".

(3) Gross reserves as evaluated by GLJ for the respective year-ends and are based on forecast prices and costs.

Comparing the last three fiscal years, the change in net loss has resulted from the volatility of natural gas prices and the change in production volumes as a result of the Companyõsô drilling programs. Additionally, the Company has recognized impairment losses due to changes in commodity pricing in 2012 and 2014. Additionally, the Corporation recorded an impairment of $3.5 million in 2014 as certain undeveloped lands were scheduled to expire and the Corporation had no current plans to drill on the lands prior to expiry.

Compared to 2012, revenue decreased in 2013 as a result of decreased production more than offsetting a slight increase in operating netback. The decrease in production volumes is largely due to decreased capital spending. Reductions in market commodity pricing resulted in an impairment charge of $16.1 million in 2012 and a further $20 million in 2014. Compared to 2013, revenue remained largely flat in 2014 as a decrease in production was offset by an increase is commodity pricing. However, commodity prices suffered near the end of the fourth quarter 2014, which resulted in the impairment.

SELECTED QUARTERLY INFORMATION

The following tables summarize key financial and operating information:

Three months ended *($000s unless noted)*	**December 31, 2014**	September 30, 2014	June 30, 2014	March 31, 2014
Average production (boe/d)	**1,317**	1,545	1,440	1,687
Petroleum and natural gas sales	**3,644**	5,359	5,326	7,252
Revenue, net of royalties	**3,579**	4,628	4,208	6,527
Net loss	**(27,526)**	(777)	(215)	(1,341)
Per share ï basic and diluted (1)	**(0.44)**	(0.01)	(0.00)	(0.02)
Funds from operations (2)	**233**	951	287	2,235
Per share ï basic and diluted (1)	**0.00**	0.02	0.01	0.04
Capital expenditures (3)	**1,795**	3,307	(6,255)	4,720
Net debt (2)	**26,500**	24,818	24,163	30,640
Total assets	**60,956**	85,201	83,717	91,280
Shareholdersô equity	**19,295**	46,791	45,880	46,025
Shares outstanding, end of period	**62,727**	62,727	57,267	57,267
Weighted average shares outstanding				
Basic and diluted	**62,727**	60,946	57,267	56,897

Notes:

(1) At December 31, 2014, there were 3,276,167 options, which were not included in the calculation of diluted weighted average shares outstanding as they were anti-dilutive.

(2) See ñNon-GAAP Measures ò.

(3) Including dispositions and proceeds on sale of gross overriding royalty

The following table summarizes key financial and operating information:

Three months ended *($000s unless noted)*	**December 31, 2013**	September 30, 2013	June 30, 2013	March 31, 2013
Average production (boe/d)	**1,684**	1,807	2,010	2,119
Petroleum and natural gas sales	**5,172**	4,818	5,865	5,950
Revenue, net of royalties	**4,615**	4,263	4,877	5,545
Net loss	**(2,425)**	(3,067)	(1,938)	(1,260)
Per share ï basic and diluted	**(0.06)**	(0.08)	(0.05)	(0.03)
Funds from operations (1)	**1,169**	706	1,365	1,951
Per share ï basic and diluted	**0.03**	0.02	0.03	0.05
Capital expenditures	**2,514**	188	355	722
Net debt (1)	**29,104**	34,108	33,683	34,865
Total assets	**94,556**	91,546	95,037	98,023
Shareholdersô equity	**46,249**	42,391	45,441	47,367
Shares outstanding, end of period	**55,045**	40,035	40,035	40,035
Weighted average shares outstanding				
Basic and diluted	**42,058**	40,035	40,035	40,035

Notes:
(1) See ñNon-GAAP Measuresò

The selected quarterly information has been prepared in accordance with the accounting principles as contained in the notes to the financial statements for the year ended December 31, 2014, except funds from operations, which is a non-GAAP measure.

The most significant trends affecting the past eight quarters have been overall production and the volatility of commodity prices, particularly natural gas, and the effect on petroleum and natural gas sales, net loss, funds from operations and net debt. Throughout the past eight quarters, average production has trended downwards, excluding the impact of third party plant downtime. As a result of depressed natural gas pricing, the Companyõs capital program in 2012 and into 2013 was limited, resulting in an overall reduction in production. Also contributing to the limited 2013 capital program was the anticipated sale of the Corporation to Montana Exploration Corp. The announced transaction was terminated in early 2014. Commodity prices recovered in 2014, which was a contributing factor in the Corporation undertaking a larger capital program in 2014, excluding $7.4 million in proceeds from the sale of a Company-wide royalty and a sale of certain undeveloped lands, than incurred in 2013. Additionally, as a result of depressed oil and natural gas prices at the end of the fourth quarter of 2014 as well as the pending expiry if certain of the Corporationõs undeveloped lands, the impairment recognized during fourth quarter of 2014 negatively impacted net loss and net loss per share when compared to the other periods.

ADDITIONAL INFORMATION

Additional information regarding the Corporation, including the Corporationõs AIF, is available on SEDAR at www.sedar.com and on the Corporationõs website at www.waldronenergy.ca.