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First Quarter Report 2015

Three months ended March 31, 2015



SUMMARY OF FINANCIAL AND OPERATING RESULTS

(\$000s unless noted)	Three months ended	
	2015	March 31, 2014
FINANCIAL		
Operating netback ⁽¹⁾	289	3,393
Petroleum and natural gas sales	2,598	7,252
Funds from (used in) operations ⁽¹⁾	(752)	2,235
Funds from (used in) operations per share – basic and diluted	(0.01)	0.04
Proceeds from the issuance of equity (net of expenses)	-	993
Net capital expenditures	150	4,720
Net loss	(11,430)	(1,341)
Net loss per share - basic and diluted	(0.18)	(0.02)
Weighted average number of shares outstanding	62,727	56,897
BALANCE SHEET (at quarter-end)		
Property and equipment	32,808	78,049
Exploration and evaluation assets	1,139	9,508
Net debt ⁽¹⁾	15,101	30,640
Shareholders' equity	7,877	46,025
Number of shares outstanding at period end	62,727	57,267
AVERAGE DAILY PRODUCTION		
Natural gas (Mcf/d)	5,397	7,544
Natural gas liquids (bbls/d)	183	287
Light crude oil (bbls/d)	167	143
Total production (boe/d) ⁽²⁾	1,250	1,687
Approximate average daily production before estimated impact of downtime and volume allocation adjustments ⁽²⁾	1,470	1,687
AVERAGE REALIZED PRICES		
Natural gas (\$/Mcf)	3.02	6.04
Natural gas liquids (\$/bbl)	23.80	74.25
Light crude oil (\$/bbl)	49.04	95.57
Average realized price (\$/boe)	23.10	47.76
OPERATING NETBACK (\$/boe)		
Sales price	23.10	47.76
Realized loss on commodity price contracts	-	(3.80)
Royalties	(2.95)	(4.77)
Operating expense	(15.54)	(14.71)
Transportation expense	(2.04)	(2.13)
Operating netback ⁽¹⁾	2.57	22.35
PRODUCTION VOLUME CONTRIBUTION (% based on boe)		
Natural gas	72	75
Natural gas liquids	15	17
Light crude oil	13	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 MONTHS ENDED MARCH 31, 2015 AND 2014

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 years ended December 31, 2014 and 2013 and the unaudited condensed interim financial statements and notes thereto for the three months ended March 31, 2015 and 2014 of Waldron Energy Corporation (Waldron or the Corporation). The MD&A is based on information available to May 12, 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 (used in) operations, funds from (used in) 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 (used in) operations, funds from (used in) 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 Corporation uses net debt as an alternative measure of outstanding debt and is used as a measure to assess the Corporation's financial position. Investors are cautioned, however, that these measures should not be construed as an alternative to cash flow from (used in) 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 (used in) operations as net cash from (used in) operating activities 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 (used in) 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.

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 and including the asset sale described below, the Disposition process is still ongoing.

ASSET SALE

During the three months ended March 31, 2015, the Corporation initiated the sale of its Ricinus and Strachan CGU. Subsequent to March 31, 2015, the Corporation closed the disposition of these assets for gross proceeds of \$12.3 million, before closing adjustments. The carrying amount of this CGU as at March 31, 2015 is presented as assets held for sale of \$13.9 million and liabilities held for sale of \$1.6 million for a net carrying value of \$12.3 million. In conjunction with the closing of the asset sale and the application of the proceeds to its bank debt facility, the Corporation's bank debt facility limit was reduced by \$11.5 million, from \$19.3 million to \$7.8 million.

FUNDS FROM OPERATIONS

A reconciliation of cash flow from operations to funds from (used in) operations is as follows:

(\$000s)	Three months ended March 31,		
	2015	2014	% change
Cash Flow from operations	168	2,000	(92)
Transaction and other costs	-	45	(100)
Changes in non-cash working capital	(920)	190	(584)
Funds from (used in) operations	(752)	2,235	(134)

RESULTS OF OPERATIONS

AVERAGE PRODUCTION VOLUMES

	Three months ended March 31,		
	2015	2014	% change
Natural gas (mcf/d)	5,397	7,544	(28)
NGLs (bbls/d)	183	287	(36)
Light crude oil (bbls/d)	167	143	17
Total (boe/d)	1,250	1,687	(26)
Approximate average daily production before estimated impact of downtime and volume allocation adjustments	1,470	1,687	(13)

PETROLEUM AND NATURAL GAS SALES

(\$000s)	Three months ended March 31,		
	2015	2014	% change
Natural gas	1,469	4,104	(64)
Natural gas liquids (NGLs)	392	1,918	(80)
Light crude oil	737	1,230	(40)
Total	2,598	7,252	(64)

Natural gas sales for the three months ended March 31, 2015 decreased 29% compared to the preceding fourth quarter of 2014 as a result of a 22% decrease in realized natural gas prices and a 7% decrease in production volumes. Included in first quarter 2015 natural gas sales is a downward adjustment of 24.2 MMcf of natural gas sales volumes totaling \$0.05 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 2011 production. Similarly, included in fourth quarter 2014 natural gas sales was a downward adjustment of 36.5 MMcf of natural gas sales volumes totaling \$0.2 million in reduced natural gas sales, which 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 first quarter 2015 and the fourth quarter 2014 was the December 2014 temporary shut-in of the Corporation's Strachan production which typically produces approximately 1,700 mcf/d, plus NGLs. Certain of this production was brought back on-line in the middle of February 2015. Compared to the first quarter of 2014, natural gas sales decreased 64% in the first quarter 2015 as a result of a 50% decrease in realized natural gas pricing and a 28% decrease in production. Excluding the first quarter 2015 impact of volume allocation adjustments and the estimated impact of the temporary shut-in of the Corporation's Strachan production, first quarter 2015 production would have averaged approximately 6,450 mcf/d, a decrease of

15% compared to reported first quarter 2014 natural gas production volumes. The decrease in production is largely a result of natural decline partially offset by 2014 capital drilling.

NGL sales for the three months ended March 31, 2015 decreased 11% compared to the preceding fourth quarter as a result of an 11% decrease in realized natural gas prices more than offsetting a 2% increase in reported production volumes. Included in first quarter 2015 NGL sales is a downward adjustment of 1,200 barrels of NGL sales volumes totaling \$0.05 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 2011 production volumes. Similarly, included in fourth quarter 2014 NGL sales is a downward adjustment of 6,700 barrels 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 first quarter 2015 and the fourth quarter 2014 was the December 2014 temporary shut-in of the Corporation's Strachan production which typically produces approximately 50 bbl/d of NGLs. Certain of this production was brought back on-line in the middle of February 2015. Compared to the first quarter of 2014, natural gas sales decreased 80% in the first quarter 2015 as a result of a 68% decrease in realized natural gas pricing and a 36% decrease in production. Excluding the first quarter 2015 impact of volume allocation adjustments and the estimated impact of the temporary shut-in of the Corporation's Strachan production, first quarter 2015 production would have averaged approximately 230 bbl/d, a decrease of 20% compared to reported first quarter 2014 NGL production volumes. The decrease in production is largely a result of natural decline partially offset by 2014 capital drilling.

Light crude oil sales for the three months ended March 31, 2015 decreased 35% compared to the preceding fourth quarter of 2014 as a result of a 32% decrease in realized pricing and a 4% decrease in production volumes. Compared to the first quarter of 2014, light crude oil sales decreased 40% as a 17% increase in production volumes, resulting from certain well workovers and recompletions completed in 2014, was more than offset by a 49% decrease in realized pricing.

PRICING

A comparison of the Corporation's average selling price and benchmark pricing for the three months ended March 31, 2015 and 2014 is as follows:

	Three months ended March 31,		
	2015	2014	% change
Average selling price			
Natural gas . (\$/mcf)	3.02	6.04	(50)
NGLs (\$/bbl)	23.80	74.25	(68)
Oil (\$/bbl)	49.04	95.57	(49)
Benchmark pricing			
AECO Daily Spot (\$/mcf)	2.74	5.63	(51)
WTI Oil (US\$/bbl)	48.56	98.62	(51)
Edmonton Par (\$/bbl)	52.63	99.59	(47)
Hardisty Bow River (\$/bbl)	42.84	83.83	(49)
US\$/CAD\$ average exchange rate	0.81	0.91	(11)

During the three months ended March 31, 2015, the Corporation's average selling price for natural gas was 10% higher than the average AECO Daily Spot benchmark price per Mcf due to the high heating value of the Corporation's 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 (ARF) 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.

<i>(\$000s unless noted)</i>	Three months ended March 31,		
	2015	2014	% change
Royalties	332	725	(54)
Royalties as a % of sales	12.8	10.0	28

For the three months ended March 31, 2015 the royalty rate was 12.8%, compared to 10.0% for the comparable period in the preceding year. The increase in overall royalty rates compared to the first quarter of 2014 is largely due to the June 2014 sale of a 3% gross overriding royalty.

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.

<i>(\$000s)</i>	Three months ended March 31,		
	2015	2014	% change
Operating	1,748	2,233	(22)
Transportation	229	324	(29)
Total	1,977	2,557	(23)

<i>(\$/boe)</i>	Three months ended March 31,		
	2015	2014	% change
Operating	15.54	14.71	6
Transportation	2.04	2.13	(4)
Total	17.58	16.84	4

Operating and transportation expense per boe for the three months ended March 31, 2015 decreased by 13% from the \$20.24 per boe recorded in the fourth quarter of 2014 and increased 4% compared to the three months ended March 31, 2014. Generally, the Corporation's operating expenses per boe have trended upwards as a result of the impact fixed costs have on a reduced production base, recently driven by natural decline, production allocation adjustments and the temporary shut-in of the Corporation's Strachan production. Preceding fourth quarter 2014 operating and transportation expenses per boe were also relatively high due to higher third party facility expenses, which are not expected to be indicative of future operating costs. First quarter 2014 operating costs were increased by approximately \$0.2 million as a result of the unusually cold and wet winter as well as due to repairs and maintenance costs.

OPERATING NETBACK

<i>(\$/boe)</i>	Three months ended March 31,		
	2015	2014	% change
Sales price	23.10	47.76	(52)
Realized gain (loss) on commodity price contracts	-	(3.80)	(100)
Royalties	(2.95)	(4.77)	(38)
Operating expenses	(15.54)	(14.71)	6
Transportation expenses	(2.04)	(2.13)	(4)
Operating netback	2.57	22.35	(89)

For the three months ended March 31, 2015, the Corporation's operating netback decreased by 78% compared to the preceding fourth quarter of 2014 and 89% compared to the three months ended March 31, 2014. The decrease in operating netback is a result of a significant decrease in realized commodity prices.

GENERAL AND ADMINISTRATIVE (%G&A)

<i>(\$000s unless noted)</i>	Three months ended March 31,		
	2015	2014	% change
Total G&A costs	742	845	(12)
Less capitalized G&A	99	87	14
Expensed G&A costs	643	758	(15)
\$/boe	5.72	4.99	15

Total G&A costs for the three months ended March 31, 2015 were 21% lower than the preceding fourth quarter 2014 primarily as a result of the fourth quarter including certain professional fees related to year-end regulatory requirements. Compared to the same period in 2014, total G&A costs for the three months ended March 31, 2015 were 12% lower primarily as a result of lower employee costs. Subsequent to March 31, 2015, the Corporation reduced executive compensation by 20% and reduced certain head office and field employee and consultant costs.

TRANSACTION AND OTHER COSTS

The Corporation incurred \$295,000 in transaction and other costs for the three months ended March 31, 2014, including legal fees associated with a proposed Arrangement Agreement with Montana Exploration Corp. (Montana+) and other initiatives, costs incurred related to the secured subordinated debt financing that closed in the quarter and other professional and financial advisor fees. As a result of Montana's failure to meet the financing condition of the Arrangement Agreement, the Corporation was entitled to \$250,000. This \$250,000 reduced the Corporation's transaction and other costs to a net expense of \$45,000 for the three months ended March 31, 2014.

FINANCE EXPENSE

(\$000s unless noted)	Three months ended March 31,		
	2015	2014	% change
Interest	398	400	(1)
Accretion	84	83	1
Total	482	483	-
Total (\$/boe)	4.29	3.18	35
Average amount drawn on credit facilities	24,279	29,090	(17)
Effective interest rate (%)	6.6%	5.5%	20

Interest expense increased by 10% for the three months ended March 31, 2015 compared to the preceding fourth quarter of 2014 due to higher debt levels. Compared to the first quarter of 2014, interest expense remained flat for the three months ended March 31, 2015 as lower debt levels were 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.

DEPLETION AND DEPRECIATION

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

(\$000s)	Three months ended March 31,		
	2015	2014	% change
Depletion and depreciation	1,317	2,145	(39)
(\$/boe)	11.71	14.13	(17)

Depletion and depreciation of property and equipment for the three months ended March 31, 2015 decreased compared to the same period in the preceding year as well as the preceding fourth quarter of 2014 as a result of lower production levels. On a per boe basis, depletion and depreciation decreased as a result of a lower depreciation and depletion base caused by the impairment recorded in the fourth quarter 2014.

IMPAIRMENT

During the three months ended March 31, 2015, the Corporation initiated the sale of its Ricinus and Strachan CGU. Subsequent to March 31, 2015, the Corporation sold these assets for gross proceeds of \$12.3 million, before closing adjustments. A property and equipment impairment loss of \$5.5 million related to the write down of the CGU to the lower of its carrying amount and its fair value less cost to sell has been recognized for the three months ended March 31, 2015. Additionally, the E&E carrying value of the Ricinus and Strachan CGU as at March 31, 2015 exceeded the amount paid for these assets pursuant to the Purchase and Sale Agreement. Accordingly, an E&E impairment of \$3.8 million was recognized for the three months ended March 31, 2015 as, for the purposes of the impairment calculation, the Corporation did not apply any proceeds from the sale to E&E assets.

Indicators of impairment were present at December 31, 2014. Accordingly, the Corporation recognized an impairment charge of \$20.3 million to property and equipment for the year ended December 31, 2014. Additionally, during the year 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 E&E assets. The impairment was recognized as certain lands were scheduled to expire and the Corporation had no current plans to drill on those lands prior to expiry.

EXPLORATION AND EVALUATION (E&E) EXPENSE

During the three months ended March 31, 2014, the Corporation recognized \$0.1 million in expiring land costs.

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 months ended March 31, 2015, the Corporation recognized an insignificant amount of share-based compensation expense compared to \$0.1 million for the three months ended March 31, 2014.

For the three months ended March 31, 2015 and 2014, the Corporation capitalized an insignificant amount of share-based compensation expenses related to exploration and development.

TAX POOLS

At March 31, 2015, Waldron's current estimated tax pools are as follows:

(\$000s)	March 31, 2015
UCC	6,944
COGPE	18,775
CEE	8,685
CDE	11,934
Share issue costs	315
Non-capital losses	33,344
Total	79,997

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 March 31, 2015, the Corporation has a remaining commitment of \$1.8 million.

NET LOSS AND COMPREHENSIVE LOSS

For the three months ended March 31, 2015, the Corporation incurred a net loss of \$11.4 million or \$0.18 per share, basic and diluted, compared to a net loss of \$1.3 million or \$0.02 per share, basic and diluted, for the three months ended March 31, 2014.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes the change in net debt during the three months ended March 31, 2015 and 2014:

(\$000s)	March 31, 2015	March 31, 2014
Net debt ⁽¹⁾ . beginning of period	(26,500)	(29,104)
Funds from (used in) operations ⁽¹⁾	(752)	2,235
Capital expenditures	(150)	(4,720)
Assets held for sale	13,937	-
Liabilities held for sale	(1,636)	-
Issue of common shares for cash (net of share issue expense)	-	993
Transaction and other costs	-	(45)
Net debt ⁽¹⁾ . end of period	(15,101)	(30,640)

(1) See Non-GAAP Measures+

The Corporation had net debt at March 31, 2015 of \$15.1 million compared to \$26.5 million at December 31, 2014. The decrease in net debt is a result of the classification of the Corporation's Ricinus and Strachan properties as assets held for sale (current asset), which were sold subsequent to March 31, 2015. The net carrying value of the sold properties at March 31, 2015 was \$12.3 million and was included in current assets and current liabilities on the Corporation's Condensed Interim Statements of Financial Position as at March 31, 2015. Partially offsetting these amounts were maintenance capital expenditures as well as negative funds from operations for the three months ended March 31, 2015, largely driven by a sudden reduction in realized commodity prices compared to 2014 as well as certain production adjustments and temporary outages.

CAPITAL MANAGEMENT

Subsequent to March 31, 2015, the Corporation closed the sale of its Ricinus and Strachan area for proceeds of \$12.3 million, before closing adjustments, and the sale proceeds were applied against the Corporation's bank debt facility. In conjunction with the sale of these assets and in accordance with the terms of the \$6 million secured subordinated debenture financing, the Corporation's credit facility limit with its senior lender was reduced by \$11.5 million, from \$19.3 million to \$7.8 million, for a combined credit facility limit of \$13.8 million. The next borrowing base review is expected to occur on or before June 30, 2015.

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 was extended to March 31, 2015. Subsequent to March 31, 2015, the maturity date was further extended to June 30, 2015 and is to be repaid in full upon maturity. In advance of the June 30, 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 additional 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, in addition to the asset sale described above (Disposition process). As at the date hereof, the disposition process is still ongoing.

In accordance with the June 2014 sale of a 3% Gross Overriding Royalty on its then existing lands (GORR), the Corporation was to drill a qualifying well by April 18, 2015. Under the terms of the GORR, failure to drill the qualifying well by the agreed upon date results in the return of \$0.75 million from the original sales proceeds of \$7 million. The Corporation is currently negotiating with the royalty holder

regarding an extension with regards to this qualifying well. There can be no certainty that an extension will be successfully negotiated. The Corporation will evaluate financing alternatives, such as additional asset sales or equity financings, if available on favourable terms, as discussed above, in order to satisfy its obligation under the GORR transaction.

At March 31, 2015, 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 (minimum required: 1.0:1). The Corporation's Alberta Energy Regulator Licensee Liability Rating exceeded 1.25:1 (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 2.50:1). Subsequent to March 31, 2015, the Corporation received waivers of non-compliance from its subordinated lender as at March 31, 2015.

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: 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 condensed interim financial statements as at and for the three months ended March 31, 2015 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 condensed interim financial statements may be necessary. The Corporation's \$6 million secured subordinated debt facility becomes due on June 30, 2015, extended from a revised maturity date of March 31, 2015. Additionally, the Corporation's senior bank facility will undergo a borrowing base review on or before June 30, 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. Subsequent to March 31, 2015, the Corporation's secured subordinated lender waived the Corporation's non-compliance with the lender-defined debt to trailing cash flow ratio covenant as well as the lender-defined debt to equity covenant as at March 31, 2015. While continuing open discussions with its lenders, the Corporation will also evaluate other financing alternatives, if available on favourable terms, in order to retire the debt. Additionally, the Corporation engaged a financial advisor in December 2014 to undertake a disposition process whereby certain assets or the entire Corporation may be sold. Subsequent to March 31, 2015, the Corporation closed an asset sale for proceeds of \$12.3 million and, in conjunction with the sale, the bank debt facility limit was reduced to \$7.8 million. The Corporation will be continuing the disposition process to address matters discussed above. Realization values may be different from carrying values as shown and the condensed interim financial statements as at and for the three months ended March 31, 2015 do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Management believes that the going concern assumption is appropriate for the condensed interim financial statements as at and for the three months ended March 31, 2015. The appropriateness of the

going concern assumption is dependent upon the events and circumstances outlined above. Refer to the Capital Management section of this document as well as the Commitments section for additional details.

CAPITAL EXPENDITURES

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

(\$000s)	Three months ended March 31,		
	2015	2014	% change
Drilling and completions	96	4,330	(98)
Geological and geophysical	-	-	-
Plant and facilities	-	271	(100)
Land and rentals	54	119	(55)
Capital expenditures	150	4,720	(97)

Capital expenditures in the first quarter 2015 were focused on maintenance items, such as lease rentals. Capital expenditures in the first quarter of 2014 were focused on the drilling and completion of a Glauconite liquids-rich natural gas well in the Corporation's Crystal area, which came on production subsequent to the end of the first quarter 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 and certain reactivations in the Corporation's Ferrybank area.

OUTSTANDING SHARE DATA

At March 31, 2015, the Corporation had 62.7 million common shares issued and outstanding, 3.1 million options outstanding to directors, officers and employees at a weighted average exercise price of \$0.45 per common share.

As of the date of this MD&A, the Corporation had 62.7 million common shares and 3.0 million stock options outstanding.

COMMITMENTS

See *Tax Pools* section for flow-through share commitment.

(000s)	2015	2016	2017	2018	Thereafter
Lease obligation . Office	\$ 71	\$ -	\$ -	\$ -	\$ -
Lease obligation . Field vehicles	11	-	-	-	-
	\$ 82	\$ -	\$ -	\$ -	\$ -

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 March 31, 2015, 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 accounting policies and practices that are critical to determining Waldron's financial results are outlined in the notes to the financial statements as at and for the year ended December 31, 2014.

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 three months ended March 31, 2015.

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;
- The inability of the Corporation or other industry participants to obtain legal or other approvals required to complete projects;
- Changes in oil and gas industry fundamentals and conditions;
- 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 with the ability to extract commercial quantities of petroleum, natural gas and NGL;
- Transportation risk with respect to the ability to transport petroleum, natural gas and NGL 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 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 *Risk Factors* in the Corporation's AIF which can be found on SEDAR at www.sedar.com or the Corporation's website at www.waldronenergy.ca.

SELECTED QUARTERLY INFORMATION

The following tables summarize key financial and operating information:

Three months ended <i>(\$000s unless noted)</i>	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
Average production (boe/d)	1,250	1,317	1,545	1,440
Petroleum and natural gas sales	2,598	3,644	5,359	5,326
Revenue, net of royalties	2,266	3,579	4,628	4,208
Net loss	(11,430)	(27,526)	(777)	(215)
Per share . basic and diluted ⁽¹⁾	(0.18)	(0.44)	(0.01)	(0.00)
Funds from (used in) operations ⁽²⁾	(752)	223	951	287
Per share . basic and diluted ⁽¹⁾	(0.01)	0.00	0.02	0.01
Capital expenditures ⁽³⁾	150	1,795	3,307	(6,255)
Net debt ⁽²⁾	15,101	26,500	24,818	24,163
Total assets	49,770	60,956	85,201	83,717
Shareholders' equity	7,877	19,295	46,791	45,880
Shares outstanding, end of period	62,727	62,727	62,727	57,267
Weighted average shares outstanding				
Basic and diluted	62,727	62,727	60,946	57,267

Notes:

(1) Options are not included in the calculation of diluted weighted average shares outstanding as they are anti-dilutive

(2) See %Non-GAAP Measures+

(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)	March 31, 2014	December 30, 2013	September 30, 2013	June 30, 2013
Average production (boe/d)	1,687	1,684	1,807	2,010
Petroleum and natural gas sales	7,252	5,172	4,818	5,865
Revenue, net of royalties	6,527	4,615	4,263	4,877
Net loss	(1,341)	(2,425)	(3,067)	(1,938)
Per share . basic and diluted	(0.02)	(0.06)	(0.08)	(0.05)
Funds from operations ⁽¹⁾	2,235	1,169	706	1,365
Per share . basic and diluted	0.04	0.03	0.02	0.03
Capital expenditures	4,720	2,514	188	355
Net debt ⁽¹⁾	30,640	29,104	34,108	33,683
Total assets	91,280	94,556	91,546	95,037
Shareholders' equity	46,025	46,249	42,391	45,441
Shares outstanding, end of period	56,897	55,045	40,035	40,035
Weighted average shares outstanding				
Basic and diluted	56,897	42,058	40,035	40,035

Notes:

(1) See "Non-GAAP Measures"

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 (used in) operations and net debt, which are non-GAAP measures.

The most significant trends affecting the past eight quarters have been overall production and the volatility of commodity prices and the effect on petroleum and natural gas sales, net loss, funds from (used in) 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 Corporation's 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 gross overriding 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 of certain of the Corporation's 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. Additionally, subsequent to March 31, 2015, the Corporation sold its Strachan and Ricinus assets for less than carrying value, resulting in an impairment recorded in the three months ended March 31, 2015.

ADDITIONAL INFORMATION

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