

Second Quarter Report 2015

Three and six months ended June 30, 2015



SUMMARY OF FINANCIAL AND OPERATING RESULTS

(\$000s unless noted)	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
FINANCIAL				
Operating netback ⁽¹⁾	(159)	1,362	130	4,755
Petroleum and natural gas sales	2,009	5,326	4,607	12,578
Funds from (used in) operations ⁽¹⁾	(1,011)	287	(1,763)	2,522
Capital expenditures	56	1,152	206	5,872
Proceeds on sale of oil and gas properties	(12,301)	(407)	(12,301)	(407)
Proceeds on sale of gross overriding royalty	-	(7,000)	-	(7,000)
Net loss	(2,278)	(215)	(13,708)	(1,556)
Net loss per share - basic and diluted	(0.04)	(0.00)	(0.22)	(0.03)
Weighted average number of shares outstanding	62,727	57,267	62,727	57,083
BALANCE SHEET (as at quarter-end)				
Property and equipment	32,025	71,309	32,025	71,309
Exploration and evaluation assets	1,192	9,311	1,192	9,311
Net debt ⁽¹⁾	16,582	24,163	16,582	24,163
Shareholders' equity	5,604	45,880	5,604	45,880
Number of shares outstanding as at period end	62,727	57,267	62,727	57,267
AVERAGE DAILY PRODUCTION				
Natural gas (Mcf/d)	3,747	6,215	4,567	6,876
Natural gas liquids (bbls/d)	147	271	165	279
Light crude oil (bbls/d)	126	133	146	138
Total production (boe/d) ⁽²⁾	898	1,440	1,072	1,563
AVERAGE REALIZED PRICES				
Natural gas (\$/Mcf)	2.72	4.94	2.90	5.55
Natural gas liquids (\$/bbl)	26.46	51.50	24.98	63.13
Light crude oil (\$/bbl)	63.49	104.11	55.44	99.69
Average realized price (\$/boe)	24.58	40.64	23.74	44.46
OPERATING NETBACK (\$/boe)				
Sales price	24.58	40.64	23.74	44.46
Realized gain (loss) on commodity price contracts	-	(3.33)	-	(3.58)
Royalties	(5.54)	(8.53)	(4.06)	(6.51)
Operating expense	(19.08)	(16.16)	(17.04)	(15.38)
Transportation expense	(1.91)	(2.22)	(1.98)	(2.17)
Operating netback ⁽¹⁾	(1.95)	10.40	0.66	16.82
PRODUCTION VOLUME CONTRIBUTION (% based on boe)				
Natural gas	70	72	71	73
Natural gas liquids	16	19	15	18
Light crude oil	14	9	14	9

(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 SIX MONTHS ENDED JUNE 30, 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 as at and for the three and six months ended June 30, 2015 and 2014 of Waldron Energy Corporation ("Waldron" or the "Corporation"). The MD&A is based on information available to August 13, 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. As at the date hereof, 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 and Sullivan Lake.

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", "intend", "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, 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 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. 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.

CREDIT FACILITY UPDATE

Subsequent to June 30, 2015, On August 6, 2015, the Corporation's secured subordinated lender (%Subordinated Lender+) demanded repayment in full of all amounts owed to them under their credit facility and gave notice of their intention to enforce their security. The demand of repayment by the Subordinated Lender created a cross-default between the Corporation and its secured bank debt lender, National Bank of Canada (%NBC+). NBC subsequently demanded repayment in full of all amounts owed to them under their credit facility and also gave notice of their intention to enforce their security. Since August 6, 2015, the Corporation has held various discussions with the Subordinated Lender and NBC with regards to the merits of the Corporation undertaking a restructuring proposal proceeding under the Bankruptcy and Insolvency Act. The intent of the proceedings would be to permit the Corporation to sell assets or develop a corporate solution, such as a take-over or a merger, in order to reduce its debt to an acceptable level. The Subordinated Lender and NBC are unwilling to permit prior ranking interim financing during such proceedings to pay ongoing operating, general and administrative and restructuring costs. As such, the Corporation has consented to the appointment of a receiver and manager.

FORMAL DISPOSITION PROCESS

On December 2, 2014, the Corporation announced that it had engaged a 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").

ASSET SALE

During the six months ended June 30, 2015, the Corporation sold its Ricinus and Strachan CGU for gross proceeds 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 (used in) operations to funds from (used in) operations is as follows:

(\$000s)	Three months ended June 30,			Six months ended June 30,		
	2015	2014	% change	2015	2014	% change
Cash Flow from (used in) operations	(620)	1,425	(144)	(452)	3,425	(113)
Transaction and other costs	504	65	675	504	110	358
Changes in non-cash working capital	(895)	(1,203)	(26)	(1,815)	(1,013)	79
Funds from (used in) operations	(1,011)	287	(452)	(1,763)	2,522	(170)

RESULTS OF OPERATIONS

AVERAGE PRODUCTION VOLUMES

	Three months ended June 30,			Six months ended June 30,		
	2015	2014	% change	2015	2014	% change
Natural gas (mcf/d)	3,747	6,215	(40)	4,567	6,876	(34)
NGLs (bbls/d)	147	271	(46)	165	279	(41)
Light crude oil (bbls/d)	126	133	(5)	146	138	6
Total (boe/d)	898	1,440	(38)	1,072	1,563	(31)

Production in the second quarter of 2015 was impacted by a three week third-party plant turnaround, which resulted in an approximate 95 boe/d reduction in reported production for the quarter. This plant was brought back on-line in May 2015. Additionally, the Corporation disposed of its Ricinus Strachan property in the second quarter 2015, reducing reported production by approximately 285 boe/d. Lastly, reported production was reduced by approximately 30 boe/d due to volume adjustments related to third party volume allocation adjustments.

PETROLEUM AND NATURAL GAS SALES

(\$000s)	Three months ended June 30,			Six months ended June 30,		
	2015	2014	% change	2015	2014	% change
Natural gas	927	2,796	(67)	2,396	6,900	(65)
Natural gas liquids (NGLs)	354	1,270	(72)	746	3,188	(77)
Light crude oil	728	1,260	(42)	1,465	2,490	(41)
Total	2,009	5,326	(62)	4,607	12,578	(63)

Natural gas sales for the three months ended June 30, 2015 decreased 37% compared to the preceding first quarter of 2015 as a result of a 10% decrease in realized natural gas prices and a 31% decrease in production volumes. Second quarter 2015 volumes were impacted by the May 2015 sale of the Corporation's Ricinus Strachan property, which produces approximately 2,400 mcf/d. Additionally, a third party plant turnaround resulted in the temporary shut-in of the Corporation's Crystal area production as well as a significant portion of its Ferrybank production. The plant was brought back on-line in May 2015. Compared to the second quarter of 2014, natural gas sales decreased 67% as a result of a 45% decrease in realized pricing as well as a reduction of 40% in sales volumes. The reduction in volumes is largely a result of the sale of the Corporation's Ricinus Strachan property as well as natural decline. For the six months ended June 30, 2015, natural gas sales decreased 65% over the six months ended June 30, 2014 due to a 48% decrease in natural gas realized pricing and decreased production volumes.

NGL sales for the three months ended June 30, 2015 decreased 10% compared to the preceding first quarter of 2015 as a result of an 11% increase in realized pricing being more than offset by a 20% decrease in production volumes. As discussed above, production in the second quarter 2015 was impacted by a temporary third party plant turnaround as well as the sale of the Corporation's Strachan Ricinus property. Compared to the second quarter of 2014, NGL sales decreased 72% due to a 49% decrease in realized pricing as well as a 46% decrease in production volumes. The reduction in volumes is largely a result of the sale of the Corporation's Ricinus Strachan property as well as natural decline. For the six months ended June 30, 2015, NGL sales decreased 77% over the six months ended June 30, 2014 due to a 60% decrease in realized pricing and a reduction in production volumes.

Light crude oil sales for the three months ended June 30, 2015 were virtually unchanged from those of the preceding first quarter of 2015 as a 29% increase in realized pricing was offset by lower production volumes. In light of current oil prices, the Corporation has not dedicated capital to the maintenance of certain oil wells, resulting in a decrease in production results. Similarly, for the three and six months ended June 30, 2015, light crude oil sales decreased compared to the same periods in 2014 as a result of the decrease in realized pricing levels.

PRICING

A comparison of the Corporation's average selling price and benchmark pricing for the three and six months ended June 30, 2015 and 2014 is as follows:

	Three months ended June 30,			Six months ended June 30,		
	2015	2014	% change	2015	2014	% change
Average selling price						
Natural gas . (\$/mcf)	2.72	4.94	(45)	2.90	5.55	(48)
NGLs (\$/bbl)	26.46	51.50	(49)	24.98	63.13	(60)
Oil (\$/bbl)	63.49	104.11	(39)	55.44	99.69	(44)
Benchmark pricing						
AECO Daily Spot (\$/mcf)	2.64	4.67	(43)	2.69	5.14	(48)
WTI Oil (US\$/bbl)	57.96	102.98	(44)	53.29	100.98	(47)
Edmonton Par (\$/bbl)	68.53	104.20	(34)	60.62	102.56	(41)
Hardisty Bow River (\$/bbl)	57.47	87.11	(34)	50.16	90.43	(45)
US\$/CAD\$ average exchange rate	0.81	0.91	(11)	0.81	0.92	(12)

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.

	Three months ended June 30,			Six months ended June 30,		
	2015	2014	% change	2015	2014	% change
<i>(\$000s unless noted)</i>						
Royalties	453	1,118	(59)	785	1,843	(57)
Royalties as a % of sales	22.5	21.0	7	17.0	14.7	16

For the three and six months ended June 30, 2015, the royalty rate was 22.5% and 17.0%, respectively, compared to 21.0% and 14.7% for the comparable periods in the preceding year. The increase in overall royalty rates compared to 2014 is largely due to the sale of a 3% overriding royalty in June 2014. The relatively high effective royalty rates in the second quarters of 2015 and 2014 are due to Crown Gas Cost Allowance adjustments.

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.

(\$000s)	Three months ended June 30,			Six months ended June 30,		
	2015	2014	% change	2015	2014	% change
Operating	1,559	2,118	(26)	3,307	4,351	(24)
Transportation	156	291	(46)	385	615	(37)
Total	1,715	2,409	(29)	3,692	4,966	(26)

(\$/boe)	Three months ended June 30,			Six months ended June 30,		
	2015	2014	% change	2015	2014	% change
Operating	19.08	16.16	18	17.04	15.38	11
Transportation	1.91	2.22	(14)	1.98	2.17	(9)
Total	20.99	18.38	14	19.03	17.55	8

Operating and transportation expense per boe increased 19% from the \$17.58 per boe recorded in the first quarter of 2015 as a result of the impact fixed costs have on a reduced second quarter 2015 production base, driven by a third-party plant outage and the sale of the Corporation's Strachan Ricinus CGU. Additionally, second quarter 2015 operating and transportation expense included \$0.3 million in one-time third party facility expenses. For the three and six months ended June 30, 2015, total operating and transportation expenses per boe have increased compared to the same periods in 2014 due to the impact of fixed operating costs whereby operating expense per boe increased as production decreased.

OPERATING NETBACK

(\$/boe)	Three months ended June 30,			Six months ended June 30,		
	2015	2014	% change	2015	2014	% change
Sales price	24.58	40.64	(40)	23.74	44.46	(47)
Realized loss on commodity price contracts	-	(3.33)	-	-	(3.58)	-
Royalties	(5.54)	(8.53)	(35)	(4.06)	(6.51)	(38)
Operating expenses	(19.08)	(16.16)	18	(17.04)	(15.38)	11
Transportation expenses	(1.91)	(2.22)	(14)	(1.98)	(2.17)	(9)
Operating netback	(1.95)	10.40	(119)	0.66	16.82	(96)

The Corporation's operating netback in the second quarter of 2015 was reduced by approximately \$4.89 per boe due to certain one-time charges that amounted to approximately \$0.4 million (\$0.1 million in Crown royalty charges and \$0.3 million in third party facility charges), resulting in a positive netback of approximately \$2.94 per boe (compared to a first quarter 2015 operating netback of \$2.57 per boe) being reduced to a reported netback of a negative \$1.95 per boe. For the three months ended June 30, 2015, the Corporation's operating netback decreased by \$4.52 per boe (or 176%) compared to the preceding first quarter of 2015 as a result of higher pricing (\$1.48 per boe) being more than offset by a combined \$6.00 per boe increase in royalty, operating and transportation expenses. The increase in royalty expense is largely due to a \$0.1 million charge in the second quarter of 2015 related to an annual Crown royalty adjustment. Similarly, operating and transportation expenses increased due to \$0.3 million one-time facility charge as well as the impact fixed costs have on a decline production base. Compared to the same period in 2014, the Corporation's operating netback for the three and six months ended June 30, 2015 decreased as a result of reduced realized pricing as well as increased expenses per boe.

GENERAL AND ADMINISTRATIVE (%G&A+)

(\$000s unless noted)	Three months ended June 30,			Six months ended June 30,		
	2015	2014	% change	2015	2014	% change
Total G&A costs	556	725	(23)	1,298	1,570	(17)
Less capitalized G&A	-	83	-	99	170	(42)
Expensed G&A costs	556	642	(13)	1,199	1,400	(14)
\$/boe	6.80	4.90	39	6.18	4.95	25

Total G&A costs for the three months ended June 30, 2015 were 14% lower than the preceding first quarter 2015 mainly as a result of reduced employee and other staffing costs as the Corporation manages its G&A budget in light of constrained commodity prices and the resulting impact on the Corporation's field cash flow. Similarly, compared to the three and six months ended June 30, 2015, total G&A costs were lower in 2015 as a result of reduced employee and other staffing costs.

TRANSACTION AND OTHER COSTS

For the three and six months ended June 30, 2015, the Corporation incurred \$0.5 million in transaction and other costs. These costs included professional service fees, such as legal and financial advisors, related to the sale of its Ricinus Strachan CGU. Also included in transaction and other costs are amounts payable to the Corporation's subordinated debt lender in relation to certain extensions to the maturity date of the Corporation's secured subordinated debenture.

The Corporation incurred \$0.1 million in transaction costs for the three and six months ended June 30, 2014 for professional services incurred in relation to the announced termination of the arrangement agreement with Montana Exploration Corp., a subordinated debt agreement as well as other corporate initiatives, including the sale of a Gross Overriding Royalty.

FINANCE EXPENSE

(\$000s unless noted)	Three months ended June 30,			Six months ended June 30,		
	2015	2014	% change	2015	2014	% change
Interest	295	433	(32)	693	833	(17)
Accretion	62	84	(26)	146	167	(13)
Bad debt recovery	(83)	-	-	(83)	-	-
Gain on bad debt recovery	(42)	-	-	(42)	-	-
Total	232	517	(55)	714	1,000	(29)
Total (\$/boe)	2.84	3.95	(28)	3.68	3.53	4
Average debt level	16,450	24,900	(34)	20,250	25,420	(20)
Effective interest rate (%)	7.2%	7.0%	3	6.8%	6.6%	3

Interest expense decreased for the three and six months ended June 30, 2015 compared to the same periods in 2014 due to a reduction in utilization rates. The increase in effective interest rate is a result of the subordinated debt agreement entered into on February 28, 2014. On a relative basis, the higher-interest rate subordinated debenture comprises more of the total outstanding debt carried by the Corporation. 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 three and six months ended June 30, 2015 as a result of the sale of the Corporation's Strachan Ricinus CGU in the second quarter 2015.

The bad debt recovery of \$0.1 million recorded in the second quarter 2015 resulted from the settlement of an accounts receivable for which the Corporation had previously recorded an allowance for bad debt expense. The gain on bad debt recovery is a result of the consideration received towards the settlement of the receivable exceeding the carrying amount of the account receivable. The consideration received consisted of \$0.2 million in marketable securities offered to the Corporation. These securities are carried on the Corporation's Condensed Statement of Financial Position as at June 30, 2015. The Corporation recorded an unrealized loss of \$0.04 million related to these securities for the three and six months ended June 30, 2015 as the value of the securities decreased from the day they were received by the Corporation to June 30, 2015. This unrealized loss is recorded on the Condensed Interim Statement of Net Loss and Comprehensive Net Loss for the three and six months ended June 30, 2015.

DEPLETION AND DEPRECIATION

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

(\$000s)	Three months ended June 30,			Six months ended June 30,		
	2015	2014	% change	2015	2014	% change
Depletion and depreciation	783	1,908	(59)	2,100	4,053	(48)
(\$/boe)	9.58	14.56	(34)	10.82	14.33	(24)

Depletion and depreciation of property and equipment for the three and six months ended June 30, 2015 decreased compared to the same period in 2014 as a result of lower production. On a per boe basis, depletion and depreciation of property and equipment decreased as a result of a lower depreciation and depletion base caused by impairments recorded in the fourth quarter 2014 and the first quarter 2015.

IMPAIRMENT

During the three months ended March 31, 2015, the Corporation initiated the sale of its Ricinus and Strachan CGU. During the second quarter of 2015, the Corporation sold these assets for proceeds of \$12.3 million. 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 had 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.

EXPLORATION AND EVALUATION (E&E) EXPENSE

E&E expense includes pre-licensing costs, expiry of land rights and unsuccessful PP&E expenditures. During the six months ended June 30, 2015, the Corporation recognized an insignificant amount of expiring land and unsuccessful drilling costs (2014 - \$0.1 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 six months ended June 30, 2015, the Corporation recognized \$0.01 million in share-based compensation expense compared to \$0.1 million and \$0.2 million for the three and six months ended June 30, 2014, respectively.

For the six months ended June 30, 2015, the Corporation capitalized \$0.004 million of share-based compensation expenses related to exploration and development, a decrease from the \$0.03 million for the six months ended June 30, 2014.

TAX POOLS

At June 30, 2015, Waldron's current estimated tax pools are as follows:

(\$000s)	June 30, 2015
UCC	4,170
COGPE	9,001
CEE	8,685
CDE	10,974
Share issue costs	362
Non-capital losses	36,057
Total	69,250

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 June 30, 2015, the Corporation has a remaining commitment of \$1.8 million.

NET LOSS AND COMPREHENSIVE LOSS

For the three months ended June 30, 2015, the Corporation incurred a net loss of \$2.3 million or \$0.04 per share, basic and diluted, compared to a net loss of \$0.2 million or \$0.00 per share, basic and diluted, for the three months ended June 30, 2014.

For the six months ended June 30, 2015, the Corporation incurred a net loss of \$13.7 million or \$0.22 per share, basic and diluted, compared to a net loss of \$1.6 million or \$0.03 per share, basic and diluted, for the six months ended June 30, 2014.

LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL

The following table summarizes the change in net debt during the six months ended June 30, 2015 and 2014:

(\$000s)	June 30, 2015	June 30, 2014
Net debt ⁽¹⁾ . beginning of period	(26,500)	(29,104)
Funds from (used in) operations ⁽¹⁾	(1,763)	2,522
Bad debt recovery	83	-
Gain on bad debt recovery	42	-
Unrealized loss on marketable securities	(36)	-
Issue of share capital for cash (net of share issue expense)	-	994
Proceeds on sale of oil and gas properties	12,301	407
Proceeds on sale of overriding royalty	-	7,000
Capital expenditures	(206)	(5,872)
Transaction and other costs	(504)	(110)
Net debt ⁽¹⁾ . end of period	(16,582)	(24,163)

(1) See Non-GAAP Measures+

The Corporation had net debt at June 30, 2015 of \$16.6 million compared to \$26.5 million at December 31, 2014. The decrease in net debt is a result of the sale of the Corporation's Ricinus and Strachan properties for \$12.3 million. Partially offsetting these amounts were maintenance capital expenditures, transaction and other costs as well as negative funds from operations for the six months ended June 30, 2015. The negative funds from operations was largely driven by a sudden reduction in realized commodity prices compared to 2014 as well as certain one-time royalty and operating expense charges, production adjustments and temporary third party plant outages.

CAPITAL MANAGEMENT

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 below (Disposition process).

During the six months ended June 30, 2015, the Corporation closed the sale of its Ricinus and Strachan area for proceeds of \$12.3 million 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.

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. During the second quarter 2015 the Corporation negotiated an extension of this drilling commitment to October 1, 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 originally extended to March 31, 2015. During the second quarter 2015, the maturity date was extended to July 15, 2015.

At June 30, 2015, the Corporation was not in compliance with the financial covenants under its lending agreement with its senior lender and, with the exception of one financial covenant, was also not in compliance with the financial covenants under its lending agreement with its subordinated lender. The Corporation was in compliance with the subordinated lender's covenant which requires that the Corporation's Alberta Energy Regulator Licensee Liability Rating exceed 1.25:1. The financial covenants where the Corporation was not in compliance were a senior and subordinated lender defined working capital covenant (minimum allowable: 1.0:1), a subordinated debt 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 June 30, 2015, On August 6, 2015, the Corporation's secured subordinated lender (Subordinated Lender) demanded repayment in full of all amounts owed to them under their credit facility and gave notice of their intention to enforce their security. The demand of repayment by the Subordinated Lender created a cross-default between the Corporation and its secured bank debt lender, National Bank of Canada (NBC). NBC subsequently demanded repayment in full of all amounts owed to them under their credit facility and also gave notice of their intention to enforce their security. Since August 6, 2015, the Corporation has held various discussions with the Subordinated Lender and NBC with regards to the merits of the Corporation undertaking a restructuring proposal proceeding under the Bankruptcy and Insolvency Act. The intent of the proceedings would be to permit the Corporation to sell assets or develop a corporate solution, such as a take-over or a merger, in order to reduce its debt to an acceptable level. The Subordinated Lender and NBC are unwilling to permit prior ranking interim financing during such proceedings to pay ongoing operating, general and administrative and restructuring costs. As such, the Corporation has consented to the appointment of a receiver and manager.

Future Operations

The condensed interim financial statements as at and for the three and six months ended June 30, 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 as at June 30, 2015, adjustments to these condensed interim financial statements may be necessary.

Subsequent to June 30, 2015, On August 6, 2015, the Corporation's secured subordinated lender (the Subordinated Lender) demanded repayment in full of all amounts owed to them under their credit facility and gave notice of their intention to enforce their security. The demand of repayment by the Subordinated Lender created a cross-default between the Corporation and its secured bank debt lender, National Bank of Canada (the NBC). NBC subsequently demanded repayment in full of all amounts owed to them under their credit facility and also gave notice of their intention to enforce their security. Since August 6, 2015, the Corporation has held various discussions with the Subordinated Lender and NBC with regards to the merits of the Corporation undertaking a restructuring proposal proceeding under the Bankruptcy and Insolvency Act. The intent of the proceedings would be to permit the Corporation to sell assets or develop a corporate solution, such as a take-over or a merger, in order to reduce its debt to an acceptable level. The Subordinated Lender and NBC are unwilling to permit prior ranking interim financing during such proceedings to pay ongoing operating, general and administrative and restructuring costs. As such, the Corporation has consented to the appointment of a receiver and manager.

The Corporation engaged a financial advisor in December 2014 to undertake a disposition process whereby certain assets or the entire Corporation may be sold. During the three months ended June 30, 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, as discussed in notes 5 and 11. The ability to realize additional sales proceeds from the disposition process gives rise to material uncertainties that may cast significant doubt on the Corporation's ability to continue as a going concern. Realization values from any additional sales as part of the disposition process may be significantly different from carrying values as shown in these financial statements.

The financial statements do not reflect adjustments in the carrying values of the assets and liabilities, expenses and the statements of financial position classifications that would be necessary if the going concern assumption were not appropriate as at June 30, 2015. Such adjustments could be material. 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 June 30,			Six months ended June 30,		
	2015	2014	% change	2015	2014	% change
Drilling and completions	-	830	(100)	96	5,160	(98)
Geological and geophysical	-	46	(100)	-	46	(100)
Plant and facilities	-	225	(100)	-	496	(100)
Land and rentals	56	51	(10)	110	170	(35)
Capital expenditures	56	1,152	(95)	206	5,872	(96)
Proceeds on disposition of oil and gas properties	(12,301)	(407)	-	(12,301)	(407)	-
Proceeds on sale of gross overriding royalty	-	(7,000)	100	-	(7,000)	100
Net capital expenditures (proceeds)	(12,245)	(6,255)	96	(12,095)	(1,535)	688

In light of current commodity price and cash flow constraints, capital expenditures in the first half of 2015 were focused on maintenance items, such as lease rentals. The Corporation also disposed of its Ricinus Strachan CGU for proceeds of \$12.3 million.

OUTSTANDING SHARE DATA

At June 30, 2015, the Corporation had 62.7 million common shares issued and outstanding and 3.0 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

Reference is made to the Capital Management section of this document in respect of the uncertainty associated with the future operations of the Corporation.

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

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. During the second quarter 2015 the Corporation negotiated an extension of this drilling commitment to October 1, 2015.

The Corporation has lease commitments for head office space and three field vehicles. Future remaining minimum payments under the leases are as follows:

(000s)	2015	2016	2017	2018	Thereafter
Lease obligation . Office	\$ 36	\$ -	\$ -	\$ -	\$ -
Lease obligation . Field vehicles	5	-	-	-	-
	\$ 41	\$ -	\$ -	\$ -	\$ -

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 June 30, 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 and six months ended June 30, 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 the ability to extract commercial quantities of petroleum, natural gas and NGLs;
- Transportation risk with respect to the ability to transport petroleum, natural gas and NGLs 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 NGLs 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.waldroneenergy.ca.

SELECTED QUARTERLY INFORMATION

The following tables summarize key financial and operating information:

Three months ended <i>(\$000s unless noted)</i>	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
Average production (boe/d)	898	1,250	1,317	1,545
Petroleum and natural gas sales	2,009	2,598	3,644	5,359
Revenue, net of royalties	1,556	2,266	3,579	4,628
Net loss	(2,278)	(11,430)	(27,526)	(777)
Per share . basic and diluted ⁽¹⁾	(0.04)	(0.18)	(0.44)	(0.01)
Funds from (used in) operations ⁽²⁾	(1,011)	(752)	223	951
Per share . basic and diluted ⁽¹⁾	(0.02)	(0.01)	0.00	0.02
Net capital expenditures ⁽³⁾	(12,245)	150	1,795	3,307
Net debt ⁽²⁾	16,582	15,101	26,500	24,818
Total assets	35,227	49,770	60,956	85,201
Shareholders equity	5,604	7,877	19,295	46,791
Shares outstanding, end of period	62,727	62,727	62,727	62,727
Weighted average shares outstanding				
Basic and diluted	62,727	62,727	62,727	60,946

Notes:

- (1) At June 30, 2015, there were 3,026,167 options outstanding. Options were not included in the calculation of diluted weighted average shares outstanding as they were anti-dilutive.
- (2) See [Non-GAAP Measures](#).
- (3) Including dispositions

The following table summarizes key financial and operating information:

Three months ended (\$000s unless noted)	June 30, 2014	March 31, 2014 2014	December 31, 2013	September 30, 2013
Average production (boe/d)	1,440	1,687	1,684	1,807
Petroleum and natural gas sales	5,326	7,252	5,172	4,818
Revenue, net of royalties	4,208	6,527	4,615	4,263
Net loss	(215)	(1,341)	(2,425)	(3,067)
Per share . basic and diluted	(0.00)	(0.02)	(0.06)	(0.08)
Funds from operations ⁽¹⁾	287	2,235	1,169	706
Per share . basic and diluted	0.01	0.04	0.03	0.02
Capital expenditures ⁽²⁾	(6,255)	4,720	2,514	188
Net debt ⁽¹⁾	24,163	30,640	29,104	34,108
Total assets	83,717	91,280	94,556	91,546
Shareholders' equity	45,880	46,025	46,249	42,391
Shares outstanding, end of period	57,267	56,897	55,045	40,035
Weighted average shares outstanding				
Basic and diluted	57,267	56,897	42,058	40,035

Notes:

(1) See Non-GAAP Measures+

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

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, during the six months ended June 30, 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.