This Management's Discussion and Analysis ("MD&A") of Return Energy Inc. ("Return" or the "Company") should be read in conjunction with the unaudited Condensed Consolidated Interim Financial Statements for the three and nine months ended September 30, 2017 (the "Financial Statements") and the audited annual consolidated financial statements and MD&A for the year ended December 31, 2016. This MD&A has been prepared as of November 24, 2017.

Basis of Presentation

The Financial Statements and comparative information have been prepared in accordance with International Financial Reporting Standards. (IFRS)

Non-IFRS Measures

This MD&A includes references to financial measures commonly used in the oil and gas industry that do not have standardized meanings prescribed by IFRS including operating netback. Operating netback has been defined by the Company as "petroleum and natural gas sales less royalties and operating costs".

Other Measurements

All figures in this MD&A have been reported in Canadian dollars unless otherwise stated.

Where amounts are expressed on a barrel of oil equivalent ("boe") basis, one thousand cubic feet (mcf) has been converted at a ratio of six thousand cubic feet to one barrel of oil. Boe's may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet to one barrel of oil is based on an energy equivalent conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

THE COMPANY

Return is engaged in the exploration for and development and production of petroleum and natural gas properties in the Western Canadian Sedimentary Basin. The Company is focused on the Peace River Arch area in northwest Alberta. Return's shares are publicly traded on the TSX Venture Exchange under the symbol "RTN". The Company was incorporated under the Alberta Business Corporations Act on March 20, 2006 and is domiciled in Calgary, Canada.

Highlights:

The following highlights the significant events during the period:

- In November 2017, the Company announced that it intends to complete a non-brokered private placement (the "Offering") of 66,666,666 units of the Company (the "Units") at a price of $0.075 per Unit for aggregate gross proceeds of $5,000,000. The proceeds of the Offering will be used by Return to further its development activities in the Rycroft, Gordondale and Valhalla areas of Alberta. Each Unit will consist of one common share in the capital of the Company and one Common Share purchase warrant (a "Warrant"). Each Warrant will entitle the holder thereof to purchase one Common Share at a price of $0.10 per Common Share for five years from the closing date of the Offering. The Company has an early termination option should certain conditions be met. As the private placement was carried out with a single subscriber, and will result in the creation of a control person, shareholder approval of the transaction is required and the Company will seek this approval at a shareholders meeting to be held on December 27, 2017.
- The Company has initiated surveying well locations in anticipation of drilling two development wells in the first quarter 2018.

RESULTS OF OPERATIONS

Petroleum and Natural Gas Production

	Three months ended				Nine months ended September 30	
	September 30 2017	June 30 2017	March 31 2017	September 30 2016	2017	2016
Production						
Oil and natural gas liquids (bbls)	5,006	4,483	5,251	-	14,740	-
Natural gas (mcf)	138,958	125,838	109,134	1,738	373,930	8,704
Oil equivalent (boe @ 6:1)	28,166	25,456	23,440	290	77,062	1,451
Average production per day						
Oil and natural gas liquids (bbls/d)	55	49	58	-	54	-
Natural gas (mcf/d)	1,527	1,383	1,213	19	1,375	32
BOE/d	310	280	260	3	283	5

For the three months ended September 30, 2017, petroleum and natural gas production averaged 310 boe/d an increase of 11% over the prior quarter. The increase over the three months ended June 30, 2017 is primarily a result of a full quarter of production from the Rycroft acquisitions the Company completed in the second quarter. The increase in production during the three and nine months ended September 30, 2017 over the comparative periods in 2016 is a result of the acquisitions of the Peace River Arch assets the Company finalized in October 2016.

Oil and Natural Gas Revenue

	Three months ended				Nine months ended September 30	
	September 30 2017	June 30 2017	March 31 2017	September 30 2016	2017	2016
REVENUE						
Oil and natural gas liquids	$ 244,149	$ 246,487	$ 293,562	$ -	$ 784,198	$ -
Natural Gas	187,202	354,427	279,972	4,674	821,601	13,239
Total petroleum and natural gas sales	$ 431,351	$ 600,914	$ 573,534	$ 4,674	$ 1,605,799	$ 13,239
Average Sales Price						
Oil and natural gas liquids ($/bbls)	$ 48.77	$ 54.98	$ 55.91	$ -	$ 53.20	$ -
Natural gas ($/mcf)	1.35	2.82	2.57	2.69	2.20	1.52
Oil equivalent ($/boe)	$ 15.31	$ 23.61	$ 24.47	$ 16.14	$ 20.84	$ 9.13

During the three months ended September 30, 2017 revenue decreased 28% over the three months ended June 30, 2017. This decrease is primarily the result of lower natural gas prices as third party pipeline maintenance issues reduced deliverability and storage capacity which in turn had a negative effect on natural gas prices in the area. These pipeline maintenance issues have eased in the fourth quarter which has resulted in an increase in the natural gas price. The decrease was partially offset by the 11% increase in production. Revenue for the three and nine months ended September 30, 2017 increased over the comparative period as a result of the Peace River Arch assets purchased in October 2016.

Royalties

	Three months ended				Nine months ended September 30	
	September 30 2017	June 30 2017	March 31 2017	September 30 2016	2017	2016
Royalties						
Oil and natural gas liquids	$ 13,322	$ 25,621	$ 31,333	$ -	$ 70,276	$ -
Natural Gas	16,950	14,397	23,022	260	54,369	978
Total petroleum and natural gas sales	$ 30,272	$ 40,018	$ 54,355	$ 260	$ 124,645	$ 978
Average Royalty Rate (% of sales)						
Oil and natural gas liquids	5.46%	10.39%	10.67%	-	8.96%	-
Natural gas	9.05%	4.06%	8.22%	5.56%	6.62%	7.39%
Oil equivalent	7.02%	6.66%	9.48%	5.56%	7.76%	7.39%

Royalties as a percentage of revenue averaged 7.02% for the three months ended September 30, 2017, up slightly from the 6.66% for the three months ended June 30, 2017. Royalties for the three and nine months ended September 30, 2017 increased over the comparative period as a result of the Peace River Arch assets purchased in October 2016.

Operating Costs

	Three months ended				Nine months ended September 30	
	September 30 2017	June 30 2017	March 31 2017	September 30 2016	2017	2016
Operating Costs	$ 847,531	$ 465,674	$ 500,704	$ 5,524	$ 1,813,909	$ 15,023
$ per boe	$ 30.09	$ 18.29	$ 21.36	$ 19.07	$ 23.54	$ 10.36

Operating costs averaged $30.09 per boe for the three months ended September 30, 2017 an increase of $11.80 per boe over the three months ended June 30, 2017. The increase was primarily a result of higher than normal workover costs, field employee severance costs and property taxes being charged in the quarter. Operating costs for the three and nine months ended September 30, 2017 increased over the comparative period as a result of the Peace River Arch assets purchased in October 2016.

Operating Netback

	Three months ended				Nine months ended September 30	
	September 30 2017	June 30 2017	March 31 2017	September 30 2016	2017	2016
Netback ($/boe)						
Revenue	$ 15.31	$ 23.61	$ 24.47	$ 16.14	20.84	9.13
Royalties	(1.07)	(1.57)	(2.32)	(0.90)	(1.62)	(0.67)
Operating	(30.09)	(18.29)	(21.36)	(19.07)	(23.54)	(10.36)
Operating Netback	$ (15.85)	$ 3.74	$ 0.79	$ (3.83)	$ (4.32)	$ (1.90)

During the three months ended September 30, 2017 the Company had an operating netback loss of $15.85 per boe compared to a netback of $3.74 in the second quarter. The lower operating netback is primarily due to the previous explained lower prices along with the increased operating costs during the quarter.

Other revenue

	Three months ended				Nine months ended September 30	
	September 30 2017	June 30 2017	March 31 2017	September 30 2016	2017	2016
Other	$ 27,974	$ 45,116	$ 60,383	$ 24	$ 133,473	$ 87

Other revenue is primarily made up of gas processing and transportation fees and land use fees. The decrease in the third quarter 2017 over the first quarter and second quarter is primarily due to decreased gas processing and transportation fees from third party gas during this period as certain wells were shut in during the quarter. The increase in other revenue for the nine months ended September 30, 2017 over the comparative period is a result of the acquisitions the Company finalized in October 2016.

General and administrative

	Three months ended				Nine months ended September 30	
	September 30 2017	June 30 2017	March 31 2017	September 30 2016	2017	2016
General and Administrative	$ 222,818	$ 304,710	$ 187,150	$ 78,198	$ 714,678	$ 221,832

General and administrative costs for three months ended September 30, 2017 decreased over the three months ended June 30, 2017, primarily due to lower consulting, legal and audit and software costs. The increase during the three and nine months ended September 30, 2017 over the comparative 2016 periods is due to the increased consulting and professional fees as well as a general increase in office costs due to the increase in activity from the acquisitions in October 2016.

Depletion and depreciation

	Three months ended				Nine months ended September 30	
	September 30 2017	June 30 2017	March 31 2017	September 30 2016	2017	2016
Depletion and depreciation	$ 223,218	$ 223,673	$ 216,966	$ 1,519	$ 663,857	$ 5,168
$ per boe	$ 7.93	$ 8.79	$ 9.26	$ 5.24	$ 8.61	$ 3.56

Depletion and depreciation was slightly lower for the three months ended September 30, 2017 compared to the previous quarter as the higher production is more than offset by the higher reserve base from the acquisitions completed in the second quarter. The increase in depletion and depreciation for the three and nine months ended September 30, 2017 over the comparative periods is a result of the acquisitions the Company finalized in October 2016.

Stock based compensation

Stock-based compensation costs for the three months ended September 30, 2017 amounted to $42,017 (three months ended September 30, 2016 – $8,599). Stock-based compensation costs for the nine months ended September 30, 2017 amounted to $128,917 (nine months ended September 30, 2016 – $30,097). The increase in stock-based compensation costs during the three and nine months ended September 30, 2017 over the comparative periods is attributable to a stock option grant in January 2017.

Stock-based compensation costs attributable to share options granted were measured at their fair value at the grant date and amortized over the vesting period with a corresponding increase to contributed surplus. The fair value of stock options granted was calculated using the Black-Scholes option pricing method.

Gain on sale of exploration and evaluation assets

During the nine months ended September 30, 2017, the Company sold non-core undeveloped land for $50,000. The land was originally acquired as part of the acquisitions in 2016. The land was recorded with a book value of $nil creating a $50,000 gain.

Gain on sale of property, plant and equipment

During the nine months ended September 30, 2017, the Company sold non-core oil assets in the Pembina area for cash proceeds of $118,973. The Company had a book value of $287,131 and decommissioning liabilities of $262,448 which resulted in a gain on sale of $94,290.

Gain on acquisition

On April 20, 2017, the Company acquired production of approximately 60 BOE/day (80% natural gas), and the remaining 50% interest in the Company's operated Rycroft gathering system and gas plant for $715,000 in cash. All of the acquired production is processed through the Rycroft gas plant. A gain on acquisition was recorded as the estimated fair value of the net assets acquired exceeded the acquisition price by $400,000.

Discontinued Operations

In June 2016 the Company relinquished its interest in the Bouhajla block in Tunisia and discontinued its operations in Tunisia.

Operating results related to discontinued operations have been included in the loss from discontinued operations on the condensed consolidated interim statements of net income (loss). Comparative period balances have been restated. During the three and nine months ended September 30, 2017 $nil have been incurred in Tunisia (three and nine months ended September 30, 2016 - $7,844 and $33,789, respectively).

Share capital

During the three months ended March 31, 2017 the Company completed an equity financing and issued a total of 17,415,399 common shares and 16,883,959 warrants for total gross proceeds of $2,104,148. Each warrant issued pursuant to the above mentioned financing, is exercisable by the holder to purchase one Common Share until October 20, 2018 at a price of $0.15. The Company may redeem the warrants upon providing the holder notice. Such notice may be given by the Company, in its sole discretion, if the volume-weighted average price of the Common Shares on the TSX Venture Exchange exceeds the Warrant Exercise Price by at least 200% for a minimum of 10 consecutive trading days (whether or not trading of Common Shares occurs on all such days), provided that the Common Shares trade on at least five of such trading days.

In addition during the first quarter, the Company granted 2,070,000 stock options with an exercise price of $0.185 per share to certain officers, directors, employees and consultants.

A total of 42,424,293 common shares, 23,686,459 warrants, and 2,175,000 stock options of the Company are outstanding as of the date hereof.

In addition to the above, the Company has two million non-interest bearing, non-voting Series I Convertible Preferred Shares (the "Preferred Shares") outstanding. The holder may, at any time and at its option, convert all or part of the Preferred Shares into units ("Units") of Return. Each Unit is comprised of one (1) common share of Return and one-half (1/2) of a common share purchase warrant. The number of Units issuable upon the conversion of the Preferred Shares is equal to the number of Preferred Shares to be converted multiplied by $1.00 and divided by the average of the trading price of the common shares on the TSX Venture Exchange (the "TSXV") during the immediately prior twenty (20) consecutive day period prior to conversion (the "Market Price"). Each whole common share purchase warrant entitles the holder to purchase one (1) common share until October 21, 2021 upon payment of the Common Share purchase warrant exercise price which is equal to the Market Price. The Company may at its sole discretion redeem the Preferred Shares at any time upon cash payment of one dollar per Preferred Share. No conversions of Preferred Shares may occur within 30 days of a prior conversion, and no conversion of Preferred Shares may occur when, after such conversion the Vendor would own (including shares owned prior to the conversion) 10% or more of the outstanding Common Shares after conversion.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2017, the Company had working capital of $0.9 million. In November the Company announced that it intends to complete a non-brokered private placement (the "Offering") of 66,666,666 units of the Company (the "Units") at a price of $0.075 per Unit for aggregate gross proceeds of $5,000,000. The proceeds of the Offering will be used by Return to further its development activities in the Rycroft, Gordondale and Valhalla areas of Alberta.

Each Unit will consist of one common share in the capital of the Company (a "Common Share") and one Common Share purchase warrant (a "Warrant"). Each Warrant will entitle the holder thereof to purchase one Common Share at a price of $0.10 per Common Share (the "Warrant Exercise Price") at any time up to 5:00 p.m. (Calgary time) on or before the earlier of the date that is: (a) five years from the closing date of the Offering, and (b) 30 days after the giving of the Early Termination Notice (as defined herein) by the Company. If the volume-weighted average price of the Common Shares on the TSX Venture Exchange (the "TSXV") exceeds the Warrant Exercise Price by at least 200% for a minimum of 20 consecutive trading days (whether or not trading of the Common Shares occurs on such days, provided that the Common Shares trade on at least fifteen of such trading days and the total value of Common Shares traded during such periods is greater than $1,500,000), the Warrants will be subject to, at the option of the Company, an accelerated expiry date that is 30 days after the date on which the Company provides notice to holders of Warrants of such accelerated expiry date (the "Early Termination Notice"). As the private placement was carried out with a single subscriber, and will result in the creation of a control person, shareholder approval of the transaction is required and the Company will seek this approval at a shareholders meeting to be held on December 27, 2017.

The Company's operating cash requirements including amounts projected to complete the Company's existing capital commitments are continuously monitored and adjusted as variables change. These variables include but are not limited to, oil and natural gas production, commodity prices, and expenditures on capital projects. Management has planned the remaining of 2017 and is reviewing 2018 operations and capital spending based on their best estimates of projected business activity and estimated future cash flows.

TRANSACTIONS WITH RELATED PARTIES

During the nine months ended September 30, 2017, the Company purchased two sections of undeveloped land from a corporation controlled by an officer of the Company for $60,000. The cost of the undeveloped land is comparable to what would have been paid to unrelated parties.

SUMMARY OF QUARTERLY INFORMATION

The following table summarizes quarterly financial information for the previous quarters:

	Quarter ended							
	Sep 30 2017	June 30 2017	Mar 31 2017	Dec 31 2016	Sept 30 2016	Jun 30 2016	Mar 31 2016	Dec 31 2015
Average Daily Production								
Oil and NGLs (bbls/d)	55	49	58	37	-	-	-	-
Natural gas (mcf/d)	1,527	1,383	1,213	1,033	19	37	40	40
Combined (boe/d)	310	280	260	209	3	6	7	7
Total revenue, net of royalties	$ 429,053	$ 606,012	$ 579,562	$ 524,863	$ 4,438	$ 2,743	$ 5,167	$ 8,558
Net income (loss) from continuing operations	$ (942,399)	$ 87,864	$ (399,394)	$ (424,037)	$ (89,375)	$ (62,975)	$ (74,206)	$ (85,243)
Gain (loss) from discontinued operations	-	-	-	293,058	(7,844)	(8,680)	(17,265)	(44,150)
Net income (loss)	$ (942,399)	$ 87,864	$ (399,394)	$ (130,979)	$ (97,219)	$ (71,655)	$ (91,471)	$ (129,393)
Per share - basic and diluted								
Net income (loss) from continuing operations	$ (0.02)	$ -	$ (0.01)	$ (0.02)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)
Gain (loss) from discontinued operations	-	-	-	0.01	-	-	-	-
Net income (loss)	$ (0.02)	$ -	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)

On October 21, 2016 the Company acquired producing oil and gas assets primarily in the Peace River Arch area of northwest Alberta which accounts for the increase in both production and revenue compared to prior quarters. Production and revenue increased during the first quarter 2017 primarily due to having a full quarter of production compared to the fourth quarter 2016 which only included production from October 21, 2016 from the Peace River Arch assets. The increase in the loss from continuing operations in the fourth quarter 2016 and first quarter 2017 is primarily a result of increased general and administrative and depletion and depreciation due to the previous mentioned acquisition. The Company recorded net income of $87,864 primarily from a $400,000 gain from the purchase of oil and natural gas assets and facilities in Rycroft. During the three months ended September 30, 2017 the Company generated a loss from continuing operations primarily due to a combination of a drop in natural gas prices as well as an increase in operating costs. The gain from discontinued operations in the fourth quarter 2016 is a result of a reversal of previously accrued liabilities.

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

There are no updates to future changes in accounting standards for the three and nine months ended September 30, 2017. Further information on future changes in accounting standards can be found in the notes to the annual consolidated financial statements and annual MD&A for the year ended December 31, 2016.

BUSINESS RISKS AND UNCERTAINTIES

The Company, like all oil and gas corporations, operates in environments subject to inherent risks. These risks have not materially changed from December 31, 2016. Further information on business risks and uncertainties can be found in the annual MD&A for the year ended December 31, 2016.

Forward looking statements

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

With respect to forward-looking statements listed above and contained in the MD&A, the Company has made assumptions regarding, among other things: the legislative and regulatory environment; commodity prices; estimated recoverable reserves; costs related to development of oil and gas properties will remain consistent with historical experience; and the Company's ability to close a non-brokered private placement.

The Company's actual results could differ materially from those anticipated in these forward looking-statements as a result of the risk factors set forth below and elsewhere in this MD&A; changes in oil and natural gas prices; geological, technical, drilling and processing problems; liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations; reservoir performance; labour, equipment and material costs; access to capital markets; interest; and economic conditions.

Additional information related to the Company can be found on SEDAR at www.sedar.com.