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 six months ended June 30, 2019 (the "Financial Statements") and the audited annual consolidated financial statements, including the notes related thereto and MD&A for the year ended December 31, 2018. This MD&A has been prepared as of August 27, 2019.

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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 in the Western Canadian Sedimentary Basin. The Company is focused on its Rycroft core property in the Peace River Arch area of 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.

Operations Update

The Board of Directors of the Company believes that the current trading price of its common shares does not adequately reflect the underlying value of the Company and its assets, in particular its Upper Charlie Lake light oil development project at Rycroft, Alberta. The Board has appointed an independent committee (the "Special Committee") to undertake a broad review of potential alternatives to enhance shareholder value. Such strategic alternatives may include, but are not limited to, a sale or merger of the Company or other form of business combination; a sale or joint venture involving all or a portion of the assets; a recapitalization of the Company or other form of strategic investment; or the purchase of assets.

RESULTS OF OPERATIONS

Petroleum and Natural Gas Production

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Production volumes				
Crude oil (bbls)	2,204	2,829	4,927	6,021
Natural gas liquids (bbls)	1,165	1,670	2,654	3,412
Natural gas (mcf)	109,149	109,017	204,579	217,565
Oil equivalent (boe @ 6:1)	21,561	22,669	41,678	45,694
Average production per day				
Crude oil (bbls)	24	31	27	33
Natural gas liquids (bbls)	13	18	15	19
Natural gas (mcf/d)	1,199	1,198	1,130	1,202
BOE/d	237	249	230	252

For the three months ended June 30, 2019, petroleum and natural gas production averaged 237 boe/d, a decrease of 5% over the comparative quarter. During the six months ended June 30, 2019, petroleum and natural gas production averaged 230 boe/d a 10% decrease over the comparative period. The decreases are primarily a result of a sale of noncore production and certain wells being shut in at the Company's Gordondale property due to low natural gas prices.

Oil and Natural Gas Revenue

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
REVENUE				
Crude oil	$ 148,851	$ 212,824	$ 318,368	$ 426,152
Natural gas liquids	65,602	121,789	150,201	226,886
Natural gas	81,764	107,014	328,645	315,799
Total petroleum and natural gas sales	$ 296,217	$ 441,627	$ 797,214	$ 968,837
Average Sales Price				
Crude oil ($/bbls)	$ 67.54	$ 75.23	$ 64.62	$ 70.78
Natural gas liquids ($/bbl)	56.31	72.93	56.59	66.50
Natural gas ($/mcf)	0.75	0.98	1.61	1.45
Oil equivalent ($/boe)	$ 13.74	$ 19.48	$ 19.13	$ 21.20

During the three months ended June 30, 2019 oil and natural gas revenue decreased 33% over the three months ended June 30, 2018. This decrease is primarily the result of a 5% decrease in production volumes and a decrease in realized commodity prices of 29% compared to the three months ended June 30, 2018. During the six months ended June 30, 2019 oil and natural gas revenue decreased 18% from the comparative period as a result of a 10% decrease in production volumes and 10% decrease in commodity prices realized.

Royalties

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Royalties				
Crude oil	$ 3,915	$ 8,925	$ 3,915	$ 14,513
Natural gas liquids	41,124	13,687	41,124	52,286
Natural gas	(73,105)	(181,350)	(72,014)	(167,328)
Total royalties	$ (28,066)	$ (158,738)	$ (26,975)	$ (100,529)
Average Royalty Rate (% of sales)				
Crude oil	2.63%	4.19%	1.23%	3.41%
Natural gas liquids	62.69%	11.24%	27.38%	23.05%
Natural gas	(89.41%)	(169.46%)	(21.91%)	(52.99%)
Total	(9.47%)	(35.94%)	(3.38%)	(10.38%)

During the three months ended June 30, 2019 and six months ended June 30, 2019 the Company recovered royalties of ($28,066) and ($26,975), respectively. Under the Gas Cost Allowance ("GCA"), a company producing natural gas from Crown lands in Alberta is allowed to deduct certain gas gathering and processing costs in calculating royalties. During the period from January 1, 2018 – December 31, 2018 the Company underestimated its gas gathering and processing costs which resulted in a lower GCA and therefore a higher royalty. During the three months ended June 30, 2019 the Company submitted its actual gas gathering and processing costs which resulted in the Company receiving a recovery for the prior year royalties paid.

A similar situation occurred for the three and six months ended June 30, 2018 which resulted in recoveries of ($158,738) and ($100,529), respectively. During the period from January 1, 2017 – December 31, 2017 the Company underestimated its gas gathering and processing costs which resulted in a lower GCA and therefore a higher royalty. During the three months ended June 30, 2018 the Company submitted its actual gas gathering and processing costs which resulted in the Company receiving a recovery for prior years royalties paid.

Operating Costs

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Operating costs	$ 516,759	$ 522,570	$ 915,645	$ 1,008,585
$ per boe	$ 23.97	$ 23.05	$ 21.97	$ 22.07

For the three months ended June 30, 2019 operating costs decreased by 1% compared to the three months ended June 30, 2018. For the six months ended June 30, 2019 operating costs decreased by 9% compared to the comparative 2018 period. These decreases are a result of lower variable costs due to lower production and a lowering of contract operating fees.

On a per boe basis, operating costs increased slightly to $23.97 per boe for the three months ended June 30, 2019 compared to $23.05 per boe for the three months ended June 30, 2018, an increase of 4% per boe largely due to more fixed costs being spread over a lower production base. Conversely, operating costs per boe decreased by $0.10 for the six months ended June 30, 2019 compared to the six months ended June 30, 2018.

Operating Netback

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Netback ($/boe)				
Revenue	$ 13.74	$ 19.48	$ 19.13	$ 21.20
Royalties	1.30	7.00	0.65	2.20
Operating	(23.97)	(23.05)	(21.97)	(22.07)
Operating Netback	$ (8.93)	$ 3.43	$ (2.19)	$ 1.33

During the three and six months ended June 30, 2019 the Company had operating netback losses of ($8.93) and ($2.19) respectively. The operating netback loss is primarily a result of lower prices received for the Company's petroleum and natural gas.

Processing and other revenue

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Processing and other	$ 32,950	$ 17,185	$ 62,164	$ 60,238

Processing and other revenue is primarily made up of gas processing and transportation fees from third party gas. This revenue is dependent on how much third party gas is processed at the Company's Rycroft gas plant and varies from quarter to quarter.

General and administrative

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
General and administrative	$ 344,374	$ 359,614	$ 625,420	$ 780,519

General and administrative costs for three months ended June 30, 2019 decreased 4% over the three months ended June 30, 2019. General and administrative costs for six months ended June 30, 2019 decreased 20% over the six months ended June 30, 2019 primarily due to lower professional fees.

Depletion and depreciation

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Depletion and depreciation	$ 260,423	$ 240,711	$ 529,241	$ 522,252
$ per boe	$ 12.08	$ 10.62	$ 12.70	$ 11.43

Depletion and depreciation was higher for the three and six months ended June 30, 2019 compared to the comparative periods primarily due to a higher depletable base, primarily from an increase in future development costs, than the comparative periods.

Share-based compensation

Share-based compensation costs for the three and six months ended June 30, 2019 amounted to $28,175 and $56,350, respectively. Share-based compensation costs for the three and six months ended June 30, 2018 amounted to $80,967 and $167,808, respectively. The decrease in share-based compensation costs is attributable to a lower number of share options being amortized over the vesting period. Share-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.

Capital Expenditures

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Capital expenditures				
Exploration and evaluation	$ -	$ 25,234	$ -	$ 62,022
Property plant and equipment	500	847,053	3,963	2,727,098
Total expenditures	$ 500	$ 872,287	$ 3,963	$ 2,789,120

During the three and six months ended June 30, 2019, the Company had limited capital expenditures compared to $0.9 million and $2.8 million spent during the three and six months ended June 30, 2018 related to the drilling and completion of two development wells at Rycroft.

Share capital

During the three and six months ended June 30, 2019, there were no changes to the Company's share capital.

A total of 110,551,648 common shares, 66,666,666 warrants, and 7,100,000 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 June 30, 2019, the Company had working capital of $400,000. The Company has not committed to any future capital expenditures other than $35,000 in decommissioning liabilities.

The Company's operating cash requirements 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 2019 operations based on its best estimates of projected business activity and estimated future cash flows.

The Company will need to carry out some form of sale of assets, financing, merger, farmout or other transaction to ensure the Company has the capital resources necessary to carry out its planned activities. This creates material uncertainty which casts significant doubt upon the Company's ability to continue as a going concern.

If the going concern basis of accounting is no longer appropriate, adjustments may be necessary to the carrying amounts and classification of the Company's assets and liabilities. The consolidated financial statements do not include any adjustments that might result if the Company is unable to continue as a going concern, and such adjustments could be material.

SUMMARY OF QUARTERLY INFORMATION

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

	Quarter ended							
	June 30 2019	Mar 31 2019	Dec 31 2018	Sept 30 2018	June 30 2018	Mar 31 2018	Dec 31 2017	Sep 30 2017
Average Daily Production								
Oil and NGLs (bbls/d)	37	47	41	56	49	54	57	55
Natural gas (mcf/d)	1,199	1,060	1,129	1,208	1,198	1,206	1,432	1,527
Combined (boe/d)	237	224	229	257	249	256	296	310
Total revenue, net of royalties	$ 357,233	$ 529,120	$ 345,151	$ 559,073	$ 617,550	$ 512,054	$ 451,784	$ 429,053
Net loss	$ (820,297)	$ (427,366)	$ (1,496,741)	$ (237,375)	$ (623,582)	$ (798,398)	$ (995,041)	$ (942,399)
Per share - basic and diluted								
Net income (loss)	$ (0.01)	$ -	$ (0.01)	$ -	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.02)

The decline in production from the fourth quarter 2017 through the second quarter 2019 is primarily due to the following: the Company shutting in certain wells as they are uneconomic in the current price environment; the sale of certain non-core assets; and natural production declines. During the quarters ended September 30, 2017 through to March 31, 2019 the Company generated losses primarily due to the sustained low natural gas price. In the quarter ended December 31, 2018, the Company recorded a $595,000 impairment on certain of its non-core properties.

CRITICAL ACCOUNTING ESTIMATES

There have been no changes to the Company's critical accounting policies and estimates as of the period ended in the financial statements.

BUSINESS RISKS AND UNCERTAINTIES

The Company, like all oil and gas corporations, operates in environments subject to inherent risks. Many such uncertainties are beyond the ability of the Company to control – particularly those associated with exploring for, and developing, economic quantities of hydrocarbons; volatile commodity prices; foreign exchange rates; issues related to global supply and demand; governmental regulations; and environmental matters.

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; and costs related to development of oil and gas properties will remain consistent with historical experience.

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; ability to carry out some form of sale of assets, financing, merger, farmout or other transaction; 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.