

**CANADA ENERGY PARTNERS INC.**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**FOR THE PERIOD ENDED JANUARY 31, 2018**

*This Management’s Discussion and Analysis (“MD&A”), prepared as of March 26, 2018, should be read in conjunction with the unaudited condensed consolidated interim financial statement for the period ended January 31, 2018 and with the audited consolidated financial statements of Canada Energy Partners Inc. (the “Company”) for the years ended April 30, 2017 and related notes thereto, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). This MD&A contains “forward-looking statements” that are subject to risk factors set out in a cautionary note contained herein. All figures are stated in Canadian dollars unless otherwise indicated.*

*Additional information related to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company’s website at [www.canadaenergypartners.com](http://www.canadaenergypartners.com).*

**COMPANY OVERVIEW**

Canada Energy Partners Inc. is an independent natural gas exploration and development company focused primarily on unconventional resource opportunities in northeast British Columbia. The Company was formed on May 18, 2006, and became a publicly listed entity under symbol “CE” on the TSX Venture Exchange on November 22, 2006. The Company was formed for the purpose of exploring for, acquiring and developing coalbed methane (“CBM”) reserves in the Peace River area of northeast British Columbia. The Company does not generate sufficient cash flow from operations to adequately fund its future activities and historically has relied upon issuance of securities to fund its exploration, development and administrative expenditures. The Company could also generate cash flow from operations or compensation from its water disposal well. The Company will require additional capital to fund its future acquisition, exploration and research activities, as well as administrative requirements, and there is material uncertainty about whether the Company will be able to obtain the required additional capital. These conditions raise significant doubt regarding the Company’s ability to continue as a going concern.

The following table summarizes the gross acreage of the Company’s drilling licenses and leases in northeast British Columbia:

	<b>Shallow (above the base Nikanassin)</b>	
	<b>(acres)</b>	
	<b>Gross</b>	<b>Net</b>
<b>Peace River</b>	640	640
<b>Total</b>	<b>640</b>	<b>640</b>
<b>In Sections (640 acres per section)</b>	<b>1.0</b>	<b>1.0</b>

During the period ended January 31, 2018 and up to the date of this report, there were no exploration or development activities on the Company’s lands.

**OUTLOOK**

**Jet Cavitation Tool**

The Company has announced a strategic initiative to build, test and deploy its cavitation tool technology in mineral exploration. The Company has filed for patent coverage of its technology.

The Company has been researching and designing a cavitation tool that can excavate cavities in subsurface coal seams for the dual purpose of producing commercial quantities of coal, via a wellbore, while also stimulating the production of natural gas from coal seams. This technology has not been tested in the field, but is predicated on component parts that are routinely used in the industry.

The Company believes this technology can also be applied to the extraction of other precious minerals such as coal, diamonds, potash, soda ash, phosphate, uranium, thorium, rare earth elements, gilsonite, via either vertical or horizontal wellbores, and has the inherent advantage of being able to access minerals that due to size and/or depth are beyond the economic reach of conventional mining techniques. In addition, the Company believes its technology can stimulate the production of coalbed methane and heavy oil in certain scenarios and can possibly be used to enhance water well

**CANADA ENERGY PARTNERS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE PERIOD ENDED JANUARY 31, 2018**

production. The technology has the potential to assist in the development of geothermal energy. Due to the flexible application of this technology to other resources with stronger pricing than natural gas, the Company intends to pursue business opportunities with companies that own proven mineral deposits.

To date, the Company has completed the construction of its first jet cavity tool and has surface tested it. During testing, the JetCav tool effectively granulated 5 out of 6 kimberlite targets from a Canadian diamond mine. The kimberlite targets are one of the hardest minerals prospective to the JetCav tool. The Company now plans on testing the tool on an actual mineral deposit, such as a coalbed methane property.

### **Water Disposal**

The Company entered into a disposal contract with a major operator ("Disposer") in northeast British Columbia to dispose of produced water with the Company's water disposal well at Peace River. The agreement was for a one year term where the Disposer was responsible for delivery of the water to the Company's disposal facility. Disposal was on a "best efforts" basis with no penalty for failure to dispose.

The Company initiated disposal operations in early January 2017. Prior to receipt of the General Order set forth below, the Company projected that this commercial arrangement would generate net revenues in 2017 of \$700,000 to \$1,900,000 depending on the disposal volumes, operating costs and well performance. The Company also owns the rights to drill additional water wells under 48 sections within the area and would consider drilling additional water wells if the Company determines that the water disposal demand in the area is favourable.

On March 16, 2017, the Company received a General Order from the British Columbia Oil & Gas Commission ("BCOGC") ordering a suspension of all disposal activities at the Company's water disposal well in northeast British Columbia. The Order remains in effect until amended or terminated in whole or in part by the BCOGC and is pending a review of additional technical information. The Company immediately ceased disposing and secured the well.

The reasons given to the Company for the order was that there were concerns over enhanced seismicity activity alleged to be related to water disposal. The BCOGC gave no evidence of increased seismicity related to the Company's disposal well but referenced increased seismicity in other areas of British Columbia. The General Order states that the Company has met the conditions stipulated in its disposal permit.

The Company made its final submission required under the appeal procedures to the Oil & Gas Appeal Tribunal of British Columbia (the "Tribunal") and received a decision on August 21, 2017, to dismiss the Company's appeal. At this time, the BCOGC is still deliberating whether to cancel the Company's water disposal well permit or conversely, withdraw the suspension order.

On December 6, 2017, the Company announced that it has received a decision from the BCOGC that will allow resumption of water disposal if certain conditions are met. The additional conditions are: (1) daily disposal volumes are limited to 200 cubic meters per day; (2) installation of seismic detection and accelerometer equipment with regular reporting of gathered data; and (3) a requirement to cease disposal if BC Hydro's safety factor at the Peace Canyon Dam falls below an acceptable level. The Company believes that it can meet these conditions and will proceed to re-establish water disposal operations as soon as practicable.

**CANADA ENERGY PARTNERS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE PERIOD ENDED JANUARY 31, 2018**

**Reserves**

The Company's decision to abandon the Peace River CBM Project resulted in the write-down of 100% of its reserves and resources in prior periods. Due to the uncertainty of the water disposal operations the Company has also written this down to \$Nil in the year ended April 30, 2017.

**SELECTED SUMMARY FINANCIAL INFORMATION**

The following table provides a brief summary of the Company's financial operations for the period ended January 31, 2018 and years ended April 30, 2017 and 2016. The information is derived from the Company's consolidated financial statements, which have been prepared in accordance with IFRS. For more detailed information, refer to the related financial statements.

	<b>January 31, 2018</b>	April 30, 2017	April 30, 2016
	\$	\$	\$
Total assets	<b>310,190</b>	696,440	4,056,176
Oil and gas interests	-	-	1,546,350
Total current liabilities	<b>(581,309)</b>	(553,329)	(1,508,703)
Total long-term liabilities <sup>(1)</sup>	<b>232,599</b>	(229,932)	(230,068)
Revenues	-	481,590	-
Net loss and comprehensive loss	<b>(416,897)</b>	(2,405,267)	(14,700,232)
Basic and diluted loss per share	<b>(0.00)</b>	(0.03)	(0.16)
Cash dividends	-	-	-

<sup>(1)</sup> Current and long-term liabilities include a decommissioning liability.

**SUMMARY OF FINANCIAL RESULTS**

**Three months ended January 31, 2018 compared to the three months ended January 31, 2017**

During the three months ended January 31, 2018, the Company incurred a loss of \$132,795 (January 31, 2017: \$230,777). Significant expenses were incurred in the following categories:

- Of the administrative and management fees of \$75,825 (January 31, 2017: \$78,614), \$15,000 (January 31, 2017: \$15,000) related to the operation of the Company's Vancouver head office and \$60,825 (January 31, 2017: \$63,614) related to the Baton Rouge operational office. The reduction in administrative and management fees are a result of lower costs associated with the operation of the Company's Baton Rouge operational office. See additional discussion in *Related Party Disclosure*.
- During the three month period ended January 31, 2018, the Company incurred \$18,431 (January 31, 2017: \$Nil) in well maintenance relating to the Company's water disposal well.

**CANADA ENERGY PARTNERS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE PERIOD ENDED JANUARY 31, 2018**

**Nine months ended January 31, 2018 compared to the nine months ended January 31, 2017**

During the nine months ended January 31, 2018, the Company incurred a loss of \$416,897 (January 31, 2017: \$508,979). Significant expenses were incurred in the following categories:

- Of the administrative and management fees of \$229,266 (January 31, 2017: \$237,320), \$45,000 (January 31, 2017: \$45,000) related to the operation of the Company's Vancouver head office and \$184,266 (January 31, 2017: \$192,320) related to the Baton Rouge operational office. The reduction in administrative and management fees are a result of lower costs associated with the operation of the Company's Baton Rouge operational office. See additional discussion in *Related Party Disclosure*.
- General exploration of \$26,106 (January 31, 2017: \$37,050) was lower during the nine month period ended January 31, 2018 compared to the same period in 2017 as a result of lower level of exploration activities.

**SUMMARY OF SELECTED QUARTERLY RESULTS**

The following is a summary of the Company's selected financial results for the eight most recently completed quarters. The information is derived from the Company's consolidated financial statements, which have been prepared in accordance with IFRS.

	Fiscal 2018			Fiscal 2017				Fiscal 2016
	Q3 \$	Q2 \$	Q1 \$	Q4 \$	Q3 \$	Q2 \$	Q1 \$	Q4 \$
Total assets	<b>310,190</b>	387,989	497,275	694,440	2,681,124	3,054,142	3,758,329	4,056,176
Revenue	-	-	-	319,350	162,240	-	-	-
Net loss	<b>(132,795)</b>	(134,289)	(149,813)	(1,896,288)	(230,770)	(99,833)	(178,376)	(14,333,527)
Net loss per common share basic and diluted	<b>(0.00)</b>	(0.00)	(0.00)	(0.03)	(0.00)	(0.00)	(0.00)	(0.16)

<sup>(1)</sup> The Company paid no dividends during the above periods.

Total assets fluctuated over the past eight quarters. Fluctuations in total assets in Q4-2016 were due to impairment of the Company's shallow rights in the Peace River Project. Fluctuations in total assets from Q3-2017 to Q4-2017 were the result of impairment of the Company's water disposal well.

Net loss fluctuated over the past eight quarters due to the effects of impairment loss and movement of deferred income tax expenses or recovery recognized in each of the periods. In Q4-2016, the Company recognized an impairment on its oil and gas interest of \$12,216,791 and an impairment of \$1,957,455 on its asset held for sale. In Q4-2017, the Company recognized revenue of \$319,350 from its water disposal well operations and incurred well operating expenses of \$258,755. In Q4-2017, the Company recorded an impairment of \$1,773,266 against its water disposal well in connection with the shut-down imposed by the BCOGC.

**CANADA ENERGY PARTNERS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE PERIOD ENDED JANUARY 31, 2018**

**LIQUIDITY AND CAPITAL RESOURCES**

As at January 31, 2018, the Company had cash of \$21,692 (April 30, 2017: \$272,261) and accounts receivable and prepaid and deposits of \$13,148 (April 30, 2017: \$8,655). As at January 31, 2018, the Company had working capital deficiency of \$496,469 (April 30, 2017: \$82,239). As at the date of this MD&A, the Company has a working capital deficiency of approximately \$513,000.

The Company funded its operations during the period ended January 31, 2018 from existing working capital via operations. The Company is dependent on the equity markets to fund the majority of its future development and exploration activities and general and administrative costs. The Company does not know of any trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, its liquidity either materially increasing or decreasing in the short term.

The Company continues to pursue a number of options to increase its financial capacity which includes raising equity financing, debt agreements, abandoning properties that have excess cash deposits with the BC Oil & Gas Commission and getting the release of funds held on deposit, and the commercialization of its cavitation tool.

**OPERATING CASH FLOW**

Net cash used in operating activities during the period ended January 31, 2018 was \$390,743 compared to net cash used by operating activities of \$1,617,268 during the period ended January 31, 2017.

**INVESTING ACTIVITIES**

During the period ended January 31, 2018, the Company received \$140,174 from investing activities as a result of redeeming its reclamation deposit. During the period ended January 31, 2017, the Company spent \$202,427 on the improvement of the water disposal well and received \$42,027 in proceeds from the sale of assets.

**FINANCING ACTIVITIES**

The Company had no financing activities during the periods ended January 31, 2018 and 2017.

**OUTSTANDING SHARE DATA**

As at the date of this MD&A, the Company had 90,394,534 common shares and 2,057,500 stock options outstanding.

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

**RELATED PARTY TRANSACTIONS**

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

**CANADA ENERGY PARTNERS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE PERIOD ENDED JANUARY 31, 2018**

**Key Management and Personnel Compensation**

During the period ended January 31, 2018, administrative and management fees of \$184,266 (January 31, 2017: \$192,320) were charged by Petra CBM, a company controlled by Ben Jones, the Chief Executive Officer of the Company, in connection with the Company's Baton Rouge, Louisiana office. As at January 31, 2018, accounts payable and accrued liabilities included \$287,437 (April 30, 2017: \$210,880) payable to the related entity. The Company began to accrue interest on the balance owed to this party effective April 3, 2016 at a rate of 3% per annum. As at January 31, 2018, the balance owed to this party includes an accrued interest amount of \$19,839 (April 30, 2017: \$8,085).

During the period ended January 31, 2018, administrative and management fees of \$45,000 were charged by J. Proust and Associates Inc., a company controlled by John Proust, the Chairman of the Company, in connection with the Company's Vancouver head office (January 31, 2017: \$45,000). At January 31, 2018, accounts payable and accrued liabilities included \$85,325 (April 30, 2017: \$76,316) payable to the related entity. The Company began to accrue interest on the balance owed to this party effective April 3, 2016 at a rate of 3% per annum. As at January 31, 2018, the balance owed to this party includes an accrued interest amount of \$5,580 (April 30, 2017: \$2,424).

	Three months ended		Nine months ended	
	January 31, 2018	January 31, 2017	January 31, 2018	January 31, 2017
Administrative and management services	\$75,825	\$78,614	\$229,266	\$237,320
Share-based compensation	-	-	-	481
	\$75,825	\$78,614	\$229,266	\$237,801

**Loans**

On September 1, 2015, the Company received loans totaling \$29,714 from three directors (Winston Purifoy-\$10,000, Jonathan Bahnuik-\$10,000, Ben Jones-\$9,714), of which one is an officer (Ben Jones) of the Company. These loans bear an interest rate of 10% and are payable within 30 days upon demand. As at January 31, 2018, total interest expense of \$7,196 was accrued on this loan.

On September 3, 2015, the Company received a \$10,000 loan from an officer and director of the Company (John Proust). This loan bears an interest rate of 10% and is payable within 30 days upon demand. As at January 31, 2018, total interest expense of \$2,414 was accrued on this loan.

On September 18, 2015, the Company received a \$10,000 loan from a director of the Company (Kyle Burnett). This loan bears an interest rate of 10% and is payable within 30 days upon demand. As at January 31, 2018, total interest expense of \$2,373 was accrued on this loan.

**Other related parties transactions**

During the period ended January 31, 2018, rent of \$9,849 (January 31, 2017: \$9,734) was charged by a company controlled by the CEO of the Company for rent for the office in Baton Rouge.

During the period ended January 31, 2018, the Company recorded interest expense of \$18,368 (January 31, 2017: \$11,035) on loans and balances owed to the directors of the Company.

**CANADA ENERGY PARTNERS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE PERIOD ENDED JANUARY 31, 2018**

**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**Fair Value**

The fair value of the Company's financial instruments is approximated by their carrying value as at January 31, 2018 due to their short term-nature. The fair value of the Company's financial instruments may be less than the carrying value due to liquidity risk.

**Fair Value Hierarchy**

IFRS requires disclosure about fair market value measurements for financial instruments, and measurement of fair value using a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three-level hierarchy is as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

**Credit Risk**

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to credit risk consist primarily of cash and accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

The Company reduces its credit risk by maintaining its bank accounts at large financial institutions.

**Liquidity Risk**

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal year. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. See also Note 1.

As at January 31, 2018, the Company had a cash balance of \$21,692 (April 30, 2017 - \$272,261) to settle current financial liabilities of \$581,309 (April 30, 2017 - \$490,789).

**Market Risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company is exposed only to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risk on the Company's cash is minimal.

**Foreign Exchange Risk**

The Company incurs operating expenses and capital expenditures mostly in Canadian dollars. The Company's exposure to assets and liabilities denominated in foreign currencies is minimal. Accordingly, the Company does not have a significant exposure to losses arising from fluctuations in exchange rates.

**Other Risk and Uncertainties**

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The Company manages risks to minimize potential losses. The main objective of the Company's risk management process is to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. Additional risks to which the Company is exposed are described below.

**CANADA ENERGY PARTNERS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE PERIOD ENDED JANUARY 31, 2018**

The Company's operations and results are subject to a number of different risks at any given time. These factors include, but are not limited to, disclosure regarding exploration, additional financing, project delay, titles to properties, price fluctuations and share price volatility, operating hazards, insurable risks and limitations of insurance, management, regulatory requirements, and environmental regulations. Exploration for gas and CBM resources involves a high degree of risk. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess.

***Substantial capital requirements***

The Company anticipates that it will make substantial capital expenditures in the future for the research and development relating to the jet cavity tool. The Company may have limited ability to expend the capital necessary to undertake or complete research-related costs. There can be no assurance that debt or equity financing, or cash generated by operations, will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. Moreover, future activities may require the Company to significantly alter its capitalization. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition, results of operations or prospects.

***Environmental risks***

All phases of the gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and provincial and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability, and potentially increased capital expenditures and operating costs. The discharge of gas, water or other pollutants into the air, soil or water may give rise to liabilities to local or foreign governments and third parties and may require the Company to incur costs to remedy such discharge. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities, or otherwise adversely affect the Company's financial condition, results of operations or prospects.

***Water disposal***

Water disposal is a critical component of shale gas and coalbed methane development. The Company's lands are in close proximity to the large Montney Shale Gas development. The Company believes that its water disposal well at Peace River holds potential value by providing water disposal capacity to local active Montney developers, as does its contractual right to drill water disposal wells on another 48 sections.

There is regulatory permitting risk to every water disposal project as some scientists have attempted to tie water disposal to increased seismicity. In addition, the Company's water disposal well is 1.75 miles from a hydro-electric dam.

***Reliance on operators and key employees***

The Company is not the operator on all of its prospects and may not be the operator of certain gas properties in which it acquires an interest. To the extent the Company is not the operator of its gas properties; the Company will be dependent on such operators for the timing of activities related to such properties and will largely be unable to direct or control the activities of the operators. The operator may incur liability for liens related to its subcontractors. If subcontractors fail to timely pay for materials and services, the assets of the operator could be subject to materialmen's and workmen's liens. In that event, the operator could incur excess costs in discharging such liens.

**CANADA ENERGY PARTNERS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE PERIOD ENDED JANUARY 31, 2018**

In addition, the success of the Company will be largely dependent upon the performance of its management and key employees. The Company does not have any key man insurance policies, and therefore there is a risk that the death or departure of any member of management or any key employee could have a material adverse effect on the Company.

***Research and development***

The Company may be exposed to risks of varying degrees relating to its ability to achieve its research and development products. These factors include but are not limited to manufacturing and production delays in research and development, price fluctuations for the Company's source materials, operating hazards and overall history in the research and development space.

***Conflicts of interest***

Certain of the directors and officers of the Company are also directors and officers of other oil and gas companies involved in natural resource exploration and development, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies. Such conflicts must be disclosed in accordance with, and are subject to such other procedures and remedies as apply, under the *Business Corporations Act*.

***Permits, licenses and government regulations***

Government permits and approvals for drilling operations must be obtained for the Company's oil and gas interests. Regulatory authorities exercise considerable discretion in the timing and scope of permit issuance. Requirements imposed by these authorities may be costly and time consuming and may result in delays in the commencement or continuation of exploration or production operations. For example, as the operator of a project the Company will often be required to prepare and present to federal, provincial or local authorities data pertaining to the effect or impact that proposed exploration for or production of gas may have on the environment. Further, the public may comment on and otherwise engage in the permitting process, including through intervention in the courts. Accordingly, the permits that are needed may not be issued, or if issued, may not be issued in a timely fashion, or may involve requirements that restrict the ability to conduct the operations on the project or to do so profitably.

Oil and gas exploration is subject to significant regulation. Changes in these regulations may have a material adverse impact on the Company's operations.

***Title matters***

Although title reviews on the Company's property interests will be done or have been done to the satisfaction of management of the Company, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the interests of the Company. Such defects in title could result in a reduction of the possible revenue to be received by the Company. In addition, the Company's properties that are held in the form of licenses, leases and/or working interests in licenses and leases may be adversely affected if the holder of the license or lease fails to meet the specific requirements of a license or lease. There can be no assurance that any of the obligations required to maintain such licenses or leases will be met. The termination or expiration of such licenses, leases or working interests in licenses or leases may have a significant material adverse effect on the Company's results of operations and business.

***Aboriginal land claims***

Many lands in British Columbia are or could become subject to aboriginal land claims to title, which could adversely affect the Company's title to its properties. While the Company actively consults with all groups that may be adversely affected by the Company's activities, including aboriginal groups, there can be no assurance that satisfactory agreements can be reached.

**CANADA ENERGY PARTNERS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE PERIOD ENDED JANUARY 31, 2018**

*Additional funding requirements*

The Company is still dependant on the equity markets as its major source of operating working capital. From time to time, the Company may require additional financing in order to carry out its acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss certain acquisition opportunities, and reduce or terminate its operations. There can be no assurance that additional debt or equity financing will be available to meet these requirements, or available on favorable terms.

*Issuance of debt*

From time to time, the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase the Company's debt levels above industry standards. The Company's Articles do not limit the amount of indebtedness that the Company may incur. The level of the Company's indebtedness from time to time could impair the Company's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

*Availability of drilling equipment and access restrictions*

The Company's activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Company and may delay exploration and development activities.

**CRITICAL JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Critical Judgments**

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- Management is required to assess the Company's oil and gas interests for indicators of impairment at each reporting date. In making the assessment, management is required to make judgments regarding the recoverable amount of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

Management has determined impairment indicators were present in respect of its oil and gas interests, and as a result an impairment test was performed. Refer to Note 5.

- Considerable judgment is required to identify the point in the progress of a research and development project at which a new or improved product or process is determined to be technologically feasible, marketable, or useful and therefore determining when research and development costs should be capitalized.

Management has determined that the Company is still in the early stages of research and no costs should, at this time, be capitalized.

**CANADA ENERGY PARTNERS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE PERIOD ENDED JANUARY 31, 2018**

**Estimation Uncertainty**

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

- The assessment of any impairment of oil and gas properties is dependent upon the recoverable amount that takes into account factors such as reserves, economic and market conditions, and the useful lives of assets.
- The Company has recognized a provision for a decommissioning liability associated with its oil and gas interests. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to restore property to its original condition and the expected timing of those costs. The carrying amount of the liability at January 31, 2018 is \$232,599 (April 30, 2017: \$254,932). This amount decreased due to the Company's estimate of decommissioning costs.
- The calculation of income taxes requires judgment in applying tax laws and regulations, estimating the timing of the reversal of temporary differences, and estimating the realizability of deferred income tax assets. These estimates impact current and deferred income tax assets and liabilities, and current and deferred income tax expense (recovery).

**NEW ACCOUNTING STANDARDS AND RECENT PRONOUNCEMENTS**

The following is an overview of accounting standard change that the Company will be required to adopt in future years. The Company continues to evaluate the impact of these standards on its financial statements.

- IFRS 9 - Financial Instruments. This IFRS introduces new requirements for classifying and measuring financial assets and liabilities and carries over from the requirements of IAS 39 - Financial Instruments: Recognition and measurement, derecognition of financial assets and financial liabilities. The required adoption date for IFRS 9 is January 1, 2018.
- IFRS 15 - Revenue from Contracts with Customers. This IFRS establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.
- IFRS 16 – Leases. This IFRS, which supersedes IAS 17 – Leases, specifies how to recognize, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15, has also been applied.

**INVESTOR RELATIONS ACTIVITIES**

Mr. John Proust, a Director of the Company, coordinates investor relations activities.

**CANADA ENERGY PARTNERS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE PERIOD ENDED JANUARY 31, 2018**

**ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE**

Additional information on the Company is available through regular filings of press releases and financial statements on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.canadaenergypartners.com](http://www.canadaenergypartners.com).

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of the British Columbia Securities Act. 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. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "anticipates", "plans", "budget", "scheduled", "continue", "estimates", "forecasts", "expect", "is expected", "project", "propose", "potential", "targeting", "intends", "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur" or "be achieved" or the negative connotation thereof. 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 readers, 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. In particular, this MD&A contains forward-looking statements, pertaining to the following: capital expenditure programs, development of resources, treatment under governmental and taxation regimes, expectations regarding the Company's ability to raise capital, expenditures to be made by the Company and its joint venture partners on its properties and work plans to be conducted. With respect to forward-looking statements listed above and contained in the MD&A, the Company has made assumptions regarding, among other things:

- uncertainties relating to receiving well permits in British Columbia;
- the impact of increasing competition in the shale gas business;
- unpredictable changes to the market prices for natural gas;
- exploration and developments costs for its properties;
- availability of additional financing or joint-venture partners;
- anticipated results of exploration and development activities; and
- the Company's ability to obtain additional financing on satisfactory terms.

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: volatility in the market price for natural gas; uncertainties associated with estimating resources; geological, technical, drilling and processing problems; liabilities and risks, including environmental liabilities and risks, inherent in natural gas extraction operations; unanticipated reclamation expenses; fluctuations in currencies and interest rates; incorrect assessments of the value of acquisitions; unanticipated results of exploration activities; competition for, amongst other things, capital, undeveloped lands and skilled personnel; title disputes or claims; limitations on insurance coverage; lack of availability of additional financing and/or joint venture partners and unpredictable weather conditions. Although the Company has attempted to identify important factors that could cause results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Readers are cautioned that the foregoing lists of factors are not exhaustive. Forward-looking statements are made as of the date hereof and the Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.