CANADA ENERGY PARTNERS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED OCTOBER 31, 2015

This Management's Discussion and Analysis ("MD&A"), prepared as of December 17, 2015, should be read in conjunction with the unaudited condensed consolidated interim financial statements for the period ended October 31, 2015 and the audited consolidated financial statements of Canada Energy Partners Inc. (the "Company") for the year ended April 30, 2015, 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 and on the Company's website at www.canadaenergypartners.com.

COMPANY OVERVIEW

Canada Energy Partners Inc. is an independent natural gas exploration and development company primarily focused 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 will require additional capital to fund its future acquisition, exploration and development activities, as well as administrative requirements, but 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.

On July 31, 2014, the Company completed the sale of its Montney Shales lands to Crew Energy Inc. ("Crew") for $15,720,000 and received net proceeds of $12,492,995 after adjustments, including a $2,161,810 reclamation deposit paid directly by Crew on behalf of the Company to the BC Oil and Gas Commission ("BCOGC") and repayments to Crew of a short-term loan and other liabilities. During the year ended April 30, 2015, as a reduction of the capital of the common shares, the Company distributed to its shareholders, on a pro rata basis, an aggregate of $12,022,473 million of net proceeds from the sale of the Company's Montney rights.

The Company has three project areas: Peace River, Monias and Moberly. The following table summarizes the gross acreage of the Company's drilling licenses and leases in northeast British Columbia:

	Shallow (above the base Nikanassin) (acres)	
	Gross	**Net**
Peace River	35,811	35,811
Moberly	2,609	1,957
Monias	6,521	5,705
Total	**44,941**	**43,473**
In Sections (640 acres per section)	**70.2**	**67.9**

During the six-month period ended October 31, 2015 and up to the date of this report, there was no exploration or development activity on the Company's lands.

OUTLOOK

The Company has announced a new strategic initiative whereby it will attempt to use its internally developed cavitation tool as a means of extracting diamonds, potash, and coal and increasing the economics of CBM projects. The Company has filed for patent coverage of its technology.

For three years, 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 expects to test its cavitation completion technology in the Peace River CBM Project when gas prices recover, subject to obtaining sufficient capital to support the testing.

In the interim, the Company believes this technology can also be applied to the extraction of other precious minerals such as diamonds and potash, 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. 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.

As a cost-cutting measure the Company has decided to reduce over the next 12 months its core CBM land holdings at Peace River to approximately 25% of the current land position, with the retained acreage centered under the greatest net coal thicknesses. The Company estimates that the retained lands hold 38% of the total CBM potential of the Company. The Company believes that its control of the 'sweet spot' of the area's CBM potential, coupled with ownership of the only mid-stream infrastructure currently in the area, will enable it to reacquire former lands if and when market conditions justify development. The Company believes the gas plant also has potential utility for future Montney development in the area.

The Company's decision is predicated on prolonged and persistently low natural gas prices and the expectation that these conditions may continue for the medium term. North American natural gas supply has remained stubbornly high in spite of dramatic cutbacks in natural gas directed drilling. Development of proposed liquified natural gas ("LNG") projects on the West Coast of North America continues to be delayed. Reduced exports to the US and import competition from the Marcellus Shale to eastern Canada continue to suppress Western Canadian gas prices. The Company will continue to attempt to monetize its water disposal assets and some portions of its gas plant equipment, although current market conditions have adversely affected these efforts.

PROJECTS OVERVIEW

Peace River CBM Project

In 2008, the Peace River CBM Project development program included the drilling and completion of five new production wells, the connection of three existing wells, construction and installation of gas treating and compression facilities, and a pipeline and connection to the Spectra transcontinental pipeline. The gas plant/compressor station, pipeline connection, and gathering system were completed in December 2008, and production and gas sales began in January 2009.

In April 2010, the eight producing CBM wells were shut-in. The decision to shut the wells in was based upon continued monthly operating losses due to low gas prices and a longer than expected dewatering time to obtain gas production rates necessary to generate positive cash flow. The Company continues to believe that the Peace River CBM Project has commercial potential and has maintained the Peace River CBM Project. The shut-in CBM wells can be restarted in the future upon improvement in the gas prices and/or the application of enhanced internally developed completion technologies. The Company is the operator at the Peace River CBM Project.

The Company continues to investigate an innovative drilling and completion technology (see *Outlook*) that may lead to improved flow rates and reduced costs.

Monias Project

On December 17, 2007, the Company announced a joint venture with West Energy Ltd. ("West") with respect to the deep rights underlying the Company's Monias Project. Pursuant to the terms of the joint venture, West agreed to drill and case one well and conduct a three-dimensional seismic project over the majority of the Monias Project lands in order to earn a 60% interest in four sections of the Monias Project. Daylight Energy Ltd. subsequently acquired West in Q2-2010 and, in turn, was subsequently acquired by Sinopec International Petroleum Exploration and Production Corporation ("Sinopec") in December 2011. In June 2012, Aduro Resources Inc. ("Aduro") acquired Sinopec's interest in the Monias Project. In addition to the lands held in common by the Company and Aduro, the Company owns 100% of three additional sections, 70% in two sections, and 35% of another section in the Monias Project area. The Company sold the deep rights under its Monias Project lands as part of the previously referenced sale, but retained water disposal rights in those sections.

Reserves

The Company's Statement of Reserves Data and Other Oil and Gas Information is filed on SEDAR at www.sedar.com.

SELECTED SUMMARY FINANCIAL INFORMATION

The following table provides a brief summary of the Company's financial operations for the period ended October 31, 2015, and the years ended April 30, 2015 and 2014. The information has been prepared in accordance with IFRS. For more detailed information, refer to the related financial statements.

	October 31, 2015	April 30, 2015	April 30, 2014
	$	$	$
Total assets	**19,089,301**	19,250,558	43,207,054
Oil and gas interests	**16,869,773**	17,005,603	27,105,072
Total current liabilities	**(382,403)**	(88,264)	(1,245,165)
Total long-term liabilities [1]	**(2,044,120)**	(2,156,707)	(1,761,462)
Net loss and comprehensive loss	**(351,707)**	(11,344,445)	(28,248,223)
Basic and diluted loss per share	**(0.00)**	(0.13)	(0.32)
Cash dividends	**-**	-	-

(1) Long-term liabilities include a decommissioning liability and a deferred income tax liability.

SUMMARY OF FINANCIAL RESULTS

Six months ended October 31, 2015 compared to the six months ended October 31, 2014

During the six months ended October 31, 2015, the Company incurred a loss of $351,707 (October 31, 2014: $360,565). Significant expenses were incurred in the following categories:

- Of the administrative and management fees of $207,338 (October 31, 2014: $193,690), $66,000 (October 31, 2014: $66,000) related to the operation of the Company's Vancouver head office and $141,338 (October 31, 2014: $127,690) related to the Baton Rouge operational office. See additional discussion in *Related Party Disclosure*.
- Share-based compensation of $8,898 (October 31, 2014: $34,223) was incurred during the six months ended October 31, 2015. These expenses were the result of the vesting of previously granted stock options.
- General exploration of $55,736 (October 31, 2014: $2,592) was higher during the period ended October 31, 2015 relative to the same period in 2014 because the Company spent $51,776 of lease and rental costs related to the Peace River Project that were incurred during the period and not capitalized.

Three months ended October 31, 2015 compared to the three months ended October 31, 2014

During the three months ended October 31, 2015, the Company incurred a loss of $192,045 (October 31, 2014: $163,908). Significant expenses were incurred in the following categories:

- Of the administrative and management fees of $105,226 (October 31, 2014: $97,929), $33,000 (October 31, 2014: $33,000) related to the operation of the Company's Vancouver head office and $72,226 (October 31, 2014: $64,929) related to the Baton Rouge operational office. See additional discussion in *Related Party Disclosure*.
- Share-based compensation of $2,710 (October 31, 2014: $14,621) was incurred during the three months ended October 31, 2015. These expenses were the result of the vesting of previously granted stock options.
- General exploration of $34,791 (October 31, 2014: 2,592) was higher during the period ended October 31, 2015 relative to the same period in 2014 because the Company spent $30,831 of lease and rental costs related to the Peace River Project that were incurred during the period and not capitalized.

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 has been prepared in accordance with IFRS.

	Fiscal 2016		**Fiscal 2015**				**Fiscal 2014**	
	Q2 $	**Q1 $**	**Q4 $**	**Q3 $**	**Q2 $**	**Q1 $**	**Q4 $**	**Q3 $**
Total assets	**19,089,301**	19,250,558	19,250,588	30,177,566	29,827,705	42,235,981	43,207,054	76,457,128
Net loss	**(192,045)**	(159,662)	(10,808,818)	(175,062)	(163,908)	(196,657)	(27,437,524)	(186,413)
Net loss per common share basic and diluted	**(0.00)**	(0.00)	(0.12)	(0.00)	(0.00)	(0.00)	(0.31)	(0.00)

(1) The Company had no revenue and paid no dividends during the above periods.

Total assets fluctuated only slightly over the past eight quarters except for Q4-2014 and Q2-2015. Fluctuations in total assets in Q4-2014 related to the impairments of oil and gas interests and changes in working capital. Fluctuations in Q2-2015 related to a distribution to the Company's shareholders of an aggregate of $12,022,473 of net proceeds from the sale of the Company's Montney rights.

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 Q2-2014 the Company recognized a deferred income tax expense of $216,319. In Q3-2014 the Company recognized a deferred income tax recovery of $49,486. In Q4-2015 the Company wrote down its oil and gas interest by $10,609,590. In Q4-2014 the Company wrote down its oil and gas interest by $34,443,642 and at the same time recognized a deferred income tax recovery of $7,199,536.

General and administrative expenses have been generally consistent over the past eight quarters.

LIQUIDITY AND CAPITAL RESOURCES

As at October 31, 2015, the Company had cash of $27,183 (April 30, 2015: $52,008) and accounts receivable and prepaid and deposits of $30,535 (April 30, 2015: $31,137). As at October 31, 2015, the Company had a working capital deficiency of $324,685. Subsequent to the period ended October 31, 2015, the Company sold equipment related to its oil and gas interests for gross proceeds of $150,500. As at the date of this MD&A, the Company has working capital deficiency of approximately $173,000.

The Company funded its operations during the period ended October 31, 2015 from existing working capital. 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, including the sale of a portion of its oil and gas interests, raising equity financing, debt agreements, and the commercialization of its cavitation tool.

OPERATING CASH FLOW

Net cash used in operating activities during the period ended October 31, 2015 was $74,539 compared to net cash provided from operating activities of $1,129,019 during the period ended October 31, 2014.

INVESTING ACTIVITIES

The Company spent $Nil during the period ended October 31, 2015 on oil and gas interests, compared to $57,549 during the period ended October 31, 2014.

During the period ended October 31, 2014, the Company received net proceeds of $12,411,245 from the sale of of its deep rights after adjustments, including a $2,161,810 million reclamation deposit paid to the BCOGC and repayments of a short-term loan and other liabilities to Crew.

FINANCING ACTIVITIES

During the period ended October 31, 2015, the Company received $49,714 in loans from directors and officers (October 31, 2014: $Nil). In 2014, the Company received $113,875 as a result of the issuance of shares. On August 20, 2014, the company completed a distribution of $12,022,473 as a reduction of capital of the common shares on a pro rata basis to the shareholders of the Company. In 2014, the Company repaid a $500,000 short-term loan to a third party.

OUTSTANDING SHARE DATA

As at the date of this MD&A, the Company had 90,394,534 common shares and 2,120,000 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.

Key Management and Personnel Compensation

During the period ended October 31, 2015, administrative and management fees of $141,338 (October 31, 2014: $127,690) were charged by a company controlled by the Chief Executive Officer in connection with the Company's Baton Rouge, Louisiana office. At October 31, 2015, accounts payable and accrued liabilities included $200,117 (April 30, 2015: $36,652) due to the related entity.

During the period ended October 31, 2015, administrative and management fees of $66,000 were charged to a company controlled by the Chairman in connection with the Company's Vancouver head office (October 31, 2014: $66,000). At October 31, 2015, accounts payable and accrued liabilities included $75,075 (April 30, 2015: $5,775) due to the related entity.

	Three months ended October 31, 2015	Three months ended October 31, 2014	Six months ended October 31, 2015	Six months ended October 31, 2014
Administrative and management services	$ 105,226	$ 97,928	$ 207,338	$ 193,690
Share-based compensation	1,488	14,621	6,024	34,223
	$ 106,714	$ 112,549	$ 213,362	$ 227,913

Loans

On September 1, 2015, the Company received three loans totaling $29,714 from three directors of which one is an officer of the Company (Winston Purifoy, Jonathan Bahnuik and Ben Jones). These loans bear an interest rate of 10% and is payable within 30 days upon demand. Interest expense of $496 was accrued for the period ended October 31, 2015.

On September 3, 2015, the Company received a $10,000 loan from John Proust, a director of the Company. This loan bears an interest rate of 10% and is payable within 30 days upon demand. Interest expense of $159 was accrued for the period ended October 31, 2015.

On September 18, 2015, the Company received a $10,000 loan from Choctow Capital LLC, a company controlled by Kyle Burnett, who is a director of the Company. This loan bears an interest rate of 10% and is payable within 30 days upon demand. Interest expense of $118 was accrued for the period ended October 31, 2015.

Other Related Parties Transactions

During the period ended October 31, 2015, rent of $10,247 (October 31, 2014: $13,123) was charged by a company controlled by the CEO of the Company for rent for the Company's office in Baton Rouge.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value

The fair value of the Company's financial instruments is approximated by their carrying value as at October 31, 2015 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. Receivables are amounts receivable from the Canadian federal government for the refundable HST/GST amounts. The credit risk on these amounts is minimal.

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. Refer to Note1 of the audited consolidated financial statements of the Company.

As at October 31, 2015, the Company had a cash balance of $27,183 (April 30, 2015: $52,008) to settle current liabilities of $381,630 (April 30, 2015: $88,264).

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.

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 for the acquisition, exploration and development of CBM and other reserves in the future and for BCOGC bonding requirements. If the Company's reserves decline, the Company may have limited ability to expend the capital necessary to undertake or complete future drilling programs. 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

The coal beds from which CBM gas is produced frequently contain water that may hamper the Company's ability to produce gas in commercial quantities or affect the Company's profitability.

Unlike conventional natural gas production, coal beds frequently contain water that must be removed in order for the gas to desorb from the coal and flow to the well bore. The Company's ability to remove and dispose of sufficient quantities of water from the coal seam will determine whether or not the Company can produce gas in commercial quantities. The cost of water disposal may affect the Company's profitability.

Where water produced from the project fails to meet the quality requirements of applicable regulatory agencies, or wells produce water in excess of the applicable volumetric permit limit, the Company may have to shut-in wells, reduce drilling activities, or upgrade facilities. The costs to dispose of this produced water may increase if any of the following occur:

- the Company cannot obtain future permits from applicable regulatory agencies;
- water of lesser quality is produced;
- wells produce excess water; or
- new laws and regulations require water to be disposed of in a different manner.

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.

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.

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, which can be a costly and time consuming process and result in restrictions on operations.

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 the 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.

Additional funding requirements

Since the Peace River Project is at an early stage and is currently not in production due to low gas prices, 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. As the Company's revenues have ceased as a result of lower gas prices, this will affect the Company's ability to expend the necessary capital to replace its reserves or to maintain its production. 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

CBM exploration and development 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 Peace River Project, and as a result an impairment test was performed on April 30, 2015.

- 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 in determining when research and development costs should be capitalized.

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 October 31, 2015 is $2,044,120 (April 30, 2015: $2,156,707).

- 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 final version of IFRS 9, *Financial Instruments,* was issued by the IASB in July 2014 and will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model, and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018; however, the standard is available for early adoption. In addition, the credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

INVESTOR RELATIONS ACTIVITIES

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

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 and on the Company's website at 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.