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KAISEN
Energy Corp.

Management Discussion & Analysis

Three month period ended March 31, 2015

(unaudited)

March 31, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management discussion and analysis ("MD&A") is dated June 22, 2015, and should be read in conjunction with the accompanying unaudited condensed interim financial statements and related notes for the three month period ended March 31, 2015 (the "Quarter") and the audited annual financial statements as at and for the year ended December 31, 2014 of Kaisen Energy Corp. ("Kaisen" or the "Company"). Both statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The reporting and the measurement currency is the Canadian dollar.

DESCRIPTION OF THE BUSINESS

Kaisen is a Calgary based energy company primarily focused on heavy oil development and production in Saskatchewan and was incorporated in Alberta Canada on November 6, 2012. The Company's principal place of business is located at 312, 522 - 11th Avenue S.W. Calgary, Alberta, Canada, T2R 0C8. Kaisen operates with a total of 5 employees and 7 contract employees of which 4 reside within Kaisen's area of operations near Lloydminster, Saskatchewan.

ECONOMIC ENVIRONMENT

From late November 2014 through to April 2015, Kaisen has seen a material decrease in its realized commodity prices, spurred by a significant drop in the West Texas Intermediate (WTI) crude oil benchmark. The decrease is due to a current supply-demand imbalance, with North American crude oil levels in storage surpassing historical highs. As a response to the challenging economic environment, Kaisen stopped all drilling activities in December 2014 and dedicated all generated cash flows towards maintaining continued balance sheet strength. In the last few months however, heavy oil commodity prices have recovered by approximately 38% from price lows realized in the early spring and now with a modest WTI price recovery, the narrowing heavy oil price discount to WTI, and the increased stability in the markets, Kaisen plans to recommence drilling with a conservative program scheduled to commence in late July 2015.

Results of Operations

	Three months ended March 31, *(unaudited)*	
	2015	**2014**
Petroleum and natural gas sales	**$4,165,694**	$5,782,300
Realized hedging gains/(losses)	**$301,390**	($403,764)
Funds flow from operations(1)	**$565,538**	$727,675
Per share – basic & diluted(1)	**$0.04**	$0.06
Net loss	**$606,951**	$1,853,544
Per share – basic & diluted	**$0.04**	$0.16
Expenditures on oil & gas properties	**$700,109**	$2,460,367
Net bank debt (including net working capital)	**$3,516,419**	$2,626,046
Common shares		
Outstanding – basic	**15,420,029**	11,895,122
Outstanding – diluted	**18,649,028**	14,719,113
Weighted average – basic & diluted	**15,420,029**	11,895,122
Sales Volumes(3)		
Crude Oil (bbls per day)	**1,382**	911
Natural gas & NGL (bbls per day)	**-**	31
Barrels of oil equivalent (boe per day) (2)	**1,382**	942
Operating Netbacks ($/boe)		
Sales price	**$33.48**	$68.37
Royalties	**($6.60)**	($16.42)
Saskatchewan surcharge tax	**($1.84)**	-
Operating expenses	**($16.32)**	($24.73)
Transportation expenses	**($2.26)**	($2.19)
Netbacks (before hedging)	**$6.46**	$25.03
Realized gain/(loss) on risk management contracts	**$2.42**	($4.70)
Netbacks (after hedging)	**$8.88**	$20.33

(1) The reader is referred to the section - "Non-IFRS Measurements".

(2) The reader is referred to the section - "Oil, Natural Gas Liquids and Natural Gas Conversions to Boe's".

FUNDS FLOW FROM OPERATIONS

For the Quarter, the Company recorded funds flow from operations of $565,538 ($0.04 per diluted share), 22% lower than the $727,675 ($0.06 per diluted share) recorded in the same period of the prior year. The decrease in funds flow compared to the same quarter in 2014 is a direct result of the 74% decline in the Company's operating netback (excluding hedging) partially offset by a 52% increase in production over the same period. Lower operating netbacks were largely a result of the 50% decline in realized oil prices during the Quarter and furthered by the inclusion of the Saskatchewan surcharge tax which did not affect the first quarter of 2014. On the positive side, the Company realized lower royalties and a 34% reduction in operating costs. A current quarter realized hedging gain of $301,390 (realized loss of $403,764 Q1/14) added $2.42/bbl of funds flow generating an operating netback (including hedging) of $8.88 compared to $20.33 for the same quarter in 2014.

NET LOSS AND COMPREHENSIVE LOSS

The Company recorded a net loss for the Quarter of $606,951 ($0.04 per diluted share) compared to a loss of $1,853,544 ($0.16 per diluted share) in the same quarter of 2014. Routine non-cash charges for the Quarter relating to depletion and depreciation of $1,435,830 ($1,018,293 Q1/14), share based compensation of $169,656 ($154,530 Q1/14) and an unrealized gain from hedging contracts of $401,977 (loss of $1,687,515 Q1/14) significantly impact net earnings/(loss) in each period. The changes in net loss are due to several factors discussed in greater detail below.

OIL AND GAS PRODUCTION AND PRICING

	Three months ended March 31,	
	2015	2014
Sales volumes		
Crude oil *(bbls per day)*	**1,382**	911
Natural gas liquids ("NGL") *(bbls/d)*	**-**	7
Natural gas *(Mcf per day)*	**-**	144
Total average daily production *(boe/d)*	**1,382**	942
Liquids as a percentage of total	**100%**	97%
Production by area (boe per day)		
Lone Rock, Saskatchewan	**556**	421
Edam, Saskatchewan	**826**	486
Other	**-**	35
Total average daily production	**1,382**	942

In accordance with Canadian industry practice, production volumes, reserve volumes and revenues are reported on a Company interest basis (working interest plus royalty interest), before deduction of Crown and other royalties, unless otherwise indicated. The Company's results of operations are dependent on production volumes of heavy crude oil, natural gas and natural gas liquids and the prices received for this production. Prices for these commodities have shown significant volatility during recent years and are determined by supply and demand factors, including weather, general economic conditions and changes in the Canadian/United States ("US") currency exchange rate.

In this MD&A, production and reserves information may be presented on a "barrel of oil equivalent" or "boe" basis with six thousand cubic feet ("mcf") of natural gas being equivalent to one barrel ("bbl") of crude oil or natural gas liquids. Boe's may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Kaisen's production for the Quarter averaged 1,382 boe per day (942 boe per day for the same quarter in 2014). 100% of the Quarter's production was heavy oil compared to 97% in the prior year, reflecting the sale of the Company's non-core gas-weighted production in October 2014. Lone Rock production grew by 32% averaging 556 boe per day as compared to 421 boe per day for the same quarter in 2014 while Edam production grew by 70% averaging 826 boe per day as compared to 486 boe per day for the same quarter in 2014. Growth in production over the same quarter in 2014 is a result of the Company's 13 new drills and 7 well reactivations in the second half of 2014, net of the sale of the Company's non-operated Alberta properties in October 2014.

Kaisen's production has declined 19% over the prior quarter due in part to the cancellation of the Company's first quarter drilling program in response to the dramatic change in global oil prices which began in November 2014. Furthermore, the Company proactively shut-in approximately 60 bbl/d of uneconomic production to better manage positive cashflows during the extreme price lows realized in January 2015. As prices continue to improve and stabilize, the Company will re-visit shut-in volumes to determine the point at which it is once again economic to reactive this production.

Petroleum and natural gas sales	Three months ended March 31, 2015	2014
Heavy oil	**$4,165,694**	$5,656,853
Light oil	-	$28,634
Natural gas liquids	-	$29,850
Natural gas	-	$66,963
Total	**$4,165,694**	$5,782,300
Average Realized Prices		
Heavy oil ($/bbl)	**$33.48**	$66.34
Light oil ($/bbl)	-	$84.17
Natural gas liquids ($/bbl)	-	$65.77
Natural gas ($/mcf)	-	$4.43
Combined average realized price ($/boe)	**$33.48**	$68.37
Average Benchmark Prices		
WTI oil (US$bbl)	**$48.65**	$98.68
WCS heavy oil (US$bbl)	**$33.66**	$75.55
US/CDN exchange rate	**$0.813**	$0.9060
WCS differential (US$/bbl)	**($14.99)**	($23.13)
WCS differential %	**31%**	23%
WCS heavy oil (CDN$bbl)	**$41.40**	$83.39

Realized Pricing

Commodity prices weakened considerably in the first quarter of 2015 compared to both the first and fourth quarters of 2014. US denominated WTI decreased by 51% to $48.65 per barrel offset by a narrowing of the WCS differential from $23.12 per barrel to $14.99 per barrel. These two movements combined with the 12% weakening of the Canadian dollar exchange rate resulted in an overall decrease in Kaisen's realized commodity price of 50% to $33.48 per boe. Looking beyond the first quarter, the forward outlook on commodity prices has improved. At the time of writing, the second half of 2015 WTI is forecasted to be approximately Cdn$75.00 per bbl, the WCS differential is forecasted to be approximately Cdn$15.00 per bbl (currently trading near Cdn$10.00 per bbl), and Kaisen's heavy oil realized price is anticipated to be approximately $50.00 per bbl. Despite this promising outlook, considerable risks exist on heavy oil pricing including supply of US shale oil, supply policy decisions from OPEC, and general demand for oil. Kaisen remains cautiously optimistic on a gradual commodity price recovery.

Risk management contracts

The Company may from time to time enter into crude oil and natural gas financial contracts to manage the volatility of commodity prices. Kaisen's current policy is to hedge no more than 50% of budgeted net volumes using a combination of fixed swaps, swaptions and price collars, under contract terms not exceeding 24 months with only investment grade counterparties. As at March 31, 2015 the Company had the following fixed price contracts:

Type	Period	Volume	Price/unit (1)	Index
Fixed – sell (Swap)	February – December 2015	350 bbl/d	CAD$76.40	WTI
Fixed – sell (Swaption)(2)	January – December 2016	700 bbl/d	CAD$80.00	WTI

1. *Based on the weighted average price/bbl for the duration of the contract*
2. *Counterparty holds an option to exercise the contract by the expiry deadline of 4pm (MST) on December 31, 2015*

The following is a summary of realized and unrealized losses for the three months ended March 31, 2015 and 2014:

	Three months ended March 31, 2015	2014
Realized gain/(loss)	**$301,390**	($403,764)
$ per boe	**$2.42**	($4.70)
Unrealized gain/(loss)	**$401,977**	($1,687,515)
Total gain/(loss) on risk management	**$703,367**	($2,091,279)

CROWN AND FREEHOLD ROYALTIES	Three months ended March 31,	
	2015	**2014**
Crown	**$510,510**	$1,268,481
Freehold	**$311,585**	$122,044
Total Royalties	**$822,095**	$1,390,525
$ per boe	**$6.60**	**$16.42**
% of revenue	**20%**	24%

Approximately 75% of Kaisen lands are held under Crown leases with the remaining held under freehold leases. Crown royalty rates range from ~7% to 30% depending upon the vintage of wells, commodity type, volume of daily production and market prices. Kaisen is currently forecasting a royalty rate of approximately 20%-23% blended for both Crown and freehold rates in the currently forecasted 2015 price environment.

OPERATING EXPENSES	Three months ended March 31,	
	2015	**2014**
	$2,029,767	$2,094,467
$ per boe	**$16.32**	$24.73
% of revenue	**49%**	36%

Operating Costs, excluding crude oil transportation costs, are driven by both fixed and variable costs. Kaisen's primary fixed cost drivers include contract operator wages, property taxes, freehold mineral rentals, and surface rentals, while primary variable cost drivers include emulsion treating, produced waste water and sand trucking and disposal, utilities, heating fuel and routine maintenance. Primary non-routine expenses include minor and major workovers.

For the Quarter, operating costs averaged $16.32 per barrel, a 34% decline over the same quarter in 2014. The decline in operating costs per barrel reflects the success of the Company's water handling facilities and cost reduction initiatives during the summer of 2014 and also reflects the lower heating fuel costs in contrast to the price spike which occurred in the first quarter of 2014. Short of unforeseen material fluctuations in input costs such as heating fuels, and unscheduled well repairs and workovers, the Company forecasts 2015 operating costs to continue in the range of $17.00-$21.00 per barrel.

TRANSPORTATION EXPENSES	Three months ended March 31,	
	2015	**2014**
	$281,386	$185,375
$ per boe	**$2.26**	$2.19
% of revenue	**7%**	3%

Transportation expense relates specifically to the cost of trucking produced emulsion to the sales point where it is then cleaned and blended for market. Costs related to water and sand transportation are included within operating costs. 100% of the Company's crude oil production is trucked to sales facilities near Lloydminster and Edam Saskatchewan. Bottlenecking of trucks at sales facilities and seasonal delays may impact the cost of transportation in any given period however the Company's transportation expenses has consistently trended in the range of $1.95 to $2.30 per boe since inception.

OPERATING NETBACKS	Three months ended March 31,	
	2015	**2014**
($ per boe)		
Sales price	**$33.48**	$68.37
Royalties	**($6.60)**	($16.42)
Saskatchewan surcharge tax	**($1.84)**	-
Operating expenses	**($16.32)**	($24.73)
Transportation expenses	**($2.26)**	($2.19)
Netbacks *(before hedging)*	**$6.46**	$25.03
Realized gain/(loss) on risk management contracts	**$2.42**	($4.70)
Netbacks *(after hedging)*	**$8.88**	$20.33

The Company realized an average netback for the Quarter of $8.88 per barrel (after hedging), 56% lower than the $20.33 per barrel recorded in the same period in 2014. The significant decline in netbacks is due to the precipitous fall in oil prices during the first half of 2015 which saw a decline in prices of 50%. Netbacks have been further impacted by the inclusion of the Saskatchewan Resource Surcharge tax beginning in the fourth quarter of 2014 when Kaisen's paid-up capital amount exceeded the minimum allocwable limit. On a positive note, operating costs were 34% lower driven by enhanced operating efficiencies from the Company's Edam facility projects during the summer of 2014 coupled with ongoing cost reduction initiatives through the first quarter of 2015.

GENERAL AND ADMINISTRATIVE ("G&A") AND OTHER NON-CASH EXPENSES	Three months ended March 31,	
	2015	**2014**
Salaries and benefits	**$388,740**	$629,651
Other G&A expenses	**$286,385**	$274,969
Gross G&A expenses	**$675,125**	$1,018,669
Capitalized G&A expenses	**($67,497)**	($67,497)
Net G&A expenses	**$607,628**	$951,172
$ per boe	**$4.88**	$11.23

G&A expenses are primarily fixed costs in nature and therefore fluctuate on a per boe basis with the rate of production. Kaisen capitalizes to property, plant and equipment, a percentage of technical staff salaries and share based compensation expense for engineering and geological work at a rate that is commensurate with the extent of work required to execute on the Company's capital program. G&A expenses for the Quarter are in line with expectations, averaging $4.88 per boe as compared to $11.23 per boe for the same period in 2014 where additional employee bonus and director remuneration were captured. The Company is currently forecasting full year 2015 G&A expense to average between $5.00 and $6.00 per boe.

FINANCE CHARGES	Three months ended March 31,	
	2015	**2014**
Interest expense	**$35,094**	$29,322
Accretion expense	**$36,526**	$36,384
Finance charges	**$71,620**	$65,706

Interest expense relates to interest charges and related service fees on the Company's banking facility. Slightly higher interest expense during the Quarter as compared to the same period in the prior year is a direct reflection of the higher average debt levels sustained over the Quarter.

Accretion expense relates to the Company's asset retirement obligation for the future abandonment and reclamation of our lands and well sites. The estimated future asset retirement obligation is discounted at a risk free rate in accordance with the Company's accounting policies and recorded as a liability on the Statement of Financial Position. The liability is increased monthly to account for the passage of time with the monthly increase recorded as accretion expense. Material changes in the accretion expense is typically driven by new well additions in each period, being a combination the Company's drilling program and acquisitions and/or divestitures.

SHARE-BASED COMPENSATION	Three months ended March 31,	
	2015	**2014**
Share-based compensation	**$169,656**	$154,530

On September 5, 2014, the Company granted 470,000 stock options to employees, directors and consultants at an exercise price of $2.25 per share. The granting of options occurred concurrently with the closing of the Company's $7.9 million equity offering of 3,508,107 common shares at $2.25 per share on the same day. The higher share based compensation expense for the Quarter compared to the same period in the prior year is due to this grant.

DEPLETION AND DEPRECIATION	Three months ended March 31,	
	2015	**2014**
Depletion	**$1,432,701**	$1,000,955
Depreciation	**$3,129**	$17,338
Depletion and depreciation	**$1,435,830**	$1,018,293
$ per boe	**$11.54**	$12.02

Depletion expense is a product of depletable assets multiplied by total production divided by estimated proved and probable oil and natural gas reserves at the beginning of each period. Included within depletable assets is an estimate of future development costs ($84.5 million) less the total salvage value of the assets ($1.6 million).

TAXES

During the Quarter, Kaisen realized a $103,885 current tax recovery compared to nil current taxes in the same quarter of 2014. The current period tax recovery is due to taxable losses incurred on account of the lower price environment while for the same period in 2014 Kaisen utilized existing tax deductions to fully eliminate taxable income. The current quarter's tax recovery has reduced the Company's September 31, 2015 (corporate tax year end) estimated current tax liability to approximately $290,000 from the estimated $400,000 at December 31, 2014 driven by taxable income from higher prices and production in the fourth quarter of 2014.

LIQUIDITY AND CAPITAL RESOURCES

The Company's borrowing facility from ATB Bank is $11,100,000 comprised of a $9,100,000 revolving operating facility and a $2,000,000 bridge facility. The bridge facility was previously due and payable in full on May 31, 2015 concurrent with the next borrowing base review scheduled for the same date, however ATB has extended the facility repayment deadline and concurrent annual borrowing base review to July 31, 2015. Prime-based loans are available through the operating facility at prime plus 1.25% per annum.

At March 31, 2015, the Company had total debt of $3,375,000 ($2,277,581 at December 31, 2014) and total net debt (including net working capital) of $3,516,419 ($3,381,845 at December 31, 2014) representing 31% of the available borrowing capacity on the facility. As at March 31, 2015, the Company was compliant with its financial covenant with the lendor.

CAPITAL INVESTMENT	**Three months ended March 31,**	
	2015	2014
Land	**$9,887**	$2,659
Geological and geophysical	**$35,120**	$1,453,250
Drilling and completions	**$146,397**	$340,120
Equipment and facilities	**$441,208**	$752,980
Capitalized G&A	**$67,497**	$67,497
Capitalized stock based compensation	**$17,489**	-
Corporate divestitures	-	($156,138)
Total capital additions	**$717,598**	$2,460,368

In December 2014, Kaisen reacted to the sudden oil price decline by deferring its planned 11 well $7 million drilling program planned for the first quarter of 2015. This decision was made to ensure the continuance of a strong balance sheet moving forward into the unknown global economic shift. Activities carried out during the Quarter included routine well servicing work and the fulfillment of equipment delivery commitments made in late 2014. During the Quarter, 1 shut-in well was reactivated to fulfill the commitment on a lease acquisition made in the prior quarter. A focus was also placed on continued cost reduction and operating efficiency initiatives during the Quarter.

SELECTED QUARTERLY RESULTS AND ANALYSIS

(Cdn$ thousands, expect per share, shares and per boe amounts)	**2015**			**2014**		**2013**
	Q1	Q4	Q3	Q2	Q1	Q4
Petroleum and natural gas sales	**$4,166**	$9,124	$7,593	$5,480	$5,782	$4,806
Realized hedging gains/(losses)	**$301**	$771	($335)	($688)	($404)	-
Funds flow from operations[1]	**$566**	$2,754	$2,510	$747	$728	$1,004
Net earnings (loss)	**($607)**	$403	$1,618	($104)	($1,854)	($68)
Expenditures on oil & gas properties	**$701**	$3,190	$8,487	$1,536	$2,460	$3,679
Corporate and Asset acquisitions	**-**	($679)	-	-	-	-
Net debt	**$3,516**	$3,382	$3,620	$5,282	$4,359	$2,626
Shares outstanding – diluted *(thousands)*	**18,649**	18,649	18,649	14,736	14,719	14,719
Sales Volumes *(boe per day)* [2]	**1,382**	1,699	1,104	773	942	963
Operating Netbacks ($/boe)						
Sales price	$33.48	$58.40	$74.76	$77.86	$68.37	$54.27
Royalties	($6.60)	($14.82)	($19.14)	($18.84)	($16.42)	($13.86)
Saskatchewan surcharge tax	($1.84)	($2.97)	-	-	-	-
Operating expenses	($16.32)	($17.03)	($19.48)	($29.09)	($24.73)	($17.95)
Transportation expenses	($2.26)	($2.28)	($2.09)	($2.62)	($2.19)	($2.02)
Field netbacks (before hedging)	$6.46	$21.30	$34.05	$27.31	$25.03	$20.44
Realized gain/(loss) on risk management contracts	$2.42	$4.94	($3.30)	($9.77)	($4.70)	-
Field netbacks (after hedging)	$8.88	$26.24	$30.75	$17.54	$20.33	$20.44
General & administration expenses	**($4.88)**	($5.32)	($4.88)	($6.73)	($11.23)	($4.99)
Corporate netback	**$4.00**	$20.92	$25.87	$10.81	$9.10	$15.45

(1) The reader is referred to the section - "Non-IFRS Measurements".
(2) The reader is referred to the section - "Oil, Natural Gas Liquids and Natural Gas Conversions to Boe's".

Since commencement of operations in March 2013, Kaisen has executed three distinct drilling programs which have occurred primarily in the second and fourth quarters of 2013 and the third and fourth quarters of 2014. The result of each of these drilling programs has been a subsequent increase in production rates as reflected in the 94% and 120% increase in production rates between the third and fourth quarters of 2013 and the second through fourth quarter of 2014 respectively. The 18% decline in production for the second quarter of 2013 and the 19% decline in the first quarter of 2015 is due to no drilling during the winter months coupled with natural declines and spring break-up related production shut-ins typical of the first quarter.

Funds flow from operations is primarily impacted not only by production rates, but also by fluctuations in commodity prices and overall netbacks as reflected in the 27% decline in funds flow from operations between the third and fourth quarters of 2013 where the 94% increase in production was not sufficient to offset the 30% decline in prices. Funds flow from operations inclined steadily through the first half of 2014 in spite of flat production rates due to strengthening prices during the same period. Funds flow from operations surged upwards 236% between the second and third quarters of 2014 due to a 43% increase in production during the third quarter where a 4% decline in commodity prices was more than offset by a 33% reduction in operating costs driving an overall 75% increase in netbacks over the same period. For the fourth quarter of 2014, funds flow increased by 10% due to a 54% increase in production along with $771,485 of realized gains from the Company's hedging contracts which when combined more than offset a 15% decline in realized field netbacks driven by lower commodity prices and the inclusion of the full year impact of the SK surcharge ($463,977). For the first quarter of 2015, realized prices declined by 50% due to global oil supply/demand imbalances which when coupled with the 19% decline in production produced a decline of nearly 80% in funds flow.

Netback results over the past six quarters clearly demonstrates the intricate inter-play between commodity pricing, operating efficiencies and gains/losses in financial hedges. Operating costs per boe over these past six quarters has been largely impacted by; seasonal impacts associated with cold weather and its higher fuel cost demands (first quarter 2014), spring break-up causing production shut-ins (second quarter 2014 and 2015) and the rate of production and its correlation to the Company's ratio of fixed to variable cost structure which for the second quarter of 2014, burdened the brunt of all three (weather, lower production and hedging losses.) Netbacks for the first quarter of 2015 have been significantly impacted by the precipitous global oil price collapse since November 2014 while operating costs during the same period improved by 5% registering as the lowest operating cost per bbl quarter since the Company's inception.

G&A expenses by its very nature is comprised of a high ratio of fixed to variable costs (i.e. salaries, rent, operating licenses and subscriptions), as such, G&A expenses per boe will fluctuate conversely in close correlation with the rate of production in any given quarter. This is reflected in the quarterly results above with exception to the first quarter of 2014 where G&A expenses included bonuses to employees, directors and consultants for extraordinary contributions made during the first quarter of 2014.

Net earnings (loss) for the past six quarters have been volatile, clearly demonstrating the impact of routine and non-routine non-cash charges, Routine non-cash charges include depletion of the Company's assets, changes in the future tax liability and changes in the unrealized gain (loss) of the Company's financial risk management contracts (hedges) which fluctuates from quarter to quarter based on the pricing environment at each quarter end. Non-routine charges during the periods in review include the $580,883 loss on sale of the Company's non-operated gas weighted Alberta assets during the fourth quarter of 2014.

ADDITIONAL INFORMATION

For additional information regarding the Company and its business and operations, please contact the Company at Kaisen Energy Ltd. 312, 522 – 11th Avenue S.W., Calgary, Alberta, Canada T2R 0C8 or by e-mailing Cameron King, President and CEO (CKing@KaisenEnergy.com) or Jeff Holmgren, Senior Vice President and CFO (JHolmgren@KaisenEnergy.com)

ADVISORIES

Oil, Natural Gas Liquids ("NGL's), and Natural Gas - Conversions to Boe's

The calculation of barrels of oil equivalent ("boe") is based on a conversion ratio of six thousand cubic feet of natural gas to one barrel of oil to estimate relative energy content and does not represent a value equivalency at the wellhead. Boe's may be misleading, particularly if used in isolation.

Non-IFRS measurements

Readers are cautioned that this MD&A contains the term funds flow from operations which should not be considered an alternative to, or more meaningful than, cash provided by operating activities or net earnings as determined in accordance with IFRS as an indicator of Kaisen's performance. The reconciliation between funds flow from operations and cash provided by operating activities is as follows:

	Three months ended March 31,	
	2015	**2014**
Cash flow from (used in) operating activities	**($366,943)**	$302,159
Exclude the change in non-cash working capital	**$932,481**	$425,516
Funds flow from operations	**$565,538**	$727,675

Kaisen also presents funds flow from operations per share, whereby funds flow from operations is divided by the weighted average number of shares outstanding to determine per share amounts. Netbacks are also presented, which represents Kaisen's revenue per boe, less per boe royalties, operating expenses and transportation expenses, in order to determine the amount of funds generated by each boe produced. Kaisen calculates net debt as current liabilities less current assets, excluding the current portion of future tax assets (if applicable).

Forward-looking statements

In the interest of providing Kaisen shareholders and potential investors with information regarding the Company, including management's assessment of Kaisen's future plans and operations, certain statements contained in this MD&A constitute forward-looking statements or information (collectively referred to herein as "forward-looking statements") within the meaning of the "safe harbor" provisions of applicable securities legislation. Forward-looking statements are typically identified by words such as "anticipate", "believe", "expect", "plan", "intend", "forecast", "target", "project" or similar words suggesting future outcomes or statements regarding an outlook.

Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur, which may cause Kaisen's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements.

These risks and uncertainties include, among other things: volatility of and assumptions regarding oil and gas prices; fluctuations in currency and interest rates; product supply and demand; market competition; risks inherent in Kaisen's marketing operations, including credit risks; imprecision of reserve estimates and estimates of recoverable quantities of oil, natural gas and liquids; Kaisen's ability to replace and expand oil and gas reserves; risks associated with technology; its ability to generate sufficient cash from operations to meet its current and future obligations; Kaisen's ability to access external sources of debt and equity capital; the timing and the costs of well and pipeline construction; Kaisen's ability to secure adequate product transportation; changes in environmental and other regulations or the interpretations of such regulations; political and economic conditions; terrorist threats; risks associated with potential future lawsuits and regulatory actions made against Kaisen; Kaisen's ability to utilize all of its tax pools and investment tax credits; other risks and uncertainties described from time to time in the reports and filings made with securities regulatory authorities by Kaisen disclosure intentions with respect to strategic alternative review process and; the outcome of the Company's strategic alternatives process.

Statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves described exist in the quantities predicted or estimated, and can be profitably produced in the future. Although Kaisen believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned that the foregoing list of important factors is not exhaustive. Furthermore, the forward-looking statements contained in this MD&A are made as of the date of this MD&A, and Kaisen does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.