



Management Discussion & Analysis

Three and nine month periods ended September 30, 2015

(unaudited)

September 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management discussion and analysis ("MD&A") is dated December 18, 2015, and should be read in conjunction with the accompanying unaudited condensed interim financial statements and related notes for the three and nine month periods ended September 30, 2015 (the "Quarter" and "Year to Date" respectively) 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 8 contract employees of which 5 reside within Kaisen's area of operations near Lloydminster, Saskatchewan.

STRATEGIC PARTNERSHIP WITH AZIMUTH CAPITAL MANAGEMENT

Subsequent to the Quarter, on November 19, Kaisen successfully closed a strategic private equity partnership with Azimuth Capital Management ("Azimuth", formerly KERN Energy Partners) with an initial common share investment of \$20 million at \$1.25 per share. The past twelve months have dramatically reshaped the energy industry and we believe that this down-cycle will result in significant opportunity for those energy companies that are well funded and strategically aligned with follow-on capital. With our newly formed partnership with Azimuth, Kaisen will be one of the few junior oil producers with the financial resources to strategically develop existing assets and to potentially aggregate complimentary assets at attractive prices. We anticipate that this counter cyclical development strategy will enable Kaisen to be a successful operator in this low commodity price environment.

ECONOMIC ENVIRONMENT

Since the fourth quarter of 2014, 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 OPEC participants flooding the market with crude oil in addition to expanding supplies from North American producers. As a response to the challenging economic environment, Kaisen ceased all drilling activities in the first eight months of 2015 and subsequently drilled 1 new drill in the third quarter to fulfill a land commitment. The total drill and complete costs of this third quarter drill clearly demonstrates the impact the current environment has had on reduced drilling costs which have been driven lower by approximately 25%. With the ability to realize reasonable rates of return in a commodity price environment as low as \$45.00 (US\$ WTI), Kaisen proceeded with the drilling of 1 additional new well in Lone Rock in October with very positive results to date. The Company has no further capital plans for the balance of the year. Our focus continues to be on maintaining balance sheet strength through management of our net debt which at the end of September, totaled \$5.0 million or 45% of our available borrowing facility.

Results of Operations

Financial Highlights (\$,000, except per share amounts)	Three months ended September 30, (unaudited)		Nine months ended September 30, (unaudited)	
	2015	2014	2015	2014
Petroleum and natural gas sales	\$2,730	\$7,593	\$10,895	\$18,855
Realized hedging gains/(losses)	\$505	(\$335)	\$972	(\$1,427)
Funds flow / (loss) from operations	(\$144)	\$2,510	\$1,418	\$3,985
Per share – basic	(\$0.02)	\$0.20	\$0.09	\$0.33
Per share –diluted	(\$0.02)	\$0.16	\$0.07	\$0.27
Net Earnings / (loss)	\$358	\$1,618	(\$1,916)	(\$340)
Per share – basic	\$0.02	\$0.13	(\$0.12)	(\$0.03)
Per share –diluted	\$0.02	\$0.11	(\$0.12)	(\$0.03)
Expenditures on oil & gas properties	\$1,519	\$8,487	\$2,966	\$12,483
Net bank debt (including net working capital)	\$4,930	\$3,620	\$4,930	\$3,620
Share Capital (,000)				
Outstanding – basic	15,420	15,420	15,420	15,420
Outstanding – diluted	18,649	18,649	18,649	18,649
Weighted average – basic	15,420	12,865	15,420	12,233
Weighted average – diluted	15,598	15,391	15,420	14,759
Sales Volumes				
Crude Oil (bbls per day)	828	1,081	1,037	914
Natural gas & NGL (bbls per day)	-	6	-	6
Natural gas (Mcf per day)	-	104	-	118
Barrels of oil equivalent (boe per day)	828	1,104	1,037	940

	Three months ended September 30, (unaudited)		Nine months ended September 30, (unaudited)	
	2015	2014	2015	2014
Operating Netbacks (\$/boe)				
Sales price	\$35.85	\$74.76	\$38.48	\$73.48
Royalties	(\$6.57)	(\$19.14)	(\$7.76)	(\$18.16)
Saskatchewan surcharge tax	(\$1.92)	-	(\$1.59)	-
Operating expenses	(\$24.95)	(\$19.48)	(\$19.64)	(\$23.85)
Transportation expenses	(\$2.89)	(\$2.09)	(\$2.60)	(\$2.27)
Field Netbacks (before hedging)	(\$0.48)	\$34.05	\$6.89	\$29.20
Realized gain/(loss) on risk management contracts	\$6.63	(\$3.30)	\$3.43	(\$5.56)
Field Netbacks (after hedging)	\$6.15	\$30.75	\$10.32	\$23.64

FUNDS FLOW FROM OPERATIONS

For the Quarter, the Company recorded a funds flow loss from operations of \$144,415 (\$0.02 per diluted share) by contrast to positive funds flow of \$2,510,180 (\$0.20 per diluted share) in the same quarter of the prior year. Year to Date funds flow of \$1,417,686 is 64% lower than the prior year. Excluding the impact of realized hedging gains/losses, the funds flow loss for the Quarter was \$649,387 compared to positive funds flow of \$2,845,320 in the prior year. Year to Date funds flow (excluding realized hedging/losses) was \$445,367 compared to \$5,411,481 in the prior year, a decline of 92%. The Company's funds flow declines for the Quarter and Year to Date as compared to the same periods in the prior year demonstrate the full weight of the impact from the significant decline in commodity prices since the end of 2014 which has driven the Company's realized price for its' crude oil production lower by 52% and 47% respectively. The funds flow impact of declining commodity prices was furthered by lower average production rates which for the Quarter which was 25% lower than the prior year due primarily to drilling inactivity and natural production declines.

NET LOSS AND COMPREHENSIVE LOSS

The Company recorded net earnings for the Quarter of \$357,996 (\$0.02 per diluted share) compared to \$1,617,717 (\$0.11 per diluted share) in the same quarter of 2014. For the Year to Date, the Company recorded a net loss of \$1,916,201 (\$0.12 per diluted share) compared to a net loss of \$340,029 (\$0.03 per diluted share) in the prior year. Routine non-cash charges can have a significant impact on net earnings/losses. The most significant non-cash charges for the Quarter and Year to Date relate to depletion and depreciation of the Company's assets amounting to \$907,901 and \$3,314,646 respectively (\$1,262,742 and \$3,168,381 respectively in the prior year), share based compensation expense of \$159,110 and \$500,307 respectively (\$193,409 and \$514,901 respectively in the prior year) and most significantly, unrealized gains from hedging contracts of \$1,795,342 and \$570,312 respectively (by contrast to an unrealized gain of \$1,084,697 for the same quarter in 2014 and a loss of \$282,497 for the prior year to date). These non-cash charges do not reflect cash costs of the Company and can therefore be misleading in measuring the financial health of operations from one period to the next. The changes in net earnings/loss are due to several factors which are discussed in greater detail below.

OIL AND GAS PRODUCTION AND PRICING

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Sales volumes				
Crude oil (bbls per day)	828	1,081	1,037	914
Natural gas liquids ("NGL") (bbls/d)	-	6	-	6
Natural gas (Mcf per day)	-	104	-	118
Total average daily production (boe/d)	828	1,104	1,037	940
Liquids as a percentage of total	100%	98%	100%	98%
Production by area (boe per day)				
Lone Rock, Saskatchewan	291	529	391	416
Edam, Saskatchewan	537	549	646	496
Other	-	26	-	28
Total average daily production	828	1,104	1,037	940

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 828 barrels per day (1,104 boe per day for the same quarter in 2014). 100% of the Quarter's production was heavy oil compared to 98% in the prior year, reflecting the sale of the Company's non-core gas-weighted production in October 2014. Lone Rock average production is lower by 45% averaging 291 barrels per day as compared to 529 barrels per day for the same quarter in 2014 while Edam production is only slightly lower by 2% averaging 537 barrels per day as compared to 549 barrels per day for the same quarter in 2014. For the Year to Date, production has averaged 1,037 barrels per day, a 10% increase over the same period in the prior year, however since the fourth quarter of 2014, production has declined 51% from the fourth quarter average of 1,699 barrels per day. Declining production since the fourth quarter of 2014 is primarily a result of the Company's strategic decision in late 2014 to conserve balance sheet strength with an indefinite postponement of the Company's drilling and optimization program in the face of dramatically declining

commodity prices. Furthermore, approximately 60 barrels per day of uneconomic production was shut-in early in the year with a further 280 barrels per day shut-in in the spring due to sour water influx at our Edam water disposal facility. The Company completed sour water facility upgrades in July to handle the sour water influx however we have had minimal success in recovering these volumes to date. More time will be required to assess the best strategy to ensure maximum recovery of these reserves is achieved. With respect to wells drilled in 2014, production declines have been in line with type curve expectations.

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Petroleum and natural gas sales				
Heavy oil	\$2,729,836	\$7,504,386	\$10,895,152	\$18,542,194
Light oil	-	\$27,194	-	\$79,300
Natural gas liquids	-	\$19,783	-	\$69,853
Natural gas	-	\$41,708	-	\$164,062
Total	\$2,729,836	\$7,593,071	\$10,895,152	\$18,855,409
Average Realized Prices				
Heavy oil (\$/bbl)	\$35.85	\$75.68	\$38.48	\$74.52
Light oil (\$/bbl)	-	\$100.57	-	\$98.12
Natural gas liquids (\$/bbl)	-	\$53.26	-	\$61.39
Natural gas (\$/mcf)	-	\$4.40	-	\$5.03
Combined average realized price (\$/boe)	\$35.85	\$74.76	\$38.48	\$73.48
Average Benchmark Prices				
WTI oil (US\$bbl)	\$46.40	\$97.17	\$50.98	\$99.60
WCS differential (US\$/bbl)	(\$13.27)	(\$20.17)	(\$13.29)	(\$21.22)
WCS heavy oil (US\$bbl)	\$33.13	\$77.00	\$37.69	\$78.38
WCS differential %	29%	21%	26%	21%
US/CDN exchange rate	\$1.31	\$1.09	\$1.26	\$1.10
WCS heavy oil (CDN\$bbl)	\$43.37	\$83.93	\$47.45	\$86.22

Realized Pricing

During the Quarter, oil prices dropped to their lowest point in 2015 with US denominated WTI averaging \$46.40, 52% lower than the same period in 2014. As a result, the WCS differential as a percentage of WTI climbed to 29%, where historically it has been in the 20% to 25% range, however on a nominal basis, the WCS differential narrowed from US\$20.17 per barrel in the third quarter of 2014 to US\$13.27 per barrel in the current Quarter. These commodity price movements when coupled with a 21% weakening of the Canadian dollar over the same period, resulted in a realized well-head commodity price for the Quarter of \$35.85 per barrel, 52% lower than the \$74.76 per barrel realized in third quarter of 2014.

Similarly, on a Year to Date basis, US denominated WTI prices decreased by 49%, the WCS differential narrowed from US\$21.22 per barrel in 2014 to US\$13.29 per barrel in 2015 and the Canadian dollar weakened by 15% resulting in a Kaisen realized well head price of \$38.48 per barrel, 48% lower than the prior year.

Considerable risks continue to exist on heavy oil pricing including supply of US shale oil, recent supply policy decisions from OPEC, and the general demand for oil. Continued concerns about worldwide over-supply of crude oil have resulted in a further decline in prices for the remainder of 2015 with a forward outlook on commodity prices into 2016 remaining weak and potentially lower. On the positive side, the significant reduction in capital investment in the oil sector over the past 14 months is likely to have a material positive impact on the re-balancing of oil supply and demand in the longer term.

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 September 30, 2015 the Company had the following fixed price contracts:

Type	Period	Volume	Price/unit ⁽¹⁾	Index
Fixed – sell (Swap)	February 2015 – December 2015	350 bbl/d	CAD\$76.40	WTI
Fixed – sell (Swaption) ⁽²⁾	January 2016 – 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 Company's existing hedge contracts are set to expire on December 31, 2015 and at current prices, it is not considered likely that the counterparty will exercise the fixed price swaption contract for 2016. Once the swaption exercise privilege expires on December 31, 2015, the Company will be in a position to review hedging options for 2016.

The following is a summary of realized and unrealized losses for the three and nine month periods ended September 30, 2015 and 2014:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Realized gain/(loss)	\$504,972	(\$335,140)	\$972,319	(\$1,426,818)
\$ per boe	\$6.63	(\$3.30)	\$3.43	(\$5.56)
Unrealized gain/(loss)	\$1,795,342	\$1,084,697	\$570,312	(\$282,497)
Total gain/(loss) on risk management contracts	\$2,300,314	\$749,557	\$1,542,631	(\$1,709,315)

CROWN AND FREEHOLD ROYALTIES	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Crown	\$275,142	\$1,513,611	\$1,280,423	\$3,796,797
Freehold	\$225,191	\$429,969	\$917,941	\$863,655
Total Royalties	\$500,333	\$1,943,580	\$2,198,364	\$4,660,452
\$ per boe	\$6.57	\$19.14	\$7.76	\$18.16
% of revenue	18%	26%	20%	25%

Approximately 75% of Kaisen lands are held under Crown leases with the remaining held under freehold leases. Crown vertical well royalty rates range from ~7% to 30% depending upon the vintage of wells, commodity type, volume of daily production and market prices. At current commodity prices, Kaisen is currently forecasting a royalty rate of approximately 16%-18% blended for both Crown and freehold rates.

OPERATING EXPENSES	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	\$1,899,777	\$1,978,654	\$5,559,519	\$6,120,354
\$ per boe	\$24.95	\$19.48	\$19.64	\$23.85
% of revenue	70%	26%	51%	32%

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 well and facility workovers.

For the Quarter, operating costs averaged \$24.95 per barrel, a 28% increase over the same quarter in 2014. The increase in operating costs per barrel for the Quarter reflects the impact of lower production volumes spread over a large fixed base operating structure. No unusual or non-routine expenses were incurred during the Quarter. For the Year to Date, operating costs were down 18% to \$19.64 per barrel compared to the prior year, impacted by higher production volumes for the Year to Date compared to the prior year. 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 average in the range of \$18.00-\$24.00 per barrel for the year.

TRANSPORTATION EXPENSES	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	\$220,012	\$212,314	\$736,146	\$581,756
\$ per boe	\$2.89	\$2.09	\$2.60	\$2.27
% of revenue	8%	3%	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 expense has typically trended in the range of \$1.95 to \$2.30 per boe since inception. For the Quarter and year to date, transportation costs per barrel have increased by 38% and 15% respectively, reflecting the increased proportion of production arising from Edam which incurs a higher transportation cost commensurate with its location to sales points.

FIELD LEVEL NETBACKS	Three months ended		Nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
(\$ per boe)				
Sales price	\$35.85	\$74.76	\$38.48	\$73.48
Royalties	(\$6.57)	(\$19.14)	(\$7.76)	(\$18.16)
Saskatchewan surcharge tax	(\$1.92)	-	(\$1.59)	
Operating expenses	(\$24.95)	(\$19.48)	(\$19.64)	(\$23.85)
Transportation expenses	(\$2.89)	(\$2.09)	(\$2.60)	(\$2.27)
Netbacks (before hedging)	(\$0.48)	\$34.05	\$6.89	\$29.20
Realized gain/(loss) on risk management contracts	\$6.63	(\$3.30)	\$3.43	(\$5.56)
Netbacks (after hedging)	\$6.15	\$30.75	\$10.32	\$23.64

The Company realized an average field netback loss (before hedging) for the Quarter of \$0.48 per barrel, compared to a field netback profit of \$34.05 per barrel for the same period in the prior year. For the Year to Date, the Company has realized a field netback profit of \$6.90 per barrel, compared to \$29.20 per barrel in 2014. Substantially lower netbacks (before hedging) for the current periods is a direct reflection of the precipitous fall in oil prices during the first three quarters of 2015 furthered by higher operating costs per barrel due to lower production volumes realized over the same period. Beginning in the fourth quarter of 2014, the Company became subject to Saskatchewan Resource Surcharge tax which for the current year has added \$1.92 and \$1.59 per barrel for the Quarter and year to date respectively. This provincial tax is levied at a rate of 1.7% on gross Saskatchewan oil and gas revenues (less qualifying labour expenses) for wells drilled after June 30, 2008 (prior thereto at a rate of 3.0%.) Included in Saskatchewan Resource Surcharge tax for the Quarter and Year to Date are additional amounts owing as a result of a 2014 Saskatchewan surcharge tax reassessment which concluded in the prior quarter, the results of which resulted in an additional accrual amount for the current year, accrued in the Quarter. At current commodity prices, the Company anticipates this tax to continue in the range of \$0.50 to \$1.00 per barrel for the balance of the year.

With the inclusion of realized hedging gains of \$6.63 and \$3.43 per barrel for the Quarter and Year to Date respectively (compared to realized losses of \$3.30 and \$5.56 per barrel respectively for the same periods in 2014), the Company's average netback for the Quarter was \$6.15 per barrel and \$10.33 per barrel Year to Date, which when compared to netbacks of \$30.75 and \$23.64 per barrel respectively for the same periods in 2014, demonstrates the impact of a hedging strategy to smooth financial results during periods of volatile commodity prices.

GENERAL AND ADMINISTRATIVE ("G&A")

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Salaries, bonus and benefits	\$394,315	\$313,896	\$1,174,457	\$1,266,636
Other G&A expenses	\$251,026	\$249,195	\$820,402	\$856,155
Gross G&A expenses	\$645,341	\$563,091	\$1,994,859	\$2,122,791
Capitalized G&A expenses	(\$67,497)	(\$67,497)	(\$202,492)	(\$202,492)
Net G&A costs	\$577,844	\$495,594	\$1,792,367	\$1,920,299
\$ per boe	\$7.59	\$4.88	\$6.33	\$7.48

G&A expenses are primarily fixed costs by nature and therefore fluctuate on a per barrel 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. For the Quarter, net G&A costs are higher by 17% over the same period in 2014 reflecting quarterly timing differences of certain annual costs. For the Year to Date, net G&A costs have decreased 7% reflecting a reduction in salaries, bonus and benefits coupled with a further 4% decrease in other G&A. The Company is currently forecasting full year 2015 G&A expense to average between \$6.00 and \$7.00 per barrel.

FINANCE CHARGES

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Interest expense	\$39,924	\$36,360	\$113,929	\$111,176
Accretion expense	\$37,087	\$38,183	\$110,342	\$110,951
Finance charges	\$77,011	\$74,543	\$224,271	\$222,127

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

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 September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Share-based compensation	\$159,110	\$193,409	\$500,307	\$514,901

In the prior year 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. Lower share based compensation expense for the Quarter and Year to Date compared to the same periods in the prior year is largely due to the declining remaining balance of expense relating to the initial stock options grants in 2013.

DEPLETION AND DEPRECIATION

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Depletion	\$904,514	1,278,608	\$3,305,288	\$3,149,422
Depreciation	\$3,387	(\$15,866)	\$9,358	\$18,959
Depletion and depreciation	\$907,901	\$1,262,742	\$3,314,646	\$3,168,381
\$ per boe	\$11.92	\$12.43	\$11.71	\$12.35

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).

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2015, 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. Prime-based loans are available through the operating facility at prime plus 1.25% per annum.

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 extended the facility repayment deadline and concurrent annual borrowing base review through the summer and fall due to the volatility of commodity prices. On December 8, 2015, the bank completed its borrowing base review with the resulting elimination of the unutilized bridge facility and a reduction in the revolving operating facility from \$9,000,000 to \$5,500,000. The next borrowing base review has been scheduled for January 31, 2016.

At September 30, 2015, the Company had total bank debt of \$4,213,940 (\$2,277,581 at December 31, 2014) and total net debt (including net working capital) of \$4,929,727 (\$3,381,845 at December 31, 2014). The Company was compliant with its financial covenant as at September 30, 2015.

Subsequent to the Quarter on November 19, 2015, the Company closed a private equity financing with Azimuth Capital Management ("Azimuth", formerly KERN Energy Partners), a Calgary based independent energy sector private equity firm. The partnership between Kaisen and Azimuth will see an initial injection of \$10,000,000 of cash at a price of \$1.25 per common share and an additional line of equity of \$10,000,000, on the same terms, available to fund ongoing capital requirements as and when identified.

CAPITAL INVESTMENT

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Land	\$11,526	-	\$56,165	\$13,769
Geological and geophysical	-	\$31,509	\$35,120	\$1,528,982
Drilling and completions	\$715,616	\$6,315,275	\$1,198,321	\$8,595,326
Equipment and facilities	\$718,586	\$2,072,221	\$1,465,798	2,296,713
Capitalized G&A	\$67,497	\$67,497	\$202,492	\$179,993
Capitalized stock based compensation	\$14,523	\$46,417	\$49,694	\$46,417
Corporate acquisitions / (divestitures)	-	-	-	-
Office equipment	\$5,499	-	\$7,673	\$2,393
Total capital additions	\$1,533,247	\$8,532,919	\$3,015,263	\$12,663,593

In November 2014, Kaisen responded to the sudden oil price decline by deferring a planned 11 well \$7 million drilling program scheduled 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. In the first quarter of 2015, the Company reactivated 1 shut-in well in order to fulfill a commitment on a lease acquisition made in the fourth quarter of 2014 as well as carried out minimal well servicing/upgrade work and honored equipment delivery commitments made in late 2014. During the second quarter, the Company carried out planned facility upgrade work at its Edam water disposal in order to take on an increased sour water component from certain areas of the Edam field. This facility work was completed in early July. For the current Quarter, 1 well was reactivated at Edam and 1 new well was drilled at Lone Rock, both in order to fulfil lease commitments. A continued focus was also placed on further cost reduction and operating efficiency initiatives during the Quarter.

SELECTED QUARTERLY RESULTS AND ANALYSIS

<i>(Cdn\$ thousands, except per share, shares and per boe amounts)</i>	2015			2014			2013	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Petroleum and natural gas sales	\$2,730	\$4,000	\$4,166	\$9,124	\$7,593	\$5,480	\$5,782	\$4,806
Realized hedging gains/(losses)	\$505	\$166	\$301	\$771	(\$335)	(\$688)	(\$404)	-
Funds flow from operations ⁽¹⁾	(\$144)	\$997	\$566	\$2,754	\$2,510	\$747	\$728	\$1,004
Net earnings (loss)	\$358	(\$1,667)	(\$607)	\$403	\$1,618	(\$104)	(\$1,854)	(\$68)
Expenditures on oil & gas properties	\$1,519	\$747	\$701	\$3,190	\$8,487	\$1,536	\$2,460	\$3,679
Corporate and Asset acquisitions	-	-	-	(\$679)	-	-	-	-
Net debt	\$4,930	\$3,267	\$3,516	\$3,382	\$3,620	\$5,282	\$4,359	\$2,626
Shares outstanding – diluted (thousands)	18,649	18,649	18,649	18,649	18,649	14,736	14,719	14,719
Sales Volumes (boe per day) ⁽²⁾	828	907	1,382	1,699	1,104	773	942	963
Operating Netbacks (\$/boe)								
Sales price	\$35.85	\$48.44	\$33.48	\$58.40	\$74.76	\$77.86	\$68.37	\$54.27
Royalties	(\$6.57)	(\$10.61)	(\$6.60)	(\$14.82)	(\$19.14)	(\$18.84)	(\$16.42)	(\$13.86)
Saskatchewan surcharge tax	(\$1.92)	(\$0.91)	(\$1.84)	(\$2.97)	-	-	-	-
Operating expenses	(\$24.95)	(\$19.74)	(\$16.32)	(\$17.03)	(\$19.48)	(\$29.09)	(\$24.73)	(\$17.95)
Transportation expenses	(\$2.89)	(\$2.84)	(\$2.26)	(\$2.28)	(\$2.09)	(\$2.62)	(\$2.19)	(\$2.02)
Field netbacks (before hedging)	(\$0.48)	\$14.34	\$6.46	\$21.30	\$34.05	\$27.31	\$25.03	\$20.44
Realized gain/(loss) on risk mgmt contracts	\$6.63	\$2.01	\$2.42	\$4.94	(\$3.30)	(\$9.77)	(\$4.70)	-
Field netbacks (after hedging)	\$6.15	\$16.35	\$8.88	\$26.24	\$30.75	\$17.54	\$20.33	\$20.44
General & administration expenses	(\$7.59)	(\$7.35)	(\$4.88)	(\$5.32)	(\$4.88)	(\$6.73)	(\$11.23)	(\$4.99)
Corporate netback	(\$1.44)	\$9.00	\$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 two 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. Further production declines of 34% and 9% in the second and third quarters of 2015 respectively, reflects the Company's development inactivity in response to the precipitous decline in commodity prices November 2014.

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. With a 45% increase in realized commodity prices in the second quarter of 2015, coupled with a full quarter of realized hedging gains from a hedging program implemented in February 2015, the Company realized an increase in funds flow of 76% over the prior quarter. A 26% drop in realized prices in the third quarter of 2015 coupled with a 9% decline in production resulted in a funds flow loss of \$242,111 including realized hedging gains \$504,972.

Netback results over the past eight 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 eight 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 three quarters of 2015 have been significantly impacted by the precipitous global oil price collapse since November 2014.

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 eight 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.

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 September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Cash flow from (used in) operating activities	\$221,700	\$1,770,085	\$1,028,944	\$3,645,318
Exclude the change in non-cash working capital	(\$366,115)	\$740,095	\$388,742	(\$339,345)
Funds flow / (loss) from operations	(\$144,415)	\$2,510,180	\$1,417,686	\$3,984,663

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.