The following information, prepared as of November 21, 2017, should be read in conjunction with the consolidated financial statements of Claren Energy Corp. (formerly Terra Nova Energy Ltd.) (the "Company" or "Claren") for the year ended July 31, 2017. The referenced consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars ($), Australian dollars (A$), US dollars (US$) or Euros (€).

Forward-looking Statements

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as "plans", "intends", "anticipates", "should", "estimates", "expects", "believes", "indicates", "suggests" and similar expressions.

This MD&A, and in particular, the "Outlook" section contains forward-looking statements. These forward-looking statements include without limitation: statements about the Company's exploration plans and outlook; interpretations and discussion of seismic, drilling and well testing results and financing obligations with regard to future exploration of the petroleum exploration licences or properties owned by, or, under option to the Company. As such, all forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors. Information concerning the interpretation of seismic, drilling or well testing results may also be considered a forward-looking statement as such information constitutes a prediction of what hydrocarbons might be found to be present if and when hydrocarbons are discovered and recovered in economic quantity.

It is important to note that unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of November 21, 2017. Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Such risks and other factors include, among others, risks related to the integration of acquisitions or new discoveries, if any; risks related to operations; actual results of current exploration activities; actual results of current reclamation activities, if any; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of hydrocarbons; accidents, labour disputes and other risks of the oil and gas exploration industry; delays in obtaining governmental approvals or financing or in the completion of wells or integration with hydrocarbon collection infrastructure, as well as those factors discussed in the section entitled "Risk Factors" appearing elsewhere herein. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize; and subject to applicable laws, the Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see **Risks and Uncertainties**. During the year ended July 31, 2017, the Company added a new risk and uncertainty relating to the activities in Romania.

General

Claren Energy Corp. (formerly "Terra Nova Energy Ltd.") was incorporated under the Canada Business Corporations Act and continued under the laws of Alberta effective August 20, 2012. Effective October 31, 2016, the Company was continued under the laws of British Columbia. On October 28, 2016, shareholders of the Company approved the change of the Company's name from Terra Nova Energy Ltd. to Claren Energy Corp. Effective November 14, 2016, the Company consolidated its common shares on the basis of one new common share for every four old common shares issued and outstanding at that time. All references to share and per share amounts in this document have been retroactively restated to reflect the share consolidation. The Company's principal business is the acquisition and exploration of petroleum and natural gas properties. The Company's shares trade on the TSX Venture Exchange (the "TSX-V") under the symbol "CEN" and the OTCQB marketplace under the symbol "CNENF". The

Company's corporate head office is located at Suite 880, 580 Hornby Street, Vancouver, British Columbia, Canada.

Highlights

1. On September 1, 2016, the Company announced that it had entered into a Farmout Agreement with Zeta Petroleum (Romania) S.R.L. ("Zeta") to acquire up to an eighty percent (80%) participating interest in the Bobocu License, onshore Romania.

2. On September 28, 2016, the Company announced that it had entered into an agreement with Perseville Investing Inc. to acquire a 30.8330% Working Interest in PELs 112 and 444, and a 1.47% gross overriding royalty interest on the PELs. In consideration for the purchased interest, Claren agreed to issue to Perseville 10,000,000 common shares of the Company. On October 28, 2016, the transaction was approved by the shareholders at the annual general and special meeting. The transaction closed on November 10, 2016 and the common shares were issued to Perseville. Perseville is controlled by Carlo Civelli. Mr. Civelli is the father of Nico Civelli, who is a member of Claren's board of directors. The issuance of the Shares to Perseville is considered to be a related party transaction subject to TSX Venture Exchange Policy 5.9 and Multilateral Instrument 61-101.

3. Effective November 14, 2016, the Company changed its name from Terra Nova Energy Ltd. to Claren Energy Corp. and consolidated its common shares on the basis of one new common share for every four old common shares issued and outstanding at that time. As of the date of consolidation, the Company had 127,533,785 pre-consolidation common shares issued and outstanding. After the share consolidation, the Company had 31,883,476 post-consolidation common shares issued and outstanding. All references to share and per share amounts have been retroactively restated to reflect the share consolidation.

4. During December 2016, the Company completed a non-brokered private placement financing of 27,559,000 units at a price of $0.08 per unit for gross proceeds of $2,204,720. Each unit was comprised of one common share and one share purchase warrant entitling the holder thereof to purchase one additional common share at $0.15 per share for a period of two years from closing.

   In connection with the private placement, the Company issued 990,255 finders' warrants on the same terms as the warrants included in the units. In addition, the Company paid cash finders' fees of $79,220.

5. On December 12, 2016, Claren announced that drilling operations commenced on the Bobocu 310 side-track well. On February 21, 2017, the Company announced the conclusion of its wellsite operations. As predicted by the seismic data, gas sands were found at the anticipated depth, but gas saturations were below the Company's expectations. The Company is currently evaluating the results of this well and update the reservoir model with respect to the sand distribution and water mobility characteristics specific to this field. The seismic data is being reinterpreted for the main reservoirs with remaining gas saturation. In addition, the Company may consider re-entering existing well(s) that produced from the Blueray and Corcova prospects and run cased-hole logs to confirm the presence of gas "behind-pipe". Refer to the Exploration and Evaluation Interests section below for details on the drilling operations.

6. On November 9, 2017, the Company entered into an Arrangement Agreement (the "Arrangement") with its wholly-owned subsidiary, Terra Nova Resources Inc. ("Terra Nova"), whereby Claren plans to pursue a Spin-Off of its working interests (51.49%) in PEL 112 and PEL 444, including a 1.47% overriding royalty interest in the PELs, located on the western flank of the Cooper Eromanga Basin in the State of South Australia, Australia. Terra Nova will be listed as a separate company on the Canadian Securities Exchange.

According to the terms of the Arrangement, each Claren shareholder will receive one (1) Terra Nova common share for every ten (10) Claren shares held by such Claren shareholder. Further, the warrant holders of Claren will receive one (1) Terra Nova warrant for every ten (10) Claren warrants held.

The proposed spin-out of the PELs will allow Claren to focus on the financing and advancement of its flagship property, the Bobocu License, as well as the acquisition of other onshore oil and gas assets in Eastern Europe. During the period from 2012 to 2016 the Company's focus was the exploration of the Australian PELs, which involved detailed 3D geophysical analysis as well as test drilling. We consider that the work carried out to date on the PELs warrants further exploration and an independent company is better suited to finance the exploration of the PELs

Closing of the Arrangement is subject to a number of customary conditions precedent including, but not limited to, regulatory approval of this transaction, the approval of shareholders, the Supreme Court of British Columbia, and subject to compliance with the requirements of either the Canadian Securities Exchange or the TSX-V.

Exploration and Evaluation Interests

Exploration and evaluation ("E&E") assets consist of the following:

	Australia $	Romania $	Total $
Balance, July 31, 2015	3,044,477	-	3,044,477
Exploration costs			
Share of JV expenditures	293,619	-	293,619
	293,619	-	293,619
Write-down	(2,641,425)	-	(2,641,425)
Effects of translation of foreign accounts	103,329	-	103,329
Balance, July 31, 2016	800,000	-	800,000
Acquisition costs	1,661,252	281,965	1,943,217
Exploration costs			
Drilling	-	2,300,772	2,300,772
Geotechnical analysis	-	115,021	115,021
Share of JV expenditures	42,689	-	42,689
	42,689	2,415,793	2,458,482
Write-down	(1,229,154)	(2,204,940)	(3,434,094)
Effects of translation of foreign accounts	(45,632)	19,693	(25,939)
Balance, July 31, 2017	1,229,155	512,511	1,741,666

Romania

On September 1, 2016, the Company announced that it had entered into a Farmout Agreement (the "Bobocu Agreement") with Zeta Petroleum (Romania) S.R.L. ("Zeta") to acquire up to an eighty percent (80%) participating interest in the Bobocu License, onshore Romania.

Claren was entitled to acquire an initial forty percent (40%) participating interest in the Bobocu License upon: (1) the drilling of one commitment side-track entering an existing well on the License; and (2) cash payments total US$1,040,000, of which 40% of the cash payment will be paid on certain milestone events and 60% of the cash payments will be paid out of Claren's entitlement to future production. In December 2016, the Company made the first milestone payment of US$208,000 ($281,965). As the remaining milestone events were not achieved and the Company spent over US$850,000 ($1,128,928) towards the drilling, the Company earned the initial 40% participating interest in the Bobocu License.

On December 12, 2016, Claren announced that drilling operations commenced on the Bobocu 310 side-track well ("B310-ST"). B310-ST was drilled within the onshore Bobocu gas field, comprised of 25km^2 (6,200 acres), situated in the foreland basin of the Carpathians approximately 150 km NE of Bucharest. The field was discovered by Romgaz in 1966, and produced from 1977 to June 1995, and again from December 2000 until November 2001. Romgaz is the largest natural gas producer and main supplier of natural gas in Romania.

Historical production at Bobocu was a cumulative 33 Bcf from 12 wells, comprised of natural gas that is 99.4% methane. Geologically the field is comprised of Miocene and Pliocene sands with good porosity and permeability.

B310-ST targeted the Corcova reservoir. The well was planned to reach a total vertical depth ("TVD") of 2,828 meters consisting of a side-track operation, with the new well "kicking off" (exiting) from an original wellbore. The drilling operation targeted three Upper Miocene sandstone reservoirs located between 2,526 meters to 2,712 meters TVD. B310-ST stepped out horizontally 600 meters from the existing Bobocu 310 well in order to penetrate the three targets in the given interval. On February 21, 2017, the Company announced that it had concluded its wellsite operations on B310-ST.

The Company conducted cased-hole well tests on the Lobe G and Corcova sandstone reservoirs and also tested Lobe H which is situated above Lobe G. The cased-hole wireline logging program provided further insight into selecting prospective reservoir units to be tested, and showed gas saturations between 30% and 40%. Unfortunately, upon testing, none of the perforated zones flowed commercial quantities of gas, instead producing gas saturated water and sand. The tests did however confirm the validity of the exploration model which is primarily based on the detection of gas on seismic data as a DHI ("Direct Hydrocarbon Indicator"). As predicted by the seismic data, gas sands were found at the anticipated depth, but gas saturations were below the Company's expectations. In accordance with the terms of the agreement, the Company now has a 40% participating interest in the Bobocu License.

This is the completion of Phase I of the proposed work program. Phase II includes the drilling of a second well, in the Bobocu Field. Although the well tests did not indicate commercial gas quantities at the drilled location this does not change the Company's positive assessment of the remaining potential of the field. The Company is conducting detailed reservoir engineering studies on both the Blueray and Corcova prospects. Within the Blueray prospect, "Well 70" historically produced 2 Bcf of gas while "Well 301" produced 1.29 Bcf of gas. Additionally, "Well 73" tested 2.5 MMcf per day of gas from the Blueray, highlighting its upside.

Following the completion of Claren's Phase I Work Program on the Bobocu gas field onshore Romania, the Company has updated its reservoir model of the Corcova, Blueray and Boomer prospects with respect to the sand quality, structure and gas saturation modelling specific to these prospects. Claren in conjunction with its partner Zeta Petroleum will be engaging a 3rd party reservoir engineering firm in order to continue to further de-risk these three key prospects. Upon completion, and all subject to approval by the National Agency for Mineral Resources ("NAMR"), the Company will subsequently propose its 2018 work program. The drilling of the next well in the Blueray, Corcova or Boomer prospects will allow the Company to earn an additional 40% of the concession.

Key Bobocu Highlights:

- Total production to date has been 33 Bcf (0.93 Bcm) from 12 wells.
- A total of 31 wells have been drilled in the area and gas has been produced from 14 Upper Miocene sandstone reservoirs located from 2,500 meters to 2,700 meters in depth.
- The field was discovered and developed solely on 2D seismic data. Claren's partner has acquired 75 km^2 of 3D over the field, which data has been reprocessed and reinterpreted by Claren.
- Robust Project Economics: Gas prices for gas produced in Romania are regulated by the Regulatory Authority for Energy ("ANRE"). The current average monthly regulated price for domestically produced gas is RON 60 per MWh or approximately US$ 4.00 to US$ 4.50 per mmcf.
- Proximity to Key Infrastructure: The Bobocu Gas Field has a 10 inch pipeline connecting to the high-pressure national grid, which allows for rapid monetization of discovered resources.

In accordance with the agreement, Claren was obligated to pay the first US$850,000 towards the drilling of the B310-ST well with Claren paying for 40% of costs in excess of that amount and Zeta paying for the remaining 60%. As the total well costs as at July 31, 2017 were €2,713,026 ($3,845,172) and Claren paid Zeta €1,761,671 ($2,496,816) to drill and test the well, Claren had a receivable of €198,540 ($292,231) due from Zeta as at July 31, 2017. Drilling costs were over budget due to a combination of severe weather in Romania as well as issues with the drill rig. Due to the amount of time that the receivable has been outstanding, the Company recorded a full allowance against the receivable.

Claren may acquire an additional forty percent (40%) participating interest in the Bobocu License by drilling one additional exploration well to a total depth of 2,800 meters and making an additional cash payment total US$1,040,000, of which 50% of the cash payment will be paid on certain milestone events and 50% of the cash payments will be paid out of Claren's entitlement to future production.

Australia

The Company has an interest in petroleum and natural gas rights on certain on-shore Australian Petroleum Exploration Licenses ("PEL"), known as PEL's 112 and 444. As at July 31, 2016 and 2015, the Company owned a 20.6667% working interest in PEL's 112 and 444. Perseville Investing Inc. ("Perseville) owned a 30.8330% working interest in the PEL's and Holloman Energy Corporation ("Holloman") had the remaining 48.5003% working interest. The joint venture co-venturers are subject to the 2006 Joint Operating Agreement (the "JOA") which governs the PEL 112 and PEL 444 joint ventures (the "JVs"). Claren serves as operator of the JVs.

PEL's 112 and 444 comprise approximately 1,086 km² and 1,166 km² respectively. These properties are located on the Western flank of the Cooper-Eromanga Basin in the northeastern sector of the state of South Australia (the "Exploration and Evaluation Interests" or "E&E Interests").

On November 10, 2016, the Company acquired an additional 30.8330% interest in PEL's 444 and 112 from Perseville, and a 1.47% gross overriding royalty interest on the PELs. In consideration for the purchased interest, the Company issued to Perseville 10,000,000 common shares. The common shares closed at a price of $0.16 per share on the date the shares were issued. After closing of the transaction, the working interest in PEL's 444 and 112 is 48.5003% for Holloman and 51.4997% for Claren.

Perseville is a related party of Claren as it is a private company controlled by a shareholder of Claren, who is also a family member of a Director and Officer of the Company.

Claren now has a majority working interest in two licenses proximal to established hydrocarbon systems, with minimal holding costs. This also affords the Company the flexibility to evaluate strategic alternatives to share its financial and technical risks with potential partners on the exploration of these assets, while focusing our near term resources on the lower risk development of the Bobocu field, onshore Romania. Recently, Senex drilled an exploration well on PEL 182 called "Hoplite-1" which is situated 2.5km from the Maverick prospect within PEL 444. Hoplite-1 reported oil shows from the Birkhead reservoir but well tests yielded non-commercial oil flow. The Company is undertaking additional exploration work on PEL 444 in order to integrate the results from the Senex Hoplite-1 well with the Maverick prospect.

The minimum one year work commitment under PEL 444 is to carry out geological and geophysical studies and the license term expires on January 11, 2021. The minimum one year work commitment under PEL 112 is to carry out geological and geophysical studies and the license term expires on January 10, 2020. In order to renew each license, a well must be drilled prior to the end of the license term.

Recent technical work on PEL 112 included the reinterpretation of the Mulka 3D seismic data focusing on Birkhead prospectivity. The interpretation, coupled with seismic inversion results, has put into evidence three prospects associated with the Birkhead channel play.

On November 9, 2017, the Company entered into an Arrangement Agreement (with its wholly-owned subsidiary, Terra Nova Resources Inc. ("Terra Nova"), whereby Claren plans to pursue a spin-off of its working interests (51.49%) in PEL 112 and PEL 444, including a 1.47% overriding royalty interest in the PELs, located on the western flank of the Cooper Eromanga Basin in the State of South Australia, Australia. Terra Nova will be listed as a separate company on the Canadian Securities Exchange.

Selected Annual Information

The following is a summary of certain selected audited consolidated financial information of the Company for the years ended July 31, 2017, 2016 and 2015:

	2017 $	**2016 $**	**2015 $**
Total revenues	-	-	-
Loss	(4,494,194)	(3,118,808)	(1,392,627)
Loss per share (basic and diluted)(1)	(0.10)	(0.14)	(0.07)
Total assets	2,177,946	2,669,004	5,686,322
Total long-term liabilities	-	-	-
Dividends declared	-	-	-

(1) The basic and diluted loss per share calculations result in the same amount due to the anti-dilutive effect of outstanding stock options and warrants.

The increase in loss during the years ended July 31, 2017 and 2016 was due to recognizing write-downs of $3,434,094 and $2,641,425, respectively. The Company did not record any write-down during the year ended July 31, 2015.

Quarterly Information

The following is selected financial data from the Company's unaudited quarterly financial statements for the last eight quarters ending with the most recently completed quarter, being April 30, 2017.

	Three Months Ended ($)			
	July 31, 2017	**April 30, 2017**	**January 31, 2017**	**October 31, 2016**
Total Revenues	-	-	-	-
Loss	(3,772,657)	(125,631)	(390,416)	(205,490)
Loss Per Share (basic and diluted)(1)	(0.06)	(0.00)	(0.01)	(0.01)
Exploration and evaluation interest expenditures	4,889	833,234	3,559,740	3,835
Working capital	143,253	244,771	1,148,701	1,419,770
Total Assets	2,470,177	6,141,457	5,873,607	2,522,947

	Three Months Ended ($)			
	July 31, 2016	**April 30, 2016**	**January 31, 2016**	**October 31, 2015**
Total Revenues	-	-	-	-
Income (Loss)	(2,214,873)	3,711	(740,514)	(167,132)
Income (Loss) Per Share (basic and diluted)[(1)]	(0.10)	0.00	(0.03)	(0.01)
Exploration and evaluation interest expenditures	(126,789)	(51,903)	456,967	15,344
Working capital (deficiency)	1,607,421	1,536,644	1,620,401	2,149,726
Total Assets	2,669,004	4,705,449	4,873,322	5,424,006

(1) The basic and diluted loss per share calculations result in the same amount due to the anti-dilutive effect of outstanding stock options and warrants.

During the three months ended July 31, 2017, the Company wrote-down E&E assets and recorded an impairment charge of $3,434,094. During the three months ended July 31, 2016, the recorded an impairment charge of $2,130,759. During the three months ended April 30, 2016, the Company received a credit from Senex (the drill contractor) as the Baikal 1 drilling costs came in under budget. This led to a reversal of a previously recorded write-down of E&E assets of $114,981 and accordingly, resulted in the income for the period. The increase in loss recorded during the three months ended January 31, 2016 was due to recording a write-down of E&E assets of $625,647 representing the Company's share of the Baikal 1 drilling costs.

Results of Operations

Year ended July 31, 2017
The Company recorded a loss of $4,494,194 ($0.10 per share) for the year ended July 31, 2017 as compared to a loss of $3,118,808 ($0.14 per share) for the year ended July 31, 2016. The approximate $1,179,000 increase in the loss for the year ended July 31, 2017 as compared to the year ended July 31, 2016 is due primarily to recording a write-down of E&E assets of $3,434,094 during the 2017 year as well as an increase in consulting fees and travel and related expenses.

Details of changes in certain expense items over the years are as follows:

Audit and accounting fees of $103,929 (2016 - $103,093) include fees for general accounting services and accruals for audit fees.

Filing and transfer agent fees of $73,694 (2016 - $43,284) include fees paid to the Company's transfer agent and fees paid to the TSX Venture Exchange and the OTCQX marketplace.

Legal fees of $155,980 (2016 - $95,378) in the current year are for general business matters. The increase in the current year was due to the completion of the Bobocu Agreement.

Management and consulting fees of $312,856 (2016 - $196,778) include fees paid to the CEO, Henry Aldorf, a Director and certain consultants. The increase during the current year was due to a consultant conducting technical due diligence prior to the acquisition of the Bobocu License.

Office and miscellaneous expenses of $38,906 (2016 - $68,847) includes expenses such as rent, insurance, bank fees, interest, and office management.

Overhead charged to exploration of $22,882 (2016 - $83,011) are overhead expenses charged to the joint ventures in accordance with the terms of the Australian JOA.

Shareholder communications of $37,158 (2016 - $6,611) includes costs associated with marketing and promoting the Company to current and potential shareholders.

Travel and related expenses of $64,890 (2016 - $5,073) includes executive travel to and from Romania and other travel within Canada.

Write-down of E&E assets of $3,434,094 (2016 - $2,641,425) for the 2017 year is from writing-down PEL 112 and the costs of drilling an unsuccessful well in Romania. The 2016 wrote-down represents the Company's share of the costs to drill Baikail 1 and an impairment charge for PEL 112 and PEL 444.

Three months ended July 31, 2017
The Company recorded a loss of $3,576,258 ($0.06 per share) for the three months ended July 31, 2017 as compared to a loss of $2,214,873 ($0.10 per share) for the three months ended July 31, 2016. The change in the results of operations was due primarily to the increase in write-down of E&E assets from $2,130,759 to $3,434,094.

Financing Activities and Capital Expenditures

During the year ended July 31, 2017, the Company completed the following financings:

i) On December 6, 2016, the Company closed the first tranche of a non-brokered private placement by issuing 9,950,000 units at a price of $0.08 per unit for gross proceeds of $796,000. Each unit is comprised of one common share and one common share purchase warrant with each whole warrant entitling the holder thereof to purchase one additional common share at $0.15 per share up to December 6, 2018.

(ii) On December 16, 2016, the Company closed the second tranche of the non-brokered private placement by issuing 15,096,500 units at a price of $0.08 per unit for gross proceeds of $1,207,720. Each unit is comprised of one common share and one common share purchase warrant with each whole warrant entitling the holder thereof to purchase one additional common share at $0.15 per share up to December 16, 2018.

(iii) On December 22, 2016, the Company closed the third and final tranche of the non-brokered private placement by issuing 2,512,500 units at a price of $0.08 per unit for gross proceeds of $201,000. Each unit is comprised of one common share and one common share purchase warrant with each whole warrant entitling the holder thereof to purchase one additional common share at $0.15 per share up to December 22, 2018.

The Company incurred finder's fees of $79,220 and other cash issuance costs of $11,024 in connection with the private placements. In addition, the Company issued 990,255 finders' warrants with each whole warrant entitling the holder thereof to purchase one additional common share at $0.15 per share up to December 16, 2018.

The Company did not complete any financing activities during the year ended July 31, 2016. During the year, the JVs received A$2,758,037 from Perseville and Holloman pursuant to cash calls. A substantial portion of these funds were used in December 2015 to drill Baikal 1.

The capital expenditures of the Company during the year ended July 31, 2017 amounted to cash spent of $2,838,994. This represents expenditures to drilling the B310-ST well in Romania and the Company's share of PEL 112 and PEL 444 JV expenditures.

Liquidity and Capital Resources

The Company's operations consumed approximately $765,000 of cash (before working capital items) for the year ended July 31, 2017. An additional approximate $2,839,000 of expenditures were spent on the oil and gas interests. The cash requirement was fulfilled from cash on hand at the beginning of the year and from $2,114,476 raised through the completion of private placements.

The Company's aggregate operating, investing and financing activities during the year ended July 31, 2017 resulted in a net decrease of $1,411,402 in its cash balance of $1,822,205 at July 31, 2016 to $410,803 at July 31, 2017. As at July 31, 2017, the Company had a working capital deficiency of $143,253.

The Company will require additional financing in order to drill another well on the Bobocu License. The Company is currently analyzing the data from the B310-ST well and the Company is considering financing options.

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for at least the next twelve months. At July 31, 2017, the Company had not yet achieved profitable operations and expects to incur further losses in the development of its business. At July 31, 2017, the Company had working capital of $143,253. The Company will need additional financing to continue to develop its oil and gas exploration and evaluation assets and to continue its operations. These factors may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Management believes that the use of the going concern assumption is appropriate for the financial statements. Management believes that the Company will be able to obtain additional financing, through the issuance of shares, debt or other options to fund continuing operations and exploration and development activities. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

Transactions with Related Parties

During the year ended July 31, 2017 and 2016, the Company incurred the following expenditures charged by directors and officers of the Company and/or companies they owned or were significant shareholders of:

	2017 $	2016 $
Non-audit accounting fees(1)	52,715	53,422
Legal fees (corporate secretary)(2)	9,660	2,473
Management fees(3)	180,000	132,500
Office and miscellaneous fees	20,516	15,794
Exploration and evaluation interests - consulting fees(4)	21,639	148,602
	284,530	352,791

(1) Includes fees billed by a company owned by a director, Rob McMorran.
(2) Includes corporate secretary fees billed by a company owned by a director, Rob McMorran.
(3) Includes fees billed by the CEO, Henry Aldorf, and fees billed by a company controlled by a Director, Mark Lawson.
(4) Includes the Company's share of fees billed by a company owned by the VP of Exploration, Chas Lane.

At July 31, 2017, accounts payable and accrued liabilities included $477,590 (2016 - $153,524) of amounts owing to directors and officers of the Company and/or companies they control or of which they were significant shareholders or of which they acted as management. The amounts owing include amounts related to expenditures charged to the Company and $437,848 due to Pacific LNG for reimbursements of expenditures paid for on behalf of the Company. The amounts owing are unsecured, non-interest bearing and due on demand.

Key management includes the Chief Executive Officer, the Chief Financial Officer, the VP of Exploration and the directors of the Company. Compensation paid or payable to key management for services during the period amounted to $230,651 (2016 - $194,417). In addition, key management received share-based payments of $nil (2016 - $6,034).

Perseville is a related party of Claren as it is a private company controlled by a shareholder of Claren, who is also a family member of a Director and Officer of the Company. Certain transactions with Perseville are disclosed elsewhere in this MD&A as Perseville had an interest in PELs 112 and 444 in Australia.

Financial Instruments

Classification of Financial Instruments
The Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities. The Company designated its cash and receivables as loans, which are measured at amortized cost. The accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

Discussions of risks associated with financial assets and liabilities are detailed below:

Foreign Exchange Risk
Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. A portion of the Company's financial assets and liabilities are denominated in Australian dollars and Euros. The Company monitors this exposure, but has no hedge positions.

The Company had exposure to Australian dollars as follows:

	July 31, 2017 A$	**July 31, 2016 A$**
Cash	161,723	751,620
Accounts payable and accrued liabilities	(1,320)	(5,978)
Net exposure to Australian dollars	160,403	745,642

At July 31, 2017, a 1% change in the value of the Australian dollar as compared to the Canadian dollar would result in a change in other comprehensive loss and equity attributable to shareholders of approximately A$2,000.

The Company had exposure to Euros as follows:

	July 31, 2017 €	**July 31, 2016 €**
Cash	-	-
Receivables	198,540	-
Accounts payable and accrued liabilities	(1,891)	-
Net exposure to Euros	196,649	-

At July 31, 2017, a 1% change in the value of the Euro as compared to the Canadian dollar would result in a change in other comprehensive loss and equity attributable to shareholders of approximately €2,000.

Credit Risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash held with banks and financial institutions as well as receivables from Zeta. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash is primarily held with a financial institution.

Interest Rate Risk
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Except to the extent that the balance of cash is earning interest, the Company has no financial instruments that could otherwise be exposed to interest rate risk.

Liquidity Risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company manages liquidity risk by maintaining sufficient cash to enable settlement of transactions on the due date. Management monitors the Company's contractual obligations and other expenses to ensure adequate liquidity is maintained.

Outstanding Share Data

a) Authorized Capital:

Unlimited common shares, without par value

b) Issued and outstanding:

59,442,476 common shares as at November 21, 2017

c) Outstanding options and warrants as at November 21, 2017:

Security	Number	Exercise Price ($)	Expiry date
Stock Options	250,000	0.72	July 18, 2018
Stock Options	1,068,750	0.72	October 31, 2019
Stock Options	175,000	0.72	October 2, 2020
Stock Options	175,000	1.20	May 16, 2022
Warrants	9,950,000	0.15	December 6, 2018
Warrants	16,086,755	0.15	December 16, 2018
Warrants	2,512,500	0.15	December 22, 2018

Disclosure Controls and Procedures

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the consolidated financial statements for the year ended July 31, 2017 and this accompanying MD&A (together, the "Annual Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Annual Filings on SEDAR at www.sedar.com.

Risks and Uncertainties

Certain risks are faced by the Company which could affect its financial position. In general they relate to the availability of equity capital to finance the acquisition, exploration and development of existing and future exploration and development projects. The availability of equity capital to junior oil and gas companies is affected by commodity prices, global economic conditions and economic conditions and government policies in the countries of operation, among other things. These factors are beyond the control of the management of the Company and have a direct effect on the Company's ability to raise capital.

The Company's working capital and liquidity will fluctuate in proportion to its ongoing equity financing activities. The Company requires a certain amount of liquid capital in order to sustain its operations and in order to meet various obligations as specified under the its resource property acquisition agreements. Should the Company fail to obtain future equity financing due to reasons as described above, it will not be able to meet these obligations and may lose its interests in the properties covered by the agreements. Further, should the Company be unable to obtain sufficient equity financing for working capital, it may be unable to meet its ongoing operational commitments.

All of the Company's oil and gas properties are in the exploration stage and without known reserves. Exploration, development and production of oil and gas involves substantial expenditures and a high degree of risk. Few properties which are explored are ultimately developed into producing properties. Accordingly, the Company has no material revenue, writes off its oil and gas interests from time to time, and operates at a loss. Continued operations are dependent upon ongoing equity financing activities.

The Company has taken all reasonable steps to attempt to ensure that proper title to its oil and gas properties have been obtained and that all grants of such rights thereunder, if any, have been registered with the appropriate public offices. Despite the due diligence conducted by the Company, there is no guarantee that title to such oil and gas properties will not be challenged or impugned. The Company's oil and gas property interests may be subject to disputes, prior unregistered agreements or transfers or aboriginal land claims and title may be affected by undetected defects. In particular, Holloman has disputed the Company's ownership of a 5.8333% working interest in PEL 444 notwithstanding the fact that the Company was transferred such interest pursuant to a Deed of Assignment and Assumption dated February 15, 2014. Although the Company maintains that it is the legal and beneficial owner of such interest, there is no assurance that it will be successful in defending its title to such interest.

The Company has also entered into a Farmout Agreement with Zeta to acquire an interest in the Bobocu License. If the Company fails to meet the payments and obligations under the Farmout Agreement, it will not be able to acquire any additional interest in the Bobocu License. Further, the Company is reliant on Zeta to make certain payments to contractors, creditors and applicable authorities. The failure to make any such payments may adversely affect the financial condition of Zeta and Zeta's interest in the Bobocu License. Accordingly, any such non-payments by Zeta may adversely affect the Company's interest in the Bobocu License.

Outlook

In February 2017, the Company completed the drilling of one commitment side-track entering of an existing well on the Bobocu License. The drilling of the B310-ST well resulted in gas saturations below the Company's expectations. With the drilling of the B310-ST well, the Company now has a 40% participating interest in the Bobocu License. Following the completion of the Phase I Work Program on the Bobocu gas field onshore Romania, the Company has updated its reservoir model of the Corcova, Blueray and Boomer prospects with respect to the sand quality, structure and gas saturation modelling specific to these prospects.

Claren in conjunction with its partner Zeta Petroleum will be engaging a 3rd party reservoir engineering firm in order to continue to further de-risk these three key prospects. Upon completion, and all subject to approval by the National Agency for Mineral Resources, the Company will subsequently propose its 2018 work program.

In addition to the Farmout Agreement to acquire an interest in the Bobocu License, the Company has secured the rights to explore more than 2,250 km² of PEL 112 and PEL 444 located on the Western Flank of the Cooper-Eromanga Basin in South Australia. The Company has a 51.4997% interest in the PELs. PEL 112 is in good standing until January 10, 2020. The PEL 444 license is in good standing until January 11, 2021. The Company plans on completing the Arrangement announced on November 9, 2017 whereby Terra Nova, which holds the PELs, will be spun-off and listed as a separate company on the Canadian Securities Exchange.

Other Information

Additional information related to the Company is available for viewing on SEDAR at www.sedar.com and on the Company's website at www.clarenenergy.com.