

**WESTBRIDGE ENERGY CORPORATION**

**Management's Discussion and Analysis**

**Year Ended December 31, 2016**

**Form 51-102F1**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**WESTBRIDGE ENERGY CORPORATION**

**Date**

The effective date of this MD&A is April 28, 2017.

**Introduction**

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Westbridge Energy Corporation ("Westbridge" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2016. This MD&A was written to comply with the requirements of National Instrument 51-102 Continuous Disclosure Obligations.

This discussion should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2016, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included.

The results for the year ended December 31, 2016 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at this date, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors.

Additional information about Westbridge is available at [www.Sedar.com](http://www.Sedar.com).

## **Description of the Business**

Westbridge Energy Corporation is a junior oil and natural gas exploration and production company.

The Company holds an 80% interest in an oil and gas petroleum exploration license granted by the Ministry of Mines and Energy of the Republic of Namibia to explore within block number 1811B off-shore Namibia through its 100% owned subsidiary, Kayuco Universal Ltd. (“Kayuco”).

In December 2013, the Company also entered into an agreement with Black Pearl Holdings, LLC, Black Pearl Exploration, LLC and Michael R. Looney (collectively referred to as “BPH”), to acquire working interests in three projects in the southern United States. The Company currently has back-in rights and net production royalty interests in acreage comprising the Bivens Field Project in Louisiana and Wharton County Field Project in Texas.

The Company, through its 100% owned subsidiary Portrush Petroleum USA, also holds a 22.5% working interest in the Lenox project in Macomb County, Michigan which was acquired in June 2000. The project consists of two oil wells which are no longer producing significant revenue and during fiscal year 2009, the interest in the project was fully depleted.

## **Exploration and Evaluation Assets**

### **Bivens Field Project, Louisiana, USA**

The Company entered into an agreement with BPH whereby Westbridge acquired a 31% working interest in the Bivens Field Project from BPH in exchange for the commitment to finance 56% of the costs to work-over the Olympia Minerals No. 1 and Olympia Minerals No. 2 wells. In addition to the work-overs, the Company was also required to fund 56% of the costs to drill one deep development well by September 2014 to maintain the 31% interest. The Company fulfilled its commitments as it pertained to the work-overs and explored various capital plans to finance the US\$3.1 million share of costs to drill and complete the deep well but was unsuccessful. The Company would have recovered 100% of the costs incurred to drill the deep well by receiving 50% of BPH’s cash flow produced from the deep well.

In June 2016, the Company entered into a definitive Purchase and Sale Agreement to sell its working interest in the Bivens Field Project to a private US company, in exchange for the acquirer assuming all current and future liabilities and costs associated with the field totalling \$137,190, including \$82,705 in accounts payable to the operator and \$54,485 in decommissioning provisions. In addition to the assumption of liabilities, the acquirer also provided Westbridge with a net production royalty of 2%, provided the wells produce in commercial quantities and the recovery of drilling and development costs from any subsequent wells.

## **Wharton County Field Project, Texas, USA**

The Company and BPH entered into an agreement to acquire a 100% interest in the Wharton County Field Project from mineral lease owners. WEB will receive 50% of this interest in exchange for funding the Company's and BPH's share of a development well to initiate production. Pursuant to the terms of the transaction with BPH, WEB will recover 100% of the program costs by receiving 80% of BPH's cash flow produced from the development well but only until such time as 100% of all of the Company's costs incurred to lease the acreage and drill the well have been recovered. The Company will have a right of first refusal to participate up to a 50% working interest in leases or prospects secured by BPH in the Wharton County Field Project mutual area of interest.

The Wharton County Field Project is a proven oil field on 400 acres in southeastern Wharton County, Texas. The prospect is situated off the flank of Boling Dome at the far edge of the Houston Salt Dome embayment. The project was previously drilled by BPH and other partners and encountered commercial oil & gas in the lower Frio Formation. The prospect is a structural - stratigraphic trap identified with 2D seismic data and displays anomalous amplitude attributes and structural relationships comparable to analogous Frio production along trend.

As a result of various farm-downs of interest in the Wharton Field, Westbridge held a 20% working interest and BPH held a 15% operating interest. After taking into account various back-in rights, Westbridge held a 27.5% working interest and BPH a 22.5% operating interest in the Wharton County Field after payout. Further, as a result of these transactions, Westbridge funded 40% of the costs associated with drilling and completing the Gary Heirs #3 ("GH#3") well.

The GH#3 well in Wharton County, Texas, was drilled to total depth of 10,000 feet (3,048 meters) and encountered 47 feet (14.3 meters) of gross objective interval with 25 to 30 feet (7.6 to 9.1 meters) of net pay in the Lower Frio section of the field. Results from the logging and coring confirmed the presence of 36 to 40 degree gravity oil. Based on the results from the drilling of the GH#3 well, the Company proceeded with the completion of the well. After initial testing, the decision was made to install a pumping unit in order to produce the well.

Upon installation of the pumping unit, the GH#3 was brought online and began to produce at an initial rate ranging from 26 to 62 barrels of oil per day, as measured over a four day period from September 17, 2014 to September 20, 2014. During this production period, the oil cut was an average of 46%. However, problems with the well bore occurred and a decision was made to shut-in the well and cease production.

In February 2015, the Company entered into a definitive Purchase and Sale Agreement ("PSA") to sell its current working interest in the Wharton County Field to a private US company, in exchange for a back-in right equal to 25% of its current working interest upon payout of the Gary Heirs #3 well ("GH#3"). The acquirer assumed all current and future liabilities and costs associated with the field totaling \$179,325 until the realization of the Company's back-in right.

## **Lavaca County Project, Texas, USA**

The Company and BPH entered into an agreement to complete a 3 well program to confirm multiple anomalies identified on the 3D seismic in exchange for a 50% working interest. The program was estimated to cost US\$4.5 million to complete. The Company will recover 100% of the program costs by receiving 80% of BPH's cash flow produced from the 3 wells but only until such time as 100% of all costs incurred to drill the 3 wells, acquire the leases and reprocess its share of the seismic reprocessing have been recovered. The Company had a right of first refusal to participate up to a 50% working interest in leases or prospects secured by BPH in the 85 square mile Lavaca County 3D Seismic mutual area of interest. As at December, 2015, Westbridge did not expend the capital to maintain its rights to participate in the Lavaca County Project and does not hold any leases in Lavaca County at this time.

## **ExxonMobil dataset**

As per the terms of the Working Interest Purchase Agreement with BPH, the Company issued 125,000 shares to BPH in exchange for the option to acquire up to a 50% working interest in any prospects generated by BPH from a 2D dataset licensed from ExxonMobil (the "ExxonMobil Dataset"). This 2D dataset spans approximately 100,000 linear miles in 7 states throughout the US Gulf Coast region. Using this data, BPH has identified over 500 prospects and leads and generated a 70% commercial success rate in the drilling of 60 plus prospects.

In June 2016, Westbridge entered into a definitive Purchase and Sale agreement stipulating that in the event that BPH generates one or more prospects from the 2D datasets licensed from ExxonMobil (the "ExxonMobil Data"), BPH shall cause Westbridge to be assigned a 1% overriding royalty interest in and to such prospect(s).

## **Namibia**

### **Block 1811B**

Through its ownership of Kayuco, a private company incorporated under the laws of the British Virgin Islands, the Company owns an 80% interest in an oil and gas petroleum exploration licence granted by the Ministry of Mines and Energy of the Republic of Namibia to explore within block number 1811B (the "Licence") off-shore Namibia. The remaining 20% interest is a carried interest with certain back in rights held by NAMCOR (the Namibian state oil company) and Lunganda Trading Enterprise (Namibian economic empowerment group).

Block 1811B is situated in the Walvis basin off the northern coast of Namibia along the international boundary with Angola. Kayuco's interest in Block 1811B covers an area of approximately 1.4 Million acres (5,854 square kilometres). A technical report compliant with NI 51-101 was completed and filed with the Exchange for review and is filed on SEDAR.

As the Company does not expect to meet the expenditure requirement for the license, the Company has written-off all costs associated with the concession. The Company was actively evaluating alternatives for the License, which may include but not be limited to, a farm-down, spin-out or divestment of its interest. In addition to these transactional alternatives, the Company intends to work with the Namibian government to renegotiate the terms and conditions of the Petroleum Agreement for the License, with the objective of providing capital sources or partners more attractive terms to partake in advancing the technical work requirements for the License.

## Financing Activity During the Year Ended December 31, 2016

In April 2016, the Company raised gross proceeds of \$130,000 through the issuance of 2,600,000 units (each a “Unit”) at a price of \$0.05 per Unit. Each Unit consisted of one common share and one common share purchase warrant (each a “Warrant”) entitling the holder to purchase one additional common share at an exercise price of \$0.05 per share until May 2, 2019.

## Selected Financial Information

	Year-end 12/31/16	Year-end 12/31/15	Year-end 12/31/14
Basis of preparation	IFRS	IFRS	IFRS
Revenues (Net)	\$ 16,682	\$ 83,856	\$ 173,259
General and Administrative Expenses (not including stock based compensation)	105,174	245,338	846,519
Stock Based Compensation Expenses	-	4,996	302,262
Comprehensive Loss per share	(101,745) (0.02)	(234,068) (0.07)	(10,476,541) (3.40)
Working Capital (Deficiency)	(473,108)	(452,538)	(382,009)
Exploration and evaluation assets	-	-	157,800
Long Term Liabilities	17,311	71,796	65,053
Shareholders' Equity (Deficiency) Dollar Amount	\$ (221,679)	\$ (246,335)	\$ (56,262)
Number of Securities	5,759,293	3,159,293	3,099,293

## Results of Operations

### Summary of Quarterly results

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Oil & Gas Revenue, net of royalties	\$ 5,430	\$ 1,831	\$ 7,470	\$ 1,951	\$ 27,914	\$ 17,894	\$ 14,656	\$ 23,392
Operating Expenses	3,826	871	3,301	5,576	59,388	8,702	21,375	30,392
Net Revenue (Loss) after Operating Expenses	1,604	960	4,169	(3,625)	(31,474)	9,192	(6,719)	(7,000)
General and Admin Expenses	33,206	30,288	16,987	24,693	42,362	52,741	67,626	87,605
Income (loss) before other items	(31,602)	(29,328)	(12,818)	(28,318)	(73,836)	(43,549)	(74,345)	(94,605)
Other Items*	(137,319)	45	137,170	425	23,167	55	(1,452)	36,373
Currency translation adjustment	-	-	-	-	(5,876)	-	-	-
Comprehensive income (loss) for the period	(168,921)	(29,283)	124,352	(27,893)	(56,545)	(43,494)	(75,797)	(58,232)
Basic loss per share	(0.03)	(0.01)	0.03	(0.01)	(0.02)	(0.01)	(0.02)	(0.02)

\* See the financial statements regarding these items.

## Results of Operations for the Year Ended December 31, 2016

**Net Income (Loss):** The year ended December 31, 2016 yielded a net loss of \$101,745 (2015 – \$228,192). This was comprised of revenue of \$16,682 (2015 – \$83,856), operating expenses of \$13,574 (2015 - \$119,857), General and Administrative expenses (“G&A”) of \$105,174 (2015 - \$250,334), and a gain from other items of \$321 (2015 – \$58,143).

**Revenue:** Revenue from the sale of oil and natural gas (net of royalties) was \$16,682 compared to \$83,856 in 2015. The decrease was due to lower oil prices and lower production from the Lennox wells in Michigan and no production from the OM#1 and OM#2 wells on the Bivens project as it was sold in June 2016.

**Expenses:** Well operating expenses were \$13,574 compared with \$119,857 in 2015. The decrease was due to no costs incurred on the OM#1 and OM#2 wells on the Bivens project were inactive in 2016 and the project was sold in June 2016.

**General & Administration Expenses:** G&A expenses were \$105,174 (2015 - \$250,334). Most G&A expenses decreased due to lower activity of the Company.

**Other Items:** Other items consisted of a foreign exchange gain of loss of \$25,756 (2015 – gain of \$28,393), interest income of \$558 (2015 - \$Nil), expenditures of \$111,671 (2015 - \$Nil) incurred on exploration and evaluation assets previously written off and a realized gain of \$137,190 (2015 - \$Nil) on the sale of the Bivens project for the amount payable to the operator and the assumption by the purchaser of the decommissioning provision. The previous year included a realized gain of \$29,750 on the issuance of share for debt.

## Results of Operations for the Three Months Ended December 31, 2016

**Net Income (Loss):** The three months ended December 31, 2016 yielded a net loss of \$168,921 (2015 – \$50,667). This was comprised of revenue of \$5,430 (2015 – \$27,914), operating expenses of \$3,826 (2015 - \$59,388), General and Administrative expenses (“G&A”) of \$33,205 (2015 - \$42,362), and a loss from other items of \$137,320 (2015 – gain of \$23,167).

**Revenue:** Revenue from the sale of oil and natural gas (net of royalties) was \$5,430 compared to \$27,914 in 2015. The decrease was due to lower oil prices and lower production from the Lennox wells in Michigan and no production from the OM#1 and OM#2 wells on the Bivens project as the project was sold in June 2016.

**Expenses:** Well operating expenses were \$3,826 compared with \$59,388 in 2015. The decrease was due to no costs incurred on the OM#1 and OM#2 wells on the Bivens project as the project was sold in June 2016.

**General & Administration Expenses:** G&A expenses were \$33,205 (2015 - \$42,362). The decrease was due to \$Nil (2015 - \$6,544) in accretion expense. All other G&A expenses remained at the same levels as the same period in 2015.

**Other Items:** Other items consisted of expenditures of \$111,671 (2015 - \$Nil) incurred on exploration and evaluation assets previously written off and a foreign exchange loss of \$25,648 (2015 – gain of \$23,167). This was due to the revaluation of some amounts payable that are denominated in USD.

## **Liquidity and Capital Resources**

At December 31, 2016, the Company had cash on hand of \$42,412 (December 31, 2015 - \$4,512) and a working capital deficiency of \$473,108 (December 31, 2015 – \$452,538). The Company will need to be recapitalized in order to continue as a going concern.

In April 2016, the Company raised gross proceeds of \$130,000 through the issuance of 2,600,000 units (each a “Unit”) at a price of \$0.05 per Unit. Each Unit consisted of one common share and one common share purchase warrant (each a “Warrant”) entitling the holder to purchase one additional common share at an exercise price of \$0.05 per share until May 2, 2019. The warrants are currently “in the money” and the Company hopes to have them exercised

## **Commitments**

Other than the commitments discussed in the exploration and evaluation section and the related party section, the Company has no commitments.

## **Off-Balance Sheet Transactions**

The Company does not have any off-balance sheet transactions.

## **Related Party Transactions for the Year Ended December 31, 2016**

1. The Company paid or accrued management fees of \$30,000 (2015 - \$105,879) to 2263171 Ontario Inc., a company controlled by the President and CEO of the Company, Darren Collins;
2. The Company paid or accrued administration fees of \$30,000 (2015 - \$31,000) to New Dawn Holdings Ltd., a company controlled by Paul Larkin, a Director of the Company. The fees are for the day to day financial administration and office rent for the Company.

Amounts due to related parties are non-interest bearing, unsecured and have no specific terms of repayment. Related party transactions are in the normal course of operations, occurring on terms and conditions that are similar to those of transactions with unrelated parties and, therefore, are measured at the exchange amount.

## **Proposed Transaction**

There are currently no proposed transactions, except as otherwise disclosed in this MD&A. Confidentiality agreements may be entered into from time to time with independent entities to allow for discussions of the potential acquisition and or development of certain properties.

## Financial Instruments

The Company's financial assets consist of cash, which is designated as held for trading and measured at fair value; and amounts receivable which are designated as loans and receivables and measured at amortized cost. The Company's financial liabilities consist of accounts payable and accrued liabilities which are designated as other financial liabilities and measured at amortized cost. The fair values of these financial instruments approximate their carrying values due to their short-term nature.

## Outstanding Share Data

The following table summarizes the outstanding share capital as at April 28, 2017, the effective date of this MD&A:

Common shares – issued and outstanding	5,759,293
Warrants outstanding	2,600,000
Stock options outstanding	149,688
Total – fully diluted	<u>8,508,981</u>

## Recent Accounting Pronouncements and Judgements

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed interim financial statements within the next financial year are discussed below:

### i) Decommissioning Provisions

Asset retirement obligation provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market conditions at the time of the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently estimated.

ii) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of comprehensive loss in the period the new information becomes available.

iii) Title to Oil and Gas Property Interests

Although the Company has taken steps to verify title to oil and gas properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

iv) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

v) Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied. Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

vi) Future accounting policies:

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

IFRS 9, "Financial Instruments":

IFRS 9 is postponed until January 1, 2018, and could change the classification and measurement of financial assets. The extent of the effects of IFRS 9 on the consolidated financial statements has not been determined.

IFRS 15, Revenue from Contracts with Customers. Effective date: January 1, 2018.

IFRS 15 is based on the core principle to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 focuses on the transfer of control. IFRS 15 replaces all of the revenue guidance that previously existed in IFRSs. The effective date for IFRS 15 is January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

There were no policies adopted during the year ended December 31, 2016 that had an impact on the consolidated financial statements.

## **Risks**

### **Exploration Risks**

Oil and gas exploration and development involves significant risks. Few wells which are drilled are developed into commercially producing fields. Substantial expenditures may be required to establish reserves and no assurance can be given that commercial quantities or further reserves will be discovered or, if found, will be present in sufficient quantities to enable the Company to recover the costs incurred. The Company's estimates of exploration and production costs can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, and unusual or unexpected formations, pressures and work interruptions. There can be no assurance that actual exploration cost will not exceed projected cost.

### **Volatility of Oil and Gas Prices**

The Company's revenues, profitability and future growth and the carrying value of its oil and gas properties are substantially dependent on prevailing prices of oil and gas. The Company's ability to borrow and to obtain additional capital on attractive terms is also substantially dependent upon oil and gas prices. Prices for oil and gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors beyond the control of the Company. These factors include economic conditions in the United States and Canada, the actions of the Organization of Petroleum Exporting Countries, governmental regulation, political stability in the Middle East and elsewhere, the foreign supply of oil and gas, the price of foreign imports and the availability of alternative fuel sources.

Any substantial and extended decline in the price of oil and gas would have an adverse effect on the Company's carrying value of its proved reserves, borrowing capacity, revenues, profitability and cash flows from operations.

Volatile oil and gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

### **Risks Relating to Financial Condition**

*Going concern assumption used by management highlights doubts on the Company's ability to successfully continue*

The Company's financial statements include a statement that the financial statements of the Company are prepared on a going concern basis, and therefore that certain reported carrying values are subject to the Company receiving the future continued support of its stockholders, obtaining additional financing and generating revenues to cover its operating costs. The going concern assumption is only appropriate provided that additional financing continues to become available.

*The Company's History of Operating Losses is likely to continue leading to need for additional potentially unavailable financings and related problems*

The Company has a history of losses. Despite recent capital infusions, the Company will require significant additional funding to meet its business objectives. Capital may need to be available to help maintain and to expand work on the Company's principal exploration/development property. The Company may not be able to obtain additional financing on reasonable terms, or at all. If equity financing is required, then such financings could result in significant dilution to existing shareholders. If the Company is unable to obtain sufficient financing, the Company might have to dramatically slow exploration/development efforts and/or lose control of its projects. The Company has historically obtained the preponderance of its financing through the issuance of equity. The Company has no current plans to obtain financing through means other than equity financing and/or loans. Such losses and the resulting need for external financings could result in losses of investment value.

*The Company's Need for Additional Financing to Explore and Develop new oil and gas properties*

The Company is engaged in the business of exploiting oil/gas properties. The Company currently has insufficient funds to meet its working capital obligations and additional financing will be required to search for and develop any new oil/gas properties identified and to place new wells into commercial production. The exploitation of oil/gas properties is, therefore, dependent upon the Company's ability to obtain financing through the sale of assets, debt financing, equity financing or other means. Failure to obtain such financing may result in delay in the Company's ability to search for and develop other oil/gas properties.

*The Company competes with other oil/gas companies which have similar operations, and many such competitor companies have operations and financial resources and industry experience far greater than those of the Company.*

Nevertheless, the market for the Company's potential future production of oil/gas tends to be commodity-oriented rather than company-oriented. If a well successfully reaches commercial production, the Company will still be subject to competition from much larger and financially stronger competitors and such competition may materially adversely affect the Company's financial performance.

**Credit risk**

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations.

The Company's cash is primarily held in large Canadian financial institutions. The Company does not have any asset-backed commercial paper. The Company's receivables consist mainly of GST receivable due from the Federal Government of Canada and balances due from the sale of its share of oil and gas relating to its oil and gas properties. Management believes that the credit risk concentration with respect to financial instruments included in receivables is minimal.

**Currency risk**

Cash held in foreign currencies other than the Canadian dollar is subject to currency risk. The Company is exposed to currency risk by incurring revenues and expenditures in US dollars. The Company does not use derivative instruments or foreign exchange contracts to hedge against gains or losses arising from foreign exchange fluctuations.

**Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. There is a very limited interest rate risk as the Company holds no interest bearing financial obligations or assets.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

**Price risk**

The Company is exposed to price risk with respect to commodity and equity prices. The ability of the Company to explore its oil and properties and the future profitability of the Company are directly related to the market price of oil and gas. The Company monitors oil and gas prices to determine the appropriate course of action to be taken by the Company.

**Officers Certification of Evaluation of Disclosure Controls**

In connection with Exemption Orders issued in November 2007 and revised in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management Discussion and Analysis.

In contrast to the certificate under National Instrument ("NI") 52-109 (Certification of Disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification 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.

The Company has been in the exploration stage and has not had common separation of duties and functions usually found in a larger or revenue generating company with comprehensive internal controls. While the Company's smaller staff size has not allowed for full separation of duties, its senior management believes that its close involvement with day-to-day business activities and related financial reporting provides a reasonable measure of internal control in lieu of the separation of duties.

## Forward Looking Statements

Forward looking statements or information included in this Management Discussion & Analysis (“MD&A”) include statements with respect to:

- the Company’s current internal expectations, estimates, projections, assumptions and beliefs regarding the future market price of oil and gas and Canadian US exchange rates; and
- expectations regarding the Company’s ability to raise capital and add to reserves through the acquisition and development of current and additional oil and gas properties.

Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to be correct, and actual results may differ significantly from the results discussed in these forward-looking statements.

Factors, risks and uncertainties that could cause actual outcomes and results to be materially different from those projected include, among others:

- adverse changes in prices for oil and gas and in general economic conditions and risks associated with the oil and gas industry
- in general such as the uncertainty of reserve estimates, the uncertainty of estimates and projections relating to production, costs and expenses; and
- the operational risks in development, exploration and production.

In evaluating forward-looking statements, readers should specifically consider the various factors which could cause actual events or results to differ materially from those indicated by such forward-looking statements.