COBRA VENTURE CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE MONTH PERIOD ENDED FEBRUARY 28, 2010

DESCRIPTION OF BUSINESS AND OVERVIEW OF OPERATIONS AND FINANCIAL CONDITION

The following discussion and analysis, prepared as of April 28, 2010, should be read together with the unaudited financial statements for the three month period ended February 28, 2010 and the audited annual financial statements for the year ended November 30, 2009 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

Cobra Venture Corporation (the "Company") is an emerging energy company focused on the acquisition, development and production of strategic petroleum and natural gas interests in Western Canada (see discussion below in "Results of Operations"). The recoverability of the amounts shown for petroleum and natural gas interests are dependant upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production. The Company trades on the TSX Venture Exchange under the symbol CBV.

Additional information related to the Company is available for view on SEDAR at www.sedar.com.

BOE Presentation – For the purposes of calculating unit costs, natural gas is converted to a barrel of oil equivalent (BOE) using six thousand cubic feet equal to one BOE unless otherwise stated. A BOE is a very approximate comparative measure that, in some cases, could be misleading, particularly if used in isolation.

FORWARD LOOKING STATEMENTS

The information herein contains forward-looking statements and assumptions. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", continue", "estimate"," expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and other similar expressions. Such statements and assumptions also include those relating to guidance, results of operations and financial condition, capital spending, financing sources, commodity prices, costs of production and the magnitude of oil and gas reserves. By their nature, forward-looking statements are subject to numerous known and unknown risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, actual results may differ materially from those predicted. The Company is exposed to numerous operational, technical, financial and regulatory risks and uncertainties, many of which are beyond its control and may significantly affect anticipated future results.

Operations may be unsuccessful or delayed as a result of competition for services, supplies and equipment, mechanical and technical difficulties, ability to attract and retain workers on a cost-effective basis, commodity and marketing risk and seasonality. The Company is subject to significant drilling risks and uncertainties including the ability to find oil and natural gas reserves on an economic basis and the potential for technical problems that could lead to well blowouts and environmental damage. The Company is also exposed to risks relating to the inability to obtain timely regulatory approvals, surface access, access to third party gathering and processing facilities, transportation and other third party related operational risks. Furthermore, there are numerous uncertainties in estimating the Company's reserve base due to the complexities in estimated future production, costs and timing of expenses and future capital. The financial risks the Company is exposed to include, but are not limited to, access to debt or equity markets and fluctuations in commodity prices and interest rates. The Company is subject to regulatory legislation; compliance with which may require significant expenditures and non-compliance with which may result in fines, penalties or production restrictions.

Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. The Company 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 may be required by applicable securities laws.

NON-GAAP MEASURES

The Company also uses "operating netbacks" as a key performance indicator of field results by commodity. Operating netbacks do not have a standardized meaning prescribed by Canadian GAAP and therefore may not be comparable with the calculation of similar measures by other companies. Operating netbacks are determined by deducting royalties, operating, processing and transportation expenses from petroleum and natural gas sales.

Funds flow from operations and operating netbacks are not intended to represent operating profits, nor should they be viewed as an alternative to cash flow provided by operating activities, net earnings or other measures of financial performance calculated in accordance with Canadian GAAP.

PERFORMANCE SUMMARY

The following is a summary of the significant events and transactions that occurred during the period ended February 28, 2010:

- Completed the drilling of four horizontal wells in the Viewfield are of Saskatchewan and has retained a 20% overriding royalty interest in these wells.
- Earned a 27% working interest in two natural gas wells in the Pembina area of Alberta and is receiving production revenue from both wells. The Company also has a 40% net working interest in additional areas within the Pembina property where an additional 10-12 drill targets have been identified and are being evaluated for future development.
- Acquired an 80% working interest ownership in an oil well located in the Willesden Green area which is subject to applicable royalties. The Company entered into a multi-well farm in arrangement with a private oil and gas operator in the area. The operator has agreed to perform some remedial work in the well and equip and tie-in the well to earn 50% of the Company's interest being a 40% working interest.

The following is a summary of the significant events and transactions that occurred during the year ended November 30, 2009:

- Granted 1,050,000 stock options to directors and officers of the Company. The options allow the holder to purchase one common share of the Company at an exercise price of $0.16 per option on or before April 3, 2014.

RESULTS OF OPERATIONS FOR THE THREE MONTH PERIOD ENDED FEBRUARY 28, 2010

Oil and Gas revenue for the three month period ended February 28, 2010 were $537,827 compared to $84,066 in 2009. The increase is a result of increased oil and gas prices, royalties from the Viewfield, Saskatchewan property, and additional wells coming online.

Direct costs of production for the three month period ended February 28, 2010 were $99,391 compared to $26,227 in 2009. The increase is primarily of a result of increased depletion costs as a result of increased production.

Operating expenses for the three month period ended February 28, 2010 ($149,715) are fairly consistent with the three months ended February 28, 2009 ($164,939). The slight decrease relates to reduced accounting and audit expenditures.

PETROLEUM AND NATURAL GAS INTERESTS

Viewfield Area, Saskatchewan

On October 10, 2002, the Company completed its agreement for the purchase of petroleum and natural gas assets ("Assets") from Charter Oil Corporation ("Charter"). The petroleum and natural gas assets consisted of an approximate 90% net working interest in 2,880 freehold acres in the Viewfield area of southeast Saskatchewan.

PETROLEUM AND NATURAL GAS INTERESTS (cont'd…)

Viewfield Area, Saskatchewan (cont'd…)

In consideration of the acquisition of the Assets from Charter, the Company paid cash consideration of $150,000, issued 400,000 common shares at an agreed value of $240,000 and issued 830,000 Participating Redeemable Series "A" Preferred Shares at an agreed value of $830,000 for total consideration of $1,220,000.

During the year ended November 30, 2003, the Company entered into two participation and option agreements with Celtic Exploration Ltd. ("Celtic") on the Company's acreage in the Viewfield area, Saskatchewan. The agreements provided Celtic with the option to earn an interest in the lands by drilling up to three exploration wells.

The Company retained an entitlement to participate directly in the drilling of the exploration wells as to a 25% net working interest, with Celtic paying the balance of the drilling and completion costs. Following completion of each exploration well, Celtic will have earned a 50% interest in designated lands of the Company. In addition, the agreements provided for a regional area of mutual interest between the Company and Celtic on a 50/50 basis.

The Company paid $26,570 for its share of the acquisition costs for the joint leased crown lands. The Company exercised its right to participate in the drilling of the first exploration well as per the terms of the agreement and paid $130,000 for its 50% share of the drilling costs. The well was subsequently abandoned. Celtic did not elect to drill on the Company's optioned land and subsequently did not earn the 50% working interest in the Viewfield lands under the terms of the agreement and the option expired.

In 2004, the Company entered into several leases on portions of the Company's free acreage in the Viewfield area, of southeast Saskatchewan totaling approximately 1,440 acres. These leases had terms varying from six months to two years.

On May 27, 2005, the Company entered into a definitive sale agreement for the sale of a non-producing undivided four-fifths 1,440 gross (1,152 net) acres situated in the Viewfield area, of southeast Saskatchewan for a total purchase price of $1.45 million. The transaction closed June 6, 2005, and the Company received the funds on July 15, 2005. The sale of these freehold properties represented approximately 39 per cent of the Company's non-producing Saskatchewan landholdings.

On October 19, 2006 the Company announced that it had entered into a multi-well farmout with Acero Energy Inc. ("Acero") of Calgary, Alberta, covering the Company's lands located in the Viewfield area of southeast Saskatchewan. Acero is a privately owned Calgary based oil exploration company with operations in the Viewfield area of Saskatchewan operated by the former principals of Bison Resources Ltd. By applying unconventional geological interpretations and utilizing modern drilling techniques, the Bison group discovered the Bakken light, sweet oil play in the greater Viewfield area leading to the further expansion of the play throughout SE Saskatchewan. Relying exclusively on geology and maintaining a hands-on approach to business, the team built that company to its eventual sale value in January 2006 of approximately $113.4 MM.

Under the terms of the Company/Acero agreement, Acero had to drill a minimum of 3 wells to test the Frobisher and Bakken light oil formations. In December 2006, the first well was drilled. The single horizontal leg well encountered approximately 400 meters of high quality limestone porosity and initial production has yielded a sweet 30.3 degree API gravity oil with a very low water cut. Production rates for the well have been as high as 240 barrels of oil per day since completion of the well in the early part of December 2006, but the operator anticipates reducing the rate of production to approximately 200 barrels of oil per day while the reservoir is being evaluated.

In early February 2007, the second well of a three well drilling program in the Viewfield Area of South East Saskatchewan, was drilled and completed as a producing oil well. Production rates for the well have averaged approximately 250 barrels per day, of sweet 30.3 degree API gravity oil with negligible water. The Company owns 25% of the freehold mineral rights on the lands and has retained a non-convertible sixteen percent (16%) gross overriding royalty net of crown obligations.

In July 2007, the third well of the program was drilled and completed as a horizontal Bakken formation, light oil well on the southwest quarter of 640 gross, 320 net acres of crown leased land where the Company holds a 50% ownership of the mineral rights and has retained a non-convertible sixteen percent (16%) gross overriding royalty.

PETROLEUM AND NATURAL GAS INTERESTS (cont'd…)

Viewfield Area, Saskatchewan (cont'd…)

In September 2007, the Company announced that it had entered into a second farm out arrangement with Acero. Under the terms of the agreement with Acero, the Company receives 16% gross override, no deduction royalty, on all production from Company lands. Within the 40 acres allowable spacing provisions, the Company believes there are over 26 potential well locations remaining on the existing land base, which is now fully under development. The Company has an ongoing geological assessment program underway to evaluate new opportunities at crown land sales and by farm in to increase drill target inventory in the area.

Viewfield activity - December 1, 2008 to February 28, 2010

The Company's southeast Saskatchewan lands continue to produce monthly revenue on a royalty basis from 8 wells (3 existing wells drilled in 2004-2005). The Company owns 80% of the freehold mineral rights on these lands and has retained a non-convertible sixteen percent (16%) gross overriding royalty held under the terms of a previous lease agreement.

The Company has achieved 100% drilling success in the first 5 wells in the Viewfield area thru the terms of the farm-out agreement with Acero Energy Inc.

During the year ended November 30, 2008, the Company sold 480 acres of 640 acres in the Province of Saskatchewan for a total purchase price of $790,000, resulting in a gain of $330,737.

During the year ended November 30, 2009, the Company completed drilling two horizontal wells and has retained a 20% overriding royalty interest in these wells.

During the three months ended February 28, 2010, the Company completed drilling four horizontal wells and has retained a 20% overriding royalty interest in these wells. Additional horizontal wells are possible and would be completed under the terms of the same agreement.

During the year ended November 30, 2009, the Company received $747,351 (2008 - $898,875) in royalty revenue.

During the three month period ended February 28, 2010, the Company received $522,786 (2009 - $69,664) in royalty revenue.

Pembina Area, Alberta

On November 14, 2005, the Company entered into a Participation Agreement with an operating industry partner to participate in the drilling of an initial three (3) exploration wells and earn a working interest in the Pembina area of Alberta. The Company had the right to earn a 27% net working interest by paying 45% of all costs associated with the drilling program to earn a 40% net working interest in the prospect area comprised of seven (7) sections or approximately 4,480 acres.

In the summer of 2006, the Company participated in the drilling of two natural gas wells. These wells encountered multiple natural gas zones, one (1) has subsequently been abandoned in 2007, and one (1) remains standing pending recompletion.

In March 2007, the third (3^{rd}) and final earning well at Pembina Area, Alberta was drilled, completed and tied in as a producing Edmonton Sands gas well.

The Company has earned a 27% working interest in two (2) natural gas wells and is receiving production revenue from one (1) well and one (1) remains standing pending recompletion. The Company subsequently has earned a 40% net working interest in 4,200 acres where an additional 10-12 drill targets have been identified and are being evaluated for future development.

PETROLEUM AND NATURAL GAS INTERESTS (cont'd…)

Pembina area, Alberta (cont'd…)

During 2007, a third party industry partner drilled and completed a fourth (4^{th}) natural gas well on Company lands, thru a farm in arrangement. It is currently a standing natural gas well and it is anticipated it will be tied in to produce.

The Company has earned a 27% working interest in two natural gas wells and is receiving production revenue from both wells. The Company also has a 40% net working interest in additional areas within the Pembina property where an additional 10-12 drill targets have been identified and are being evaluated for future development.

During the year ended November 30, 2009, the Company received $56,602 (2008 - $134,809) in production revenue.

During the three months ended February 28, 2010, the Company received $15,041 (2009 - $14,402) in production revenue.

Alderson Area, Alberta

In the fall of 2007, the Company obtained a 50% net working interest in 320 acres of land in Central Alberta for $77,215.

The proposed 3D program has been completed by a 3^{rd} party at no cost to Cobra. The evaluation by this 3D seismic seems to indicate the presence of a large high anomaly, which as the potential for a new oil pool. The anomaly is offset by a smaller anomaly that produced 98,000 barrels from depths of only 900 meters. Cobra holds a 25% working interest in the existing lands and 3D seismic.

The Company has determined that further seismic evaluation in the area is required before a well can be drilled. Work on this prospect continues and any drilling will be subject to such seismic evaluations.

Willesden Green Area, Alberta

In the fall of 2007, the Company obtained a 40% net working interest in 160 acres of land in Central Alberta for $18,570.

The Company has applied for and has been granted a holding in the Willesden Green area.

The first of two locations has now been drilled in the Willesden Green area. The wellbore encountered 5 meters of net oil pay including 1 meter of conglomerate. The well has now been cased, perforated and fracture stimulated. Following the fracing, the well flowed oil to surface from 2100 meters, however, the well has now been shut in to allow for pressure build-up data to be acquired. Following this acquisition of data, it is anticipated that the well will be tied into a nearby pipeline and put into production. Until further testing is completed following the pipeline tie in, no production rate can be accurately established at this time.

Offset wells in proximity with very similar oil pay sections have produced over 100,000 barrels of oil and are continuing to produce between approximately 20 and 50 barrels of oil per day. The Company has acquired an 80% working interest ownership in this oil well, subject to applicable royalties. The Company entered into a multi-well farm in arrangement with a private oil and gas operator in the area. The operator has agreed to perform some remedial work in the well and equip and tie-in the well to earn 50% of the Company's interest being a 40% working interest.

The Company acquired an 80% working interest in an oil well located in the Willesden Green area which is subject to applicable royalties. The Company has entered into a multi-well farm in arrangement with a private oil and gas operator in the area and the operator has agreed to perform some remedial work in the well and equip and tie-in the well to earn 50% of the Company's interest being a 40% working interest.

PETROLEUM AND NATURAL GAS INTERESTS (cont'd…)

Iosegun Area, Alberta

In the fall of 2007, the Company obtained a 20% net working interest in 160 acres of land in Central Alberta for $15,543.

The Company has acquired the oil and natural gas rights to the Nisku zone and plans to re-enter an oil well that was abandoned in the 1980's with historical production of between 20 and 30 bbls/d of light oil.

The surface audit of the existing well site has been completed by the current owner of the wellbore. Cobra has vetted this environmental audit and is fully satisfied that no environmental liabilities exist with the old well site and it is anticipated that the Corporation will now be proceeding with taking over the existing wellbore from the current owners. The potential re-entry is anticipated to re-establish the production of approximately 20-30 barrels of light oil per day that existed when the well was abandoned in the 1980's. Cobra owns a 20% working interest but may earn additional percentages by farm-in from the current owners.

Valhalla Area, Alberta

The Company has entered into an agreement to acquire a 20% working interest in lands in the Valhalla area. The section shows several interesting sands that have high natural gas readings on the lithology gas detector during drilling of an old abandoned well. The Company has identified several natural gas zones which correlate to nearby natural gas wells drilled to the Bluesky-Gething formation that produced between 1 Bcf and 2.5 Bcf in offset wells. Also of interest is the shallower Paddy-Cadotte sand package that produced over 3.8 Bcf in a nearby wellbore. This land acquisition is anticipated to close soon and once acquired, a location has been identified for winter drilling in 2009 budget. The Company will also have the option to earn an additional 30% interest for a total 50% working interest in the section of land. Innitial production rates for the offset Bluesky well were 1.5 mmcf/d, while the Paddy production rates were over 4 mmcf/d for the first year in a well 2 miles to the south of these lands.

Morinville area, Alberta

During the year ended November 30, 2008, the Company acquired a 40% net working interest in a 5 year crown lease for $73,675 and annual rental fees. The lease is for one section of land in Central Alberta.

Inga Area, N.E. British Columbia

Early in the summer of 2006, having reviewed seismic data, the Company obtained 640 gross, 480 net acres of crown leased land underlying a significant structure in Northeastern British Columbia. The Company's net working interest is 75%, and additional seismic structures are being reviewed with the intent to accumulate a larger land position in the prospect area.

The Company is awaiting results from some Montney horizontal wells drilled in the immediate vicinity of it Inga play. Upon analysis of some the decision to drill a vertical or horizontal Montney natural gas well will be made along with the conclusion of current efforts to increase the land base in the offsetting acreage. Three Montney wells are to be released and a land sale is taking place prior to that release. Once data on the wells is available, the Company will decide on the depth to be drilled and the type of completion to be used. The Company is in discussion with other landholders in the area for pooling and participation in a possible Montney well.

LIQUIDITY AND CAPITAL RESOURCES

The Company's petroleum and natural gas exploration activities have been funded to date primarily through revenue and the issuance of common shares.

LIQUIDITY AND CAPITAL RESOURCES (cont'd…)

As at February 28, 2010, the Company had working capital of $1,503,879 compared to working capital of $1,127,427 as at November 30, 2009. As at February 28, 2010, the Company had cash and cash equivalents of $1,114,521 compared to $1,027,611 as at November 30, 2009.

Net cash provided by operating activities for the three month period ended February 28, 2010 was $92,994 (2009 – $26,110) consisting primarily of the operating loss, and the change in non-cash items.

Net cash used in investing activities for the three month period ended February 28, 2010 was $6,084 (2009 – $910,542) which consisted primarily of petroleum and natural gas expenditures for both periods.

SUMMARY OF QUARTERLY RESULTS

	February 28, 2010	November 30, 2009	August 31, 2009	May 31, 2009
Total assets	$ 3,103,546	$ 2,881,456	$ 2,464,651	$ 2,545,744
Petroleum and natural gas interests	1,168,763	1,261,191	1,219,314	1,285,843
Working capital	1,503,879	1,217,427	913,429	937,980
Shareholders' equity	2,627,598	2,412,564	1,992,621	2,084,433
Revenue	537,827	539,240	92,232	88,415
Other income	888	943	3,790	957
Operating expenses	149,715	177,032	139,555	207,668
Income tax recovery (provision)	97,190	29,168	-	(113)
Net income (loss)	192,419	397,328	(116,467)	(181,671)
Basic and diluted income (loss) per share	0.01	0.03	(0.01)	(0.01)

	February 28, 2009	November 30, 2008	August 31, 2008 (Restated to conform with year end adjustments)	May 31, 2008 (Restated to conform with year end adjustments)
Total assets	$ 2,747,981	$ 3,724,543	$ 2,532,611	$ 2,532,611
Petroleum and natural gas interests	1,310,657	1,334,564	186,781	89,667
Working capital	1,057,569	1,105,822	1,665,603	1,950,021
Shareholders' equity	2,229,568	2,302,460	2,084,137	2,045,019
Revenue	84,066	332,960	214,291	232,840
Other income	11,929	6,157	21,262	(2,139)
Operating expenses	164,939	152,617	173,400	155,055
Gain on sale on leased land	-	(22,300)	-	
Income tax recovery	(95,171)	262,151	29,590	(30,746)
Net loss	(0.01)	0.02	(134,453)	29,590
Basic and diluted loss per share	$ 2,747,981	$ 3,724,543	(0.00)	(0.00)

RELATED PARTY TRANSACTIONS

The fair value of the amounts due to or from related parties is not determinable as they have no fixed terms of repayment, do not bear interest and are unsecured.

During the period ended February 28, 2010, the Company paid or accrued:

i) $20,986 (2009 - $30,880) in rent to a company in which a director and officer hold an interest.

ii) $36,000 (2009 - $36,000) in management fees to a company owned by a director and officer of the Company.

iii) $4,000 (2009 - $2,000) in directors fees, disclosed as management fees, to directors and officers of the Company.

iv) $3,600 (2009 - $3,600) in administrative fees disclosed as office and miscellaneous to a company owned by a director of the Company.

v) $799 (2009 - $1,752) in professional fees to a firm in which an officer of the Company is partner.

vi) $15,225 (2009 - $37,600) in professional fees to a firm in which a director of the Company is a partner.

Included in accounts payable is $13,571 (November 30, 2009 - $44,300) due to a firm in which a director of the Company is a partner and $10,007 (November 30, 2008 - $2,000) due to directors and officers.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

CHANGE IN ACCOUNTING POLICIES

Business combinations

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-Controlling Interests", which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These sections are applicable for the Company's interim and annual financial statements for its fiscal year beginning on or after January 1, 2011. Early adoption of these Sections is permitted, although all three Sections must be adopted concurrently. Effective December 1, 2009 the Company early adopted these three sections and does not consider the impact on the financial statements to be significant.

RECENT ACCOUNTING PRONOUNCEMENTS

International financial reporting standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of December 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended November 30, 2011. Management has attended briefing seminars on the transition to IFRS and are waiting the release of various exposure drafts and reports which will clearly define the accounting standards for the mining exploration industry.

FINANCIAL INSTRUMENTS AND RISK

Fair value

The carrying value of receivables and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 1,114,521	$ -	$ -

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents. Management believes that the credit risk concentration with respect to cash and cash equivalents is remote as it maintains accounts with highly-rated financial institutions.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at February 28, 2010, the Company had a cash and cash equivalents balance of $1,114,521 (November 30, 2009 - $1,027,611) to settle current liabilities of $178,201 (November 30, 2009 - $149,916). All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company has cash balances and cashable GIC's (February 28, 2010 - $1,000,000) at prime less 1.75%. Since the GIC's are cashable anytime, the Company believes it is not exposed to significant interest rate risk.

(b) Foreign currency risk

The Company conducts its activities in Canada with Canadian dollars. Therefore, the Company believes it is not exposed to foreign currency risk.

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of petroleum and natural gas, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

The Company has determined that a 1% change in interest rates, foreign exchange notes, or commodity prices would not have a significant impact on the financial statements.

CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern.

In the management of capital, the Company monitors its adjusted capital which comprises all components of equity (ie share capital, contributed surplus and retained earnings).

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue common shares through private placements. The Company is not exposed to any externally imposed capital requirements.

IFRS CHANGEOVER PLAN DISCLOSURE

The Canadian Accounting Standards Board (AcSB) has announced its decision to replace Canadian generally accepted accounting principles ("GAAP") with International Financial Reporting Standards (IFRS) for all Canadian Publicly Accountable Enterprises ('PAEs"). The effective changeover date is December 1, 2011, at which time Canadian GAAP will cease to apply for the Company and will be replaced by IFRS. Following this timeline, the Company will issue its first set of interim financial statements prepared under IFRS in the first quarter of 2012 including comparative IFRS financial results and an opening balance sheet as at December 1, 2011. The first annual IFRS consolidated financial statements will be prepared for the year ended November 30, 2012 with restated comparatives for the year ended November 30, 2011.

Management has developed a project plan for the conversion to IFRS based on the current nature of operations. The conversion plan is comprised of three phases: 1) Scoping phase which will assess the overall impact and effort required by the Company in order to transition to IFRS; 2) Planning phase which will include a detailed analysis of the conversion process and implementation plan required for disclosure for the Company's first quarter; and, 3) Transition phase which will include the preparation of an IFRS compliant opening balance sheet as at December 1, 2010, any necessary conversion adjustments and reconciliations, preparation of a fully compliant pro forma financial statements including all note disclosures and disclosures required for the MD&A.

Management has completed phase one, IFRS Scoping phase, and is now advancing through phase two, the Planning stage. Management prepared a component evaluation of its existing financial statement line items, comparing Canadian GAAP to the corresponding IFRS guidelines, and has identified a number of differences. Many of the differences identified are not expected to have a material impact on the reported results and financial position.

Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at that time.

IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. The Company is planning to elect to take the following IFRS 1 optional exemptions:

- To apply the requirements of IFRS 3, Business Combinations (2004), prospectively from the Transition Date.

- To apply the requirements of IFRS 2, Share-based payments, only to equity instruments granted after November 2002, which had not vested as of the Transition Date.

Set out below are the most significant areas, management has identified to date, where changes in accounting policies may have the highest potential impact on the Company's consolidated financial statements based on the accounting policy choices approved by the Audit Committee and Board of Directors.

In the period leading up to the changeover in 2011, the AcSB has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the IFRS accounting standards at the conversion date are known. Management will continue to review new standards, as well as the impact of the new accounting standards, between now and the conversion date to ensure all relevant changes are addressed.

IFRS 2 – Share Based Payments

IFRS and Canadian GAAP largely converge on the accounting treatment for share based transactions with only a few differences. Starting in the first quarter of 2010, the Company is moving from 'straight line' to 'graded' vesting for the recognition of stock-based compensation expense. A greater portion of expense is recorded in the first and second vesting periods compared to distributing the expense equally over all vesting period.

IAS 36 – Impairment of Assets

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with discounted cash flows. International Accounting Standard (IAS) 36, "Impairment of Assets" uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in write downs where the carrying value of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

OUTSTANDING SHARE DATA

As at April 28, 2010:

a) Authorized: unlimited common shares without par value
unlimited preferred shares

b) Issued and outstanding: 14,940,750 common shares.

c) Outstanding incentive stock options:

	Number of Options	Exercise Price	Expiry Date
Stock Options	500,000	$ 0.15	October 25, 2010
	300,000	0.20	December 19, 2010
	5,000	0.27	June 19, 2012
	500,000	0.34	December 18, 2012
	1,050,000	0.16	April 3, 2014

d) Outstanding warrants: Nil.

e) Shares in escrow or pooling agreements: Nil.

ABBREVIATIONS

Oil and Natural Gas Liquids

bbls	Barrels
mbbls	thousand barrels
bbls/d	barrels of oil per day
BOE/d	barrels of oil equivalent per day
NGLs	natural gas liquids (consisting of any one or more of propane, butane and condensate thousand stock tank barrels of oil
bpd	barrels of production per day

Natural Gas

mcf	thousand cubic feet
mmcf	million cubic feet
mcf/d	thousand cubic feet per day
m3	cubic meters

OTHER

BOE means barrels of oil equivalent. A barrel of oil equivalent is determined by converting a volume of natural gas to barrels using the ration of six (6) mcf to one (1) barrel. BOEs may be misleading, particularly if used in isolation. The BOE conversion ration of six (6) mcf: one (1) bbl is based on an energy equivalency methods primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

GORR means gross overriding royalty

ARTC Alberta Royalty Tax Credit

CONVERSION

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units).

To Convert From	To	Multiply By
mcf	Cubic meters	28.174
cubic meters	Cubic feet	35.494
bbls	Cubic meters	0.159
feet	meters	0.305
acres	hectares	0.405