COBRA VENTURE CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED NOVEMBER 30, 2009

DESCRIPTION OF BUSINESS AND OVERVIEW OF OPERATIONS AND FINANCIAL CONDITION

The following discussion and analysis, prepared as of March 22, 2010, should be read together with the audited financial statements for the year ended November 30, 2009 and 2008 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 is 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 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 YEAR ENDED NOVEMBER 30, 2009

Revenue consists of oil and gas royalty and production revenue of $803,953 (2008 - $1,033,684), the decrease is a direct result of decrease in oil and gas prices, interest on cash balances of $16,843 (2008 – $38,911), lease income of $776 (2008 – $50,936) and gain on sale of leased land of $Nil (2008 - $330,737). Interest income has decreased due to a lower cash balance during the year and lower interest rates.

Operating expenses of $689,613 (2008 - $643,301) are primarily comprised of management fees, professional fees, consulting fees, stock-based compensation, and general office expenses. The increase of $46,312 from 2008 is due to an increase in activities requiring increased management fees, professional fees, and stock-based compensation.

- Management fees of $183,000 (2008 - $152,000) increased due to a $25,000 performance bonus and increased monthly fees.

- Professional fees of $200,419 (2008 - $161,382) increased due to increased accounting needed.

- Stock-based compensation of $106,085 (2008 - $89,543) has increased due to the fair value assigned to stock options granted.

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.

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.

PETROLEUM AND NATURAL GAS INTERESTS (cont'd…)

Viewfield Area, Saskatchewan (cont'd…)

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.

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.

PETROLEUM AND NATURAL GAS INTERESTS (cont'd…)

Viewfield Area, Saskatchewan (cont'd…)

Viewfield activity - December 1, 2008 to March 19, 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, 2008, the Company received $898,875 (2007 - $804,548) in royalty revenue.

During the year ended November 30, 2009, the Company has completed drilling two horizontal wells and has retained a 20% overriding royalty interest in these wells. An additional two leg horizontal wells are currently being drilled and completed under the terms of the same agreement. The Company received $747,351 (2008 - $898,875) in royalty revenue during the year.

Subsequent to November 30, 2009, 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.

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 (3rd) 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.

During 2007, a third party industry partner drilled and completed a fourth (4th) natural gas well on Company lands, thru a farm in arrangement.

During the year ended November 30, 2008, the Company received $134,809 (2007 - $6,329) in production revenue.

During the period ended November 30, 2009, the Company received $56,602 in production revenue.

PETROLEUM AND NATURAL GAS INTERESTS (cont'd…)

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 3rd 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 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.

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 had acquired an 80% working interest ownership in this oil well, subject to applicable royalties. Subsequent to this, the Company has entered into a farm in arrangement with another Oil & Gas operator in the area, SkyWest Energy Corp. ("SkyWest"). SkyWest has agreed to perform some remedial work in the well, and equip and tie-in the well to earn 50% of the Companies interest being a 40% working interest.

The well is currently perforated in the Cardium formation and has been equipped with rods and pump jack and ready for production. SkyWest has received its permit from the ERCB to build and construct a pipeline from the well to a satellite battery where the effluent stream will be delivered. The well is schedule for production early in the fiscal year.

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 were 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. Subsequently the integrity of the wellbore and its casing proved to be too risky for re-entry operations. The Company has continued interest in this well and accordingly is looking to a new industry partner to continue developement.

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.

PETROLEUM AND NATURAL GAS INTERESTS (cont'd…)

Valhalla Area, Alberta

The Company 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 is a gas play and the Company is looking for an industry partner to drill a well and continue development.

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 aannual rental fees. The lease is for one section of land in Central Alberta. This is a gas play and the Company is looking for an industry partner to drill a well and continue development.

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 were reviewed with the intent to accumulate a larger land position in the prospect area.

SELECTED ANNUAL INFORMATION

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the financial statements.

	Year Ended November 30, 2009	Year Ended November 30, 2008	Year Ended November 30, 2007
Total revenues	$ 803,953	$ 1,033,684	$ -
Other income	17,619	420,584	42,304
Working capital	1,217,427	1,105,822	884,815
Income (loss) before income taxes	(25,036)	681,692	(348,999)
Income (loss) and comprehensive income (loss)	4,019	528,646	(255,468)
Income taxes (recovery) provision	(29,055)	153,046	(93,531)
Basic income (loss) per share	0.00	0.04	(0.02)
Diluted income (loss) per share	0.00	0.03	(0.02)
Total assets	2,881,456	3,724,543	1,544,228
Cash dividends	-	-	-

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.

As at November 30, 2009, the Company had working capital of $1,217,427 compared to working capital of $1,105,822 as at November 30, 2008. As at November 30, 2009, the Company had cash of $1,027,611 (November 30, 2008 - $1,784,900).

LIQUIDITY AND CAPITAL RESOURCES (cont'd…)

Net cash provided by operating activities for the year ended November 30, 2009 was $190,334 (2008 – $317,656) consisting primarily of the operating loss, and the change in non-cash items.

Net cash provided by (used in) investing activities for the year ended November 30, 2009 was $(947,623) (2008 – $96,194). 2009 consisted primarily of petroleum and natural gas expenditures. 2008 consisted primarily of petroleum and natural gas expenditures and proceeds from the sale of leased land.

Net cash provided by financing activities for the year ended November 30, 2009 was $Nil (2008 – $492,975). 2008 consisted of the issuance of common shares for cash.

SUMMARY OF QUARTERLY RESULTS

	November 30, 2009	August 31, 2009	May 31, 2009	February 28, 2009
Total assets	$ 2,881,456	$ 2,464,651	$ 2,545,744	$ 2,747,981
Petroleum and natural gas interests	1,261,191	1,219,314	1,285,843	1,310,657
Working capital	1,217,427	913,429	937,980	1,057,569
Shareholders' equity	2,412,564	1,992,621	2,084,433	2,229,568
Revenue	539,240	92,232	88,415	84,066
Other income	943	3,790	957	11,929
Operating expenses	177,032	139,555	207,668	165,358
Income tax recovery (provision)	29,168	-	(113)	-
Net income (loss)	397,328	(116,467)	(181,671)	(95,171)
Basic and diluted income (loss) per share	0.03	(0.01)	(0.01)	(0.01)

	November 30, 2008	August 31, 2008 (Restated to conform with year end adjustments)	May 31, 2008 (Restated to conform with year end adjustments)	February 29, 2008 (Restated to conform with year end adjustments)
Total assets	$ 3,724,543	$ 2,601,718	$ 2,361,187	$ 2,497,089
Petroleum and natural gas interests	1,334,564	186,781	89,667	61,465
Working capital	1,105,822	1,665,603	1,950,021	2,176,613
Shareholders' equity	2,302,460	2,084,137	2,045,019	2,233,988
Revenue	332,960	214,291	232,840	253,593
Other income	6,157	21,262	(2,139)	64,567
Operating expenses	152,617	173,400	155,055	162,229
Gain on sale on leased land	-	-	-	330,737
Income tax recovery	(22,300)	-	(30,746)	(100,000)
Net loss	262,151	(60,344)	(44,519)	371,358
Basic and diluted loss per share	0.02	(0.00)	(0.00)	0.03

FOURTH QUARTER

The Company did not have any significant transactions or experience any significant events during the quarter ended November 30, 2009.

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 year ended November 30, 2009, the Company entered into transactions with related parties as follows:

i) paid or accrued $58,277 (2008 - $16,311) in rent to a company in which a director is a partial owner.

ii) paid or accrued $169,000 (2008 - $144,000) in management fees to a company owned by a director and officer of the Company.

iii) paid or accrued $14,000 (2008 - $8,000) in directors fees, disclosed as management fees, to directors and officers of the Company.

iv) paid or accrued $14,118 (2008 - $23,743) in professional fees to a firm in which an officer of the Company is a partner.

v) paid or accrued $146,555 (2008 - $114,900) in professional fees to a firm in which a director of the Company is a partner.

vi) paid or accrued $13,200 (2008 - $31,700) in administrative fees disclosed as office and miscellaneous expenses to a company owned by a director of the Company.

Included in accounts payable is $40,543 (2008 - $30,000) due to a firm in which a director of the Company is a partner, $Nil (2008 - $7,132) due to directors and officers, $1,260 (2008 - $Nil) due to a company owned by a director of the Company, and $5,099 (2008 - $Nil) due to a Company in which a director is a partial owner.

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.

NEW ACCOUNTING POLICIES

Amendment to financial instruments – disclosures

CICA Handbook Section 3862, Financial Instruments – Disclosures was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

See Financial Instruments and Risk section for relevant disclosures.

NEW ACCOUNTING POLICIES (cont'd…)

Assessing going concern

Effective December 1, 2008 the Company implemented CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The adoption of this section did not have an impact on the Company's financial results.

Goodwill and intangible assets

The Canadian Accounting Standards Board ("AcSB") issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. The new standard establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets, including those developed internally. At the same time, the AcSB amended Section 1000, Financial Statement Concepts, to clarify the criteria for recognition of an asset. Therefore items that no longer meet the definition of an asset are no longer recognized with assets. The new standard and amended standard are both effective for annual and interim periods beginning on or after October 1, 2008. Effective December 1, 2008, the Company adopted Section 3064. The adoption of Section 3064 had no impact on the Company's balance sheets, statements of loss and comprehensive loss and statements of cash flows.

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. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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. The Company will consider the impact of adopting the pronouncements on its financial statements if future acquisitions are competed.

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 AND RISK (cont'd…)

Fair value (cont'd…)

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	$ 1,027,611	$ -	$ -

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 accounts receivable. Management believes that the credit risk concentration with respect to accounts receivable is not significant.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they become due. As at November 30, 2009, the Company had a cash balance of $1,027,611 (2008 - $1,784,900) to settle current liabilities of $149,916 (2008 - $1,029,983). 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 (November 30, 2009 - $500,000) at prime less 2%. The Company is satisfied with the credit ratings of its banks. 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 a significant 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.

FINANCIAL INSTRUMENTS AND RISK (cont'd…)

Financial risk factors (cont'd…)

Market risk (cont'd…)

(c) Price risk (cont'd…)

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

OUTSTANDING SHARE DATA

As at March 26, 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