ECO (ATLANTIC) OIL & GAS LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTH PERIOD ENDED
June 30, 2012

Prepared by:

ECO (ATLANTIC) OIL & GAS LTD.

120 Adelaide St. W, Suite 1204
Toronto, ON, Canada, M5H 1T1
Tel: +1 416.250.1955
Fax: +1 416.361.6455

August 27, 2012

Introduction

The following management's discussion and analysis ("**MD&A**") of the financial condition and results of the operations of Eco (Atlantic) Oil & Gas Ltd. ("**Eco Atlantic**" or the "**Company**") constitutes management's review of the factors that affected the Company's financial and operating performance for the three month period ended June 30, 2012. This discussion should be read in conjunction with the audited consolidated annual financial statements of the Company for the year ended March 31, 2012, as well as the unaudited condensed consolidated interim financial statements of the Company for the three month period ended June 30, 2012, together with the notes thereto. These documents have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**"). This MD&A contains forward-looking information that is subject to risk factors including those set out in under "Forward–looking information" below and elsewhere in this MD&A, including under "Risk Factors". Further information about the Company and its operations can be obtained from the offices of the Company or at www.ecooilandgas.com.

All amounts are reported in Canadian dollars, unless otherwise noted. This MD&A has been prepared as at August 27, 2012.

Nature of Business

The Company's business is to identify, acquire, explore and develop petroleum, natural gas and coal bed methane ("**CBM**") licenses in the Republic of Namibia.

Formation and Structure of the Company

The Company, formerly Goldbard Capital Corporation ("**Goldbard**"), was incorporated under the *Business Corporations Act* (Ontario) on June 11, 2007 and was classified as a capital pool company as defined in Policy 2.4 of the TSX Venture Exchange ("**Exchange**").

On November 25, 2011, Goldbard completed a business combination (the "**Business Combination**") when its wholly owned subsidiary, Goldbard Resources Inc. amalgamated with Eco Oil and Gas Ltd. ("**EOG**"), a private company incorporated in the British Virgin Islands formed to identify, acquire, explore and develop petroleum, natural gas and CBM licenses in the Republic of Namibia.

The Business Combination was accomplished through an exchange of shares, and qualified as a "reverse takeover" under the policies of the Exchange. The Business Combination was accounted for in accordance with IFRS 3, Business Combinations. EOG is considered to be the acquirer for accounting purposes as the former shareholders of EOG control the consolidated group subsequent to the transaction. In connection with the transaction, the shareholders of Goldbard approved a consolidation of the common shares of Goldbard on the basis of 2.5 shares for one new share (a "**Consolidated Share**").

Under the terms of the Business Combination, the shareholders of EOG received 1.253 Consolidated Shares for each EOG Consolidated Share held, with a total of 45,359,971 Consolidated Shares issued to the shareholders of EOG. Holders of EOG share purchase warrants received replacement warrants entitling them to acquire 3,759,116 Consolidated Shares.

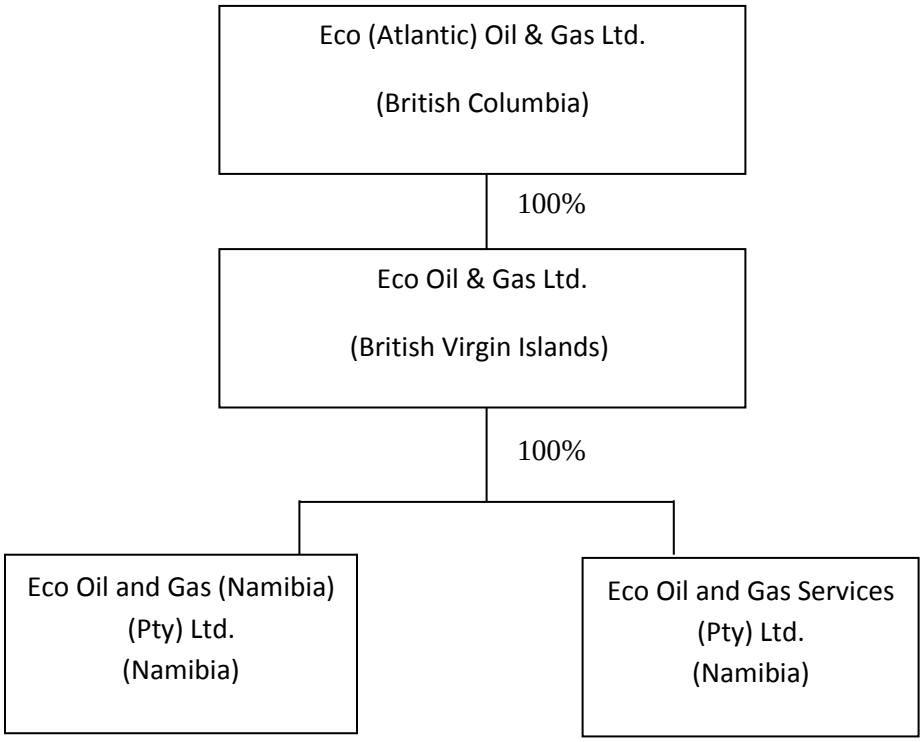
The Business Combination has been accounted for as a continuation of the financial statements of EOG, together with a deemed issuance of shares, equivalent to the Consolidated Shares held by the former shareholders of Goldbard, and a re-capitalization of the equity of EOG.

The fair value of the shares issued to the Goldbard shareholders was based on a private placement of units by EOG on April 25, 2011, adjusted for the exchange ratio of 1.253 Consolidated Shares for each EOG share. Based on this ratio, the deemed price of the Units was $0.40.

Concurrent with the Business Combination, Goldbard changed its name to Eco (Atlantic) Oil & Gas Ltd., and was continued into British Columbia under the *Business Corporations Act* (British Columbia).

The shares of the Company trade on the Exchange under the symbol "EOG". The Company also trades on the Namibian Stock Exchange (the "**NSX**") under the symbol "EOG".

Subsequent to the Business Combination, the structure of the Company is as follows:



Significant Developments

- On April 12, 2012, the Company announced that through its wholly-owned subsidiary, Eco Oil & Gas (Namibia) (Pty) Ltd ("**Eco Namibia**"), it entered into a definitive farmout agreement with Azimuth Ltd. ("**Azimuth**") whereby Azimuth agreed to farm into the Company's Offshore Licenses (defined below). Following approval of the farmout agreement by Namibia's Ministry of Mines and Energy on May 31, 2012 the Company owns a 70% interest, Azimuth a 20% interest, and the National Petroleum Corporation of Namibia ("**NAMCOR**") a 10% interest in the Company's Offshore Licenses (see "Business Overview" below). The Company and Azimuth will be responsible for designing, sourcing, and operating all aspects of 3D seismic surveys of the Offshore Licenses. Azimuth will carry 40% of the costs of the 3D seismic survey which are estimated at more than $10,000,000.
- On April 19, 2012, the Company announced its listing on the NSX under the symbol "EOG".
- On April 24, 2012, the Company announced that, through Eco Namibia, it entered into five separate Joint Operating Agreements ("**JOA's**") with NAMCOR (see "Joint Operating Agreements" below).
- On May 22, 2012, the Company announced that it had received an independent Lead Report for the Guy Block (each defined below) including a (P50) Best Estimate of 9.2 Billion barrels of gross prospective oil. The report was prepared by Gustavson Associates LLC ("**Gustavson**") of Boulder, Colorado in accordance with NI 51-101 (see "Guy Block" below). This report

complements the Leads Reports on the Company's other offshore blocks (the Sharon Block and the Cooper Block (defined below)) bringing the Company's total best estimate of prospective resources offshore Namibia to approximately 18 Billion barrels.

- On August 14, 2012, the Company announced that the Namibia's Minister of Environment and Tourism has granted environmental clearance for the Environmental Impact Assessment and Environmental Management Plan for the Company's proposed 3D seismic survey of the Company's Offshore Licenses.

Overview of Operations

Business Overview

The Company holds five petroleum, natural gas and CBM licenses (the "**Licenses**"), issued by the Government of the Republic of Namibia. The Company enjoys a strong local presence, having a longstanding relationship with the energy and oil and gas sector in Namibia and the region.

Offshore, the Company holds three license blocks covering more than 25,000 square kilometres (6,177,000 acres) (the "**Offshore Licenses**") and onshore, the Company holds two license blocks covering 30,000 square kilometres (7,413,000 acres) (the "**Onshore Licenses**").

The Company is in the development stage and has not yet commenced principal operations other than acquiring and analyzing certain pertinent geological data. The Company is currently engaged in the exploration and development of its properties to determine whether commercially exploitable quantities of oil and gas are present.

The Company's Offshore Licenses include; (i) petroleum exploration license number 0030 (relating to license area location 2012A in the Republic of Namibia (the "**Cooper Block**")), referred to as the "**Cooper License**", (ii) petroleum exploration license number 0033 (relating to license area location 2213A and 2213B in the Republic of Namibia (the "**Sharon Block**")), referred to as the "**Sharon License**"), and (iii) petroleum exploration license number 0034 (relating to license area location 2111B and 2211A in the Republic of Namibia (the "**Guy Block**")), referred to as the "**Guy License**". The Offshore Licenses were granted to the Company by the Republic of Namibia, Ministry of Mines and Energy on March 14, 2011. The Company has a 70% interest in the Offshore Licenses, Azimuth has a 20% interest in the Offshore Licenses (see "Azimuth Agreement" below), and NAMCOR has a 10% interest in the Offshore Licenses.

The Company's Onshore Licenses include (i) coal bed methane exploration license number 0031 (relating to license area location 2013B, 2014B and 2114 in the Republic of Namibia) and (ii) coal bed methane exploration license number 0032 (relating to license area location 2418 in the Republic of Namibia). The Onshore Licenses were granted to the Company by the Republic of Namibia, Ministry of Mines and Energy on March 14, 2011. The Company has a 90% interest in the Onshore Licenses and NAMCOR has a 10% interest in the Onshore Licenses.

Azimuth Agreement

On December 22, 2011, the Company announced that it entered into an agreement with Azimuth, an exploration and production company jointly owned by Seacrest Capital Ltd. and Petroleum Geo-Services ASA ("**PGS**").

A definitive farmout agreement with Azimuth was signed and publicly announced on April 12, 2012 (the "**Azimuth FOA**"). Pursuant to the Azimuth FOA, Azimuth acquired a 20% working interest in each of the Company's Offshore Licenses, namely the Cooper License, the Sharon License and the Guy License in return for funding 40% of the cost of 3D seismic surveys covering 2,500 square kilometers across all

three Offshore Licenses. The assignment of the 20% working interest in the Offshore Licenses to Azimuth was approved by Namibia's Ministry of Mines and Energy on May 31, 2012.

As a result of this transaction, the Company's interest in the Offshore Licenses is 70%, Azimuth has a 20% interest, and NAMCOR has a 10% interest. The Company has retained the project management group Kinley Exploration, which will, together with Azimuth, be responsible for designing, sourcing and operating all aspects of the 3D seismic program.

Joint Operating Agreements

On April 24, 2012, the Company announced that it has entered into five separate JOA's with NAMCOR, with respect to the Licenses.

Under the terms of the JOA's, the Company will carry NAMCOR's 10% working interest costs until initial production. Once production commences, NAMCOR will reimburse the Company from production for the full previously carried amount plus 20% interest on funds advanced by the Company. The Company is the designated operator of the Licenses and has access to NAMCOR's database of past geological studies, 2D seismic reports and well reports.

Cooper Block

The Company received an independent Leads Report, dated February 1, 2012 for the Cooper Block. The report was prepared by Gustavson in accordance with National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**") and is available on www.sedar.com.

The data provided includes speculative 2D seismic data and reports from four wells that were drilled in the vicinity of the block. The interpretation of over 800 line kilometers of 2D seismic data produced five leads. The leads, which are interpreted as structures with associated faults, are identified as Flat, A, B, C, and D. Based on probabilistic estimates, the Prospective Resources (defined below) for the five leads are listed in the table below.

	Oil in Place, MMBO			**Prospective Oil Resources, MMBO**		
Lead	**Low Estimate**	**Best Estimate**	**High Estimate**	**Low Estimate**	**Best Estimate**	**High Estimate**
Flat	265	594	1,033	59	135	249
A	409	1,086	2,468	91	250	581
B	479	1,259	2,883	105	291	686
C	381	916	1,945	84	210	464
D	415	1,123	2,510	92	259	591
Sum	1,949	4,978	10,840	431	1,146	2,571

(MMBO = million barrels of oil)

These estimates do not include consideration for the risk of failure in exploring for these resources. "**Prospective Resources**" (as defined in the leads report) are "those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity." There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion

of the resources. The Low Estimate represents the P90 values from the probabilistic analysis (in other words, the value is greater than or equal to the P90 value 90% of the time), while the Best Estimate represents the P50 and the High Estimate represents the P10.

Sharon Block

On March 8, 2012, the Company announced the results of an independent Leads Report for the Sharon Block. The report was prepared by Gustavson in accordance with NI 51-101 and is available on www.sedar.com.

The data provided includes speculative 2D seismic data and reports from four wells that were drilled in the vicinity of the block. The interpretation of 606 line kilometers of 2D seismic data produced two leads. The leads are identified as the North Structure and the Wedge. Based on probabilistic estimates, the Prospective Resources for the two leads are listed in the table below.

	Oil in Place, MMBO			**Prospective Oil Resources, MMBO**		
Lead	**Low Estimate**	**Best Estimate**	**High Estimate**	**Low Estimate**	**Best Estimate**	**High Estimate**
N Structure	2,699	8,149	18,690	604	1,864	4,449
Wedge	9,362	25,843	62,016	2,132	5,933	14,706
Total	12,062	33,992	80,706	2,736	7,798	19,155

(MMBO = million barrels of oil)

These estimates do not include consideration for the risk of failure in exploring for these resources. There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources. The Low Estimate represents the P90 values from the probabilistic analysis (in other words, the value is greater than or equal to the P90 value 90% of the time), while the Best Estimate represents the P50 and the High Estimate represents the P10.

Guy Block

On May 22, 2012, the Company announced that it had received an independent Lead Report for the Guy Block. The report was prepared by Gustavson in accordance with NI 51-101 and is available on www.sedar.com.

The data provided includes selected speculative 2D seismic data and reports from four wells that were drilled in the vicinity of the block. The Company acquired 675 line kilometers of 2D seismic data over the eastern part of the block. The seismic data available on these blocks was limited to the eastern portion of the area and one 2D seismic line that extended to the western boundary of the Guy Block. A total of seven lead areas have been identified from the seismic interpretation. The leads are interpreted as structures with associated faults in the Cretaceous and Tertiary aged section. Based on probabilistic estimates, the Prospective Resources for the seven leads are listed below in the table below.

	Oil in Place, MMBO			**Prospective Oil Resources, MMBO**		
Lead	**P90**	**P50**	**P10**	**P90**	**P50**	**P10**
Far West Lead #1	1,249	3,975	9,247	277	917	2,175
Far West Lead #2	3,367	9,605	20,238	759	2,177	4,782
Cretaceous Sand Lead #1	1,654	5,780	14,505	370	1,321	3,405
Cretaceous Sand Lead #2	318	905	2,046	70	211	483

Cretaceous Sand Lead #3	6,000	17,641	38,160	1,362	4,039	8,958
Cretaceous Sand Lead #4	582	1,428	2,960	131	329	702
Cretaceous Sand Lead #5	321	907	2,087	72	208	488
Total	**13,491**	**40,242**	**89,243**	**3,041**	**9,202**	**20,994**

(MMBO = million barrels of Oil)

Note that these estimates do not include consideration for the risk of failure in exploring for these resources. There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

Onshore Licenses

The Company's Onshore Licenses are discussed under "*Business Overview"* above.

Financial position

The Company operates in the Republic of Namibia and has no separate business segments.

As at June 30, 2012, the Company had total assets of $9,212,562 and a net equity position of $8,456,905. This compares with total assets of $5,811,852 and a net equity position of $5,562,867 at June 30, 2011. The Company had liabilities of $755,657 at June 30, 2012 as compared with $248,985 as at June 30, 2011.

At June 30, 2012, the Company had working capital of $5,178,739, compared to working capital of $1,749,425 at June 30, 2011. The Company had cash on hand and in short-term deposits of $5,863,805 at June 30, 2012, compared to $1,988,008 at June 30, 2011.

Trends

In the immediate future, the Company will focus on developing its Licenses with a view to producing National Instrument 51-101 compliant reports on these Licenses.

The Company has developed a near and medium term strategy for exploration of the Offshore Licenses at an estimated cost of $663,850 broken out as follows:

1)	Fugro Slick Data	$ 31,900
	Estimated Interpretation	$ 10,000
2)	TGS 2D Multi-Client Data	$306,950
	Data Package (877 Klms @ $350/Klm)	
	Estimated Evaluation	$ 20,000
3)	PGS Technical Report (90 Day Evaluation)	$220,000
	Estimated Report Work with PGS	$ 40,000
4)	Estimated Travel/Accommodation Costs/Misc	$ 35,000
	Estimated Program Budget	$663,850

There are significant uncertainties regarding the price of crude oil and other natural resources and the availability of equity financing for the purposes of acquisitions, exploration and development activities. The future performance of the Company is largely tied to the development of its current oil and natural gas properties and the overall financial markets. Financial markets are likely to be volatile, reflecting ongoing concerns about the stability of the global economy and weakening global growth prospects.

Uncertainty in the credit markets has also led to increased difficulties in borrowing and raising funds. Companies worldwide have been materially and adversely affected by these trends. As a result, the Company may have difficulties raising equity financing for the purposes of oil and natural gas exploration and development, particularly without excessively diluting the interests of existing shareholders. These trends may limit the ability of the Company to develop and/or further explore its current oil and gas properties and any other property interests that may be acquired in the future.

The Company is aware that governments around the world are looking to the resource sector as a possible source of additional revenue, be it taxes or royalties.

For a summary of other factors and risks that have affected, and which in future may affect, the Company and its financial position, please refer to the section entitled "Risk Factors", below.

Summarized Financial Information

	Three month period ended June 30	
	2012	**2011**
Income		
Interest income	$ 15,352	$ -
Expenses		
Operating costs	456,470	526,769
General and administrative costs	315,111	85,382
Share-based compensation	290,128	-
Compensation	148,064	-
Consulting and professional fees	124,858	273,080
Foreign exchange	1,483	(320)
Depreciation	479	-
Net loss for the period	$ (1,321,241)	$ (884,911)

Interest income

During the three month period ended June 30, 2012, the Company earned interest of $15,352 (2011 - $nil) from funds invested in interest bearing deposits with financial institutions. No funds were held in deposits during the three month period ended June 30, 2011.

Operating costs

Operating costs include amounts spent on geological data acquisition and interpretation, technical consulting and analysis, incurred in connection with the Licenses.

Compensation and consulting

Compensation and consulting expenses represent amounts paid by the Company for services provided to the Company by certain members of management and independent service providers.

Share based compensation

The share based compensation expense reflects the fair value of options granted to directors, officers, employees and consultants of the Company. The options vest as to one third on grant date and one third on each anniversary date of the grant, for the next two years.

During the quarter ended June 30, 2012, 350,000 stock options (" **Options**") were issued to a director of the Company. These Options are exercisable for a maximum period of five years from the date of the grant and vest as to one third on grant date and one third on each anniversary date of the grant, for the next two years. The fair value of the Options granted was estimated at $168,000 using the Black-Scholes option pricing model, using the following assumptions.

Expected option life 5 years
Volatility 110%
Risk-free interest rate 1.21%
Dividend yield 0.00%

The fair value of all options that vested during the quarter ended June 30, 2012 was $290,128.

Foreign Exchange

The foreign exchange movement during the period ended June 30, 2012 reflects the movements of the United States dollar, Euro and Namibian dollar relative to the Canadian dollar. The Company's cash and cash equivalents and short-term investments are held in Canadian dollars.

Summary of Quarterly Results

	Quarter ended					
	June 30, 2012	**March 31, 2012**	**December 31, 2011**	**September 30, 2011**	**June 30, 2011**	**January 4, 2011[(1)] to March 31, 2011**
Total Sales	$ -	-	-	-	-	-
Net loss for the period	$ (1,321,241)	(2,075,512)	(1,837,205)	(887,433)	(884,911)	(456,573)
Basic loss per share	$ (0.02)	(0.03)	(0.04)	(0.02)	(0.02)	(0.01)

Notes:

(1) January 4, 2011, was the date of incorporation of EOG.

Following the closing of the April and May 2011 financing, the Company commenced its operational activities, resulting in increased losses during the quarters ended June 30, 2011 and September 30, 2011.

During the quarter ended December 31, 2011, the Company recorded a charge of $1,389,493 being the transaction costs related to the Business Combination.

During the quarter ended March 31, 2012, the Company recorded an additional charge of $157,426 in transaction costs related to the Business Combination and recorded a share-based compensation charge of $809,600 in connection with the issue of stock options to directors, officers, consultants and employees of the Company.

During the quarter ended June 30, 2012, the Company recorded a charge of $272,000, being the annual renewal of its exploration license fees.

Liquidity and Capital Resources

The condensed consolidated interim financial statements of the Company for the three month period ended June 30, 2012 have been prepared on a going concern basis whereby the Company is assumed to be able to realize its assets and discharge its liabilities in the normal course of operations. The Company's condensed consolidated interim financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern assumption was not appropriate for these condensed consolidated interim financial statements, then adjustments of a material nature would be necessary in the carrying value of assets such as mineral interests, liabilities, the reported expenses, and the balance sheet classifications used. Management continues to pursue financing opportunities for the Company to ensure that it will have sufficient cash to carry out its planned exploration program beyond the next year.

On April 25, 2011 and May 5, 2011, EOG completed a private placement of 6,200,000 units (the "**May Units**") at $0.50 per unit for net proceeds of $2,972,176. Each May Unit consisted of one ordinary share of EOG and one half of one EOG Warrant. Each EOG Warrant gave the holder the right to purchase one ordinary share from EOG at a price per share equal to $1.00, at any time up to a date one year from a Liquidity Event, as defined in the warrant certificate.

The Company acquired cash of $763,117 in connection with the Business Combination.

On January 6, 2012, the Company completed a non-brokered private placement in which it issued 9,874,682 units for net proceeds of $5,662,245. Each unit was subsequently converted into a common share and a half warrant.

On May 10, 2012, the Company received $85,208 from the exercise of 106,508 warrants.

The net proceeds from the private placements, Business Combination and warrant exercise noted above were and will continue to be used for the exploration and development of its oil and gas licenses and for general corporate and working capital purposes.

In order to maintain its Licenses, the Company is required to meet the specific minimum work program commitments for each phase of development of the license. Dollar values have also been allocated to each phase. If the Company has completed the minimum exploration work set out for any period earlier than the required date, such additional expenditures will be attributed towards future expenditure requirements. The minimum aggregate exploration expenditures for all five Licenses under the License Agreements are as follows:

Year	Offshore Licenses[(1)]	Onshore Licenses[(2)]
1	$1,650,000	$2,900,000
2 & 3	$26,000,000	$6,000,000
3 & 4	$368,250,000	$500,000
5	$750,000	$2,400,000
6	$1,500,000	$500,000
7 & 8	$12,500,000	$3,000,000
Total[(3)]	**$410,650,000**	**$15,300,000**

(1) Pursuant to the Azimuth FOA, the Company is responsible for 80% of the exploration expenditure for the Offshore Licenses, which includes NAMCOR's 10% until initial production.

(2) The Company is currently responsible for 100% of the exploration expenditure for the Onshore Licenses as it carries NAMCOR's 10% until initial production.

(3) The minimum exploration work obligations supersede the minimum exploration expenditure obligations. Accordingly, should the actual cost of the minimum exploration work be less than the amount of the minimum exploration expenditure obligations, the company shall be relieved of its minimum exploration expenditure obligations for a given period.

Management estimates that, to date, the Company has incurred costs of approximately $3,833,000 towards exploration work. These expenses are reflected in the Company's unaudited condensed consolidated interim financial statements as at June 30, 2012, under various categories of expenses, including operating costs, general and administrative costs, consulting and professional fees, and compensation expenses.

The Company is currently engaged in the exploration and development of its oil and gas licenses in order to assess the existence of commercially exploitable quantities of oil and gas and to determine if additional resources should be allocated to these Licenses as per the work program commitments set out above. The Company has completed the minimum exploration work required for Year 1 for all its Licenses. The Company has until March 31, 2014 to complete 3D surveys of the Offshore Blocks, a process that will take an estimated six months to complete.

The Company has no revenue producing operations and continues to manage its costs, focusing on its higher potential licenses as described above. It also continues to seek funding in the capital markets and to pursue joint venture and farm-in opportunities with compatible partner companies having access to capital, in order to meet its meet its exploratory commitments in the next 18 months. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favorable to the Company. See "Financial Conditions, Liquidity and Capital Resources" and "Risk Factors" below.

At June 30, 2012, the Company had working capital of $5,178,739 (June 30, 2011 - $1,749,425).

As at the date of this MD&A, the Company had cash on hand and in short term investments of $4,639,000 which are held in Canadian and Namibian banks. Subsequent to June 30, 2012, the Company expects to bill Azimuth approximately $310,000 for its contribution towards expenses, pursuant to the JOA.

Contractual Obligations

The Company's activities may be subject to environmental regulation, which may cover a wide variety of matters. It is likely that environmental legislation and permitting will evolve in a manner which will require stricter standards and enforcement. This may include increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a higher degree of responsibility for companies, their directors and employees.

The Company does not believe that any provision for such costs is currently required and is unable to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future due to the uncertainty surrounding the form that these laws and regulations may take.

Common Share Data (as at August 27, 2012)	
Common shares outstanding	60,861,161
Warrants	8,943,364
Options issued to directors, officers, consultants and employees	5,040,000
Common shares outstanding assuming exercise of all Warrants and Options	74,844,525

Off-Balance Sheet Agreements

As of the date of this MD&A, the Company does not have any off-balance sheet arrangements that have or are reasonably likely to have, a current or future effect on its results of operations or financial condition, including, and without limitation, such consolidations as liquidity, capital expenditure and capital resources that would be considered material to investors.

Related Party Transactions and Balances

The aggregate value of transactions with shareholders and directors and entities over which they have control or significant influence was as follows:

	Three Month Periods Ended	
	June 30, 2012 $	**June 30, 2011 $**
Amount paid for exploration services to a company of of which a director of the Company is the President and CEO	**85,731**	105,848
Amount outstanding at the end of the period	**33,253**	4,184
Fees for management services paid to a company controlled by the President and CEO of the Company	**63,673**	45,817
Amount outstanding at the end of the period	**21,285**	-
Fees paid to a company controlled by the CFO of the Company	**22,500**	-
Amount outstanding at the end of the period	**15,000**	-
Fees paid to companies controlled by the former CFO of the Company	**7,284**	-
Amount outstanding at the end of the period	**-**	-
Fees for management services paid to a company controlled by the Executive Vice President of the Company	**30,000**	18,000
Amount outstanding at the end of the period	**10,000**	6,000
Fees paid to a company controlled by the chairman of the Company	**16,528**	**-**
Amount outstanding at the end of the period	**-**	-

Proposed Transactions

There are currently no proposed transactions other than those disclosed herein that are expected to significantly affect the financial condition, results of operations and cash flows of the Company.

CRITICAL ACCOUNTING ESTIMATES

The Company's critical accounting estimates are defined as those estimates that have a significant impact on the portrayal of its financial position and operations and that require management to make judgments, assumptions and estimates in the application of IFRS. Judgments, assumptions and estimates are based on historical experience and other factors that management believes to be reasonable under

current conditions. As events occur and additional information is obtained, these judgments, assumptions and estimates may be subject to change. The Company believes the following are the critical accounting estimates used in the preparation of its consolidated financial statements. The Company' significant accounting policies can be found in note 3 of the Company's consolidated financial statements for the year ended March 31, 2012.

Use of estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Such estimates related to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, actual results may differ from these estimated amounts as future confirming events occur. Significant estimates used in the preparation of the consolidated financial statements include, but are not limited to, recovery of exploration costs capitalized in accordance with IFRS, stock-based compensation and income taxes.

Stock Based Compensation

The Company uses the fair value method, utilizing the Black-Scholes option pricing model, for valuing stock options granted to directors, officers, consultants and employees. The estimated fair value is recognized over the applicable vesting period as stock-based compensation expense. The recognized costs are subject to the estimation of what the ultimate payout will be using pricing models such as the Black-Scholes model which is based on significant assumptions such as volatility, dividend yield and expected term.

Warrants

The Company uses the fair value method, utilizing the Black-Scholes option pricing model, for valuing its warrants. The Black-Scholes model is based on significant assumptions such as volatility, dividend yield and expected term.

Income Tax

The Company follows the balance sheet method of accounting for income taxes whereby future income taxes are recognized based on the differences between the carrying values of assets and liabilities reported in the Annual Financial Statements and their respective tax basis. Future income tax assets and liabilities are recognized at the tax rates at which Management expects the temporary differences to reverse. Management bases this expectation on future earnings, which require estimates for reserves, timing of production, crude oil price, operating cost estimates and foreign exchange rates. Management assesses, based on all available evidence, the likelihood that the future income tax assets will be recovered from future taxable income and a valuation allowance is provided to the extent that it is more than likely that future income tax assets will not be realized. As a result, future earnings are subject to significant Management judgment.

Risk Factors

The business of exploring for, developing and producing oil and gas reserves is inherently risky. The Company is in the development stage and has not determined whether its Licenses contain economically recoverable reserves. The Company's future viability is dependent on the existence of oil and gas reserves and on the ability of the Company to obtain financing for its exploration programs and development of such reserves and ultimately on the profitability of operations or disposition of its oil and gas interests.

The Company's actual exploration and operating results may be very different from those expected as at the date of this MD&A.

Other risks and uncertainties the Company faces at present are market risk and foreign exchange risk.

Market risk is the risk of loss that may arise from changes in interest rates, foreign exchange rates and oil and gas. An extended period of depressed oil and gas prices could make access to capital more difficult and the Company is dependent on capital markets to fund its exploration and ultimately, its development programs.

Foreign exchange risk arises since most of the Company's costs are in currencies other than the Canadian dollar. Fluctuations in exchange rates between the Canadian dollar and the U.S. dollar could materially affect the Company's financial position. Management periodically considers reducing the effect of exchange risk through the use of forward currency contracts but has not entered into any such contracts to date.

For a complete discussion on risk factors, please refer to the Company's Annual Information Form dated July 20, 2012, filed on www.sedar.com.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Management has established processes to provide it with sufficient knowledge to support representations that it has exercised reasonable diligence to ensure that (i) the unaudited condensed consolidated interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim consolidated financial statements, and (ii) the unaudited condensed consolidated interim financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("**DC&P**") and internal control over financial reporting ("**ICFR**"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer's GAAP (IFRS).

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Additional Disclosure for Venture Issuers Without Significant Revenue

	Three month period ended June 30	
	2012	**2011**
	$	**$**
Expenditures on exploration and evaluation assets		
Cooper License	91,000	134,000
Guy License	91,000	54,000
Sharon License	91,000	211,000
Onshore licenses	183,000	127,000
	456,000	526,000
General and administrative expenses		
Travel expenses	176,250	35,758
Occupancy and office expenses	88,410	1,947
Public company costs	33,524	47,677
Advertising and Communication	1,576	-
Financial services	3,429	-
Insurance	11,922	-
	315,111	85,382

Forward Looking Information

Statements contained in this MD&A that are not historical facts are forward-looking statements that involve risks and uncertainties. Forward-looking statements include, but are not limited to, statements with respect to the future price of petroleum and/or natural gas; capital expenditures; costs, timing and future plans concerning the development of petroleum and/or natural gas properties; permitting time lines; currency fluctuations; requirements for additional capital; government regulation of petroleum and natural gas matters; environmental risks; unanticipated reclamation expenses; title disputes or claims; and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to operations; termination or amendment of existing contracts; actual results of drilling activities; results of reclamation activities, if any; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of petroleum and natural gas; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the petroleum and natural gas industries; delays in obtaining or failure to obtain any governmental approvals, licenses or financing or in the completion of development activities; as well as those factors discussed in the section entitled "Risk Factors" in this MD&A. Although the Company has attempted to identify important factors that may cause actual actions, events or results to differ materially from those described in forward-looking

statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date of this MD&A and the Company assumes no obligation to update or revise them to reflect new events or circumstances, except as may be required by law.

Additional Information

Additional information relating to the Company, the Company's quarterly and annual consolidated financial statements, annual information form, technical reports and other disclosure documents, is available on the System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com.