

## Strikewell Energy Corp.

Management's Discussion and Analysis  
March 31, 2012

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The following management's discussion and analysis ("**MD&A**") for Strikewell Energy Corp. was prepared by management based on information available as at May 4, 2012. This MD&A should be reviewed together with the unaudited condensed interim consolidated financial statements for the quarter ended March 31, 2012 and the MD&A and audited annual consolidated financial statements for the year ended December 31, 2011. The Company's quarterly unaudited condensed interim consolidated financial statements and the year-end audited annual consolidated financial statements are filed on SEDAR and are available for review at [www.sedar.com](http://www.sedar.com).

As used in this MD&A, the terms "we", "us", "our", "Strikewell" and "our Company" refer to Strikewell Energy Corp. and our subsidiary, Strikewell Capital Corp., unless the context clearly requires otherwise.

Unless otherwise noted, all dollar amounts are expressed in Canadian dollars ("**C\$**" or "**\$**") and any references to common shares are to common shares in the capital of Strikewell Energy Corp., unless the context clearly requires otherwise.

Barrels of oil equivalent ("**boe**") amounts have been calculated using a conversion rate of six thousand cubic feet ("**Mcf**") of natural gas per barrel ("**bbl**") of oil or natural gas liquids ("**6:1**"). A conversion ratio of six Mcf to one bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Boe disclosure may be misleading, particularly if used in isolation.

### Forward-Looking Statements

Certain information in this MD&A and the documents incorporated by reference contain forward-looking statements, which includes forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking statements are statements which relate to future events or our future performance, including our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", or "potential" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks described in the section titled "Risk Factors" commencing on page 9 and "Risks Relating to the Industry" commencing on page 12 of this MD&A, that may cause the Company's or the industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. No assurance can be given that any of the events anticipated by the forward-looking information and statements will occur or, if they do occur, what benefits we will obtain from them. This MD&A contains forward-looking information and statements, which may include, but are not limited to: statements with respect to the financial and operating performance of the Company and its subsidiary; investments objectives and strategies; the business goals and strategies; forecast operating and financial results; planned capital expenditures; potential future market for our products; our plans for, and results of, exploration and development activities; our treatment under governmental regulatory and royalty regimes and tax laws; competitive advantages; business prospects and opportunities; costs and timing of developmental new projects; our management's assessment of future plans and operations; our anticipated liquidity and various matters that may impact such liquidity; and requirements for additional capital.

While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgement regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested in this MD&A. These assumptions, which include: management's current expectations; estimates and assumptions about certain projects and the markets we operate in; the global economic environment; interest

rates; estimates of quantities of oil and natural gas from our properties; our ability to generate sufficient cash flow from operations to meet our current and future obligations and other risks and uncertainties described from time to time in the filings we make with securities regulatory authorities; the impact of increasing competition; our ability to obtain qualified staff, equipment and services in a timely and cost efficient manner; the ability of the operator of the projects in which we have an interest to operate the field in a safe, efficient and effective manor; future commodity prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which we operate; may prove to be incorrect. A number of risks and uncertainties could cause our actual results to differ materially from those expressed or implied by the forward-looking information and statements, including, but not limited to: the failure of the Company to execute our business plans; general economic conditions as they affect us; risks arising from our operations generally; competition; volatility of and assumptions regarding oil and gas prices; accuracy of cost estimates; fluctuations in commodities prices; fluctuations in product supply and demand; accuracy of our reserves, resources and future production estimates; our ability to replace and expand oil and gas reserves; the reliability of our assets; risks associated with technology and its application to our business; changes in the applicable regulatory framework, including changes in regulatory approval process and land-use designations, royalty, tax, environmental, greenhouse gas, carbon and other laws or regulations, or changes to the associated with compliance; our ability to control our operating costs, general administrative and other expenses; other factors beyond our control; insufficient investor interest in our securities which may impact on our ability to raise additional financing as required; and those factors described in the section titles "Risk Factors" in this MD&A.

The forward-looking information is based on the estimates and opinions of our management at the time they are made. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Readers of this MD&A are cautioned not to rely on such forward-looking information and statements. The forward-looking information in this MD&A is made as of May 4, 2012 and the Company assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law.

## **Description of Business**

We are a reporting issuer in the Provinces of British Columbia and Alberta and our common shares are listed on the TSX Venture Exchange (the "TSXV") under the symbol "SKK".

We are in the oil and gas business. We own producing petroleum and natural gas interests near Garrington, Alberta, through our wholly-owned subsidiary Strikewell Capital Corp.

## **Overall Performance**

### ***Garrington, Alberta:***

The Company owns a 10% working interest in a producing Garrington area oil well with 640 acres of related oil and gas petroleum rights. The Garrington property was acquired effective September 1, 2009.

Ongoing global economic instability has had a negative impact on many segments of the world economy due to several factors including, without limitation: the effects of the subprime lending and general credit market crises, the European debt crisis, volatile energy costs, slower economic activity, decreased consumer confidence, reduced corporate profits and capital spending, adverse business conditions, increased unemployment and liquidity concerns. Natural gas and oil prices respond to consumer and industrial demand and accordingly the general current economic conditions with resultant decreased demand for natural gas and oil products, both domestically and abroad, have had a negative effect on natural gas and oil prices. In contrast regional political conflicts and disputes in Middle East oil producing regions may disrupt oil output and inventory supplies resulting in short-term increases in crude oil futures markets. We cannot

predict the timing or duration of economic slowdowns or the timing or strength of subsequent economic recoveries, worldwide or in our industry, and cannot predict the extent to which economic slowdowns will impact our business. However, the uncertainty regarding the financial markets and worldwide political and economic climates are expected to continue to affect the demand for natural gas and oil in the near future. Reduced consumption and demand for petroleum products, unmitigated, would have a negative impact on our business, financial condition and results of operations.

### **Selected Quarterly Financial Information**

The following table contains a summary of our financial results for the three-month periods ended March 31, 2012 and 2011:

<b>(C\$)</b>	<b>Three-month period ended March 31</b>	
	<b>2012</b>	<b>2011</b>
Total Revenues	25,071	35,469
Net Income (Loss)	(177,235)	(178,526)
Basic Net Income (Loss) per Share	(0.02)	(0.02)
Diluted Net Income (Loss) per Share	(0.02)	(0.02)
Total Assets	463,788	713,306
Total Long-term Financial Liabilities	4,452,720	5,777,150

Our revenue performance and the income that we realize varies from period to period in relation to the number of wells that we have in production, our production volumes and the prices that we receive for our commodities from time to time. The number of successfully developed wells turned to sales, if any, may vary from quarter to quarter. We have not developed any new wells during the financial periods presented. Historically, commodity prices and hence the prices that we realize, are subject to variations arising from market supply and demand fundamentals beyond our control.

The discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Application of IFRS requires the use of estimates, judgements and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the revenues and expenses reported during the period. Changes in these estimates, judgements and assumptions will occur as a result of future events, and accordingly, actual results could differ from amounts estimated. Our reporting currency is Canadian dollars.

## Discussion of Operations and First Quarter

### ***Three-month period ended March 31, 2012 compared to the three-month period ended March 31, 2011:***

A net loss of \$177,235 was realized in the three-month period ended March 31, 2012 compared to a net loss of \$178,526 for the same period in 2011. Administration expenses in the first quarter of 2012 decreased due to a revised management services agreement (described below on page 6 under the heading "Transactions with Related Parties") whereby the administration expenses decreased to \$5,000 per month as at March 31, 2012 compared to \$10,000 per month as at March 31, 2011. Interest expense decreased to \$158,570 in the quarter ended March 31, 2012 compared to \$161,162 in the quarter ended March 31, 2011.

Revenues from petroleum and natural gas operations for the three-month period ended March 31, 2012 decreased to \$25,071 compared to \$35,469 for the same period in 2011.

Direct expenses for the three-month period ended March 31, 2012 increased to \$17,847 consisting of \$7,113 in production expenses, \$8,912 in royalties, and non-cash depletion expenses totalling \$1,822. In comparison, for the same period in 2011, direct expenses totalled \$15,520 consisting of \$1,494 in production expenses, \$12,426 in royalties, and non-cash depletion expenses totalling \$1,600.

Operating income for the three-month period ended March 31, 2012 was \$7,224 compared to an operating income of \$19,949 for the same period in 2011.

## Summary of Quarterly Results

The following table presents selected unaudited interim consolidated financial information for the last eight quarters:

(C\$)	2012	2011				2010		
Period Ended	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total Revenues	25,071	49,085	49,465	39,004	35,469	41,406	22,542	26,371
Net Income (Loss)	(177,235)	(216,082)	(160,677)	(210,644)	(178,526)	(186,502)	1,017,595	(251,413)
Basic Net Income (Loss) per Share	(0.02)	(0.03)	(0.02)	(0.02)	(0.02)	(0.02)	0.12	(0.03)
Diluted Net Income (Loss) per Share	(0.02)	(0.03)	(0.02)	(0.02)	(0.02)	(0.02)	0.12	(0.03)

The quarterly consolidated financial information is presented in accordance with IFRS.

Our revenue performance and the income that we realize varies from period to period in relation to the number of wells that we have in production, our production volumes and the prices that we receive for our commodities from time to time. The number of successfully developed wells turned to sales, if any, may vary from quarter to quarter. We have not developed any new wells during the financial periods presented.

## Liquidity and Capital Resources

Cash as at March 31, 2012 totalled \$9,175 compared to \$236,555 at March 31, 2011. As of March 31, 2012, we had a net working capital deficiency of \$2,338,999 compared to working capital deficiency of \$257,659 at March 31, 2011.

As at March 31, 2012, we had no long-term capital expenditure commitments. Our long-term liabilities are two promissory notes, as described below, a loan and a decommissioning liability.

In January 2006, we acquired all of the issued and outstanding shares of Strikewell Capital Corp. The purchase price for the shares of Strikewell Capital Corp. was \$2,886,399.78 paid by the issuance of 2,000,000 voting common shares in the capital of our Company to Mr. John R. Hislop (the "**Vendor**") at an issue price equal to \$0.40 for a total consideration of \$800,000 and the issuance of a promissory note (the "**Vendor Note**") payable to the Vendor in the principal amount of \$2,086,399.78.

In addition, Strikewell Capital Corp. owed the Vendor \$628,895.16 which was added to the principal owing under the Vendor Note. As part of the transaction, we restructured \$1,832,149.19 of debt that we owed to a company (the "**Vendor Company**") owned by the Vendor by entering into a second promissory note (the "**Second Note**") on the same payment terms as the Vendor Note. In addition, we assumed the debt obligations existing between Strikewell Capital Corp. and the Vendor Company in the amount of \$1,984,705.06, which was added to the principal owing under the Second Note. The principal owing under the Vendor Note and the Second Vendor Note is due for repayment in January 2014 and bore interest at 2% for years one and two, 3% for years three and four, 4% for year five and as of January 2011 bears interest at 15% through to term, compounded and payable semi-annually. Both the Vendor Note and the Second Note are secured against all of the assets of our Company.

In July 2010, the Company and the Vendor Company retired and set-off \$1,200,000 of debt owing to the Vendor Company on the Second Note by assigning and transferring 100% ownership of the Company's mineral property interests located in the Yukon Territory to a nominee of the Vendor.

In June 2005, the Company entered into a loan agreement with Mr. John R. Hislop for a principal amount of \$865,924.20. This is an unsecured loan that accrues interest at 10% per annum. In May 2010, the maturity date of the loan was extended from June 1, 2010 to June 1, 2012.

At March 31, 2012, we had a cash balance of \$9,175 and current accounts receivable of \$16,399 to settle current liabilities of \$2,364,573. We have monthly cash inflows from the sale of our share of oil and gas products produced. Our objective is to meet our operating and capital requirements by a combination of cash flow from current and future well production, and re-investment of current capital. Production volumes and the market price that we realize for the oil and gas that we produce and sell, determine our revenue from operations and consequently our ability to generate capital from operations is substantially dependent on the price of oil and natural gas. Future cash flows and the continued availability of capital from operations are subject to a number of uncertainties, such as production rates, the price of oil and gas, and the results of our drilling programs.

We have no assurance that additional funding will be available for the exploration and development of future projects. There can be no assurance that we will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delays or indefinite postponement of further exploration and development of any projects with the possible loss of such properties. There can be no assurance that we will be able to engage in such financings in light of factors such as the market demand for our securities, the state of financial markets generally and other relevant factors. If such a method of financing is employed by our Company, it will result in increased dilution to the existing shareholders each time a financing involving equity is conducted.

## **Off-Balance Sheet and Other Financial Arrangements**

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

We do not have any commitments under oil and gas forward sales contracts or other types of hedging arrangements which might expose us to commodity price or production volume risks.

We do not have in place any off-balance sheet financing type arrangements.

## **Transactions between Related Parties**

For the three-month period ended March 31, 2012, the Company paid \$4,500 to directors and officers of our Company for their services.

On November 1, 2011, the Company entered into a Revised Management Services Agreement ("**Revised MSA**") with a private management company wholly-owned by John R. Hislop, a shareholder and debt holder of the Company superseding a management services agreement entered into on July 13, 2010. Pursuant to the Revised MSA, a monthly administrative fee of \$5,000 plus any out of pocket expenses and specialized management expenses incurred shall be paid to the management company. Under the Revised MSA, the management company is to assist the Company in providing management, administration, compliance, accounting, and information services, as well as provide office space and utilities for our Company. The Revised MSA shall continue on a month to month basis until terminated by either one of the parties. A total of \$15,000 has been paid to the private management company for administration fees incurred for the three-month period ending March 31, 2012.

## **Proposed Transactions and Subsequent Events**

The Company has scheduled its next annual general meeting to be held on June 21, 2012 at 10:00 a.m.

## **Critical Accounting Estimates**

The preparation of financial statements in conformity with IFRS requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Our management routinely makes judgements and estimates about the effects of matters that are inherently uncertain. As the number of variables and assumptions affecting the probable future resolution of the uncertainties increase, these judgements become even more subjective and complex. We have identified certain accounting policies that are the most important to the portrayal of our current financial condition and results of operations.

The key elements and assumptions that we have made under these principles and their impact on the amounts reported in the March 31, 2012 unaudited interim consolidated financial statements remain substantially unchanged from those described in our March 31, 2011 unaudited interim consolidated financial statements.

## **Significant Accounting Policies**

The significant accounting policies used by our Company are disclosed in Note 3 of our interim consolidated financial statements for the period ended March 31, 2012. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The following discussion outlines such accounting policies and is included in the MD&A to aid the reader in assessing the significant accounting policies and practices of our Company and the likelihood of materially different results being reported. Our management reviews its estimates regularly.

The following significant accounting policies outline the major policies involving critical estimates:

### ***Proved Oil and Gas Reserves:***

Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves. The estimated quantities of proved crude oil, natural gas and natural gas liquids are derived from geological and engineering data that demonstrate with reasonable certainty the amounts that can be recovered in future years from known reservoirs under existing economic and operating conditions. Reserves are considered proved if they can be produced economically as demonstrated by either actual production or conclusive formation tests. The oil and gas reserve estimates are made using all available geological and reservoir data as well as historical production data. Estimates are reviewed and revised as appropriate. Revisions occur as a result of changes in prices, costs, fiscal regimes, reservoir performance or a change in our plans. The effects of changes in proved oil and gas reserves on the financial position of our Company are described under the headings "Depletion Expense" and "Impairment of Long Lived Assets".

### ***Depletion Expense:***

The net carrying value of development or production assets is depleted using the unit of production method by reference to the ratio of production in the year to the related proven reserves. These estimates are reviewed by independent reserve engineers at least annually. With all other factors remaining constant, an increase in estimated proved oil and gas reserves would result in a corresponding reduction in depletion expense. With all other factors remaining constant, a decrease in estimated future development costs would result in a corresponding reduction in depletion expense.

### ***Impairment of Long Lived Assets:***

We are required to review the carrying value of all property, plant and equipment including the carrying value of oil and gas assets, for potential impairment. The carrying value of our petroleum and natural gas properties must not exceed their fair value. The fair value is equal to the estimated future cash flows from proved and probable reserves using future price forecasts and costs discounted at a risk-free rate.

If impairment is indicated, the amount by which the carrying value exceeds the estimated fair value of the long lived asset is charged to income.

### ***Decommissioning Obligations:***

Decommissioning obligations are initially measured at fair value when they are incurred, which is the discounted future value of the estimated liability. This requires an estimate to be made of the future costs of retiring the asset at the point in time the asset is acquired.

### ***Income Tax Accounting:***

The determination of our income and other tax liabilities requires interpretation of complex laws and regulations. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded by management.

### ***Share-Based Compensation:***

The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of our common shares and an expected life of the options. The fair value of direct awards of stocks is determined by the quoted market price of our stock.

### ***Legal, Environmental Remediation and Other Contingent Matters:***

We are required to both determine whether a loss is probable based on judgement and interpretation of laws and regulations and determine that the loss can reasonably be estimated. When the loss is determined, it is charged to earnings. Our management must continually monitor known and potential contingent matters and make appropriate provisions by charges to earnings when warranted by circumstance.

## **Changes in Accounting Policies Including Initial Adoption**

### **Pending Accounting Pronouncements**

Certain new standards, interpretations, amendments and improvements to the existing standards were issued by the International Accounting Standards Board ("**IASB**") or International Financial Reporting Interpretations Committee ("**IFRIC**") that are mandatory for accounting periods beginning after January 1, 2010 or later periods. The standards impacted that may be applicable to the Company are as follows:

#### ***IFRS 9 – Financial Instruments***

In an effort to reduce the complexity of accounting for financial instruments, the IASB has is engaged in a project to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities, which may affect the Company's accounting for its financial assets. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to a company's own credit risk out of earnings and recognized the change in other comprehensive income. The standard is not applicable until January 1, 2015 but is available for early adoption. The Company has yet to assess the full impact of IFRS 9.

#### ***IFRS 10 – Consolidation***

IFRS 10 was issued on May 12, 2011. This standard requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC12, Consolidation – Special Purpose Entities, and parts of IAS 27, Consolidated and Separate Financial Statements. The standard is not applicable until January 1, 2013 but is available for early adoption. The Company has yet to assess the full impact of IFRS 10.



### ***IFRS 13 – Fair Value Measurement***

IFRS 13 was issued on May 12, 2011. This is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The standard is not applicable until January 1, 2013 but is available for early adoption. The Company has yet to assess the full impact of IFRS13.

### **Financial Instruments and Other Instruments**

Our Company is exposed in varying degrees to a number of risks arising from financial instruments. The Board of Directors has overall responsibility for the establishment and oversight of our Company's risk management framework. Management's close involvement in the operations allows for the identification of risks and variances from expectations. The Board approves and monitors the risk management process.

Please refer to Note 4 and 5 of our 2012 condensed interim consolidated financial statements for additional details on our Financial Instruments and Other Instruments.

### **Risk Factors**

***Reliance on Operators:*** We are not the operator of any of our oil and gas properties. We depend on the operators for the timing of activities related to such properties and are largely unable to direct or control the activities of the operators. Because we are not the operators of our projects, we cannot control our potential costs. In addition, any decision about whether our properties contain commercially feasible oil and gas deposits and whether these should be brought into production will be made by the operator with little, if any, input from our Company. There is a substantial likelihood that these decisions will be made without consideration of our Company and our financial position. In many cases, a decision to advance a property will require that the owners of the operating interests contribute capital. If such a decision is made at a time when we do not have capital available to satisfy a capital call, our interest in a property could be diluted or lost. If this happens, there is a substantial likelihood that our business would be adversely affected.

***Exploration, Development and Production Risks:*** Oil and natural gas exploration involves a high degree of risk and there is no assurance that exploration expenditures will result in the discovery of oil or natural gas in commercially exploitable quantities.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

In addition, oil and gas operations are subject to inherent risks, including encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, sour gas releases, fires, spills, power outages, labour disruptions, inability to obtain suitable or adequate machinery, equipment or labour. Losses resulting from the occurrence of any of these risks could have a material adverse effect on future results of operations, liquidity and financial conditions.

**Insurance:** Our involvement in the exploration for, and development of, oil and gas properties may result in our Company becoming subject to liability for pollution, blow-outs, property damage, personal injury or other hazards. Although we may obtain insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. We are not an operator and do not carry insurance. In addition, such risks may not, in all circumstances, be insurable or, in certain circumstances, we may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce our funds available. The occurrence of a significant event that we are not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on our financial position, results of operations or prospects.

**Prices, Markets and Marketing of Crude Oil and Natural Gas:** Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond our control. World prices for oil and natural gas have fluctuated widely in recent years. Any material decline in prices could result in a reduction of net production revenue. Certain wells or other projects may become uneconomic as a result of a decline in world oil prices and natural gas prices, leading to a reduction in the volume of our oil and gas reserves. We might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in our future net production revenue, causing a reduction in our oil and gas acquisition and development activities.

In addition to establishing markets for our oil and natural gas, we must also successfully market our oil and natural gas to prospective buyers. The marketability and price of oil and natural gas which may be acquired or discovered by our Company will be affected by numerous factors beyond our control. We will be affected by the differential between the price paid by refiners for light quality oil and the grades of any oil we produced. Our ability to market our natural gas may depend upon our ability to acquire space on pipelines which deliver natural gas to commercial markets. We will also likely be affected by deliverability uncertainties related to the proximity of our reserves to pipelines and processing facilities and related to operational problems with such pipelines and facilities and extensive government regulations relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business. We have limited direct experience in the marketing of oil and natural gas.

**Property Defects:** Title reports are not title insurance and they do not act as a guarantee of title. Our properties may be subject to prior unregistered agreements, native land claims or transfers which have not been recorded or detected through title research or which have been asserted since the date the research was completed.

**Environmental Risks:** All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions, federal, provincial and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases of emissions of various substances produced in association with oil and gas operations.

Environmental legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of regulatory authorities. Compliance can require significant expenditures and non-compliance can result in the imposition of significant fines and penalties. Environmental laws could materially increase the costs of exploration, development or production.

**Reserve Replacement:** Our future oil and natural gas reserves, production, and cash flows to be derived therefrom are highly dependent on our Company successfully acquiring or discovering new reserves. Without the continual addition of new reserves, any existing reserves we may have at any particular time and the production therefrom will decline over time as existing reserves are exploited. A future increase in our reserves will depend not only on our ability to develop any properties we may have from time to time, but also on our ability to select and acquire suitable producing properties or prospects. There can be no assurance that our future exploration and development efforts will result in the discovery and development of additional commercial accumulations of oil and natural gas.

**Need to Manage Growth:** We could experience rapid growth in production, revenues, personnel, complexity of administration and in other areas. There can be no assurance that we will be able to manage the impact that future growth could place on our administrative infrastructure, systems, and controls. If we are unable to manage future growth effectively, our business, operating results and financial condition may be materially and adversely affected.

**Reliance on Key Personnel / Employees:** Our management personnel are provided by a consulting company wholly-owned by one of our shareholders. The Company does not have any Key Personnel or Key Employees nor does the Company carry Key Person insurance.

**Conflicts of Interest:** A director and certain of our officers work for a consulting company wholly-owned by one of our shareholders. This consulting company provides management services to our Company and to other companies in which its sole shareholder has an interest. These other companies are engaged in business similar to our business and all of them will compete with us in the search for additional business opportunities. Situations may arise where our directors or officers will have a duty to our Company and to another company in respect of the same subject matter. In the event of a conflict of interest, our business could be harmed in any number of ways, including the loss of an opportunity to a competitor.

**Permits and Licenses:** Our operations may require permits and licenses from various governmental authorities. There can be no assurance that we will be able to obtain all necessary permits and licenses. If we require a permit or license that we cannot obtain, we could be forced to scale back or curtail our activities and our business could be harmed.

**Substantial Capital Requirements and Liquidity:** We anticipate that we will make substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. We may have limited ability to secure the capital necessary to undertake or complete these activities. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available to our Company, that it will be on terms acceptable to us. If we cannot raise capital when we need it, our business could fail.

**Availability of Drilling Equipment and Access Restrictions:** Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to our Company and may delay exploration and development activities.

## Risks Relating to the Industry

The oil and gas industry is subject to extensive controls and regulations imposed by various levels of government. Outlined below are some of the more significant aspects of the legislation, regulations and agreements governing the oil and gas industry. All current legislation is a matter of public record and we are unable to predict what additional legislation or amendments may be enacted.

### ***Potential Profitability of Oil and Gas Ventures Depends upon Factors Beyond our Control:***

The potential profitability of oil and gas properties is dependent upon many factors that are beyond our control. For instance, world prices and markets for oil and gas are unpredictable, highly volatile, potentially subject to governmental fixing, pegging, controls, or any combination of these and other factors, and respond to changes in domestic, international, political, social, and economic environments. Additionally, due to worldwide economic uncertainty, the availability and cost of funds for production and other expenses have become increasingly difficult, if not impossible, to project. These changes and events may materially affect our financial performance.

A productive well may become uneconomic or unmarketable in the event water or other deleterious substances are encountered which impair or prevent the production of oil and/or gas from the well. The marketability of oil and gas that we may acquire or discover could be affected by numerous factors beyond our control. These factors include the proximity and capacity of pipelines and processing equipment, market fluctuations of prices, taxes, royalties, land tenure, allowable production, adverse weather conditions and environmental protection. The extent of these factors cannot be accurately predicted and the combination of these factors may result in our Company not receiving an adequate return on invested capital.

***Competition in the Oil and Gas Industry:*** We compete for reserve acquisitions, exploration leases, licenses and concessions and skilled industry personnel with other oil and gas companies, many of which have significantly greater technical, financial and operational resources and personnel. Our competitors include major integrated oil and natural gas companies and numerous other independent oil and natural gas companies and individual producers and operators.

The oil and gas industry is highly competitive. Our competitors for the acquisition, exploration, production and development of oil and natural gas properties, and for capital to finance such activities, include companies that have greater financial and personnel resources available to them than our Company.

Certain of our natural gas customers and potential customers may themselves be exploring for oil and natural gas, and the results of these exploration efforts could affect our ability to sell or supply oil and gas to these customers in the future. Our ability to successfully bid on and acquire additional property rights, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with our industry partners and joint operators and our ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment.

***Fluctuating Price and Demand:*** The marketability of natural resources that we may acquire or discover may be affected by numerous factors beyond our control. These factors include market fluctuations in oil and gas pricing and demand, the proximity and capacity of natural resource markets and processing equipment, governmental regulations, land tenure, land use, regulation concerning the importing and exporting of oil and natural gas and environmental protection regulations. The impact of these factors cannot be accurately predicted, but the combination of these factors could have an adverse impact on our business.

**Government Regulation / Administrative Practice:** There is no assurance that the laws, regulations, policies or current administrative practices of any government body, organization or regulatory agency in Canada or any other applicable jurisdiction will not be changed, applied or interpreted in a manner which will fundamentally alter our ability to develop, operate, export or market our products. The actions, policies or regulations, or changes thereto, of any government body or regulatory agency, or other special interest groups, may have a detrimental effect on our Company. Any or all of these situations may have a negative impact on our ability to operate and make a profit.

## **Uncertainty of Estimates of Reserves**

Under applicable regulatory requirements, we will be required to identify and disclose any proved oil and gas reserves, estimated quantities of crude oil, natural gas and natural gas liquids. This geological and engineering data demonstrates with reasonable certainty the estimated quantities of crude oil, natural gas and natural gas liquids, which will be recoverable in future years from known reservoirs under existing economic and operating conditions. However, the process of estimating oil and gas reserves is complex, requiring significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each reservoir, and as a result, such estimates are inherently imprecise. Actual future production, oil and gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and gas reserves may vary substantially from our estimations from year to year. Any significant variance in the assumptions could materially affect the estimated quantities and present values of reserves. For example, a material drop in oil and gas prices, or a material increase in applicable taxes, will require management to reassess whether known reservoirs can continue to be reasonably judged as economically productive from one year to the next. In addition, the reserves may be subject to downward or upward revisions based upon production history, results of future exploration and development, prevailing oil and gas prices and other factors, many of which are beyond our Company's control. Actual production, revenues, taxes, development expenditures and operating expenses with respect to the reserves will likely vary from the estimates presented herein, and such variances may be material.

## **Declining Reserves**

In general, production rates from oil and gas properties decline as reserves are depleted. The decline rates depend on reservoir characteristics and vary from steep declines to the relatively slow declines characteristic of long-lived fields in other regions. Should one or more of the above risks materialize or should our underlying assumptions prove incorrect, our actual results may materially differ from our current expectations. Therefore, in evaluating forward-looking statements, readers should specifically consider the various factors that could cause our actual results to materially differ from such forward-looking statements.

## **Reserves Data and Other Oil and Gas Information**

Our independently prepared reserves assessment and evaluation of our oil and gas properties effective December 31, 2011 have been prepared in accordance with mandated National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities of Canadian Securities Administrators. A summary of our reports is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Outstanding Share Data**

Our common shares are listed for trading on the TSXV under the symbol "SKK". We are classified as a Tier 2 issuer on the TSXV.

We had the following securities outstanding as at March 31, 2012 and as of the date of this MD&A:

<b>Class of Shares</b>	<b>Par Value</b>	<b>Number Authorized</b>	<b>Number Issued</b>
Common	Nil	Unlimited	8,626,862
Class A Preference	Nil	Unlimited	Nil

As of March 31, 2012 and as of the date of this MD&A, there are no options, warrants or convertible securities outstanding and no common shares held in escrow.

**Additional Information**

Additional information relating to our Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). We also maintain a web site at [www.strikewellenergy.com](http://www.strikewellenergy.com).