



BERKLEY RENEWABLES INC.
(formerly Berkley Resources Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended December 31, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Berkley Renewables Inc. ("**Berkley**" or the "**Company**") is a junior oil and gas exploration, production and development company based in Vancouver, BC. Additional information relating to the Company, including its audited annual financial statements, is available on the SEDAR website at www.sedar.com. Berkley is a reporting issuer in the provinces of British Columbia, Alberta and Ontario. Berkley's common shares are listed for trading on the Canadian National Stock Exchange ("CNSX") under the symbol "**BKS**", on the US OTC under the symbol "**BRKDF**" and on the Frankfurt Stock Exchange under the symbol "**W80**" and "**WKN 871666**".

The following Management's Discussion and Analysis ("**MD&A**") is dated April 25, 2013. The audited consolidated financial statements with respect to the year ended December 31, 2012 (the "**Reporting Period**") as compared to the year ended December 31, 2011 (the "**Comparable Prior Period**") and this MD&A have been prepared by management and approved by the Company's Audit Committee and Board of Directors. This MD&A should be read in conjunction with the audited condensed consolidated financial statements of the Company and related notes for the Reporting Period. All financial information is expressed in Canadian dollars, unless otherwise stated.

Forward-Looking Information

Certain statements in this MD&A and the documents incorporated by reference contain forward-looking information, which includes forward-looking statements 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 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 the Company 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; investments objectives and strategies; the business goals and strategies; forecast operating and financial results; planned capital expenditures; potential future market for products; the Company's plans for, and results of, exploration and development activities; the Company's treatment under governmental regulatory and royalty regimes and tax laws; competitive advantages; business prospects and opportunities; costs and timing of developmental new projects; management's assessment of future plans and operations; and requirements for additional capital.

MANAGEMENT DISCUSSION & ANALYSIS
For the year ended December 31, 2012

While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect management's current judgment regarding the direction of the 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 includes management's current expectations, estimates and assumptions about certain projects and the markets in which the Company operates, the global economic environment, interest rates, the successful and timely implementation of capital projects; the Company's ability to generate sufficient cash flow from operations to meet current and future obligations and other risks and uncertainties described from time to time in the filings made with securities regulatory authorities; the impact of increasing competition; the Company's ability to obtain qualified staff, equipment and services in a timely and cost efficient manner; the ability of the operator of the project in which the Company has interests to operate in a safe, efficient and effective manner; future commodity prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Company operates may prove to be incorrect. A number of risks and uncertainties would cause the Company's 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 business plans; general economic conditions affecting the Company; risks arising from operations generally; competition; accuracy of cost estimates; fluctuations in commodities prices; fluctuations in product supply and demand; risks associated with technology and its application to the 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 and regulations, or changes to the associated with compliance; the loss of key management employees; the Company's abilities to control operating costs, general administrative and other expenses; other factors beyond the Company's control; insufficient investor interest in the Company's securities which may impact its ability to raise additional financing as required.

These forward-looking statements are based on the estimates and opinions of management at the time they are made. Although management believes that the expectations reflected in these forward-looking statements are reasonable, future results, levels of activity, performance or achievements cannot be guaranteed. Readers of this MD&A are cautioned not to rely on these forward-looking statements. Except as required by applicable securities law, the Company does not intend to update any of the forward-looking statements in this MD&A to conform these statements to actual results.

Overview

Berkley is a publicly-traded, Vancouver-based, oil and gas company engaged in the acquisition, development, exploration and production of petroleum and natural gas reserves in Alberta. The Company has interests in producing natural gas wells as well as the Crossfield natural gas project. The Company believes that the Crossfield project will continue to advance with the Alberta licensing authorities and proceed with a drilling program.

Strategy

Berkley's main focus is the exploration and development of its existing properties and diversification into renewable sources of energy, specifically photovoltaic power generation. Several opportunities are under evaluation within Canada and a number of discussions are in progress with a view to advancing one or more projects in 2013.

Selected Financial Information

	Year-end 12/31/12	Year-end 12/31/11	Year-end 12/31/10
Basis of preparation	IFRS	IFRS	IFRS
Net oil and gas revenue	36,259	56,810	30,786
General and administrative expenses (not including stock-based compensation)	899,977	1,102,559	836,707
Share-based payment expense	Nil	Nil	Nil
Net income (loss) per share	(0.11)	(0.24)	(0.18)
Working capital (capital)	383,730	641,441	2,066,685
Petroleum and natural gas interests	135,569	147,495	197,656
Long term liabilities	88,162	85,623	75,596
Share Capital			
- Dollar amount	15,279,367	14,848,154	14,848,154
- Number of securities	9,728,951	4,613,951	4,613,951

MANAGEMENT DISCUSSION & ANALYSIS
For the year ended December 31, 2012

Results of Operations

Revenue and Expense Summary

	Dec. 31, 2012 \$	Sept. 30, 2012 \$	June 30, 2012 \$	Mar. 31, 2012 \$	Dec.31, 2012 \$	Sept. 30, 2011 \$	June 30, 2011 \$	Mar. 31, 2011 \$
Oil and gas revenue, net of royalties	5,644	7,103	5,450	18,062	16,897	10,850	13,687	15,376
Operating costs	7,222	8,176	3,966	3,707	5,196	5,675	4,372	3,947
Revenue after operating costs	(1,578)	(1,073)	1,484	14,355	11,701	5,175	9,315	11,429
Depletion and accretion expense	(113)	3,974	6,061	4,540	9,509	4,607	7,082	3,042
General and admin	160,460	346,333	234,332	157,752	363,175	204,771	314,804	219,809
Income (loss) before other items	(134,580)	(385,581)	(388,688)	(147,937)	(360,983)	(204,203)	(312,571)	(211,422)
Other income (expenses) and comprehensive income	(327,862)	(604,897)	(204,705)	36,397	(108,107)	(170,554)	1,589,603	(286,610)
Total comprehensive income (loss) for the period	(462,442)	(990,478)	(593,393)	(111,540)	(469,090)	(374,757)	1,277,032	(498,032)

Results of Operations for the year ended December 31, 2012

Revenue: Revenue from the sale of oil and natural gas (net of royalties) decreased from \$58,110 in 2011 to \$37,749 in 2012.

Expenses: Operating costs were \$23,071 in the year ended December 31, 2012 compared with \$19,190 in 2011.

Net Oil and Gas Income: Net oil and gas income includes a charge for depletion and accretion expense, a non-cash charge to operations based on an estimate of changes to oil and gas reserves. The Company had net oil and gas loss of \$1,277 for the year ended December 31, 2012 compared with income of \$13,380 in 2011.

General and Administration Expenses: General and administrative ("G&A") expense was \$899,977 in 2012 compared to \$1,102,559 in 2011. Management anticipates that it will continue to incur the same level of general and administrative expenditures as it continues to follow its diversification into renewable energy. Administrative expenses were \$222,013 for the year ended December 31, 2012 as compared to \$299,593 in 2011, due to cost-sharing initiatives. Management fees and consulting fees were \$493,765 and \$106,668, respectively, for the year ended December 31, 2012 as compared to \$498,424 and \$59,851 in 2011. Professional fees for the year ended December 31, 2012 were \$37,204 as compared to \$206,384 in 2010. The decrease is due to decreased professional and regulatory costs including reduced costs following the Company's transition to International Financial Reporting Standards ("IFRS") as well as decreased legal costs.

Results of Operations for the Quarter Ended December 31, 2012 ("Q4")

Revenue: Revenue from the sale of oil and natural gas (net of royalties) decreased from \$16,897 in Q4 2011 to \$5,644 in Q4 2012. The Company expects future production revenue to decline due to declining production and weak commodity pricing.

Expenses: Operating costs were \$7,222 in Q4 2011 compared with \$5,196 in Q4 2011.

Net Oil and Gas Income: Net oil and gas income includes a charge for depletion and depreciation expense, a non-cash charge to operations based on an estimate of changes to oil and gas reserves. The Company had a net loss of \$1,089 in Q4 2011 compared with income of \$2,192 in Q4 2010.

General and Administration Expenses: General and administrative ("G&A") expense was \$160,460 in Q4 2012 compared to \$363,175 in 2011. The decrease was mainly due to a reduction in amounts recorded professional and regulatory costs including costs to transition to International Financial Reporting Standards ("IFRS") as well as increased legal costs relating to due diligence on potential acquisitions, however; these were partially offset by increases to consulting fees due to additional personnel required to support the Company's efforts to diversify into renewable energy, and increased shareholder information and filing and transfer agency fees.

Liquidity and Capital Resources

Berkley currently earns revenue from its oil and natural gas interests. The Company invests its cash and cash equivalents with major Canadian financial institutions with investment grade credit ratings. Berkley has no outstanding bank debt or other interest bearing indebtedness as at December 31, 2012. At December 31, 2012, Berkley had \$462,365 in cash and cash equivalents (December 31, 2011 - \$674,327) and working capital of \$383,730 (December 31, 2011 - \$641,441). These balances will be used to fund future capital expenditures including development of its exploration and evaluation property, photovoltaic power projects, office and administrative expenses and working capital requirements.

In order to undertake exploration and development programs, the Company will require further financial resources. Berkley assesses its financing requirements and its ability to access debt or equity markets on an ongoing basis. Given the current conditions of the financial markets, the company will seek to maintain financial flexibility and will monitor and assess its financing requirements as its activities progress. The Company's ability to access the equity or debt markets in the future may be affected by prolonged market instability. The inability to access the equity or debt markets for sufficient capital, at acceptable terms, and within required timeframes, could have a materially adverse effect on the Company's financial condition, results of operations and prospects. Further discussion on these risks can be found in the "Risk Factors" section of the MD&A.

Outstanding Share Data

As of the date of this MD&A, Berkley has the following securities outstanding:

- 10,243,951 common shares; and
- 2,813,250 common share purchase warrants.

Financial Instruments and Business Risks

Fair Values

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values. At December 31, 2012, the Company's financial instruments include cash and cash equivalents, trade and other receivables, marketable securities, investment in RepliCel Life Sciences, accounts payable and accrued liabilities and due to related parties. The fair values of these financial instruments approximate their carrying values due to their short-term maturity.

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act.

Berkley classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

Level 1 - inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets;

- Level 2 - inputs to the valuation methodology included quoted prices for identical assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace; and,
- Level 3 - inputs to the valuation methodology are not based on observable market data.

Cash and cash equivalents, marketable securities and the investment are recorded based on Level 1 of the fair-value hierarchy. Investment in RepliCel is recorded based on Level 2 of the fair value hierarchy. The carrying value of trade and other receivables and accounts payable and accrued liabilities equals fair value due to the short term nature of these balances.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these consolidated financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with the risk management policies as set out herein:

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. A substantial portion of the Company's trade and other receivables are with natural gas and liquids marketers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. As at December 31, 2012, the maximum credit exposure is the carrying amount of the trade and other receivables of \$164,215 (2011 – \$132,367). As at December 31, 2012, the Company's receivables consisted of \$140,513 from joint venture partners and other trade receivables (2011 - \$108,458) and \$23,702 (2011 - \$23,309) of revenue receivable from petroleum and natural gas marketers.

The Company did not provide for any doubtful accounts, however was required to write off \$14,439 of

MANAGEMENT DISCUSSION & ANALYSIS
For the year ended December 31, 2012

receivables (2011 - \$nil). The Company would only choose to write-off a receivable balance (as opposed to providing an allowance) after all reasonable avenues of collection had been exhausted.

The Company considers its trade and other receivables to be aged as follows:

	2012	2011
Not past due or impaired	\$ 77,361	65,165
Past due by less than 90 days but not impaired	4,581	5,533
Past due by more than 90 days but not impaired	82,273	61,649
	\$ 164,215	132,367

Amounts past due by more than 90 days are from Canada Revenue Agency therefore impairment would not be required as the Company expects to receive the full amount from this government agency.

Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company's operating cash requirements are continuously monitored by management. As factors impacting cash requirements change, liquidity risks may necessitate the need for the Company to raise capital by issuing equity. The Company's financial liabilities are comprised of accounts payable and accrued liabilities and due to related parties, which have expected maturities of less than one year.

Market risk

The significant market risk exposures affecting the financial instruments held by the Company are those related to foreign currency exchange rates and commodity price risk which are explained as follows:

i. Currency risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company enters into transactions denominated in United States currency for which the related expenses and accounts payable balances are subject to exchange rate fluctuations. December 31, 2012, the following items are denominated in United States currency as at:

	2012 CAD\$	2011 CAD\$
Cash and cash equivalents	317	883
Accounts payable and accrued liabilities	167	53,238

ii. Commodity price risk

Commodity price risk is the risk that the cash flows and operations of the Company will fluctuate as a result of changes in commodity prices. Significant changes in commodity prices can also impact the Company's ability to raise capital or obtain additional debt financing. Commodity prices for crude oil are impacted by world economic events that dictate the levels of supply and demand.

The Company's financial performance is closely linked to crude oil and natural gas prices. While the Company may employ the use of financial instruments in the future to manage these price exposures, it currently does not have enough producing wells to hedge its production, and its crude oil and natural gas liquids are sold into spot markets. Given production levels, a 10% change in commodity prices would not have a material effect on earnings.

Critical Accounting Estimates

The timely preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies, if any, as at the date of the financial statements and the reported amounts of revenues and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future years could require a material change in the financial statements. These assumptions are based on historical experience and other factors that management believes to be reasonable under the circumstances, and are subject to change as new events occur, as more industry experience is acquired, as additional information is obtained and as the Company's operating environment changes.

Information about critical judgments in accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

Note 2 – estimated useful lives and impairment of property and equipment

Note 11 – inputs used in estimating fair value for share-based payment transactions

Note 15 – provision for income taxes

Note 18 – valuation of trade and other receivables

Related Party Transactions

The consolidated financial statements include the financial statements of Berkley Renewables Ltd. and the subsidiaries listed below:

Name	Country of Incorporation	% equity interest	
		December 31, 2012	December 31, 2011
American Uranium Corp.	United States of America	53%	53%
Solar Flow-Through 2012-I General Partner Ltd.	Canada	95%	51%
Solar Flow-Through 2012-I Management Ltd.	Canada	95%	51%

Balances and transactions between Berkley and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions with other related parties are disclosed below:

MANAGEMENT DISCUSSION & ANALYSIS
For the year ended December 31, 2012

- a) Due to related parties consists of \$55,604 (2011 - \$30,500) due to Directors of Berkley for Directors fees, consulting fees and expenses. As well amounts due to Solar Flow-Through 2012-I Limited Partnership for \$27,305 (2011 - \$Nil). Due from related parties of \$15,000 (2011 - \$Nil) relates to an advance to key management personnel during the year.
- b) Management and consulting fees totalling \$459,189 were paid to Directors and their private companies in 2012 (2011 - \$334,745); and rent expense totalling \$19,430.87 (2011 - \$27,200) was paid to a company whose management is related to a Director of Berkley.
- c) Berkley takes part in a cost sharing arrangement to reimburse Oniva International Services Corporation ("Oniva"), a private company owned by public companies having common Directors, for a variable percentage of its overhead expenses, to reimburse 100% of its out-of-pocket expenses incurred on behalf of Berkley, and to pay a percentage fee based on the total overhead and corporate expenses. The agreement may be terminated with one-month notice by either party.

Administrative services, office supplies and accounting charges totalling \$81,057 were paid to Oniva during the year ended December 31, 2012 (2011 - \$95,367). At year end, \$7,131 (2011 - \$14,616) of this amount was included in accounts payable and accrued liabilities.

The transactions were in the normal course of operations and have been measured at the exchange amount, which is the amount agreed to by the related parties. At year end, \$86,881 (2011 - \$Nil) was included in accounts payable and accrued liabilities.

Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the years were as follows:

	2012	2011
	\$	\$
Compensation, including bonuses	484,189	361,500
	484,189	361,500

Recent Accounting Pronouncements

Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

- (i) IFRS 9 - Financial Instruments: issued in October 2010, is the first phase in the replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 revises the current multiple classification and measurement models for financial assets and liabilities and limits the models to two: amortized cost or fair value. The new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2015. The Company is currently assessing the impact of this standard on its consolidated financial statements.
- (ii) IFRS 10 - Consolidated Financial Statements: issued in May 2011, identifies the concept of control as the determining factor in whether an investee should be included within the consolidated financial statements of the parent. The guidance requires an entity to consolidate an investee when it has exposure or rights to variable returns from its involvement with the investee and has the ability to affect those returns. The standard applies to all investees, including special purpose entities and replaces SIC- 12 Consolidation Special Purpose Entities and parts of IAS 27 Consolidated and Separate

Financial Statements. The new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2013. The Company is currently assessing the impact of this standard on its consolidated financial statements.

- (iii) IFRS 11 - Joint Arrangements: issued in May 2011, addresses two forms of joint arrangements where there is joint control: joint operations and joint ventures. In a joint operation, each venturer will recognize its share of the operation's assets, liabilities, revenues and expenses. Joint ventures will be required to use the equity method of accounting. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities Non-Monetary Contributions from Venturers. The new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2013. The Company is currently assessing the impact of this standard on its consolidated financial statements.
- (iv) IFRS 12 - Disclosure of Interests in Other Entities: issued in May 2011. It is a comprehensive standard addressing disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, subsidiaries, special purpose entities and unconsolidated structured entities. The standard aims to provide information to enable users to evaluate the nature of an entity's interest in other entities and the associated risks. IFRS 12 is effective for the Company's interim and annual financial statements commencing January 1, 2013. The Company is currently assessing the impact of this standard on its consolidated financial statements.
- (v) IFRS 13 - Fair Value Measurement: issued in May 2011, replaces fair value measurement and disclosure guidance throughout individual IFRS standards with one comprehensive source of fair value measurement guidance. IFRS 13 defines fair value as 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. The standard also provides a framework for measurement of fair value and establishes required disclosures. It is effective for the Company's interim and annual financial statements commencing January 1, 2013. The Company is currently assessing the impact of this standard on its consolidated financial statements.
- (vi) IAS 1 - Presentation of Items of Other Comprehensive Income: in 2011, the IASB issued amendments to IAS 1 Presentation of Financial Statements to split items of other comprehensive income (OCI) between those that are reclassified to income and those that are not. The standard is required to be adopted for annual periods beginning on or after July 1, 2012. The Company is currently assessing the impact of this standard on its consolidated financial statements.
- (vii) IAS 27 - Separate Financial Statements: the IASB issued amendments to IAS 27 Separate Financial Statements to coincide with the changes made in IFRS 10, but retains the current guidance for separate financial statements. Amendment is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of this standard on its consolidated financial statements.
- (viii) IAS 28 - Investments in Associates and Joint Ventures: the IASB issued amendments to IAS 28 Investments in Associates and Joint Ventures to coincide with the changes made in IFRS 10 and IFRS 11. Amendment is effective for annual periods on or after January 1, 2013. The Company is currently assessing the impact of this standard on its consolidated financial statements.
- (ix) IFRS 7 and IAS 32 – Financial instruments: Disclosures and financial instruments: presentation to clarify the current offsetting model and develop common disclosure requirements to enhance the understanding of the potential effects of offsetting arrangements. Amendments to IFRS are effective on January 1, 2014 with retrospective application and early adoption permitted. The Company is currently assessing the impact of this standard on its consolidated financial statements.