



BERKLEY RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended

March 31, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Berkley Resources 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 June 24, 2011. The unaudited condensed interim consolidated financial statements with respect to the three months ended March 31, 2011 (the "**Reporting Period**") as compared to the three months ended March 31, 2010 (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 unaudited condensed interim consolidated financial statements of the Company and related notes for the Reporting Period. All financial information is expressed in Canadian dollars, unless otherwise stated.

Adoption of International Financial Reporting Standards ("IFRS")

Berkley's financial statements and the financial data included in the interim MD&A have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("**IASB**") and interpretations of the International Financial Reporting Interpretations Committee that are expected to be effective as at December 31, 2011, the date of the Company's first annual reporting under IFRS. The adoption of IFRS does not impact the underlying economics of Berkley's operations.

The accounting policies set forth in Note 3 of the unaudited condensed interim consolidated financial statements have been applied in preparing the financial statements for the three months ended March 31, 2011 and comparative information as set at and for the three months ended March 31, 2010, as at and for the year ended December 31, 2010 and an opening Statement of Financial Position at January 1, 2010. Notes 16 and 17 to the condensed interim consolidated financial statements contains a detailed description of the Corporation's adoption of IFRS, including a reconciliation of the financial statements previously prepared under Canadian Generally Accepted Accounting Principles ("**Canadian GAAP**") to those under IFRS. The most significant impacts of the adoption of IFRS, together with details of IFRS 1 *First-time Adoption of IFRS* exemptions taken, are described in the "Transition to International Financial Reporting Standards" section of this MD&A.

Comparative information in this interim MD&A has been restated to comply with IFRS requirements, unless otherwise indicated.

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.

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 internationally and a number of discussions are in progress with a view to advancing one or more projects before the end of 2011.

Financial Highlights

- As at March 31, 2011, Berkley had \$1,294,218 (December 31, 2010 - \$1,127,719 and January 1, 2010 - \$839,811) in cash and cash equivalents, which will allow the Company to invest in new projects.
- Berkley had a net loss of \$498,032 for the three months ended March 31, 2011 (2010 - \$107,252). This net loss consisted mostly of office and administrative expense costs incurred by the Company.
- As at March 31, 2011, Berkley had capitalized expenditures consisting of \$379,129 as exploration and evaluation property and \$210,842 in petroleum and natural gas interests (December 31, 2010 - \$379,129 and \$197,656, respectively and January 1, 2010 - \$379,129 and \$1,968,556, respectively).

Financial Performance

	Mar. 31, 2011 \$ (Unaudited)	Dec. 31, 2010 \$ (Unaudited)	Sept. 30, 2010 \$ (Unaudited)	June 30, 2010 \$ (Unaudited)	Mar. 31, 2010 \$ (Unaudited)	Dec. 31, 2009* \$ (Unaudited)	Sept. 30, 2009* \$ (Unaudited)	June 30, 2009* \$ (Unaudited)
Total revenues	15,673	26,427	118,732	117,422	105,499	159,772	149,064	155,843
Total comprehensive loss for the period	(498,032)	(2,187,546)	(192,331)	(191,319)	(107,252)	(339,659)	(227,187)	(147,212)
Loss per share, basic and diluted	(0.01)	(0.05)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Total assets	2,894,493	3,551,718	4,759,048	4,983,975	4,881,137	5,130,804	4,496,803	4,668,118
Weighted average number of shares	46,018,+04	46,018,904	39,679,631	33,169,668	28,131,819	24,570,152	23,696,042	21,451,608

* 2009 results are prepared in accordance with Canadian Generally Accepted Accounting Principles, prior to the adoption of IFRS. As a result, figures prior to 2009 may not be comparable.

The Company's revenue is comprised entirely from production on its natural gas interests. Costs associated with its activities for the respective periods relate to production costs and general and administrative expenses.

General and Administrative Expenses

	March 31, 2011	March 31, 2010	% Change
General and administrative	\$ 219,809	\$ 104,840	109

General and administrative expenses consist primarily of costs relating to corporate office overhead, managerial-level staffing, professional fees and shared corporate services including office services and premises. During the first quarter of 2011, general and administrative expenses increased to \$219,809 as compared to \$104,840 in 2010. The increase in general and administrative costs reflects the increase in personnel as a result of the acquisition of American Uranium Corporation, higher compensation costs for administrative and consulting personnel due to the Company's efforts to diversify into renewable energy, increased professional and regulatory costs including costs to transition to International Financial Reporting Standards ("IFRS").

Revenue

The Company's revenue is comprised entirely of petroleum and natural gas sales. Petroleum and natural gas sales revenues were \$15,673 for the three months ended March 31, 2011, compared to \$105,499 for the three months ended March 31, 2010. The decrease is due to the disposition of two property interests, thereby reducing revenue from producing properties.

Net Loss

In the quarter ended March 31, 2011, the Company reported a loss of \$498,032 as compared to a loss of \$107,252 in the first quarter 2010. The increase in loss is due mainly to unrealized loss on investments of \$159,093 and loss attributed to non-controlling interest of \$127,517.

Liquidity and Capital Resources

Berkley currently earns revenue from its petroleum 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 March 31, 2011. At March 31, 2011, Berkley had \$1,294,218 in cash and cash equivalents. 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:

- 46,139,482 common shares;
- 21,370,000 warrants;
- 790,000 stock options.

Each stock option and warrant entitles the holder thereof to acquire one common share. The number of shares reserved for issuance pursuant to the options granted will not exceed 10 per cent of the Company's issued and outstanding common shares. As of the date of this MD&A, total stock options outstanding represent 1.8% of the total issued and outstanding common shares.

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 March 31, 2011, the Company's financial instruments include cash and cash equivalents, trade and other receivables, marketable securities, deposits and trade and other

payables. 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 and marketable securities are recorded based on Level 1 of the fair-value hierarchy. Trade and other receivables and accounts payable are recorded based on Level 3 of the fair-value hierarchy.

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 interim 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 March 31, 2011, the maximum credit exposure is the carrying amount of the trade and other receivables of \$111,558 (December 31, 2010 – \$84,052, January 1, 2010 – \$321,015). As at March 31, 2011, the Company's receivables consisted of \$87,196 from joint venture partners and other trade

receivables and \$24,362 of revenue receivable from petroleum and natural gas marketers.

The Company did not provide for any doubtful accounts nor was it required to write-off any receivables during the three months ended March 31, 2011. 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.

As at March 31, 2011, the Company considers its receivables to be aged as follows:

Not past due	\$	23,361
Past due by less than 90 days		46,775
Past due by more than 90 days		41,422
	\$	<u>111,558</u>

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 also mitigates liquidity risk by maintaining an insurance program to minimize exposure to insurable losses.

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. As at March 31, 2011, the following items are denominated in United States currency:

	March 31, 2011 CAD\$	December 31, 2010 CAD\$	January 1, 2010 CAD \$
<i>Cash and cash equivalents</i>	3,273	792	-
<i>Accounts payable and accrued liabilities</i>	2,892	2,763	-



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ii. Commodity price risk

Commodity price risk is the risk that the cash flows and operations of Berkley will fluctuate as a result of changes in commodity prices. Significant changes in commodity prices can also impact Berkley'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.

Berkley's financial performance is closely linked to crude oil and natural gas prices. While Berkley 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.

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 condensed interim consolidated financial statements is included in the following notes:

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

Note 5 – valuation of trade and other receivables

Note 13 – inputs used in accounting for share based compensation expense

Note 13 – inputs used in the accounting for warrants

Related Party Transactions

As at March 31, 2011, December 31, 2010 and January 1, 2010, the amount of transactions made with parties not at arm's length to the Company not otherwise disclosed consists of the following:

- a) Directors' fees of \$3,500 (December 31, 2010 - \$35,708, January 1, 2010 - \$118,012) were payable to directors.
- b) Included in accounts payable and accrued liabilities are rent and administration expenses of \$4,267 payable to a private company owned by public companies having common directors (December 31, 2010 - \$11,974, January 1, 2010 - \$34,296).

The transactions were in the normal course of operations and agreed to by the related party and the Company and have had been measured at the exchange amount

Compensation of key management personnel

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

	March 31, 2011 \$	March 31, 2010 \$
Compensation, including bonuses	87,000	163,000
	87,000	163,000

Accounting Standards Issued But Not Yet Effective

The following are IFRS changes that have been issued by the International Accounting Standards Board, which may affect the Company, but are not yet effective:

IFRS 9, 'Financial Instruments' was issued in November 2009 as the first step in its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2013, with early adoption permitted. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment and hedge accounting. Berkley has not yet assessed the impact of the standard and has decided not to adopt the standard early.

IFRS 10, 'Consolidated Financial Statements' was issued in May 2011 and will supersede the consolidation requirements in SIC-12 'Consolidation – Special Purpose Entities' and IAS 27 'Consolidated and Separate Financial Statements' effective for annual periods beginning on or after January 1, 2013, with early application permitted. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is currently assessing the impact of this standard.

IFRS 11, 'Joint Arrangements' was issued in May 2011 and will supersede existing IAS 31, 'Joint Ventures' effective for annual periods beginning on or after January 1, 2013, with early application permitted. IFRS 11 provides for the accounting of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard also eliminates the option to account for jointly controlled entities using the proportionate consolidation method. The Company is currently assessing the impact of this standard.

IFRS 12, 'Disclosure of Interests in Other Entities' was issued in May 2011 and is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.

IFRS 12 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The Company is currently assessing the impact of this standard.

IFRS 13, 'Fair Value Measurement' was issued in May 2011 and sets out in a single IFRS a framework for measuring fair value. 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. This definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific measurement. In addition, IFRS 13 also requires specific disclosures about fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is currently assessing the impact of this standard.

International Financial Reporting Standards ("IFRS")

Effective January 1, 2011, the Company adopted IFRS. Although IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences on recognition, measurement and disclosures. The adoption of IFRS required the restatement, for comparative purposes, of amounts reported by the Company for the year ended December 31, 2010, including the opening balance sheet as at January 1, 2010.

The Company's accounting policies under IFRS differ from those previously followed under Canadian GAAP. The new policies as disclosed in Note 2 to the condensed interim consolidated financial statements have been consistently applied to all periods presented in the MD&A and all prior period information has been restated or reclassified for comparative purposes unless otherwise noted. The adjustments relating to the transition to IFRS on January 1, 2010 are recognized directly into opening retained earnings or, if appropriate, another category of equity or balance sheet adjustment at that date.

The Company has applied the following exemptions to its opening statement of financial position dated January 1, 2010.

Oil and Gas Exemption

In July 2009, the IASB published an amendment to IFRS 1 "Additional Exemptions for First-time Adopters", which introduces a first-time adoption exemption for first-time adopters that accounted under their previous GAAP for exploration and development costs for oil and gas properties in the development or production phases in cost centres that include all properties in a large geographical area (defined as full cost method under Canadian GAAP). Under the exemption, a first-time adopter may elect to measure oil and gas assets at the date of transition to IFRS on a deemed cost basis, but does not permit continued application of the previous GAAP accounting policy. Berkley followed a full cost approach under Canadian GAAP and has elected to use this election to measure oil and gas exploration and production assets at the date of transition to IFRS on a deemed cost basis.

Share-based payments

The Company has elected to apply the exemption under IFRS 2 "Share-based Payments" for retrospective application of IFRS 2 to equity instruments granted before the transition date.

Business Combinations

The Company has elected to apply the exemption under IFRS 3 "Business Combinations" for

retrospective application of IFRS 3 to business combinations that took place before the transition date.

Decommissioning liabilities

An entity that uses the deemed cost oil and gas exemption under IFRS 1 may also use an additional exemption with respect to decommissioning liabilities on oil and gas properties encompassed by the full cost method under Canadian GAAP. As Berkley has elected to apply the deemed cost oil and gas exemption, Berkley has also elected to apply this exemption and as such, Berkley has re-measured the decommissioning liability as at January 1, 2010 under IAS 37, and has recognized directly into deficit any differences between that amount and the carrying amount of the liabilities at January 1, 2010 as determined by Canadian GAAP.