

BIG SKY PETROLEUM CORPORATION
(formerly Fox Resources Ltd.)
(An Exploration Stage Company)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2012

INTRODUCTION

This is Management's Discussion and Analysis ("MD&A") for Big Sky Petroleum Corporation ("Big Sky" or the "Company") (formerly Fox Resources Ltd.) and has been prepared based on information known to management as of May 29, 2012. This MD&A is intended to help the reader understand the consolidated financial statements of Big Sky.

The following information should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2012 and the related notes, and the audited consolidation financial statements for the year ended December 31, 2011 and the related notes, all of which are prepared in accordance with International Financial Reporting Standards ("IFRS"). The MD&A provides a review of the performance of the Company for the three months ended March 31, 2012. Additional information relating to the Company can be found on SEDAR www.sedar.com.

Management is responsible for the preparation and integrity of the consolidated financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management also ensures that information used internally or disclosed externally, including the consolidated financial statements and MD&A, is complete and reliable.

The Company's board of directors follows recommended corporate-governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management regularly to review the consolidated financial statements, including the MD&A, and to discuss other financial, operating and internal-control matters.

All currency amounts are expressed in US dollars unless otherwise noted.

FORWARD LOOKING STATEMENTS

Certain sections of this MD&A provide, or may appear to provide, a forward-looking orientation with respect to the Company's activities and its future financial results. Consequently, certain statements contained in this MD&A constitute express or implied forward-looking statements. Terms including, but not limited to, "anticipate", "estimate", "believe" and "expect" may identify forward-looking statements. Forward-looking statements, while they are based on the current knowledge and assumptions of the Company's management, are subject to risks and uncertainties that could cause or contribute to the actual results being materially different than those expressed or implied. Readers are cautioned not to place undue reliance on any forward-looking statement that may be in this MD&A.

The following forward looking statements have been made in this MD&A:

- Plans for exploration of the Company's oil and gas properties;
- Speculation on future commodity prices;
- Future budgets and how long the Company expects its working capital to last; and
- Management expectations of future activities and results.

ADDITIONAL INFORMATION

Financial statements, MD&A's and additional information relevant to the Company and the Company's activities can be found on SEDAR at www.sedar.com, and/or on the Company's website at www.bspcorp.com.

SUMMARY AND OUTLOOK

On September 30, 2011, Fox Resources Ltd. ("Fox") entered a Share Exchange Agreement ("the Agreement") with Big Sky Operating LLC ("BSO") to acquire 100% interest in BSO (the "Acquisition"). On November 30, 2011, upon the approval of the Acquisition by the shareholders of Fox, the members of BSO and the TSX Venture Exchange ("Exchange"), Fox issued 27,000,000 common shares to the members of BSO. The combined company continued under the name "Big Sky Petroleum Corporation" effective December 1, 2011.

In addition, Fox issued 1,350,000 common shares to the lenders of BSO in conjunction with retiring the \$4 million loan and the related interest of \$418,209 using the proceeds from the Cdn\$9 million private placement that occurred in conjunction to the Acquisition.

Fox is the legal parent of BSO. However, as a result of the share exchange described above, control of the combined companies passed to the former shareholders of BSO, resulting in a "reverse take-over". A reverse take-over involving a non-public enterprise and a non-operating public enterprise is a capital transaction in substance, rather than a business combination. That is, the transaction is equivalent to the issuance of shares by BSO (legal subsidiary, accounting parent) for the net assets of Fox (legal parent, accounting subsidiary), accompanied by a recapitalization of BSO. As a result, the comparative financial statements of the Company are of BSO's.

Effective December 5, 2011, the Company began trading under the symbol "BSP" on the Exchange as a tier 2 oil and gas company.

Big Sky is an oil and gas exploration and development company based in Billings, Montana, with its main focus primarily on the exploration and development of oil and gas in the Alberta Basin, commonly referred to as the Bakken source system. Big Sky owns a 33.333% working interest in approximately 100,000 net acres in Toole and Glacier counties, Montana.

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Management's overall expectations for the Company are positive, due in part to the following factors:

- Big Sky is highly experienced in the Alberta Basin and the Bakken source system.
- The Company continues to have great success in its well drilling.
- The joint interest partners provide plenty of labour and equipment resources in a very competitive and tight supply market.

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1. Background

The Company was incorporated under the *Canada Business Corporations Act* on February 3, 2006 and, effective July 6, 2009, changed its continuance out of the federal jurisdiction into the British Columbia jurisdiction under the *Business Corporations Act* (British Columbia). The Company has been listed on the TSX Venture Exchange (the “TSX-V” or “Exchange”) since May 5, 2006. Its shares began trading under the symbol “BSP” effective December 5, 2011.

2. Overview

(a) **Company Mission and Focus**

Big Sky is a North American oil and gas company focused in the Alberta Basin, particularly the Bakken source system. The Company’s mission is to explore and develop its oil and gas interest in its 33.333% working interest in approximately 52,000 net acres in Toole and Glacier counties in Montana as well as potentially growing its working interest in the area.

(b) **Non-GAAP Measures**

This MD&A might include references to financial measures commonly used in the oil and natural gas industry such as the terms “field netback” (production sales and processing revenue less royalties, turnover taxes and operating expense) and “funds flow from operations” (cash generated from operating activities before changes in refundable tax, non-cash working capital and translation adjustment on operating items). These non-GAAP measures do not have any standardized meaning under IFRS or previous GAAP and may not be comparable with similar measures presented by other companies.

(c) **BOE Presentation**

Production information is commonly reported in units of barrels of oil equivalent (boe). For purposes of computing such units, natural gas is converted to equivalent barrels of oil using a conversion factor of six thousand cubic feet (mcf) to one barrel (bbl). This conversion ratio of 6:1 represents energy equivalency, which is primarily applicable at the burner tip, and does not represent a value equivalency at the wellhead. Such disclosure of boe may be misleading, particularly if used in isolation.

(d) **Statement of Risk**

The accuracy of reserve and economic evaluations is always subject to uncertainty. The magnitude of this uncertainty is generally proportional to the quantity and quality of data available for analysis. As a well matures and new information becomes available, revisions may be required which may either increase or decrease the previous reserve assignments. Sometimes these revisions may result not only in a significant change to the reserves and value assigned to a property, but also may impact the total company reserve and economic status. The reserves and forecasts contained in the NI 51-101 report and the extracts in this MD&A were based upon a technical analysis of the available data using accepted engineering principles. However, they must be accepted with the understanding that further information and future reservoir performance subsequent to the date of the estimate may justify their revision.

The Company and MHA make no warranties concerning the data and interpretations of such data. In no event shall the Company and MHA be liable for any special or consequential damages arising from the Company's or investors' and shareholders' use of MHA's interpretation, reports, or services produced as a result of MHA's work for the Company.

3. Oil and Gas Properties

Big Sky was formed for the purpose of acquiring oil and gas exploration opportunities, drilling and completing wells and acquiring oil and gas production with primary focus on the exploration and development of oil and gas in the Alberta Basin, commonly referred to as the Bakken source system. Since its organization, Big Sky has amassed a vast geological library identifying Bakken source system members. Accordingly, all leases acquired by Big Sky have been selected based on the analysis of geological data accumulated over the past several years. Big Sky's success in acquiring its leasehold interests has resulted in Big Sky becoming a significant player in the Montana Alberta Basin's emerging Bakken play.

Currently, Big Sky has interests in three separate land packages known as the Somont Farm-In Package, the Americana Acreage Block and the FX Block, collectively referred to as the Glacier Prospects.

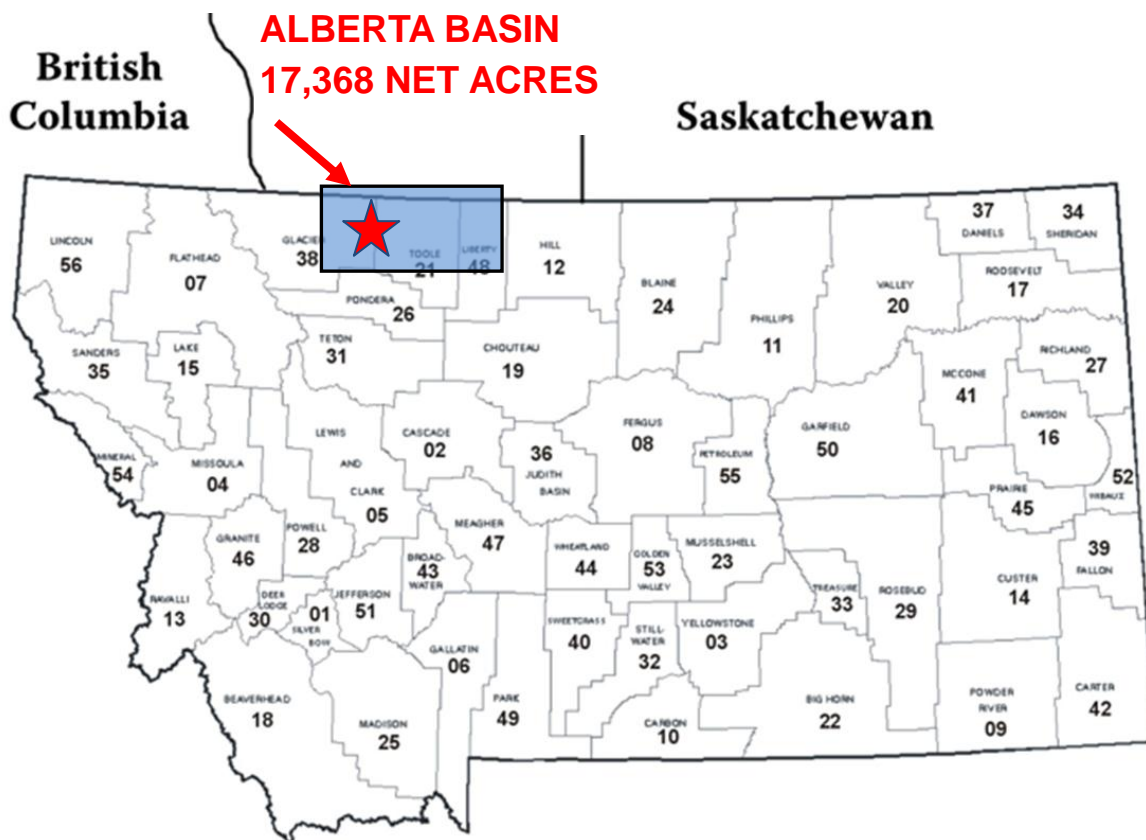
On January 26, 2011 Big Sky entered into a Farmout Agreement with Somont Oil Company Inc. to acquire a 33.33% working interest (with a 20% royalty burden) on a 6,666 net acre located in Toole County, Montana known as the Somont Farm-In Package.

On January 27, 2011 Big Sky entered into a Lease Acquisition Agreement pursuant to which it purchased a 33.33% working interest (with a 20% royalty burden) on a total of 2,833 net acres located in Glacier County, Montana known as the FX Block and an additional 7,869 net acres known as the American Acreage Block.

Effective February 2011, the Company signed a Joint Participation Agreement and Operating Agreement with FX Producing Company, Inc. and American Eagle Energy Inc. to explore approximately 52,000 net acres in the Alberta Bakken region of Montana with an undivided 33 1/3% interest each.

Details of the Glacier Projects are further described below and should be read in conjunction with the Technical Reports dated August 1, 2011 and December 31, 2011 prepared pursuant to NI 51-101 by MHA Petroleum Consultants ("MHA") and both entitled "Geological Assessment of the Glacier Prospect Area, Toole and Glacier Counties, Montana" available for review under the Company's profile at www.sedar.com.

Subsequent to March 31, 2012, the Company and its two Joint Participation Agreement partners sold approximately 26,000 acres and received approximately \$650,000, of which the Company has one-third interest.



(a) Somont Farm-In Package

Description and Location

Big Sky is participating in a farm-out from Somont Oil Company that earns acreage on a well by well basis and is burdened with a continuous drilling obligation. Big Sky paid \$175 to \$200 per acre for 6,666 fill-in net acres around the Somont farm-out. Big Sky's working interest is 33.333% with a 20% royalty burden.

The initial obligation well (FX 14-29) has been drilled, as has the first of two subsequent wells (FX 15-13). A third well, if it is to be drilled, is tied to a 180-day obligation clock that started at the spud of the previous well. Any additional wells drilled after these first two subsequent wells are then tied to a 90-day drilling obligation clock that, again, starts at the spud of the previous well drilled. There is no monetary penalty if the Company elects to discontinue drilling additional wells. However, the Farm-out Agreement will terminate and the Company will lose the right to earn additional acreage if drilling ceases.

'Earning' in the Farm-out Agreement is limited to those formations between depth drilled and the base of the Madison Formation. Earning is also limited to formations containing only oil and hydrocarbon bearing gas. Formations, subject to the Farm-out Agreement, that contain non-hydrocarbon bearing gasses (defined in the agreement) cannot be earned by Big Sky.

Although the Upper Exshaw and Three Forks Formations are the primary objectives of this prospect, there is no apparent language in the Farm-out Agreement that precludes Big Sky from drilling and earning rights to formations deeper than the Three Forks.

(b) Americana Acreage Block

Description and Location

The 'Americana' acreage package consists of approximately 7,869 net acres. Big Sky has a 33.333% working interest with a 20% royalty burden in this block. Unlike the Somont Glacier Prospect Area, Big Sky has purchased this acreage block. No earning wells will be required to earn an interest in the lease position and it is assumed that lease assignments covered rights to all depths. MHA evaluated this acreage package with the same series of maps and cross sections mentioned earlier in the NI51-101 report. The focus of the evaluation was consistent with the other two evaluations and covered only the lower Mississippian and upper Devonian potential. MHA finds this 'Americana' play concept to be interesting, geologically, but containing significant risks that directly impact the probability of economic success. Each of these risks is discussed below.

(c) FX Block

Description and Location

Big Sky's FX acreage block consists of 8,500 gross acres located in Townships 31N-33N Ranges 5W-6W, Glacier County, Montana. This was a purchase by Big Sky for \$200 per acre (total of 2,833 net acres) for a 33.33% working interest with a 20% royalty burden.

(d) Recent Update

Achievements in the first half of 2012:

Toole County Targets:

- ▶ Well Somont 14-29 was drilled horizontally and fracture stimulated Q4 2011. Evaluation underway.
- ▶ Well Somont 15-13 Drilled vertically and is awaiting horizontal drilling and will be fraced in Q3 2012.
- ▶ Americana 4-3 Drilled vertically in Q1 2012. The core has been sent for analysis.

Glacier County Targets:

- ▶ Well FX 81-3 was drilled vertically and fracture stimulated confirming presence of Oil & Gas.
- ▶ Permitting underway for well FX 81-4.

Well	Type	Status	Target
FX 81-3	Vertical	<ul style="list-style-type: none"> • Drilled and fracture stimulated vertically confirming presence of oil and gas. • Close proximity to the Provident Tribal Well. 	Bakken/Three Forks
Somont 14-29	Horizontal	<ul style="list-style-type: none"> • Drilled horizontally and fracture stimulated in Q4 2011. • Being evaluated through Q2 2012. 	Banff/Three Forks
Somont 15-13	Horizontal	<ul style="list-style-type: none"> • Drilled vertically and cased. • Awaiting horizontal completion Q3 2012. 	Banff/Three Forks
FX 81-4	Horizontal	<ul style="list-style-type: none"> • Spud date Q3 2012 • Permitting for a horizontal well to be completed in the Middle Bakken expected by Q2 2012 	Bakken/Three Forks
Americana 4-3	Vertical	<ul style="list-style-type: none"> • Drilled vertically in Q1 to determine the prospectiveness of the eastern flank of the Kevin Dome. • Core sent for analysis. 	Banff/Three Forks

Well	Type	Status	Target
Somont 16-14	Horizontal	• Spud date Q4 2012	Bakken/Three Forks

The **81-3 Well**: It was a vertical deepening of an existing well designed to cost effectively evaluate the various prospective zones within the Bakken Source System. The 81-3 strat test well confirmed the presence of oil in the target zones following a small stimulation of multiple zones in the well. The 81-4 Well is planned – see below.

The **14-29 Well**: It has been fracture stimulated and is currently undergoing testing and evaluation. The approximate 4,100 feet lateral section targeted the Middle Bakken Formation. It is still being tested and evaluated. The evaluation from this well will determine the horizontal drilling and completion program for the 15-13 Well.

The **15-13 Well**: It is located approximately 3 miles south-west of the 14-29 Well and was vertically drilled and cased and is awaiting completion. The next operation planned for this well is horizontal drilling and completion including a planned fracture stimulation. This operation is scheduled for the second quarter.

The **81-4 Well**: It is expected to receive permitting approval in the second quarter. Once approval for the 81-4 Well has been obtained, the first phase of drilling this new well will be completed. Big Sky previously re-entered, deepened, and stimulated the 81-3 Well which confirmed the presence of oil and provided the basis for drilling the 81-4 Well. The Company plans to drill a 4,500' pilot hole to test the Middle Bakken. Based upon results of the vertical test, a 3,500' horizontal leg is planned for the Middle Bakken. Frac design, stimulation and completion programs will be concluded after all well data has been processed and evaluated.

The **4-3 Well**: It has been drilled to total depth. The well was drilled to determine the reservoir characteristics of the Bakken and Three Forks formations. The well was drilled to determine the prospectiveness of the eastern flank of the Kevin Dome and the information will be included in our revised geological model, which will determine our future geographic area of interest.

4. Risks and Uncertainties

General Conditions Relating to Oil Exploration and Production Operations

The Company's operations are subject to all the risks normally incident to the exploration for and production of oil including geological risks, operating risks, political risks, development risks, marketing risks, and logistical risks.

Exploration, Development and Production Risks

Oil and gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The Company's long term commercial success depends on the Company's ability to find, acquire, develop and commercially produce oil reserves. Without the continual addition of new reserves, any existing reserves the

Company may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Company's reserves will depend not only on the Company's ability to explore and develop any properties the Company may have from time to time, but also on the Company's ability to select and acquire suitable producing properties or prospects. No assurance can be given that the Company will be able to continue to locate satisfactory properties for acquisition or participation.

Moreover, if such acquisitions or participations are identified, the Company may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that further commercial quantities of oil will be discovered or acquired by the Company.

Future oil 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 diligent 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. Oil exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, and spills, each of which could result in substantial damage to oil wells, production facilities, other property and the environment or in personal injury. In accordance with industry practice, the Company may not fully insured against all of these risks, nor are all such risks insurable. Although the Company anticipates maintaining liability insurance in an amount that the Company considers consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event the Company could incur significant costs that could have a material adverse effect upon the Company's financial condition.

Oil production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks could have a material adverse effect on future results of operations, liquidity and financial condition.

Environmental

All phases of the oil business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil operations.

The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require us to incur costs to remedy such discharge. Although the Company believes that it is in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Company's financial condition, results of operations or prospects.

Prices, Markets and Marketing

The marketability and price of oil that may be acquired or discovered by the Company will be affected by numerous factors beyond its control. The Company's ability to market may depend upon its ability to acquire space on pipelines that deliver to commercial markets. The Company may also be affected by deliverability uncertainties related to the proximity of the Company's reserves to pipelines and processing facilities, and related to operational problems with such pipelines and facilities as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and many other aspects of the oil business.

Producers of oil negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of oil. The price depends in part on oil quality, prices of competing fuels, distance to market, the value of refined products and the supply/demand balance. Oil prices are unstable and are subject to fluctuation. Any material decline in prices could result in a reduction of the Company's net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in a reduction in the volumes of the Company's reserves. The Company might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in the Company's net production revenue causing a reduction in acquisition, development and exploration activities.

Availability of Drilling Equipment and Access

Oil 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 the Company and may delay exploration and development activities. To the extent the Company is not the operator of its oil properties, the Company will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators.

Competition

The petroleum industry is competitive in all its phases. The Company competes with numerous other participants in the search for, and the acquisition of, oil properties and in the marketing of

oil. The Company's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than us. The Company's ability to increase reserves in the future will depend not only on the Company's ability to explore and develop its present properties, but also on the Company's ability to select and acquire suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and include price and methods and reliability of delivery.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of oil reserves and cash flows to be derived therefrom, including many factors beyond the Company's control. In general, estimates of economically recoverable oil reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. All such estimates are to some degree speculative, and classifications of reserves are only attempts to define the degree of speculation involved. For those reasons, estimates of the economically recoverable oil reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at different times, may vary. The Company's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves. Any recovery and reserves estimates on the properties are estimates only. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material. There is no assurance that any forecast price and cost assumptions contained in a reserve report will be attained and variances could be material. Actual future net cash flows will be affected by other factors such as actual production levels, supply and demand for oil, curtailments or increases in consumption by oil purchasers, changes in governmental regulation or taxation and the impact of inflation on costs. Reserves data is therefore based on judgments regarding future events therefore, actual results will vary and variations may be material.

Title to Assets

Although title reviews may be conducted prior to the purchase of oil producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the Company's claim which could result in a reduction of any revenue to be received by the Company.

Title Issues

The Company has investigated the rights to explore the various oil properties it holds or proposes to participate in and, to the best of its knowledge, those rights are in good standing. However, no assurance can be given that applicable governments will not revoke, or significantly alter the conditions of, the applicable exploration and development authorizations and that such exploration and development authorizations will not be challenged or impugned by third parties. There is no certainty that such rights or additional rights applied for will be granted or renewed on terms satisfactory to the Company. There can be no assurance that claims by third parties against the Company will not be asserted at a future date.

Regulatory

Oil operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. The Company's operations may require licenses from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development at any of the Company's projects.

Foreign Currency Rate Risk

The Company recently completed its financing in Canadian dollars; however, a significant amount of the Company's activities are transacted in or referenced to US dollars. The majority of the Company's operating costs and all of the Company's payments in order to maintain property interests are to be in US dollars. As a result, fluctuations in the US dollar against the Canadian dollar could result in unanticipated fluctuations in the Company's financial results. The Company does not manage its exposure to fluctuations in the US dollar against the Canadian dollar.

Substantial Capital Requirements

The Company anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil reserves in the future. If the Company's revenues or reserves decline, it may have limited ability to expend the capital necessary to undertake or complete future drilling programs. 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, that it will be on terms acceptable to the Company. The Company's inability to access sufficient capital for operations could have a material adverse effect on the Company's financial condition, results of operations or prospects.

Additional Funding Requirements

The cash flow from the Company's operations may not be sufficient to fund the Company's ongoing activities at all times. From time to time, the Company may require additional financing in order to carry out acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause us to forfeit its interest in certain properties, miss certain

acquisition opportunities and reduce or terminate the Company's operations. If the revenues from the Company's operations decrease as a result of lower oil prices or otherwise, it will affect its ability to expend the necessary capital to replace its reserves or to maintain its production. If the Company's cash flow from operations is not sufficient to satisfy capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on terms acceptable to the Company.

Issuance of Debt

From time to time the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase the Company's debt levels above industry standards. Depending on future exploration and development plans, the Company may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. The Company's articles will not limit the amount of indebtedness that the Company may incur. The level of the Company's indebtedness from time to time could impair its ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Hedging

From time to time the Company may enter into agreements to receive fixed prices on the Company's oil production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Company will not benefit from such increases. Similarly, from time to time the Company may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to the United States dollar; however, if the Canadian dollar declines in value compared to the United States dollar, the Company will not benefit from the fluctuating exchange rate.

Reliance on Key Personnel

The Company's success depends in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse effect on the Company. The Company will not have key person insurance in effect for management. The contributions of these individuals to the Company's immediate operations are likely to be of central importance. In addition, the competition for qualified personnel in the oil industry is intense and there can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the development and operation of the Company's business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the Company's management.

Conflicts of Interest

Certain of the Company's directors are also directors of other oil companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the *Business Corporations Act* (British Columbia).

Insurance

The Company involvement in the exploration for and development of oil properties may result in the Company becoming subject to liability for pollution, blow outs, property damage, personal injury or other hazards. Any insurance obtained in accordance with industry standards to address certain of these risks has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not in all circumstances be insurable or, in certain circumstances, the Company 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 the funds available to the Company. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Company's financial position, results of operations or prospects.

5. Impairment of Oil and Gas Properties

The Company completed an impairment analysis as at March 31, 2012 which considered the indicators of impairment. Management concluded that no impairment charge was required because:

- The Company obtained a recent NI 51-101 report supporting its properties;
- The joint interest partners and the Company are continuing its exploration work on the properties;
- All property rights remain in good standing;
- The Company takes the approach of expensing its exploration costs;
- The price of oil and gas is favorable; and
- The Company intends to continue its exploration and development plans on its properties.

6. Material Financial and Operations Information

(a) Selected Annual Financial Information

Selected Annual Information

	Year ended December 31 2011	Year ended December 31 2010	Year ended December 31 2009
	Under IFRS		Under Canadian GAAP
	\$	\$	\$
Oil & gas revenue	-	-	-
Exploration and evaluation expenses	(1,858,684)	(199,408)	-
General and administrative expenses	(954,319)	(55,471)	(13,728)
Other income (expenses)	(2,099,364)	29,574	435,795
Income (Loss) for the year	(4,912,367)	(225,305)	422,067
Income (Loss) per share	(0.48)	(0.07)	0.13
Total assets	7,033,206	-	439,948

Total long-term financial liabilities	-	-	-
Cash dividends declared – per share	N/A	N/A	N/A

(b) Summary of Quarterly Results

The following is a summary of the Company's financial results for the last eight quarters:

	Mar 31, 2012 Quarter	Dec 31, 2011 Quarter	Sep 30, 2011 Quarter	Jun 30, 2011 Quarter	Mar 31, 2011 Quarter	Dec 31, 2010 Quarter	Sep 30, 2010 Quarter	Jun 30, 2010 Quarter
Revenue	-	-	-	-	-	-	-	-
Net Income (loss)	(370,241)	(3,802,387)	(247,292)	(796,843)	(65,845)	(35,932)	-	(194,153)
Loss per Share	(0.00)	(0.38)	(0.04)	(0.15)	(0.02)	(0.01)	0.00	(0.06)

(c) Review of Operations and Financial Results

For the three months ended March 31, 2012 compared to the three months ended March 31, 2011

During the three months ended March 31, 2012, the Company incurred losses of \$370,241 (\$0.00 loss per share) compared to a net loss of \$65,845 (\$0.02 loss per share) for the same period in 2011.

During the three months ended March 31, 2012, the Company incurred \$128,169 (2011 – \$30,965) exploration and evaluation expenses, mostly related to intangible completion and intangible drilling of the wells.

During the three months ended March 31, 2012, the Company incurred \$252,946 in general and administrative expenses, compared to 2011's \$34,880, an increase of \$218,066. Since the completion of reverse take-over of Fox Resources Ltd. in November 2011, the Company has been very active in its operations, including having another office in Vancouver, Canada and has incurred more professional fees and listing and filing fees for being a public company. The increase was mainly due to: (a) the increase in professional fees to \$148,425 (2011 - \$12,954); (b) the increase in office and administrative to \$67,653 (2011 - \$5,913); (c) the increase in transfer agent, listing and filing fees to \$11,737 (2011 - \$12); and (d) the increase in investor relations to \$8,721 (2011- \$Nil).

During the three months ended March 31, 2012, the Company also had interest income of \$5,541 (2011 - \$Nil) and other overhead income of \$13,675 (2011 - \$Nil).

(d) Liquidity and Capital Resources

The Company's working capital as at March 31, 2012 was \$5,075,264 (December 31, 2011 – \$5,422,232). Cash totaled \$5,049,797 as at March 31, 2012, a decrease of \$827,447 from \$5,877,244 as at December 31, 2011. The decrease was a result of \$853,680 spent in

operating activities including changes in working capital and exploration and evaluation expenses, and \$58,172 spent on its oil and natural gas properties acquisition costs.

As of the date of this MD&A, the Company has no other outstanding commitments. The Company has not pledged any of its assets as security for loans, or otherwise and is not subject to any debt covenants.

Management estimates that the current cash position and future cash flows from warrants, finders' warrants and options and potential financing will be sufficient for the Company to carry out its anticipated exploration and operating plans through 2012.

There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for the Company to achieve its stated business objectives.

(e) Disclosure of Outstanding Share Data

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

	No. of Common Shares Issued & Outstanding	Share Capital Amount
March 31, 2012	60,676,665	\$10,190,960

The Company has established a stock option plan for its directors, officers and consultants under which the Company may grant options to acquire a maximum number of common shares equal to 10% of the total issued and outstanding common shares of the Company.

As at March 31, 2012, the Company had 1,643,333 options outstanding, with exercise prices ranging from Cdn\$0.30 to Cdn\$0.35, expiring between May 21, 2013 and December 1, 2016. If all the remaining outstanding options were exercised, the Company's available cash would increase by Cdn\$566,500.

As at March 31, 2012, the Company had 27,559,998 warrants and 2,028,070 finders' warrants outstanding, with the exercise prices ranging from Cdn\$0.30 to Cdn\$0.66, expiring between October 25, 2012 and September 30, 2013. If all the remaining outstanding warrants, finders' warrants and the warrants associated were exercised, the Company's available cash would increase by Cdn\$19,814,319.

As of the date of this MD&A, there were 60,676,665 common shares issued and outstanding and 93,837,136 common shares outstanding on a diluted basis.

(f) Commitment and Contingency

None.

(g) Off-Balance Sheet Arrangements

None.

(h) Transactions with Related Parties

The aggregate value of key management compensation is as follows:

For the three months ended March 31, 2012:

	Short-term Benefits	Share-based Payments	Total
Milton Cox, Chief Executive Officer and Director	\$ -	\$ -	\$ -
Sam Nastat, President	\$ -	\$ -	\$ -
Mark T. Brown, Chief Financial Officer, Corporate Secretary and Director	\$ -	\$ -	\$ -
George Robinson, Director	\$ -	\$ -	\$ -
Desmond Balakrishnan, Director	\$ -	\$ -	\$ -

For the three months ended March 31, 2011:

	Short-term Benefits	Share-based Payments	Total
Milton Cox, Chief Executive Officer and Director	\$ -	\$ -	\$ -
Sam Nastat, President	\$ -	\$ -	\$ -
Mark T. Brown, Chief Financial Officer, Corporate Secretary and Director	\$ -	\$ -	\$ -
George Robinson, Director	\$ -	\$ -	\$ -
Desmond Balakrishnan, Director	\$ -	\$ -	\$ -

The aggregate value of transactions with other related parties are as follows:

For the three months ended March 31, 2012:

	Consulting Fees and Other
CodeAmerica Investments LLC. ^(a)	\$ 30,000
CNC Holdings Ltd. ^(b)	\$ 30,000
SVI Security Solutions ^(c)	\$ 1,360
Pacific Opportunity Capital Ltd. ^(d)	\$ 33,963

For the three months ended March 31, 2011:

	Consulting Fees and Other
CodeAmerica Investments LLC. ^(a)	\$ -
CNC Holdings Ltd. ^(b)	\$ -
SVI Security Solutions ^(c)	\$ -
Pacific Opportunity Capital Ltd. ^(d)	\$ -

Amounts due to (from) related parties as at:

	Services for	March 31, 2012	December 31, 2011
Pacific Opportunity Capital Ltd.	Rent, accounting and consulting services	\$ 26,386	\$ 18,839
SVI Security Solutions	Web hosting and Internet service	(1,044)	Nil
		\$ 25,342	\$ 18,839

- (a) CodeAmerica Investments LLC., a company owned by the Chief Executive Officer of the Company, charged for consulting fees.
- (b) CNC Holdings Ltd., a company owned by the President of the Company, charged for consulting fees.
- (c) SVI Security Solutions, a company of which 32.5% is owned by the Chief Executive Officer of the Company, charged for web hosting and internet service fees.
- (d) Pacific Opportunity Capital Ltd., a company controlled by the Chief Financial Officer of the Company, charged for rent, accounting and consulting fees for an accounting and administrative team.

(i) Financial Instruments

The fair values of the Company's cash, accounts receivable (net of input tax credits receivable), and accounts payable and accrued liabilities approximate their carrying values due to the short-term maturity of these instruments.

Amounts due to/from related parties approximate their fair value as they are due on demand.

The Company's financial instruments are exposed to certain financial risks, including foreign currency risk, credit risk, liquidity risk and interest risk.

(i) Foreign currency risk

The Company raises financing in Canadian dollars while incurring exploration costs on its Montana oil and gas properties as well as the majority of its administrative expenses in US dollars. The Company is therefore affected by changes in exchange rates between the

Canadian dollar and US dollar currencies which may adversely affect the Company's financial position, results of operations and cash flows. The Company has net monetary assets of \$537,000 (December 31, 2011 - \$4,622,000) denominated in Canadian dollars. A 6% change in the absolute rate of exchange in US dollars would affect its net loss by \$32,000.

(ii) Credit risk

The Company's cash is held in a Canadian financial institution and a US financial institution. The Company does not have any asset-backed commercial paper in its cash and cash equivalents. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's accounts receivable consists primarily of joint interest partner's receivables and harmonized sales tax due from the federal government of Canada. The Company manages its joint interest partner's receivable by maintaining a close working relationship and monitoring the aging of such.

(iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk through the management of its capital structure.

Accounts payable and accrued liabilities and amounts due to related parties are due within the current operating period.

(iv) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash is limited because they are generally held to maturity. A 1% change in the interest rate, with other variables unchanged, would affect the Company by an annualized amount of interest equal to approximately \$30,000.

(j) Management of Capital Risk

The Company's capital is comprised of share capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the acquisition and exploration of oil and gas properties and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets, or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

There were no changes to the Company's approach to capital management during the period and the Company is not subject to any externally imposed capital requirements.

7. Subsequent Events

Other than disclosed in above sections, there is no subsequent event.

8. New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the March 31, 2012 reporting period. The Company has not early adopted the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

- IFRS 9 (Amended 2010) Financial Instruments (effective January 13, 2013)
- IFRS 10 (Issued 2011) Consolidated Financial Statements (effective January 2013)
- IFRS 11 (Issued 2011) Joint Arrangements (effective January 2013)
- IFRS 12 (Issued 2011) Disclosure of Interest in Other Entities (effective January 2013)
- IFRS 13 (Issued 2011) Fair value Measurement (effective January 2013)
- IAS 1 (Amended 2011) Presentation of Financial Statements (effective July 1, 2012)
- IAS 19 (Amended 2011) Employee Benefits (effective January 1, 2013)
- IAS 27 (Reissued 2011) Separate Financial Statements (effective January 1, 2013)
- IAS 28 (Reissued 2011) Investments in Associates and Joint Ventures (effective January 1, 2013)

The Company anticipates that the application of the above new and revised standards, amendments and interpretations will have no material impact on its results and financial position.

9. Changes in Internal Control Over Financial Reporting ("ICFR")

No changes occurred in the current period of the Company's ICFR that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

10. Forward-looking statements

Certain information regarding the Company as set forth in the MD&A, including management's assessment of the Company's future plans and operations, contain forward-looking statements that involve substantial known and unknown risks and uncertainties. These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond the control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuation, imprecision of reserve estimates, environmental risks, taxation policies, competition from other producers, the lack of qualified personnel or management, stock market volatility and the ability to access sufficient capital from external or

internal sources. The actual results, performance or achievement could materially differ from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them does, what benefits the Company will derive there from.

Forward-looking statements included or incorporated by reference in this document include statements with respect to:

- The illiquid nature of the units of the Absolute Core Return Fund and the related restrictions on fund redemptions;
- Impairment of long-lived assets;
- The amount of the changes to net income and investments as a result of changes in prevailing interest rates, economic and market conditions and company specific news;
- Conversion of 620 Class B shares into Class A common shares;
- The Company's earnings and loss fluctuation and the ability to identify and acquire investments that will appreciate in value; and
- The Company's adequate working capital to fund its expected operating costs through 2012.

11. Information on the Board of Directors and Management

Directors:

Milton Cox, MBA, BBA

Mark T. Brown, B.Comm, C.A.

George Robinson, BSc

Desmond M. Balakrishnan, BA, C.LA, LLB

Audit Committee members:

Mark T. Brown, George Robinson and Desmond M Balakrishnan

Management:

Milton Cox, MBA, BBA – Chief Executive Officer

Sam Nastat – President

Mark T. Brown, CA – Chief Financial Officer and Corporate Secretary