

The following discussion and analysis of the operations, results and financial position of Berkley Resources Inc. (the "Company" or "Berkley") for the period ended December 31, 2007 should be read in conjunction with the December 31, 2007 year-end financial statements and the related notes.

This Management Discussion and Analysis ("MD&A") is dated April 22, 2007 and discloses specified information up to that date. Berkley is classified as a "venture issuer" for the purposes of National Instrument 51-102. The Company's financial statements are prepared in accordance with generally accepted accounting principles in Canada. Unless otherwise cited, references to dollar amounts are in Canadian dollars.

***We recommend that readers consult the "Cautionary Statement" on the last page of this report.***

## **Description of Business**

The Company's principal business activities are the acquisition, development, exploration and production of petroleum and natural gas reserves in Alberta and Saskatchewan. The Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange under the symbol BKS, on the OTC as a foreign issuer under the symbol BRKDF and on the Frankfurt Stock Exchange under the symbol W80 and WKN 871666.

## **Overall Performance**

During the year ended December 31, 2007, the Company became a pure oil and gas company after the sale of the Company's real estate assets in Vancouver, B.C. The Company used the proceeds of the sale to pay the Company's outstanding corporate debt and the balance was used for exploration and working capital purposes.

## **Oil and Gas Industry Overview**

The oil and gas industry has gone through a turbulent time over the last 18 months even with record prices. Berkeley believes the current market position will benefit oil and gas junior companies like Berkley. Oil prices fluctuated between \$51 US and \$119.38 US per barrel from January 1, 2007 to April 22, 2008 with prices closing at \$119.38 US on April 22, 2008 (\$ per barrel for West Texas Intermediate (WTI)). Natural gas prices have also been very volatile through the last 15 months fluctuating between \$5.50/mcf US and \$10.50 US during this same time closing, at \$10.20 US on April 22, 2008. Cost of all related services have been high for 2007 although rig utilization in Alberta is down and should translate into reduced drilling costs for 2008.

## **Company Activity**

### ***Senex Area, Alberta (Townships. 92/93, Ranges 6/7 W5M):***

Berkley (20% ±) and its operating partner Onefour Energy Ltd. (80% ±) have approximately 70 sections. These land holdings will provide the Company with a very large block on which to develop all three productive formations identified to date. The formations are: Keg River (oil), Slave Point (oil) and Blue Sky (gas).

During the year ended December 31, 2007, the Company and its partner changed their focus on this program and concentrated on stabilizing production from the Keg River producing wells while the capital program was put on hold.

As of the date of this MD&A, the Company has an unresolved dispute with its partner with respect to the Senex area operations that is subject to a default notice. Several items in this account are disputed by the Company. The outcome of this dispute is undeterminable at this time.

***Crossfield West Area, Alberta (Township 28, Range 1 W5M):***

The licensing process of this sour-gas prospect is stalled. The Company (35%) and its partners have negotiated extensions to certain of its freehold leases which will maintain our existing drilling lease block of six sections. The Company's licensing hearing has been postponed and the Company is waiting to schedule a new hearing.

***Summary***

The Company has made a major commitment to the Senex Area in north-central Alberta. Large resources of oil have been identified in two Devonian formations and a significant natural gas reserve in shallow lower Cretaceous sand. As stated above, we are currently focused on stabilizing our Keg River producers. The licensing process at Crossfield has been postponed and the Company is working towards a new hearing date.

**Real Estate**

The Company sold its real estate property in downtown Vancouver for \$4 million on August 31, 2007. From the proceeds, \$3.3 million was used to pay the Company's outstanding corporate debt and the balance was used for exploration and working capital purposes. This property had been disclosed as discontinued operations in the December 31, 2006 year end and subsequent financial statements.

**Selected Annual Information**

The following financial data is derived from the Company's financial statements for the three most recently completed financial years:

	<b>December 31, 2007</b>	<b>December 31, 2006</b>	<b>December 31, 2005</b>
	\$	\$	\$
Total oil and gas revenues	1,715,924	1,568,681	1,408,858
Loss for the year before discontinued operations	(5,380,576)	(3,068,631)	(467,346)
Discontinued operations	1,854,654	(168,128)	(55,112)
Loss per share before discontinued operations	(0.27)	(0.21)	(0.05)
Loss per share after discontinued operations	(0.18)	(0.22)	(0.05)
Total assets	5,771,772	11,896,679	9,991,350
Total liabilities	1,136,797	4,597,314	2,485,865
Working capital (Deficit)	(683,930)	(3,189,632)	(99,421)

Total oil and gas revenues increased by \$147,243 over the 2006 fiscal year. Included in discontinued operations for fiscal 2007 was a gain on the sale of the building of \$1,949,368. The increase in total assets from fiscal 2005 to fiscal 2006 was largely due to the Company raising cash through equity and debt financing and using those funds in developing its oil and gas properties during fiscal 2006. Expansion of new oil and gas properties was actually \$2,381,576, net of a write-down of \$4,083,000 and amortization, depletion and accretion of \$1,428,068. Total assets in fiscal 2005 have been restated as a result of a reduction in that year's write-down of \$1,400,000 to oil and gas properties. The result is an increase in total assets of \$1,400,000 and a decrease in the loss for the year of the same amount. Total assets incurred a dramatic decrease of \$6,124,907 in fiscal 2007 and ended with a total of \$5,771,772. There were two significant factors causing this decline. In fiscal 2007, there was a current year write-down of \$4,083,000 in oil and gas properties and the sale of the real estate assets, which had a carrying cost of \$2,038,924 in the prior year, has removed that asset from the balance sheet.

Total liabilities increased by \$2,111,449 from fiscal 2005 to fiscal 2006 due in large part to the Company acquiring a loan of \$2,800,000 from Quest Capital Corp. and settling the \$1,500,000 loan from IMOR

Capital Corp. and increasing its loan with the CIBC from \$322,146 to \$577,612. In the following year, fiscal 2007, these liabilities were fully settled with the proceeds from the sale of the building. This caused liabilities to significantly drop during that period. The Company now has no long term debt except for an asset retirement obligation of \$140,150.

## **Results of Operations**

***Three months ended December 31, 2007 ("Q4-2007") compared with the three months ended December 31, 2006 ("Q4-2006").***

### **Oil and Gas**

Oil and gas revenue was \$472,254 for Q4-2007 compared to \$378,287 for Q4-2006, an increase of \$93,967. The increase in revenue is due primarily to higher oil prices. The production expenses for Q4-2007 were higher at \$4,954,896 compared to \$3,290,316 for Q4-2006, an increase of \$1,664,580. There were decreases of \$28,883 in operating costs and \$50,815 in interest charges while there were increases of \$46,278 in amortization, depletion and accretion and \$1,698,000 in write-downs of oil and gas properties. The demand for labour, services and equipment has continued to put upward pressure on prices but the Company had less operating activity during the current year. The reduction in interest charges are due to no loans existing in Q4-2007. There was a net loss of \$4,482,642 for Q4-2007 compared to \$2,912,029 reported for Q4-2006, an increase of \$1,570,613. The increase in oil and gas property write-downs in Q4-2007 accounts for most of the difference.

### **Head Office - General and Administrative Expenses**

General and administrative expenses totaled \$176,405 for Q4-2007 compared with \$156,329 for Q4-2006. The increase of \$20,076 is a combination of cost increases and decreases. Increases of \$11,946 in administrative, office services and premises, \$13,829 in stock based compensation and \$11,953 in professional fees. There were decreases of \$2,483 in management fees, \$2,011 in consulting fees, \$11,243 in filing and transfer agent fees, and \$1,367 in shareholder information. Administrative, office services and premises expenses increased in Q4-2007 due to the tax owing on the renouncement of flow-through expenditures using the look-back rule. Professional fees increased as a result of higher audit fees. Filing and transfer agent fees were lower as a result of a reclassification of \$8,820 to share issuance costs which were associated with a private placement. Both comparative quarters each had a recapture of \$134,247 in financing fees on debt. Q4-2006 had an adjustment of this amount which deferred the financing fees to the 2007 fiscal year. In 2007 however, there was an adoption of a new accounting policy concerning financial instruments which required the amount of \$134,247 to be applied against the opening deficit instead of being recorded as part of the 2007 operations.

### **Real Estate (Discontinued Operations)**

There was a net rental gain before other items of \$7,430 for Q4-2007 compared to a net rental loss before other items of \$33,905 for Q4-2006, a difference of \$41,335. While the building continued to be at or near full capacity in Q4-2006, there were interest charges on long term debt of \$47,039 which turned a net gain into a loss. In Q4-2007, there were no real estate operations and no long term debt subject to interest charges but instead year end adjustments associated with the finalization of the sale. Otherwise, monthly operating costs stayed pretty consistent along with monthly revenues in Q4-2006. There was no amortization recorded for either quarter due to the status of the asset being changed to that of an asset being held for sale during the 2006 fiscal year.

There were no other income or expense items so the net gain or loss for the comparative quarters did not change from their net rental gains before other items.

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**Loss for the Period**

There was a loss for Q4-2007 of \$3,786,130 compared with a loss of \$2,060,027 for Q4-2006, a difference of \$1,726,103. As noted above, there were losses in all three segments in both Q4-2007 and Q4-2006. The write-downs to oil and gas properties in both comparative quarters played the primary role in determining the net losses.

***Twelve months ended December 31, 2007 ("2007") compared with the twelve months ended December 31, 2006 ("2006").***

**Oil and Gas**

In total, there was a net oil and gas loss of \$4,946,721 for 2007, compared to \$2,867,336 for 2006, an increase of \$2,079,385. Revenue was up \$147,243 due to higher oil prices but operating costs were up by \$188,738. Production expenses increased by \$2,226,628 in 2007. As was the case above in the fourth quarter comparison the year end ceiling test write-downs of the oil and gas properties caused the significant losses. Overall there were increases in of \$188,738 in operating costs, \$74,612 in interest on loans, \$265,278 in amortization, depletion and accretion, and 1,698,000 in write-downs.

**Head Office - General and Administrative Expenses**

General and administrative costs for 2007 were \$1,253,810 compared to \$1,256,996 for 2006, a decrease of \$3,186. There were increases of \$15,439 in administrative, office services and premises, \$41,855 in stock based compensation, \$59,171 in management fees, and \$19,317 in shareholder information. The administrative, office services and premises expense was higher in 2007 due to taxes associated with flow-through expenditure renouncements using the look-back rule. Management fees were higher due to the timing of bonus payments otherwise base management fees did not change very much. Shareholder information costs were higher due to increased efforts to raise company awareness through promotional materials and trade show participation.

In 2007, there were decreases of \$69,105 in consulting fees, \$3,406 in professional fees, \$61,753 in finance fees on debt, and \$4,600 in filing and transfer agent fees. Consulting fees were lower due to the expiration of some financial consulting agreements in the current year whereas these agreements were in effect for a longer period of time in the prior year. Filing and transfer agent fees were lower due to a smaller private placement in 2007 compared to 2006 and the reclassification of some TSX Venture Exchange fees to share issuance costs in 2007. The finance fees on debt in fiscal 2007 was nil instead of \$134,247 because of the adoption of a new financial instruments accounting policy as explained in the fourth quarter comparative section above.

**Real Estate (Discontinued Operations)**

The net rental loss before other items for 2007 was \$94,714 compared to \$168,128 in 2006, a decrease of \$73,414. The real estate operations wrapped up at the end of August 2007 and as such, 2007 had four fewer months of rental revenue and operating costs. Otherwise, monthly revenues and operating costs remained fairly consistent and the building was at or near capacity. As was the case with the three month comparison, the current period's interest charges were considerably less with the full settlement of all outstanding long term debt with the building sale proceeds.

Overall, there was a net income for 2007 of \$1,854,654 compared to a net loss of \$168,128 in 2006, a positive difference of \$2,022,782. Once again, the gain from the sale of the building of \$1,949,368 created a net income situation for the current period instead of a loss.

### Loss for the Period

There was an overall loss of \$3,525,922 for 2007 compared with \$3,236,759 for 2006, an increase of \$289,163. Both comparative years had significant write-downs in the oil and gas properties but the increase in write-down in the current year was more than offset by the gain on the sale of the building.

### Summary of Quarterly Results

Period Ended	2007 Dec 31 Q4 \$	2007 Sep 30 Q3 \$	2007 June 30 Q2 \$	2007 Mar 31 Q1 \$	2006 Dec 31 Q4 \$	2006 Sep 30 Q3 \$	2006 Jun 30 Q2 \$	2006 Mar 31 Q1 \$
Net oil and gas income (loss)	(4,482,642)	(281,167)	(142,153)	(40,759)	(2,912,029)	19,890	(51,335)	76,138
Discontinued operations	(17,913)	1,941,312	(42,015)	(26,730)	(33,905)	(64,441)	(36,694)	(33,088)
Income (loss) for the period	(3,786,130)	1,228,718	(590,577)	(377,933)	(2,060,027)	(504,034)	(404,968)	(267,730)
Basic and diluted income (loss) per share after discontinued operations	(0.07)	0.06	(0.03)	(0.02)	(0.13)	(0.04)	(0.03)	(0.02)

### Liquidity

At December 31, 2007 the Company had current assets of \$312,718, of which \$47,058 was comprised of cash. Current liabilities totaled \$996,647, of which there is no longer bank loans included since the sale of the real estate property. Current assets were used to further investment in oil and gas properties and equipment by \$2,381,576 in 2007.

Total working capital deficiency at December 31, 2007 is \$683,930. This amount has been drastically reduced from a deficiency balance of \$3,189,632 on December 31, 2006 due to the proceeds from the sale of the real estate property being used to pay out a bank demand loan of \$539,749 and a loan of \$2,800,000 to Quest.

The Company is addressing its' working capital needs by pursuing additional equity financing. During the twelve month period ended December 31, 2007, the Company raised \$1,400,100 with a flow-through private placement and \$264,000 with a non-flow-through private placement. The Company also has an agreement with a financial consultant to explore other financial opportunities.

### Capital Resources

The Company plans to continue its participation in the two projects discussed above. The Company expects to finance expenditures on these projects through private placements, existing production revenue and a farm out of a portion of its property interests (if required). In addition, the Company may make further oil and gas expenditures on new properties as finances permit.

### Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

### Related Party Transactions

Amounts owing to related parties at December 31, 2007 consists of \$7,000 (2006 - \$16,651) due to Directors of the Company for Directors fees and expense reimbursements; and \$7,261 (2006 - \$51,782) to Oniva International Services Corp. ("Oniva"), a private company owned by public companies having common Directors that provides administrative services, office supplies and accounting services.

Management and consulting fees totalling \$296,999 were paid to Directors and their private companies in 2007 (2006: \$237,828).

Consulting fees totalling \$16,000 were paid to a former Director and his spouse in 2007 (2006: \$96,000). The consulting fees made in 2007 concluded a five year agreement

During the year, current and/or former Directors and/or Officers exercised nil options (2006: nil options for total proceeds of \$Nil). In addition, current and/or former Directors and Officers subscribed for nil shares of the Company for total proceeds of \$Nil (2006: 145,500 shares of the Company for total proceeds of \$130,950).

Administrative services, office supplies and accounting charges totalling \$110,161 were paid to Oniva (2006: \$113,865). The Company takes part in a cost sharing arrangement to reimburse Oniva for a variable percentage of its overhead expenses, to reimburse 100% of its out-of-pocket expenses incurred on behalf of the Company, 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.

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.

#### **Disclosure of Management Compensation**

During the year, \$104,999 (2006: \$69,328) was paid to the President for services as director and officer of the Company, \$102,000 (2006: \$66,000) was paid to the C.E.O. for services as director and officer of the Company, \$32,000 (2006: \$42,500) was paid to the V.P. Finance for services as director and officer of the Company, \$60,000 (2006: \$60,000) was paid to the V.P. Operations for services as director and officer of the Company, and \$11,072 (2006: \$11,692) was paid to the Secretary for services as an officer of the Company.

#### **Changes in Accounting Policies**

Effective January 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"). These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements:

Section 1530 *Comprehensive Income*

Section 3251 *Equity*

Section 3855 *Financial Instruments – Recognition and Measurement*

Section 3861 *Financial Instruments – Disclosure and Presentation*

Section 3865 *Hedges*

These standards address the classification, recognition and measurement of financial instruments, the inclusion of other comprehensive income, and establish the standards for hedge accounting. Upon the adoption of these new standards the Company had no available-for-sale investments. There were no other opening adjustments recorded on the adoption of these standards. The Company has determined that there is no affect of these new standards on its current year financial statements and has not yet determined its affect on subsequent year's financial statements.

## Financial Instruments

Section 3855 requires all financial assets and liabilities, including derivatives, to be carried at fair value on the Company's balance sheet with the exception of loans and receivables, investments that are intended to be held to maturity and non-trading financial liabilities which are carried at cost or amortized cost.

The Company has reviewed and classified its financial instruments as follows:

- Cash is classified as a financial asset held for trading and is measured at its fair value. Gains or losses related to periodic revaluation are recorded to net income or loss.
- Accounts receivable are classified as loans and receivables and are initially measured at their fair value. Subsequent periodic revaluations are recorded at their amortized cost using the effective interest rate method.
- Accounts payable, accrued liabilities and revolving credit facility are classified as other liabilities and are initially measured at fair value. Subsequent periodic revaluations are recorded at their amortized cost using the effective interest rate method.

On January 1, 2007, the Company also adopted CICA Section 1506 *Accounting Changes*, which expands requirements relating to voluntary changes in accounting principles, and requires the Company to disclose new sources of GAAP that have been issued but are not yet effective. The Company has not made any voluntary changes in accounting principles affecting these financial statements.

## Outstanding Share Data

The Company's authorized share capital consists of unlimited common shares without par value.

As at December 31, 2007 and April 22, 2008 the Company had 21,451,608 issued and outstanding common shares.

The following is a summary of stock options outstanding as at December 31, 2007 and April 22, 2008:

<b>Expiry Date</b>	<b>Exercise Price Per Share</b>	<b>Number of Shares Remaining Subject to Options</b>
September 19, 2008	\$0.52	580,500
September 19, 2008	\$0.57	150,000
October 19, 2009	\$0.81	200,000
October 29, 2009	\$0.77	37,500
December 23, 2010	\$0.90	637,500
September 21, 2011	\$0.56	595,000
July 4, 2012	\$0.55	350,000
		<b>2,550,500</b>

The following is a summary of share purchase warrants outstanding as at December 31, 2007 and April 22, 2008:

<b>Expiry Date</b>	<b>Exercise Price Per Share</b>	<b>Number of Underlying Shares</b>
January 12, 2009	\$1.00	220,000

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**Commitment**

As at December 31, 2007, \$1,400,100 of eligible Canadian exploration expenditures had not yet been expended by the Company. The Company is committed to spend this amount on qualifying expenditures by December 31, 2008.

**Disclosure Controls and Procedures**

The Chief Executive Officer and the Chief Financial Officer of the Company are responsible for evaluating the effectiveness of the Company's disclosure controls and procedures and have concluded, based on our evaluation, that they are effective as at December 31, 2007 to ensure that information required to be disclosed in reports filed or submitted under Canadian securities legislation is recorded, processed, summarized and reported within the time period specified in those rules and regulations.

**Internal Controls over Financial Reporting**

The Chief Executive Officer and the Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting, or causing them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The Company assessed the design of the internal controls over financial reporting as at December 31, 2007 and concluded that there are material weaknesses in internal controls over financial reporting, which are as follows:

- a) Due to the limited number of staff resources, the Company believes there are instances where a lack of segregation of duties exist to provide effective controls; and
- b) Due to the limited number of staff resources, the Company may not have the necessary in-house knowledge to address complex accounting and tax issues that may arise.

The weaknesses and their related risks are not uncommon in a company the size of the Company because of limitations in size and number of staff. The Company believes it has taken steps to mitigate these risks by consulting outside advisors and involving the Audit Committee and Board of Directors in reviews and consultations where necessary. However, these weaknesses in internal controls over financial reporting could result in a more than remote likelihood that a material misstatement would not be prevented or detected. The Company believes that it must take additional steps to further mitigate these risks by consulting outside advisors on a more regular and timely basis.

There have been no changes in the Company's internal controls over financial reporting that occurred during the quarter ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

**Additional Information**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**Cautionary Statement**

This MD&A is based on a review of the Company's operations, financial position and plans for the future based on facts and circumstances as of April 22, 2008. Except for historical information or statements of fact relating to the Company, this document contains "forward-looking statements" within the meaning of applicable Canadian securities regulations. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date the statements are made, and we do not undertake any obligation to update forward-looking statements should conditions or our estimates or opinions change. These statements involve known and unknown risks, uncertainties, and other factor that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward-looking statements.