ARCHER PETROLEUM CORP.
(formerly Agrotech Greenhouses Inc.)
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following information, prepared as of March 28, 2011, should be read in conjunction with the audited consolidated financial statements of Archer Petroleum Corp. (formerly Agrotech Greenhouses Inc.) ("Archer" or the "Company") for the year ended November 30, 2010, which have been prepared in accordance with Canadian generally accepted accounting principles. All amounts are expressed in Canadian dollars unless otherwise indicated.

Forward-Looking Statements

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as "plans", "intends", "anticipates", "should", "estimates", "expects", "believes", "indicates", "suggests" and similar expressions.

This MD&A and in particular the "Outlook" section, contains forward-looking statements, including, without limitation, statements about the proposed oil and gas properties and financing activities. These forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors. Information concerning the interpretation of drill results may also be considered a forward-looking statement, as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed.

It is important to note that:

- Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of March 28, 2011.

- Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Such risks and other factors include, among others, risks related to the integration of acquisitions; risks related to operations; actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; and other risks of the oil and gas industry including but not limited to: delays in obtaining governmental approvals or financing or in the completion of development or construction activities; changes in foreign currency exchange rates; uncertainties associated with estimating reserves; well production and decline rates; success in the finding and development of reserves; the effects of weather and climate conditions; as well as those factors discussed in the section entitled "Risks and Uncertainties". Therefore, the Company cannot provide any assurance that forward-looking statements will materialize.

- The Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see "Risks and Uncertainties".

General

Until December 2002, the Company was primarily engaged in the operation of greenhouses for the production and growth of tomatoes and peppers. From December 2002 until June 2008, the Company was inactive and derived revenues primarily from renting out its greenhouse facilities. In June 2008 the Company sold all of its assets and in June 2009 the Company sold its subsidiary companies that were related to the greenhouse business.

In April 2009 Archer completed the regulatory process whereby it was re-listed on the TSX Venture Exchange ("TSXV") as an oil and gas exploration company. In connection with this process the Company acquired a private company with oil and gas assets located in West Texas. Since that date the Company has explored and developed the assets acquired as well as acquiring additional oil and gas prospects in North Dakota, Alberta and the recent acquisition of Matagorda Bay in Texas.

In March 2011 the Company sold its working interest in the Greater Jo Mill Property located in the Permian Basin of West Texas as well as its working interest in a Bakken Shale Acreage located in North Dakota.

The Greater Jo Mill Project was sold on March 4, 2011 for US$105,000, less a 10% seller's commission. The Bakken Shale Acreage was sold on February 23, 2011 for gross proceeds of US$552,975, less a seller's commission of US$55,297.

Further, on March 7, 2011, the Company announced that it had entered into a definitive participation agreement with Arbol Energy ("Arbol") (the "Definitive Participation Agreement"), a private Houston based oil and gas company, with respect to Arbol's Matagorda Bay, Texas prospect. A key component of this acquisition is the existence of a fully drilled, cored, logged, cased and shut-in well bore (the 127-1 well) in Block 127. Completion planning has already begun with the Operating Partner, South Bay Resources, and onsite operations are expected to commence within the next two months.

The Company is a reporting issuer in the provinces of Alberta and British Columbia on the TSXV under the symbol "ARK", the OTCQX under the symbol "APEUF" and the DB Frankfurt exchange under the symbol "A6VA".

Board of Directors and Officers

On August 24, 2010, the Company announced the appointment of Joe Mike McKinney to the Board of Directors. Mr. McKinney has significant experience in all levels of management of oil and gas companies, in the areas of exploration and production, asset evaluation, acquisition, strategic planning and investment banking. He has previous experience in senior positions at

Exxon, Superior Oil, Union Texas and as the President and Chief Operating Officer of the International Division of EOG Oil & Gas.

On September 23, 2010, the Company announced the appointment of Claude V. Perrier III to the position of Chief Executive Officer and a member of the Board of Directors. Mr. Perrier has over 30 years experience in the oil and gas industry with a key focus on acquiring low cost, low risk, quick revenue generation assets

On October 27, 2010, the Company announced the appointment of Robert McMorran, CA, as the Chief Financial Officer of the Company. Mr. McMorran has over 20 years experience in financial and regulatory matters affecting junior resource companies. He is also a member of the Board of Directors.

Reactivation on the TSX Venture Exchange (the "TSXV")

Effective April 29, 2010, the Company completed its reactivation (the "Reactivation") and began trading on the TSXV. On completion of the Reactivation, the Company changed its name from Agrotech Greenhouses Inc. to Archer Petroleum Corp. As part of the Reactivation, the Company acquired a private oil and gas company, as described below.

By an agreement dated July 23, 2009, effectively closed on April 29, 2010, the Company acquired 100% of the issued and outstanding shares of 0856348 B.C. Ltd. ("PrivateCo"), a private company, in consideration for the issuance of 10,306,000 common shares of the Company (the "Acquisition"). In addition, the Company agreed to issue 5,000,000 share purchase warrants at an exercise price of $0.45 per share up to October 2, 2011 to replace warrants previously held by PrivateCo shareholders.

The transaction has been accounted for using the purchase method of accounting as an acquisition of assets by the Company. As PrivateCo is a related party of the Company by virtue of common directors and management, the transaction is measured at the carrying amount. The allocation of the purchase price is based on the assets acquired, measured at the carrying values at the date of the Acquisition. The allocation of the purchase price to the assets acquired is as follows:

Cash	$ 733,114
GST recoverable	523
Other receivables	27,943
Advances	296,769
Property and equipment	1,619,370
Carrying value of assets acquired	$ 2,677,719
Consideration paid:	
Value of shares issued	$ 4,637,700
Value of warrants issued	1,179,000
Total consideration paid	$ 5,816,700

The difference between the fair value of the consideration paid and the carrying value of assets acquired, $3,138,981, has been charged to deficit during the year ended November 30, 2010.

Transactions undertaken by PrivateCo are included in the audited consolidated financial statements for the year ended November 30, 2010 from April 30, 2010.

Share Consolidation

Effective April 29, 2010, the Company consolidated its common shares on the basis of one new common share for every three old common shares issued and outstanding at that time. The consolidation of share capital has been reflected in the audited consolidated financial statements for the year ended November 30, 2010. All references to share and per share amounts have been retroactively restated to reflect the share consolidation.

Oil and Gas Projects

Texas, USA

Greater Jo Mill Property

The Company acquired the Greater Jo Mill Property by way of the acquisition of PrivateCo. The value attributed to the Greater Jo Mill Property at the date of acquisition of PrivateCo was $780,068.

The Company's wholly-owned subsidiary, Contact Oil & Gas USA Inc. ("Contact O&G"), entered into a Participation Agreement dated January 7, 2010 with a private oil and gas company operating in the Permian Basin of West Texas (the "Participation Agreement"). Under the terms of the Participation Agreement, Contact O&G acquired a 25% net working interest in approximately 4,700 of the seller's net mineral acres within the project area (the "Greater Jo Mill Property") by committing to pay for Contact O&G's proportionate share of the drilling cost of the first four (4) wells and paying for its share of the associated mineral leases and existing salt water disposal ("SWD") well. Additionally, Contact O&G had the right to acquire an interest in up to 5,700 additional mineral acres under option. During the third quarter of fiscal 2010, management determined that the Greater Jo Mill Property no longer met the Company's strategic objectives and accordingly, renegotiated the terms of the Participation Agreement. Under the renegotiated terms, the Company relinquished all rights and interests it had in additional minerals acres under option, except for the 328 mineral acres immediately surrounding the Hull #1 well, in exchange for its release from any and all obligations that existed with respect to participating in additional wells in the Greater Jo Mill Property.

The Company's interest in the Hull #1 well and surrounding mineral acreage is subject to a 1% over-riding royalty, held by ABL Energy Partners LLC ("ABL"), a related party. The royalty is null and void so long as the Company is listed on the TSXV.

The Greater Jo Mill Property area is located within the Midland Basin (part of the Permian Basin of West Texas) and is comprised of turbidite deposits.

Westerly Exploration Ltd. ("Westerly") is the operator of the Greater Jo Mill Property.

Based on an independent reserve report titled Evaluation of Oil & Gas Properties in Borden County, Texas, dated as of November 30, 2010 and prepared by Joe C. Neal & Associates of Midland, Texas, (see the Company's NI 51-101 compliant reserve report filed on SEDAR), the Hull #1 well's reserves are as follows:

	Gross Reserves and Company Net Reserves			
	Oil (M BBL)		**Gas (MMCF)**	
Category	**Gross**	**Net**	**Gross**	**Net**
Proved Developed				
Producing	54	10	15	3
Total Proved	54	10	15	3

Revenue and production details (Company's interest only) are as follows:

	Three months ended		**Total**
	August 31, 2010	**November 30, 2010**	
Oil Production – BBL's	705	582	1,287
Gas Production – MCF's	-	227	227
Oil Sales (Before Royalty) ($'s)	47,433	41,453	88,886
Gas Sales (Before Royalty) ($'s)	-	375	375

The Greater Jo Mill Project was sold on March 4, 2011 for US$105,000, less a 10% seller's commission. Accordingly, the Company recorded to the fiscal 2010 operating results a write-down of property and equipment of $819,747.

Sugg Ranch Project

Contact O&G had the right to purchase an undivided 75% working interest in certain oil and gas leases located in Irion County, West Texas (the "Sugg Ranch Project") in consideration for the payment to the vendor of US$2,000,000, the issuance of 400,000 PrivateCo Shares, and a drilling commitment of US$2,500,000 to be incurred within three months of closing on the first five wells to be drilled on the Sugg Ranch Project. The vendor was unable to deliver to Contact O&G satisfactory closing documents during the year and accordingly Contact O&G allowed the option to lapse without exercising it.

Matagorda Bay Project

On March 7, 2011, the Company announced that it had entered into a definitive Participation Agreement with Arbol Energy ("Arbol"), a private Houston based oil and gas company, with respect to Arbol's Matagorda Bay, Texas prospect. The Participation Agreement provides Archer with a 23% working interest (23% working interest before payout; 17.25% working interest after payout) in the 1280 acres covering Texas State Blocks 127, the south half of Block 150 and the north half of Block 151, and includes three existing well bores, an existing seven mile pipeline to shore and an onshore oil/gas handling facility.

Under the terms of the Participation Agreement, Archer will pay 23% of lease acquisition, geological and geophysical costs ($650,000 gross, or $150,000 net) and 23% of any costs associated with re-completion of the existing well bores.

A key component of this acquisition is the 127-1 well which has been fully drilled, cored, logged, cased and shut-in. The 127-1 well has multiple pay zones indicated on logs and cores and is expected to be initially completed in the Bol Mex (8560 - 8710' depth) section of the Lower Frio. Internal analysis of the logs and cores of the Bol Mex zone indicate approximately 115 feet of expected oil pay. The reservoir is estimated to cover a minimum of 350 acres with potential up to 750 acres.

Completion planning has already begun with Operating Partner South Bay Resources, and onsite operations are expected to commence within the next two months.

Costs associated with the re-entry, perforation and testing of the 127-1 well are expected to be approximately $1,200,000 (approximately $276,000 net to Archer). Internal analysis indicates an additional 200 plus feet of apparent net pay are evident in the logs and cores, and upon successful completion of the Bol Mex interval the Company will target these additional zones for future completions.

North Dakota, USA

Bakken Shale Acreage

The Company acquired the Bakken Shale Acreage by way of the acquisition of PrivateCo (Note 3). The value attributed to the Bakken Shale Acreage at the date of acquisition of PrivateCo was $839,302.

Contact O&G entered into a letter agreement dated February 1, 2010 (the "Bakken Acreage Agreement"), pursuant to which it acquired a 50% working interest in 1,475 gross mineral acres located in Burke County, North Dakota in the area of the Bakken Shale Play (the "Bakken Shale Acreage").

The mineral acres are subject to a 3% over-riding royalty interest in the Bakken Shale Acreage, held by ABL Energy Partners Inc, a related party. The royalty is null and void so long as the Company is listed on the TSXV.

The Bakken Shale Acreage is located in the Williston Basin of Canada and the USA. The U.S. portion of the Williston Basin encompasses over 140,000 square miles (or ~90 million acres) in North Dakota, Montana, and South Dakota. This bowl-shaped cratonic (pancake) basin is structurally-simple with limited faulting and flat-lying sediments. The basin deepens towards the center of the play, along the Nesson Anticline, reaching over 15,000 feet. Historically, most of the oil produced has come from the conventional Madison limestones. However, the combination of high oil prices and the advent of horizontal drilling and multi-stage completions shifted focus to the Devonian-aged Bakken, highly organic resource containing over 3.65 billion barrels of oil-in-place.

No exploration work has been completed on the Bakken Shale Property since its acquisition and after considering various strategic alternatives, in March 2011 the Company sold its Bakken Shale property working interest for net proceeds of US$ 497,678 and recorded to the fiscal 2010 operating results a write-down of property and equipment of $339,702.

Alberta, Canada

Elnora and Radway

The Company entered into two Participation Agreements dated April 16, 2010 with a privately funded oil & gas company based in Houston, Texas to explore two oil exploration projects in the Western Canadian Sedimentary Basin of Alberta (“Elnora” and “Radway”).

Under terms of the agreements, the Company paid an aggregate US$1,312,500 (Cdn$1,374,555), which includes project fees and reimbursement of 46.67% of expenses incurred to evaluate and develop one of the drilling prospects. The Company was responsible for 46.67% of the minimum costs of the initial well drilled on Elnora. The Company’s working interest was equal to 35% and covered an aggregate of approximately 13,400 acres of leasehold in Elnora and Radway located in Alberta. During the third quarter of fiscal 2010, the Company wrote-off the Elnora Project by $1,708,270 due to the Company abandoning further exploration work.

The Company paid a finders’ fee of $103,296 to an arms-length third party in connection with these acquisitions.

The Company participated in the first test well within the Radway Project, which was operated by South Bay Resources LLC. In early December 2010 the Company advised that drilling of the SBRES WEASEL 2-17-58-20 well had encountered approximately seven metres of apparent pay in the well bore. The Operator determined that the well logs bore similar characteristics to other natural gas wells they had completed in the area, and therefore Archer agreed to participate in the completion and testing of the well.

Upon testing it was shown that the sands contained heavy oil rather than natural gas. Lab analysis after production testing determined the oil that was not of sufficient gravity to be commercially profitable. Accordingly, the well was plugged and abandoned. Further, the Company took the decision to focus its exploration efforts on the Matagorda Bay Project and as a result wrote-off to the fiscal 2010 statement of operations the exploration and completion costs associated with Radway Project in the amount of $479,086.

Selected Annual Information

The Company's fiscal period ends on November 30 of each year. The following is a summary of certain selected audited financial information for the last three completed fiscal years:

	2010 ($)	2009 ($)	2008 ($)
Total Revenues	-	-	-
Net (loss) income	(5,471,039)	45,558	(116,794)
Net (loss) income per share (basic and diluted) (1)	(0.21)	0.00	(0.02)
Total Assets	1,026,905	20,775	100,563
Long Term Debt	589,400	1,024,872	-
Dividends Declared	-	-	-

(1) The basic and diluted income (loss) per share calculations result in the same amount due to the anti-dilutive effect of outstanding stock options.

The net loss for the year ended November 30, 2008 includes activities of the previous business - the rental of the Company's greenhouse assets and the gain on sale of those assets in fiscal 2008 ($589,360).

The income in fiscal 2009 is due to the gain on modification of loans of $368,718.

The net loss for the year ended November 30, 2010 includes a write-off/write-down of property and equipment of $3,271,133 as well as a stock-based compensation charge of $1,143,874.

Quarterly Results

	Three months ended ($)			
	November 30, 2010	August 31, 2010	May 31, 2010	February 28, 2010
Total revenue	33,162	37,034	-	-
Net (loss) income	(1,940,443)	(2,135,701)	(1,393,371)	(77,196)
Net (loss) income per share (basic)	(0.06)	(0.07)	(0.06)	(0.00)
Total assets	1,026,905	2,656,047	4,848,887	11,419

	Three months ended ($)			
	November 30, 2009	August 31, 2009	May 31, 2009	February 28, 2009
Total revenue	-	-	-	-
Net (loss) income	258,885	(28,390)	(105,796)	(79,141)
Net (loss) income per share (basic)	0.01	(0.00)	(0.05)	(0.03)
Total assets	20,775	27,995	27,930	53,679

The quarterly results for the periods ending February 28, 2010 and prior to are not representative of the Company's current activities as the Company was in the process of completing its Reactivation during those quarters.

The significant increase in total assets during the quarter ended May 31, 2010 was due primarily to the acquisition of PrivateCo ($2,677,719) through a share issuance by the Company as well as the completion of a private placement offering of the Company's securities, offset by operating losses for the period.

The net loss recorded in the quarter ended May 31, 2010 includes a charge of $1,102,119 for stock-based compensation expense while the quarters ended August 31 and November 30, 2010 respectively include a charge for the write-down of property and equipment in the amounts of $1,732,878 and $1,538,255 relating primarily to the Elnora project in the August 31, 2010 quarter and in part to the Greater Jo Mill Property, the Bakken Shale project and Radway project in the quarter ended November 30, 2010.

The total fixed asset balance decreased in each of the quarters ended August 31, and November 30, 2010 as a result of the previously referenced write-downs of projects.

The net income recorded in the quarter ended November 30, 2009 was primarily a result of the gain on modification of the loan of $368,718.

Results of Operations

The Company recorded a net loss of $5,471,039 ($0.22 loss per share) for the year ended November 30, 2010 as compared to a net income of $45,558 for fiscal 2009. The table below details certain non-cash or unusual transactions that for the purposes of this discussion have been adjusted out of the reported net (loss) income to produce an adjusted net loss that forms a better basis for comparing the year over year operating results of the Company.

	Year ended November 30, 2010 ($)	Year ended November 30, 2009 ($)
Net loss (income) for the years as reported	(5,546,711)	45,558
Depletion	106,647	-
Accretion expense	86,952	55,508
Loss (gain) on modification of loan	123,576	(368,718)
Stock-based compensation	1,143,874	-
Write-off / write-down of property and equipment	3,346,805	-
Gain on sale of subsidiaries	-	(24,491)
Write-off of receivables	-	39,700
Adjusted net loss for the year	(738,857)	(252,443)

(1) Adjusted net loss for the year is not a term recognized under GAAP.

Comments regarding certain of these items are as follows:

- Accretion expense is a non-cash amount to bring the carrying value of the loan to face value at maturity.

- Loss (gain) on modification of the loan is a non-cash amount to adjust the carrying value of the loan for the time value of money. The loss (gain) on modification was recorded as a result of amendments to the terms of the loan as described in the notes to the consolidated financial statements. By an agreement dated July 27, 2009, effective June 9, 2009, the lender agreed to modify certain terms of the loan including a waiver of interest charges from June 9, 2009 until the Company's completion of the Reactivation and modifying the interest rate from 12% to prime plus one percent. Accordingly, during the year ended November 30, 2010, $14,774 of interest was recorded on the loan whereas $67,582 was recorded in fiscal 2009. The modification of the loans in fiscal 2009 resulted in a gain. During fiscal 2010 a loss was recorded in connection with the early repayment of a portion of the loan. The modification of the loans has also led to accretion expense being recognized and recorded in the accounts of the Company.

- Stock-based compensation expense relates to 3,299,000 stock options granted during fiscal 2010.

- The write-down/write-off of property and equipment relates to the Elnora project - $1,708,270; Radway project - $479,086; Bakken Shale project - $339,702; and Greater Jo Mill Property - $819,747.

- The Company disposed of subsidiaries that were used in the previous greenhouse business during fiscal 2009 that resulted in a gain.

- The Company wrote-off certain insurance claim receivables in fiscal 2009.

The increase in adjusted net loss recorded in the year ended November 30, 2010 as compared to the same period in 2009 is the net result of a number of different increases to various expenses. In general, the Company was far more engaged in business activities in fiscal 2010, albeit for the second half of the year, than in fiscal 2009 when it was working a corporate re-organization and the Reactivation. Of note are the following items:

- During fiscal 2010 the Company reported revenues, royalties and operating expenses associated with a producing oil and gas well for the first time. Net revenues exceeded cash operating expenses by approximately $28,000.

- Accounting and audit fees ($90,066 vs. $54,128) increased during the current year due to fees associated with completing the Reactivation of the Company, creating an oil and gas accounting system and the increased business activities of the Company compared with the prior year. It is expected that such fees will remain at these higher levels for the foreseeable future.

- Filing and transfer agent fees increased during fiscal 2010 ($70,766 vs. $17,795) due to fees associated with completing the Reactivation and becoming an active TSX Venture Exchange company.

- Office and miscellaneous fees increased during fiscal 2010 ($167,969 vs. $4,051) for office space and administrative support services arising from new office premises used to administer the reactivated company.

- Legal fees are comparable between years ($85,716 vs. $87,197). The legal fees recorded for fiscal 2010 reflect expenses associated with increased business activities whereas the fees for the comparable year are due to the Reactivation process beginning in Q3 of fiscal 2009.

- Management fees increased during fiscal 2010 ($234,605 vs. $nil) due to the Company entering into the oil and gas exploration and development business during the year. In the prior comparative year, the Company was an inactive company.

- Investor relations expenses were incurred during fiscal 2010 ($97,910) as the Company began the process of communicating its story to the investing marketplace. No such activity was undertaken during fiscal 2009 as the Company was inactive at that time.

Fourth Quarter

The Company recorded a net loss of $1,940,443 in the fourth quarter of fiscal 2010 as compared to net income of $258,885 during the fourth quarter of fiscal 2009. The 2009 net income arose as a result of recording a gain of $368,718 on modification of loans. During the fourth quarter of 2009, the Company was in the process of completing the Reactivation and incurred mainly accounting, audit and legal fees.

The fourth quarter 2010 net loss includes a write-down of property and equipment of $1,613,927. Aside from this matter, the increase in fourth quarter loss on a period-over-period basis occurred with respect to increases the various expense items detailed in the year-over-year discussion and for the same reasons.

Financing Activities and Capital Expenditures

During the year ended November 30, 2010, the Company completed two private placement offerings. The first offering was closed on April 29, 2010, and consisted of 6,867,000 common shares at a price of $0.45 per share for gross proceeds of $3,090,150. The Company incurred legal and other out-of-pocket expenses in the amount of $259,247 in connection with the private placement. In addition, the Company issued 480,690 finders' warrants entitling the holders' thereof the right to purchase one common share at $0.50 per share until April 29, 2012.

On November 16, 2010, the Company completed a private placement of 1,562,000 flow-through units at $0.18 per flow-through unit for gross proceeds of $281,160. Each flow-through unit is comprised of one flow-through common share and one-half of one non-flow-through share purchase warrant. Each whole warrant entitles the holder thereof to purchase a common share of the Company for $0.25 per share until May 16, 2012. The Company incurred legal and other out-of-pocket expenses in the amount of $24,835 in connection with the private placement.

On June 17, 2009, the Company closed a non-brokered private placement of 36,000,000 shares at $0.025 per share for gross proceeds of $900,000. A finder's fee of $90,000 was paid in connection with the private placement.

During the year ended November 30, 2009, the Company's cash balance increased by $1,952 as the result of the private placement of $900,000 offset by the disposition of the greenhouse subsidiaries ($27,138) and repayment of loans ($833,250).

In March 2011, the Company completed the sale of its Bakken Shale Acreage and Greater Jo Mill Property for net proceeds of US$592,000.

For the immediate future, the Company's capital expenditures will be focused on its interest in the Matagorda Bay prospect. The Company expects that its capital expenditures will increase in future reporting periods as the Company undertakes the exploration and development of its oil and gas projects.

Liquidity and Capital Resources

The Company's operations consumed approximately $729,000 of cash (before working capital items) for the year ended November 30, 2010. In addition the Company utilized approximately $2,100,000 to fund the exploration and development of its oil and gas properties. This cash requirement was funded in part from the proceeds of the April and November 2010 private placements (approximate net aggregate proceeds of $3,087,000) and in part from cash obtained pursuant to the Acquisition (approximately $733,000).

In addition, the Company used $656,000 of its cash to repay a portion of the loan outstanding during fiscal 2010. At November 30, 2010, the unpaid principal balance of the loan was $676,071. The loan bears interest at Canadian prime plus 1% and matures December 1, 2011.

The Company's aggregate operating, investing and financing activities during 2010 resulted in a net increase in its cash balance by $361,925 to $380,925 at November 30, 2010.

During fiscal 2010 the Company's working capital increased by approximately $808,000 to approximately $744,000 at November 30, 2010.

The Company will require additional capital in order to fund exploration and development of its oil and gas projects and for operating expenditures. In March 2011 the Company addressed this need in part by closing the sale of its interests in the Bakken Shale Property and Greater Jo Mill Property for net proceeds of US$592,000. The Company's requirement for additional capital beyond this is dependent at this time on the results of its exploration program on the Matagorda Bay prospect. Should the Company require additional financing, it may have to rely on equity financing as an important source of funds. Should this be the case, and notwithstanding the Company's past success in raising equity capital, there is no certainty that the Company will be able to obtain such financing on terms acceptable to the Company.

Transactions with Related Parties

The Company incurred the following expenditures during the years ended November 30, 2010 and 2009 that were charged by directors and officers of the Company, or former directors and officers of the Company, and / or companies they owned or were significant shareholders of:

	2010	2009
Accounting and audit fees	**$ 50,480**	$ 13,649
Management fees	**158,285**	15,524
Office and miscellaneous	**112,500**	17,534
	$ 321,265	$ 46,707

These expenditures were measured by the exchange amount which is the amount agreed upon by the transacting parties.

On June 9, 2009, the Company sold the shares of its wholly-owned subsidiary, Agrotech Growers Inc., and its wholly-owned subsidiary, Hazelmere Greenhouses Ltd., to a former director of the Company.

Included in accounts payable and accrued liabilities as at November 30, 2010 is $44,728 (2009 - $13,088) due to companies controlled by directors of the Company and to directors and officer of the Company.

Critical Accounting Estimates

The Company's consolidated financial statements are impacted by the accounting policies used, and the estimates and assumptions made, by management during their preparation. The Company's accounting policies are described in Note 2 to the accompanying audited consolidated financial statements for the year ended November 30, 2010. The accounting estimates considered to be significant to the Company include assessment of impairment to the carrying value of property and equipment, the assumptions used in calculating the fair value of warrants and stock-based compensation, the assumptions used in calculating depletion, and the assumptions used to estimate the fair value of the loans on modification and the subsequent accretion expense calculations.

Management reviews the carrying values of property and equipment on a periodic basis to determine whether an impairment of carrying value should be recognized. In addition, capitalized costs related to abandoned properties are written off as soon as the abandonment decision is made. During the year ended November 30, 2010, the Company wrote-down/wrote-off certain of its oil and gas properties by $3,346,805 (see discussion in Results of Operations). No such charge was recorded to the statement of operations in the year ended November 30, 2009.

The Company uses the fair-value method of accounting for stock-based compensation related to incentive stock options granted, modified or settled. Under this method, compensation cost attributable to all incentive stock options granted is measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. In determining the fair value, the Company makes estimates of the expected volatility of the stock as well as an estimated discount rate. Changes to these estimates could result in the fair value of the stock-based compensation being different than the amount recorded. During the year ended November 30, 2010, the Company recorded a stock-based compensation expense of $1,143,874 as compared to $nil during the year ended November 30, 2009.

Warrants issued to agents, brokers or finders in connection with a financing are recorded at fair value and charged to issue costs associated with the offering with an offsetting credit to contributed surplus in shareholders' equity. The method followed to determine the fair value of such warrants is the same as that used to determine the fair value of stock-based compensation and as such the Company again makes estimates of the expected volatility of its stock as well as using an estimated discount rate. Changes to these estimates could result in the fair value of the agent's or broker's warrants being different than the amount recorded. During the year ended November 30, 2010, the Company recorded a charge of $124,906 (2009 - $nil) to share issue costs and an offsetting credit to contributed surplus in connection with 480,690 finder's warrants issued by the Company with respect to its April 2010 private placement offering.

Warrants included in units offered to subscribers in connection with financings are recorded at their fair value, as agreed upon by the subscribers, in contributed surplus in shareholders' equity with an offsetting reduction in the value ascribed to the shares issued in the units. During the year ended November 30, 2010 the Company recorded a charge to share issue costs of $15,620 with an offsetting credit to contributed surplus in connection with issuing 1,562,000 flow-through units in November 2010. No warrants were issued in fiscal 2009.

The Company uses the full cost method of calculating depletion of oil and gas property and equipment. Under this method the costs of significant undeveloped properties are excluded from costs subject to depletion until it is determined whether or not proved reserves are attributable to the properties or impairment has occurred. Estimated future costs to be incurred in developing proved reserves are included in costs subject to depletion and estimated salvage values are excluded from costs subject to depletion. For depletion and depreciation purposes, relative volumes of natural gas production and reserves are converted at the energy equivalent conversion rate of six thousand cubic feet of natural gas to one barrel of crude oil. Depletion is then provided using the unit-of-production method based upon estimated proved petroleum and natural gas reserves as established by an independent qualified person.

Management made estimates relating to the fair value of the loans on modification in fiscal 2009. The assumptions used included using a discount rate of 18% and interest being charged beginning February 1, 2010. The calculation of the fair value led to a gain on modification of loans in the amount of $368,718 being recorded to the statement of operations in fiscal 2009. Management has reviewed these assumptions in fiscal 2010 and adjusted the fair value of the loan to reflect partial early principal repayment resulting in a loss of $133,576 being recorded to the statement of operations in fiscal 2010.

Recently Adopted Accounting Policies

The following accounting policies have been adopted in conjunction with completion of the Reactivation. At the date of the Reactivation, the Company became and oil and gas exploration Company subject to the following accounting policies:

Revenue recognition

Revenue associated with the production and sale of crude oil, natural gas, and natural gas liquids owned by the Company is recognized when title passes to the customer and delivery has taken place. Revenue, if any, represents the Company's share and is presented before royalty payments to governments and other mineral interest owners.

Oil and gas properties

The Company follows the full cost method of accounting for its petroleum and natural gas operations within a Canadian and a US cost centre. Under this method all costs related to the exploration for and development of petroleum and natural gas reserves are capitalized. Costs include lease acquisition costs, geological and geophysical expenses, expenditures to drill both producing and non-producing wells, as well as the costs of production facilities and future asset retirement costs.

Proceeds from the sale of properties are applied against capitalized costs, without any gain or loss being realized, unless such sale would significantly alter the rate of depletion and depreciation.

Expenditures related to renewals or betterments that improve the productive capacity or extend the life of an asset are capitalized. Maintenance and repairs, other than major turnaround costs, are expensed as incurred. Major turnaround costs are included in property and equipment when incurred and charged to depletion and depreciation in the consolidated statements of operations and deficit over the estimated period of time to the next scheduled turnaround.

Depletion, depreciation and amortization

Depletion and depreciation of oil and gas property and equipment is provided using the unit-of-production method based upon estimated proved petroleum and natural gas reserves. The costs of significant undeveloped properties are excluded from costs subject to depletion until it is determined whether or not proved reserves are attributable to the properties or impairment has occurred. Estimated future costs to be incurred in developing proved reserves are included in costs subject to depletion and estimated salvage values are excluded from costs subject to depletion. For depletion and depreciation purposes, relative volumes of natural gas production and reserves are converted at the energy equivalent conversion rate of six thousand cubic feet of natural gas to one barrel of crude oil.

The Company records its acquisition of equipment at cost. Amortization of equipment is provided for on a declining balance basis using a rate of 20% per year.

Asset retirement obligations ("ARO")

The Company records a liability for the fair value of the statutory, contractual or legal asset retirement obligations associated with the retirement and reclamation of tangible long-lived assets when it is incurred and when a reasonable estimate of fair value can be made with a corresponding increase to the carrying amount of the related assets. This corresponding increase to capitalized costs is amortized to earnings on a basis consistent with depreciation, depletion, and amortization of the underlying assets.

Subsequent changes in the estimated fair value of the ARO are capitalized and amortized over the remaining useful life of the underlying asset. The ARO liabilities are carried on the consolidated balance sheet at their discounted present value and are accreted over time for the change in their present value, with this accretion charge included as an operating item in the consolidated statements of operations and deficit.

As at November 30, 2010, the Company determined that the ARO liability was not significant and accordingly, the Company has not recorded a provision for ARO.

Foreign currency translation

Monetary items denominated in a foreign currency, other than Canadian dollars, are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and non-monetary items are translated at exchange rates prevailing when the assets are acquired or obligations incurred. Foreign currency denominated revenue and expense items are translated at exchange rates prevailing at the transaction dates. Gains or losses arising from the translations are recognized in the current period.

Broker warrants and warrants

Warrants issued to agents or brokers in connection with a financing are recorded at fair value and charged to issue costs associated with the offering with an offsetting credit to contributed surplus in shareholders' equity.

Warrants included in units offered to subscribers in connection with financings are recorded at the residual value in contributed surplus in shareholders' equity with an offsetting reduction in the value ascribed the shares issued in the units.

Proceeds of the exercise of warrants are credited to share capital together with the corresponding amount, if any, of the original warrant charge included in contributed surplus.

Business combinations, consolidated financial statements and non-controlling interest

Effective December 1, 2009, the Company elected to early adopt CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests". These sections replace the former CICA Handbook Section 1581, "Business Combinations" and Section 1600, "Consolidated Financial Statements" and establish a new section for accounting for a non-controlling interest in a subsidiary.

CICA Handbook Section 1582 establishes standards for the accounting for a business combination and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to International Financial Reporting Standard ("IFRS") 3, "Business Combinations" (January 2008).

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, "Consolidated and Separate Financial Statements" (January 2008).

To date there has been no impact on the Company's financial statements as a result of the adoption of these sections.

International Financial Reporting Standards ("IFRS")

In 2008, the Canadian Accounting Standards Board confirmed that publicly listed companies will be required to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Early adoption may be permitted, however it will require exemptive relief on a case by case basis from the Canadian Securities Administrators. The Company expects its first consolidated financial statements presented in accordance with IFRS to be for the three-month period February 28, 2012, which includes presentation of its comparative results for fiscal 2011 under IFRS. In order to prepare for the changeover to IFRS, the Company will develop an IFRS conversion plan comprised of three phases:

PHASE	**DESCRIPTION AND STATUS**
PRELIMINARY PLANNING AND SCOPING	The IFRS conversion plan will include consideration of the impacts of IFRS on the Company's financial statements, internal control over financial reporting, information systems and business activities such as foreign operations, if any, compensation metrics, and personnel and training requirements. Based on Management's preliminary review of IFRS and current Company processes, minimal impact is expected on information systems and compensation metrics.
DETAILED IMPACT ASSESSMENT	This phase involves detailed review of IFRS relevant to the Company and identification of all differences between existing Canadian GAAP and IFRS that may or will result in accounting and/or disclosure differences in the Company's financial statements, along with quantification of impact on key line items and disclosures. The phase includes identification, evaluation and selection of accounting policies necessary for the Company's conversion to

	IFRS and evaluation of the impact on outstanding operational elements such as debt covenants and budgeting. The Company is converting to IFRS eleven months after the adoption date, due to the Company having a November year end. As a result of this, the Company plans on completing the detailed IFRS evaluation in the summer of 2011. A preliminary assessment has identified the loan, property and equipment, stock-based compensation, flow-through shares, and foreign exchange accounting for the subsidiaries as the areas where IFRS may have a conversion impact.
IMPLEMENTATION	This phase will embed the required changes for conversion to IFRS into the underlying financial close and reporting process and business processes. This will include finalization and approval of accounting policy changes, collection of financial information necessary to prepare IFRS compliant financial statements, implementation of additional internal controls, and preparation and approval of completed IFRS financial statements. The IFRS changeover is expected to impact the presentation and/or valuations of balances and transactions in the Company's quarterly and annual consolidated financial statements and related notes effective December 1, 2011, however continued progress on the IFRS conversion plan is necessary before the Company is able to describe or quantify those effects.

Financial Instruments

Fair Value of Financial Instruments

The Company's financial instruments consist of cash, other receivables, loan and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value due to the immediate or short term maturity of these items, except for the loan. The fair value of the loan is described in Note 5.

During 2009, CICA Handbook Section 3862, "Financial Instruments – Disclosures", was amended to require disclosures about the inputs to fair value assessments, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. These amendments require a three-level hierarchy that reflects the significant of the inputs used in making the fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measured. As at November 30, 2010, the Company's financial instrument which is measured at fair value on a recurring basis is cash. This financial instrument has been classified as a "Level 1" financial instrument.

Foreign Exchange Risk

A portion of the Company's financial assets and liabilities are denominated in US dollars giving rise to risks from changes in the foreign exchange rate. The Company is exposed to currency exchange rate risk to the extent of its activities in the USA. The Company's currency risk is presently limited to $205,075 of net financial assets denominated in US dollars. Based on this exposure as at November 30, 2010, a 5% change in the exchange rate would give rise to a change in net loss and comprehensive loss of approximately $10,254. The Company does not use derivative financial instruments to reduce its foreign exchange exposure.

The currencies of the Company's financial instruments, based on notional amounts, as at November 30, 2010 were as follows:

	Canadian dollars	US dollars
Cash	$ 112,984	$ 260,999
Accounts payable and accrued liabilities	(92,265)	(55,924)
Loan	(676,071)	-
Gross balance sheet exposure	$ (655,352)	$ 205,075

Future changes in exchange rates could have a material effect on the Company's business, financial condition and results of operations.

Credit Risk

Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The majority of the Company's cash is held through a major Canadian charted bank and a major US bank and accordingly, the Company's exposure to credit risk is considered to be limited.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The loan (Note 6) bears interest at the rate of prime plus one percent and accordingly, the Company is exposed to fluctuations in the rate of prime until the loan is repaid. A 0.5% change in the rate of prime would give rise to an annual change in loan interest of $3,380.

Liquidity Risk

The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transaction on the due date. Accounts payable and accrued liabilities are all current.

Outstanding Share Data

a) Authorized:

Unlimited common shares without par value
Unlimited preference shares issuable in series

b) Issued and outstanding:

34,218,047 common shares as at March 28, 2011.

c) Outstanding options as at March 28, 2011:

Type of Security	Number	Exercise Price	Expiry Date
Warrants	5,000,000	$ 0.45	October 2, 2011
Warrants	480,690	$ 0.50	April 29, 2012
Warrants	781,000	$ 0.25	May 16, 2012
Options	1,948,300	$ 0.30	April 29, 2015
Options	600,000	$ 0.34	April 29, 2015
Options	271,700	$ 0.45	April 29, 2015
Options	125,000	$ 0.48	April 29, 2015
Options	354,000	$ 0.20	October 27, 2015
	9,560,690		

Disclosure Controls and Procedures

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109") the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the audited consolidated financial statements for the year ended November 30, 2010 and this accompanying MD&A (together, the "Annual Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Annual Filings on SEDAR at www.sedar.com.

Risks and Uncertainties

Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. These can be categorized as operational, financial and regulatory risks.

- Operational risks include finding and developing reserves economically, marketing production and services, product deliverability uncertainties, changing governmental law and regulation, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations. Insurance may be maintained at levels consistent with prudent industry practices to minimize risks, but the Company is not fully insured against all risks, nor are all such risks insurable.

- Financial risks include fluctuating commodity prices and interest rates, all of which are beyond the Company's control.

- Regulatory risks include the possible delays in getting regulatory approval to the transactions that the Board of Directors believe to be in the best interest of the Company, and include increased fees for filings, the introduction of ever more complex reporting requirements the cost of which the Company must meet in order to maintain its exchange listing.

Outlook

The Company's primary focus for the immediate future will be to complete the re-entry of the recently acquired Matagorda Bay Project.

A key component of this acquisition is the existence of a fully drilled, logged, cored and cased 127-1 well bore. The 127-1 well has multiple pay zones indicated on logs and cores and is expected to be initially completed in the Bol Mex (8560 - 8710' depth) section of the Lower Frio. Internal analysis of the logs and cores of the Bol Mex zone alone indicates approximately 115 feet of expected oil pay. Internal analysis indicates an additional 200 plus feet of apparent net pay are evident in the logs and cores which provides substantial additional opportunity for the Company, and upon successful completion of the Bol Mex interval the Company will target these additional zones for future completions.

Additionally, acquired with the 127-1 well bore, are the south half of Block 150 and the north half of Block 151, which together includes 2 existing well bores, an existing 7 mile pipeline to shore and an onshore oil/gas handling facility. Subject to the success of the completion attempt on the 127-1 well, management may choose to pursue completion attempts on the wellbores acquired in the 150 and 151 blocks.

Management believes that the asset package acquired in the Matagorda Bay transaction ideally suits the Company's strategic plan of targeting and acquiring low cost, low risk, quick revenue generation assets.

Depending on the results of the above program(s), management will determine the Company's next course of action.