The following discussion and analysis of the operations, results and financial position of Berkley Resources Inc. (the "Company" or "Berkley") for the year ended December 31, 2009 should be read in conjunction with the December 31, 2009 audited year-end financial statements and the notes thereto.

This Management Discussion and Analysis ("MD&A") is dated April 22, 2010 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 and on the Frankfurt Stock Exchange under the symbol W80 and WKN 871666.

## Overall Performance and Outlook

An overview analysis of the oil and gas segment is as follows:

### Oil and Gas Industry Overview

The oil and gas industry struggled throughout 2009 due to a significant disconnect between oil and natural gas prices as related to their basic heating ("BTU") value. Based on BTU's, 600 cubic feet of natural gas is equivalent to one barrel of oil (6:1 ratio). The common industry conversion is gas to oil at a 10:1 ratio, which, at $75.00 per barrel of oil would translate to approximately $7.50 per thousand cubic feet for natural gas, however; the actual price relationship throughout most of 2009 was over 15:1, and over 20:1 into Q2 2010. This has resulted in depressed natural gas prices of approximately $3.50/$4.00 per thousand cubic feet, and is attributable to a number of circumstances. Increased access to North American shale gas reserves and an oversupply due to lack of global demand have contributed to low commodity pricing. In addition, industrial consumption in Canada and the United States has been slow to recover following the 2008/2009 global economic downturn, however; there appear to be signs of steady progress and the environmental push to move away from coal-fired electrical generation to cleaner-burning natural gas, as well as conversion to natural gas by large transport operations, should gradually lessen this disconnect between the price paid per BTU when provided from oil compared to the price paid when provided from natural gas.

### Company Activity

The Company responded to the difficult circumstances affecting natural gas pricing by rationalizing its holdings at Leduc and Senex, Alberta. Natural gas production at John Lake has been marginalized due to low prices, however; Carbon has been able to withstand the challenge. Oil production at East Dollar, Saskatchewan has benefitted significantly from higher prices and sustained production rates. Crossfield continues to be a high-quality prospect and able to withstand current market conditions.

During the year ended December 31, 2009, the Company improved its cash position by way of equity financing and through the sale of certain interests. The Company placed 21,370,000 of its common shares by way or private placement for aggregate proceeds totaling $1,068,500 in December 2009. In addition, the Company realized net proceeds totaling $215,000 from the sale of its remaining 10% in the Senex lands, and a 5% interest in the Crossfield project.

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

The Company elected to sell its remaining 10% interest to its 90% partner effective October 1, 2009 due to the large amounts of new capital required to bring it to full production. Although the Company's partner was able to satisfy the capital requirements out of existing cash flow, Berkley determined that raising new capital by way of equity financing in order to satisfy its portion of the capital required was not likely given prevailing market conditions. Failure to participate on a current basis would have resulted in an unacceptable production penalty and, accordingly, the Company made the decision to exit the Senex project.

***Leduc Area, Alberta (Township 49, Range 26, W4M)***

The Company and its partners elected to sell their interests in this project to an adjoining operator. Effective January 1, 2010, the Company sold its 4.00% interest in the Leduc project.

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

This high-opportunity natural gas project is moving forward with the assistance if its new operator and the Alberta licensing authorities. Although this process has taken some time to move forward, the Company intends to retain its 20% interest as the project continues to move forward.

***Summary***

Although management was disappointed to release its remaining 10% interest in the Senex project, its status as a conventional, self-financing project changed to a project requiring significant front-end capital, and was not supported by market conditions or the Company's existing capital structure. Conversely, the Company's Dollard East, Saskatchewan oil project continues regular production and no new capital is required on this project. The Company anticipates that the Crossfield project will join its current income-producing assets during 2010/2011, which will improve cash flow.

**Results of Operations**

**Selected Annual Information**

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

| | December 31, 2009 | December 31, 2008 | December 31, 2007 |
|---|---|---|---|
| | $ | $ | $ |
| Total oil and gas revenues | 600,452 | 1,560,485 | 1,715,924 |
| Loss for the year before discontinued operations | (917,000) | (679,072) | (5,380,576) |
| Discontinued operations | - | - | 1,854,654 |
| Loss per share before discontinued operations | (0.03) | (0.03) | (0.27) |
| Loss per share after discontinued operations | (0.03) | (0.03) | (0.18) |
| Total assets | 5,130,804 | 6,148,375 | 5,771,772 |
| Total liabilities | 467,922 | 1,703,232 | 1,136,797 |
| Working capital (Deficit) | 902,969 | (1,210,238) | (683,930) |

**Oil and Gas**

Oil and gas revenue was $600,452 for the year ended December 31, 2009 compared to $1,560,485 for 2008, a decrease of $960,033. Production expenses for the year were lower at $766,914 compared to $1,170,145 in 2008. This decrease of $403,241 is due to a decrease of $163,321 in operating costs, and $239,910 in amortization. There was net oil and gas loss of $304,905 for the year ended December 31, 2009 compared to a net oil and gas income of $92,141 reported in 2008, a difference of $397,046.

**Head Office - General and Administrative Expenses**

General and administrative expenses totaled $612,559 for the year ended December 31, 2008 compared with $685,584 in 2008. The decrease of $73,025 is due to a decrease in administrative and office services of $102,180, stock-based compensation of $67,581, professional fees of $27,095, shareholder information costs of $5,479 and amortization of $1,262, however; increases in amounts recorded for management fees $111,050, consulting fees of $12,824 and filing and transfer agency fees of $6,431 offset these reductions.

**Net Loss for the Period**

Net Loss for the period ended December 31, 2009 was $917,000 compared with a loss of $679,072 for the same period of 2008, a difference of $237,928. The increase in net loss is mainly attributable to reduced revenues from its oil and gas interests due to continued low commodity pricing and no change in operating costs. There were no significant other income or expense items that had an impact on the loss for the period, other than those described above.

***Three months' ended December 31, 2009 ("Q4-2009") compared with the three months ended December 31, 2008 ("Q4-2008").***

**Oil and Gas**

Oil and gas revenue was $159,812 for Q4-2009 compared to $132,902 for Q4-2008, an increase of $26,918. The increase in revenue is a result of higher oil prices. The production expenses for Q4-2009 were significantly lower at $66,410 compared to $404,258 in Q4-2008. There were decreases of $28,010 in operating costs and $176,439 in amortization, depletion and accretion. All production expenses have decreased in the current quarter.

**Head Office - General and Administrative Expenses**

General and administrative expenses totaled $301,544 for Q4-2009 compared with $215,678 in Q4-2008. The increase of $85,866 consisted of increases in management fees of $111,272, stock-based compensation of $2,323, consulting fees of $7,626 and filing and transfer agency fees of $6,114, however; the increases were offset by decreases in amounts recorded for administrative, office services and premises of $29,873, professional fees of $10,851, shareholder information of $719 and amortization of $26.

Although the Company saw an overall increase in general and administrative expenditures in the fourth quarter due to a higher level of corporate activity in connection with its equity financing, the Company utilized less administrative and office services under its cost-sharing arrangement. In addition, the Company's increased use of consultants reduced amounts incurred on professional fees, however; management fees increased due to management bonuses accrued for during the period and paid in early 2010.

## Net loss for the Period

There was a net loss of $339,659 in Q4-2009 compared with a net loss of $529,788 in Q4-2008. Overall, the Company has seen lower general and administrative expenses due to cost-reduction measures taken to reduce administrative and office services and outsourcing as appropriate. Although oil and gas revenues have decreased, the Company has also seen a reduction in production expenses and royalty expenses.

### Summary of Quarterly Results

| Period Ended | 2009<br>Dec. 31<br>Q4<br>$ | 2009<br>Sept. 30<br>Q3<br>$ | 2009<br>June 30<br>Q2<br>$ | 2009<br>Mar. 31<br>Q1<br>$ | 2008<br>Dec. 31<br>Q4<br>$ | 2008<br>Sept. 30<br>Q3<br>$ | 2008<br>Jun 30<br>Q2<br>$ | 2008<br>Mar 31<br>Q1<br>$ |
|---|---|---|---|---|---|---|---|---|
| Net oil and gas income (loss) | (39,997) | (106,167) | (57,902) | (100,886) | (271,356) | 135,240 | 204,728 | 23,529 |
| Discontinued operations | - | - | - | - | - | - | - | - |
| Income (loss) for the period | (339,659) | (227,187) | (147,212) | (202,942) | (529,788) | (41,495) | 29,607 | (137,396) |
| Basic and diluted income (loss) per share after discontinued operations | (0.01) | (0.02) | (0.01) | (0.01) | (0.01) | (0.00) | 0.01 | (0.01) |

### Liquidity

At December 31, 2009 the Company had current assets of $1,226,053, of which $839,811 (2008 - $46,826) was comprised of cash. Current liabilities totaled $323,084 and consisted of trade payables relating to property operating costs as well as payables relating mainly to unpaid management fees, accounting and engineering fees associated with its year-end audit.

Total working capital as at December 31, 2009 was $902,969 (2008 – deficiency of $1,210,238). The Company continues to explore and identify other financial opportunities in order to address its ongoing financial requirements.

### Capital Resources

The Company plans to continue its participation in the projects discussed above. The Company expects to finance operating expenditures through existing production revenue and future projects by way of private placements. 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**

Due to related parties consists of $48,012 (2008 - $12,500) due to Directors of the Company for Directors fees, consulting fees and expenses, and $34,296 (2008 – $7,109) to a private company owned by public companies having common Directors that provide administrative services, office supplies and accounting services.

Management and consulting fees totalling $180,773 (2008 - $192,000) were paid to Directors and Officers and/or their private companies.

Current and/or former Directors and Officers and companies controlled by Directors subscribed for 2,150,000 shares of the Company for total proceeds of $107,500 (2008 – 8701,001 shares and $156,600).

Administrative services, office supplies and accounting charges totalling $67,143 (2008 – $90,222) were paid to Oniva International Services Corporation ("Oniva"), a private company owned by public companies having common directors.

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 period, $132,000 (2008 – $72,000) was paid to the President and C.E.O. for services as director and officer of the Company, $30,000 (2008 - $30,000) was paid to the former V.P. Finance for services as director and officer of the Company, $52,500 (2008 - $60,000) was paid to the V.P. Operations for services as director and officer of the Company and $35,000 (2008 - $4,000 paid to the Corporate Secretary) was paid to the Corporate Secretary and Chief Financial Officer for services as an officer of the Company.

**Changes in Accounting Policies**

During the year ended December 31, 2009, 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:

CICA Handbook Section 3064, Goodwill and Intangible Assets, which replaced Handbook Section 3062, Goodwill and Other Intangible Assets. This new standard introduces guidance for the recognition, measurement and disclosure of goodwill and intangible assets, including internally generated intangible assets. The standard also harmonizes Canadian standards with IFRS and applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2008.

CICA Handbook Section 3862 Financial Instruments - Disclosures. The amendments provide for enhanced disclosures on liquidity risk and require disclosures on fair value measurements of financial instruments. These requirements harmonize Canadian standards with IFRS and apply to annual financial statements for fiscal years ending after September 30, 2009

**International Financial Reporting Standards**

In February 2008, the Canadian Accounting Standards Board (the "AcSB") announced its decision to replace GAAP with International Financial Reporting Standards ("IFRS") for all Canadian Publicly Accountable Enterprises for interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011, including comparatives for 2010. Although IFRS is principles-based and uses a conceptual framework similar to GAAP, there are significant differences and choices in accounting policies, as well as increased disclosure requirements under IFRS.

A diagnostic of the IFRS conversion is in process which highlights the key differences between GAAP, as currently applied by the Company, and IFRS. The eventual changeover to IFRS represents a change due to new accounting standards. The transition from current GAAP to IFRS is a significant undertaking and the impact on the Company's financial statements has not yet been determined for any of the IRFS conversion impacts identified.

Management has commenced its IFRS conversion project which consists of the following three phases:

**Preliminary impact assessment** - this phase commenced with a review of the Company's significant accounting policies relative to current and proposed IFRS. The results of this analysis will be priority ranked according to the complexity and the extent of the impact in adoption of IFRS accounting policies.

**Detailed evaluation phase** - the second phase will include drafting and analysis for items identified in the preliminary impact assessment. This will include an analysis of policy choices allowed under IFRS and their corresponding impact on the financial statements.

**Implementation phase** - this final phase involves implementing all changes approved in the preliminary impact assessment and evaluation phase. As a result of starting the preliminary impact assessment process, management determined that the differences most likely to have the greatest degree of complexity and impact on the Company's financial statements were as follows:

**First-time Adoption of IFRS ("IFRS 1")**
IFRS 1 provides the framework for the first-time adoption of IFRS and outlines that, in general, an entity shall apply the principles under IFRS retrospectively and that adjustments arising on conversion to IFRS shall be directly recognized in retained earnings. However, IFRS 1 also provides a number of optional exemptions from retrospective application of certain IFRS requirements as well as mandatory exceptions which prohibit retrospective application of standards. There are currently fifteen elective exemptions and four mandatory exceptions that need to be considered.

The following optional exemptions have been identified as being applicable to the Company:

- fair value as deemed cost of items of property, plant and equipment;
- application date of IFRS 3 Business Combinations;;
- application date of IFRS 2 Share Based Payment;
- deemed cost of exploration and evaluation assets and assets in the development and production phase;
- measuring of and accounting for decommissioning liabilities; and,
- assessment of arrangements containing a lease;

The Company will need to assess the impact of applying these exemptions to its financial statements. The remaining elective exemptions appear to have limited or no applicability to the Company.

**IFRS 6 Exploration for and Evaluation of Mineral Resources ("IFRS 6")**
This is the standard under which oil and gas exploration and evaluation ("E&E") costs are to be accounted for, and it requires entities to choose from among several different policies when accounting

for exploration and evaluation costs. The Company plans to capitalize its exploration and evaluation costs until it is determined that the property contains reserves and is transferred to development or production assets, or that no future economic benefits exist and the costs are expensed and de-recognized. Costs incurred prior to obtaining the right to explore will be expensed. Exploration and evaluation costs will be reported as a separate line item on the Company's statement of financial position.

**Impairment of non-financial assets**
Canadian GAAP impairment testing involves two steps, the first of which compares the asset carrying value with undiscounted future cash flows to determine whether impairment exists. If the carrying value exceeds the amount recoverable on an undiscounted basis, then the cash flows are discounted to calculate the amount of the impairment and the carrying value is written down to estimated fair value.

PP&E and intangibles, including goodwill, are tested for impairment in accordance with IAS 36 Impairment of Assets ("IAS 36"). IAS 36 requires that assets, other than goodwill and indefinite life intangibles, be subjected to an impairment test if there are indicators of impairment. For goodwill and indefinite life intangibles, IAS 36 requires that the Company perform impairment tests on an annual basis.

Under IFRS an asset is impaired when the recoverable amount of that asset is less than the carrying amount. If there is any indication that an asset may be impaired, the recoverable amount should be estimated for individual assets. The recoverable amount is defined as the higher of the fair value less costs to sell and the value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties. The value in use is the present value of the future cash flows (i.e. discounted cash flows) expected to be derived from an asset.

If it is not possible to estimate the recoverable amount for the individual asset other than goodwill, the Company must determine the recoverable amount for the cash-generating unit ("CGU") to which that asset can be allocated. A CGU is the smallest group of assets that generates cash inflows largely independent of other assets or groups of assets. Management is therefore required to determine the CGU's of the Company.

Impairment will be recognized more frequently under IFRS as Canadian GAAP does not require the discounting of cash flows when assessing the recoverability of an assets carrying value. However, IAS 36 does require the reversal of an impairment loss for an asset, other than goodwill, where there is an indication that circumstances have changed and that the impairment loss no longer exists or may have decreased. This is not allowed under Canadian GAAP.

The Company will analyze its operations in order to determine the cash-generating units to be used for the purpose of impairment testing and impairment models will be assess to ensure compliance with IFRS.

**Asset Retirement Obligations ("AROs")**
In calculating provisions, including AROs, IAS 37 Provisions, Contingent Assets and Contingent Liabilities requires the use of a current market-based rate to discount the future cash flows at each reporting date. This is in contrast with Canadian GAAP which requires the use of an entity's credit-adjusted risk free rate which is revised only when there is an upward revaluation in expected cash flows.

**IFRS 2 Share-based Payments ("IFRS 2")**
IFRS 2 requires that an estimation of forfeitures must be factored into the calculation of the stock-based option compensation expense. In addition, when an entity makes a share-based payment which vests in instalments (often referred to as a graded vesting) IFRS 2 requires that each tranche within the award be treated as a separate award. Compensation cost for each tranche is recognized over its own distinct vesting period. The Company will therefore have to update its stock option calculations in order to meet the requirements of IFRS 2. Furthermore, the adoption of IFRS 2 could impact the systems and process that the company has in place to track stock options and related information.

The conclusion of the impact and evaluation phase will require the audit committee of the Board to review and approve all accounting policy choices as proposed and recommended by management. The final implementation phase involves implementing changes approved in the impact and evaluation phase.

Management has not yet finalized its accounting policies and as such is unable to quantify the impact of adopting IFRS on the financial statements. In addition, due to anticipated changes to IFRS prior to the Company's adoption of IFRS, management's plan is subject to change based on new facts and circumstances that arise after the date of this MD&A. The transition from GAAP to IFRS is a significant undertaking that may materially affect the Company. Management's timeframe to complete the third and final implementation phase of its IFRS adoption efforts is scheduled during that second half of 2010 which will allow the Company to adopt IFRS in place of GAAP effective January 1, 2011.

**Outstanding Share Data**

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

The following is a summary of shares issued and outstanding as at December 31, 2009 and April 22, 2010:

| | December 31, 2009 | | | December 31, 2008 | | |
|---|---|---|---|---|---|---|
| **Issued and fully paid:** | Number of Shares | | Amount | Number of Shares | | Amount |
| Balance, beginning of period | 45,066,042 | $ | 13,219,091 | 23,696,042 | $ | 12,683,811 |
| Issued in the year for cash: | | | | | | |
| Pursuant to private placements: | | | | | | |
| - non-flow-through for cash | - | | - | 21,370,000 | | 1,068,500 |
| Shares for debt | 1,073,440 | | 53,672 | - | | - |
| Share issuance costs | - | | - | - | | - |
| Fair value of private placement Warrants | - | | - | - | | (533,220) |
| Fair value of expired warrants | - | | - | - | | - |
| Balance, end of period | 46,139,482 | $ | 13,272,763 | 45,066,042 | $ | 13,219,091 |

The following is a summary of stock options outstanding as at December 31, 2009 and April 22, 2010:

| Expiry Date | Exercise Price Per Share | Number of Shares Remaining Subject to Options (December 31, 2009) | Number of Shares Remaining Subject to Options (April 22, 2010) |
|---|---|---|---|
| December 23, 2010 | $0.90 | 477,500 | 477,500 |
| September 21, 2011 | $0.56 | 440,000 | 440,000 |
| July 4, 2012 | $0.55 | 350,000 | 350,000 |
| | | **1,267,500** | **1,267,500** |

The following is a summary of share purchase warrants outstanding as at December 31, 2009 and April 22, 2010:

| Expiry Date | Exercise Price Per Share | Number of Shares Remaining Subject to Warrants (December 31, 2009) | Number of Shares Remaining Subject to Warrants (April 22, 2010) |
|---|---|---|---|
| December 16, 2011 | $0.10 | 21,370,000 | 21,370,000 |
| | | **21,370,000** | **21,370,000** |

## 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, 2009 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 April 26, 2010 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 hiring additional personnel, 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 year ended December 31, 2009 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.

**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 26, 2010. 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.