

The following discussion and analysis of the operations, results and financial position of Berkley Resources Inc. (the “Company” or “Berkley”) for the period ended March 31, 2010 should be read in conjunction with the December 31, 2009 audited year-end financial statements and the notes thereto and the unaudited financial statements for the period ended March 31, 2010 and the notes thereto.

This Management Discussion and Analysis (“MD&A”) is dated May 27, 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:

The average production for Q1 2010 was 13 bbls per day compared to 24 bbls per day for Q1 2009. The decline is a result in the sale of certain of its interests during the year ended December 31, 2009. Despite lower production values, revenues benefited in Q1 2010 due to strengthening oil and natural gas prices.

### **Company Activity**

Natural gas production at John Lake continues to be marginalized due to low prices, however; Carbon has been able to withstand the challenge. Oil production at East Dollard, 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 three months’ ended March 31, 2010, Company issued shares for debt to settle certain outstanding payables. The Company issued 1,073,440 common shares to extinguish \$53,672 in debt. In addition, the Company realized net proceeds totaling \$43,334 from the sale of its 15% interest in the Leduc property.

### ***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

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

*Three months' ended March 31, 2010 ("Q1 2010") compared with the three months ended March 31, 2009 ("Q1 2009").*

#### Oil and Gas

Oil and gas revenue was \$105,499 for Q1 2010 compared to \$135,733 for Q1 2009, a decrease of \$30,234. Production expenses for Q1 2010 were lower at \$59,776 compared to \$86,323 in Q1 2009. 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 \$103,621 for Q1 2010 compared to net oil and gas loss of \$100,886 reported in 2009, a difference of \$2,735.

#### Head Office - General and Administrative Expenses

General and administrative expenses totaled \$104,840 for Q1 2010 compared with \$101,820 in Q1 2009. The increase of \$3,020 is due to increases in management fees of \$23,000, consulting fees of \$3,482, shareholder information expense of \$738 and amortization of \$126, however; these increases were largely offset by decreases in amounts recorded for administrative, office services and premises of \$14,392, professional fees of \$9,746 and filing and transfer agent fees of \$188 and filing and transfer agency fees.

#### Net Loss for the Period

Net loss for Q1 2010 was \$208,461 compared with a loss of \$202,942 for Q1 2009, a difference of \$5,519. The increase in net loss is mainly attributable to reduced revenues from its oil and gas interests due to 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.

### Summary of Quarterly Results

Period Ended	2010 Mar. 31 Q1 \$	2009 Dec. 31 Q4 \$	2009 Sept. 30 Q3 \$	2009 June 30 Q2 \$	2009 Mar. 31 Q1 \$	2008 Dec. 31 Q4 \$	2008 Sept. 30 Q3 \$	2008 Jun 30 Q2 \$
Net oil and gas income (loss)	(103,621)	(39,997)	(106,167)	(57,902)	(100,886)	(271,356)	135,240	204,728
Discontinued operations	-	-	-	-	-	-	-	-
Income (loss) for the period	(208,461)	(339,659)	(227,187)	(147,212)	(202,942)	(529,788)	(41,495)	29,607
Basic and diluted income (loss) per share after discontinued operations	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)	(0.00)	0.01

**Liquidity**

At March 31, 2010 the Company had current assets of \$1,085,473, of which \$885,668 (2009 - \$48,134) was comprised of cash. Current liabilities totaled \$278,077 and consisted of trade payables relating to property operating costs as well as payables relating mainly to outstanding accounting and engineering fees associated with its year-end audit.

Total working capital as at March 31, 2010 was \$807,266 (2009 – deficiency of \$82,309). 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 \$6,000 (2008 - \$12,500) due to Directors of the Company for Directors fees; and \$15,130 (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 \$52,500 were paid to Directors and their private companies in 2009 (2009 - \$48,000); and rent expense totalling \$3,000 (2009 - \$3,000) was paid to a company whose management is related to a Director of the Company.

The Company takes part in a cost sharing arrangement to reimburse Oniva International Services Corporation (“Oniva”), a private company owned by public companies having common Directors, 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.

Administrative services, office supplies and accounting charges totalling \$14,794 were paid to Oniva during the three months ended March 31, 2010 (2009 - \$18,211).

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, \$27,000 (2008 – \$72,000) was paid to the President and C.E.O. for services as director and officer of the Company, \$7,500 (2009 - \$7,500) was paid to the V.P. Finance for services as director and officer of the Company, \$7,500 (2008 - \$15,000) was paid to the V.P. Operations for services as director and officer of the Company and \$10,500 (2009 - \$4,500 paid to the Corporate Secretary) was paid to the Corporate Secretary and Chief Financial Officer for services as an officer of the Company.

## 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 IFRS 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 March 31, 2010 and May 27, 2010:

	May 27, 2010		December 31, 2009	
	Number of Shares	Amount	Number of Shares	Amount
Issued and fully paid:				
Balance, beginning of year	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
Share issuance costs	-	-	-	-
Shares for debt	1,073,440	53,672		
Fair value of private placement warrants	-	-	-	(533,220)
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 March 31, 2010 and May 27, 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 March 31, 2010 and May 27, 2010:

<b>Expiry Date</b>	<b>Exercise Price Per Share</b>	<b>Number of Shares Remaining Subject to Warrants (March 31, 2009)</b>	<b>Number of Shares Remaining Subject to Warrants (May 27, 2010)</b>
December 16, 2011	\$0.10	21,370,000	21,370,000
		<b>21,370,000</b>	<b>21,370,000</b>

### **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 March 31, 2010 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 May 27, 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 period ended March 31, 2010 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 May 27, 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.