MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2012

Phoenix Oilfield Hauling Inc. – Three months ended March 31, 2012

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This Management's Discussion and Analysis ("MD&A") for Phoenix Oilfield Hauling Inc. ("Phoenix" or the "Company") for the three month period ended March 31, 2012 should be read in conjunction with the Company's (i) audited consolidated financial statements and accompanying notes for the year ended December 31, 2011 ("Annual Financial Statements"), together with the MD&A thereon ("2011 MD&A"), and (ii) the unaudited condensed consolidated interim financial statements ("Interim Financial Statements") which are available at www.sedar.com. All dollar amounts are in Canadian dollars unless otherwise indicated.

The Board of Directors carries out its responsibility for review of the disclosure in this MD&A principally through its Audit Committee, comprised of three directors, two of whom are independent. The Audit Committee reviews this disclosure and recommends its approval to the Board of Directors. This MD&A has been approved by the Board of Directors.

The Company reports on certain non-IFRS measures that are used by management to evaluate the performance of the business. Since non-IFRS measures do not have a standardized meaning, securities regulators require that non-IFRS measures be clearly defined and qualified, reconciled to the nearest IFRS measure, and be given no more prominence than the closest IFRS measures. The definition, calculation, and reconciliation of the non-IFRS measures are provided in the section "Reconciliation of non-IFRS Measures" in this MD&A.

Phoenix is publicly traded on the TSX Venture Exchange under the symbol PHN.

This MD&A contains statements that are not historical facts and are forward looking statements (see "Forward Looking Statements" below).

This MD&A is dated as at May 23, 2012.

Section 1: Description of the Business

Phoenix earns revenue predominately by providing specialized transportation services required for the drilling exploration, development and production of petroleum resources in the Western Canadian Sedimentary Basin ("WCSB") and in the United States of America principally in and around the states of Texas and Pennsylvania. Transportation services are provided using assets which are either owned by the Company, or leased under long-term leases ("company equipment"), or through owner-operators who provide trucks, and in some cases trailers, exclusively for the benefit of the Company under annual contracts, or through sub-contractors who own their equipment and are contracted by the Company during times of peak demand. Transportation services include both the equipment necessary to move the load as well as a trained, professional driver capable of securing, moving and manipulating the load to its destination.

Phoenix's rental operations include the rental of tanks, mats, pickers, light towers and other equipment necessary for oilfield operations.

Phoenix was incorporated in 1994 as a private company to serve the oil and gas industry. In the spring of 2006 the Company went public on the TSX Venture Exchange. Phoenix has major operations in Calgary, AB, Slave Lake, AB, Nisku, AB, Grand Prairie, AB, Melita, MB, Mineral Wells, TX, Pleasanton, TX and New Columbia, PA.

For more information on Phoenix please visit www.phoenixhauling.com.

Section 2: Key Performance Indicators

Phoenix monitors a number of key performance indicators including those set out below:

- **Revenue** provides an overall indication of success and progress toward achieving growing market share;

- **Earnings Per Share** measures the return to shareholders and also allows management to assess whether acquisitions are accretive to earnings;

- **Standardized EBITDA** is earnings before interest, taxes, depreciation and amortization;

- **Adjusted EBITDA**[1] is Standardized EBITDA, excluding foreign exchange gains or losses which are primarily related to the US dollar activities of the Company and can vary significantly depending on exchange rate fluctuations, which are beyond the control of the Company, and write downs of intangible assets, goodwill impairment, financing costs, gains or losses on disposal of assets, stock based compensation, fees and expenses on settlement of debt and losses on extinguishment of debt; and

- **Adjusted EBITDA per Share**[1] is Adjusted EBITDA[1] divided by the weighted average number of shares outstanding for the period.

Section 3: Overall Performance

2012 BUSINESS HIGHLIGHTS

- Revenue for the quarter ended March 31, 2012 grew by $2.2 million to $22.6 million, compared with revenue of $20.4 million for the same period in 2011;
- Generated net income for the quarter ended March 31, 2012 of $0.4 million, a decrease of $1.3 million compared to $1.7 million for the same period in 2011;
- Generated Adjusted EBITDA[1] for the quarter ended March 31, 2012 of $2.9 million, a decrease of $1.3 million compared with Adjusted EBITDA[1] of $4.2 million for the same period in 2011;
- Expanded equipment base by acquiring $4.5 million of additional equipment during the quarter ended March 31, 2012; and
- Completed branch location in Pleasanton, TX to commence operations in the second quarter of 2012.

Note:
(1) See Section 6: Non-IFRS Measures

Section 4: Selected Financial Information for the Three Months Ended March 31, 2012

(in thousands, except per share and ratio amounts)

	2012	2011	$ Change 2011 - 2012	% Change 2011 - 2012
Revenue	**22,600**	20,443	2,157	10.6%
Gross profit	**4,289**	5,345	(1,056)	-19.8%
Gross margin	**19.0%**	26.1%	N/A	N/A
Adjusted EBITDA[1]	**2,924**	4,241	(1,317)	-31.1%
Adjusted EBITDA[1] as a percentage of revenue	**12.9%**	20.7%	N/A	N/A
Net income	**440**	1,675	(1,235)	-73.7%
Net income as a percentage of revenue	**1.9%**	8.2%	N/A	N/A
Adjusted EBITDA per share[5]	**0.41**	0.75	(0.34)	-45.3%
Earnings per share - basic and diluted[5]	**0.06**	0.29	(0.23)	-79.3%
Current ratio[2]	**2.41**	0.59	1.82	308.1%
Debt to equity ratio[3]	**1.50**	1.60	(0.10)	-6.4%
Debt to EBITDA ratio[3, 4]	**2.74**	2.81	(0.07)	-2.6%

Notes:

(1) See Section 6: Non-IFRS Measures.

(2) Current ratio calculated as current assets divided by current liabilities.

(3) Debt includes loans and borrowings as per their carrying amounts on the balance sheet.

(4) EBITDA used is Adjusted EBITDA for the trailing twelve months.

(5) 2011 Per share amounts calculated to take into consideration the Company's 30:1 share consolidation which took place on November 28, 2011 as if the share consolidation had been in affect in prior to November 28, 2011.

Revenue increased by $2.2 million due to the Company's strong performance in its US operating locations. Revenue in the WCSB was the same as 2011 in spite of an early spring break-up period (see Section 9: Seasonality of Business) in 2012. Despite the increased total revenue, gross profit decreased by about $1.1 million. Much of the increased revenue generated in the US during the first quarter of 2012 was generated by third party equipment, which generally contributes lower gross profit than utilizing Company-owned equipment. The Company charges its customers a minimal markup, generally 5% – 15% on the use of third party subcontractors. In addition, a number of other Company growth initiatives negatively impacted gross profit during the first quarter of 2012. These are described under Section 5: Results of Operations for the Three Months Ended March 31, 2012.

Phoenix OILFIELD HAULING INC.

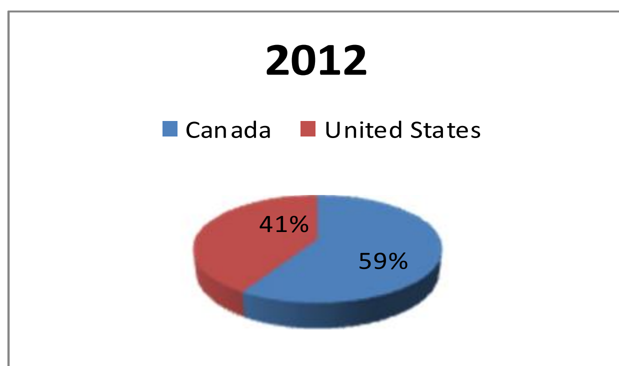
Section 5: Results of Operations for the Three Months Ended March 31, 2012

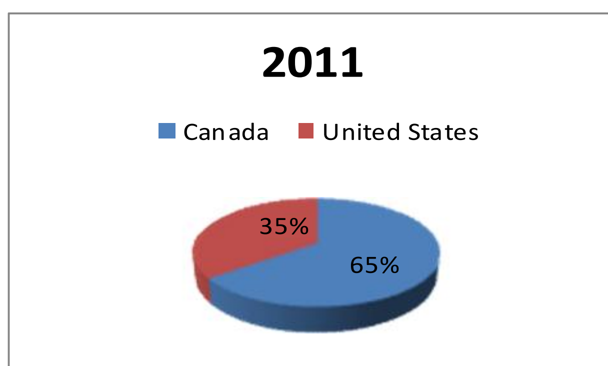
REVENUE

The following table provides a breakdown of the Company's revenue by geography for the three months ended March 31, 2012 and 2011:

(in thousands)

	2012	2011	$ Change 2011 - 2012	% Change 2011 - 2012
Canada	13,246	13,210	36	0.3%
United States	9,354	7,233	2,121	29.3%
	22,600	20,443	2,157	10.6%





Revenue increased by 10.6% from $20.4 million to $22.6 million in the first quarter of 2012. The increase in revenue is related to the Company's strong performance in the US. The Company's third US location in Pleasanton, TX did not contribute revenue to the first quarter of 2012 as it commenced field operations in May 2012. Revenue in the WCSB was approximately the same for 2012 as in 2011, in spite of an early spring break-up period in 2012 and a negative impact of $0.4 million compared to 2011 due to the restructuring of operations in Manitoba. Third party subcontractor revenue increased from $4.6 million in 2011 to $6.5 million in 2012.

EXPENSES

The following table sets forth total expenses by function and as a percentage of revenue for the three months ended March 31, 2012 and 2011:

(in thousands)

	2012	**2011**	**$ Change 2011 - 2012**	**% Change 2011 - 2012**
Direct operating	18,311	15,098	3,213	21.3%
Selling and administrative	2,754	2,256	498	22.1%
	21,065	17,354	3,711	21.4%

% of total revenue	**2012**	**2011**
Direct operating	81.0%	73.9%
Selling and administrative	12.2%	11.0%
	93.2%	84.9%

Direct Operating Expenses

Direct operating expenses for the first quarter of 2012 increased both on an absolute basis and as a percentage of revenue. The Company generated much of its increased revenue in 2012 compared to 2011 by utilizing third party equipment, which generally contributes lower gross profit than utilizing Company-owned equipment.

There were several Company initiatives which contributed to the increased operating costs. These included the implementation of a winter retention bonus program, with a cost of about $0.15 million (the Company is evaluating whether such a program will be repeated in future years), and the implementation of a short-term incentive program, with a cost of about $0.1 million. Establishing the new Pleasanton, TX location increased direct operating costs by about $0.1 million. The Company implemented an enhanced employee benefit program in the US at a cost of about $0.1 million. The Company also commenced restructuring and refurbishing its operations and equipment in Manitoba during the first quarter of 2012 which negatively impacted direct operating expenses by about $0.7 million compared to 2011.

As a result of the Company's recent capital expenditure program, depreciation expense, which is included in direct operating expenses, increased about $0.25 million compared to 2011. The Company also recognized increased operating lease expenses of about $0.1 million. Going forward the Company anticipates a reduction in these operating lease expenses in 2012 as a result of its 2012 capital expenditure program outlined further in the MD&A.

Selling and Administrative Expenses

Selling and administrative expenses for the quarter ended March 31, 2012 increased by $0.5 million to $2.8 million from $2.3 million in 2011. Establishing the new Pleasanton, TX location increased expenses by about $0.1 million, the restructuring in Manitoba increased expenses by about $0.1 million. The balance of the increase is related to increased employee costs due to enhanced benefit programs and additional personnel hired to facilitate the Company's growth.

FINANCE COSTS

The following table sets forth the Company's finance cost and foreign exchange gains and losses for the three months ended March 31, 2012 and 2011:

(in thousands)

	2012	2011	$ Change 2011 - 2012	% Change 2011 - 2012
Finance costs and interest expenses	359	687	(328)	-47.7%
Foreign exchange losses	140	209	(69)	-33.0%
	499	896	(397)	-44.3%

Finance costs and interest expenses during the three months ended March 31, 2012 decreased about $0.3 million compared to the same period in 2011. The amount of loans and borrowings increased by about $5.0 million to fund numerous asset purchases compared to the same period in 2011. However, the lower interest rates related to the Company's new credit facility and debenture put in place in December 2011 allowed the company to reduce its finance costs from the same period in 2011.

For the first quarter of 2012, foreign exchange losses were lower than the same as 2011 primarily as a result of the weakened value of the United States dollar as compared to the Canadian dollar.

INCOME TAXES

The following table sets forth the Company's income tax expense for the three months ended March 31, 2012 and 2011:

(in thousands)

	2012	2011	$ Change 2011 - 2012	% Change 2011 - 2012
Current tax expense	328	-	328	N/A
Deferred tax expense	268	518	(250)	-48.3%
	596	518	78	15.1%

Income tax expense relates entirely to income in the United States.

NET INCOME

The following table sets forth the Company's net income for the three months ended March 31, 2012 and 2011:

(in thousands)

	2012	2011	$ Change 2011 - 2012	% Change 2011 - 2012
Net income	440	1,675	(1,235)	-74%
Percentage of revenue	1.9%	8.2%		

Net income for the first quarter of 2012 decreased to $0.4 million compared to $1.7 million for 2011 due to the factors discussed above. Accordingly, earnings per share for the three months ended March 31, 2012 was $0.06 compared to $0.29 per share.

ADJUSTED EBITDA[1]

The following table sets forth the Company's adjusted EBITDA for the three months ended March 31, 2012 and 2011:

(in thousands)

	2012	2011	$ Change 2011 - 2012	% Change 2011 - 2012
EBITDA	2,924	4,241	(1,317)	-31%
Percentage of revenue	12.9%	20.7%		

Note:
(1) See Section 6: Non-IFRS Measures

Adjusted EBITDA[1] for the first quarter of 2012 decreased by 31% to $2.9 million compared with $4.2 million in 2011 due to the factors discussed above, including a non-recurring negative impact of $1.2 million from the restructuring in Manitoba, $0.15 million from the winter retention bonus program and $0.2 million from establishing the Pleasanton location.

Section 6: Non-IFRS Measures

The following table provides a reconciliation of net income to Adjusted EBITDA for the three months ended March 31, 2012 and 2011:

(in thousands)	2012	2011
Net income	440	1,675
Add (deduct):		
Finance costs and interest expense	359	687
Foreign exchange losses	140	209
Income tax expense	596	518
Depreciation and amortization	1,276	1,020
Gain on disposal of assets	(3)	(6)
Stock based compensation	116	138
Adjusted EBITDA	2,924	4,241

Section 7: Summary of Quarterly Results

The following table provides a summary of certain key financial information for Phoenix for the last eight quarters:

(in thousands, except per share amounts)	2012	2011				2010		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	22,600	19,554	18,106	14,058	20,443	14,865	10,031	5,177
Adjusted EBITDA	2,924	2,655	2,890	1,546	4,241	2,472	1,089	(702)
Adjusted EBITDA as a % of revenue	12.9%	13.6%	16.0%	11.0%	20.7%	16.6%	10.9%	-13.6%
EBITDA per share - basic	0.41	0.46	0.50	0.27	0.75	0.44	0.19	(0.12)
Income (loss)	440	336	1,676	(1,088)	1,675	5,212	(557)	(1,979)
Income (loss) as a % of revenue	1.9%	1.7%	9.3%	-7.7%	8.2%	35.1%	-5.6%	-38.2%
Earnings (loss) per share - basic[1]	0.06	0.06	0.29	(0.19)	0.29	0.92	(0.10)	(0.35)
Earnings (loss) per share - diluted[1]	0.06	0.06	0.29	(0.19)	0.29	0.92	(0.10)	(0.35)
Weighted average shares - basic[1]	7,083	5,807	5,741	5,726	5,679	5,635	5,618	5,618
Weighted average shares - diluted[1]	8,985	5,867	5,741	5,726	5,679	5,635	5,618	5,618

(1) 2010 and 2011 per share amounts calculated to take into consideration the Company's 30:1 share consolidation which took place on November 28, 2011 as if the share consolidation had been in affect throughout the prior period.

Section 8: Liquidity and Capital Resources

NET WORKING CAPITAL

The following table presents summarized working capital information as at March 31, 2012 and 2011:

(in thousands)	2012	2011	$ Change 2011 - 2012	% Change 2011 - 2012
Current assets	21,694	16,584	5,110	30.8%
Current liabilities	9,020	28,137	(19,117)	-67.9%
Working capital (deficit)	12,674	(11,553)	24,227	N/A
Working capital ratio	2.4	0.6		

With the financings completed in late 2011, the Company cured its previous debt covenant violations. As a result of the covenant violations which existed at March 31, 2011, approximately $17.2 million of the Company's loans and borrowings was included in current liabilities. As at March 31, 2012 the Company was in compliance with its debt covenants and approximately $0.1 million of the Company's loans and borrowings was included in current liabilities.

OPERATING ACTIVITIES

Phoenix generated cash flow from operating activities of $1.0 million for the quarter ended March 31, 2012, similar to the $1.0 million generated for 2011. Cash flows from operating activities were positively impacted by the $2.9 million in Adjusted EBITDA[1] generated by the Company in 2011.

INVESTING ACTIVITIES

During 2012, the Company acquired about $4.5 million of equipment and leasehold improvements ($ nil for 2011).

FINANCING ACTIVITIES

During the quarter ended March 31, 2012 the Company increased the use of its credit facility by about $3.5 million to fund capital expenditures. In addition to the $2.1 million of cash on hand, as at March 31, 2012 the Company had about $11.4 million of borrowing capacity available on its credit facility.

OUTSTANDING SHARE DATA

The following data is as of the date of this MD&A, unless otherwise noted.

The Company is authorized to issue an unlimited number of voting common shares and preferred shares. There are 7.1 million common shares outstanding.

The Company has $4.7 million in convertible debentures outstanding, which upon conversion would result in the issuance of approximately 1.85 million common shares on a conversion price of $2.55 per share.

The Company has a stock option plan for employees, directors and consultants. A total of 0.7 million shares are reserved under this plan. Options granted generally vest over a three year period. As of March 31, 2012, 0.6 million options were outstanding with a weighted average exercise price of $2.91 per share.

In connection with financings entered into by the Company in previous years, the Company has 0.17 million common share warrants outstanding which can be converted into the Company's common stock on a one to one basis. The average conversion price on these common share warrants is $4.62.

On a fully diluted basis, if all convertible debentures were converted, options and warrants exercised for common shares, the total number of common shares issued and outstanding would be approximately 9.7 million.

Section 9: Seasonality of Business

There are factors causing quarterly variances that may not be reflective of the Company's future performance. The Company's earnings generally follow the seasonal activity pattern of western Canada's oil and gas industry because of the significance of its operations in Canada. The oil and gas industry in western Canada is typically more active during the winter months as the movement of heavy equipment over frozen ground is generally easier. Rain through the spring, summer and fall reduces activity levels because of the weather's effect on ground conditions and consequently its load bearing capacity. In addition to the impact of rain, thawing ground in the spring tends to make the ground unstable. During this thawing period governments frequently implement restrictions on moving heavy loads on public roadways. This period is often referred to as "spring break-up". The Company's operations in the United States are generally less affected by weather and are less seasonal by nature. As a result of these seasonal variations, quarterly operating results should not be relied upon as any indication of results for any future period.

Section 10: Transactions with Related Parties

The following table provides a summary of the Company's transactions with related parties for the three months ended March 31, 2012 and 2011:

	Nature of relationship	2012	2011
Revenue	(a)	963	-
Expenditures:			
Services and materials reported in direct operating expenses	(a)	-	-
Support services reported in administrative expenses	(b)	16	65
Support services reported in prepaid expenses	(b)	57	-
Financing costs	(b)	47	-
Legal services reported in administrative expenses	(c)	19	12
		139	77
Accounts receivable as at March 31	(a)	325	-
Accounts payable as at March 31	(a) (b) (c)	24	78
Loans and borrowings as at March 31	(b)	4,720	-

Nature of relationship:

(a) Transactions with oilfield services businesses in which David Werklund, a director and interim officer of the Company, is a director and significant shareholder.

(b) Transactions with investment businesses in which David Werklund, a director and interim officer of the Company, is a director and significant shareholder.

(c) Transactions with legal firm in which one of the Company's directors is a partner and the Corporate Secretary is an associate.

Section 11: Adoption of New Accounting Pronouncements

A description of new Canadian GAAP pronouncements can be found on page 22 of the 2011 MD&A. As at March 31, 2012, there are no IFRS or IFRIC interpretations that are newly pronounced or effective for the first time since January 1, 2012, that would be expected to have a material impact on the Company.

Section 12: Critical Accounting Estimates

This MD&A summarized the Company's financial condition and results of operations and is based upon its Interim Financial Statements, which have been prepared in accordance with Canadian GAAP and comply with IAS 34 Interim Financial Reporting. The Interim Financial Statements require management to select significant accounting policies and make certain critical accounting estimates that affect the reported assets, liabilities, revenue and expenses. A description of the Company's significant accounting policies can be found beginning on page 23 of the 2011 MD&A. As at March 31, 2012, the Company's critical accounting estimates have not changed significantly from such description.

Section 13: Risks and Uncertainties

A description of principal risks and uncertainties can be found beginning on page 25 of the 2011 MD&A. As at March 31, 2012, these business risks and uncertainties have not changed significantly from these descriptions.

Section 14: Outlook

The Company earns revenue primarily by providing specialized transportation services required for the drilling exploration, development and production of petroleum resources. Demand for the Company's transportation services is therefore linked to the economic conditions of the energy industry and the general level of exploration, development and production of petroleum resources in Western Canada and in the United States. Drilling and exploration activity in the WCSB and in the United States has in recent history been affected by amongst other things, low natural gas prices and higher than normal natural gas inventories in storage caused by many factors including reduced demand for commodities as a consequence of a global recession and the temporary oversupply of natural gas caused by the fast development of shale gas resources in the United States. Countering these factors is strong pricing for oil. The outlook for the demand for oil, suggest improving levels of rig utilization in 2012 over 2011. However, global markets continue to show volatility due to European economic challenges and political instabilities in Africa and the Middle East. These volatilities may reduce drilling activity in the short term, but in the long term can potentially contribute to the strengthening of the level of activity in the North American E&P sector, as the United States continues to pursue their goal of reduced dependence on foreign energy resources.

In Canada the Company has enjoyed stable activity levels of 2012 compared to 2011 in the markets in which it operates. In April 2012 the Petroleum Services Alliance of Canada ("PSAC", information available at www.psac.ca) updated their forecast of wells drilled in Canada in 2012, projecting a 2% increase in 2012 compared to 2011. If this forecast proves to be true, the Company expects stable utilization of its equipment compared to 2011.

Opportunities for expansion and growth appear strongest for the Company in the United States. According to Baker Hughes (see www.bakerhughes.com), the United States active land rig count on May 4, 2012 showed an increase of 6% over 2011. The current active land based rig count is about 1,900. Much of that activity continues to be in key shale and tight oil and gas plays, but an increasing number of rigs are also being directed to areas previously in decline that are now facing new growth due to advancements in Enhanced Oil Recovery ("EOR") technologies. The Company is currently active in three of those plays through its branches in Texas and Pennsylvania and expects that levels of industry exploration activity, as measured by the active rig count, will remain at least consistent with current levels over the next few quarters.

The recent financings closed in December 2011 have significantly strengthened the Company's balance sheet. The Company expects to grow its equipment fleet by approximately an additional $8.0 million in the remainder of 2012. Including equipment acquired by March 31, 2012, approximately $7.0 million of the equipment fleet investment expected to be completed by the end of the second quarter will be deployed at the recently announced expansion in Pleasanton, TX. The balance of equipment investments will be used to augment the equipment fleet throughout the rest of the Company and also to retire some equipment that is currently used by the Company through various operating leases.

Further, the Company has committed approximately $1.0 million to improved technology in the form of satellite GPS tracking systems and a new ERP system. These technology investments are expected to create opportunities for cost saving synergies. The Company anticipates reaping the financial benefits of these synergies in the latter half of 2012 and beyond. The company also completed the purchase of certain land and building in Texas in the second quarter of 2012 of $0.7 million and will also be spending approximately $0.5 million on leasehold improvements and other non-revenue generating fixed assets during 2012.

The Company currently operates under several brand names. The Company has made a decision to rebrand itself under one unified name. It is anticipated that the cost of rebranding will have a negative impact of between $0.4 million and $0.5 million on earnings in the second quarter of 2012. Ultimately, management is of the strong opinion that a unified brand will create synergies throughout the Company which will deliver shareholder value.

The Company made a decision to restructure and refurbish its operations and equipment in Manitoba in the first quarter of 2012. This restructuring and refurbishment is anticipated to have a negative impact on Adjusted EBITDA and earnings in the second quarter of 2012 of approximately $0.25 million as compared to the same period of 2011. Despite the impact of the items mentioned above, the Company anticipates posting strong financial results for 2012 as a direct result from the recently announced expansion into Pleasanton, TX, increased revenue from its operations that will benefit from the capital expenditure program outlined above and the generation of cost saving synergies from the deployment of new technologies as outlined above.

Section 15: Forward Looking Statements

Certain statements in this MD&A, including (i) statements that contain words such as "anticipate", "could", "expect", "seek", "may", "intend", "will", "believe", "should", "project", "forecast", "plan" and similar expressions, including the negatives thereof, (ii) statements that are based on current expectations and estimates about the markets in which the Company operates, and (iii) statements of belief, intentions and expectations about developments, results and events that will or may occur in the future, constitute "forward-looking statements" and are based on certain assumptions and analysis made by the Company. Forward-looking statements in this MD&A specifically include, but are not limited to, statements with respect to future capital expenditures, including the amount, nature and timing thereof; oil and natural gas prices and demand; other development trends within the oil and natural gas industry; business strategy; expansion and growth of the Company's business and operations including the Company's market share and position in the oilfield service market; and other such matters.

The forward-looking statements contained in this MD&A reflect material factors, expectations and assumptions including, without limitation: (i) oil and natural gas production levels; (ii) commodity prices and interest rates; (iii) capital expenditure programs and other expenditures; (iv) supply and demand for oil and natural gas; (v) expectations regarding the Company's ability to raise capital and to increase its equipment fleets through acquisitions and manufacture; (vi) schedules and timing of certain projects and the Company's strategy for growth; (vii) the Company's future operating and financial results; (viii) the Company's ability to retain and hire qualified personnel; and (ix) treatment under governmental regulatory regimes and tax, environmental and other laws.

Financial outlook information contained in this MD&A about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. Readers are cautioned that such financial outlook information contained in this MD&A should not be used for purposes other than for which it is disclosed herein.

Such forward-looking statements are subject to important risks and uncertainties, which are difficult to predict and that may affect the Company's operations, including but not limited to the impact of general economic conditions in Canada and the United States; industry conditions, including the adoption of new environmental, safety and other laws and regulations and changes in how they are interpreted and enforced; volatility of oil and natural gas prices; oil and natural gas product supply and demand; risks inherent in the Company's ability to generate sufficient cash flow from operations to meet its current and future obligations; increased competition; the lack of availability of qualified personnel or labour unrest; fluctuation in foreign exchange or interest rates; stock market volatility; opportunities available to or pursued by the Company and other factors, many of which are beyond the control of the Company. The Company's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do transpire or occur, what benefits the Company will derive therefrom. Accordingly, readers should not place undue reliance upon any of the forward-looking information set out in this MD&A. All of the forward-looking statements in this MD&A are expressly qualified in their entirety by this cautionary statement. Except as required under applicable securities laws, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Section 16: Subsequent Events

On May 11, 2012, the Company announced that it has entered into an agreement with a syndicate of underwriters co-led by AltaCorp Capital Inc. and Clarus Securities Inc. and including GMP Securities L.P. (the "Underwriters") pursuant to which the Underwriters have agreed to purchase, on a bought deal basis, 2,860,000 common shares in the capital of the Company (the "Common Shares") at a purchase price of $2.80 per Common Share, for aggregate gross proceeds of approximately $8.0 million (the "Offering"). The underwriters will also have an option (the "Over-Allotment Option"), exercisable for a period of 30 days following the closing date, to purchase up to an additional 429,000 Common Shares on the same terms and conditions for purposes of covering the Underwriters' over-allotment position. If the Over-Allotment Option is fully exercised, gross proceeds from the Offering will be approximately $9.2 million.

The Company intends to use the net proceeds of the Offering for future acquisitions, to fund its capital program and for general corporate purposes. Pursuant to the Offering, the Common Shares will be offered in British Columbia, Ontario, Manitoba and Alberta by way of a short form prospectus and in the U.S. on a private placement basis pursuant to exemptions from registration requirements. Closing of the Offering is expected to occur on or about June 1, 2012 and is subject to certain customary conditions including, but not limited to, the receipt of all necessary approvals including the approval of the TSX Venture Exchange.