

**Abenteuer Resources Corp.  
900 – 555 Burrard Street  
Vancouver, British Columbia, Canada  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**FORM 51-102F1**

**Date of Report**

April 26, 2007

**Overall Performance**

Abenteuer Resources Corp ("the Company" or "Abenteuer") is a Canadian junior oil and gas company incorporated under the laws of Alberta, with its offices in Vancouver and its shares listed for trading on the TSX Venture Exchange under the symbol ABU. The Company is engaged primarily in exploration for, and production of, petroleum and natural gas reserves in a single cost center, being the Western Canadian Sedimentary Basin. As of the date of this report, the Company's core area of interest is in South Eastern Saskatchewan, which is an area of primarily low risk oil development.

Management is actively looking for additional oil and gas projects in North America and elsewhere. Management has experience evaluating and financing oil and gas projects and anticipates expanding the Company's activities in the near future, particularly through additional acquisitions.

**Critical Accounting Estimates**

The Company's accounting policies are presented in note 2 of the accompanying financial statements. The preparation of financial statements in accordance with generally accepted accounting principles requires management to select accounting policies and make estimates. Such estimates may have a significant impact on the financial statements. Actual amounts could differ materially from the estimates used and, accordingly, affect the results of the operations. These include:

- the carrying values of property and equipment;
- the valuation of stock-based compensation expense;
- the depletion and amortization of property and equipment; and
- accruals based on the terms of existing joint venture agreements

**Oil and Gas Properties**

*West Kingsford, Saskatchewan – Oil*

Starting June 12<sup>th</sup>, 2006, the Company participated in the drilling of a lease-line horizontal well at a cost of \$96,715.

During the year ending December 31st, 2006, the Company participated in the drilling of two additional horizontal wells at a combined cost of \$533,770.

During the second and third quarters of 2006, the Company sold all of its interest in the Kingsford well 191/07-13 to its operator partner in two transactions – in June, a Direction to Pay for \$286,860 (excluding GST) covering 21% and in September a Direction to Pay for \$200,000 (excluding GST) covering the remaining 21%, which were applied to the amount the Company owed that partner.

## Production

During the year ended December 31, 2006, the Company produced 13,410 barrels (2,132 cubic meters) of oil from its West Kingsford properties. During the year ended December 31, 2005, the Company produced 8,650 barrels (1,375.1 cubic meters) of oil from West Kingsford

The average price, net of royalties, received for oil was \$46.41 per barrel (\$291.92 per cubic meter) during 2006 and \$40.59 per barrel (\$255.31 per cubic meter) during 2005.

## Results of Operations

Oil revenues, net of royalties and taxes, for the year ended December 31, 2006 increased from \$351,087 during the year ended December 31, 2005 to \$622,354 during the year ended December 31, 2006 due to an increase in sales volume. The increased sales volume was a result of the Company's previous acquisitions and of its joint venture partner interest in three horizontal wells. The Company's interest income increased from \$1,803 during the year ended December 31, 2005 to \$7,424 for the year ended December 31, 2006 as a result of higher average cash balances.

Expenses for the year ended December 31, 2006 increased to \$655,126 from \$586,939 during the year ended December 31, 2005. The increase can be attributed mainly to higher production volumes that resulted in an increase in operating expenses.

## Selected Annual Information

The following financial data, which has been prepared in accordance with Canadian generally accepted accounting principles, is derived from the Company's audited financial statements.

	Year ended		
	December 31, 2006	December 31, 2005	December 31, 2004
Total revenues	\$ 622,354	\$ 351,087	\$ 298,403
Interest income	7,424	1,803	7,686
Disposal gains	--	--	133,950
Expenses (excluding property write-offs)	655,126	333,853	560,040
Net loss	(25,348)	(235,666)	(120,001)
Disposal losses	--	(1,617)	--
Net loss per share (basic and diluted)	(0.00)	(0.04)	(0.02)
Total assets	2,037,764	1,302,093	991,391
Total long-term liabilities	71,469	76,440	19,300
Cash dividends	--	--	--

## Selected Quarterly Information

The following table summarized the results of operations for the eight most recent quarters.

	Three months ended			
	December 31 2006	September 30 2006	June 30 2006	March 31 2006
Total revenues	\$ 193,865	\$ 174,086	\$ 175,679	\$ 78,724
Interest income	1,482	3,501	2,272	169
Expenses (excluding property write-offs)	127,293	161,980	247,995	117,858
Net income (loss)	73,994	12,106	(72,315)	(39,133)
Net income (loss) per share and diluted gain (loss) per share	0.01	0.01	(0.01)	(0.01)

	Three months ended			
	December 31 2005	September 30 2005	June 30 2005	March 31 2005
Total revenues	113,848	117,468	81,426	38,345
Interest income	1,803	--	--	--
Expenses (excluding property write-offs)	97,947	144,902	265,941	78,148
Disposal losses	1,617			
Net income (loss)	16,087	(27,434)	(184,516)	(39,803)
Net income(loss) per share and diluted Gain (loss) per share	0.01	(0.01)	(0.03)	(0.01)

Expenses include operating, general and administrative, depletion, accretion and amortization, and stock based compensation. Revenue increased in the fourth quarter due to the increased sales volume was a result of the Company's previous acquisitions and of its joint venture partner interest in three horizontal wells.

## Share Capital, Stock Options and Share Purchase Warrants

The authorized share capital of the company consists of an unlimited number of voting shares with out nominal or par value and an unlimited number of preferred shares with out nominal or par value. As of December 31, 2006, outstanding share capital of the Company consisted of 10,733,266 voting shares with a book value, net of share issue costs, of \$2,039,505.

No preferred shares have been issued.

During the month ended March 31, 2006, the Company completed a brokered private placement of 3,305,666 shares for gross proceeds of \$991,700 of which 1,317,333 were units at \$0.30 per unit and 1,988,333 flow through shares (20,000 were subsequently converted to common shares) at \$0.30 per share. Each unit consisted of one common share and one warrant exercisable at \$0.40 per share until March 9, 2007. There are no warrants attached to the flow-through shares.

On August 1<sup>st</sup>, 2006, 100,000 Director options were issued that are exercisable at \$0.30 until August 1<sup>st</sup>, 2008.

On August 23 and September 2006 respectively, 970,000 and 220,000 share purchase warrants exercisable at \$0.40 per share expired.

On September 29<sup>th</sup>, 100,000 stock options exercisable at \$0.15 per share until December 15, 2006 were exercised with gross proceeds of \$15,000 accruing to the Company.

On December 15<sup>th</sup>, 2006 470,000 stock options exercisable at \$0.15 per share expired.

### **Liquidity**

The Company's cash and working capital improved from \$18,526 and (\$137,836), respectively, at December 31, 2005 to \$398,984 and a working capital surplus of \$430,218, respectively, at December 31, 2006.

The significant improvement in the Company's cash and working capital position can be attributed to two factors: a) the private placement financing in March of 2006 and, b) the sale of the Company's interest in one well to the operating partner, in lieu of satisfying the latter's cash calls.

Management believes the Company has sufficient financial resources to meet its present obligations as they become due as well as participate in future drilling operations.

### **Outstanding Share Data**

Abenteuer's authorized capital is unlimited common shares without par value. As at April 26, 2007, there were no changes to the company's outstanding common shares, options and share purchase warrants as compared to the financial statements at December 31, 2006.

### **Transaction with Related Parties**

During the year the Company paid \$47,500 to J Lewis Dillman, a director and officer of the company as remuneration for management and administrative services.

In addition, the Company paid \$52,184 to Steven Sobolewski, who is an officer and director of the Company for legal services and \$6,668 to Jamie Lewin, who is also an officer and director of the Company for accounting services.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### **Accounting Policies**

No new significant accounting policies were adopted during the year ended December 31, 2006.

Subsequent to December 31, 2006, the Company adopted the new accounting recommendations of the Canadian Institute of Chartered Accountants for the recognition, measurement and disclosure of financial instruments, hedges and comprehensive income effective for the current fiscal year. This requires that all non-derivative financial assets be measured at fair value with changes in fair value of available-for-sale marketable securities disclosed in other comprehensive income.

When securities are sold and gains or losses are realized, these gains or losses will be removed from other comprehensive income and reported in the Statements of Operations and Deficit. The transitional provisions do not require restatement of previous financial statements. The fair values of securities which are traded on a recognized exchange are reported at the closing price on the balance sheet date or the last date on which the shares traded. When the Company's holdings exceed 20 days of average trading volume, appropriate discounts from closing price will be applied to reflect the net realizable market value.

## **Fourth Quarter**

Total revenue net of royalties and mineral tax was \$193,865. Interest income was \$1,482. Expenses totaled \$127,293 and resulted in a net income for the fourth quarter of \$73,994. Because of the number of shares outstanding at December 31 2006, net income per share was \$nil for the fourth quarter.

## **Disclosure Controls and Procedures**

Management has designed disclosure controls and procedures, or has caused them to be designed under its supervision, to provide reasonable assurance that material information relating to the Company, is made known to management by others within those entities, particularly during the period in which the annual filings are being prepared. Management has also designed such internal control over financial reporting, or caused it to be designed under management's supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements for the year ended December 31, 2006 in accordance with Canadian Generally Accepted Accounting Principles. There has been no change in the Company's disclosure controls and procedures or in the Company's internal control over financial reporting that occurred during the most recently completed quarter that has materially affected, or is reasonably likely to materially affect, the Company's disclosure controls and procedures or internal control over financial reporting.

The Chief Executive Officer and Chief Financial Officer of the Company have evaluated the effectiveness of the Company's disclosure controls and procedures in place as at December 31, 2006. Based on this evaluation, it was determined that certain weaknesses existed in internal controls over financial reporting. In addition, the Company has not fully completed its review and evaluation of the design of internal control over financial reporting as envisioned under 52-109. The Company expects to complete its assessment in Fiscal 2007. As is indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is to be compensated for by senior management monitoring which exists. The Company is taking steps to augment and improve the design of procedure and controls impacting these areas of weakness over internal control over financial reporting.

## **Forward Looking Statements**

The information contained herein may contain forward looking statements including expectations of future production, cash flows or earnings. These statements are based on current expectations that involve a number of risks and uncertainties which could cause actual results to differ from those anticipated. These risks include, but are not limited to: the risk associated with the oil and gas industry (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserves estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price, price and exchange rate fluctuation and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. Additional information on these and other factors that could affect the Company's operations or financial results are included in the Company's reports on file with Canadian securities regulatory authorities.

## **Officers and Directors**

J. Lewis Dillman - Director, President  
Jamie Lewin - Director, CFO  
Raymond Fong -Director  
Steven Sobolewski - Secretary

**Approval**

The Board of Directors of the Company has approved the disclosure contained in this annual MD&A. A copy of this annual MD&A will be provided to anyone who requests it.

**Contact Person**

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