



## MANAGEMENT DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED SEPTEMBER 30, 2008

### FORM 51-102F1

#### **Date and Subject of Report**

The following Management Discussion & Analysis (“MD&A”) is intended to assist in the understanding of the trends and significant changes in the financial condition and results of operations of Abenteuer Resources Corp. (“Abenteuer” or the “Company”) for the nine months ended September 30, 2008. The MD&A includes comparisons for the corresponding periods ending September 30, 2007 and September 30, 2008. It should be read in conjunction with the interim unaudited financial statements for the nine months ended September 30, 2008 and the audited financial statements for the year ended December 31, 2007. The MD&A has been prepared effective November 12, 2008.

The following information has been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”). All financial results are reported in Canadian dollars and production numbers are net. The information contained herein may contain forward looking statements. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward looking information. Additional information relating to the Company can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com) or on the Company’s website at [www.abuoil.com](http://www.abuoil.com).

#### **Description of Business and Review**

Abenteuer Resources Corp 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 exploration, on the parts of the properties, which it currently has under control.

The world price of oil does not translate fully down to the well head, as much of the advertised value of a barrel of oil is controlled by speculators and is caused by the declining price of the US dollar in relation to other currencies; however, there has been a reasonable increase to producers. The Company is facing declining production from its existing wells and ever increasing salt water content in the flow being pumped; but the increase paid per barrel has partially compensated for lost volume.

#### **Oil and Gas Properties**

##### *West Kingsford, Saskatchewan – Oil*

During the period ended September 30, 2008, the Company continued to operate its oil and gas interests in the West Kingsford area of Saskatchewan in conjunction with its joint venture operating partners.

It has working interests in five wells in south east Saskatchewan. Two of these are horizontal wells (HZ).



Well	%	Well	%
King 141/08-13-004-07 W2M	45.09	King 4D8-14/2A11-13-004-07 W2	10.5
King 91/06 HZ 1D08-13-1D06-18-04-06 W2M	13	King 03-27-004-07 W2	100
King 92/07 HZ 2C5-18-1D7-13-04-07 W2M	45		

### Production 3rd Quarter:

Well	September 30, 2008	September 30, 2007
King 141/08-13-004-07 W2M	50.3	49.8
King 91/06 HZ 1D08-13-1D06-18-04-06 W2M	37.3	16.0
King 92/07 HZ 2C5-18-1D7-13-04-07 W2M	76.2	85.83
King 4D8-14/2A11-13-004-07 W2	79.1	137.7
King 03-27-004-07 W2	102.1	113
<b>Quarter Total in cubic meters</b>	345	402.32
<b>Quarter Total in barrels</b>	2,170	2,531
<b>Barrels per day</b>	23.59	27.49

### Production Year to Date:

Well	September 30, 2008	September 30, 2007
King 141/08-13-004-07 W2M	142.64	163.78
King 91/06 HZ 1D08-13-1D06-18-04-06 W2M	81.18	51.52
King 92/07 HZ 2C5-18-1D7-13-04-07 W2M	299.5	242.2
King 4D8-14/2A11-13-004-07 W2	211.5	438.4
King 03-27-004-07 W2	366.8	380.4
<b>YTD Total in cubic meters</b>	1,101.62	1,276.3
<b>YTD Total in barrels</b>	6,929.18	8,027.93
<b>Barrels per day</b>	25.38	29.41

The average price, net of royalties, received for oil was \$91.52 per barrel (\$575.64 per cubic meter) during third quarter of 2008 and \$50.69 per barrel (\$318.99 per cubic meter) during third quarter 2007.

### Results of Operations

Oil revenues, net of royalties and taxes, for the period ended September 30, 2008 increased from \$128,234 during the quarter ended September 30, 2007 to \$198,597 during the quarter ended September, 2008 due to an increase in the price paid for production. Year to date oil revenues in 2008 were \$ 640,320 and in 2007 they were \$396,900.

Expenses for the quarter ended September 30, 2008 decreased to \$106,699 from \$109,559 during the quarter ended September 30, 2007. The decrease can be attributed mainly to lower operating costs. Year to date expenses in 2008 were \$ 356,280 and in 2007 they were \$321,191.

Administrative expenses are in large measure made up of management fees, professional fees and office rent.



## 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. These sums are being reported in Canadian dollars and did not change as a result of the adoption of policies concerning Financial Instruments.

	Year ended		
	December 31, 2007	December 31, 2006	December 31, 2005
Petroleum and natural gas sales, net	\$ 548,469	\$ 622,354	\$ 351,087
Interest income	5,945	7,424	1,803
Expenses, excluding property write-offs	(594,185)	(655,126)	(586,939)
Future income tax recovery	182,600	--	--
Net profit (loss)	142,829	(25,348)	(235,666)
Disposal losses	--	--	(1,617)
Net earnings (loss) per share (basic & diluted)	0.01	(0.00)	(0.04)
Total assets	2,076,309	2,037,764	1,302,093
Total long-term liabilities	75,043	71,469	76,440
Cash dividends	--	--	--

## Selected Quarterly Information

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

	Sept. 30 2008	Three months ended		December 31 2007
		June 30 2008	March 31 2008	
Petroleum and natural gas sales, net	\$198,597	\$ 203,410	\$ 238,313	\$ 151,509
Interest income	1,391	18,552	1,940	1,257
Expenses, excluding property write-offs	(106,699)	(152,051)	(95,588)	(272,996)
Future income tax recovery	--	--	--	--
Net income (loss)	93,289	69,910	142,724	(120,230)
Net income (loss) per share and diluted gain (loss) per share	0.01	0.01	(0.01)	(0.01)

	September 30 2007	Three months ended		December 31 2006
		June 30 2007	March 31 2007 (restated)	
Petroleum and natural gas sales, net	\$ 128,234	\$ 139,085	\$ 129,641	\$ 199,807
Interest income	854	885	2,949	1,482
Expenses, excluding property write-offs	(109,558)	(119,208)	(92,423)	120,870
Future income tax recovery	--	--	182,600	--
Net income (loss)	19,530	20,762	222,767	322,159
Net income(loss) per share and diluted gain (loss) per share	0.02	(0.02)	0.02	0.03



## Liquidity

Year to date the Company's cash and cash equivalents increased by \$329,163, mainly due to the price of oil. Working capital improved from \$664,559 at December 31, 2007 to \$1,102,757 at September 30, 2008. This is a net improvement of \$438,198.

The significant improvement in the Company's working capital position can be attributed to the fact that the price of oil has increased significantly during 2008.

	At December 31, 2007	At September 31, 2008	Nine month average 2008
Price of Oil (Barrel)	\$66.89	\$ 91.52	\$92.41

The liquidity of the Company could be reduced should it be obliged to retire any assets and the amount set aside for asset retirement obligations proves to be insufficient.

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

## Securities Issued During the Period

During the nine month period ended September 30, 2008, the Company issued no additional securities

## Capital Stock and Options

Authorized unlimited common shares without par value  
 Issued and outstanding as at September 30, 2008 10,733,266

Schedule of options outstanding as at September 30, 2008:

	Number of Shares	Exercise Price	Expiry Date
Options canceled November 01, 2007	(100,000)	\$ 0.30	August 2008
Options granted November 01, 2007	1,000,000	\$ 0.20	November 2010
Balance December 31, 2007 & Sept. 30, 2008	1,000,000	\$ 0.20	

## Transaction with Related Parties

During the quarter the Company paid \$7,500 and year to date \$22,500 to J Lewis Dillman, a director and officer of the Company as remuneration for management and administrative services. This was the same for the same quarter during the previous year.



In addition, during the quarter the Company paid \$4,934 and year to date \$12,881 to Jamie Lewin, who is also an officer and director of the Company for accounting services.

In addition, during the quarter the Company paid \$1,000 and year to date \$7,000 to Raymond Fong, who is a director of the Company for management consulting services.

The Company also paid, during the quarter \$112 and year to date \$1,344 to Steven Sobolewski, who is an officer of the Company for legal fees.

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.

### **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

### **Key Accounting Policies**

#### a) Revenue Recognition

Revenues associated with sales of petroleum and natural gas and all other items are recorded when reserves are produced and delivered to the purchaser. Oil revenues are net of royalties and Saskatchewan freehold royalty taxes.

#### b) Petroleum and Natural Gas Properties and Production Equipment

##### *Capitalized costs*

The Company follows the full-cost method of accounting for oil and gas activities whereby all costs associated with the acquisition of, the exploration for and the development of oil and gas reserves relating to the exploration for and development of oil and natural gas reserves, whether productive or unproductive, are capitalized. Such costs include land and lease acquisitions, geological and geophysical expenditures, drilling of productive and non-productive wells, production and gathering equipment and facilities, carrying costs directly related to unproved properties, corporate costs directly related to acquisition. The carrying value, based on a ceiling test calculation, is limited to a recoverable amount as determined by



estimating the present value of future net revenue from proven properties based on forecast prices, costs and the value of unproven properties at the lower of cost and net realizable value.

The costs (including exploratory dry holes) related to cost centres from which there has been no commercial production are not subject to depletion until commercial production commences.

Proceeds from disposal of properties are normally applied as a reduction of the costs of the remaining assets unless the disposal would alter the rate of depletion by more than 20%, in which case a gain or loss on disposal is recorded.

#### *Depletion and depreciation*

Capitalized costs are depleted and depreciated using the unit of production method based on gross proved reserves of petroleum and natural gas as determined by independent engineers. For purposes of this calculation, oil and natural gas reserves are converted to a common unit of measurement on the basis that six thousand cubic feet of gas equates to one barrel of oil. In determining its depletion base, the Company includes estimated future costs to be incurred in developing proved reserves and excludes estimated salvage values and the cost of unproved properties. Costs of acquiring and evaluating unproved properties are excluded from the depletion base until it is determined whether proved reserves are attributable to the properties or impairment occurs. Unproved properties are assessed for impairment at least annually.

#### **Change in accounting policies**

Effective January 1, 2008 the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA).

##### Capital disclosures

CICA Section 1535, “Capital Disclosures” establishes disclosure requirements regarding an entity’s capital and how it is managed. The purpose is to enable users of the financial statements to evaluate the entity’s objectives, policies and processes for managing capital. This new requirement is for disclosure purposes only and upon adoption did not impact the financial results of the Company.

##### Financial instruments – disclosure and presentation

CICA Section 3862, “Financial Instruments – Disclosure”, and 3863 “Financial Instruments – Presentation”, replace Section 3861, “Financial Instruments – Disclosure and Presentation”, Section 3862 requires enhanced disclosure on the nature and extent of financial instrument risks and how an entity manages those risks. Section 3863 carries forward the existing presentation requirement and provides additional guidance for the classification of financial instruments. This new requirement is for disclosure only and upon adoption did not impact the financial results of the Company

#### **International Financial Reporting Standards (IFRS)**

##### **Overview**

The development of a global set of accounting standards has been underway since 1973. In 2005, the European Commission required all public companies to prepare IFRS compliant financial statements. Australia and South Africa were quick to follow. Today more than 100 countries require IFRS for public company reporting.

On January 6, 2006, the Canadian Accounting Standards Board (AcSB) announced its decision to replace Canadian GAAP with IFRS for all Canadian Publicly Accountable Enterprises (PAE). On February 13,



2008, the AcSB confirmed January 1, 2011 as the official change over date for PAE's to commence reporting under IFRS.

On May 9, 2008 the Canadian Securities Administrators (CSA) issued Notice 52 – 320 concerning the change over to IFRS and the Management Discussion & Analysis (51 – 102F). During the third year before the change over (2008), part of a public company's Continuous Disclosure Obligations include providing information in the MD&A to interim financial statements to show that management has started addressing the impact IFRS will have on its financial statements and to develop a plan to cover the change over to IFRS no later than the annual MD&A for the year beginning three years before the change over date.

### **Abenteuer Resources Corp.**

In the Notes to the annual audited financial statements and MD&A for December 31, 2007 management stated that the company is assessing the impact of these new accounting standards on its financial statements. To date the discussion of the conversion to IFRS reporting has revolved around the answering of a number of questions.

### **Discussion Questions**

1 – How will the conversion to IFRS be approached?

Management will inform the Board and the Audit Committee on a regular basis as to its plan and progress. Any GAAP conversion will commence with an impact assessment, so that the Board can visualize the conversion.

2 – What are the key areas that need to be addressed during conversion?

- a) Deciding on the person who will be the main sponsor for the conversion. (CFO decided)
- b) Assigning sufficient resources to the project.
- c) Revision of accounting policies.
- d) Preparation of skeleton financial statements compliant with IFRS.
- e) Restatement of all financial statement information from Canadian GAAP to IFRS for all comparative accounting periods
- f) Clear and consistent communication with all stakeholders to reduce misunderstandings.

3 - What will converting to IFRS mean for Abenteuer Resources Corp?

Given the expected change to earnings and financial position; management, board and audit committee can expect changes to:

- a) Corporate income taxes
- b) Internal controls and processes
- c) Financial reporting
- d) IT and data systems

4 – What will be the timeline for conversion?

As the plan develops, the time line will be refined to include milestones to be met. At this point the official high level timeline indicated below will be adopted.



Jan 1, 2010	Mar 31, 2010	June 30, 2010	Sept 30, 2010	Dec 31, 2010	Mar 31, 2011	Dec 31, 2011
Date of Balance Sheet Conversion	GAAP & IFRS Q1 Interim Financial Statements	GAAP & IFRS Q2 Interim Financial Statements	GAAP & IFRS Q3 Interim Financial Statements	1 <sup>st</sup> IFRS Set of Financial Statements	1 <sup>st</sup> IFRS Comparative Financial Statements	Official Full IFRS Reporting Date

5 – How will IFRS impact financial reporting?

- a) A change in earnings and financial position should be expected.
- b) Adopting IFRS could produce some volatility in reported results given the optional use of fair value, write-ups and write downs.
- c) Notes to financial statements will increase given the complexity of disclosures.

6 – How will 2009 and 2010 financial reporting take place?

At each quarter and at year end, Canadian GAAP statements will be converted into IFRS statements and included as a section in the Management Discussion and Analysis, since it is forward looking information. The 2009 converted Income Statement will be used in the eight quarters of data required in the MD&A. In addition to being used as quarterly data in the MD&A, the 2010 converted statements will be used as comparatives in 2011, which will be filed

7 – What will be the impact on taxation?

Management will have to decide on a starting point to calculate taxable profit, based on the optional rules available in IFRS.

8 – What will be the impact on IT?

Financial accounting software may be required to be upgraded or changed to meet new requirements.

9 – What are the risks associated with conversion to IFRS?

- a) The most common risk associated with any introduction of new set of accounting rules is misstatement. This risk can be minimized by the use of specially designed internal controls and by audit committee monitoring.
- b) There is a risk that investors won't understand what is happening. This can be minimized by regular, clear communications such as News Releases and including the converted statements in the MD&A during 2009 and 2010.
- c) There is a risk of excessive, last minute workloads if there is insufficient planning and regular execution of plans.

10 – What will be the role of auditors?

Management cannot delegate away its reporting responsibilities or responsibility for choosing accounting policies, to auditors. However, auditors can comment on reporting and policies during annual audits.



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## 11 – What are the implications for Boards of Directors?

- a) The Board will have to be educated about IFRS.
- b) Volatile reporting may lead to a question of directors and officers liability insurance.
  
- c) If there is inadequate planning and regular execution of the plan, auditors could issue a qualified audit report, which might affect Directors' reputation.

At this reporting date, the Company's CFO has logged sixteen hours of IFRS initiation through the CICABC professional development program and has attended a four hour seminar with the Company's auditors, PriceWaterhouseCoopers. The Company intends to include a transition plan in the year end MD&A.

### **Officers and Directors**

J. Lewis Dillman - Director, President  
Jamie Lewin - Director, CFO  
David Parry –Director  
Sean McGrath-Director  
Steven Sobolewski - Secretary

### **Contact Person**

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### **Forward Looking Statements**

Forward looking statements are statements that are not historical facts and are generally , but not always identified by the words “expects”, “plans”, “anticipates”, “believes”, “intends”, “estimates”, “projects”, “potential”, “interprets” and similar expressions, or that events or conditions “will”, “may”, “could” or “should” occur. , 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. Factors that could cause the actual results to differ materially from those in forward-looking statements, 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. The foregoing list of assumptions is not exhaustive. 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. Events or circumstances could cause results to differ materially.