

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") should be read in conjunction with Novus Energy Inc.'s (formerly Regal Energy Ltd., and referred to as "Novus" or the "Company") unaudited interim financial statements as at and for the three and twelve months ended September 30, 2009 and the audited consolidated financial statements as at and for the year ended September 30, 2008. The accompanying financial statements of Novus have been prepared by management and approved by the Company's Audit Committee and Board of Directors. The financial data presented herein has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Additional information relating to Novus is available on SEDAR at www.sedar.com and Novus's website (www.novusenergy.ca).

The Company changed its fiscal year end from September 30 to December 31 effective October 1, 2008. As a result, the Company's current fiscal year is the fifteen month period ending December 31, 2009. Going forward, the new calendar fiscal year will allow the Company to report its results on a basis consistent with its peers in the oil and natural gas business.

On August 5, 2009, the Company consolidated its common shares on the basis of one new common share for every ten common shares outstanding. All share and per share, warrant and per warrant and option and per option amounts prior to August 5, 2009 have been retroactively adjusted to reflect the share consolidation.

This MD&A is current as at November 26, 2009.

NON-GAAP FINANCIAL MEASUREMENTS

Included in the MD&A are references to certain financial measures commonly used in the oil and gas industry, such as funds flow from (used in) operations and operating netbacks. These measures have no standardized meanings, are not defined by Canadian generally accepted accounting measures ("GAAP"), and accordingly are referred to as non-GAAP measures. These supplemental measures are used by management to assess operating results between periods and between peer companies as they provide an indication of the results generated by the Company's principal business activities before the consideration of how these activities are financed or how the results are taxed.

Novus determines funds flow from (used in) operations as cash provided by operating activities prior to changes in non-cash working capital items and asset retirement obligations. A reconciliation of cash provided by operating activities to funds flow from (used in) operations is presented below:

	Three months ended		Twelve months ended	
	Sep 30, 2009	Sep 30, 2008	Sep 30, 2009	Sep 30, 2008
Cash provided by (used in) operating activities	\$ (976,242)	\$ 372,175	\$ (2,974,181)	\$ 713,515
Changes in non-cash working capital items	184,911	(853,504)	13,450	(762,460)
Asset retirement expenditures	232,498	5,161	265,002	5,161
Funds flow from (used in) operations	\$ (558,833)	\$ (476,168)	\$ (2,695,729)	\$ (43,784)

Operating netbacks are calculated by taking production revenue and deducting royalty, transportation and operating expenses. Novus' reported amounts may not be comparable to similarly titled measures reported by other companies. These terms should not be considered an alternative to, or more meaningful than, cash provided by operating, investing and financing activities or net income as determined by Canadian GAAP as an indicator of the Company's performance or liquidity.

OTHER MEASUREMENTS

The reporting and measurement currency of this MD&A is the Canadian dollar.

Reported production represents Novus' ownership share of sales before the deduction of royalties. Where amounts are expressed on a barrel of equivalent ("boe") basis, natural gas has been converted at a ratio of six thousand cubic feet to one boe. This ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Boe's may be misleading, particularly if used in isolation. References to natural gas liquids ("liquids") include condensate, propane, butane and ethane and one barrel of liquids is considered to be equivalent to one boe.

ADVISORY REGARDING FORWARD LOOKING STATEMENTS

Certain disclosures set forth in this MD&A constitute forward-looking statements. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "believes", "budget", "continue", "could", "estimate", "forecast", "intends", "may", "plan", "predicts", "projects", "should", "will" and other similar expressions. All estimates and statements that describe the Company's future, goals, or objectives, including management's assessment of future plans and operations, may constitute forward-looking information under securities laws. Forward-looking statements involve known and unknown risks and uncertainties which include, but are not limited to: exploration, development and production risks; assessments of acquisitions; reserve measurements; availability of drilling equipment; access restrictions; permits and licenses; aboriginal claims; title defects; commodity prices; commodity markets, transportation and marketing of crude oil, liquids and natural gas; reliance on operators and key personnel; competition; corporate matters; funding requirements; access to credit and capital markets; market volatility; cost inflation; foreign exchanges rates; general economic and industry conditions; environmental risks; Kyoto protocol; and government regulation and taxation.

Forward-looking statements relate to future events and/or performance and although considered reasonable by Novus at the time of preparation, may prove to be incorrect and actual results may differ materially from those anticipated in the statements made. Novus does not undertake any obligation to publicly update forward-looking information except as required by applicable securities law.

THE COMPANY

The principal and head office of the Company is located at Suite 310, 333 5th Avenue S.W., Calgary, Alberta T2P 3B6. The registered office of the Company is located at 3500, 855 – 2nd Street S.W., Calgary, Alberta T2P 4J8.

The Company was incorporated pursuant to the *Canada Business Corporations Act* (Canada) on August 7, 1998 as 3519309 Canada Incorporated. On September 4, 1998, the Company changed its name to SiberCore Technologies Incorporated ("SiberCore). On September 28, 2002, SiberCore amalgamated with 3548228 Canada Inc, 3548236 Canada Inc, and 3548244 Canada Inc, and the amalgamated entity continued under the name SiberCore Technologies Incorporated. SiberCore was at that time a semiconductor company developing high value-added standard chips for intelligent hardware based switching and routing platforms.

The shareholders of SiberCore approved a change of business direction on December 17, 2004 that resulted in: (i) the distribution of cash and technology assets to shareholders as a return of capital; (ii) the consolidation of the common shares of SiberCore on the basis of 1 for 30,000; (iii) conversion of the preferred shares of the Company on the basis of 0.012 common shares for each preferred share; and (iv) a change in the name of the Company from SiberCore Technologies Incorporated to Azeri Capital Inc ("Azeri").

On December 31, 2005, Azeri acquired, by way of a Plan of Arrangement, all of the issued and outstanding shares of Regal Energy Corp., a public company listed on the TSX Venture Exchange, and changed the

Company's name to Regal Energy Ltd. ("Regal"). Pursuant to the Plan of Arrangement, Regal reorganized its share capital whereby the issued and issuable shares were split on a 7.37 for one basis. Shareholders of Regal Energy Corp received one share of Regal for each five shares of Regal Energy Corp. previously held. Regal was then continued under the *Business Corporations Act* (Alberta).

On July 10, 2008, Regal acquired all of the common shares of G2 Resources Inc. ("G2") pursuant to a plan of arrangement involving Regal, 1389787 Alberta Ltd. and G2. The companies were amalgamated on October 1, 2008 and the amalgamated entity continued under the name Regal Energy Ltd.

On August 5, 2009, Regal changed its name to Novus Energy Inc. and consolidated its common shares on the basis of one common share for every ten common shares outstanding.

Novus' common shares are listed and posted for trading on the TSX Venture Exchange under the symbol NVS.

RECENT CORPORATE EVENTS

Acquisitions

On October 30, 2009, the Company purchased certain non-producing oil and gas assets in the Luseland and Onward areas of Saskatchewan for an aggregate cost of \$300,000.

On November 5, 2009, the Company closed the acquisition of certain producing and non-producing assets in the Kindersley and Rocanville areas of Saskatchewan for an aggregate cost of \$3,750,000.

On November 9, 2009, the Company entered into an Amended and Restated Arrangement Agreement with Ammonite Energy Ltd ("Ammonite") whereby the Company will acquire all of the issued and outstanding common shares of Ammonite pursuant to a Plan of Arrangement (the "Ammonite Transaction"). Pursuant to the Ammonite Transaction, the Company will issue 0.825 of a common share for each common share of Ammonite, or approximately 32.3 million common shares at an ascribed value of \$0.69 per common share, based on the Company's five day weighted average trading price on the TSX Venture Exchange both before and after the announcement of the Ammonite Transaction on October 14, 2009. A special meeting of the Ammonite shareholders is scheduled for December 10, 2009 at which time the Ammonite shareholders will be asked to approve the Ammonite Transaction. If approved by the Ammonite shareholders, and regulatory approval is received, closing of the Transaction is expected to occur on or about December 11, 2009.

On November 18, 2009, the Company closed the acquisition of certain producing and non-producing assets in the Eight Mile area of British Columbia for the assumption of approximately \$457,295 in trade payables of the vendor.

Financing

On November 24, 2009, the Company issued 46,200,000 subscription receipts at a price of \$0.65 each for gross proceeds of \$30,030,000, with such proceeds held in escrow. Provided the Ammonite Transaction closes on or before December 31, 2009, the gross proceeds will be released to the Company at closing and each subscription receipt will entitle the holder to receive, without further payment, one common share of the Company. In the further event that the Company does not obtain a final receipt for a prospectus on or before December 31, 2009, then each subscription receipt will be entitle the holder to receive an additional 0.1 of common share of the Company. Costs associated with this financing are estimated at approximately \$2,000,000.

RESULTS OF OPERATIONS

Production

Novus' average daily production for the fourth fiscal quarter of 2009 was 345 boe/d, up slightly from the 327 boe/d recorded in the previous quarter and down slightly from the 365 boe/d recorded in the fourth fiscal quarter of 2008. For the twelve month period ended September 30, 2009, the Company's average daily production was 324 boe/d up from 242 boe/d recorded in the twelve months of the 2008 fiscal year.

The figures for the twelve months ended September 30, 2008 are lower because they only include production from G2 since July 10, 2008, the date G2 was acquired.

Average production	Three months ended		Twelve months ended	
	Sep 30, 2009	Sep 30, 2008	Sep 30, 2009	Sep 30, 2008
Natural gas (mcf/d)	1,584	1,616	1,457	1,138
Oil & liquids (bbls/d)	81	96	81	53
Oil equivalent (boe/d)	345	365	324	242

Revenue and pricing

Gross production revenue for the three months ended September 30, 2009 was \$839,222 versus \$2,001,143 in the comparative three month period. For the twelve month period ended September 30, 2009, gross production revenue was \$3,806,650 versus \$4,924,134 a year ago. Steep declines in commodity prices were the reason for the reduced revenue.

Sales revenue	Three months ended		Twelve months ended	
	Sep 30, 2009	Sep 30, 2008	Sep 30, 2009	Sep 30, 2008
Natural gas	\$ 443,624	\$ 1,131,828	\$ 2,410,034	\$ 3,202,587
Oil & liquids	395,598	869,315	1,396,616	1,721,547
Total	\$ 839,222	\$ 2,001,143	\$ 3,806,650	\$ 4,924,134

Sales price per unit	Three months ended		Twelve months ended	
	Sep 30, 2009	Sep 30, 2008	Sep 30, 2009	Sep 30, 2008
Natural gas (\$/mcf)	3.04	7.61	4.53	7.71
Oil & liquids (\$/bbl)	53.23	98.41	47.25	89.31
Blended (\$/boe)	26.45	59.53	32.20	55.64

Royalties

	Three months ended		Twelve months ended	
	Sep 30, 2009	Sep 30, 2008	Sep 30, 2009	Sep 30, 2008
Crown	\$ 18,025	\$ 290,588	\$ 268,706	\$ 566,151
Freehold and GOR	88,473	186,915	371,943	450,865
Total	\$ 106,498	\$ 477,503	\$ 640,649	\$ 1,017,016
Total (per boe)	\$ 3.36	\$ 14.20	\$ 5.42	\$ 11.49

Royalties, which include crown, freehold and overriding royalties paid on oil, liquids and natural gas production, amounted to \$106,498 during the fourth quarter of 2009 compared to \$477,503 during the fourth fiscal quarter of 2008. For the twelve month period ended September 30, 2009, royalties were \$640,649 compared to \$1,017,016 a year ago.

As a percentage of production, royalties decreased to 12.7% in the most recent quarter from 23.9% a year ago. Royalties were 16.8% of production for the twelve months ended September 30, 2009 versus 20.7% in the comparative period. The decrease in royalties in 2009 is primarily the result of additional gas cost allowance and custom processing credits recovered through the Company's annual filings.

Operating costs

Total operating costs for the quarter ended September 30, 2009 amounted to \$597,193, or \$18.82/boe, compared to \$619,955, or \$18.44/boe, during the quarter ended September 30, 2008. For the twelve month period ended September 30, 2009 operating costs were \$2,207,485, or \$18.67/boe, compared to \$1,642,480, or \$18.56/boe, a year ago. The largest component of the increase was third party adjustments to gas gathering and processing charges.

Transportation costs

Total transportation costs for the quarter ended September 30, 2009 amounted to \$39,564, or \$1.25/boe, compared to \$42,940, or \$1.28/boe, during the quarter ended September 30, 2008. For the twelve month period ended September 30, 2009, transportation costs were \$144,341, or \$1.22/boe, compared to \$82,360 or \$0.93/boe, a year ago. The properties acquired via the Plan of Arrangement with G2 in July 2008 were associated with higher transportation costs.

Operating netbacks

The following table summarizes the Company's operating netbacks. Operating netbacks are non-GAAP measures and are used by Novus to measure the profitability of crude oil and natural gas sales, subsequent to the deduction of royalty, operating and transportation costs. This measure is not necessarily comparable to operating netbacks as reported by other entities.

Netback per boe	Three months ended		Twelve months ended	
	Sep 30, 2009	Sep 30, 2008	Sep 30, 2009	Sep 30, 2008
Revenue	\$ 26.45	\$ 59.53	\$ 32.20	\$ 55.64
Royalties	(3.36)	(14.20)	(5.42)	(11.49)
Operating costs	(18.82)	(18.44)	(18.67)	(18.56)
Transportation	(1.25)	(1.28)	(1.22)	(0.93)
Operating netbacks	\$ 3.02	\$ 25.61	\$ 6.89	\$ 24.66

The operating netback for the three months ended September 30, 2009 was \$3.02/boe compared to \$25.61/boe for the same period in 2008. For the twelve month period ending September 30, 2009, Novus' operating netback was \$6.89/boe versus \$24.66/boe in the comparative period. The largest reason for the declines in 2009 was the reduction in overall commodity prices.

General and administrative expenses

Total general and administrative expenses during the fourth fiscal quarter of 2009 amounted to \$651,981 compared to \$1,287,119 a year ago. For the twelve months ended September 30, 2009, general and administrative expenditures were \$3,406,959 versus \$2,006,507 in the comparative period. The current year-to-date figures include \$636,892 in reorganization costs leading up to and including the March 31, 2009 change in management, and \$237,595 in bad debts. The following is a breakdown of the costs included in general and administrative expenditures:

	Three month period ended		Twelve month period ended	
	Sep 30, 2009	Sept. 30, 2008	Sep 30, 2009	Sept. 30, 2008
Recurring expenditures	\$ 610,946	\$ 710,463	\$ 2,491,818	\$ 1,437,531
Bad debts	-	121,304	237,595	151,257
Reorganization costs	-	496,000	636,892	496,000
Merger and acquisition activity	56,118	-	117,783	-
Recoveries	(15,083)	(40,648)	(77,129)	(78,281)
	\$ 651,981	\$ 1,287,119	\$ 3,406,959	\$ 2,006,507

Interest expense

Interest expense for the three months ended September 30, 2009 was \$2,819 compared to \$49,794 a year ago. For the twelve months ended September 30, 2009, interest expense was \$86,312, versus \$219,555 in the comparative period. The reduction in interest expense is the result of Company using a portion of the proceeds of the March 31, 2009 private placement financing to pay off its bank debt.

Stock-based compensation

The Company accounts for stock-based compensation using the fair-value method. Under this method, compensation expense is recorded in the statement of operations over the vesting terms of the options. During the fourth quarter of fiscal 2009, \$157,363 of stock-based compensation expense was recognized. For the twelve months of the fiscal year, the Company recorded \$215,557 in stock-based compensation expense. These figures compare to \$569,326 and \$596,848 for the three and twelve month periods in 2008, respectively. The 2009 figures take into account both the stock options and performance warrants granted on September 4, 2009.

Depletion and depreciation

Total depletion and depreciation expense for the quarter ended September 30, 2009 amounted to \$1,060,666 compared to \$999,900 for the quarter ended September 30, 2008. For the twelve months periods ended September 30, the figures were \$10,712,491 in 2009 and \$2,307,690 in 2008. As at March 31, 2009, the Company performed stage one of the ceiling test calculation which indicated its undiscounted future net revenues from proved reserves, plus carrying values for undeveloped land less impairment allowances, were less than the carrying value of its oil and gas assets. Consequently, the Company performed stage two of the ceiling test calculation which indicated its future net revenues from proved and probable reserves discounted at 5%, plus carrying values for undeveloped land less impairment allowances, were less than the carrying value of its oil and gas assets. As a result of the ceiling test calculations, the Company recorded an impairment provision of \$7,000,000 at March 31, 2009.

Income taxes

The \$16,663 charge for the twelve month period ended September 30, 2009 is the result of the Saskatchewan Resource Surcharge (“SRS”) on the Company’s Saskatchewan production revenue, including adjustments based on predecessor company filings.

The following is a summary of the estimated tax pools of the Company as at September 30, 2009:

Classification	Amount
Non-capital losses	\$ 22,198,000
Scientific research and development	18,900,000
Canadian development expenditures	14,219,000
Canadian oil and gas property expenditures	13,462,000
Capital cost allowance	13,333,000
Canadian exploration expenditures	13,105,000
Shares issue and other costs	2,645,000
	<u>\$ 97,862,000</u>

Of the \$22,198,000 in non-capital losses, \$5,721,000 expire September 30, 2010, and the remainder expire between 2014 and 2029.

Net income (loss), funds flow and cash flow from (used in) operations

	Three months ended		Twelve months ended	
	Sep 30, 2009	Sep 30, 2008	Sep 30, 2009	Sep 30, 2008
Net income (loss)	\$ (1,800,147)	\$ (2,080,194)	\$ (13,723,616)	\$ (3,085,655)
Per share - basic & diluted	(0.04)	(0.15)	(0.47)	(0.43)
Funds flow from (used in) operations ⁽¹⁾	(558,833)	(476,168)	(2,695,729)	(43,784)
Per share - basic & diluted	(0.01)	(0.03)	(0.09)	(0.01)
Cash flow from (used in) operations	(976,243)	372,175	(2,974,182)	713,515
Per share - basic & diluted	(0.02)	0.03	(0.10)	0.10
Weighted average shares outstanding	42,754,968	13,897,275	28,917,982	7,103,302

(1) Funds flow from (used in) operations has been presented for information purposes only and should not be considered an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with GAAP. The Company considers funds flow from (used in) operations to be a key measure as it demonstrates the Company's ability to generate the cash necessary to repay debt and to fund future growth through capital investment. The determination of Novus' funds flow from (used in) operations may not be comparable to the same reported by other companies. The reconciliation of net income (loss) and funds flow from (used in) operations can be found in the "Non-GAAP financial measurements" section at the front of this MD&A. Funds flow from (used in) operations per share was calculated using the same weighted average shares outstanding used in calculating net income (loss) per share.

Capital expenditures

During the fourth fiscal quarter of 2009, the Company recorded \$(40,471) of net capital expenditures compared to \$1,058,811 during the fourth fiscal quarter of 2008. For the twelve month period ended September 30, 2009, capital expenditures were \$1,888,054 versus \$2,202,718 a year ago. A breakdown of these expenditures is outlined below:

	Three months ended		Twelve months ended	
	Sep 30, 2009	Sep 30, 2008	Sep 30, 2009	Sep 30, 2008
Land acquisition / retention	\$ 11,833	\$ 321,509	\$ 195,905	\$ 327,990
Geological, geophysical and seismic	-	147,377	382,533	159,727
Drilling and completions	11,155	240,404	658,963	1,132,276
Equipping and tie-ins	7,044	128,004	644,196	1,101,308
Property acquisitions, net	(74,875)	223,800	(22,396)	(517,600)
Furniture and fixtures	4,372	(2,283)	28,853	(983)
Total expenditures	\$ (40,471)	\$ 1,058,811	\$ 1,888,054	\$ 2,202,718

LIQUIDITY AND CAPITAL RESOURCES

Capital structure

The Company considers its capital structure to include share capital, working capital, and bank debt. The Company manages its capital structure in order to meet its financial obligations, and to support the exploration and development of its existing properties. The Company's Officers are responsible for managing the Company's capital and do so through quarterly meetings and regular review of financial information including budgets and forecasts. The Company's Directors are responsible for overseeing this process. Methods used by the Company to manage its capital include the issuance of new share capital and warrants which have historically been accomplished through private placements. There were no changes in the Company's approach to capital management during the quarter.

The Company's share capital is not subject to any external restrictions, however its credit facility is subject to periodic reviews. The Company's credit facility is also subject to a covenant that requires the Company

to maintain a working capital ratio, as defined by the bank, of no less than 1:1. The Company was in compliance with this requirement at September 30, 2009, as the ratio was 4.8:1.

Equity instruments

On March 31, 2009, the Company completed a private placement financing of 27,750,000 units at \$0.50 per unit for gross proceeds of \$13,875,000 (net \$12,658,483). Under the terms of the financing, each unit consisted of one common share and one share purchase warrant, with each warrant entitling the holder to acquire an additional common share at a price of \$0.75 per common share. The term of the warrant is 36 months, provided however, that if at any time from four months after closing, the daily volume-weighted average trading price of the common shares on the TSX-V exceeds \$1.20 for 25 consecutive trading days and the Company gives written notice to the warrant holders within ten trading days of the end of such period, the expiry date will be reduced to 30 days from the giving of notice.

As at September 30, 2009, the Company had the following equity instruments outstanding:

Common shares outstanding	42,754,968
Common shares issuable upon the exercise of outstanding share purchase warrants	29,980,100
Common shares issuable upon the exercise of outstanding stock options	3,525,000
Common shares issuable upon the exercise of outstanding performance warrants	4,275,000
Total equity instruments outstanding	80,535,068

The following table summarizes the outstanding share purchase warrants by expiry date:

Date of Issue	Number of warrants	Exercise Price	Date of Expiry
Jul 10, 2008	2,230,100	\$2.60	Jul 10, 2010
Mar 31, 2009	27,750,000	\$0.75	Mar 31, 2012
	29,980,100		

The following table summarizes the outstanding stock options by expiry date:

Date of Grant	Number of options	Exercise Price	Date of Expiry
Jan 1, 2006	35,000	\$9.50	Jan 1, 2011
Feb 12, 2007	30,000	\$3.00	Feb 12, 2012
Jul 16, 2008	385,000	\$2.00	Jul 16, 2013
Sep 4, 2009	3,075,000	\$0.60	Sep 4, 2014
	3,525,000		

The Company's 4,275,000 performance warrants were granted on September 4, 2009 for a term of three years. Each performance warrant is exercisable into one common share at a price of \$0.56 per performance warrant upon the Company achieving certain targets in growth in net assets value per fully diluted share outstanding ("NAV per share"). With reference to the initial NAV per share calculated as \$1.10, 1/3 of the performance warrants shall vest upon an increase in NAV per share of 25%, 2/3 of the performance warrants shall vest upon an increase in NAV per share of 33 1/3%, and all of the performance warrants shall vest upon an increase in NAV per share of 50%. As of September 30, 2009, none of the performance warrants have vested.

On November 24, 2009, the Company issued 46,200,000 subscription receipts at a price of \$0.65 each for gross proceeds of \$30,030,000, with such proceeds held in escrow. Provided the Ammonite Transaction closes on or before December 31, 2009, the gross proceeds will be released to the Company at closing and each subscription receipt will entitle the holder to receive, without further payment, one common share of the Company. In the further event that the Company does not obtain a final receipt for a prospectus on or

before December 31, 2009, then each subscription receipt will be entitle the holder to receive an additional 0.1 of common share of the Company.

As a result of the November 24, 2009 financing, as of the date of this MD&A the Company has 126,735,068 equity instruments outstanding. In the event that the Ammonite Transaction closes, and assuming all the Ammonite options and none of the Ammonite warrants are exercised, a further 32,342,363 common shares will be issued to the Ammonite shareholders.

Working capital and bank debt

At September 30, 2009, the Company had positive working capital of \$4,710,131 compared to a deficiency of \$3,099,567 at September 30, 2008. Components of the working capital (deficiency) are contained in the following table:

	Sep 30, 2009	Sep 30, 2008
Cash and cash equivalents	\$ 4,524,791	\$ -
Accounts receivable	1,126,596	2,298,600
Deposits and prepaid expenses	310,845	484,460
Bank debt	-	(2,593,819)
Accounts payable and accrued liabilities	(1,252,101)	(3,288,808)
Total working capital (deficiency)	\$ 4,710,131	\$ (3,099,567)

The significant improvement in the Company's financial position was achieved through the March 31, 2009 private placement as previously described.

At September 30, 2009, the Company had no bank debt. Subsequent to September 30, 2009, the Company's \$2,250,000 revolving operating demand facility was extended to May 1, 2010. Upon closing the Ammonite Transaction, the amount of the credit facility will increase to \$3,500,000. The new credit facility bears interest at the bank prime rate plus 1½% and is secured by a general assignment of book debts and a \$15,000,000 debenture with a floating charge over all assets of the Company with a negative pledge and undertaking to provide fixed charges on the Company's major producing petroleum properties. The credit facility is subject to a covenant that requires the Company to maintain a working capital ratio, as defined by the bank, of no less than 1:1. The Company was in compliance with this requirement at September 30, 2009, as this ratio was 4.8:1.

COMMITMENTS AND CONTINGENCIES

At September 30, 2009, the Company had commitments for lease payments for office space expiring in December, 2009 totaling \$70,500.

At September 30, 2009, the Company had commitments for rental compressors totaling \$30,903 in 2009. These rental agreements are subject to 30 days cancellation notices.

Canada Revenue Agency ("CRA") has conducted an audit of transfer pricing on international transactions between SiberCore Technologies Incorporated and its United States subsidiary, SiberCore America Inc. for the years 2000, 2001 and 2002. SiberCore Technologies Incorporated was the predecessor company of Azeri Capital Inc. and ultimately Novus Energy Inc. The Company has received a proposed settlement letter from CRA that would result in a reduction of tax pools in the amount of \$1,501,453. CRA has also proposed to charge a cash penalty of approximately \$150,000. The Company has responded to the proposed settlement letter and provided further information supporting management's view that CRA's position has no merit and intends to object to any notice of assessment that may be received. The outcome of this audit is uncertain at this time and as such no provisions have been made in these financial statements.

RELATED PARTY TRANSACTION

Pursuant to the March 31, 2009 private placement, the Company paid a fee of 1% of the gross proceeds of the financing, or \$138,750, to Nova Bancorp Securities Ltd for the provision of certain advisory services in connection with the private placement. Harry Knutson and Richard Wlodarczak, who were both directors of the Company at the time of the private placement, are also directors, officers, and shareholders of Nova Bancorp Securities Ltd. The transaction was in the normal course of business and has been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

SUMMARY OF QUARTERLY RESULTS

(000s, except per boe amounts)	Three months ended Sep 30, 2009	Three months ended Jun 30, 2009	Three months ended Mar 31, 2009	Three months ended Dec 31, 2008
Petroleum and natural gas sales	\$ 839	\$ 804	\$ 911	\$ 1,252
Net loss	1,800	1,415	9,147	1,361
Funds flow from (used in) operations	(559)	(476)	(1,379)	(282)
Capital expenditures, net	(40)	329	220	1,380
Average daily production (boe/d)	345	327	306	316
Average selling price (\$/boe)	26.45	26.96	33.05	43.04
Operating netback (\$/boe)	3.02	7.88	2.23	14.49
Weighted average shares outstanding	42,755	42,755	15,313	15,005

(000s, except per boe amounts)	Three months ended Sep 30, 2008	Three months ended Jun 30, 2008	Three months ended Mar 31, 2008	Three months ended Dec 31, 2007
Petroleum and natural gas sales	\$ 2,001	\$ 1,433	\$ 798	\$ 692
Net loss	2,080	92	416	498
Funds flow from (used in) operations	(476)	484	10	(62)
Capital expenditures, net	1,059	(206)	(40)	1,390
Average daily production (boe/d)	365	248	173	180
Average selling price (\$/boe)	59.53	63.44	50.73	41.78
Operating netback (\$/boe)	25.61	34.74	20.87	12.59
Weighted average shares outstanding	13,897	4,814	4,814	4,814

Volumes increased in the last half of fiscal 2008, primarily due to production increases at Eight Mile, BC and volumes associated with the G2 Plan of Arrangement in the third and fourth quarters respectively. Generally speaking, production revenues are a function of sales volumes and commodity prices. Funds flow from (used in) operations starts with production revenues and is also affected by royalties, operating and transportation costs, general and administrative expenditures, interest expenses and current taxes. The increase in funds flow from operations in the three months ended June 30, 2008 was primarily the result of higher commodity prices, while the reduction in the following quarter was due severance costs associated with the G2 Plan of Arrangement and year-end administrative costs, such as audit and engineering fees. The funds flow used in operations in the three months ended March 31, 2009 was impacted by severance costs associated with the change of management in March, 2009.

The net loss for the quarter ended September 30, 2008 increased from prior fiscal quarters due to the change in funds flow from operations and higher depletion charges associated with the increased asset base pursuant to the G2 Plan of Arrangement in July of 2008. The net loss for the three months ended March 31, 2009 included higher funds flow used in operations and a \$7,000,000 ceiling test write-down.

SELECTED ANNUAL FINANCIAL INFORMATION

(000s, except per share amounts)	Year ended Sep 30, 2008	Year ended Sep 30, 2007	Year ended Sep 30, 2006
Production revenue	\$ 4,924	\$ 2,010	\$ 1,166
Net income (loss)	(3,086)	(4,387)	(5,627)
per share - basic & diluted	(0.43)	(1.20)	(2.92)
Funds flow from (used in) operations	(44)	(157)	(618)
per share - basic & diluted	-	(0.04)	(0.32)
Total assets	31,176	11,716	9,485
Total long-term liabilities	951	398	287

CHANGES IN ACCOUNTING POLICIES

Adoption of new accounting policies

a) Goodwill and intangible assets

Effective October 1, 2008 the Company adopted the new standard for Goodwill and Intangible Assets, which states that upon their initial identification, intangible assets are to be recognized as assets only if they meet the definition of an intangible asset and the recognition criteria. It also provides further information on the recognition of internally generated intangible assets, including research and development costs. These new standards did not impact on Company's financial statements.

b) Credit risk and the fair value of financial assets and financial liabilities

On January 20, 2009 the Emerging Issues Committee ("EIC") issued a new abstract EIC 173 "Credit risk and the fair value of financial assets and financial liabilities". This abstract concludes that an entity's own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial assets and financial liabilities, including derivative instruments. This abstract is to apply to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this abstract did not impact the Company's financial statements.

Accounting pronouncements

a) International Financial Reporting Standards ("IFRS")

In January 2006, the Canadian Institute of Chartered Accountants ("CICA") Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. In February 2008, the AcSB confirmed the changeover from Canadian GAAP to IFRS will be required for publicly accountable enterprises effective for fiscal years beginning on or after January 1, 2011. In July 2009, the International Accounting Standards Board adopted certain amendments and exemptions to IFRS 1 including standards relating to the transition to IFRS for resource based companies. Although the Company has not yet completed the development of an IFRS changeover plan, it anticipates completing its project scoping during the first quarter of 2010 as the Company continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS

b) Business combinations

In January 2009, the AcSB issued CICA Handbook Section 1582, "Business Combinations" which replaces previous guidance on business combinations. This Section applies to Business Combinations entered into on or after January 1, 2011 with earlier adoption permitted. The Company will monitor and assess the impact of the new Section on its financial statements and whether or not it will elect to adopt the standards in advance of the transition to IFRS.

c) Consolidated financial statements

In January 2009, the AcSB issued CICA Handbook Section 1601, “Consolidations” and 1602 “Non-controlling Interests”. Section 1601 carries forward the requirements of Section 1600, “Consolidated Financial Statements”, other than those relating to non-controlling interests which would be covered in Section 1602. These standards are effective for annual and interim periods beginning on or after January 1, 2011 with earlier adoption permitted. The Company will monitor and assess the impact of the new Sections on its financial statements and whether or not it will elect to adopt the standards in advance of the transition to IFRS.

d) Financial instruments

In May 2009, the AcSB amended CICA Handbook Section 3862, “Financial Instruments – Disclosures”, to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. These amendments are effective for the Company on December 31, 2009.

CURRENT ECONOMIC CONDITIONS

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to commodity prices. These conditions worsened in 2008 and are continuing in 2009, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have negatively impacted company valuations and will impact the performance of the global economy going forward.

Petroleum prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, OPEC actions and the ongoing global credit and liquidity concerns