MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis ("MD&A") of Regal Energy Ltd.'s ("Regal" or "the Corporation") unaudited operating and financial results for the three and six months ended March 31, 2008. This MD&A should be read in conjunction with Regal's unaudited interim financial statements and related notes for the three months ended March 31, 2008 and the Audited Financial Statements for the year ended September 30, 2007. This MD&A is current as at May 30, 2008. The accompanying financial statements of Regal have been prepared by Management and approved by the Corporation'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 Regal is available on SEDAR at www.sedar.com and Regal's website (www.regalenergy.ca).

NON-GAAP FINANCIAL MEASUREMENTS

The Corporation has used certain measures of financial reporting that are commonly used benchmarks within the oil and natural gas industry in this MD&A that are considered to be non-GAAP measures. The measures discussed are widely accepted measures of performance and value within the industry, and are used by investors and analysts to compare and evaluate oil and gas exploration and producing entities. The non-GAAP measures used and referenced in this document include "operating netback" and "funds flow from operations". Operating netback is a benchmark used in the oil and gas industry to measure the contribution of crude oil and natural gas sales after deducting royalties and operating costs. Regal determines funds flow from operations to be the cash flow from operations before changes in non-cash working capital. Management believes that in addition to net earnings, funds flow from operations is a useful supplemental measure to assess the financial performance and ability of Regal to finance future spending. These measures are not defined under GAAP and should not be considered in isolation or as an alternative to conventional GAAP measures. These non-GAAP measures may not necessarily be comparable to similarly titled measures used by other entities and readers of this MD&A are cautioned in attempting to make such comparisons.

OTHER MEASUREMENTS

The reporting and measurement currency of this MD&A is the Canadian dollar. For the purposes of calculating unit costs, natural gas has been converted to a barrel of oil equivalent (Boe) using 6,000 cubic feet (6 Mcf) of natural gas equal to one barrel of oil (6:1), unless otherwise stated. The Boe conversion ratio of 6 Mcf to 1 Bbl is based on an energy equivalency conversion method and does not represent a value equivalency; therefore Boe's may be misleading if used in isolation. (This conversion conforms to NI 51-101). References to natural gas liquids ("NGLs") in this MD&A include condensate, propane, butane and ethane and one barrel of NGLs is considered to be equivalent to one barrel of crude oil equivalent (Boe).

ADVISORY REGARDING FORWARD LOOKING STATEMENTS

Certain information set forth in this MD&A, that are not historical facts, including Management's assessment of Regal's future plans and operations, contains "forward looking statements". All estimates and statements that describe the Corporation's objectives, goals, or future, including Management's assessment of future plans and operations, production estimates and expected production rates, timing of tie-ins and the effect of delays in tieing-in wells and the effects of third party compressor issues and other infrastructure issues, levels of decline rates and the effects thereof, expected royalty rates, expected general and administrative expenses and other expenses, effects of the results of successful wells, expected levels of capital expenditures and the method of funding them, the ability to incur qualifying expenditures renounceable to purchasers of flow-through shares and the expected levels of activities and results of operations of Regal may constitute forward looking information under securities laws and necessarily involve risks including, without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, delays resulting from or inability to obtain required regulatory approvals, the impact of general economic conditions and industry conditions, the lack of availability of qualified personnel or management, stock market volatility and the ability to access sufficient capital from internal and external sources. As a consequence, Regal'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 events anticipated by the forward looking statements will transpire or occur, or, if any of them do so, what benefits Regal will derive there from. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect Regal's operations and financial results is included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) and Regal's website (www.regalenergy.ca). 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 statements. Furthermore, the forward looking statements contained in this MD&A are made as at the date of this MD&A and Regal does not undertake any obligation to update publicly or to revise any of the included forward looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

THE CORPORATION

The Corporation was incorporated pursuant to the Canada Business Corporations Act on August 7, 1998 as "3519309 Canada Incorporated". On September 28, 2002, 3519309 Canada Incorporated amalgamated to form SiberCore Technologies Incorporated. The Corporation at that time was a semiconductor company developing high value-added standard chips for intelligent hardware based switching and routing platforms.

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

On December 30, 2004 the Corporation entered into a seismic joint venture agreement (the "Seismic JV") with Divestco Seismic Limited Partnership ("Divestco") and Spectrum Seismic Processors Ltd. The seismic underlying the Seismic JV is the majority of the proprietary seismic data of a senior Canadian integrated oil and gas company which consists of over 32,000 km of 2D data covering several areas throughout Alberta and Saskatchewan that was acquired by Divestco. Pursuant to the Joint Venture, the Corporation agreed to fund the estimated cost of reprocessing the seismic data of $1,375,000, and in exchange, the Corporation acquired for its own use a fully reprocessed copy of this seismic data as well as certain other geological and geophysical software usage, and a residual royalty on sales of the entire reprocessed database and individual line by line data sales. On November 9, 2006, this residual royalty was sold for $675,000.

On December 31, 2005, the Corporation 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 Corporation's name to Regal Energy Ltd. (the "Plan of Arrangement"). Pursuant to the Plan of Arrangement, the Corporation 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 the Corporation for each five shares of Regal Energy Corp. previously held.

The Corporation was continued under the *Business Corporations Act.* (Alberta) on December 31, 2005.

The principal and head office of the Corporation is located at Suite 1520, Life Plaza 734 - 7th Avenue S.W., Calgary, Alberta T2P 3P8. The registered office of the Corporation is located at Suite 1600, Dome Tower, 333 - 7th Avenue S.W., Calgary, Alberta T2P 2Z1.

The Corporation has no subsidiaries.

Regal Energy Ltd.'s common shares are listed and posted for trading on the TSX Venture Exchange under the symbol REG.

RESULTS OF OPERATIONS

Highlights

During the second quarter of fiscal 2008, capital expenditures net of dispositions totaled $(39,622), including $69,015 for drilling and completions, $380,306 for equipping and tie-in, $12,350 for geological and geophysical and $4,748 for land acquisition / retention. In addition, during the quarter in order to improve our working capital to debt ratio, the Corporation divested certain minor property interests and miscellaneous excess oilfield equipment. During the quarter, there was one major operation underway: the construction of a pipeline to tie-in the 7-8-81-17 W6M well (the "7-8 well") and the associated wellhead equipment at Eight Mile in northeast British Columbia. The well was placed on production in early April and is currently producing approximately 800 Mcf/d of natural gas and 12 Boe/d of condensate, net to Regal's 40% working interest. Regal's reversionary interest after payout of the drilling and completion costs of the well will be 24%.

Regal's corporate production is currently approximately 325 Boe/d as a result of placing the 7-8 well on stream. Regal is estimating that its average production at Eight Mile for the month of June will be impacted by a "major" turnaround shut-down at the McMahon Gas Plant. These major turnarounds are scheduled approximately every three years and may last up to six weeks. Approximately 45% of the Corporation's production is from the 7-8 well which is tied into the McMahon Gas Plant. As a result corporate production in the month of June is expected to be approximately 180 Boe/d, returning to approximately 325 Boe/d once the McMahon Gas Plant is fully brought back on line in early July.

Regal's average production rate during the second quarter was 173 Boe/d (176 Boe/d year to date) or 40 percent higher than the comparable period in 2007 (42 percent higher year to date). Commodity prices have strengthened somewhat over the previous quarter and over both the comparable period last year and for fiscal 2007. The Corporation received an average selling price of $50.73 per Boe as compared to $41.78 for the first quarter of 2008 and $40.31 for the entire 2007 year. Spot natural gas prices are currently in the range of $10.14/Mcf Canadian at the AECO C Hub which is approximately 39% higher than the average wellhead price of approximately $7.29/Mcf during the quarter ended March 31, 2008.

On March 12, 2008, Regal and G2 Resources Inc. ("G2") jointly announced they had entered into a letter of intent to effect a business combination between Regal, G2 and a private oil and gas company ("PrivateCo"). On April 9, 2008 Regal and G2 jointly announced an update on their proposed business combination, a Regal operations update, information relating to a proposed concurrent financing and the re-filing of Regal's First Quarter 2008 Financial Statements. On May 1, 2008 Regal and G2 jointly announced they had entered into an arrangement agreement (the "Arrangement Agreement") to complete a business combination (the "Business Combination"). Pursuant to the terms of the Arrangement Agreement (dated April 30, 2008 and amended May 28, 2008), all of the outstanding shares of G2 (the "G2 Shares") will be exchanged for common shares of Regal on the basis of two Regal shares for each three G2 Shares held. The outstanding warrants of G2 will be exchanged for warrants of Regal on the basis of two Regal warrants for each three G2 warrants held. Regal and G2 also announced that they were unable to reach agreement with PrivateCo and that they would not be proceeding with that portion of the transaction.

On May 22, 2008, the board of directors of the Corporation approved the completion of an equity financing for gross proceeds of $5,500,000, which is a pre-condition of the completion of the Business Combination. The equity financing will be by way of private placement of subscription receipts of Regal at a price of $0.20 per receipt, each entitling the holder to receive, for no additional consideration, one unit of Regal consisting of one common share of Regal and one share purchase warrant of Regal, with each warrant entitling the holder to acquire one common share at a price of $0.26 per share for a period of twenty-four months from the closing date.

Any information regarding the proposed Business Combination contained within this MD&A or within the Corporation's financial statements is not intended to outline all of the information related to the Business Combination. Readers are cautioned to refer to the Information Circular of G2 Resources Inc. describing the Business Combination filed on SEDAR.

Producing properties of the Corporation

		Quarter Ended Mar. 31, 2008 Average Production Rate			Quarter Ended Mar. 31, 2007 Average Production Rate		
Area	Working Interest (%)	Gas (Mcf/d)	Oil & NGLs (Bbl/d)	Total Oil Equivalent (Boe/d)	Gas (Mcf/d)	Oil & NGLs (Bbl/d)	Total Oil Equivalent (Boe/d)
Garrington	75-100	622	13	117	395	5	70
Kaybob	62	117	6	25	74	4	17
Veteran	30-50	-	12	12	-	16	16
Viking Kinsella	20	54	-	9	60	-	10
Atlee Buffalo	50-100	47	-	8	53	-	9
Pica	34.5	-	-		-	-	-
Hanna	42.5	-	-		-	-	-
Judy Creek	5	-	2	2	-	2	2
Total		840	33	173	582	27	124

OPERATING NETBACK

The following table reconciles the Corporation's operating netback which is considered to be a non-GAAP measure [(1)].

	Three Months Ended		Six Months Ended	
Netback Per Boe	Mar. 31, 2008	Mar. 31, 2007	Mar. 31, 2008	Mar. 31, 2007
Revenue	$50.73	$42.77	$46.14	$41.44
Royalties	(10.13)	(10.67)	(8.45)	(8.92)
Operating Costs	(19.73)	(19.39)	(21.07)	(19.28)
Operating Netback	$20.87	$12.71	16.62	13.24

Note:

(1) Operating netback is a non-GAAP measure and is a benchmark used in the oil industry to measure the contribution of crude oil and natural gas sales, subsequent to the deduction of royalties and operating costs. This measure is not necessarily comparable to "Operating Netback" as reported by another entity.

The operating netback for the three months ended March 31, 2008 was $20.87 per Boe ($16.62 per Boe year to date) compared to $12.71 per Boe ($13.24 per Boe year to date) in the comparable period in 2007. Gross revenue increased by $7.96 per Boe for the quarter ended March 31, 2008 compared to the equivalent quarter in 2007 and royalty expense decreased by $0.54 per Boe over 2007. Operating costs increased for the three months ended March 31, 2008 by $0.34 per Boe over the equivalent period in 2007. Overall our netback has increased by $8.16 per Boe for the current quarter over the same quarter of 2007.

The average prices of the components of revenue for the quarter ended March 31, 2008 included $7.29 per Mcf for natural gas ($6.45 year to date) and $80.39 per Boe for crude oil and natural gas liquids ($75.39 year to date). This compares to $6.63 per Mcf for natural gas ($6.36 year to date) and $53.43 per Boe for crude oil and natural gas liquids ($52.88 year to date) in the equivalent periods of last year. As approximately 80% of Regal's production is from natural gas, the overall increase in gross revenue per Boe has been significantly tempered considering the substantial increase experienced in the prices received for crude oil and natural gas liquids. Subsequent to quarter-end, natural gas prices have continued to increase and the Corporation is hopeful this trend will continue.

Royalty expense for the current quarter on a per Boe basis amounted to $10.13 per Boe ($8.45 year to date) compared to $10.67 per Boe ($8.92 year to date) a decrease of $0.47 per Boe on a year over year basis.

Total operating costs amount to $19.73 per Boe ($21.07 year to date) compared to $19.39 ($19.28 year to date) in the second fiscal quarter of 2007. During the current quarter, minor increases compared to normal were experienced in the Atlee Buffalo, Judy Creek and Veteran areas. Cumulatively, these extraordinary costs accounted for a total increase of approximately $1.10 per Boe during the current quarter.

FINANCIAL REVIEW

NET EARNINGS, FUNDS FLOW AND CASH FLOW FROM OPERATIONS:

	Three Months Ended		Six Months Ended	
	Mar. 31, 2008	Mar. 31, 2007	Mar. 31, 2008	Mar. 31, 2007
Weighted Average Shares Outstanding	48,137,590	36,138,868	48,137,590	30,701,385
Net Income (Loss)	$(415,613)	$(474,420)	$(913,755)	$(831,055)
Per Share Basic and Diluted	$(0.01)	$(0.01)	$(0.02)	$(0.03)
Funds Flow From Operations [(1)]	$10,032	$(97,481)	$(51,648)	$(165.942)
Per Share Basic and Diluted	$0.00	$(0.00)	$(0.00)	$(0.01)
Cash Flow From Operations	$(2,808)	$(143,082)	195,607	$(325,612)
Per Share Basic and Diluted	$(0.00)	$(0.00)	$0.00	$(0.01)

Note:

(1) Funds flow from 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 Corporation considers funds flow from operations to be a key measure as it demonstrates the Corporation's ability to generate the cash necessary to repay debt and to fund future growth through capital investment. The determination of Regal's funds flow from operations may not be comparable to the same reported by other companies. The reconciliation of net earnings and funds flow from operations can be found in the statements of cash flow in the consolidated financial statements. Funds flow from operations per share was calculated using the same weighted average shares outstanding used in calculating net earnings per share.

REVENUE

Working Interest Sales

Sales Volumes	Three Months Ended Mar. 31, 2008	Three Months Ended Mar. 31, 2007	Six Months Ended Mar. 31, 2008	Six Months Ended Mar. 31, 2007
Natural Gas (Mcf)	76,410	52,397	154,576	105,366
Crude Oil & NGLs (Bbls)	3,001	2,439	6,529	4,993
Total Oil Equivalent (Boe)	15,736	11,172	32,292	22,554
Total (Boe/d)	173	124	176	124

Sales Revenue	Three Months Ended Mar. 31, 2008	Three Months Ended Mar. 31, 2007	Six Months Ended Mar. 31, 2008	Six Months Ended Mar. 31, 2007
Natural Gas	$557,090	$347,485	$997,723	$670,566
Crude Oil & NGLs	241,238	130,310	492,237	264,029
Total	$798,328	$477,805	$1,489,959	$934,595

Sales Price Per Unit	Three Months Ended Mar. 31, 2008	Three Months Ended Mar. 31, 2007	Six Months Ended Mar. 31, 2008	Six Months Ended Mar. 31, 2007
Natural Gas ($/Mcf)	7.29	6.63	6.45	6.36
Crude Oil & NGLs ($/Bbl)	80.39	53.43	75.39	52.88
Total Blended ($/Boe)	50.73	42.77	46.14	41.44

Total working interest revenue during the three months ended March 31, 2008 amounted to $798,328 (March 31, 2007 - $477,805) and was made up of natural gas sales in the amount of $557,090 (2007 - $347,485) and crude oil and natural gas liquids sales of $241,238 (2007 – $130,310). During the quarter, 76,410 Mcf or 831 Mcf/d (2007 – 52,397 Mcf or 582 Mcf/d) of natural gas was sold and 3,001 Boe or 33 Boepd (2007 – 2,439 Boe or 27 Boepd) of crude oil and natural gas liquids was sold for a total of 15,736 Boe or 173 Boepd sold (2007 – 11,172 Boe or 124 Boe/d). On a year--to-date basis, total working interest revenue amounted to $1,489,959 during 2008 (2007 - $934,595) and was made up of natural gas sales in the amount of $997,723 (2007 - $670,566) and crude oil and natural gas liquids sales of $492,237 (2007 - $264,029). On a year to date basis, 154,576 Mcf or 845 Mcf/d (2007 – 105,366 Mcf or 579 Mcf/d of natural gas was sold and 6,529 Boe or 36 Boepd (2007 – 4,993 Boe or 27 Boepd) of crude oil and natural gas liquids was sold for a total of 32,292 Boe or 176 Boepd (2007 – 22,554 Boe or 124 Boepd).

Sales volumes for the second quarter of 2008 increased by 49 Boepd or 40% from the comparable period of 2007. This increase is primarily due to increased production from the Garrington area.

ROYALTIES

	Three Months Ended Mar. 31, 2008	Three Months Ended Mar. 31, 2007	Six Months Ended Mar. 31, 2008	Six Months Ended Mar. 31, 2007
Crown royalties	$88,013	$71,931	$151,427	$128,291
Freehold royalties	10,267	7,625	18,534	15,920
Overriding royalties	60,382	39,603	102,185	70,936
ARTC	796	-	796	(14,000)
Total	$159,458	$119,159	$272,942	$201,147
Total (per Boe)	$10.13	$10.67	$8.45	$8.92

Royalties, which include crown, freehold and overriding royalties paid on oil, natural gas liquids and natural gas production amounted to $159,458 during the second quarter of 2008 ($272,942 year to date) compared to $119,159 during the second quarter of fiscal 2007 ($201,147 year to date). Increased sales volumes during the second quarter of 2008 have accounted for the increased royalties paid over the similar equivalent period in 2007. Average royalties during the second quarter of 2008 amounted to $10.13 per Boe or 20.0% of sales ($7.77 per Boe or 18.3% of sales year to date) (2007 - $10.67 per Boe or 24.9% of sales).

On October 25, 2007 the Government of Alberta released its New Royalty Framework (“NRF”) for the province which is proposed to take effect on January 1, 2009. Because the majority of the Corporation’s production in Alberta is from low productivity wells, at current pricing levels, the NRF is expected to have a minimal impact on Regal's effective royalty rates.

OPERATING EXPENSE

	Three Months Ended				Six Months Ended			
Major Field	Mar. 31, 2008	Per Boe	Mar. 31, 2007	Per Boe	Mar. 31, 2008	Per Boe	Mar. 31, 2007	Per Boe
Atlee Buffalo	$19,945	$28.13	$23,149	$29.05	$46,669	32.50	$55,113	$32.15
Garrington	206,143	19.54	124,417	19.45	376,018	17.90	214,768	16.75
Hanna	692	-	-	-	20,527	97.75	-	-
Judy Creek	11,126	58.87	1,163	7.91	13,479	29.30	3,177	9.54
Kaybob	26,899	11.41	28,691	19.22	53,044	11.66	39,930	16.73
Pica	900	-	-	-	9,806	16.91	-	-
Viking Kinsella	6,233	7.68	5,340	5.91	8,406	4.69	17,677	8.25
Veteran	37,749	34.04	33,545	23.69	148,337	66.61	100,703	16.11
Other	770	85.56	306	-	3,979	147.37	3,505	-
Total	$310,457	$19.73	$216,611	$19.39	$680,265	$21.07	$434,873	$19.28

Total operating costs for the quarter ended March 31, 2008 amounted to $310,457 or $19.73 per Boe compared to $216,611 or $19.39 per Boe during the quarter ended March 31, 2007. Total production volumes have increased from 11,172 Boe in the second quarter of 2007 to 15,736 during the current quarter accounting for the absolute dollar increase in operating costs. On a per Boe basis, operating costs have increased marginally from $19.39 per Boe during the second quarter of 2007 to $19.73 in the current quarter, an increase of 2%. There were minor extraordinary costs in the Judy Creek area that contributed to this increase. In addition, at Garrington, operating costs have increased due to the rental of two wellsite compressors necessary to maintain production in the area.

GENERAL AND ADMINISTRATIVE EXPENSE

	Three Months Ended		Six Months Ended	
	Mar. 31, 2008	Mar. 31, 2007	Mar. 31, 2008	Mar. 31, 2007
Salaries & Benefits	$104,048	$ 91,954	$194,543	$174,534
Office Costs	41,879	42,129	83,284	82,236
Legal, Audit, Engineering Fees	59,124	26,603	156,189	92,428
Other Consulting	32,318	32,753	57,976	58,232
Shareholder Services	18,889	34,075	21,230	44,972
Other	3,791	-	3,791	-
Capital/Operating Recoveries	(8,589)	(18,155)	(23,332)	(63,476)
	$251,460	$209,359	$493,681	$388,926
G&A per Boe	$15.98	$18.74	$15.29	$17.24

Total general and administrative expense during the second quarter of 2008 amounted to $251,460 or $15.98 per Boe ($493,681 and $15.29 per Boe year to date) compared to $209,359 or $18.74 per Boe ($388,926 and $17.24 per Boe year to date) during the equivalent period of 2007. Extraordinary costs incurred during the current quarter include $15,500 paid to U.S. counsel for securities advice in the United States. Other contributing factors to the current quarter increase in general and administrative expense from last year include a salary increase to employees granted January 1, 2008 and lower capital and operating recoveries due to a reduced level of capital expenditures in the current period compared to the equivalent period last year.

INTEREST EXPENSE

Total interest expense for the second quarter ended March 31, 2008 amounted to $68,105 (year to date $96,255) compared to $30,494 ($75,928 year to date) during the equivalent quarter ended March 31, 2007. The increase in interest expense for the second quarter of 2008 is attributable to the higher level of the Corporation's borrowings on its credit facilities while the interest expense during the second fiscal quarter of 2007 was primarily due to accrued interest payable to the Canada Revenue Agency relating to unexpended funds on the Corporation's flow-through share issue. In addition, the Corporation paid interest on its $400,000 bridge loan advanced by parties related to the Corporation, more fully described under the Related Party Transaction section.

STOCK BASED COMPENSATION EXPENSE

The Corporation accounts for its stock-based compensation program using the fair-value method. Under this method, compensation expense related to this program is recorded in the statement of operations over the vesting terms of the options. During the second quarter of fiscal 2008, $4,627 of stock based compensation expense was recognized as compared to $131,842 as stock compensation expense during the second quarter of fiscal 2007. On February 12, 2008, all remaining unvested options of the Corporation became vested and therefore there will be no further stock compensation expense recognized until such time as further options of the Corporation are granted..

DEPLETION AND DEPRECIATION

	Three Months Ended		Six Months Ended	
	Mar. 31, 2008	Mar. 31, 2007	Mar. 31, 2008	Mar. 31, 2007
Depletion	$380,872	$227,860	754,654	$452,402
Depreciation	5,750	4,989	11,464	9,551
Total	$386,622	$232,849	766,118	$461,953
Total (per Boe)	$24.57	$20.84	23.72	$20.48

Total depletion and depreciation expense for the quarter ended March 31, 2008 amounted to $386,622 or $24.57 per Boe compared to $232,849 or $20.84 per Boe for the quarter ended March 31, 2007. Depletion expense during the quarter increased marginally due to the spending of funds on infrastructure in order to tie-in shut in reserves that were previously included in the reserves total. Total depletion on a year to date basis at March 31, 2008 was $766,118 or $23.72 per Boe compared to $461.953 or $20.48 per Boe for the six months ended March 31, 2007. The year over year increase in depletion expense is attributable to additional production volumes as well as increased costs associated with bringing new reserves on stream. The depletion calculation is based on reserves as calculated by the Corporation's independent engineers as at September 30, 2007 and updated with internal Management estimates of reserve additions since that date and associated capital spent to place the added reserves on stream.

AMORTIZATION INTANGIBLE ASSET

As a result of the acquisition of Regal Energy Corp. on December 31, 2005, an intangible asset was recognized on the balance sheet of $500,000 that represented the value placed on the Management team under contract and continuing with Regal Energy Ltd. as well as a value for the public listing of Regal Energy Corp. The costs of the intangible asset are excluded from the depletion calculation and are being amortized over a period of three years. Total amortization for the period ended March 31, 2008 was $24,994 ($49,987 year to date) compared to $16,662 ($41,656 year to date) for the same quarter one year earlier. The Corporation tests for impairment of this asset at each reporting period. At September 30, 2006 as a result of the resignation of two senior officers of the Corporation, an impairment of $149,960 was recorded against this asset. The remaining balance continues to be amortized over the original term of three years. At March 31, 2008 the remaining unamortized balance is $74,980 as compared to $183,284 on March 31, 2007.

ACCRETION

Accretion expense represents the increase in the present value of the asset retirement obligation for the current period. During the quarter ended March 31, 2008 accretion expense amounted to $9,402 ($18,480 year to date) compared to $14,586 ($21,624 year to date) during the similar period in fiscal 2007.

INCOME TAXES

The Corporation estimates that it has approximately $64.2 million of tax pools available to shelter taxable income in future years. Due to the existence of these income tax pools, the Corporation does not expect to be taxable for the foreseeable future.

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 and ultimately Regal Energy Ltd. The Corporation has received a Notice of Determination / Re-determination of a Loss from CRA that would result in the Corporation's non capital losses being reduced by $1,416,627 and a penalty in the amount of $140,902 being assessed. On March 25, 2008, the Corporation filed an objection to this notice. The outcome of this audit is uncertain at this time and as such no provisions have been made in these financial statements. On March 25, 2008, the Corporation filed an objection to the Notice of Determination with CRA.

CAPITAL EXPENDITURES

During the second quarter of 2008, the Corporation recorded capital expenditures, net of dispositions of $(39,622) ($1,349,967 year to date) compared to $870,581 ($4,614,493 year to date) during the second quarter of 2007. Amounts reported in the following tables do not include non-cash capital recorded for asset retirement obligation in the amount of $nil in the second quarter of 2008 ($7,760 year to date) or $12,839 in the second quarter of 2007 ($78,949 year to date). During the current quarter, the only major capital expenditure project was the tie-in and equipping of the 7-8-81-17 W6M well at Eight Mile, British Columbia.

	Three Months Ended		Six Months Ended	
	Mar. 31, 2008	Mar. 31, 2007	Mar. 31, 2008	Mar. 31, 2007
Land Acquisition / Retention	$ 4,748	$ -	$ 5,305	$ -
Geological, Geophysical and Seismic	12,350	-	12,350	278,047
Drilling and Completions	69,015	471,963	899,308	3,808,217
Equipping and tie-ins	380,306	417,778	920,245	679,209
Property Acquisition / Disposition	(506,041)	(30,109)	(488,541)	511,021
Seismic Disposition	-	-	-	(675,000)
Furniture and Fixtures	-	10,949	1,300	12,999
	$(39,622)	$ 870,581	$1,349,967	$4,614,493

FINANCIAL RESOURCES AND LIQUIDITY

At March 31, 2008, the Corporation had a working capital deficiency of $3,786,644 compared to a working capital deficiency of $2,385,030 at September 30, 2007 and $3,215,126 at March 31, 2007. Components of the working capital deficiency are contained in the following table.

	Mar. 31, 2008	**Sept. 30, 2007**	**Mar. 31, 2007**
Cash and cash equivalents	$ -	$ -	$ -
Accounts receivable	1,268,422	486,313	892,971
Deposits and prepaid expenses	125,665	61,154	65,398
Bridge financing	(400,000)		-
Bank indebtedness	(2,907,850)	(1,078,357)	(2,559,394)
Accounts payable and accrued liabilities	(1,872,881)	(1,854,140)	(1,614,101)
Total Working Capital	$ (3,786,644)	$ (2,385,030)	$ (3,215,126)

The Corporation considers all accounts receivables to be valued fairly and to be collectible.

At March 31, 2008, the Corporation was not in compliance with a covenant in its agreement with its lender regarding working capital. The Corporation has received a letter from its lender agreeing to waive this default.

Should the proposed Business Combination with G2 not proceed, then the Corporation expects to continue with its plan to sell non-core assets that are currently producing minimal cash flow and to conduct a smaller equity financing in order to continue with its capital requirements. With the onset of production from Regal's Eight Mile 7-8 well during the month of April 2008, combined with higher commodity prices, the Corporation is expected to generate positive funds flow for the remainder of fiscal 2008. This additional funds flow will provide further financial flexibility however, in order to ensure that the Corporation has adequate capital available to pursue further exploration and development activities at its Eight Mile, BC property it will require an equity financing of approximately $1.0 million. There can be no guarantee however that this equity financing would be completed on terms that would be acceptable to the Corporation.

The following projections are based on average wellhead prices of $86.21/Bbl for oil and NGLs for fiscal 2008 (25% higher than previous forecast), and $8.29/Mcf for natural gas for fiscal 2008 (31% higher than previous forecast). The revised forecast recognizes the current strength in commodity pricing. The following projections make assumptions regarding the timing of tie-ins of wells and deliverabilities of wells that Management considers appropriate. The Corporation believes that with its current banking facilities, funds flow from operations, the sale of non-core assets and the issuance of additional equity, it will have the financial resources necessary to complete its $3 million capital budget.

The following table shows Management's current estimate of fiscal 2008 results and outlines the Corporation's expected working capital position at September 30, 2008:

Working capital surplus (deficiency) March 31, 2008	$	(3,786,644)
Issuance of further equity (net of costs)		930,000
Expected funds flow April 1, 2008 - September 30, 2008		1,274,264
Projected net capital expenditures April 1, 2008 – September 30, 2008		(863,000)
Expected working capital (deficiency) September 30, 2008 (1)	$	(2,445,380)

Note:
(1) Total available banking facilities as at the date of this report - $3,250,000

LENDING FACILITY

The Corporation has a revolving operating demand facility of $3,250,000 that bears interest at the bank prime rate plus 1/2 percent. Repayments of the facility are not required provided the amounts borrowed do not exceed $3,250,000 or an amount to be determined from time to time. The loan facility is subject to interim and annual reviews by the bank and is secured by a $5,000,000 floating charge demand debenture over all assets of the Corporation. At March 31, 2008, the Corporation was not in compliance with a banking covenant regarding working capital. The Corporation has received a letter from the bank agreeing to waive this default. At March 31, 2008 there was $2,800,000 drawn on the operating demand facility. In addition, there were net outstanding cheques of $107,850 to be drawn against this facility for total bank indebtedness of $2,907,850.

EQUITY CAPITAL

At March 31, 2008 Regal had 48,137,590 common shares outstanding. In addition, there were 5,100,167 share purchase warrants outstanding of which 916,667 are exercisable until May 30, 2008 at a price of $0.20 per share, 333,500 are exercisable at a price of $0.20 per share until August 1, 2008 and 3,850,000 are exercisable at a price of $0.35 until July 16, 2009. On December 31, 2007, 905,643 warrants expired unexercised.

Common Shares:

	Shares	Amount
Balance, September 30, 2006	22,709,179	$70,172,113
Private placement issued for cash – Nov. 30, 2006	5,000,000	972,816
Private placement issued for cash on a flow through basis – Nov 30, 2006	4,583,333	1,077,345
Rights offering – December 21, 2006	1,660,078	332,016
Private placement issued for cash – Feb 1, 2007	3,335,000	626,740
Private placement issued for cash on a flow through basis – June 28 and July 16, 2007	3,234,200	970,260
Private placement issued for cash on a flow through basis – June 28 and July 16, 2007	3,765,800	1,129,740
Private placement issued for cash – July 16, 2007	3,850,000	813,133
Tax impact of flow through share issue	-	(319,000)
Share issuance costs	-	(590,332)
Balance, September 30, 2007	48,137,590	$75,184,831
Tax impact of flow through share issue	-	(598,500)
Balance, March 31, 2008	48,137,590	$74,586,331

Warrants:

	Number of Warrants	Number of Underlying Shares	Amount
Balance, September 30, 2006	1,723,566	1,723,566	$ 406,300
November 30, 2006 private placement	916,667	916,667	49,838
February 1, 2007 private placement	333,500	333,500	40,260
June 30, 2007 expiry of warrants	(817,923)	(817,923)	(188,000)
July 16, 2007 private placement	3,850,000	3,850,000	187,867
Balance, September 30, 2007	6,005,810	6,005,810	$ 496,265
December 31, 2007 expiry of warrants (1)	(905,643)	(905,643)	(218,300)
Balance March 31, 2008	5,100,167	5,100,167	277,965

(1) 905,643 warrants that were issued in connection with the acquisition of Regal Energy Corp. expired on December 31, 2007

Options:

The Corporation has a stock option plan under which directors, employees and consultants are eligible to receive grants. Options granted under the plan to outside independent directors vest immediately. Options granted to employees and consultants of the Corporation prior to December 31, 2006 vest one-third on the date of grant, and one third each on the first and second anniversaries of the date of grant. Options granted to employees and consultants subsequent to December 31, 2006 vest one half on the date of grant and one half on the first anniversary of the date of grant.

The following table summarizes the status of the Corporation's stock option plan and the activity from September 30, 2006 to March 31, 2008.

	Number of Options	Weighted Average Exercise Price	Expiry Date
Balance September 30, 2006	1,626,000	$0.96	Various 2009-2011
Options granted February 12, 2007	1,675,000	0.30	February 12, 2012
Options cancelled(1)	(350,000)	0.95	
Balance September 30, 2007	2,951,000	$0.58	
Options cancelled(1)	(86,000)	$1.00	
Balance March 31, 2008	2,865,000	$0.57	
Exercisable at March 31, 2008	2,865,000	$0.57	

(1) Options issued to former directors and officers of the Corporation

Date of Grant	Number Outstanding	Exercise Price	Weighted Average Remaining Contractual Life (Years)	Date of Expiry	Number Exercisable at Dec. 31, 2008
Dec. 31, 2005(2)	80,000	$1.00	.84	Jan. 30, 2009	80,000
Dec. 31, 2005(2)	50,000	$0.90	1.38	Aug. 17, 2009	50,000
Dec. 31, 2005(2)	55,000	$1.00	2.04	Apr. 13, 2010	55,000
Jan. 1, 2006	1,005,000	$0.95	2.76	Jan. 1, 2011	1,005,000
Feb. 12, 2007(1)	1,675,000	$0.30	3.87	Feb. 12, 2012	1,675,000
	2,865,000	$0.57			2,865,000

(1) On February 12, 2007, 575,000 options were granted to directors and 1,100,000 options were granted to officers, employees and consultants. Under the terms of the option agreements, options granted to directors vest immediately while those options granted to officers, employees and consultants vest one-half on the date of grant and one half on the first anniversary of the date of grant. The fair value of each option is estimated using the Black-Scholes option pricing model and assumes an expected volatility of 50%, a risk free rate of return of 5.0%, and a weighted average life of 5 years.

(2) Pursuant of the acquisition of Regal Energy Corp. replacement options were issued to directors and officers of Regal Energy Corp. These options vested upon the completion of the transaction as the change of control provision of the option plan was triggered.

As of the date of this MD&A, the Corporation has the following outstanding equity instruments:

Shares outstanding	48,137,590
Shares issuable upon exercise of warrants	5,100,167
Stock options outstanding	2,865,000
Total equity instruments outstanding	56,102,757

A total of 48,137,590 common shares are currently issued and outstanding. A further total of 7,965,167 shares are reserved for the exercise of options and warrants, bringing the total diluted number of shares to 56,102,757.

COMMITMENTS

Pursuant to a flow-through financing completed on June 28, 2007 and July 16, 2007, the Corporation is committed to spend $2,100,000 on qualified exploration and development expenditures by December 31, 2008. As at December 31, 2007, the Corporation has expended approximately $1,303,200 relating to these commitments.

At March 31, 2008, the Corporation had commitments for a rental compressor totaling $18,250 in 2008.

RELATED PARTY TRANSACTIONS

On February 29, 2008, the Corporation entered into agreements with Companies controlled by three directors of the Corporation to provide bridge financing to fund its short term working capital needs. Under the terms of the agreement, $400,000 was advanced. A commitment fee of 3% was paid at the time of the advance and amounts outstanding bear interest at bank prime rate plus 3%. The bridge facility has a maturity date of 90 days subsequent to the advance of funds under the facility and may be renewed for a further 90 days upon mutual consent of the parties. In the event a renewal of terms is agreed to, the Corporation has agreed to pay the lenders a renewal fee of 3% of the then outstanding funds of the bridge facility and the interest rate will be increased to bank prime rate plus 6%. The bridge facility has been secured by a general security agreement over the assets of the Corporation (subordinated to the bank) and the lenders were issued promissory notes for the amount of the bridge facility.

On May 29, 2008, the related parties that provided the bridge financing and Regal have agreed to extend the repayment date of the loan until the completion of the Business Combination with G2 or August 29, 2008 whichever is earlier.

SUMMARY OF QUARTERLY RESULTS

	Three months ended Mar. 31, 2008	Three months ended Dec. 31, 2007	Three months ended Sep. 30, 2007	Three months ended Jun. 30, 2007
Petroleum and natural gas sales $	798,328	691,631	532,854	542,243
Net income (loss) $	(400,613)	(498,142)	(3,126,430)	(429,510)
Per share – basic and diluted $	(0.01)	(0.01)	(0.07)	(0.01)
Funds flow from operations (non-GAAP) $	25,032	(61,680)	(3,267)	(29,834)
Per share – basic and diluted $	0.00	0.00	0.00	0.00
Cash flow from operations $	(2,808)	198,415	(170,620)	165,025
Per share – basic and diluted	0.00	0.00	0.00	0.00
Capital expenditures – net of dispositions $	(39,622)	1,389,589	1,219,051	717,567
Average daily production (Boe/d)	173	180	154	145
Weighted average shares outstanding	48,137,590	48,137,590	46,813,103	37,394,212

	Three months ended Mar. 31, 2007	Three months ended Dec. 31, 2006	Three months ended Sep. 30, 2006	Three months ended Jun. 30, 2006
Petroleum and natural gas sales $	477,805	456,790	470,281	321,021
Net income (loss)	(474,420)	(356,635)	(4,950,641)	(611,937)
Per share – basic and diluted	(0.01)	(0.01)	(0.22)	(0.03)
Funds flow from operations (non-GAAP) $	(97,481)	(68,461)	(103,327)	(340,001)
Per share – basic and diluted	0.00	0.00	0.00	(0.01)
Cash flow from operations $	(143,082)	(182,530)	375,178	(1,183,742)
Per share – basic and diluted	0.00	(0.01)	0.02	(0.05)
Capital expenditures – net of dispositions	870,581	3,743,911	1,078,183	1,750,766
Average daily production (Boe/d)	124	124	116	67
Weighted average shares outstanding	36,138,868	26,118,789	22,709,179	22,709,179

SUMMARY OF SHARE TRADING

	Price Range				
Period of Fiscal 2008	**High ($)**	**Low ($)**	**Close ($)**	**Volume Traded**	**Value ($)**
First Quarter	0.32	0.26	0.27	2,447,357	684,049
Second Quarter	0.315	0.20	0.21	2,621,031	683,255
Total Year to date	0.32	0.20	0.21	5,068,388	1,367,304

Period of Fiscal 2007	High ($)	Price Range Low ($)	Close ($)	Volume Traded	Value ($)
First Quarter	0.24	0.165	0.18	3,145,159	580,356
Second Quarter	0.39	0.18	0.26	2,448,675	593,969
Third Quarter	0.30	0.215	0.30	2,232,367	578,557
Fourth Quarter	0.36	0.26	0.28	2,484,691	713,043
Total Year	0.39	0.165	0.30	10,310,892	2,465,925

CHANGES TO INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes to Regal's internal control over financial reporting since September 30, 2007, which have materially affected, or are reasonably likely to materially affect Regal's internal control over financial reporting.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principals requires the Corporation to make assumptions, judgments and estimates that may have a significant impact on the financial statements. Estimates are reviewed periodically and as adjustments become necessary, they are reported in earnings in the period they become known. A summary of the Corporation's significant accounting policies can be found in Note 2 of the September 30, 2007 audited financial statements.

ACCOUNTING CHANGES

Effective October 1, 2007, the Corporation adopted the CICA Handbook Section 1506 Accounting Changes that provides expanded disclosures for changes in accounting policies, accounting estimates and corrections of errors. Under the new standard, accounting changes should be applied retroactively unless otherwise permitted or where impracticable to determine. As well, voluntary changes in accounting policy are made only when required by a primary source of GAAP or the change results in more relevant and reliable information.

Effective October 1, 2007, the Corporation adopted two new CICA standards, Handbook Section 3862, Financial Instruments - Disclosures and Section 3863, Financial Instruments - Presentation replaced Section 3861, Financial Instruments - Disclosure and Presentation. The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward the former presentation requirements.

Effective October 1, 2007, the Corporation adopted the CICA Handbook Section 1535 - Capital Disclosures which requires companies to disclose their objectives, policies and processes for managing capital. In addition, disclosures are to include whether companies have complied with externally imposed capital requirements.

CANADIAN ACCOUNTING PRONOUNCEMENTS

The CICA has amended Section 1400, "General Standards of Financial Statement Presentation", which is effective for interim periods beginning on or after October 1, 2008, to include requirements to assess and disclose the Corporation's ability to continue as a going concern. The adoption of this new section will not have an impact on the financial statements.

Effective October 1, 2008, the Corporation will be required to adopt CICA Handbook Section 3031 – Inventories. This new standard is not expected to have an impact on the Corporation's financial statements.

In January 2006, the CICA Accounting Standards Board ("ASCB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by 2011. On February 13, 2008, The ASCB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-orientated enterprises. The Corporation continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS.

RISKS AND UNCERTAINTIES

The business of exploring for, developing and producing oil and gas reserves is inherently risky. There is a risk that the sale of the Corporation's reserves may be delayed indefinitely due to process constraints, lack of pipeline capacity or lack of markets. The price the Corporation receives for its crude oil and natural gas fluctuates continuously and for the most part is beyond its control. The Corporation is also subject to the risks associated with oil and gas properties, including exploration, development and production risks, and environmental risks such as the pollution of air, land and water. In all areas of the Corporation's business, it competes against entities that have greater technical and financial resources. The Corporation's growth is dependent upon external sources of financing which may not be available on acceptable terms. For a more detailed description regarding risks and uncertainties of the Corporation please see disclosures contained in the annual report filed on SEDAR or available on Regal's website.

ADDITIONAL INFORMATION REGARDING REGAL ENERGY LTD.

Additional information regarding Regal Energy Ltd. is available on the internet at www.sedar.com and Regal's website (www.regalenergy.ca).