Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Drift Lake Resources Inc. ("Drift Lake", the "Corporation" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended February 28, 2011. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual financial statements of the Company for the years ended February 28, 2011 and 2010, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The audited annual financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. Information contained herein is presented as at June 10, 2011, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Drift Lake common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Cautionary Note Regarding Forward-Looking Information

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the potential of the Company's oil and gas property interests to contain reserves, the potential of the Company's Rossmere property to contain gold, copper, silver or other economic deposits; the Company's ability to meet its working capital needs at the current level for the twelve-month period ending February 28, 2012; the plans and timing for disposal by the Company of its interest in the Rossmere property; the plans, costs, timing and capital for future exploration and development of the oil and gas and mineral property interests of the Company, including the costs and potential impact of complying with existing and proposed laws and regulations; management's outlook regarding future trends; sensitivity analysis on financial instruments, which may vary from amounts disclosed; prices and price volatility for crude oil and other economic deposits; and general business and economic conditions.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond Drift Lake's ability to predict or control. These risks, uncertainties and other factors include, but are not limited to, finding crude oil and other economic deposits, price volatility, changes in debt and equity markets, timing and availability of external financing on acceptable terms, the uncertainties involved in interpreting geological data and confirming title to the Company's properties, the possibility that future exploration results will not be consistent with Drift Lake's expectations, increases in costs, environmental compliance and changes in environmental and other local legislation and regulation, interest rate and exchange rate fluctuations, changes in economic and political conditions and other risks involved in the oil and gas and mining industries, as well as those risk factors listed in the "Risk Factors" section below. Readers are cautioned that the foregoing list of factors is not exhaustive of the factors that may affect the forward-looking statements. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions that may prove to be incorrect, including, but not limited to, assumptions about the following: the availability of financing for Drift Lake's exploration and development activities; operating and exploration costs; the Company's ability to retain and attract skilled staff; timing of the receipt of regulatory and governmental approvals for exploration projects and other operations; market competition; and general business and economic conditions.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Drift Lake's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Description of Business, Business Combination and Related Financing

The Company was incorporated on September 7, 2006, under the laws of Ontario, Canada, and has a fiscal year end of the last day in February.

The following Business Combination (defined herein) was not accounted for in the February 28, 2011, year-end audited financial statements. As of February 28, 2011, the closing of the Business Combination was subject to the completion of the acquisition and final regulatory approval. The approval was subsequently received and the Business Combination closed on April 27, 2011. The costs of the transaction as at February 28, 2011, were $126,934 and the amount has been expensed.

Pursuant to a non-binding letter of intent dated November 4, 2010 (as amended by letter dated December 1, 2010), the Company and Northbrook Energy LLC ("Northbrook") agreed to complete a business combination of the two companies (the "Northbrook Business Combination"). Northbrook is a private company existing under the laws of Texas. It is engaged in the acquisition, exploration and development of oil and gas properties in Texas and Latin America.

On January 26, 2011, the Company, Northbrook, Drift Lake Texas Inc., a wholly-owned subsidiary of the Company ("Subco") and a special purpose finance company ("FinanceCo") entered into a definitive Master Agreement (the "Master Agreement") dated January 17, 2011, to complete the Northbrook Business Combination by way of a three-cornered amalgamation, pursuant to which Subco would amalgamate with Northbrook and all of the issued and outstanding securities of Northbrook would be acquired by the Company from the existing holders thereof in consideration for the issuance of an aggregate of 27,000,000 common shares of the Company (each, a "DLR Share") and the payment of $330,000 to the existing shareholders of Northbrook. The consideration for the DLR Shares to be issued in connection with the Northbrook Business Combination was calculated based upon a deemed price of $0.50 per DLR Share. Northbrook and the Company were arm's length parties.

Also on January 26, 2011, the Company completed the first tranche of the private placement in connection with the Northbrook Business Combination, pursuant to which an aggregate of 32,430,000 subscription receipts ("Subscription Receipts") were issued at a price of $0.50 per Subscription Receipt to raise aggregate gross proceeds of $16,215,000 (the "Financing"), which amount was held in escrow as at February 28, 2011. Of this total, an aggregate of 2,830,000 Subscription Receipts were issued by Drift Lake directly (the "DLR Subscription Receipts") and an aggregate of 29,600,000 Subscription Receipts (the "FinanceCo Subscription Receipts") were issued by FinanceCo. Each DLR Subscription Receipt was convertible upon the satisfaction of certain release conditions for no additional consideration into units ("DLR Units"), each DLR Unit consisting of one common share of Drift Lake (each, a "DLR Share") and one-half of one common share purchase warrant (each whole such warrant, a "DLR Warrant"), with each DLR Warrant entitling the holder thereof to acquire one additional DLR Share at an exercise price of $0.75 for a period of 18 months (subject to accelerated expiry in the event that the closing price of the DLR Shares exceeds $1.25 for 20 consecutive trading days). Each FinanceCo Subscription Receipt was convertible upon the satisfaction of certain release conditions for no additional consideration into units ("FinanceCo Units"), each FinanceCo Unit consisting of one common share of FinanceCo (each, a "FinanceCo Share") and one-half of one common share purchase warrant (each whole such warrant, a "FinanceCo Warrant"), with each FinanceCo Warrant entitling the holder thereof to acquire one additional FinanceCo Share at an exercise price of $0.75 for a period of 18 months (subject to accelerated expiry in the event that the closing price of the DLR Shares exceeds $1.25 for 20 consecutive trading days).

On February 3, 2011, the second tranche of the Financing was completed pursuant to which an aggregate of 6,030,000 Subscription Receipts were issued by FinanceCo at a price of $0.50 per Subscription Receipt to raise aggregate gross proceeds of $3,015,000, which amount was held in escrow as at February 28, 2011. Each Subscription Receipt was convertible upon the satisfaction of certain release conditions for no additional consideration into one FinanceCo Unit.

Concurrently with the execution of the Master Agreement, the Company also entered into an amalgamation agreement with a wholly owned subsidiary of the Company (“Newco”) and FinanceCo (the "Amalgamation Agreement") pursuant to which the Company and FinanceCo agreed to effect a business combination (the "FinanceCo Business Combination", and together with the Northbrook Business Combination, the "Business Combination") concurrently with the Northbrook Business Combination, which was structured in the form of a three-cornered amalgamation pursuant to which FinanceCo would amalgamate with Newco and all of the issued and outstanding securities of FinanceCo (including all outstanding FinanceCo Shares and FinanceCo Warrants) would be acquired by Drift Lake from the existing holders thereof in consideration of the issuance of equivalent securities of Drift Lake to each of the holders of FinanceCo Shares and FinanceCo Warrants.

On February 24 and March 11, 2011, the final two tranches of the Financing were completed, with an aggregate of 3,700,000 Subscription Receipts being issued by FinanceCo at a price $0.50 per Subscription Receipt to raise additional aggregate gross proceeds of $1,850,000. Each Subscription Receipt is convertible upon the satisfaction of certain release conditions for no additional consideration into one FinanceCo Unit.

As a result of the closing of the final tranche, an aggregate of 42,160,000 Subscription Receipts were issued by FinanceCo and the Company pursuant to the Financing in total, to raise aggregate gross proceeds of $21,080,000. The gross proceeds raised pursuant to the Financing (the "Escrowed Funds") were deposited with Olympia Transfer Services Inc. to be held in escrow pending the satisfaction of certain release conditions relating to the Business Combination, including the receipt of the requisite approval of the Business Combination by shareholders of Drift Lake, and the conditional approval of the Business Combination by the TSX Venture Exchange.

An aggregate of 41,160,000 of the Subscription Receipts issued pursuant to the Financing were issued on a brokered basis by co-lead agents Jones Gable & Company Limited and PowerOne Capital Markets Limited, with a syndicate that included Clarus Securities Inc., Salman Partners Inc. and Primary Capital Inc. (collectively, the "Agents"), while an aggregate of 1,000,000 Subscription Receipts were issued on a non-brokered basis. An aggregate of 2,366,700 broker warrants (the "Broker Warrants") were issued to the Agents as partial consideration for their services in connection with the Financing, each such Broker Warrant entitling the holder thereof to acquire one DLR Share at an exercise price of $0.50 until the date which is 18 months following the release of the Escrowed Funds. In addition, aggregate fees in the amount of $1,440,600 were paid to the Agents and certain other advisers assisting in the Financing, upon release of the Escrowed Funds.

On April 13, 2011, in connection with the Business Combination, the Company prepared and filed a filing statement (the “Filing Statement”) in accordance with the regulations of the TSX Venture Exchange summarizing the terms of the proposed Business Combination and related matters.

On April 27, 2011, the Company closed the Business Combination with Northbrook and FinanceCo, pursuant to the Master Agreement and Amalgamation Agreement. Each of Northbrook and FinanceCo amalgamated with wholly-owned subsidiaries of Drift Lake, the Subscription Receipts converted into DLR Units and FinanceCo Units, as applicable, in accordance with the terms thereof, and all of the issued and outstanding securities of each of Northbrook and FinanceCo were subsequently acquired by Drift Lake from the existing holders thereof in consideration of the issuance of an aggregate of 78,160,001 DLR Shares and an aggregate cash payment of $330,000. Also in connection with the Business Combination, an aggregate of 19,665,000 FinanceCo Warrants were exchanged for DLR Warrants on a 1:1 basis.

Following the closing of the Business Combination, (i) an aggregate of 27,000,000 DLR Shares were issued to former shareholders of Northbrook in consideration of the acquisition by Drift Lake of all such issued and outstanding Northbrook shares; and (ii) an aggregate of 51,160,001 DLR Shares were issued to subscribers in the Financing and existing holders of FinanceCo shares. In addition, all directors and officers of Drift Lake resigned with the exception of Bruno Maruzzo and Carmelo Marrelli, and the Board of Directors of Drift Lake was reconstituted and new management associated with Northbrook was appointed, including Doug Manner as Chief Executive Officer, Keith Spickelmier as Executive Chairman and David Cherry as President and Chief Operating Officer. Carmelo Marrelli remained as Chief Financial Officer.

Financial Performance

As at February 28, 2011, the Company had assets of $1,637,834 and a net equity position of $1,531,617. This compares with assets of $1,825,929 and a net equity position of $1,787,004 at February 28, 2010. The Company has $106,217 of liabilities. For the year ended February 28, 2011, the Company has spent $1,507 on the Rossmere property. This amount includes geologist/technician costs of $1,288 and reports/maps/other costs of $219.

At February 28, 2011, the Company had working capital of $1,436,539 (February 28, 2010 - $1,693,433). The Company had cash and cash equivalents of $1,519,336 at February 28, 2011 (February 28, 2010 - $1,724,386). The decrease in working capital of $256,894 and cash and cash equivalents of $205,050 from February 28, 2010, to February 28, 2011, is primarily due to operating costs of $143,781, excluding stock-based compensation of $33,285 and Business Combination transaction costs of $126,934.

The Company has sufficient cash on hand to fund its working capital needs at the current level and as currently proposed for the twelve-month period ending February 28, 2012. See “Liquidity and Financial Position”, below.

See “Mineral Property Interests” below.

See “Petroleum and Natural Gas Prospects” below.

On May 9, 2011, Drift Lake announced that its US subsidiary has entered into a farmout agreement with an arm’s-length party for its ownership interests in several leases located in Marion County, Texas, known as the Big Cypress prospect. The US subsidiary will receive a cash payment of $400,000 (US) upon closing and will retain a 15% working interest in the initial test well after payout and a 15% working interest in all future development wells. In addition, the US subsidiary will receive an overriding royalty interest, ranging up to 2% depending on the lease, in all oil and gas produced.

Selected Annual Financial Information

The following are selected financial data derived from the audited financial statements of Drift Lake as at February 28, 2011, 2010 and 2009 and for the fiscal years ended February 28, 2011, 2010 and 2009.

	Fiscal year ended February 28, 2011	Fiscal year ended February 28, 2010	Fiscal year ended February 28, 2009
Net loss	$288,672	$238,635	$128,311
Net loss per share (basic and diluted)	$0.010	$0.015	$0.018
	As at February 28, 2011	**As at February 28, 2010**	**As at February 28, 2009**
Mineral property interests	$95,078	$93,571	$139,464
Total assets	$1,637,834	$1,825,929	$567,342
Current liabilities	$106,217	$38,925	$27,974

- The net loss for the period ended February 28, 2011, consisted primarily of operating costs of $177,066 and Business Combination transaction costs of $126,934.

- The net loss for the period ended February 28, 2010, consisted primarily of operating costs of $95,572 and write-off of exploration costs of $145,395.

- The net loss for the period ended February 28, 2009, consisted primarily of operating costs of $136,640.

Trends

After giving effect to the Business Combination, Drift Lake will focus on crude oil and other natural resources.

There are significant uncertainties regarding the price of crude oil and other natural resources and the availability of equity financing for the purposes of exploration and development. The future performance of Drift Lake is largely tied to the development of its current oil and natural gas properties and the overall financial markets. Financial markets are likely to be volatile, reflecting ongoing concerns about the stability of the global economy and weakening global growth prospects. Unprecedented uncertainty in the credit markets has also led to increased difficulties in borrowing and raising funds. Companies worldwide have been affected particularly negatively by these trends. As a result, Drift Lake may have difficulties raising equity financing for the purposes of oil and natural gas exploration and development, particularly without excessively diluting the interests of existing shareholders. These trends may limit the ability of Drift Lake to develop and/or further explore its current oil and gas and mineral exploration properties and any other property interests that may be acquired in the future.

Overall Objective

The primary business objective of Drift Lake is to build a significant oil and natural gas exploration and development company based upon Drift Lake's current holdings in Texas and Latin America. In furtherance of this objective, Drift Lake, after completion of the Business Combination, established the following business strategy:

- complete recommended exploration and development programs on acquired property interests with a view to establishing oil and natural gas reserves; and

- capitalize on management's technical expertise and ability to identify, evaluate and acquire exploration and development properties.

Mineral Property Interests

The Company's exploration activities are at an early stage, and it has not yet been determined whether its Rossmere property contains an economic mineral reserve. There are no known deposits of minerals on any of the Company's exploration properties and any activities of the Company thereon will constitute exploratory searches for minerals. See "Risk Factors" below.

Rossmere Property

The Company is engaged in the exploration for gold on the Rossmere property, which is located in the north central part of the Shebandowan greenstone belt of northern Ontario. Pursuant to a property option assignment agreement dated September 14, 2006, as amended by agreements dated June 27, 2007, November 7, 2007, May 6, 2008, January 14, 2009 and November 24, 2009, the Company acquired the option to acquire up to a 60% interest in the Rossmere property in consideration for the issuance of 1,000,000 common shares in the capital stock of the Company. In order to acquire a 50% interest, the Company needs to spend $300,000 on the property by February 25, 2012, and, for a further 10%, the Company needs to spend a further $500,000 on the property by February 15, 2018. The Rossmere property is subject to a 2% net smelter return ("NSR") in favour of the prospector who staked the property, of which a 1% NSR may be purchased for $1,000,000 by subsequent optionees, who will also retain a right of first refusal on the remaining 1% NSR. The Company, upon fulfillment of its option in full, will have a 60% interest in the aforementioned purchase rights relating to the 2% NSR. As of February 28, 2011, the Company has incurred $240,373 towards its work commitments on the Rossmere property option. The Company has completed a 49 km Induced Polarization ("IP") survey and a 57.8 km magnetic-Very Low Frequency Electromagnetic ("magnetic-VLF EM") survey and some trenching work on the Rossmere property and has identified several new potential drill targets to the west and northwest of the Bandore gold deposit. Previous geological mapping had been carried out and all of the new IP anomalies lie within shallow overburden cover along projected shear structures typical of the geological setting for gold deposits in the area. In July 2009, the Company announced the completion of an $81,000 exploration program on the Rossmere property that included a four-hole drill program of 365 metres (1,200 feet). The drill program was designed to intersect shear zones that are the controlling structures for gold mineralization in the area as well as carbonate altered and porphyry zones. IP zones consisting of strongly sheared sulphide-bearing volcanics and metasediments were identified in drilling but no significant gold values were intersected. In March 2010, the Company announced the completion of a $46,500 exploration program on the Rossmere property that included a two-hole drill program of approximately 276 metres (900 feet). The drill program was designed to intersect shear zones that are the controlling structures for gold in the area. IP zones consisting of strongly sheared sulphide bearing sediments and sericitic volcanic with numerous quartz reins were identified in drilling but no significant gold values were intersected.

The Corporation relies principally on Robert S. Middleton, P.Eng., as the Qualified Person as defined under National Instrument 43-101. Mr. Middleton has read and approved the technical and scientific information relating to the Rossmere property contained in this MD&A.

Project Expenditures

The following table sets forth a breakdown of material components of expenditures incurred at the Rossmere property.

Exploration expenditures	Total expenditures to February 28, 2011 $
Acquisition costs	100
IP Surveys	102,971
Trenching	4,340
Geologists/Technicians	11,758
Reports/Maps/Other	9,991
Drilling	111,313
Less: write-off	(145,395)
Ending balance	**95,078**

Petroleum and Natural Gas Prospects

As of March 31, 2011, the Company's petroleum and natural gas prospects included:

- the Bayovar prospect ;
- the Big Cypress prospect;
- the Old Oak prospect; and
- the Rock Hill prospect.

Big Cypress Prospect

On May 9, 2011, Drift Lake announced that its US subsidiary has entered into a farmout agreement with an arm's-length party for its ownership interests in several leases located in Marion County, Texas, known as the Big Cypress prospect. The US subsidiary will receive a cash payment of $400,000 (US) upon closing and will retain a 15% working interest in the initial test well after payout and a 15% working interest in all future development wells. In addition, the US subsidiary will receive an overriding royalty interest, ranging up to 2% depending on the lease, in all oil and gas produced.

Old Oak and Rock Hill Prospects

The Old Oak and Rock Hill prospects are currently being marketed and Drift Lake seeks to retain a 15% to 20% reversionary working interest in each one.

Bayovar Prospect

The Bayovar prospect consists of an undivided 25% interest in the Licence Contract for Exploration and Exploitation of Hydrocarbons dated April 15, 2009 (the "Bayovar Licence") and a 25% working interest in Exploration Permit XXVII ("EP XXVII"), comprising approximately 175,000 acres in the Sechura Basin, in the Province of Sechura, Peru.

Drift Lake has entered into an agreement (the "Assignment Agreement") with Douglas Manner, Keith Spickelmier and David Cherry, (collectively the "Manner Group") pursuant to which all rights and obligations of the Manner Group under the Exploration and Production Participation Agreement dated February 4, 2011, between the Manner Group, Faulkner Exploration, Inc., Faulkner Exploration, Inc. S.A. ("Faulkner") and Faulkner Exploration and Production Inc. (the "Bayovar Agreement") with respect to the property known as the Bayovar prospect were assigned to Northbrook Oil & Gas LLC (a wholly-owned subsidiary of Northbrook) for no additional consideration. Pursuant to the terms of the Assignment Agreement and the Bayovar Agreement, Northbrook has agreed to acquire the Bayovar prospect in consideration of (i) a cash payment in the aggregate amount of US$2,000,000 (paid); and (ii) the issuance of 5,489,143 DLR Shares at $0.525 per share.

Faulkner is the operator of the permits under the Bayovar Agreement.

Proposed Budget

The initial ten drilling locations in the Drift Lake work program with respect to the Bayovar prospect are located on the eastern, upthrown side of the fault, analogous to the current offshore fields. The large Bayovar uplift is located in the middle of EP XXVII and provides for much shallower penetration of the primary targets compared to the offshore fields. In addition, the uplift should add natural fracturing to that created by the Illescas fault in the Cretaceous reservoir, which should enhance the productivity. Drift Lake's proposed work program covers an 18-month period from the first quarter of 2011 to the second quarter of 2012 inclusive. It proposes a geologic study including the integration of a geochemical analysis to detect biomarkers on the block. In addition, it proposes the acquisition of 500 kilometres of gravimetric and magnetics data followed by the drilling of three exploration wells. The wells are to be drilled to a vertical depth of 1,100 metres or to penetrate 100 metres into the Paleozoic, whichever occurs first. The primary reservoir targets are the Verdun and the Paleozoic. There are additional prospective shallow gas reservoirs also expected.

Faulkner has advised Drift Lake that it intends to use state of the art drilling technology to drill, complete and test the wells. The first location will be drilled between two wells drilled in the 1920s that had shallow gas shows on the drilling reports.

Drift Lake's proposed work program and budget for the Bayovar prospect covers an 18-month period from the first quarter of 2011 to the second quarter of 2012 inclusive. The budget estimates total gross expenditures of US$5,818,179 (net to Drift Lake, US$1,600,000).

Drift Lake's budget estimates total gross expenditures of US$5,818,179 (net to Drift Lake, US$1,600,000) for the proposed 2011-2012, 18- month work program.

Drift Lake Work Program and Budget 1st Quarter 2011 to 2nd Quarter 2012 Timing of Expenditures															
Exploration Activity	DL Share of Costs (1)	1st Quarter 2011		2nd Quarter 2011		3rd Quarter 2011		4th Quarter 2011		1st Quarter 2012		2nd Quarter 2012		Total Expenditures	
		Gross Cost	DL Net Cost	Gross Cost	DL Net Cost	Gross Cost	DL Net Cost	Gross Cost	DL Net Cost	Gross Cost	DL Net Cost	Gross Cost	DL Net Cost	Gross Cost	DL Net Cost (US$)
Block XXVII: Drill Location 1	27.5%	-	-	1,939,393	533,333	-	-			-	-			1,939,393	533,333
Block XXVII: Drill Location 2	27.5%	-	-			-	-	1,939,393	533,333	-	-			1,939,393	533,333
Block XXVII: Drill Location 3	27.5%	-	-			-	-			-	-	1,939,393	533,334	1,939,393	533,334
Total Budget Expend-itures		-	-	1,939,393	533,333	-	-	1,939,393	533,333	-	-	1,939,393	533,334	5,818,179	1,600,000
Notes: (1) Drift Lake's ("DL") working interest in all of the operations in the Block are 25% except for the additional payment of 2.5% on gross drilling and completion costs for the first five wells, then 1.5% for the second five wells, and 1% for all future original drilling costs.															

All amounts in table are in US$

Off-Balance-Sheet Arrangements

As of the date of this MD&A, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on its results of operations or financial condition, including, and without limitation, such considerations as liquidity, capital expenditures and capital resources that would be considered material to investors.

Proposed Transactions

There are no proposed transactions of a material nature being considered by the Company at the date of this MD&A other than as set forth below.

- During fiscal year ended February 28, 2012, the Company intends to sell or relinquish its interest in the Rossmere property;
- Drift Lake intends to farm out 100% of the economic risk of drilling and completing the exploration wells on the Old Oak and Rock Hill prospects while retaining the right to proportionately participate in the subsequent development; and
- The Company continues to evaluate properties and corporate opportunities to advance its exploration, development and objectives.

Critical Accounting Estimates

The preparation of the Company's financial statements requires management to make certain estimates that affect the amounts reported in the financial statements. The accounting estimates considered to be significant are the valuation of the Company's mineral property interests and stock-based compensation.

The policy of capitalizing exploration costs to date does not necessarily relate to the future economic value of the exploration properties. The valuation of mineral resource properties is dependent entirely upon the discovery of economic mineral deposits.

The Company uses the Black-Scholes option-pricing model to estimate the fair value of stock-based compensation. The main factor affecting the estimates of stock-based compensation is the stock price volatility used. The Company uses historical price data and comparables in the estimate of future volatility.

Other items requiring estimates for year ended February 28, 2011, are accounts payable and accrued liabilities and future income taxes. Changes in the accounting estimates in these items may have a material impact on the financial position of Drift Lake.

Capital Management

The Company manages its capital with the following objectives:

- To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities and pursuit of accretive acquisitions; and
- To maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. Management and the Board of Directors on an ongoing basis review the capital structure.

The Company considers its capital to be equity, comprising share capital, contributed surplus and deficit, which at February 28, 2011, totaled $1,531,617 (February 28, 2010 - $1,787,004).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral properties. Selected information is provided to the Board of Directors of the Company.

The Company is not subject to any capital requirements imposed by a lending institution.

Selected Quarterly Information

A summary of selected information for each of the eight most recent quarters is as follows:

		Net Loss	
Three Months Ended	Net Revenues ($)	Total ($)	Loss Per Share ($)
February 28, 2011		(155,115) (1)	(0.007)
November 30, 2010	-	(78,763) (2)	(0.003)
August 31, 2010	-	(35,890) (3)	(0.00)
May 31, 2010	-	(18,904) (4)	(0.00)
February 28, 2010	-	(40,942) (5)	(0.00)
November 30, 2009	-	(149,759) (6)	(0.008)
August 31, 2009	-	(33,054) (7)	(0.00)
May 31, 2009	-	(14,879) (8)	(0.00)

Notes:

(1) Net loss of $155,115 consists of $83,326 transaction costs related to the proposed Business Combination and the Financing, professional and consulting fees of $39,842, wages of $32,752 (including stock-based compensation of $17,020), filing fees of $2,251, and office and general expenses of $2,435. These expenses were offset by interest income of $5,491.

(2) Net loss of $78,763 consisted of wages of $25,459 (including stock based compensation of $11,712), professional and consulting fees of $9,047, filing fees of $3,227, telephone of $915, and transaction costs of $43,608. These expenses were offset by interest income of $4,616.

(3) Net loss of $35,890 consisted of wages of $18,374 (including stock based compensation of $4,518), professional and consulting fees of $8,301, filing fees of $10,000, telephone of $1,163, automobile expenses of $58; and office and general of $1,646. These expenses were offset by interest income of $3,652.

(4) Net loss of $18,904 consisted of wages of $12,876 (including stock based compensation of $35), professional and consulting fees of $4,400, filing fees of $2,765, telephone of $230, automobile expenses of $144, and office and general of $58. These expenses were offset by interest income of $1,569.

(5) Net loss of $40,942 consisted of wages of $10,856 (including stock based compensation of $147), professional and consulting fees of $9,590, filing fees of $4,492, telephone of $482, postage and delivery

of $40, office and general of $1,819 and write-off of exploration costs of $13,847. These expenses were offset by interest income of $184.

(6) Net loss of $149,759 consisted of wages of $9,898 (including stock based compensation of $1,362), professional and consulting fees of $4,369, filing fees of $4,025, telephone of $495, office and general of $71 and write-off of exploration costs of $131,548. These expenses were offset by interest income of $647.

(7) Net loss of $33,054 consisted of wages of $10,145 (including stock based compensation of $1,084), professional and consulting fees of $11,292, filing fees of $10,394, telephone of $377 and office and general of $1,138. These expenses were offset by interest income of $292.

(8) Net loss of $14,879 consisted of wages of $10,271 (including stock based compensation of $651), professional and consulting fees of $2,900, filing fees of $2,497, telephone of $291, automobile expenses of $68 and office and general of $61. These expenses were offset by interest income of $1,209.

Results of Operations

Twelve months ended February 28, 2011, compared with twelve months ended February 28, 2010

Drift Lake's net loss totaled $288,672 for the twelve months ended February 28, 2011, with basic and diluted loss per share of $0.010. This compares with net loss of $238,635 with basic and diluted loss per share of $0.015 for the twelve months ended February 28, 2010. The increase of $50,037 in net loss was principally because:

- Wages increased to $89,461 for the twelve months ended February 28, 2011 (twelve months ended February 28, 2010 - $41,170). The increase can be attributed to salaries and benefits of $50,320 paid to Luigi M. Falzone, $2,400 for director fees and $3,456 for source deductions. The Company also granted an aggregate of 350,000 stock options exercisable at a price of $0.135 per share for a period of five years, all of which were issued to the Company's directors and officers. The fair value of these options at the date of grant of $0.095 was estimated using the Black- Scholes valuation model with the following assumptions: a five-year expected term; 90% expected volatility; risk-free interest rate of 1.96% per annum; and an expected dividend rate of 0%. The estimated value of $33,250 will be classified as wages and credited to contributed surplus as the options vest. The options vest over eighteen months, about 1/6 after three months, 1/6 after six months, 1/6 after nine months, 1/6 after twelve months, 1/6 after fifteen months and 1/6 after eighteen months. On January 3, 2011, the directors of the Company amended the vesting terms of the 350,000 stock options with an exercise price of $0.135 and expiry date of August 18, 2015. The stock options were then deemed to vest immediately. For the year ended February 28, 2011, stock-based compensation of $33,250 was expensed to wages. In addition, $35 of stock-based compensation was expensed to wages from previously issued options in a prior period. In the comparative period, salaries and benefits of $38,440 were paid to Mr. Falzone plus $3,456 for source deductions. In addition, $1,509 of stock-based compensation was expensed to wages from previously issued options in a prior period. (See "Related Party Transactions", below).

  Several variables are used when determining the value of stock options using the Black-Scholes valuation model:

    - The expected term: the Company used the expected term of five years, which is the maximum term ascribed to these stock options, for the purposes of calculating their value. The Company chose the maximum term because it is difficult to determine with any reasonable degree of accuracy when these stock options will be exercised.
    - Volatility: the Company used historical information of a similar company on the market price of its common shares to determine the degree of volatility at the date the stock

options were granted. Therefore, depending on when the stock options are granted and the period of historical information examined, the degree of volatility can be different when calculating the value of different stock options.

  - Risk-free interest rate: the Company used the interest rate available for government securities of an equivalent expected term as at the date of the grant of the stock options. The risk-free interest rate would vary depending on the date of the grant of the stock options and their expected term.
  - Dividend yield: the Company has not paid dividends in the past because it is in the exploration stage and has not yet earned any significant income. Also, the Company does not expect to pay dividends in the foreseeable future because it does not expect to bring its mineral properties into production and earn significant revenue any time soon. Therefore, a dividend rate of 0% was used for the purposes of the valuation of the stock options.

- Professional and consulting fees, filing fees, telephone, automobile expenses and office and general costs amounted to $87,605 (twelve months ended February 28, 2010 - $54,402). These costs increased by $33,203. The increase can be attributed to (i) corporate activity requiring legal services, and (ii) support costs to assist the Company find a new project. See "Subsequent Events", below.

- Transaction costs amounted to $126,934 (twelve months ended February 28, 2010 - $nil). These costs increased by $126,934. The increase can be attributed to costs to acquire a new project. See "Subsequent Events", below.

- Write-off of exploration costs amounted to $nil (twelve months ended February 28, 2010 - $145,395). The write-off of exploration costs decreased by $145,395. The decrease can be attributed to the write-off of exploration costs for the Rossmere property in the prior year. No such expense occurred in the current year.

- Higher interest income resulted from higher balances in cash and cash equivalents, partially offset by lower yields, reflecting the market conditions present as of February 28, 2011.

<u>Three months ended February 28, 2011, compared with three months ended February 28, 2010</u>

Drift Lake's net loss totaled $155,115 for the three months ended February 28, 2011, with basic and diluted loss per share of $0.007. This compares with net loss of $40,942 with basic and diluted loss per share of $0.00 for the three months ended February 28, 2010. The increase of $114,173 in net loss was principally because:

- Wages increased to $32,752 for the three months ended February 28, 2011 (three months ended February 28, 2010 - $10,856). The increase in expenditures can be attributed to salaries and benefits of $14,120 provided to Mr. Falzone, $700 for director fees and $912 for source deductions. The Company also granted an aggregate of 350,000 stock options exercisable at a price of $0.135 per share for a period of five years, all of which were issued to the Company's directors and officers. The fair value of these options at the date of grant of $0.095 was estimated using the Black-Scholes valuation model with the following assumptions: a five-year expected term; 90% expected volatility; risk-free interest rate of 1.96% per annum; and an expected dividend rate of 0%. The estimated value of $33,250 will be classified as wages and credited to contributed surplus as the options vest. The options vest over eighteen months, about 1/6 after three months, 1/6 after six months, 1/6 after nine months, 1/6 after twelve months, 1/6 after fifteen months and 1/6 after eighteen months. On January 3, 2011, the directors of the Company amended the vesting terms of the 350,000 stock options with an exercise price of $0.135 and expiry date of August 18, 2015. The stock options were then deemed to vest immediately. For the three months ended February 28, 2011, stock-based compensation of $17,020 was expensed to wages. In the comparative period, salaries and benefits of $10,000 were paid to Mr. Falzone plus $708 for source deductions. In addition, $147 of stock-based compensation was expensed to wages from previously issued options in a prior period. (See "Related Party Transactions", below).

Several variables are used, including the expected term, volatility, risk-free interest rate and dividend yield, when determining the value of stock options using the Black-Scholes valuation model, as described on pages 14 and 15.

- Professional and consulting fees, filing fees, telephone, automobile expenses and office and general costs amounted to $44,528 (three months ended February 28, 2010 - $16,423). These costs increased by $28,105. The increase can be attributed to (i) corporate activity requiring legal services, and (ii) support costs to assist the Company's Business Combination transaction.

- Transaction costs amounted to $83,326 (three months ended February 28, 2010 - $nil). These costs increased by $83,326. The increase can be attributed to the Business Combination transaction as discussed above.

- Write-off of exploration costs amounted to $nil (three months ended February 28, 2010 - $13,847). The write-off of exploration costs decreased by $13,847. The decrease can be attributed to the write-off of exploration costs for the Rossmere property in the comparative period. No such expense occurred in the current period.

- Higher interest income resulted from higher balances in cash and cash equivalents, partially offset by lower yields, reflecting the market conditions present as of February 28, 2011.

Liquidity and Financial Position

As a junior resource company, the Company has no regular cash flow from operations, and the level of operations is principally a function of availability of capital resources. To date, the principal source of funding has been through the completion of its prospectus financing in September 2007 for gross proceeds of $373,500, the exercise of the broker warrants issued pursuant to the prospectus financing for gross proceeds of $28,012, completion of the non-brokered private placement on August 13, 2008, for gross proceeds of $430,000, completion of the second non-brokered private placement on July 20, 2009, (the "Second Placement") for gross proceeds of $500,000 and the exercise of the share purchase warrants associated with the Second Placement for gross proceeds of $1,000,000. On April 27, 2011, the Company closed the Business Combination with Northbrook and FinanceCo, pursuant to the Master Agreement and Amalgamation Agreement discussed above. As a result of the closing, net proceeds of $19,206,518 were released from escrow and will be used to fund the Company's oil and gas exploration activities. Going forward, the Company will have to continue to rely on equity or debt financings for its working capital. There is no guarantee that the Company will be able to successfully complete such financings, as market conditions may dictate availability and interest. See "Risk Factors".

At February 28, 2011, Drift Lake had $1,519,336 in cash and cash equivalents (February 28, 2010 - $1,724,386).

Accounts payable and accrued liabilities increased to $106,217 at February 28, 2011, compared to $38,925 at February 28, 2010, primarily due to transaction costs for the Business Combination. The Company's cash as at February 28, 2011, is sufficient to pay these liabilities.

The Company has no operating revenues and therefore must utilize its current cash reserves and other financing transactions to maintain its capacity to meet ongoing exploration and operating activities.

As of the date of this MD&A, the cash resources of Drift Lake are held with one Canadian chartered bank.

The primary purposes of the Business Combination were to obtain additional equity capital, create a public market for the Northbrook partners, diversify the asset holdings of Drift Lake and facilitate future access by Drift Lake to financing opportunities. The management of Drift Lake expects to use the total funds available to it following the Business Combination for the purposes described below:

Use of Funds	Amount
Evaluation and acquisition of additional oil and natural gas properties in Latin America	$5,000,000
Drilling activities to be undertaken in respect of the Bayovar prospect	$1,600,000
Estimated general and administrative expenses of Drift Lake for the 18 months following the Effective Date	$2,900,000
General corporate expenses and working capital	$10,653,780
Total	**$20,153,780**

Based on current projections, Drift Lake's working capital available for funding ongoing operations is expected to meet its expenses for a minimum period of 18 months commencing immediately after the completion of the Business Combination.

Notwithstanding the proposed uses of available funds discussed above, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. It is difficult, at this time, to definitively project the total funds necessary to effect the planned activities of Drift Lake. For these reasons, management of Drift Lake considers it to be in the best interests of Drift Lake and its shareholders to afford management a reasonable degree of flexibility as to how the funds are employed among the uses identified above, or for other purposes, as the need arises. Further, the above uses of available funds should be considered estimates. See "Cautionary Note Regarding Forward-Looking Information" above.

In addition, in order to earn its option on the Rossmere property, the Company must perform and record accepted exploration work on the Rossmere property as follows:

For a 50% interest:

(i) $100,000 by February 25, 2008 (completed); and
(ii) a further $200,000 by February 25, 2012.

The Company may acquire a further 10% interest (for a total 60% interest) by paying for an additional $500,000 work on the property as follows:

(iii) a further $200,000 by February 25, 2014;
(iv) a further $200,000 by February 25, 2016; and
(v) a further $100,000 by February 25, 2018.

As of February 28, 2011, $240,373 has been expended by the Company towards its work commitments on the Rossmere property option, of which $145,395 was written off in the fiscal year ended February 28, 2010.

During the fiscal year ended February 28, 2012, the Company intends to sell or relinquish its interest in the Rossmere property.

The Company is required to spend approximately $60,000 during its next exploration program on the Rossmere property in order to meet its February 25, 2012, exploration commitment. Management has not yet determined how this budget allocation will be spent.

Related Party Transactions

(a) At February 28, 2011, the amount due to Mr. Falzone, an officer of the Company at such time, was $nil (February 28, 2010 - $217) on account of expenses paid by him on behalf of the Company. For the year ended February 28, 2011, Mr. Falzone has been paid the following amounts:

Expenses	February 28, 2011 $	February 28, 2010 $
Salaries and benefits	53,967	39,660
Telephone	3,224	1,645
Automobile costs	202	68
Legal services	4,521	4,856
	61,914	**46,229**

(b) For the year ended February 28, 2011, Sandra Fawcett, a shareholder and officer of the Company during such period, billed the Company $4,400 (February 28, 2010 - $8,900) for accounting services rendered to the Company.

(c) For the year ended February 28, 2011, director fees of $2,400, excluding source deductions of $9 (February 28, 2010 - $nil), were paid as follows:

Director names	Year Ended February 28, 2011 $
Russell C. Thomas	600
Luigi M. Falzone	200
William E. MacRae	400
Calogero Falzone	600
Bruno C. Maruzzo	600
Source deductions	9
	2,409

(d) For the year ended February 28, 2011, the Company expensed $9,000 (February 28, 2010 - $nil) to Marrelli CFO Outsource Syndicate Inc. ("Marrelli") for the services of Carmelo Marrelli to act as Chief Financial Officer of the Company. Carmelo Marrelli beneficially owns Marrelli.

(e) For the year ended February 28, 2011, the Company expensed $9,421 (February 28, 2010 - $nil) to Marrelli Support Services Inc. ("MSSI") for accounting services provided. Carmelo Marrelli, the CFO of the Company, is the president of MSSI. As at February 28, 2011, MSSI was owed $6,135 and this amount was included in accounts payable and accrued liabilities.

(f) For the year ended February 28, 2011, the Company incurred $33,285 stock-based compensation for stock options granted to directors and officers (February 28, 2010 - $1,509).

All related party 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 and approximates fair value.

Future Accounting Changes

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, including the Company, effective for fiscal years beginning on or after January 1, 2011.

Accordingly, the Company will report interim and annual financial statements in accordance with IFRS beginning with the quarter ending May 31, 2011. The Company's 2012 interim and annual financial statements will include comparative 2011 financial statements, adjusted to comply with IFRS.

IFRS Transition Plan

The Company has established a comprehensive IFRS transition plan and engaged third-party advisers to assist with the planning and implementation of its transition to IFRS. The following summarizes its progress and expectations with respect to its IFRS transition plan:

Initial scoping and analysis of key areas for which accounting policies may be impacted by the transition to IFRS.	Complete
Detailed evaluation of potential changes required to accounting policies, information systems and business processes, including the application of IFRS 1 First-time Adoption of International Financial Reporting Standards.	Complete
Final determination of accounting policies and the quantitative impact of adopting IFRS on key line items in the Company's financial statements.	In progress, to be completed in conjunction with the Q1 2012 IFRS financial statements.
Resolution of the accounting policy change implications on information technology, business processes and contractual arrangements.	In progress, to be completed in conjunction with the Q1 2012 IFRS financial statements.

The Company anticipates engaging its auditors to review its determination of accounting policies under IFRS, the quantitative impact of adopting IFRS on its financial statements and its first interim IFRS financial statements (Q1 2011).

Impact of Adopting IFRS on the Company's Business

During its analysis of requirements for conversion to IFRS, the Company identified some changes that need to be made to its accounting systems and business processes. Management believes that these changes are minimal and the systems and processes can accommodate the necessary changes.

Management has not identified any contractual arrangements that are significantly impacted by the adoption of IFRS.

The Company's staff and advisers involved in the preparation of financial statements have been appropriately trained on the relevant aspects of IFRS and the changes to accounting policies. Employees of the Company who will be affected by a change in business processes as a result of the conversion to IFRS have also been appropriately trained.

The Board of Directors and Audit Committee have been regularly updated on the progress of the IFRS conversion plan, and are aware of the key aspects of IFRS.

First-time Adoption of IFRS

The adoption of IFRS requires the application of IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS effective at the end of a company's first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

The Company has identified the following optional exemptions that it is planning to apply in its preparation of an opening IFRS statement of financial position as at March 1, 2010, the Company's "Transition Date":

- To apply IFRS 2 Share-based Payments only to equity instruments that were issued after November 7, 2002, and had not vested by the Transition Date.
- To apply the transition provisions of IFRIC 4, Determining whether an Arrangement Contains a Lease, therefore determining if arrangements existing at the Transition Date contain a lease based on the circumstances existing at that date.
- To apply IAS 23, Borrowing Costs, prospectively from the Transition Date. IAS 23 requires the capitalization of borrowing costs directly attributable to the acquisition, production or construction of certain assets.

Prior to reporting interim financial statements in accordance with IFRS for the quarter ended May 31, 2011, the Company may decide to apply other optional exemptions contained in IFRS 1.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date will be consistent with those made under current Canadian GAAP. If necessary, estimates will be adjusted to reflect any difference in accounting policy.

Impact of Adopting IFRS on the Company's Financial Statements

The adoption of IFRS will result in some changes to the Company's accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements. Based on its evaluation to date, management expects that some changes to the Company's accounting policies would result in significant changes to line items within its financial statements.

The following provides a summary of the Company's evaluation of potential changes to accounting policies in key areas based on the current standards and guidance within IFRS. This is not intended to be a complete list of areas where the adoption of IFRS will require a change in accounting policies, but to highlight the areas that the Company has identified as having the most potential for a change in its significant accounting policies.

The International Accounting Standards Board has a number of ongoing projects, the outcome of which may have an effect on the changes required to the Company's accounting policies on adoption of IFRS. At the present time, however, the Company is not aware of any significant expected changes that would affect the summary provided below.

Exploration and Evaluation Expenditures

Subject to certain conditions, IFRS currently allows an entity to determine an accounting policy that specifies the treatment of costs related to the exploration for and evaluation of oil and gas and mineral properties. The Company expects to establish an accounting policy to expense, as incurred, all costs relating to exploration and evaluation until such time as it has been determined that a property has economically recoverable reserves.

The application of this policy on the adoption of IFRS will have a significant impact on the Company's financial statements. On adoption of IFRS, the carrying value of the oil and gas and mineral resource properties will be reduced to zero (as at the transition date), with a corresponding adjustment to accumulated deficit. All subsequent exploration and evaluation costs will be expensed as incurred until such time as it has been determined that a property has economically recoverable reserves.

Impairment of (Non-financial) Assets

IFRS requires a write-down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write-down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies related to impairment of non-financial assets will be changed to reflect these differences. However, the Company does not expect that this change will have an immediate impact on the carrying value of its assets. The Company will perform impairment assessments in accordance with IFRS at the transition date.

Share-based Payments

In certain circumstances, IFRS requires a different measurement of stock-based compensation related to stock options than current Canadian GAAP.

The Company does not expect any changes to its accounting policies related to share-based payments that would result in a significant change to line items within its financial statements.

Asset Retirement Obligations (Decommissioning Liabilities)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to decommissioning liabilities will be changed to reflect these differences. However, the Company does not expect this change will have an immediate impact on the carrying value of its assets.

Income Taxes

IFRS contains some different guidance related to recognition and measurement of future (deferred) income taxes. One of those differences relates to accounting for flow-through common shares, for which IFRS does not include the same level of specific guidance provided under current Canadian GAAP.

The Company has not completed its detailed evaluation of the differences between IFRS and current Canadian GAAP related to accounting for income taxes. These differences could require changes to accounting policies that may impact the Company’s financial statements and require adjustments to future (deferred) income taxes and shareholders’ equity.

Subsequent Disclosures

Further disclosures of the IFRS transition process are expected in the Company’s first financial statements prepared in accordance with IFRS, which will be the interim financial statements for the three months ending May 31, 2011, and will include notes disclosing transitional information and disclosure of new significant accounting policies under IFRS. The interim financial statements for the three months ending May 31, 2011, will also include 2010 financial statements for the comparative period, adjusted to comply with IFRS, and a transition date IFRS statement of financial position (as at May 1, 2010).

Financial Instruments

The Company's risk exposures and the impact on its financial statements are summarized below. There have been no changes in the risks, objectives, policies and procedures from the previous period.

(a) Property risk

The Company has an interest in the Rossmere property and select oil and gas interests (collectively, the “Properties”). Unless the Company acquires or develops additional material properties, it will be mainly dependent upon its Properties. If the Company acquires no additional major properties, any adverse development affecting its Properties would have a material adverse effect on its financial condition and results of operations.

(b) Financial risk

The Company’s activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate and foreign exchange rate risk).

The Company’s management team carries out risk management with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. Cash and cash equivalents consists of cash on hand with a reputable financial institution. Financial instruments included in amounts receivable consist of sales tax receivables from government authorities in Canada. The amounts receivable are in good standing as of February 28, 2011. Management believes that the credit risk concentration with respect to financial instruments included in cash and cash equivalents and amounts receivable is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company’s liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities and interest income earned on its cash and cash equivalents. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at February 28, 2011, the Company had a cash and cash equivalents balance of $1,519,336 (February 28, 2010 - $1,724,386) to settle current liabilities of $106,217 (February 28, 2010 - $38,925).

Most of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates and foreign currency exchange rates. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. Following is a discussion of the Company's primary market risk exposures and how they are currently managed.

Interest rate risk
The Company has significant cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in high-yield savings accounts or term deposits. The Company regularly monitors its cash management policy.

Foreign currency risk
The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

Sensitivity analysis

The Company has, for accounting purposes, designated its cash and cash equivalents as held-for-trading, measured at fair value. Amounts receivable are classified for accounting purposes as loans and receivables, measured at amortized cost, which equals fair market value. Accounts payable and accrued liabilities are classified for accounting purposes as other financial liabilities, measured at amortized cost. which approximates fair market value.

As of February 28, 2011, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent because of the limited term of these instruments.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve-month period:

(i) Cash and cash equivalents are subject to floating interest rates. The Company has no debt and receives low interest rates on its cash balances. As such the Company does not have significant interest rate risk; and

(ii) The Company does not hold balances in foreign currencies to give rise to exposure to foreign exchange risk.

Fair value hierarchy

Cash and cash equivalents are classified as Level 1 within the fair value hierarchy under Section 3862 of the CICA Handbook.

Outlook

During the fiscal year ended February 28, 2012, the Company intends to sell or relinquish its interest in the Rossmere property.

The Company is continually evaluating direct or indirect acquisitions of additional properties. The Company continues to monitor its spending and will amend its plans and budgets based on exploration results and expectations of being able to raise financing as and when required.

Drift Lake intends to farm out 100% of the economic risk of drilling and completing the exploration wells on the Old Oak and Rock Hill prospects while retaining the right to proportionately participate in the subsequent development.

Environmental Contingency

Drift Lake's exploration activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and generally becoming more restrictive. As of the date of this MD&A, the Company does not believe that there are any significant environmental obligations requiring material capital outlays in the immediate future.

Share Capital

As of the date of this MD&A, Drift Lake had 113,564,369 common shares outstanding, 21,080,000 DLR Warrants with an exercise price of $0.75 until October 27, 2012 (subject to accelerated expiry in the event the closing price of the common shares exceeds $1.25 for 20 consecutive days), 2,366,700 broker warrants, each such broker warrant entitling the holder thereof to acquire one DLR Share at an exercise price of $0.50 until October 27, 2012, and 3,300,000 stock options (50,000 with an exercise price of $0.10 until November 13, 2012; 50,000 with an exercise price of $0.10 until September 30, 2013; 100,000 with an exercise price of $0.135 until August 18, 2015; and 3,100,000 with an exercise price of $0.49 until May 11, 2016).

Subsequent Events

See "Description of Business, Business Combination and Related Financing" above.

In addition, the Company has the following subsequent events:

(a) On March 1, 2011, 50,000 stock options with an exercise price of $0.10 and expiry date of November 13, 2012, were exercised for cash proceeds of $5,000.

(b) On April 14, 2011, the following stock options were exercised:

- 300,000 with an exercise price of $0.10 until November 13, 2012; and
- 250,000 with an exercise price of $0.135 until August 18, 2015

(c) On February 22, 2011, Northbrook issued a promissory note in exchange for $2,000,000 received from a lender. The principal sum of $2,000,000 is payable on or before the date which is the earlier of (i) one business day after the release of private placement funds from escrow to Drift Lake by Northbrook which funds are being held in escrow on certain conditions in connection with the Business Combination of Drift Lake and Northbrook, (ii) the bankruptcy or insolvency of Northbrook or the date Northbrook takes advantage of any statute which permits the compromise of any obligations owing by a debtor to a creditor, and (iii) May 31, 2011, together, in each case, with interest payable on the same date calculated on the principal sum outstanding from time to time at a rate of 24% per annum calculated monthly on the principal sum from time to time remaining unpaid and payable both before and after default, as well as before and after maturity and after judgment. The promissory note is secured by Northbrook's equipment, inventory, general intangibles, and all other property and assets of Northbrook and all proceeds and products thereof. The promissory note was repaid in full in April 2011.

(d) On May 9, 2011, Drift Lake announced that its US subsidiary has entered into a farmout agreement with an arm's-length party for its ownership interests in several leases located in Marion County, Texas, known as the Big Cypress prospect. The US subsidiary will receive a cash payment of $400,000 (US) upon closing and will retain a 15% working interest in the initial test well after payout and a 15% working interest in all future development wells. In addition, the US subsidiary will receive an overriding royalty interest, ranging up to 2% depending on the lease, in all oil and gas produced.

(e) On May 16, 2011, the Company completed its acquisition of a 25% interest in the Faulkner operated Bayovar prospect in Peru. An initial US$2.0 million cash payment was made to Faulkner on the closing of the acquisition transaction in February 2011. This second and final payment for the interest consisted of the issuance of 5,489,143 DLR Shares at $0.525 per share, representing a market value of US$3.0 million, based on the weighted average closing price of the Company's common shares on the TSX Venture Exchange for the first ten trading days after the completion of the Business Combination.

(f) At a Board of Directors meeting held on May 11, the directors unanimously approved a rolling 10% stock option plan and granted a total of 3.1 million stock options to five staff members who recently joined the Company, one officer and a director, all subject to shareholder approval of the new stock option plan. The awarded options will be exercisable at $0.49 per share, the closing price on May 11, 2011, and will vest from time to time over two years.

Risk Factors

Investment in Drift Lake must be considered highly speculative due to the nature of Drift Lake's business, its formative stage of development, its current financial position and its lack of an earnings record. An investment in any securities of Drift Lake should only be considered by those persons who can afford a total loss of their investment.

ONGOING NEED FOR FINANCING

As Drift Lake will have limited revenue, its ability to continue exploration, development, acquisition and divestiture efforts will be largely reliant on its continued attractiveness to equity investors. Drift Lake will incur operating losses as it continues to expend funds to explore and develop its properties and possibly other properties. Even if its financial resources are sufficient to fund its current exploration and development programs, there is no guarantee that Drift Lake will be able to develop any of its properties to commercial production. Additionally, should Drift Lake require additional capital to continue exploration and development, failure to raise such capital could result in Drift Lake going out of business. From time to time, Drift Lake may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase Drift Lake's debt levels above industry standards.

CRUDE OIL AND NATURAL GAS DEVELOPMENT

No reserves have been assigned in connection with Drift Lake's property interests to date, given their early stage of development. The future value of Drift Lake is therefore dependent on the success or otherwise of Drift Lake's activities, which are principally directed toward the further exploration, appraisal and development of its assets in Texas and Latin America. Exploration, appraisal and development of crude oil reserves are speculative and involve a significant degree of risk. There is no guarantee that exploration or appraisal of the property interests of Drift Lake will lead to a commercial discovery or, if there is commercial discovery, that Drift Lake will be able to realize such reserves as intended. Few properties that are explored are ultimately developed into new reserves. If at any stage Drift Lake is precluded from pursuing its exploration or development programs, or such programs are otherwise not continued, Drift Lake's business, financial condition and/or results of operations and, accordingly, the trading price of DLR Shares, are likely to be materially adversely affected.

Crude oil exploration involves a high degree of risk and there is no assurance that expenditures made on future exploration or development activities by Drift Lake will result in discoveries of crude oil, condensate or natural gas that are commercially or economically possible. It is difficult to project the costs of implementing any exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

OIL AND NATURAL GAS RESERVES

All evaluations of future net revenues are calculated before consideration of indirect costs such as administrative overhead, other miscellaneous expenses and income taxes. The future net revenues may not be representative of the fair market value of the reserves. There are numerous uncertainties inherent in estimating quantities of proved, probable and possible reserves, including many factors beyond the control of Drift Lake.

In general, estimates of economically recoverable oil reserves and the future net revenues obtained therefrom are based on a number of variable factors and assumptions such as commodity prices, the assumed effects of regulation by governmental agencies and future operating costs, each of which may vary considerably from actual results. Estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom, prepared by different engineers or by the same engineers at different times, may vary substantially. Accordingly, any reserve estimates assigned to any of Drift Lake's properties may be materially different from the quantities and values ultimately realized.

VOLATILE STOCK PRICE

The stock price of Drift Lake is expected to be highly volatile and will be drastically affected by exploration and development results. Drift Lake cannot predict the results of its exploration and development activities expected to take place in the future. The results of these activities will inevitably affect Drift Lake's decisions related to further exploration and development at any of the properties that it may hold in the future, and will likely trigger major changes in the trading price of DLR Shares.

POTENTIAL CONFLICTS OF INTEREST

Some of the individuals who will be appointed as directors or officers of Drift Lake are also directors, officers and/or promoters of other reporting and non-reporting issuers. As of the date of this MD&A, and to the knowledge of the directors and officers of Drift Lake, there are no existing conflicts of interest between Drift Lake and any of the individuals who are directors or officers of the Company. Situations may arise where the directors and/or officers of Drift Lake may be in competition with Drift Lake. Any conflicts will be subject to and governed by the law applicable to directors' and officers' conflicts of interest. In the event that such a conflict of interest arises at a meeting of Drift Lake's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of Drift Lake are required to act honestly, in good faith and in the best interests of Drift Lake.

NO HISTORY OF PRODUCTION

Drift Lake's properties are exploration stage only. Drift Lake has never had any interest in crude oil producing properties. There is no assurance that commercial quantities of crude oil will be discovered at any of the properties of Drift Lake or any future properties, nor is there any assurance that the exploration or development programs of Drift Lake thereon will yield any positive results. Even if commercial quantities of crude oil are discovered, there can be no assurance that any property of Drift Lake will ever be brought to a stage where oil and/or natural gas can profitably be produced thereon. Factors that may limit the ability of Drift Lake to produce oil and/or natural gas from its properties include, but are not limited to, the price of crude oil, availability of additional capital and financing and the nature of any crude oil deposits.

MARKET FOR DRIFT LAKE SHARES

An active public market for Drift Lake's shares may not be sustained. If an active public market is not sustained, the liquidity of DLR Shares may be limited, and the price of Drift Lake's shares may decline below the purchase price of DLR Shares and/or FinanceCo Shares obtained in each of their most recent private placements.

RELIANCE ON LIMITED NUMBER OF PROPERTIES

The principal property interest of Drift Lake is currently the Bayovar prospect. As a result, unless Drift Lake acquires additional property interests, any adverse developments affecting the Bayovar prospect could have a material adverse effect upon Drift Lake and would materially and adversely affect the potential production, profitability, financial performance and results of operations of Drift Lake.

FUTURE SALES OF DRIFT LAKE SHARES BY EXISTING SHAREHOLDERS

Sales of a large number of Drift Lake’s shares in the public markets, or the potential for such sales, could decrease the trading price of Drift Lake’s shares and could impair Drift Lake's ability to raise capital through future sales of Drift Lake’s shares. Drift Lake may from time to time have previously issued securities at an effective price per share that was lower than the then current market price of the DLR Shares. Accordingly, certain shareholders of Drift Lake may have an investment profit in the DLR Shares that they may seek to liquidate on a going forward basis.

MARKET PRICE OF DRIFT LAKE SHARES

There can be no assurance that an active market for the DLR Shares will be sustained. If an active public market for the common shares of Drift Lake is not sustained, the liquidity of an investment therein may be limited and the share price may decline. Securities of micro-cap and small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. The price of the common shares of Drift Lake is also likely to be significantly affected by short-term changes in oil and natural gas prices or in the Company’s financial condition or results of operations as reflected in its quarterly earnings reports. Other factors unrelated to the Company’s performance that may have an effect on the price of the common shares of Drift Lake include the following: the extent of analytical coverage available to investors concerning the Company’s business may be limited if investment banks with research capabilities do not follow the Company’s securities; lessening in trading volume and general market interest in the Company’s securities may affect an investor’s ability to trade significant numbers of common shares; the size of the Company’s public float may limit the ability of some institutions to invest in the Company’s securities; and a substantial decline in the price of the common shares that persists for a significant period of time could cause the Company’s securities, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity.

As a result of any of these factors, the market price of the common shares of Drift Lake at any given point in time may not accurately reflect the Company’s long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management’s attention and resources.

ENVIRONMENTAL REGULATION AND RISKS

All phases of Drift Lake's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Drift Lake's operations. Environmental hazards may exist on the properties on which Drift Lake holds interests that are unknown to Drift Lake at present and which have been caused by previous or existing owners or operators of the properties.

Government approvals, approval of aboriginal people and permits are currently and may in the future be required in connection with Drift Lake's direct and indirect operations. To the extent such approvals are required and not obtained; Drift Lake may be curtailed or prohibited from continuing its oil and gas and/or mineral exploration operations or from proceeding with planned exploration or development of its properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in the exploration or development of natural resource properties may be required to compensate those suffering loss or damage by reason of the exploration and development activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of oil and natural gas and mineral exploration companies, or more stringent implementation thereof, could have a material adverse impact on Drift Lake and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new properties.

REQUIREMENT FOR PERMITS AND LICENCES

The operations of Drift Lake require it to obtain licences for operating, permits, and in some cases, renewals of existing licences and permits from the authorities in Texas and Latin America. Drift Lake believes that it currently holds or has applied for all necessary licences and permits to carry on the activities it is currently conducting under applicable laws and regulations on its properties, and also believes that it is complying in all material respects with the terms of such licences and permits. However, the ability of Drift Lake to obtain, sustain or renew any such licences and permits on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies in foreign jurisdictions.

REQUIREMENT TO INVEST TO RETAIN RIGHTS

Most of the leases and other operating rights that Drift Lake has and will acquire granting Drift Lake the right to explore for and exploit oil and natural gas resources require, within defined lengths of time, Drift Lake to drill wells to maintain those rights. There can be no assurance that Drift Lake will have the resources necessary to drill the required wells within the required time periods. In addition, Drift Lake will prioritize its drilling to pursue its best prospects, thus running the risk that certain of its rights may expire. If Drift Lake does not perform the required drilling within the defined time periods, its rights to explore may lapse, which could have a material adverse effect on Drift Lake.

ATTRACTION AND RETENTION OF KEY PERSONNEL INCLUDING DIRECTORS

Drift Lake has a small management team and the loss of a key individual or inability to attract suitably qualified staff could have a material adverse impact on its business. Drift Lake may also encounter difficulties in obtaining and maintaining suitably qualified staff in certain of the jurisdictions in which it conducts business. Drift Lake has sought to and will continue to ensure that directors and any key employees are provided with appropriate incentives; however, their services cannot be guaranteed.

EXPLORATION, DEVELOPMENT AND OPERATING RISKS

Exploration and development operations generally involve a high degree of risk. The operations of Drift Lake are subject to all the hazards and risks normally encountered in the exploration, development and production of oil and natural gas, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, operations are subject to hazards that may result in environmental pollution and consequent liability.

INSURANCE AND UNINSURED RISKS

Drift Lake's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to oil and natural gas properties or production facilities, personal injury or death, environmental damage to the properties of Drift Lake, or the properties of others, delays in exploration and development activities, monetary losses and possible legal liability.

Although Drift Lake maintains insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with an oil and natural gas company's operations. Drift Lake may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to Drift Lake or to other companies in the oil and natural gas industry on acceptable terms. Drift Lake might also become subject to liability for pollution or other hazards that may not be insured against or which Drift Lake may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Drift Lake to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

INFRASTRUCTURE

Oil and natural gas development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants that affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the operations, financial condition and results of operations of Drift Lake.

LAND TITLE

No assurances can be given that there are no title defects affecting any properties of Drift Lake. Title insurance generally is not available, and the ability of Drift Lake to ensure that it has obtained secure claim to individual properties or concessions may be severely constrained. Furthermore, Drift Lake has not conducted surveys of the properties in which it currently holds direct or indirect interests and, therefore, the precise area and location of such properties may be in doubt. Accordingly, such properties may be subject to prior unregistered liens, agreements, transfers or claims, including native land claims, and title may be affected by, among other things, undetected defects. In addition, Drift Lake may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

COMPETITION

The mining and oil and natural gas industries are competitive in all of their phases. Drift Lake faces strong competition from other companies in connection with the acquisition of properties producing, or capable of producing, oil and natural gas, and precious and base metals. Many of these companies have greater financial resources, operational experience and technical capabilities than Drift Lake. As a result of this competition, Drift Lake may be unable to maintain or acquire attractive properties on terms it considers acceptable or at all. Consequently, the revenues, operations and financial condition of Drift Lake could be materially adversely affected.

ADDITIONAL CAPITAL

The development and exploration of the properties of Drift Lake will require substantial additional financing. Failure to obtain sufficient financing may result in the delay or indefinite postponement of exploration, development or production on any or all of such properties or even a loss of property interest. The primary source of funding available to Drift Lake consists of equity financing. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to Drift Lake.

COMMODITY PRICES

The price of Drift Lake's shares, its financial results and its exploration, development and production activities, if any, may in the future be significantly adversely affected by declines in the price of crude oil. The price of crude oil fluctuates widely and is affected by numerous factors beyond the Company's control, such as the sale or purchase of commodities by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, the political and economic conditions of major oil-producing countries throughout the world, and the cost of substitutes, inventory levels and carrying charges. Future serious price declines in the market value of crude oil could cause continued development of and commercial production from its properties to be impracticable. Depending on the price of crude oil, cash flow from any potential future operations may not be sufficient. Drift Lake could be forced to discontinue production and may lose its interest in, or be forced to sell, some of its properties. Potential future production from the Company's properties, if any, is dependent upon the price of crude oil being adequate to make these properties economic.

In addition to adversely affecting the Company's financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or interrupt operations until the reassessment can be completed.

GOVERNMENT REGULATION

The Company's development and exploration activities will be subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, oil and natural gas safety, toxic substances, land use, water use, land claims of local people and other matters. Although the Company's operations and exploration and development activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development. Amendments to current laws and regulations governing oil and natural gas operations or mining or milling activities, or more stringent implementation thereof, could have a substantial adverse impact on Drift Lake.

KEY EXECUTIVES

Drift Lake is dependent on the services of key executives, including its directors and a small number of highly skilled and experienced executives and personnel. Due to the Company's relatively small size, the loss of these persons or the Company's inability to attract and retain additional highly skilled employees may adversely affect its business and future operations.

GLOBAL FINANCIAL CONDITIONS

Current global financial conditions have been subject to increased volatility following the 2008 financial crisis in which numerous financial institutions either went into bankruptcy or had to be rescued by governmental authorities. The sub-prime mortgage meltdown and the liquidity crisis affecting the asset-backed commercial paper market severely curbed access to public financing. More recently, threats of renewed economic slowdown and the simmering sovereign debt problems in Europe have added to the uncertainty. These factors may hamper the ability of Drift Lake to obtain equity or debt financing in the future or, if obtained, on terms favourable to it. If these increased levels of volatility and market turmoil continue, the operations of Drift Lake could be hurt and the value and the price of DLR Shares and other securities could be affected.

DIVIDEND POLICY

No dividends on any of the DLR Shares have been paid to date. Payment of any future dividends, if any, will be at the discretion of the Board of Directors after taking into account many factors, including Drift Lake's operating results, financial condition, and current and anticipated cash needs.

Disclosure of Internal Controls

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the audited financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the audited financial statements, and (ii) the audited financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Additional Disclosure for Venture Issuers without Significant Revenue

A summary of office and general expenses for the periods set forth below is as follows:

Expenses	**Year ended February 28, 2011 $**	**Year ended February 28, 2010 $**
Postage and delivery	340	40
Office supplies	1,313	348
Printing	1,297	1,028
Bank service charges	313	220
Travel and entertainment	1,083	1,494
Total	**4,346**	**3,130**

Additional Information

Further information about the Company and its operations is available at the Company's offices or on SEDAR at **www.sedar.com**.