

**ENTERPRISE ENERGY RESOURCES LTD.**  
(formerly Bordeaux Energy Inc.)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(For the year ended December 31, 2008)

*The following discussion of the financial condition and results of operations of Enterprise Energy Resources Ltd. ("Enterprise" or the "Company"), formerly Bordeaux Energy Inc., should be read in conjunction with the audited Consolidated Financial Statements and notes thereto for the years ended December 31, 2008 and 2007. The audited Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles.*

*This MD&A contains certain forward-looking statements and forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of Canadian securities laws. All statements other than statements of historical fact are forward-looking statements. Forward-looking information typically contains statements with words such as "anticipate", "believe", "plan", "continuous", "estimate", "expect", "may", "will", "project", "should", or similar words suggesting future outcomes. In particular, this MD&A contains forward-looking statements pertaining to the following:*

- *Revenues;*
- *Natural gas prices;*
- *Royalty rates and expense;*
- *Depletion, depreciation and accretion rate;*
- *General and administrative expenses;*
- *Capital expenditures;*
- *Exploration and development drilling program;*
- *Sources of funding;*

*Undue reliance should not be placed on forward-looking statements, which are inherently uncertain, are based on estimates and assumptions, and are subject to known and unknown risks and uncertainties (both general and specific) that contribute to the possibility that the future events or circumstances contemplated by the forward-looking statements are based will in fact be realized. Actual results will differ, and the difference may be material and adverse to the Company and its shareholders.*

*Forward-looking statement are based on the Company's current beliefs as well as assumptions made by, and information currently available to, the Company concerning anticipated financial performance, business prospects, strategies, regulatory developments, future natural gas commodity prices, the ability to market natural gas successfully to current and new customers, the impact of increasing competition, the ability to obtain financing on acceptable terms, and the ability to add production and reserves through development and exploration activities. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.*

*By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and risks that forward-looking statements will not be achieved. These factors include, but are not limited to; risks associated with oil and gas exploration, financial risks, substantial capital requirements, bank financing, government regulation, environmental, prices, markets and marketing,*

*dependence on key personnel, co-existence with mining operations, availability of drilling equipment and access, risks may not be insurable, management of growth, expiration of licenses and leases, reserves estimates, seasonality, competition, conflicts of interest, issuance of debt, title to properties, variations in exchange rates, and hedging. Further information regarding these factors may be found under the heading “Risk Factors” in the Annual Information Form. Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive.*

*Certain of the forward-looking statements in this MD&A may constitute “financial outlooks” as contemplated by National Instrument 51-102 Disclosure Obligations, including information related to projected revenues, expenses, capital expenditures for 2009, which are provided for the purpose of forecasting the financial position of the Company at the end of the 2009 financial year. Please be advised that the financial outlook in this MD&A may not be appropriate for purposes other than the one stated above.*

*The forward-looking statements contained in this MD&A are made as of the date thereof and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, except as required by applicable law. The forward-looking statements contained herein are expressly qualified by this cautionary statement.*

*All dollar amounts are expressed in Canadian dollars unless otherwise indicated. Note that additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).*

## **DATE**

This MD&A is prepared as of April 23, 2009.

## **OVERVIEW**

The Company was incorporated under the Business Corporations Act (Ontario) on October 23, 1973. Effective March 13, 2007, Ontario Hose Specialties Inc. changed its name to Bordeaux Energy Inc. The trading symbol for the Company changed from OHS.H to BDO.H. On December 12, 2007, the Company continued in British Columbia and is currently a B.C. Company. Currently, the Company’s principal activity is petroleum and natural gas exploration, development, and production.

On November 10, 2008, in connection with a 30 (thirty) for 1 (one) common share consolidation for the total number of issued and outstanding common shares, the Company changed its name to Enterprise Energy Resources Ltd. The new trading symbol on the TSX Venture Exchange is “EER”.

## **OVERALL PERFORMANCE**

### **United States:**

On November 14, 2007, the Company entered into a participation agreement (the “Participation Agreement”) with Savant Alaska LLC. (“Savant”) under which the Company earned a 30% undivided interest in seven leases (the “Leases”) located on and offshore the North Slope of Alaska. The leases are situated 20 km from the Prudhoe Bay oil field and immediately adjacent to the Liberty Field operated by BP that is not yet in production.

Enterprise commenced drilling of the first exploratory well, Kupcake-1, on March 26, 2008 and completed drilling on April 17, 2008. The Company and its joint interest partner decided to plug and abandon the well after the target reservoir was found to be water wet. The rig was released on April 20,

2008. The final well cost was approximately US\$16.0 million of which Bordeaux's share was 40% or approximately US\$6.4 million.

After drilling the Kupcake well the Company fulfilled the requirements to earn a 30% interest in the leases. Formal approval to assign Bordeaux a 30% interest in the leases has been received from the State of Alaska.

For the year ended December 31, 2008, the Company recorded a write-down of \$7,354,851 (2007 -\$Nil) to reflect impairment in these assets.

**France:**

In 2007, the Company earned a 30% interest in the Aquitaine Maritime Exploration Permit held by Vermilion REP SAS ("Vermilion") and Vermilion Exploration SAS ("Verenex"). The Permit area is located 30 kilometers offshore of Bordeaux, France. Pursuant to definitive agreements with Vermilion and Verenex ("Definitive Agreements"), if certain approvals have not been obtained within ten months of the Company providing notice to convert its loan to Vermillion AMAR REP SAS ("AMAR"), then Vermillion and Verenex have the right to acquire the interest from the Company at fair market value. The Company provided notice to convert its loan to AMAR on February 6, 2008.

As at December 4, 2008, the approval required from the French authority to convert the Company's loan to AMAR into common shares was outstanding and effectively, the ten month period to convert has expired. As at December 31, 2008, the Company has terminated its relationship with AMAR as a result of the abandonment of the property.

Subsequent to year end, Vermilion Exploration SAS acquired the interest in AMAR at fair market value.

**SELECTED ANNUAL INFORMATION**

For years ended December 31

	2008	2007 <sup>1</sup>	2006 <sup>1</sup>
Total revenues	\$ Nil	\$ Nil	\$ Nil
Net loss before discontinued operations	\$ (7,926,772)	\$ (32,685,908)	\$ (1,504,775)
Net loss	\$ (7,995,686)	\$ (32,685,908)	(1,982,354)
Basic and diluted loss per share before discontinued operations (\$/share)	(1.57)	(7.74)	(0.90)
Basic and diluted loss per share (\$/share)	(1.59)	(7.74)	(1.20)
Total assets	\$ 2,370,793	\$ 14,513,596	\$ 2,198,527
Total long-term liabilities	\$ Nil	\$ 387,500	\$ Nil
Cash dividends declared	\$ Nil	\$ Nil	\$ Nil

**Note<sup>1</sup>:** 2006 and 2007 comparative figures have been restated to reflect the sale of OHSL and the change of business to Oil and Gas Exploration and the share consolidation.

## **RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

### **Loss for the period**

For the year ended December 31, 2008, the Company incurred a net loss of \$7,995,686 (\$1.59 per share) which is comparable to a net loss of \$32,685,908 (\$7.74 per share) for the year ended December 31, 2007. The decrease in net loss is mainly due to the impairment of oil and gas interest of \$28,474,229 net of tax recovery in 2007. Stock based compensation expense is \$19,000 for the year ended December 31, 2008 (December 31, 2007 - \$430,000).

The Company recorded an impairment recovery of \$167,760 and \$Nil for the years ended December 31, 2008 and 2007 respectively as a result of finalization of the cost incurred on exploratory well in France.

### **Revenue**

The Company did not earn revenue during the year ended December 31, 2008. The Company's income consisted of interest income on cash and cash equivalents, and a recovery of impairment previously recognized. Total interest income was \$83,636 and \$909,888 for the years ended December 31, 2008 and 2007 respectively.

## **CHANGES IN FINANCIAL POSITION OF THE COMPANY FOR THE YEAR ENDED DECEMBER 31, 2008**

### **Change in assets**

The assets of the Company comprised mainly of cash and cash equivalents, and property and equipment which decreased by \$12,142,803; from \$14,513,596 at December 31, 2007 to \$2,370,793 at December 31, 2008. The decrease in assets is mainly due to expenditures incurred for the drilling of an exploratory well in Alaska, which was written-down and the payments to reduce accounts payable.

### **Change in liabilities**

The liabilities of the Company are comprised mainly of accounts payable and accruals and a long-term obligation, which decreased by \$4,560,702; from \$4,645,237 at December 31, 2007 to \$84,535 at December 31, 2008. The decrease in liabilities is mainly due to reduction in accounts payable.

### **Change in Shareholders' equity**

Shareholders' equity decreased by \$7,582,101; from \$9,868,359 at December 31, 2007 to \$2,286,258 at December 31, 2008. This is mainly due to losses for the year ended December 31, 2008 of \$7,995,686 partially offset by the issuance of 83,333 shares for a total value of \$387,500 for a finders' fee in connection with the purchase of certain oil and gas properties in Alaska.

## **SUMMARY OF QUARTERLY RESULTS**

The summary for each of the eight most recently completed quarters is as follows:  
(CDN thousands, except per share amounts)

<b>Description</b>	<b>Q4 Dec 31 2008</b>	<b>Q3 Sept 30 2008</b>	<b>Q2 Jun 2008</b>	<b>Q1 Mar 31 2008</b>	<b>Q4 Dec 31 2007</b>	<b>Q3 Sept 30 2007</b>	<b>Q2 June 30, 2007</b>	<b>Q1 Mar 31 2007</b>
<i>Net revenues</i>	–	–	–	–	–	–	–	–
<i>Net loss before Discontinued Operations</i>	(7,174)	(159)	(172)	(422)	(7,385)	(22,652)	(2,220)	(429)
<i>Net loss for period</i>	(7,243)	(159)	(172)	(422)	(7,385)	(22,652)	(2,220)	(429)
<i>Basic and diluted loss per share before Discontinued Operations</i>	(1.42)	(0.03)	(0.03)	(0.08)	(1.50)	(4.50)	(0.60)	(0.30)
<i>Basic and diluted loss per share</i>	(1.44)	(0.03)	(0.03)	(0.08)	(1.50)	(4.50)	(0.60)	(0.30)
<i>Total assets</i>	2,370	9,767	9,979	12,981	14,514	19,874	44,476	42,313
<i>Total long-term liabilities (note)</i>	–	–	–	–	388	1,859	3,271	1,951

**Note:** 2007 Long-term liabilities include future income taxes and non-controlling interest.

Prior to 2007, the Company produced and distributed a variety of industrial hoses as well as related fittings, nozzles and clamps through its wholly owned subsidiary, OHSL.

## **FOURTH QUARTER RESULTS**

### Loss for the period

For the quarter ended December 31, 2008, the Company incurred a net loss of \$7,242,960 compared to a net loss of \$7,385,776 for the year ended December 31, 2007. The net loss during this quarter is mainly due to a decrease in impairment on the oil and gas interest in Alaska compared to the impairment in France for quarter ended December 31, 2007.

The Company recorded an impairment recovery of \$167,760 and \$Nil for the quarter ended December 31, 2008 and 2007 respectively as a result of finalization of the exploratory well in France.

### Revenue

The Company did not earn revenue during the quarter ended December 31, 2008. The Company's income consisted of interest income on cash and cash equivalents, and short term investments. Total interest income was \$15,441 and \$242,333 for the quarters ended December 31, 2008 and 2007 respectively.

## **LIQUIDITY**

The Company had cash and cash equivalents on hand of \$1,470,443 and working capital (excluding cash and cash equivalence and including short term investments) of \$800,694 as at December 31, 2008 (December 31, 2007: cash on hand of \$7,382,689 and working capital (including restricted cash) of \$2,667,613). The decrease in cash and cash equivalents on hand and working capital is mainly due to expenditures incurred for the drilling of an exploratory well in Alaska. For the year ended December 31, 2008, the Company used cash in operations of \$832,646. The Company's only source of income is interest income from cash and cash equivalents and short term investments on hand. The Company has sufficient funds to meet its short-term drilling program commitments and operating expenses for the next twelve months.

The audited consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. These principles assume that the Company will be able to realize its assets and discharge its obligations in the normal course of operations for the foreseeable future. The Company has successfully raised financing in the past and believes that it will be able to raise necessary financing in the future. However, there can be no assurance that the Company will be successful in raising funds and exploring for and developing its oil and gas properties. Should the Company no longer be able to continue as a going concern, assets and liabilities would require restatement on a liquidation basis which may differ materially from the going concern basis.

## **CAPITAL RESOURCES**

As at the date of this report, the Company has no reserves and no producing oil and gas wells. The Company expects to finance expenditures on its exploration activities through private placements or a farm out of a portion of its property interests (if required). In addition, the Company may make further oil and gas expenditures on new properties as economics and finances permits. The Company currently does not have any commitments to drill additional wells.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

## **RELATED PARTY TRANSACTIONS**

During the years ended December 31, 2008 and 2007, consulting fees paid to directors and to companies controlled by directors' and officers' were as follows:

	<b>2008</b>	<b>2007</b>
Consulting fees	\$ 282,975	\$ 141,788

These amounts were measured at the exchange amounts which represents the fair value of the transactions.

## **PROPOSED TRANSACTIONS**

At the date of this report, the Company does not have any proposed transactions.

## **NEW ACCOUNTING POLICIES**

Effective January 1, 2008, the Company has adopted the new accounting standards related to capital disclosures that were issued by the Canadian Institute of Chartered Accountants (“CICA”) in 2007. This accounting policy change is adopted on a prospective basis with no restatement of prior period financial statements. The new standard and accounting policy changes are as follows:

### **Capital Disclosures (CICA Handbook Section 1535)**

The CICA issued a new accounting standard, Section 1535, Capital Disclosures, which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity’s objectives, policies and processes for managing capital.

### **Financial Instruments – Disclosures (CICA Handbook Section 3862)**

The objective of Section 3862 is to provide users with information to evaluate the significance of the financial instruments on the entity’s financial position and performance, the nature and extent of risks arising from financial instruments, and how the entity manages those risks.

### **Financial Instruments – Presentation (CICA Handbook Section 3863)**

The provisions of Section 3863 deal with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

As at January 1, 2009, Enterprise will be required to adopt the CICA Handbook Section 3064 “Goodwill and Intangible Assets,” which will replace the existing Goodwill and Intangible Assets standard. The new standard revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard should not have a material impact on Enterprise’s Consolidated Financial Statements.

In January 2009, the CICA issued Handbook Sections 1582, Business Combinations, (“Section 1582”), 1601, Consolidated Financial Statements, (“Section 1601”) and 1602, Non-controlling Interests, (“Section 1602”) which replaces CICA Handbook Sections 1581, Business Combinations, and 1600, Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards (“IFRS”). Section 1582 is applicable for the Company’s business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company’s interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted. The Company has not chosen to early adopt any one of these Sections at the year end date.

In February 2008, the CICA announced that Canadian generally accepted accounting principles (GAAP) for publicly accountable enterprises will be replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly the conversion from Canadian GAAP to IFRS will be applicable to the Company’s reporting for the first quarter of 2011 for which the current and comparative information will be prepared under IFRS. The Company expects the transition to IFRS to impact accounting, financial reporting, and IT systems and processes. The Company is currently assessing the impact of the transition to IFRS. Training and additional resources will be engaged to ensure the timely conversion to IFRS.

## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

The carrying values of the Company's financial instruments, consisting of cash and cash equivalents, interest receivable, accounts payable and accrued liabilities, approximate their fair values due to the short-term maturity of such instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

### **ADDITIONAL INFORMATION**

Additional information about the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **Disclosure of Outstanding Share Data**

a) Authorized:  
Unlimited common shares with no par value

b) Common shares issued:

	<u>Number</u>
Balance, December 31, 2008	5,040,116
Balance, April 23, 2009	5,040,116

c) The number of options exercisable and exercise prices at April 23, 2009 and December 31, 2008 were as follows:

<u>Exercise Price</u>	<u>Number of Options Outstanding*</u>	<u>Exercisable</u>
\$9.90	15,000	15,000
\$18.00	5,000	5,000
\$22.50	50,000	50,000
\$20.40	16,667	16,667
\$3.90	21,666	21,666
\$4.50	5,000	5,000
	<u>113,333</u>	<u>113,333</u>

d) As at December 31, 2008, all share purchase warrants have expired.

On August 28, 2008, the Company held an Annual and Special Meeting of Shareholders where the shareholders of the Company approved the common share consolidation and a name change of the Company.

On November 10, 2008, the Company received regulatory approval for a 30 (thirty) for 1 (one) common share consolidation for the total number of issued and outstanding common shares.

As at November 10, 2008, the Company had 151,279,112 common shares outstanding which resulted in 5,042,637 common shares outstanding after consolidation. All outstanding stock based compensation options have been adjusted to reflect the change.

## **INVESTOR RELATIONS**

The Company has no investor relations arrangements with any third party during the year ended December 31, 2008.

## **RISK FACTORS**

The following is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with the Company's Filing Statement dated March 21, 2007 available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Required Approvals and Other Conditions**

Pursuant to the Definitive Agreements, if certain approvals were not obtained within ten months of the Company providing notice to convert its loan to Vermillion AMAR REP SAS, then Vermillion and Verenex have the right to acquire the Company's interest in the Aquitaine Maritime Exploration Permit from the Company at fair market value.

### **General**

The oil and gas industry is very competitive and is subject to many risks. Many of these risks are outside the Company's control. Management has identified certain key risks, which are discussed below, along with their potential impact on the Company's operations. There is no assurance that commercial quantities of oil and natural gas will be discovered at the site of the Permit or otherwise by the Company.

### **Ability to Execute its Exploration and Development Program**

It may not always be possible for the Company to execute its exploration and development strategies in the manner it considers optimal. There can be no assurances management will be able to identify and acquire any oil and gas assets on terms it considers acceptable.

### **Exploration, Drilling and Operating Risks**

Exploration and development activities may be delayed or adversely affected by factors outside the control of the Company. These include the availability of drilling and related equipment in the particular areas in which such activities will be conducted. Problems may also arise due to the quality or failure of equipment or technical support, which could result in failure to achieve expected target dates for exploration operations or result in higher expenditures.

The operation of oil and gas wells involves a number of operating and natural hazards, which may result in blowouts, well bore collapse, environmental damage and other unexpected or dangerous accidents and conditions resulting in damage to the operator of the wells and possible liability to third parties. As the Company is not the operator of the properties, the Company relies on the operator to maintain liability insurance, if available, in amounts consistent with industry standards. The operator may become liable for damages arising from such events against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons. Costs incurred to repair such damage or pay such liabilities would likely have an adverse effect on the Company's financial condition.

Production from a property and the marketing of such production are largely dependent upon the abilities of the operator of the property. To the extent the operator fails to perform these functions properly, any future revenue may be reduced. Payments from production generally flow through the operator and there

is a risk of delay and additional expense in receiving such revenues if the operator becomes insolvent. The Company is not the operator, therefore the Company will be dependent on the operator for the timing of activities related to such property and will be largely unable to direct or control the activities of the operator.

Although the Company has conducted a title review in respect of its oil and gas properties, such review does not guarantee or certify that a defect in title will not arise and materially adversely affect the Company.

### **Fluctuations in the Prices of Oil and Natural Gas**

Oil and natural gas prices have fluctuated widely during recent years and are determined by various factors outside the Company's control, including supply and demand factors, weather, general economic conditions, political instability, government regulation and taxes, the price and availability of alternative fuels, and conditions in oil and gas regions around the world. Such fluctuations will have a positive or negative effect on any revenue that the Company receives. If oil and natural gas prices become depressed or decline, the Company's potential revenue and earnings and the value of its assets would be expected to decline.

### **Dependence on Key Personnel**

The Company has a small management team and the loss of a key individual or the inability to attract suitably qualified personnel in the future could materially and adversely affect the Company's business.

### **Additional Financing**

To the extent that external sources of capital, including the issuance of additional Common Shares, become limited or unavailable, the Company's ability to make necessary capital investments to maintain or expand its oil and gas exploration and development activities will be impaired.

### **Reserve and Resource Estimates**

Information on resources and reserves are only estimates and the actual production and ultimate reserves from the properties may be greater or less than the estimates contained herein. In addition, probable reserves estimates for properties may require revision based on the actual development strategies employed to prove such reserves. Estimated reserves may also be affected by changes in oil and natural gas prices. Declines in reserves that are not offset by the acquisition or development of additional reserves may reduce the underlying value of shares to shareholders.

### **Foreign Exchange Rates**

The Company will be subject to normal market risks including fluctuations in foreign exchange rates. While the Company expects to manage its operations in order to minimize exposure to these risks, the Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure.

### **Foreign Investments**

The Company expects that its oil and gas exploration activities will take place principally outside Canada for the foreseeable future. As such, the Company's operations are subject to a number of risks over which it has no control. These risks may include risks related to economic, social or political instability or change, terrorism, hyperinflation, currency non-convertibility or instability and changes of laws affecting

foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, petroleum and export licensing and export duties as well as government control over domestic oil and gas pricing. The Company operates in such a manner as to minimize and mitigate its exposure to these risks. However, there can be no assurance that the Company will be successful in protecting itself from the impact of all of these risks.

### **Environment Regulation**

The oil and gas industry is subject to environmental regulation pursuant to legislation in those countries in which the Company conducts its exploration activities. A breach of such legislation may result in the imposition of fines or issuance of clean up orders in respect of the Company or its properties. Such legislation may be changed to impose higher standards and potentially more costly obligations. The Company is putting policies and practices in place to ensure its operations conform to the standards and government regulations required for each jurisdiction in which it operates.

### **General Economic Conditions**

There has been a high level of volatility in the world financial markets over the past 180 days. This volatility has caused investors to become less willing to provide debt or equity financing to most companies and in particular to junior resource companies. This will potentially make completing financings for the Company difficult in the foreseeable future.