

OVERLORD FINANCIAL INC.

FOR THE PERIOD ENDED SEPTEMBER 30, 2005

MANAGEMENT DISCUSSION & ANALYSIS FORM 51-102F1

This management discussion and analysis ("MD&A") should be read in conjunction with the third quarter unaudited interim consolidated financial statements for the nine month period ended September 30, 2005 and the audited annual consolidated financial statements for the year ended December 31, 2004 and the notes thereto of Overlord Financial Inc. ("Overlord" or the "Company").

The information provided herein is effective as of November 24, 2005 and is, at least in part, based upon assumptions regarding future events and results, which are subject to change.

This MD&A contains forward-looking statements. Forward-looking statements are based on current expectations that involve a number of risks and uncertainties which could cause actual events or results to differ materially from those reflected in the MD&A. Forward-looking statements are based on the estimates and opinions of Overlord's management at the time the statements were made. Overlord assumes no obligation to update forward-looking statements should circumstances or management's estimates change.

Overview

Overlord is a company incorporated under the *Business Corporations Act* (Alberta) whose common shares trade on the TSX Venture Exchange under the symbol OFI. During the fourth quarter of fiscal 2001, the Company changed its principal business from an oil and gas exploration company to an investment management company.

The Company's current business plan focuses on managing energy-related investment funds and assets. To that end, Overlord has created wholly owned subsidiary corporations which have defined platforms and objectives of their own, all as part of Overlord's overall business plan. Overlord's management, employees and consultants are working within these subsidiaries to develop their respective businesses.

Investment and Finance Activities

During the first nine months of 2005, the Company acquired 250,000 shares of Sword Energy Ltd at \$1.00 per share for cash consideration of \$250,000. Further, the Company's wholly owned subsidiary Juno Canada Holdings Ltd., reinvested \$25,000 of income received from Wisevest into additional Wisevest units. The Company also purchased 200,000 units (cost of \$1,992,500) of Catapult Energy Limited Partnership I, a partnership managed by the Company's wholly owned subsidiary, Catapult Energy 2004 Inc. Finally, the Company sold 495,700 shares of ExAlta Energy Inc. for proceeds of \$2,210,873. The remaining proceeds of \$117,500 relate to the sale of 250,000 Contact Exploration Ltd. shares.

The Company negotiated a margin loan that is interest bearing at prime, repayable on demand and secured by the shares of ExAlta Energy Inc. held by the Company as long-term investments. At September 30, 2005, the balance on the margin loan is NIL.

Business Interests

Overlord has established four wholly owned subsidiaries to conduct its various lines of business, which include Catapult Energy 2004 Inc. ("Catapult"), Juno Canada Holdings Ltd. ("Juno"), PortfolioCo Inc. ("PortfolioCo") and Sword Management Inc. ("Sword Management").

Catapult, an Alberta company, is the general partner of the Catapult Energy Limited Partnership I (the "Partnership") and is responsible for managing the investments in private and public junior resource issuers for the Partnership. On June 29, 2005, the Partnership closed its initial public offering and issued 1.5 million units for gross proceeds of approximately \$15 million. The net proceeds are being invested in accordance with the criteria disclosed in the final prospectus and fees are payable to the general partner for its management and administration of the Partnership's assets.

Juno, an Alberta company, sells debentures and invests the proceeds in the Wisevest Income Fund ("Wisevest"). Wisevest was established by a deed of trust dated January 1, 2004, the initial trustee being

Marcel Tremblay and the sole holder of Wisevest units being Juno. Wisevest's investment objective is to maximize distributions primarily through investment in securities of Canadian royalty and income trusts. Currently, Juno has issued debentures totaling \$250,000 and has in turn invested the funds with Wisevest. Portfolioco, an Alberta company and wholly owned subsidiary of Overlord, is the manager of Wisevest and earns fees for its management and administration services.

Sword Management, an Alberta company, identifies potential oil and natural gas exploration and development opportunities in both the private and public sectors. Sword Management's mandate is to identify, acquire and manage oil and gas properties on behalf of high net worth and institutional investors. In March 2005, Sword Management formed Sword Energy Ltd. ("SEL") on behalf of private equity shareholders and acquired exploratory oil and gas properties. The Company acquired 250,000 shares of SEL at \$1.00 per share for cash consideration of \$250,000. Further, a director of the Company acquired 1,000,000 shares of SEL at \$1.00 per share for cash consideration of \$1,000,000. Through a joint venture management agreement, Sword Management will provide management and administration services to SEL and various joint venture partners and receive a management fee of 5% of the net cash flows from operations.

Cash Position and Operations

The Company's cash position at September 30, 2005 was \$1.6 million, which had been reduced through the nine month period by general and administrative expenses (excluding amortization and stock option expenses) of \$1.9 million. Offsetting increases in cash include interest income earned on money market investments of \$33,864, dividend income of \$46,198 from the investment in Wisevest Income Fund units, and management fees of \$73,176 and recovery of project costs of \$190,564 from SEL and the Partnership. Also, cash increased mainly from the proceeds from the sale of ExAlta Energy Inc. shares of \$2.2 million and a private placement of Overlord shares for gross proceeds of \$2 million (See "Liquidity" section below for details on private placement).

Summary of Quarterly Results

	2005			2004				2003
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	\$ 1,100,751	\$ 876,139	\$ 66,726	\$ 25,010	\$ 19,444	\$ 14,893	\$ 78,894	\$ 21,575
Expenses	(717,272)	(822,751)	(622,395)	(708,044)	(322,085)	(290,655)	(337,693)	(377,630)
Income (loss) from discontinued operations	-	-	-	19,986	-	-	-	702
Net income (loss) for period	\$ 383,479	\$ 53,388	\$ (555,669)	\$ (663,048)	\$ (302,641)	\$ (275,762)	\$ (258,799)	\$ (355,353)

Third quarter 2005 revenues increased from the prior quarter mainly due to the gain on the sale of ExAlta Energy Inc. shares (\$993,325), management fees of \$63,928 and recovery of project costs (\$27,072). Third quarter expenses consist mainly of consulting (\$156,094), rent (\$129,140), professional fees (\$87,655), salaries (\$74,062) and travel (\$70,723). During the year, management negotiated and obtained additional leased office space of 8,668 square feet starting July 1, 2005 of which 3,500 square feet was subleased starting October 1, 2005 (refer to "Commitments" section on next page).

Liquidity

As of September 30, 2005, the Company had \$1.6 million in cash and cash equivalents to finance operations and fund development activities. On March 29, 2005, the Company closed a non-brokered private placement financing for gross proceeds of \$2,000,000 in return for the issuance of 5,000,000 units at a price of \$0.40 per unit. The units were subscribed for by a company owned and controlled by Mr. Purdy, President of Juno Canada Holdings Ltd. Each unit is comprised of one common share of the Company and one-fifth of a common share purchase warrant, each whole warrant entitling the holder to acquire one common share at a price of \$0.60 on or before March 28, 2006. The Company continues to use the proceeds of this financing to further advance its current business plans. In addition, the Company holds \$3.9 million (at cost) of long-term

investments, parts of which it may or may not realize upon, to support working capital requirements. The Company has sufficient working capital to meet liquidity requirements for at least one year. The Company had working capital of \$1.8 million at September 30, 2005.

Commitments

The Company is committed to leased office space with future base rent payments of \$134,117, \$275,226, \$286,660, \$291,104, \$295,548 and \$149,996 for years 2005, 2006, 2007, 2008, 2009 and 2010 respectively. The Company is also required to pay their proportionate share of operating and property tax costs for the leased premises.

Business Objectives

The Company, through Catapult, closed its initial public offering of Catapult Energy Limited Partnership I, on June 29, 2005 for gross proceeds of approximately \$15 million. As General Partner, Catapult invested substantially all of the net proceeds within the guidelines of the Catapult Energy Limited Partnership I prospectus during and subsequent to the third quarter of 2005.

During the fourth quarter, the Company plans to raise approximately \$8 million for Sword Energy Ltd. to purchase further interests in oil and gas properties and expand operations on existing properties. The Company continues to develop its underlying income trust investment products.

Outstanding Share Data

<u>Capital</u>	<u>Authorized</u>	<u>Outstanding as at November 24, 2005⁽¹⁾</u>	<u>Common Shares Underlying Convertible Securities</u>
Common Shares	Unlimited	44,029,459	-
Stock Options	Not Applicable	3,533,333 ⁽¹⁾	3,533,333 ⁽¹⁾
Warrants	Not Applicable	1,000,000	1,000,000 ⁽²⁾

Notes:

- (1) The Company received shareholder approval to reserve for issuance up to 10% of the issued and outstanding Common Shares at the date of the creation for its incentive stock option plan. The Company is seeking shareholder approval to amend the plan to provide that the aggregate number of Common Shares that may be reserved for issuance shall be 10% of the issued and outstanding Common Shares from time to time.
- (2) Each Warrant entitles the holder thereof to acquire one Common Share of the Company at a price of \$0.60 on or before March 28, 2006.

Reference is made in this Management Discussion & Analysis to the Company's consolidated financial statement disclosure for the relevant periods filed on the SEDAR website at www.sedar.com where additional disclosure relating to the Company can also be located.

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