

OVERLORD FINANCIAL INC.

FOR THE PERIOD ENDED MARCH 31, 2006

MANAGEMENT DISCUSSION & ANALYSIS FORM 51-102F1

This management discussion and analysis ("MD&A") should be read in conjunction with the unaudited interim consolidated financial statements for the period ended March 31, 2006 and audited consolidated financial statements for the year ended December 31, 2005 and the notes thereto of Overlord Financial Inc. ("Overlord" or the "Company").

The information provided herein is effective as of May 29, 2006 and is, at least in part, based upon assumptions regarding future events and results, which may vary.

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 listed on the TSX Venture Exchange and incorporated under the *Business Corporations Act* (Alberta). The Company's business 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 business plan. Overlord's management, employees and consultants are working within these subsidiaries to develop their respective businesses.

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. The Partnership closed its initial public offering on June 29, 2005 and is listed on the TSX under the ticker symbol CPU.UN.

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 valued at less than \$1.5 million. Subsequent to the purchase, SEL raised an additional \$9.5 million to acquire a greater working interest percentage in the properties. Through a joint venture management agreement, Sword Management provides management and administration services to SEL and joint venture partners and receives a management fee of 5% of the net cash flows from operations.

Juno, an Alberta company, sells debentures and invests the proceeds in the Wisevest Income Fund ("Wisevest"). Wisevest was established by deed of trust on January 1, 2004 and Juno is the sole holder of Wisevest units. 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 placed the funds with Wisevest. Juno continues to seek subscriptions for its debentures in offshore markets. PortfolioCo., an Alberta company and wholly-owned subsidiary of Overlord, is the manager of Wisevest and earns fees for its management and administration services.

Marketable Securities

During the first quarter of 2006, the Company sold 234,000 shares of ExAlta Energy Inc. for net proceeds of \$1,446,460 and recognized a gain of \$1,196,949 from the sale.

Cash Position and Results of Operations

The Company's cash position at March 31, 2006 is approximately \$2.6 million. During the period, cash decreased due to funds required for continuing operations of \$0.7 million offset by cash increases mainly from proceeds on the sale of marketable securities of \$1.5 million.

Overall, the Company incurred net income for the period of \$680,008. This includes total revenue of \$1,336,391 mainly from management fees and the gain on sale of marketable securities offset by net expenses of \$656,383. Included in net expenses are non-cash related expenses of \$87,551.

Summary of Quarterly Information

	2006	2005				2004		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	\$1,336,391	\$755,568	\$1,073,679	\$ 732,838	\$ 46,535	\$ 25,010	\$ 19,444	\$ 14,893
Expenses	(656,383)	(867,378)	(690,200)	(679,450)	(602,204)	(780,044)	(322,085)	(290,655)
Income from discontinued operations	-	-	-	-	-	19,986	-	-
Net income (loss) for period	\$680,008	\$(111,810)	\$ 383,479	\$ 53,388	\$(555,669)	\$(663,048)	\$(302,641)	\$(275,762)

Quarterly revenue increases are mainly due to the gain on the sale of marketable securities and increase in management fees. First quarter expenses consist mainly of consulting (\$123,292), rent (\$89,924) and salaries and benefits (\$175,276).

Liquidity

As of March 31, 2006, the Company had \$2.6 million in cash and cash equivalents to fund operational activities. In addition, the Company holds \$0.6 million of marketable securities at cost (market value of \$2.1 million at March 31, 2006), parts of which it may, or may not, realize upon to support working capital requirements. The Company has sufficient working capital to meet operational requirements for at least one year. The Company had working capital of \$3.4 million at March 31, 2006.

Commitments and Guarantees

The Company is committed to leased office space with future base rent payments of \$275,226, \$286,660, \$291,104, \$295,548 and \$149,996 for 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 premises.

In 2006, the Company is committed to payments of approximately \$21,500 per month under existing consulting agreements with officers of the Company. The remaining commitment at March 31, 2006 approximates \$94,500 expiring on September 30, 2006.

The Company has agreed to indemnify certain individuals, who have acted at the Company's request to be an officer or director of the Company, to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individual as a result of their services. The nature of the indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to the beneficiary of such indemnification agreement. The Company has purchased various insurance policies to reduce the risks associated with such indemnification.

In the ordinary course of business, the Company and its subsidiaries enter into contracts which contain indemnification provisions, such as letter agreements, service agreements and purchase and sale agreements. In such contracts, the Company may indemnify counterparties to the contracts if certain events occur. In some cases the Company requires indemnities from its service providers, related to the Company's indemnification obligations to customers. These indemnification provisions vary on an agreement by agreement basis. In some cases, there are no pre-determined amounts or limits included in the

indemnification provisions and the occurrence of contingent events that will trigger payment under them is difficult to predict. Therefore, the maximum potential future amount that the Company could be required to pay cannot be estimated.

Catapult Energy 2004 Inc. a wholly owned subsidiary of the Company, has guaranteed all the debts, liabilities and obligations of Catapult Energy Limited Partnership I, as the General Partner.

Related Party Transactions

The Company paid consulting fees to Basek Consulting Ltd. of \$33,481 for the period with payable of \$Nil. Basek is owned directly by the President of Juno.

Accounts receivable includes management fees receivable from Catapult Energy Limited Partnership I of \$67,591 for services provided by Catapult Energy 2004 Inc., as general partner for the period January 1 to March 31, 2006. Catapult Energy 2004 Inc. is a wholly owned subsidiary of the Company.

The Company recovered \$7,488 in rent costs from a company owned and controlled by the President of Juno.

Equity Instruments

During the period, 150,000 options were exercised at \$0.28 per share and 300,000 options were granted at \$0.38 per share vesting equally over three years.

Subsequent Events

Subsequent to period end, the Sonomax convertible promissory note was converted into 500,000 common shares of Sonomax at \$0.30 per share.

Also, subsequent to period end, the Board of Directors unanimously approved the sale of all the issued and outstanding shares of Sword Management Inc. to Sword Energy Limited ("SEL") in exchange for the issuance of 1,150,000 common shares of SEL. Sword Management Inc., a wholly owned subsidiary of the Company, manages the oil and gas properties owned by SEL. This transaction is subject to the approval of the SEL shareholders.

Finally, subsequent to period end, the Company announced the signing of a Letter Agreement with an underwriter to structure, arrange and market a collateralized fund obligation transaction of income trust equity, subject to termination on June 30, 2006. In the event that the transaction is not consummated on or before the termination date, the Company will reimburse the underwriter for reasonable out of pocket expenses incurred in performing its obligations. Management estimates the total of such expenses to be approximately \$200,000. Management believes that the occurrence of a time extension on the Letter Agreement is likely.

Financial Instruments

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to credit risk and interest rate risk. The Company manages its exposure to this risk by operating in a manner that minimizes its exposure to the extent practical.

Credit risk

At March 31, 2006 the Company held all of its cash at Canadian chartered banks, and as such was exposed to all of the risks of those institutions. Management manages this risk by banking with recognized financial institutions. In addition, the Company's marketable securities and long term investments were held in certain companies, and as such, the Company is exposed to concentrations of risk from these companies.

Interest rate risk

The Company's fixed rate debt is subject to interest rate price risk, as the value will fluctuate as a result of changes in market rates. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates.

At March 31, 2006, the increase or decrease in net losses for each 1% change in interest rates on floating rate debt amounts to approximately \$2,500 per annum.

Fair value risk

The Company's carrying amount of the Juno debenture approximates its fair value. The debenture obligation was renegotiated in 2005 and current borrowing rates have not substantially changed.

Business Objectives

For the remainder of 2006, the Company plans to close its collateralized fund obligation product. To expand the Catapult initiative, the Company hopes to develop and market a junior oil and gas investment fund for a variety of investors. Management also plans to renew marketing efforts for its current and proposed investment products with international partners and investors. Finally, the Board of Directors has approved the sale of the shares of Sword Management to SEL in exchange for share ownership of Sword Energy Limited subject to approval by the SEL shareholders.

Effectiveness of Disclosure Controls and Procedures

Overlord has in place certain disclosure controls and procedures to provide reasonable assurance that material information relating to Overlord, including its consolidated subsidiaries, is made known to Overlord by others within those entities, particularly during the period in which annual filings are being prepared. Management of Overlord has concluded that the disclosure controls and procedures which it had in place as at the end of the financial period March 31, 2006 are effective.

Outstanding Share Data

<u>Capital</u>	<u>Authorized</u>	<u>Outstanding as at May 29, 2006⁽¹⁾</u>	<u>Common Shares Underlying Convertible Securities</u>
Common Shares	Unlimited	44,212,792	-
Stock Options	Not Applicable	3,450,000 ⁽¹⁾	3,450,000 ⁽¹⁾

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.

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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