

OVERLORD FINANCIAL INC.

FOR THE PERIOD ENDED SEPTEMBER 30, 2006

MANAGEMENT DISCUSSION & ANALYSIS

This management discussion and analysis ("MD&A") should be read in conjunction with the unaudited interim consolidated financial statements for the period ended September 30, 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 November 27, 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 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 currently has four wholly-owned subsidiaries which conduct its various lines of business, which include Catapult Financial Management Inc. ("Catapult Management"), Catapult Energy 2006 Inc. ("Catapult 2006"), Juno Canada Holdings Ltd. ("Juno") and PortfolioCo Inc. ("PortfolioCo").

Catapult Management, 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.

Catapult 2006, an Alberta company, is the general partner of the Catapult Energy Small Cap FTS Limited Partnership (the "FTS Partnership") and is responsible for managing the investments in flow-through shares of private and public junior resource issuers for the FTS Partnership. The FTS Partnership closed its initial public offering on October 31, 2006 and is not listed on the TSX.

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.

During the second quarter, the Company sold all of the issued and outstanding shares of Sword Management Inc. (a wholly-owned subsidiary until the time of sale) to Sword Energy Limited ("SEL") in exchange for the issuance of 1,150,000 common shares of SEL and recognized a gain on sale of its subsidiary of \$1.15 million. During the third quarter the Company sold its shares in SEL (totaling 1,600,000 shares) in exchange for 1,600,000 Common shares of Eagle Rock Exploration Inc. ("Eagle Rock"). At the time of the transaction, Eagle Rock shares were trading at \$0.63 per share, resulting in a loss on sale of investment of \$592,000.

The Company plans to incorporate a new subsidiary, Sword Management Ltd. to seek future oil and gas property management business.

Marketable Securities

During the nine months ended September 30, 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. During the second quarter, the Company exchanged the Sonomax convertible promissory note (cost \$112,500) for 500,000 common shares of Sonomax which are classified as marketable securities. As well, the Company received 25,000 shares of Sonomax as final payment of accrued interest owing on the promissory note prior to the exchange.

Cash Position and Results of Operations

The Company's cash position at September 30, 2006 is approximately \$1.8 million. During the third quarter, cash decreased due to funds required for continuing operations of approximately \$226,000.

Overall, the Company incurred a net loss for the nine month period of \$305,000 (2005 – loss of \$119,000). This includes total revenue of \$1.5 million mainly from management fees and the gain on sale of marketable securities offset by net expenses of \$3.0 million plus the gain on sale of Sword Management Inc. of \$1.1 million. Included in net expenses are non-cash related expenses of approximately \$1.2 million.

Summary of Quarterly Information

	2006				2005			2004
	Q3	Q2 ⁽¹⁾	Q1 ⁽¹⁾	Q4	Q3	Q2	Q1	Q4
Revenue	\$ 86,434	\$ 126,740	\$1,336,391	\$755,568	\$1,073,679	\$ 732,838	\$ 46,535	\$ 25,010
Expenses	(1,510,964)	(731,198)	(737,857)	(867,378)	(690,200)	(679,450)	(602,204)	(780,044)
Other income (loss)	(25,000)	1,150,000	-	-	-	-	-	-
Income from discontinued operations	-	-	-	-	-	-	-	19,986
Net income (loss) for period	\$ (1,449,530)	\$ 545,542	\$ 598,534	\$ (111,810)	\$ 383,479	\$ 53,388	\$ (555,669)	\$ (663,048)

(1) Amounts have been restated to reflect stock compensation accounting. See note 5 (c) to the consolidated financial statements.

First quarter revenue includes gain on sale of Exalta Energy Inc. of \$1,196,949. Other income of \$1,150,000 in the second quarter relates to gain on the sale of Sword Management Inc. to Sword Energy Limited. Other losses in the third quarter result primarily from the sale of Sword Energy Ltd shares (\$592,000). Third quarter expenses consist mainly of stock compensation (\$205,313), salaries and benefits (\$195,962), project costs (\$100,000), professional fees (\$50,268), rent (\$99,770), business promotion (\$40,871) and consulting (\$36,667).

Liquidity

As of September 30, 2006, the Company had \$1.8 million in cash and cash equivalents to fund operational activities. In addition, the Company holds \$1.0 million of marketable securities at cost (market value of \$2.1 million at September 30, 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 \$2.7 million at September 30, 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.

The Company is party to a letter agreement with an underwriter to structure, arrange and market a collateralized fund obligation transaction of income trust equity. As the letter agreement expired on October 31, 2006, the Company may be required to reimburse the underwriter for reasonable out of pocket expenses incurred in performing its obligations. A total of \$100,000 representing third party costs incurred has been expensed, which the underwriter has indicated to represent the total to date costs of the project.

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 Financial Management 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.

Catapult Energy 2006 Inc. a wholly owned subsidiary of the Company, has guaranteed all the debts, liabilities and obligations of Catapult Energy Small Cap FTS Limited Partnership, as the General Partner.

Related Party Transactions

The Company paid consulting fees and reimbursed travel expenses to Basek Consulting Ltd. of \$35,241 (2005 - \$28,673) of the three month period and \$102,850 (2005 - \$176,947) for the nine month period with payable of \$Nil (2005 - \$Nil). Basek is owned directly by the President of Juno.

Accounts receivable includes management fees receivable from Catapult Energy Limited Partnership I of \$64,978 (2005 - \$63,133) for services provided by Catapult Financial Management Inc., as general partner for the period July 1 to September 30, 2006. Catapult Financial Management Inc. is a wholly owned subsidiary of the Company.

The Company recovered \$9,000 (2005 - \$Nil) for the three months and \$22,997 (2005 - \$Nil) for the nine months ended September 30, 2006 in rent costs from a company owned and controlled by the President of Juno.

Equity Instruments

During the first quarter, 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. During the third quarter, 850,000 options were granted at \$0.30 per share vesting equally over three years and 650,000 options with an exercise price of \$0.28 per share were cancelled.

Subsequent Events

On October 31, 2006, the Company closed the initial public offering of Catapult Energy Small Cap FTS Partnership, a flow-through fund focusing on junior oil and gas producers with market capitalization of \$250 million or less. Catapult Energy 2006 Inc., wholly-owned subsidiary of the Company, is the general partner responsible for managing the investments for the limited partnership.

On November 24, 2006, the Company announced a non-brokered private placement for the issuance of 6,600,000 common shares of the Company at a price of \$0.18 per share for gross proceeds of \$1,188,000. The Company intends to use the proceeds of the financing for general working capital and to advance its current business plan.

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 September 30, 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 September 30, 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

The Company plans to continue to market a collateralized fund obligation transaction in conjunction with a major underwriter. The Company also plans to seek future oil and gas property management business under the Sword name.

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 September 30, 2006 are effective.

Outstanding Share Data

<u>Capital</u>	<u>Authorized</u>	<u>Outstanding as at November 27, 2006⁽¹⁾</u>	<u>Common Shares Underlying Convertible Securities</u>
Common Shares	Unlimited	44,212,792	-
Stock Options	Not Applicable	3,516,667 ⁽¹⁾	3,516,667 ⁽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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