

OVERLORD FINANCIAL INC.

FOR THE PERIOD ENDED MARCH 31, 2007

MANAGEMENT DISCUSSION & ANALYSIS FORM 51-102F1

This management's discussion and analysis ("MD&A") should be read in conjunction with the unaudited interim consolidated financial statements for the period ended March 31, 2007 and the audited annual consolidated financial statements for the years ended December 31, 2006 and December 31, 2005 and the notes thereto of Overlord Financial Inc. ("Overlord" or the "Company").

The information provided herein is effective as of May 24, 2007 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.

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's seven wholly-owned subsidiaries conducted its various lines of business during the period ended March 31, 2007. These subsidiaries include Catapult Financial Management Inc. ("Catapult"), Catapult Energy 2006 Inc. ("Catapult 2006"), Catapult Energy Management 2007 Inc. ("Catapult 2007"), Juno Canada Holdings Ltd. ("Juno"), PortfolioCo Inc. ("PortfolioCo"), Sword Management Ltd. ("Sword Management") and Aston Hill Financial Ltd. ("Aston Hill").

Catapult, an Alberta company formerly named Catapult Energy 2004 Inc., 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 advising on the management of 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 any public markets.

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. 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. Currently, the Company does not manage any oil and gas properties through Sword Management, however subsequent to period end, Overlord entered into an Arrangement Agreement alongside Infra-PSP Canada Inc. ("PSP"), a wholly-owned subsidiary of the Public Sector Pension Investment Board ("PSPIB") to acquire all of the issued and outstanding trust units of Thunder Energy Trust ("Thunder"). Upon closing of the transaction on or around

June 22, 2007, Overlord will manage the assets and own approximately 2% of the resulting private entity. This transaction is subject to approval of the Thunder unitholders.

Aston Hill, an Alberta company, is focused on investments in dividend paying Common shares, income trusts and other yield vehicles. On February 1, 2007, Aston Hill signed an Advisory Agreement with Arrow Hedge Partners Inc. ("Arrow Hedge"). Aston Hill will provide portfolio advisory services to Arrow Hedge on its new fund, Arrow Canadian Income Fund (the "Fund"). The investment objective of the Fund is to achieve a high level of income and potential capital gains with an attractive risk-adjusted return with moderate volatility.

During the period, Overlord incorporated Catapult 2007, an Alberta Company, to act as the general partner of the Catapult Energy Small Cap 2007 FTS Limited Partnership (the "FTS 2007 Partnership"). Catapult 2007 is responsible for developing and implementing all aspects of the FTS 2007 Partnership's communications, marketing and distribution strategies and will manage its ongoing business and administrative affairs. Catapult will be retained by Catapult 2007 to advise on the management of the investments in flow-through shares of private and public junior resource issuers for the FTS 2007 Partnership. Subsequent to period end, on May 15, 2007, the FTS 2007 Partnership closed its initial public offering and has no plans to be listed on any public markets.

Accounting Changes

Financial Instruments

Effective January 1, 2007, the Company adopted three new accounting standards that were issued by the Canadian Institute of Chartered Accountants (the "CICA"): Handbook Section 1530, Comprehensive Income, Handbook Section 3855, Financial Instruments – Recognition and Measurement, and Handbook Section 3865, Hedges. These standards were adopted prospectively pursuant to their respective adoption provisions and therefore there is no effect on prior periods.

Comprehensive Income

CICA Handbook Section 1530 introduces comprehensive income, which consists of net income and other comprehensive income ("OCI"). OCI represents changes in equity during a period arising from transactions and other events with non-owner sources and includes unrealized gains and losses on marketable securities and long-term investments classified as available-for-sale along with unrealized foreign currency translation gains or losses arising from self-sustaining foreign operations, among other things. The Consolidated Statements of Comprehensive Income will include a calculation of comprehensive income where applicable, while the corresponding cumulative changes in OCI are included in the Statements of Accumulated Other Comprehensive Income ("AOCI").

Financial Instruments – Recognition and Measurement

CICA Handbook Section 3855 establishes the criteria for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Under this standard, all financial instruments are required to be measured at fair value on recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities.

Financial assets and financial liabilities classified as held-for-trading are measured at fair value with changes in fair value recognized in net income. Financial assets classified as loans and receivables along with financial liabilities classified as other liabilities are measured at amortized cost using the effective interest rate method. Financial assets classified as available-for-sale are measured at fair value with changes in fair value recognized in OCI. Investments in equity instruments classified as available-for-sale that do not have a quoted price in an active market are measured at cost updated for the most recent market data available. Transaction costs or fees attributable to the acquisition, issue or disposal of a financial asset or liability are expensed immediately to net income.

Derivative instruments are recorded on the consolidated balance sheets at fair value, including those derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts. Changes in the fair values of derivative instruments are recognized in net income.

Hedges

CICA Handbook Section 3865 specifies the criteria and method of accounting for each of the designated hedging strategies. The Company does not currently have any financial instruments for which this section applies.

Impact upon Adoption of Sections 1530, 3855 and 3865

Marketable Securities

As a result of the adoption of these standards on January 1, 2007 the Company elected to classify its investment in Eagle Rock Exploration Ltd. ("Eagle Rock") Common shares as marketable securities using the held-for-trading method. Formerly, the investment in these securities was accounted for partially as long-term investments and partially as marketable securities with 1,214,912 shares being classified as long-term investments. The 1,214,912 shares were classified as long-term investments because they could not be sold within one year due to restrictions in warrant agreements with former shareholders of Sword Energy Ltd. ("SEL"), which Overlord managed through a former subsidiary, Sword Management Inc. ("SMI"), until May of 2006 (see discussion of warrant liability below). On January 1, 2007 all of these securities were classified as marketable securities as it is likely that the Company will buy additional shares or sell some or all of the shares currently held in the short term.

The Company's investments in marketable securities have been classified as held-for-trading and were therefore recorded on the consolidated balance sheet at fair value, resulting in a \$874,092 increase on January 1, 2007, with the offset to opening deficit.

Long-Term Investments

Parson's Pond has been classified as available-for-sale. As Parson's Pond was carried on the consolidated balance sheet at its fair value (\$Nil) no transition adjustment was made. Future changes in the fair value of this investment will be recorded against long-term investments with the offset recorded against AOCI.

Catapult Energy Limited Partnership I units have been classified as held-for-trading. On January 1, 2007, long-term investments were decreased by \$50,000 with the offset to opening deficit as a result of this change.

Wisevest Income Fund is an investment in an investment trust, which classifies its investments as held-for-trading. As such, Wisevest Income Fund is consolidated at fair value pursuant to Accounting Guideline 18 – Investment Companies. On January 1, 2007, long-term investments were decreased by \$1,010 with the offset to opening deficit as a result of this change.

Warrant Liability

Upon adoption on January 1, 2007, the Company recognized a warrant liability of \$160,122 representing the fair value of the 1,214,912 warrants associated with the investment in Eagle Rock Common shares. The offset was recorded to opening deficit. The warrants are derivatives and as such have been classified as held-for-trading.

Debentures

On January 1, 2007, the Company determined the fair value of the debentures to be \$249,530 and recorded an adjustment decreasing the debentures by \$470 with the offset to opening deficit. Going forward, the debentures will be accounted for at amortized cost using the effective interest rate method.

Marketable Securities

Upon adoption of CICA Handbook Section 3855 on January 1, 2007, Overlord reclassified all of the Eagle Rock Common shares previously classified as long-term investments to marketable securities.

As at March 31, 2007, the Company's marketable securities had estimated fair value of \$1,061,115. For the period ended March 31, 2007, the Company recognized a change in fair value charge to income in the amount of \$1,043,725 (2006 - \$Nil). During the same period the Company recognized \$Nil (2006 - \$1,196,949) gain on sale of marketable securities.

The Company will continue to manage this portfolio of marketable securities to maximize returns and shareholder value while using the investments for working capital purposes, as appropriate, during this period of growth and transition while the Company strives to build a recurring revenue base.

Long Term Investments

Upon adoption of Handbook Section 3855, Overlord classified its investment in Catapult Energy Limited Partnership I units (the "Catapult units") as held-for-trading. The Company charged \$147,900 (2006 - \$Nil) to income representing the change in fair value of long-term investments during the period ended March 31, 2007.

The Company also recognized an income inclusion of \$3,302 (2006 - \$3,224) representing the change in fair value of securities held in Wisevest Income Fund.

As at March 31, 2007, the fair value of long-term investments is approximately \$1,517,076.

Cash Position and Results of Operations

The Company's cash position at March 31, 2007 was approximately \$2.0 million (2006 - \$2.6 million). During the period, the majority of the cash decrease was due to the costs incurred in pursuing the Thunder acquisition, alongside PSP.

Overall, the Company incurred a net loss for the period of \$1,710,662 (2006 - \$598,534 income). This includes revenue of \$65,820 (2006 - \$118,712) from management fees offset by net operations expenses of \$754,164 (2006 - \$737,857) and loss from investing activities of \$1,022,318 (2006 - \$1,217,679 income). Included in operations expenses are non-cash expenses for stock compensation, amortization of debenture premium and amortization of fixed assets totaling \$63,185 (2006 - \$169,025).

Investing activities include cash and non-cash gains and losses and changes in fair value on marketable securities, long-term investments and warrant liability. In addition, dividend and royalty income, interest income and dealer commissions on marketable securities and long-term investments are included in investment activities. During the period ended March 31, 2007, Overlord recorded total changes in fair value reducing income of \$1,043,561 (2006 - \$3,224 increase to income). In addition, the Company recognized interest, dividend and royalty income, net of dealer commissions of \$21,243 (2006 - \$17,506) and gains on sale of marketable securities of \$Nil (2006 - \$1,196,949).

Summary of Quarterly Information

	2007		2006			2005			
	Q1	Q1 ⁽¹⁾	Q2 ⁽¹⁾	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	\$ 65,820	\$ 118,712	\$ 105,000	\$64,978	\$65,119	\$ 1,022	\$ 8,226	\$ 63,928	\$85,359
Expenses	(754,164)	(737,857)	(681,198)	(870,766)	(660,679)	(602,204)	(679,450)	(690,200)	(710,041)
Investing	(1,022,318)	1,217,679	1,121,740	(643,742)	(577,734)	45,513	724,612	1,009,751	512,872
Net income (loss) for period	\$ (1,710,662)	\$ 598,534	\$ 545,542	\$ (1,449,530)	\$ (1,173,294)	\$ (555,669)	\$ 53,388	\$ 383,479	\$ (111,810)

(1) Pursuant to CICA 3870 regarding stock based payments, the Company has recognized stock compensation expense relating to options granted by a major shareholder. Prior affected interim periods have been restated to reflect this accounting treatment resulting in a \$203,684 charge to prior reported interim periods.

Quarterly revenues were higher in the first two quarters of 2006 due to the higher management fees generated from Catapult Energy Limited Partnership I. Also, on May 31, 2006, the Company sold SMI to SEL and did not receive management fees from SEL from that date resulting in the reduced revenues in the last two quarters of 2006 and the first quarter of 2007.

Expenses in 2006 and the first quarter of 2007 were relatively consistent from quarter to quarter with the following exceptions: third quarter of 2006 expenses were slightly higher as new employees were added to the Overlord team in terms of salaries and stock compensation; and 2006 fourth quarter expenses were lower with the recovery of some previously expensed stock compensation as during the quarter several former employees' options expired unexercised. Non-cash stock compensation for the first three quarters of 2006, included in expenses, was \$149,474, \$142,610 and \$205,313, respectively. A \$24,411 non-cash recovery of stock compensation was recorded in the fourth quarter of 2006. Non-cash stock compensation in the first quarter of 2007 was \$55,000.

Investing activities resulted in a \$1.0 million loss in the first quarter of 2007 primarily due to recording changes in fair value of long-term investments, marketable securities and warrant liability pursuant to CICA Handbook Section 3855. Investing activities brought in \$1.2 million in the first quarter of 2006 due to the sale of some of Overlord's shares in ExAltaEnergy Inc. ("ExAlta"). The \$1.1 million in investing activities for the second quarter of 2006 relate to the gain recognized on the sale of SMI to SEL, offset by the impairment of SEL recognized. The 2006 third quarter investing activities are represented largely by the \$0.6 million loss recognized on the SEL shares when Eagle Rock purchased, on a 1:1 share exchange basis, all of the outstanding Common shares of SEL. The 2006 fourth quarter loss from investing activities resulted from Overlord recognizing an impairment of \$0.2 million on its Parson's Pond investment and an impairment on the Catapult Energy Limited Partnership I units of \$0.5 million, offset by gains from the sale of marketable securities such as Sonomax Hearing Healthcare Inc., Eagle Rock and ExAlta.

Liquidity

As of March 31, 2007, the Company had \$2.0 million (2006 - \$2.6 million) in cash and cash equivalents to fund operational activities. In addition, the Company holds \$1.1 million (2006 - \$0.6 million at cost) of marketable securities at fair value. Overlord may, or may not, realize the fair value of marketable securities 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 (\$3.5 million - 2006) at March 31, 2007.

Commitments and Guarantees

The Company is committed to leased office space with future base rent payments of \$217,109 for the remainder of 2007 and \$291,104, \$295,585 and \$148,763 for 2008, 2009 and 2010, respectively. The Company is also required to pay its proportionate share of operating and property tax costs for the premises.

In 2007, the Company is committed to payments of approximately \$Nil per month (2006 - \$21,500 per month) under existing consulting agreements with officers of the Company.

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 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.

Catapult Energy Management 2007 Inc., a wholly-owned subsidiary of the Company, has guaranteed all the debts, liabilities and obligations of Catapult Energy Small Cap 2007 FTS Limited Partnership, as the General Partner.

Related Party Transactions

During the period ended March 31, 2007, the Company paid consulting fees to, and reimbursed travel expenses of Basek Consulting Ltd. ("Basek") of \$Nil (2006 - \$33,481) with \$Nil payable (2006 - \$Nil). Basek is owned directly by the President of Juno Canada Holdings Ltd., a wholly-owned subsidiary of Overlord Financial Inc.

Accounts receivable includes management fees receivable from Catapult Energy Limited Partnership I of \$50,221 (2006 - \$67,591) for services provided by Catapult Energy Financial Management Inc., as general partner and advisor. During the period ended March 31, 2007, \$47,370 (2006 - \$67,591) was recorded as revenue in respect of these management fees. Catapult Energy Financial Management Inc. is a wholly-owned subsidiary of the Company.

Accounts receivable includes management fees receivable from Catapult Energy Small Cap FTS Limited Partnership of \$24,604 (2006 - \$Nil) for services provided by Overlord, as advisor. During the period ended March 31, 2007, \$18,494 (2006 - \$Nil) was recorded as revenue in respect of these management fees.

The 5,000,000 units (stated in Note 8(b)) were subscribed for by a company owned and controlled by the President of Juno Canada Holdings Ltd., a wholly-owned subsidiary of the Company.

In 2005, the Company invested \$1,992,500 in the units of Catapult Energy Limited Partnership I, a limited partnership managed by Catapult Financial Management Inc., a wholly-owned subsidiary of the Company and recorded the amount as a long-term investment. During the period ended March 31, 2007, the Company invested a further \$62,500 in Catapult Energy Limited Partnership I.

The Company recovered \$Nil (2006 - \$7,488) in rent and office costs from a company owned and controlled by the President of Juno Canada Holdings Ltd., a wholly-owned subsidiary of the Company. Of this amount \$Nil (2006 - \$Nil) was receivable at March 31, 2007.

All related party transactions are in the normal course of operations and have been measured at the agreed to exchange amounts, which is the amount of consideration established and agreed to by the related parties and which is similar to those negotiated with third parties.

Recent Canadian Accounting and Related Pronouncements

CICA Section 3862 – Financial Instruments - Disclosures

This standard requires entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments to the entity's financial position and performance. It also requires that entities disclose the nature and extent of risks arising from financial instruments and how the entity manages those risks.

CICA Section 3863 – Financial Instruments - Presentation

This standard establishes presentation guidelines for financial instruments and non-financial derivatives and deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, gains and losses, and the circumstances in which financial assets and financial liabilities are offset.

Subsequent Events

On April 24, 2007, Overlord entered into an Arrangement Agreement alongside Infra-PSP Canada Inc. ("PSP"), a wholly-owned subsidiary of the Public Sector Pension Investment Board ("PSPIB") to acquire all of the issued and outstanding trust units of Thunder Energy Trust ("Thunder"). Upon closing of the transaction, Overlord will manage the assets and own approximately 2% of the resulting private entity. This transaction is subject to approval of the Thunder unitholders.

On May 15, 2007, Catapult Energy Small Cap 2007 FTS Limited Partnership completed the first closing of its initial public offering. Catapult Energy Management 2007 Inc., a wholly-owned subsidiary of the Company will act as General Partner. Catapult Financial Management Inc., a wholly-owned subsidiary of the Company, will act as investment advisor.

Business Objectives

In 2007, the Company plans to expand the Catapult initiative by developing and marketing further junior oil and gas investment funds for a variety of investors. Overlord also plans to develop and market further high yield products to be managed by Aston Hill. Finally, the Company intends to re-enter the oil and gas property management business under the Sword Management banner.

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 ended March 31, 2007 are effective.

There have been no changes in the Company's internal control over financial reporting that occurred during the most recent interim period ended March 31, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Outstanding Share Data

<u>Capital</u>	<u>Authorized</u>	<u>Outstanding as at May 24, 2007⁽¹⁾</u>	<u>Common Shares Underlying Convertible Securities</u>
Common Shares	Unlimited	51,162,792	-
Stock Options	Not Applicable	4,270,000 ⁽¹⁾	4,270,000 ⁽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.

Company Contact: Larry Titley, Vice President and Chief Financial Officer
Company Address: Suite 3400, 205 – 5 Avenue S.W., Calgary, Alberta, T2P 2V7
Company Phone Number: (403) 770-4800
Company Fax Number: (403) 770-4850