



MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

The following Management's Discussion and Analysis ("MD&A") was prepared as of August 27, 2007 and should be read in conjunction with the unaudited consolidated financial statements for the three-month and six-month period ended June 30, 2007 and the MD&A and audited consolidated financial statements for the year ended December 31, 2006.

In conformity with the Canadian Securities Administrators National Instrument 51-101 ("NI 51-101"), natural gas volumes have been converted to equivalent barrels of oil ("boe") using a conversion ratio of six thousand cubic feet ("mcf") to one boe.

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 Greentree's Management at the time the statements were made.

Included in the MD&A are references to the term "cash flow". This term is not defined by Generally Accepted Accounting Principles ("GAAP") in Canada and consequently is referred to as a non-GAAP measure. Reported amounts may not be comparable to similarly titled measures reported by other companies. Cash flow should not be considered an alternative to, or more meaningful than, cash provided by operating activities as determined in accordance with Canadian GAAP.

Greentree Gas & Oil Ltd. ("Greentree" or the "Company") is a junior explorer and producer of natural gas and oil in southwestern Ontario and trades under the symbol 'GGO' on the TSX Venture Exchange. Greentree currently has 38,684,247 shares outstanding.

PRODUCTION, REVENUES AND ROYALTIES

Production in Q2-2007 was 8,945 boe as compared to 9,251 boe for Q2-2006, which represents a decline of approximately 3%. Gross revenues for Q2-2007 of \$504,986 were up 7% from \$471,539 posted for Q2-2006. Gross revenues for the first half of 2007, however were down 7% to \$944,459 from 1,016,349 for the similar period in 2006.

NATURAL GAS

Natural gas production declined marginally to 47,897 mcf in Q2-2007 as compared to 48,181 mcf in Q2-2006. Production in the first half of 2007 was 94,626 mcf as compared to 97,563 mcf for the same period in 2006. The decline in production was the result of natural declines and intermittent shut-downs of Greentree's Innerkip gas producer due to Shiningbank Energy upgrading their compressor facility.

Natural gas sales in Q2-2007 were up 13% to \$429,076 as compared to Q2-2006 sales of \$379,311. For the first half of 2007 natural gas sales declined 7% from the similar period in 2006. The Company received an average price of \$9.07/mcf for its natural gas in Q2-2007, compared to \$7.87/mcf in Q2-2006.

CRUDE OIL

Crude oil production declined 21% to 962 bbls in Q2-2007 as compared to 1,221 bbls in Q2-2006. For the first six months of 2007 production was down slightly to 1,638 bbls as compared to 1,652 for the similar period in 2006. The decline in production is attributed to complete shutdown of the Rodney South Unit to construct the new consolidated battery facility.

Crude oil sales decreased by 28%, from \$90,502 in Q2-2006 to \$65,351 in Q2-2007. Crude oil revenues in the first half of 2007 were down 12% to \$107,847 as compared to \$123,100 reported for the similar period in 2006. The average price for the Company's crude oil in Q2-2007 was \$68.40/bbl as compared to \$76.09/bbl in Q2-2006, a decrease of approximately 10%.

ROYALTIES

Royalties include both freehold and gross overriding payments. Royalties for Q2-2007 were up approximately 10% as compared to Q2-2006 reflecting the increase in revenues.

OPERATING EXPENSES

Operating expenses in Q2-2007 were down approximately 10% to \$190,087 as compared to \$201,597 in Q2-2006. For the first six months of 2007 operating expenses declined approximately 2% to \$393,624 from \$401,747 reported for the similar period in 2006. The reduction in operating expenses is primarily a result of improved efficiencies from upgrades completed in Rodney Unit 3.

GENERAL & ADMINISTRATIVE EXPENSES

General and administrative expenses for Q2-2007 were \$122,746 as compared to \$310,292 reported for Q2-2006. For the first half of 2007 general and administrative expenses were reduced by 11% to \$356,803 as compared to \$402,788 for the similar period in 2006. The reduction for the six months ended June 30, 2007 compared to the same period ending June 30, 2006 is primarily a result of amounts attributed to Stock-based Compensation.

DEPLETION AND DEPRECIATION EXPENSES

Depletion and depreciation expenses in Q2-2007 increased 31% to \$292,812 as compared to Q2-2006 and increased 45% for the first half of 2007 to \$572,869 as compared to \$394,044 for the same period in 2006. The increase can be primarily attributed to the ongoing investment in the Company's capital exploration and development programs.

CASH FLOW

Cash flow, as commonly used in the oil and gas industry, represents net income before depletion and depreciation, future income taxes and other non-cash expenses. The difference between "cash flow" and "cash flow from operating activities" is that cash flow represents cash that has, or will be, received in the future due to the revenues generated during the period, net of cash that has been, or will be, paid in the future as a result of expenses incurred during the period. On the other hand, the latter term measures the actual cash collection and cash payments relating to operating activities that took place during the period. The following table reconciles the Company's cash flow from operating activities to cash flow for the three-month periods ended June 30, 2007 and June 30, 2006.

3-Month period ended:	June 30, 2007 (\$)	June 30, 2006 (\$)
Cash flow from operating activities, as reported	166,481	(66,197)
Changes in non-cash operating working capital items	(113,509)	148,384
Cash flow	52,972	82,187

Management continues to carefully monitor cash flow in order to settle old outstanding accounts, improve its working capital position, and meet commitments.

CAPITAL EXPENDITURES & PROJECTS

The Company invested \$140,199 in property, plant and equipment during Q2-2007, as compared to \$227,569 during Q2-2006. Capital expenditures incurred during Q2-2007 consisted primarily of facilities and infrastructure costs (\$23,279), drilling and completions (\$47,692), geological expenditures (\$33,026) and lease and other land costs (\$12,520).

RODNEY SOUTH PROJECT

Wavefront Energy and Environmental Services (TSXV-WEE) recently installed five Powerwave Dragonfly tool systems in Greentree's Rodney South project and the injection system is now operational. Wavefront will install an additional three Powerwave Mantis tool systems in Rodney South shortly.

TILBURY WEST PROJECT

A service rig has been secured for completion operations on the potential oil producer that was drilled in Q1-2007. At the time of writing a fracture stimulation has been completed and the well is currently undergoing production testing.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2007, the terms of the Company's operating facility consisted of a revolving line of credit for a maximum unrestricted amount of \$2,400,000 with no monthly reductions (i.e., required repayments are interest only, but subject to availability, review and the lending institution's right of demand) and bearing interest at prime plus 2% per year. The Company pledged as security a \$10 million debenture with a floating charge over all assets of the Company with a negative pledge and undertaking to provide fixed charges on the Company's major producing petroleum and natural gas reserves at the request of the lender. As at June 30, 2007, \$2,236,116 of funds had been drawn against the credit facility of \$2,400,000. The available credit was approximately \$200,000. The Company's operating facility agreement requires that the Company meet certain covenants including one relating to working capital ratio. As at June 30, 2007, the Company is in violation of the working capital ratio covenant however the bank has confirmed a continuing waiver of the non-compliance. The bank has not waived its right to demand repayment of the outstanding principal balance and consequently the entire balance has been shown as a current liability.

During the quarter ended June 30, 2007, an individual who is related to a Director of the Company provided \$100,000. The funds were provided for general corporate purposes. The note is due on or before December 31, 2007. There is no prepayment penalty and includes a provision for conversion to a long-term repayment.

During the quarter ended June 30, 2007, proceeds of \$160,000 relating to a non-brokered private placement of convertible debentures were received. The debentures will bear interest at 12% per annum, payable quarterly and maturing on July 1, 2012. The debentures will be convertible at the option of the holder into common shares of Greentree at \$0.24 per share during the first two years, \$0.27 per share during the third year, \$0.30 per share during the fourth year and \$0.33 per share in the last year before maturity. The Company may redeem the debentures on thirty (30) days' notice provided that its common shares have traded at prices not less than \$0.50 per share in the 30 days immediately preceding the date of such notice if notice is given before July 1, 2009, at \$0.55 per share if notice is given in the third year, \$0.60 per share if notice is given in the fourth year, and \$0.65 per share if notice is given in the last year before maturity.

On July 31, 2007, Greentree revised its bank credit facilities to include a \$1,500,000 revolving demand loan and a \$750,000 non-revolving demand loan. The revolving facility bears interest at the banks prime lending rate plus 2.0% per annum payable monthly. The non-revolving demand loan bears interest at the bank's prime lending rate plus 5% per annum payable monthly and is subject to a review by the Bank on September 30, 2007. In consideration, the Company granted 500,000 share purchase warrants exercisable for a term of two years at \$0.18 per share as additional compensation.

On July 31, 2007, Greentree granted an aggregate of 125,000 common share incentive stock options to non-management Directors. The options expire on July 30, 2012 and are exercisable at \$0.18 per share subject to a four-month hold period commencing on July 31, 2007.

RELATED PARTY TRANSACTIONS

During the three months ended June 30, 2007, administrative expenses totaling \$6,917 were incurred between the Company and a law firm of which a partner is a director and shareholder of the Company. As of June 30, 2007 the balance owing the law firm was \$36,066.

During the three months ended June 30, 2007, \$4,045 was accrued in directors fees to non-management directors and the balance due to the non-management directors was \$56,118.

ADDITIONAL DISCLOSURES

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates require Management to make assumptions regarding matters that are highly uncertain at the time the estimate is made and have a material impact on the financial condition of the Company.

Reserves. The Company's natural gas and oil reserves were evaluated and reported on by the independent petroleum engineering and geological consulting firm of Paddock Lindstrom & Associates Ltd., which evaluated the Company's reserves as at December 31, 2006. The estimation of reserves is a subjective process. Forecasts are based on engineering data, projected future rates of production and the timing of future expenditures, all of which are subject to numerous uncertainties and various interpretations. The Company expects that its estimates of reserves will change with updated information from the results of future drilling, testing or production levels. Such revisions could be upwards or downwards. Reserve estimates have a material impact on depletion and depreciation expense, asset retirement costs and impairment expense, which could possibly have a material impact on consolidated net income.

Depletion. Capitalized costs and estimated future expenditures to develop proved reserves, including abandonment costs, are depleted based on the proportion of estimated proved oil and natural gas reserves produced during the year compared to total proved reserves. Investments in unproved properties and major development projects are not amortized until proved reserves associated with the projects can be determined or until impairment occurs. If it is determined that properties are impaired, the amount of the impairment is added to the capitalized costs to be amortized.

Impairment. In applying the full cost method of accounting, the Company periodically calculates a ceiling, or limitation on the amount that petroleum and natural gas properties may be carried for on the balance sheet. An impairment exists if the undiscounted future net cash flows from proved reserves at future commodity prices plus the cost of undeveloped properties is less than the carrying value of the capitalized costs. If an impairment is found to exist, the impaired properties are written down to their fair value. The fair value of the assets is calculated based on future net cash flows from proved plus probable reserves, discounted at a 10% rate using future commodity prices, plus the cost of undeveloped properties. An impairment may result in a material loss for a particular period; however, future depletion and depreciation expense would be reduced. Assumptions about reserves and future prices are required to calculate future net cash flows. The assumptions made to estimate reserves have been previously discussed. There is significant uncertainty regarding forecasting future commodity prices due to economic and political uncertainty. Future prices are derived from a consensus of price forecasts among recognized reserve evaluators. Estimates of future cash flows assume a long-term price forecast and current operating costs per boe plus an inflation factor. It is difficult to determine and assess the impact of a decrease in proved reserves on impairment. The relationship between reserve estimates and the estimated undiscounted cash flows, and the nature of the impairment test, is complex.

Asset Retirement Obligations. The Company is required to remove production equipment, batteries, pipelines, gas plants and restore land at the end of natural gas and oil operations. The Company estimates these costs in accordance with existing laws, contracts and other policies. These obligations are initially

measured at fair value, which is the discounted future value of the liability. These costs are also capitalized as part of the cost of the related assets and amortized over the useful life of the assets.

An annual increase to the liability will be recorded to recognize the passage of time and the impending settlement of the obligation. The liability will be impacted by any changes in the assumptions used in the asset retirement obligation calculation. Adjustments to the estimate will be recorded as an expense on the consolidated statements of earnings.

The asset retirement obligation calculations were derived from typical industry experience and practices. The deemed asset retirement obligation liability for wells and facilities is the sum of the calculated abandonment and reclamation liabilities adjusted for designated status as active, inactive, abandoned, or problem site.

Estimating future asset removal costs is difficult and requires Management to make estimates and judgments because most of the removal obligations are many years in the future and contracts and regulations often have vague descriptions of what constitutes removal. Asset removal technologies and costs are constantly changing, as well as regulatory, political, environmental, safety and public relations considerations. As a result, it is not possible to provide a reasonable analysis of the impact that changes in removal costs would have on the asset retirement obligation.

OPERATIONAL AND FINANCIAL CONDITIONS AND RISKS

Greentree's operations are subject to risks normally associated with the natural gas and oil industry. Oil and natural gas exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that commercial quantities of natural gas and crude oil will be discovered by the Company. The marketability of natural gas and crude oil acquired or discovered will be affected by numerous factors beyond the control of the Company. These factors include reservoir characteristics, the proximity and capacity of oil and natural gas pipelines and processing equipment and government regulation.

The Company is exposed to financial risks including interest rate risk on its operating facility, and commodity prices and expenditure costs shifting due to changes in market conditions. Commodity prices are driven by supply, demand and market forces outside the Company's influence. Greentree's ability to raise additional capital will depend upon a number of factors, such as general economic and market conditions that are beyond its control.

QUARTERLY INFORMATION

Quarterly Data (unaudited) Year Ended December 31, 2007	1st Quarter (\$)	2nd Quarter (\$)
Gas and oil revenues	437,185	504,986
Normalized earnings before interest, taxes, depreciation and amortization (EBITDA)*	58,174	124,861
Basic & diluted earnings (loss) per share	(0.01)	0.00
Cash flow	(38,321)	52,972
Operating netback per boe**	21.51	27.29
Operating and G&A netback per boe***	21.22	13.57
Production (boe/d)	94	98

Quarterly Data (unaudited)				
Year Ended December 31, 2006				
	1st	2nd	3rd	4th
	Quarter (\$)	Quarter (\$)	Quarter (\$)	Quarter (\$)
Gas and oil revenues	543,020	469,813	440,941	373,154
Normalized earnings before interest, taxes, depreciation and amortization (EBITDA)*	185,493	94,268	131,175	(6,098)
Basic & diluted earnings (loss) per share	0.01	(0.01)	0.00	(0.08)
Cash flow**	129,362	82,187	67,487	(70,639)
Operating netback per boe***	31.59	23.11	23.08	17.93
Operating and G&A netback per boe****	21.01	10.00	13.39	(1.56)
Production (boe/d)	97	102	99	86

* Normalized EBITDA eliminates the effect of unusual, irregular or non-recurring items.

** Operating netback is calculated as oil and gas revenues less royalties and normalized operating expenses.

*** Operating and G&A netback is calculated as oil and gas revenues less royalties, less normalized operating expenses, and normalized general and administrative expenses.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements for Greentree Gas & Oil Ltd. have been prepared by Management in accordance with Canadian GAAP consistently applied. The most significant of these accounting principles have been set out in the statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the consolidated financial statements, Management is satisfied that these consolidated financial statements have been fairly presented.