ROOSTER ENERGY LTD.

Management Discussion and Analysis
March 31, 2013

This management discussion and analysis ("MD&A") of Rooster Energy Ltd. ("Rooster" or, the "Company") reflects its March 31, 2013 financial results and operations as well as developments following March 31, 2013 through the time of filing. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company and related notes as at and for the three months ended March 31, 2013, which were prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") and with the Company's audited consolidated financial statements and related notes at and for the year ended December 31, 2012. All dollar amounts are stated in U.S. dollars, unless otherwise noted.

Overview

The Company is an independent oil and natural gas exploration and production company focused on the development of resources in the shallow waters of the U.S. Gulf of Mexico. At March 31, 2013, our primary assets consist of interests in 16 producing oil and/or natural gas wells, 12 of which are operated, and 17 lease blocks granted by the United States of America.

Our core business and strategy is focused on the development of our inventory of oil and natural gas properties and the production and sale of oil and natural gas from those properties. We have identified drilling locations to which we will selectively allocate capital by applying an intensive screening analysis in order to maximize potential financial returns considering associated risks, among other factors. We are the operator of the majority of our properties, daily oil and gas production, and almost all identified potential drilling prospects; therefore we can control, to the best of our ability, the timing, costs, and drilling procedures in association of the development of our assets.

Finding and economically developing oil and natural gas reserves is critical to our financial success. Key drivers of performance in the business are: (i) ability to successfully discover, develop, and exploit commercial oil and natural gas reserves on our properties; and (ii) the ability to optimize profitability from operation of producing wells. Further, our ability to successfully discover, develop, and exploit properties is a function of, among other things: (i) our ability, or the ability of our partners, to retain drilling rigs, drillers, personnel and supplies to carry out drilling operations in a safe, professional and cost effective manner; (ii) the ultimate results of such drilling operations; (iii) the availability, on commercially reasonable terms, of transportation, storage, handling, processing and other facilities to service producing wells; and (iv) ability to finance the costs of such operations. Our ability to optimize profitability from the operation of producing wells is a function of, among other things: (i) lease operating expenses, which may be beyond our control, particularly on wells operated by third parties; (ii) volumes of oil and natural gas produced; and (iii) prevailing prices for oil and natural gas.

The Company was incorporated in British Columbia in 1988. The Company conducts business primarily through its wholly owned subsidiaries, Rooster Energy, L.L.C., Rooster Petroleum, LLC, Rooster Oil & Gas, LLC, and Probe Resources US Ltd.

Our common stock trades on the TSX Venture Exchange under the ticker symbol “COQ”. The terms “the Company”, “we”, “us”, “our” and similar terms, when used in the present tense, prospectively or for historical periods since April 30, 2012 refer to us and our subsidiaries, and for historical periods prior to May 1, 2012 refer to Rooster Energy, L.L.C. and its wholly owned subsidiaries, Rooster Petroleum, LLC, and Rooster Oil & Gas, LLC, unless the context indicates otherwise.

Review Of Q1 2013

The Company produced 242,135 barrels of oil equivalent (”BOE”) in Q1 2013, compared to the 80,795 BOE produced in Q1 2012. The higher sale volumes were the result of two acquisitions that included production and the drilling of four new wells:

- Acquisitions – In addition to its acquisition of Probe Resources US, Ltd. in April 2012, the Company consolidated its working interest at Vermilion 376 by acquiring its partner’s 50% working interest in the lease.
- New Wells – The Company completed the #A-1 well at Grand Isle 70 in March, 2012, and drilled and completed three new wells at Vermilion 376 that began producing in June, 2012.

In Q1 2013, the Company generated EBITDAX of $6,984,221 compared to ($503,987) generated in Q1 2012 (for calculation, see Appendix A). The Company recorded a net loss of $721,474 in Q1 2013, compared to a $2,296,620 net loss recorded in Q1 2012. Significantly, the Q1 2013 net loss included $2,113,129 of exploration expense associated with drilling a non-commercial well at South Timbalier 198, and recognizing $2,486,177 of bad debt expense.

The Company currently has one well drilling at High Island Block 494 located in 210’ water in the Gulf of Mexico. The High Island A-494 #B-4 well spud on May 7, 2013, and is expected to reach its target depth in late June. The Company operates the well and currently owns 50% working interest that will increase to75% working interest upon successful completion of the well. The #B-4 well will test probable and exploratory resource potential.

Business

At March 31, 2013, the Company’s interests in oil and natural gas leases consisted of interests in 17 leases blocks, all of which are located in the shallow waters (< 400’ water depth) of the Gulf of Mexico adjacent to the states of Louisiana and Texas. In Q1 2013, the Company’s net crude oil sales averaged 829 barrels per day (BOPD), net natural gas liquids (NGLs) sales averaged 110 barrels of oil equivalent per day (BOEPD), and net natural gas sales averaged 10,513 thousand cubic feet per day (MCFPD) (or 1,752 BOEPD); in aggregate, total crude oil, NGL, and natural gas sales averaged 2,690 BOEPD. The Company’s four primary operated properties are Vermilion 376, Eugene Island 28, Grand Island 70, East Cameron 36/37 and they comprise 97% of Q1 2013 sale volumes.

On March 20, 2013, the Company submitted high bids on two lease blocks at the Central Gulf of Mexico Federal Lease Sale 227. The United States of America, Department of Interior, has awarded the lease for one block, Vermilion Block 20, and the award of the other lease is still pending approval. If both leases are awarded, the Company's net cash exposure for bonuses will be $251,172.

Selected Annual Information

The following financial and operating data are selected information for the Company for the three most recently completed financial years, reflecting the results of operations of the Company for the years ended December 31, 2012, 2011, and 2010:

Financial	For the years ended December 31,		
	2012	2011	2010
Total revenues	$ 34,221,262	$ 21,001,250	$ 22,007,909
Operating income (loss)	(1,008,262)	4,477,521	326,224
Net interest expense and deferred financing costs	(848,534)	(952,237)	(509,468)
Other items, net gain (loss)	-	-	-
Net income (loss)	(1,856,796)	3,525,284	(183,244)
Income (loss) per share - basic	(0.02)	0.04	0.00
Income (loss) per share - diluted	(0.02)	0.04	0.00
Total assets	89,411,134	39,965,322	34,699,496
Total long-term financial liabilities	45,334,401	13,008,253	13,753,440
Cash dividends per share	-	-	-

Results of Operations

The following table summarizes production volumes, average sales prices and operating revenues for the first quarter ended March 31, 2013 and 2012:

	For the three months ended March 31, 2013	For the three months ended March 31, 2012
Sales		
Oil (Bbl)	74,565	26,279
NGL (Bbl)	9,876	1,930
Natural gas (Mcf)	946,163	315,513
Oil (BOE) [a]	242,135	80,795
Oil (BOE/day) [a]	2,690	888
Oil ($/Bbl)	$ 106.93	$ 111.33
NGL ($/Bbl)	29.20	48.56
Natural gas ($/Mcf)	3.48	2.31
Summary statement of income		
Revenue	$ 11,558,554	$ 3,757,921
Expenses		
Lease operating costs	3,325,587	2,285,375
Depreciation and depletion	2,514,255	944,354
Exploration and evaluation	2,113,129	(303,543)
Plug and abandonment [b]	-	2,362,072
General and administrative	1,248,746	554,460
Bad debt expense	2,486,177	-
Stock-based compensation	217,413	-
Total costs and expenses	11,905,307	5,842,718
Operating income (loss)	(346,753)	(2,084,797)
Finance expenses [c]	(1,218,721)	(211,822)
Deferred tax recovery	844,000	-
Income (loss)	(721,474)	(2,296,620)
Income (loss) per share		
Basic	(0.01)	(0.03)
Diluted	(0.01)	(0.03)
Weighted average shares outstanding [d]		
Basic	105,465,823	91,281,400
Diluted	105,465,823	91,281,400
Capital expenditures	$ 242,314	$ 14,614,619
EBITDAX [e]	$ 6,984,221	$ (503,987)

(a) Gas volumes are converted to BOE on the basis of 6 Mcfe per 1 barrel.

(b) Plug and abandonment expense in 2012 of $2,362,072 includes a non-cash charge of $940,000.

(c) Finance expense includes accretion for asset retirement obligations and unrealized gain on derivative liabilities related to warrants.

(d) The weighted average number of common shares for 2012 is weighted for the before and after merger shares and for 2011 is based on 1,000 units.

(e) EBITDAX is a non-IFRS measure commonly used in the oil and gas industry. Such measures do not conform to IFRS and may not be comparable to those reported by other companies nor should they be viewed as an alternative to other measures of financial performance calculated in accordance with IFRS. The company defines EBITDAX as net income before finance expense, taxes, depreciation, amortization, accretion, exploration and evaluation, bad debt, impairments, stock-based compensation, and the non-cash portion of plug and abandonment expense.

Sale Volumes

Crude oil sales totaled 74,565 barrels (829 BOPD) in Q1 2013 compared to 26,279 barrels (289 BOPD) in Q1 2012, an increase of 48,286 barrels (184%). The increase in Q1 2013 primarily reflects: 1) the acquisition of an additional 50% working interest in Vermilion 376; and 2) new production resulting from the Company's successful three-well drilling program at Vermilion 376 which began producing in Q2 2012.

NGL sales totaled 9,876 BOE (110 BOEPD) in Q1 2013 compared to 1,930 BOE (21 BOEPD) in Q1 2012, an increase of 7,946 BOE (412%).

Natural gas sales totaled 946,163 thousand cubic feet (MCF) (10,513 MCFPD) in Q1 2013 compared to 315,513 MCF (3,467 MCFPD) in Q1 2012, an increase of 630,650 MCF (200%). The increases in NGL and natural gas sales in Q1 2013 primarily reflect new gas production from Grand Isle 70 and East Cameron 36/37, partially offset by the sale of the Company's interest in the Ship Shoal 189 field and production declines at Eugene Island 28.

In aggregate, crude oil, NGL, and natural gas sales totaled 242,135 BOE (2,690 BOEPD) in Q1 2013 compared to 80,795 BOE (888 BOEPD) in Q1 2012, an increase of 161,340 BOE (200%). Q1 2013 sale volumes were comprised of 31% crude oil, 4% NGLs, and 65% natural gas.

Realized Prices

Realized crude oil prices averaged $106.93 per barrel in Q1 2013 compared to $111.33 per barrel in Q1 2012, a decline of $4.40 per barrel (4%). Most of the Company's crude pricing is derived from a combination of West Texas Intermediate (WTI) crude prices and the Louisiana Light Sweet (LLS) spread relative to WTI prices. Though WTI prices fell 8% year-over-year in Q1 2013, this was partially offset by improving LLS spreads.

Realized NGL prices averaged $29.20 per barrel in Q1 2013 compared to $48.56 per barrel in Q1 2012, a decline of $19.36 per barrel (40%). The decline in Q1 2013 primarily reflects overall declines in U.S. NGL prices.

Realized natural gas prices averaged $3.48 per MCF in Q1 2013 compared to $2.31 per MCF in Q1 2012, an increase of $1.17 per MCF (51%). The improvement in Q1 2013 primarily reflects overall increases in U.S. natural gas prices; the average Henry Hub natural gas price increased 43% year-over-year in Q1 2013.

In aggregate, realized prices averaged $47.74 per BOE in Q1 2013 compared to $46.51 per BOE in Q1 2012, an increase of $1.22 per BOE (3%). Higher natural gas prices were partially offset by lower crude oil and NGL prices.

Revenues

Crude oil revenues totaled $7,973,082 in Q1 2013 compared to $2,925,639 in Q1 2012, an increase of $5,047,443 (173%). The year-over-year increase reflects a 184% increase in sale volumes, partially offset by a 4% decline in the average realized price.

NGL revenues totaled $288,325 in Q1 2013 compared to $93,738 in Q1 2012, an increase of $194,587 (up 208%). The year-over-year increase reflects a 412% increase in sale volumes, partially offset by a 40% decline in the average realized price.

Natural gas revenues totaled $3,297,147 in Q1 2013 compared to $729,617 in Q1 2012, an increase of $2,567,530 (352%). The year-over-year increase reflects a 200% increase in sale volumes, and a 51% increase in the average realized price.

Total revenues totaled $11,558,554 in Q1 2013 compared to $3,757,921 in Q1 2012, an increase of $7,800,633 (208%). The year-over-year increase reflects a 200% increase in sale volumes, and a 3% increase in the average realized price. Q1 2013 revenues were comprised of 69% crude oil, 2% NGLs, and 29% natural gas.

Expenses

Lease operating expenses totaled $3,325,587 in Q1 2013 compared to $2,285,375 in Q1 2012, an increase of $1,040,212 (46%). The increase primarily reflects increased costs at Vermilion 376, which resulted from the Company's acquisition of an additional 50% working interest, and the subsequent drilling of three new wells. Additional costs include those associated with the addition of a new field at Grand Isle 70 in March, 2012, and with the addition of properties acquired from Probe Resources US, Ltd. Lease operating expenses averaged $13.73 per BOE in Q1 2013 compared to $28.29 per BOE in Q1 2012, which represents a 51% decline in per unit operating expenses year-over-year.

Depreciation and depletion expenses totaled $2,514,255 in Q1 2013 compared to $944,354 in Q1 2012, an increase of $1,569,901. The increase primarily reflects expenses associated at Vermilion Block 376, Grand Isle 70, and those properties included in the acquisition of Probe Resources US Ltd. Depreciation and depletion expenses averaged $10.38 per BOE in Q1 2013 compared to $11.69 per BOE in Q1 2012, which represents an 11% decline in per unit expenses year-over-year.

Exploration and evaluation expenses totaled $2,113,129 in Q1 2013, which reflects drilling costs associated with the South Timbalier 198 #A-7ST1 well, which was deemed to be non-commercial in January, 2013.

Plugging and abandonment expenses of $2,362,072 in Q1 2012 were comprised of a $1,422,072 cash component and a $940,000 non-cash component. These expenses reflect a one-time charge for under-accrued costs associated with the decommissioning activity on East Cameron Block 129. During Q1 2013 $682,435 was expended toward settlement of the Company's asset retirement obligations.

General and administrative expenses totaled $1,248,746 in Q1 2013 compared to $554,460 in Q1 2012, an increase of $694,286. The increase primarily reflects increased director and employee compensation and financial audit expenses. General and administrative expenses averaged $5.16 per BOE in Q1 2013 compared to $6.86 per BOE in Q1 2012, which represents a 25% decline in per unit expenses year-over-year.

Bad debt expenses totaled $2,486,177 in Q1 2013. The majority of the bad debt expense relates to an allowance for the non-payment of capital and operating expenses by a working interest owner in two wells at Vermilion 376 (see "Legal Proceedings").

Stock-based incentive compensation expenses totaled $217,413 in Q1 2013. These expenses relate to the amortization of costs associated with employee and director stock options granted in June, 2012.

Finance expenses totaled $1,218,721 (of which $675,000 was a cash expense) in Q1 2013 compared to $211,822 in Q1 2012, an increase of $1,006,899. Finance expenses were primarily comprised of: 1) interest charged on debt secured by certain assets of Probe Resources US Ltd.; 2) interest and accretion of debt discount associated with $22,500,000 of 12% Senior Secure Notes that were issued on October 22, 2012 (see "Liquidity"); and 3) accretion of the Company's liability for asset retirement obligations (ARO).

Net Income

Net income (loss) totaled ($721,474) in Q1 2013 compared to ($2,296,620) in Q1 2012, an increase of $1,575,146. The increase in net income in Q1 2013 when compared to Q1 2012 is the result of higher production volumes and lower unit operating costs, partially offset by higher exploration and bad debt expenses.

Seasonality

In general, the Company's business is not subject to seasonal factors and trends, although adverse weather conditions may result in temporary declines in production volumes and revenues and resulting decreases in profitability. In particular, operations in the Gulf of Mexico expose the Company to hurricane and tropical storm risks (which are insured by the Company) and, less often, cold weather risks that may result in declines in production associated with temporary cessations of production during such weather events and extended cessations of production associated with damage to facilities and/or pipelines arising from such risks.

Summary Quarterly Results

The following is a summary of selected quarterly information that has been derived from both the unaudited quarterly financial statements and the audited annual financial statements of the Company. This summary should be read in conjunction with the financial statements.

	For the three months ended							
	Mar. 31 2013	Dec. 31, 2012	Sep. 30, 2012	Jun. 30, 2012	Mar. 31 2012	Dec. 31, 2011	Sep. 30, 2011	Jun. 30, 2011
Revenues	$ 11,558,554	$ 12,061,865	$ 12,997,594	$ 5,403,881	$ 3,757,922	$ 4,941,551	$ 4,697,918	$ 5,857,373
Income (loss) before discontinued and extraordinary items	(721,474)	(5,792,837)	5,020,879	(619,091)	(2,296,620)	1,415,397	163,013	1,066,906
Income (loss) before discontinued and extraordinary items (per share - basic)	(0.01)	(0.05)	0.05	(0.01)	(0.03)	0.02	0.00	0.01
Income (loss) before discontinued and extraordinary items (per share - diluted)	(0.01)	(0.05)	0.05	(0.01)	(0.03)	0.02	0.00	0.01
Net income (loss)	(721,474)	(5,792,837)	5,020,879	(619,091)	(2,296,620)	1,415,397	163,013	1,066,906
Net income (loss) per share - basic	(0.01)	(0.05)	0.05	(0.01)	(0.03)	0.02	0.00	0.01
Net income (loss) per share - diluted	(0.01)	(0.05)	0.05	(0.01)	(0.03)	0.02	0.00	0.01
OPERATIONS								
Sales								
Oil (Bbl)	74,565	78,242	82,984	30,903	26,279	32,962	29,629	33,006
NGL (Bbl)	9,876	19,592	29,581	6,483	1,930	5,901	10,640	5,257
Natural gas (Mcf)	946,163	969,198	1,175,480	811,970	315,513	252,355	226,884	360,659
Oil (BOE) (1)	242,135	259,368	308,478	172,714	80,795	80,922	78,083	98,373
Oil (BOE/day) (1)	2,690	2,819	3,353	1,898	888	880	849	1,081
Oil ($/Bbl)	$ 106.93	$ 103.48	$ 103.94	$ 104.80	$ 111.33	$ 111.25	$ 104.11	$ 116.38
NGL ($/Bbl)	29.20	30.12	30.09	47.14	48.56	59.12	51.91	53.04
Natural gas ($/Mcf)	3.48	3.48	2.96	2.28	2.31	3.48	4.68	4.82
Operating revenue								
Oil	$ 7,973,082	$ 8,096,185	$ 8,625,723	$ 3,238,659	$ 2,925,639	$ 3,666,860	$ 3,084,607	$ 3,841,085
NGL	288,325	590,160	890,182	305,607	93,738	348,914	552,377	278,831
Natural gas	3,297,147	3,375,520	3,478,439	1,852,868	729,617	879,207	1,060,934	1,737,457
Handling fees	-	-	3,250	6,747	8,927	46,570	-	-
Total	11,558,554	12,061,865	12,997,594	5,403,881	3,757,922	4,941,551	4,697,918	5,857,373
Expenses								
Lease operating expense	3,325,587	3,497,410	3,381,855	2,736,580	2,293,803	1,827,721	2,650,707	2,036,842
Lease operating expense per BOE (1)	13.73	13.48	10.96	15.84	28.39	22.59	33.95	20.71

(1) Gas volumes are converted to BOE on the basis of 6 Mcfe per 1 barrel.

Liquidity

On October 22, 2012, the Company and the administrative agent for a lending group entered into a Note Purchase Agreement under which Rooster Oil & Gas, LLC, and Probe Resources US Ltd., as Co-Issuers, issued Senior Secured Notes due on October 22, 2014 in the aggregate principal amount of $22,500,000 (the "Notes"). The Notes are secured by a first priority security interest, lien and mortgage on all assets, including oil and gas leases and proceeds therefrom, owned by the Co-Issuers. The Notes bear interest at a rate equal to 12% per annum with interest payments due quarterly. The Company and its subsidiary, Rooster Energy, L.L.C., are guarantors of the obligations of the Co-Issuers under the Note Purchase Agreement and each has also granted a security interest in all of its property to secure the obligations of the Co-Issuers. No holder of the Notes is a related party to the Company nor is any holder a chartered bank, trust company or treasury bank. The proceeds from the sale of the Notes were used to repay certain obligations of the Company. As at March 31, 2013, the Company is in compliance with all covenants, obligations and conditions under the Note Payable Agreement.

In association with the Note Purchase Agreement, the Company entered into a Warrant Purchase Agreement with a 5-year term with the holders of the Notes pursuant to which it has agreed to sell warrants for up to 9,000,000 common shares of the Company at an exercise price of $1.00 per common share. The warrants are subject to mandatory exercise, as applicable, in the event that certain conditions are satisfied, including that the trading price of the common shares is equal to or greater than 150% of the warrant exercise price for a period of thirty (30) consecutive trading days.

At March 31, 2013, the Company had a cash balance of $6,067,733, and a working capital surplus of $3,193,455. Accordingly, management believes the Company has sufficient funds, supplemented with future positive operating cash flow, to meet its short-term obligations. However additional debt or equity financings may be required to fund future planned capital spending requirements.

Asset Retirement Obligations

In addition to the amounts owed at March 31, 2013, the Company has an ongoing liability with respect to the decommissioning of wells and facilities totaling $17,530,990. The timing and amount of settling such asset retirement obligations are based on management's best estimate at this time. In the event of unforeseen developments, the Company may be required to incur asset retirement costs sooner than otherwise anticipated and in amounts exceeding the asset retirement obligations recorded on the balance sheet.

Contractual Obligations

At March 31, 2013, principal contractual obligations requiring fixed payments consisted of the following:

	Payments Due By Period				
	Total	Less Than 1 Year	1 - 2 Years	2 - 5 Years	Over 5 Years
First Amended and Restated Term Note [(1)]	$ 6,000,000	$ -	$ 6,000,000	$ -	$ -
Term Promissory Note [(1)]	463,000	-	463,000	-	-
Senior Secured Notes [(2)]	19,828,653	-	19,828,653	-	-
	$ 26,291,653	$ -	$ 26,291,653	$ -	$ -

(1) Payable on the earlier to occur of April 2014 or one year from production from the ST 198 #A-7 ST1 Well.

(2) $22,500,000 payable on October 22, 2014 with interest at 18% payable quarterly.

Capital Expenditures

Capital expenses totaled $242,314 in Q1 2013 compared to $14,614,619 in Q1 2012, a decline of $14,372,305. Capital expenses in Q1 2013 primarily reflect geological and regulatory costs associated with the Company's 2013 drilling program.

In addition, in Q1 2013 the Company recorded a $2,113,129 charge for expenses related to the South Timbalier 198 #A-7 ST-1 development well. This well was deemed to be non-commercial in January, 2013. Last year the Company expensed $4,031,388 of charges incurred through year-end 2012 in connection with drilling the well. The Q1 2013 charge relates to additional expenses incurred subsequent to year-end.

Off-Balance Sheet Arrangements

At March 31, 2013 the Company is not party to, and not currently party to, any off-balance sheet arrangements.

Financial Instruments and Other Instruments

In Q1 2013, as required under the terms of the Note Purchase Agreement, the Company entered into three fixed price contracts pursuant to which it agreed to sell certain quantities of oil and gas. Fixed price contracts related to the Company's gross working interest include:

- For the period January 1, 2013 through June 30, 2013, the Company is obligated to sell approximately 350 barrels per day of crude oil at a fixed price of $102.00 per barrel.
- For the period January 1, 2013 through October 31, 2013, the Company is obligated to sell approximately 4,000 MMBtu per day of natural gas at a fixed price of $3.86 per MMBtu.
- For the period April 1, 2013 through October 31, 2013, the Company is obligated to sell approximately 3,100 MMBtu per day of natural gas at a fixed price of $3.60 per MMBtu.

At March 31, 2013, the Company did not have, and currently does not have, any derivative securities, financial or other instruments.

Transactions with Related Parties

During the quarter ended March 31, 2013, the Company was party to the following transactions with related parties:

- Accounts payable and accrued liabilities to directors and/or entities associated with directors, totaled $17,500 at March 31, 2013. In addition, at March 31, 2013, the Company had accounts payable in the amount of $4,157,670 due and owing to Chet Morrison Contractors, LLC, which is indirectly controlled by Chester F. Morrison, Jr., who is a director of the Company.

- The Company is indebted to The K2 Principal Fund L.P. in the total amount of $6,463,000 plus accrued interest and it is secured only by certain assets of Probe Resources US Ltd. Paul Crilly is a director of the Company and a director of K2 & Associates Investment Management Inc., the general partner of The K2 Principal Fund L.P.

Critical Accounting Estimates

The Company’s significant accounting policies are disclosed in the notes to the financial statements. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on a periodic basis. The emergence of new information and changed circumstances may result in actual results or changes in estimated amounts that differ materially from current estimates.

We view the following estimates as critical:

Oil and Natural Gas Properties

All costs of exploring for and developing oil and natural gas reserves are initially capitalized. Such costs include land acquisition costs, lease rentals, geological and geophysical expenses, carrying charges on non-producing properties, costs of drilling and overhead charges directly related to acquisition and exploration activities.

Costs capitalized, together with the costs of production equipment and pipeline, are depleted and amortized on the unit-of-production method at a property level based on our estimated net proved reserves as determined and estimated by independent petroleum engineers. Petroleum products and reserves are converted to a common unit of measure, using 6 MCF of natural gas to one barrel of oil.

Costs of acquiring and evaluating unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically to ascertain whether impairment has occurred. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion calculations.

Proceeds from the sale of oil and natural gas properties are recognized in net earnings. The amount of gain or loss is determined by comparing the proceeds from disposal with the corresponding carrying amount.

At each reporting date the carrying amounts of the Company’s long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

The recoverability of amounts shown for unproven properties is dependent upon the discovery of economically recoverable reserves, the Company's ability to obtain necessary financing to complete the development of the properties and upon future profitable production or proceeds from the disposition thereof.

The Company makes various critical estimates including, among others, future development costs and operating costs. Variations in those estimates could result in changes in capitalized costs, depletion expense, and impairment charges, among others.

Asset Retirement Obligations

The fair value of obligations associated with the retirement of tangible long-lived assets are recorded in the period in which it is incurred and a reliable estimate of the fair value can be made, with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion. The costs capitalized to the related assets are amortized in a manner consistent with the depreciation, depletion and amortization of the related asset.

In accounting for asset retirement obligations, the Company makes critical estimates as to the amount and timing of incurrence of actual costs. Variations in those estimates could result in changes in capitalized costs, depletion expense and impairment charges, among others.

The Company recorded additional plug and abandonment expense of $2,362,072 in Q1 2012 as the result of a one-time charge for under accrued cost associated with the abandonment of the East Cameron Block 129. Of this amount, $940,000 was a non-cash accrual of estimated cost for pipeline disconnection and platform abandonment.

Accounting Policies and Auditor

The Canadian Accounting Standards Board ("AcSB") required the adoption of IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. All comparative figures have been restated to be in accordance with IFRS.

The Company's year-end is December 31.

Effective July 17, 2012 the firm of Collins Barrow Calgary LLP was appointed as auditor of the Company.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares (that may be converted to Proportionate Voting Shares) and an unlimited number of preferred shares issuable in series with no par value. As of the date hereof, there were 65,071 Proportionate Voting Shares and 40,394,823 common shares issued and outstanding or the issued share capital on a fully diluted basis was the equivalent of 105,465,823 common shares. No preferred shares are issued or outstanding.

In association with the Note Purchase Agreement (see "Liquidity"), the Company entered into a Warrant Purchase Agreement with a 5 year term with the holders of the Notes pursuant to which it has agreed to sell warrants for up to 9,000,000 common shares of the Company at an exercise price of $1.00 per common share.

Pursuant to the stock option plan approved by shareholders on April 20, 2012, on June 5, 2012 the Company approved the grant of incentive stock options to directors, officers and employees for acceptance in the total amount of 4,820,645. The exercise price is $0.50 per option and expiry date is June 5, 2022. Subsequent to that grant of options, there are 3,258,319 shares remaining available for issuance under the stock option plan.

Other than those issued under Warrant Purchase Agreement or the stock option plan (and the Proportionate Voting Shares each of which is convertible into a common share), there were no warrants, stock options or other securities convertible into common shares outstanding on March 31, 2013.

Legal Proceedings

The Company is a party to various legal proceedings which are incidental to the ordinary course of business. We regularly analyze current information and, as necessary, provide accruals for probable liabilities on the eventual disposition of these matters. In the opinion of management, as of the date of the filing of this MD&A, there is only one threatened or pending legal matter that could have a material impact on the Company's consolidated results of operations, financial position or cash flows.

In 2012, the Company assigned a 25% working interest in two newly drilled and completed exploratory wells at Vermilion Area Block 376 in consideration of the assignee paying its agreed proportionate share of the drilling, completion and lease operating costs. The assignee has failed to pay certain invoiced amounts, and on November 20, 2012, the Company, as operator of the wells, filed a lien in the amount of $2,264,701.15 against the interest in the wells. Additionally, on March 27, 2013, the Company filed a state court action to recover all amounts due per the lien in addition to unpaid lease operating expenses, damages, interest, attorney fees, etc. On April 13, 2013, the Company was served with a complaint naming it as defendant in a federal court action filed by the assignee's purported mortgagee of the 25% working interest in the wells seeking relief in the form of a declaration that the lien of the Company is not valid and perfected, and that it be withdrawn and for an unspecified amount of damages, costs and attorney fees. The Company asserts that it has a valid and perfected lien and defenses to the lawsuit and is of the opinion that it will not be subject to any material damage award in favor of the purported mortgagee even if the lien is held to be invalid or otherwise primed by the purported mortgagee. However, in the event that the lien is held to be invalid, then the Company may have an unsecured account receivable in the amount of at least $2,264,701.15 and the debt may be uncollectible. Additionally, operating expenses incurred subsequent to filing of the aforementioned lien have added $118,619 to the account receivable; this debt may also be uncollectible. After careful consideration, the Company has made provision for the loss of the accounts receivable.

Forward Looking Information and Statements

This MD&A may contain forward looking information related to planned drilling program, production, revenue, commodity prices, royalties, capital expenditures and commitments, operating costs, general and administrative expenses, funds flow from operations, financing plans, liquidity and capital resources and debt settlement. Forward-looking information is based on expectations and estimates as of the date of this document, and is information that is subject to known and unknown risks and other factors that may cause future actions, conditions or events to differ materially from the anticipated actions, conditions or events expressed or implied by such forward-looking information. Forward-looking information is information that does not relate strictly to historical or current facts, and can be identified by the use of the future tense or other forward-looking words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “estimate”, “should”, “could” “may”, “objective”, “projection”, “forecast”, “continue”, “strategy”, “position” or the negative of those terms or other variations of them or comparable terminology.

Further examples of such forward-looking information in this document include but are not limited to the following, each of which is subject to significant risks and uncertainties and is based on a number of assumptions, which may prove to be incorrect including: the amounts recorded for depletion, depreciation and accretion, the provision for asset retirement obligations and the ceiling test, which are based on estimates of reserves, production rates, petroleum and natural gas prices, future costs and other relevant assumptions. Stock-based compensation expense is based upon estimates using the Black-Scholes option pricing model.

Risks include, but are not limited to, the availability and costs of financing, general economic conditions, storm weather risks, and risks associated with the oil and gas industry (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the financial health of joint venture partners; health, safety and environmental risks; and the uncertainty of dealing with government and obtaining regulatory approvals).

At this time, the most significant risk relates to the uncertainty of the Company’s ability to finance development plans and ongoing operations, the results of any such development operations and future oil and gas prices and the current volatility in these markets. Revenues and funds flow from operations will be impacted positively or negatively depending on the ultimate variance to our forecast assumptions. Furthermore, the outcome of commodity price changes are expected to impact our capital spending plans and the ability of joint venture partners and other sources of capital funding to provide financing for projects.

Operations may be unsuccessful or delayed as a result of competition for services, supplies and equipment, mechanical and technical difficulties, ability to attract and retain employees on a cost effective basis, commodity and marketing risk and seasonality. The company is subject to significant drilling risk and uncertainties including the ability to find oil and gas reserves on an economic basis, and is also exposed to risks relating to the inability to obtain timely regulatory approvals, surface access, access to third party gathering and processing facilities, transportation and other third party related operational risks.

Financial risks that the Company is exposed to include, but are not limited to, access to debt or equity markets and fluctuations in commodity prices, interest rates and the Canadian/US dollar exchange rate.

It is anticipated that subsequent events and developments may cause a change to the assumptions made by us. The Company does not have an intention to update this forward-looking information, except as required by applicable securities laws. This forward-looking information represents the Company's views as of the date of this document and such information should not be relied upon as representing its views as of any date subsequent to the date of this document. Highlighted here are important factors that could cause actual results, performance or achievements to vary from those current expectations or estimates expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations.

There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. These factors are not intended to represent a complete list of factors that could affect the Company.

Date

This MD&A is dated May 28, 2013.

Additional Information

Additional information regarding the Company is available at SEDAR www.sedar.com and at www.roosterenergyltd.com

APPENDIX A

	For the three months ended March 31,	
	2013	2012
EBITDAX [(a)] Calculation:		
Income (loss)	(721,474)	(2,296,620)
DD&A	2,514,255	944,354
Exploration and evaluation	2,113,129	(303,543)
Non-cash plug and abandonment	0	940,000
Bad debt expense	2,486,177	0
Stock-based compensation	217,413	0
Finance expenses and unrealized gain on derivative liabilities	1,218,721	211,822
Impairment expense	0	0
Deferred tax recovery	(844,000)	0
EBITDAX	6,984,221	(503,987)

(a) EBITDAX is a non-IFRS measure commonly used in the oil and gas industry. Such measures do not conform to IFRS and may not be comparable to those reported by other companies nor should they be viewed as an alternative to other measures of financial performance calculated in accordance with IFRS. The company defines EBITDAX as net income before finance expense, taxes, depreciation, amortization, accretion, exploration and evaluation, bad debt, impairments, stock-based compensation, and the non-cash portion of plug and abandonment expense.