ROOSTER ENERGY LTD.

Management Discussion and Analysis
June 30, 2012

This management discussion and analysis ("MD&A") of Rooster Energy Ltd. ("Rooster" or, the "Company") reflects its June 30, 2012 financial results and operations as well as developments following June 30, 2012 through the date of preparation of this MD&A. This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes as at and for the three months ended June 30, 2012, which were prepared in accordance with International Accounting Standards ("IAS") 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 as at and for the year ended December 31, 2011. All dollar amounts are stated in U.S. dollars, unless otherwise noted.

The Company has gone through a transformation since April 15, 2011 when it was known as Probe Resources Ltd. ("Probe") and emerged from bankruptcy reorganization proceedings. The bankruptcy resulted in a substantial realignment of the non-equity and equity interests in Probe, as well as a change in control but had limited impact on Probe's physical operations. Unfortunately it soon became apparent that additional restructuring and capital access would be necessary for long-term growth and success. Hence, the Company conducted a transaction that resulted in a reverse takeover by Rooster Energy, L.L.C. which significantly increased the asset base of the Company and provided the foundation to build shareholder value going forward. The name of Probe was also changed to Rooster Energy Ltd.

Overview

Rooster is an independent oil and natural gas exploration and production company focused on the development of resources in the shallow waters of the Gulf of Mexico. At June 30, 2012, our primary assets consist of interests in twenty-seven (27) producing oil and/or natural gas wells located on nineteen (19) federal lease blocks.

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.

Key drivers of performance in the business are: (i) ability to successfully exploit, discover and develop commercial oil and natural gas reserves on our properties, and (ii) ability to optimize profitability from operation of producing wells. Further, our ability to successfully exploit, discover and develop properties is a function of, among other things: (i) ability, or the ability of our partners, to retain drilling rigs, drillers, personnel and supplies to carry out drilling operations in a 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 expenses 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. Accordingly, finding and economically developing oil and natural gas reserves is critical to our financial success.

Probe was incorporated in British Columbia in 1988. Rooster Energy, L.L.C. was organized as a limited liability company in the United States of America pursuant to the laws of the State of Louisiana in 2005 to become a holding company for its two wholly owned subsidiaries, Rooster Petroleum, LLC, and Rooster Oil & Gas, LLC. With the completion of the reverse takeover by Rooster Energy, L.L.C. on April 30, 2012, the Company now conducts business through its wholly owned subsidiaries, Rooster Energy, L.L.C., Rooster Petroleum, LLC, Rooster Oil & Gas, LLC, and PROBE RESOURCES US LTD.

Shortly after the completion of the reverse takeover, on May 4, 2012 our common stock began to trade 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 subsidiaries, unless the context indicates otherwise.

The Transaction

On February 21, 2012, it was announced that Probe had entered into an arm’s length arrangement agreement, as amended, with Morrison Energy Group, LLC, Rooster Resources, LLC, K2 Principal Fund L.P. and Rooster Probe GOM Oil & Gas Ltd. ("Canco") to merge Probe with Canco under the Business Corporations Act (British Columbia) and subsequently complete a reverse takeover by Rooster Energy, L.L.C. (the "Transaction"). Canco was a private entity formed expressly to conduct a private placement, then merge with Probe and immediately thereafter make the proceeds of the private placement available to facilitate funding the acquisition from Rooster Resources, LLC, of all the membership interest of Rooster Energy, L.L.C. and its two subsidiaries which own and operate certain producing oil and gas assets in the shallow waters of the Gulf of Mexico.

As required by the arrangement agreement, Probe held an annual general and special meeting of its shareholders on April 20, 2012. At the meeting, the shareholders of Probe approved resolutions authorizing the Transaction, the creation of a class of proportionate voting shares ("Proportionate Voting Shares") of the Company, a name change and the creation of a new incentive stock option plan for the Company following the completion of the Transaction. The Probe shareholders also elected as directors and appointed as auditors those nominees set forth in the information circular and proxy statement dated February 24, 2012 with respect to the Transaction.

Pursuant to the arrangement agreement (and Probe shareholder approval), on April 30, 2012, Probe and Canco were amalgamated, the capital was consolidated, a new Board of Directors of the Company was installed and the name of Probe Resources Ltd. was changed to Rooster Energy Ltd. Thereafter the reverse takeover by Rooster Energy, L.L.C., was completed and its senior management became the senior management of the Company and its assets now comprise the large majority of the assets of the Company.

Immediately prior to the completion of the Transaction, Probe consolidated its 3,546,106,667 issued and outstanding common shares (the "Probe Shares") on a 250 to 1 basis with the result that there were 14,184,423 post-consolidated Probe Shares outstanding.

In April, 2012 Canco sold subscription receipts and raised the gross sum of (CDN)$20,726,040 in the private placement. Out of the proceeds of the private placement, cash commissions were paid in the total amount of (CDN)$671,639. Pursuant to the Transaction, the Company acquired all of the issued and outstanding common shares of Canco (the "Canco Shares") in exchange for, at the election of each holder of Canco common shares, either: (i) one common share of the Company (on a post-consolidated basis at a deemed price of $0.60 per share) for each Canco Share held or (ii) one-thousandth of one Proportionate Voting Share (at a deemed price of $600.00 per share) for each Canco Share held.

The sole asset of Canco (other than the offering proceeds) was an option agreement (the "Rooster Option") with Rooster Resources, LLC, pursuant to which Canco owned the option to acquire all of the outstanding membership interests of Rooster Energy, L.L.C. In consideration for the Rooster Option, upon amalgamation of Probe and Canco, Rooster Resources, LLC, received 56,738 proportionate voting shares and the Company paid the sum of $10.0 million to satisfy certain indebtedness owed by Rooster Petroleum, LLC, to Chet Morrison Contractors, LLC, an affiliate of Rooster Resources, LLC. The $10.0 million was paid directly to the secured lenders of Chet Morrison Contractors, LLC, and Rooster also obtained a release of the guaranty of all indebtedness owed by Rooster Resources, LLC, to its lenders. The remaining balance of the proceeds from the Canco private placement were used by the Company to pay drilling expenses and for general corporate purposes. The assets of Rooster Energy, LLC were integrated with the existing assets of the Company. The Transaction resulted in Rooster Resources, LLC, obtaining control of the Company and beneficial ownership of approximately 53.79% of the total authorized, issued and outstanding common shares at the time on a fully diluted basis. Rooster Resources, LLC, also gained control and direction over the Company, therefore becoming a significant shareholder as defined under National Instrument 55-104 and making it subject to insider reporting requirements going forward.

The Transaction has been accounted for as a reverse takeover of Probe by Rooster Energy L.L.C., with Rooster Energy. L.L.C. being the continuity entity for accounting purposes, as the Transaction resulted in the issuance of voting shares such that control of the combined companies passed to the sole member of Rooster Energy, L.L.C. Accordingly, the consolidated equity is that of Rooster Energy, L.L.C. The fair market value assigned to the net assets acquired by the Company from Probe are:

Cash and cash equivalents	$	415,899
Prepaid expenses		113,078
Accounts receivable		1,671,712
Long-term deposits and other assets		3,842,000
Property and equipment		14,826,641
Accounts payable and accrued liabilities		(1,709,182)
Notes payable		(6,463,000)
Asset retirement obligations		(4,160,960)
	$	8,536,188

On completion of the Transaction and pursuant to the terms of the arrangement agreement, The K2 Principal Fund L.P. agreed to restructure the terms of the Post Confirmation Term Loan in the amount of $15 million and the Advancing Loan Facility in the amount of $1.8 million. Specifically, the First Amendment to Term Loan Agreement, the First Amended and Restated Term Note and a Term Promissory Note each dated April 26, 2012 was entered into by a wholly owned subsidiary of the Company, Probe Resources US Ltd., and The K2 Principal Fund L.P. Pursuant to same, the terms of the Post Confirmation Term Loan were modified and restated to provide for a principal balance owing in the amount of $6 million payable at the rate of LIBOR plus 5%. Additionally, the Advancing Term Loan Facility was modified and restated to provide for a principal balance owing in the amount of $463,000 payable at the rate of LIBOR plus 5%. Both of the obligations are due at the earlier to occur of April 26, 2014 or one year after the commencement of production from the South Timbalier Block 198 #A-7 ST1 Well. This debt is secured only by the remaining assets currently owned by Probe Resources US Ltd. These obligations currently comprise the only long term debt of the Company.

Immediately following the Transaction the then directors of the Company, with the exception of Paul Crilly and Richard Buski, were replaced by Chester F. Morrison, Jr., Robert P. Murphy and Steven A. Weyel. Those five individuals now comprise the Board of Directors of the Company with Mr. Morrison serving as non-executive Chairman. Additionally, all of the senior officers of the Company resigned and were replaced by the following:

Robert P. Murphy	Chief Executive Officer and President
Kenneth F. Tamplain, Jr.	Sr. Vice President, General Counsel and Secretary
Tod Darcey	Sr. Vice President, Operations
James D. Shockney	Chief Financial Officer

Business

At June 30, 2012, the Company's interests in oil and natural gas leases covered an aggregate of 27 producing wells on 19 leases or 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 the second quarter 2012, the Company's oil and gas production averaged 411 barrels of oil and 8.9 million cubic feet of gas per day or 1,898 barrels of oil equivalent per day. The Company's primary properties, which comprise over 80% of second quarter production and proved reserves, consist of the following:

Vermilion Block 376 – Prior to January 1, 2012, the Company owned 50% working interest ("WI") and operated Vermilion Block 376, located in the federal waters, offshore Louisiana. Effective January 1, 2012, the Company purchased all of Apache Corporation's fifty percent (50%) non-operating WI in the lease for the sum of $850,000. The Company now holds 100% of the operating rights in the lease and all wells thereon with the exception of the Vermilion 376 #A-3 well and #A-4 well in which it owns a 70%WI. Rooster commenced a drilling program on the lease in late February 2012 after shutting down production at the field from the two existing producing wells owned 100% by the Company. Prior to the shut-in, the field was producing approximately 400 barrels (gross) of oil per day with minimal gas production. In late June 2012, Rooster resumed oil and gas production in the field following the successful drilling and completion of two new exploratory wells with a 70% WI, i.e., the #A-3, #A-4, and one developmental well with a 100% WI, i.e., #A-5. On June 30, 2012 the gross production from the five producing wells in the field was approximately 1,037 barrels of oil and 6.9 million cubic feet of gas. The Company's net daily production from this lease for the second quarter 2012 was 208 barrels of oil equivalent per day. Current net daily production from this lease is approximately 800 barrels of oil and 3.1 million cubic feet of gas per day or 1,316 BOEPD.

Grand Isle Block 70 – The Company owns a 100% WI and operates Grand Isle Block 70 located in the federal waters, offshore Louisiana. In September 2006 the Well #1 was drilled on the lease by another operator and then temporarily abandoned for future re-entry. The Company acquired the lease for assumption of the plugging and abandonment liability of the Well #1. In October 2011, the Company installed a tripod platform and a 4 inch export pipeline with processing capacity of 900 BCPD, 15,000 MMCFD. In January 2012, a drilling rig arrived on location and subsequently successfully completed the Well #1. First production began in March 2012 and in the second quarter 2012 the field produced approximately 52 barrels of oil and 5.4 million cubic feet of gas per day or 952 barrels of oil equivalent per day, net to the Company.

Eugene Island Block 28 - The Company owns a 100% WI and operates Eugene Island Block 28, a federal lease located in 17 feet of water approximately 15 miles offshore of the State of Louisiana. The Company acquired the lease in 2007 in consideration of assuming a portion of the plugging and abandonment liability. It subsequently drilled and completed, with partners, two wells, the #A-3 and the #6, in the Tex W and the Cib Carst formations, respectively. For the second quarter, 2012 the Company's net production from the field averaged 84 barrels of oil and 0.5 million cubic feet of gas per day or 166 barrels of oil equivalent per day.

East Cameron Block 36/37 – The Company owns a 52.00% WI in East Cameron Blocks 36 and 37 located in the federal waters, offshore Louisiana. This property was owned and operated by Probe. For the two months including May and June, 2012, net production from the EC 36/37 field averaged 6 barrels of oil and 1.2 million cubic feet of gas per day or 209 barrels of oil equivalent per day.

South Timbalier Block 198 – The Company holds a 100.00% WI in South Timbalier Block 198 located in the federal waters, offshore Louisiana. This property was owned by Probe. Geological evaluation of the lease indicates untapped proved reserve potential up-dip to a previously produced well. The Company anticipates drilling a sidetrack well out of an existing wellbore to tap the proved undeveloped reserves on the lease before year end. This lease is under primary lease term and currently has no production.

Ship Shoal Block 79 - The Company holds a non-operated 30.00% WI in Ship Shoal Block 79 located in the federal waters, offshore Louisiana. Net production to the Company for the second quarter 2012 averaged 58 barrels of oil and .1 million cubic feet of gas per day or 66 barrels of oil equivalent per day.

Rooster participated in the Central Gulf of Mexico Lease Sale 216/222 held by the United States Department of Interior in New Orleans Louisiana on June 20, 2012. The Company submitted two bids and is the apparent high bidder on leases covering Eugene Island Block 44 (adjacent to our Eugene Island Block 28) and East Cameron Block 246. The Company's total bonus payable for acquisition, if both blocks are awarded, will be $478,000.

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, 2011, 2010 and 2009:

FINANCIAL	For the years ended December 31,		
	2011	2010	2009
Total revenues	$ 21,001,250	$ 22,007,909	$ 16,136,929
Operating income (loss)	4,477,521	326,224	(1,605,841)
Net interest expense and deferred financing costs	(952,237)	(509,468)	(590,392)
Other items, net gain (loss)	-	-	2,232,778
Net gain (loss)	3,525,284	(183,244)	36,545
Gain (loss) per share - basic	0.04	(0.00)	0.00
Gain (loss) per share - diluted	0.04	(0.00)	0.00
Total assets	39,965,322	34,699,496	29,200,589
Total long-term financial liabilities	13,008,253	13,753,440	17,236,786
Cash dividends per share	-	-	-

Results of Operations

The following table summarizes production volumes, average sales prices and operating revenues for the three months ended June 30, 2012 and 2011:

OPERATIONS	For the three months ended June 30, 2012	For the three months ended June 30, 2011	For the six months ended June 30, 2012	For the six months ended June 30, 2011
Sales				
Oil (Bbl)	37,385	38,263	65,594	79,264
Natural gas (Mcf)	811,970	360,659	1,127,483	731,695
Oil (BOE) (1)	172,714	98,373	253,508	201,214
Oil (BOE/day) (1)	1,898	1,081	2,786	2,211
Oil ($/Bbl)	$ 94.80	$ 107.67	$ 100.06	$ 102.02
Natural gas ($/Mcf)	2.28	4.82	2.29	4.48
Operating revenue				
Oil	3,544,266	4,119,916	6,563,644	8,086,806
Natural gas	1,852,868	1,737,457	2,582,485	3,274,975
Handling fees	6,747	-	15,674	-
Total	5,403,881	5,857,373	9,161,802	11,361,781
Expenses				
Lease operating expense	2,736,580	2,036,842	5,030,384	4,093,127
Lease operating expense per BOE (1)	15.84	20.71	19.84	20.34

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

Quarter to Quarter Financial Variations

	For the three months ended June 30, 2012	For the three months ended June 30, 2011	For the six months ended June 30, 2012	For the six months ended June 30, 2011
Sales				
Oil (Bbl)	37,385	38,263	65,594	79,264
Natural gas (Mcf)	811,970	360,659	1,127,483	731,695
Oil (BOE) [a]	172,714	98,373	253,508	201,214
Oil (BOE/day) [a]	1,898	1,081	2,786	2,211
Oil ($/Bbl)	$ 94.80	$ 107.67	$ 100.06	$ 102.02
Natural gas ($/Mcf)	2.28	4.82	2.29	4.48
Summary statement of income				
Revenue	$ 5,403,881	$ 5,857,373	$ 9,161,802	$ 11,361,781
Expenses				
Lease operating costs	2,736,580	2,036,842	5,030,384	4,093,126
Depreciation and depletion	1,647,472	1,431,834	2,583,398	2,714,182
Exploration and evaluation	-	181,176	(303,543)	403,295
Plug and abandonments	-	-	2,362,072 [b]	-
General and administrative	715,430	910,538	1,165,106	1,726,929
Cost related to merger	674,522	-	779,306	-
Stock-based compensation	99,130	-	99,130	-
Finance expenses	149,838	230,077	361,660	477,375
	6,022,972	4,790,467	12,077,513	9,414,907
Income (loss)	(619,091)	1,066,906	(2,915,711)	1,946,874
Income (loss) per share				
Basic	(0.01)	0.01	(0.03)	0.02
Diluted	(0.01)	0.01	(0.03)	0.02
Weighted average shares outstanding [c]				
Basic	100,789,638	91,281,400	96,061,783	91,281,400
Diluted	100,789,638	91,281,400	96,061,783	91,281,400
Capital expenditures	$ 15,612,345	$ 172,205	$ 30,226,964	$ 179,949
EBITDAX [d]	$ 1,277,349	$ 2,728,817	$ 1,068,477	$ 5,138,431

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

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

(c) The weighted average number of common shares is weighted for the before and after merger shares.

(d) EBITDAX is a non-IFRS measure commonly used in the oil and gas industry. Such measures do notconform 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 (loss) before interest, taxes, depreciation, amortization, exploration expense.

SALES

Oil production volumes for the second quarter 2012 and six months ended June 30, 2012 decreased slightly when compared with the second quarter 2011 and six months ended June 30, 2011 principally due to the shut-in of our Vermilion 376 oil field during the second quarter for the drilling of three new wells from the platform. Natural gas production increased in the second quarter 2012 and six months ended June 30, 2012 relative to the second quarter 2011 and six months ended June 30, 2011 as a result of new gas production from Grand Isle Block 70 field.

REVENUE

Oil and gas revenues decreased slightly for the second quarter 2012 when compared with the second quarter 2011 due primarily due to lower commodity prices and decreased oil volumes offset by the increase in natural gas volumes. For the six months ended June 30, 2012 oil and gas revenues were down from the six months ended June 30, 2011 primarily due to lower commodity prices and the decreased oil production offset by increased production of natural gas.

EXPENSES

Lease operating expenses increased for the second quarter 2012 compared with the second quarter 2011 as well as the six months ended June 30, 2012 compared with the six months ended June 30, 2011 primarily due to production start-up cost for Vermilion 376, additional cost associated with the new production from Grand Isle 70 and with the new properties acquired in the reverse takeover of Probe Resources.

Depreciation and depletion expense increased during the second quarter 2012 compared with the second quarter 2011 due to the increase in production from Grand Isle 70 and the production from the acquired properties from the reverse takeover of Probe Resources. Depreciation and depletion was down for the six months ended June 30, 2012 compared with the six months ended June 30, 2011 primarily as the result of having shut-in Vermillion 376 for the drilling and completion work offset by the increased production from Grand Isle 70.

Plug and abandonment expense during the six months ended June 30, 2012 was the result of a one-time charge for under- accrued costs associated with the abandonment of the East Cameron Block 129 field.

General and administrative costs were down for the second quarter 2012 and the six months ended June 30, 2012 as compared with the same periods in 2011 principally due to the elimination of corporate allocations from our then parent company.

Costs related to the merger for the second quarter 2012 and six months ended June 30, 2012 are primarily legal and accounting professional services fees.

Stock-based compensation during the second quarter 2012 is for the amortization of cost associated with stock option grants.

Finance expenses decreased due to a lower accretion rate for future plug and abandonment obligations (excluding the one-time charge as noted above for the plug and abandonment of the East Cameron Block 129 field) combined with decreased interest expense due to pay-down of related party payables during the second quarter 2012 and the six months ended June 30, 2012 as compared with the second quarter 2011 and six months ended June 30, 2011.

INCOME

Net income decreased for the second quarter 2012 as compared with the second quarter 2011 and for the six months ended June 30, 2012 as compared with the six months ended June 30, 2011 due to the overall decrease in revenues which was primarily related to decreases in commodity price combined with the additional costs associated with new production and cost associated with the reverse takeover of Probe Resources.

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 the unaudited financial statements of the Company. This summary should be read in conjunction with unaudited financial statements of the Company.

	For the three months ended							
	Jun. 30, 2012	Mar. 31 2012	Dec. 31, 2011	Sep. 30, 2011	Jun. 30, 2011	Mar. 31, 2011	Dec. 31, 2010	Sep. 30, 2010
Revenues	$ 5,403,881	$ 3,757,922	$ 4,941,552	$ 4,697,918	$ 5,857,373	$ 5,504,408	$ 5,733,135	$ 5,465,416
Income (loss) before discontinued and extraordinary items	(619,091)	(2,296,620)	1,415,392	163,013	1,066,906	879,968	(1,162,654)	731,917
Income (loss) before discontinued and extraordinary items (per share - basic)	(0.01)	(0.03)	0.02	0.00	0.01	0.01	(0.01)	0.01
Income (loss) before discontinued and extraordinary items (per share - diluted)	(0.01)	(0.03)	0.02	0.00	0.01	0.01	(0.01)	0.01
Net income (loss)	(619,091)	(2,296,620)	1,415,392	163,013	1,066,906	879,968	(1,162,654)	731,917
Net income (loss) per share - basic	(0.01)	(0.03)	0.02	0.00	0.01	0.01	(0.01)	0.01
Net income (loss) per share - diluted	(0.01)	(0.03)	0.02	0.00	0.01	0.01	(0.01)	0.01
OPERATIONS								
Sales								
Oil (Bbl)	37,385	28,209	38,863	40,269	38,263	41,002	51,330	56,040
Natural gas (Mcf)	811,970	315,513	252,355	226,884	360,659	371,036	418,340	321,725
Oil (BOE) (1)	172,714	80,795	80,922	78,083	98,373	102,841	121,054	109,660
Oil ($/Bbl)	$ 94.80	$ 107.04	$ 103.33	$ 90.32	$ 107.67	$ 96.75	$ 79.33	$ 72.74
Natural gas ($/Mcf)	2.28	2.31	3.48	4.68	4.82	4.14	3.97	4.32
Operating revenue								
Oil	3,544,266	3,019,377	4,015,774	3,636,984	4,119,916	3,966,890	4,072,231	4,076,589
Natural gas	1,852,868	729,617	879,208	1,060,934	1,737,457	1,537,518	1,660,904	1,388,826
Handling fees	6,747	8,927	46,570	-	-	-	-	-
Total	5,403,881	3,757,922	4,941,552	4,697,918	5,857,373	5,504,408	5,733,135	5,465,416
Expenses								
Lease operating expense	2,736,580	2,293,803	1,827,723	2,650,707	2,036,842	2,056,285	2,324,294	2,354,328
Lease operating expense per BOE (1)	15.84	28.39	22.59	33.95	20.71	19.99	19.20	21.47

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

Liquidity

Our interim consolidated financial statements were prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. At June 30, 2012, the Company had a working capital deficiency of $28,013,255 and incurred a net loss for the six month period ended June 30, 2012 of $2,915,711. Subsequent to June 30, 2012, the Company obtained a credit facility in the amount of $15 million, the terms of which are more specifically discussed below in the section entitled "Transactions with Related Parties" and in discussions with several financial institutions for securing a longer term debt facility. Accordingly, management believes the Company will have sufficient funds along 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.

The Company is currently reviewing its development opportunities and is dependent upon lenders and shareholders to provide funding to support any program undertaken. There is no assurance that funding will be provided to support the same or that such efforts will ultimately improve production levels, revenues or profitability to a level that will sustain future operations, or at all.

Asset Retirement Obligations

In addition to the amounts owed at June 30, 2012, the Company has an ongoing liability with respect to the decommissioning of wells and facilities. At June 30, 2012, asset retirement liabilities totaled $19,330,537. The timing and amount of settling such asset retirement liability is based on management's best estimate at this time. In the event of an abandonment of a well or other unforeseen developments, the Company may be required to incur asset retirement costs sooner than otherwise anticipated and in amounts exceeding the asset retirement liability recorded on the balance sheet.

Contractual Obligations

At June 30, 2012, principal contractual obligations requiring fixed payments consisted of the following:

	Payments Due by Period				
	Total	than 1 Year	- 2 Years	- 5 Years	er 5 Years
First Amended Note [1]	$6,000,000	-	$6,000,000	-	-
Term Note [2]	463,000	-	463,000	-	-
	$6,463,000	-	$6,463,000	-	-

(1) Long term debt at June 30, 2012 consists of the First Amended and Restated Term Note payable in the amount of $6,000,000 which is payable on the earlier to occur of April 2014 or one year from production from the ST 198 #A-7 ST1 Well.

(2) Long term debt at June 30, 2012 also consists of a Term Promissory Note in the amount of $463,000 which is payable on the earlier of April 2014 or one year from production from the ST 198 #A-7 ST1 Well.

Capital Expenditures and Resources

During the quarter ended June 30, 2012, the Company had $15,612,345 in capital expenditures compared to $172,205 in the quarter ended June 30, 2011. For the six months ended June 30, 2012 and 2011, capital expenditures were $30,226,964 and $179,949, respectively. Capital expenditures during the quarter and six months ended June 30, 2012 related principally to the completion of Grand Isle 70 Well #1, drilling and completion of the Vermilion Block 376 #A-3, #A-4 and #A-5 wells and the Ship Shoal Block 189 #A-10 well. The effort was successful as all of the above wells began production during the second quarter.

At June 30, 2012, the Company did not have, and does not presently have, available capital resources on hand or debt or equity financing facilities or commitments to fund any of planned or possible future capital expenditures. The Company's capital expenditures during the quarter ended June 30, 2012 were funded proceeds from the Canco private placement. Subsequently, the Company entered into a $15 million credit facility in July 1012 and received an initial advance of $8 million. The Company anticipates that future capital expenditures will be funded by cash flow generated from operations, through loans or equity investments; although we have no commitment from any lender and shareholder to fund any capital expenditures going forward. The Company may also seek to fund certain capital expenditure requirements through farm-outs, joint ventures, partnerships and other funding arrangements although the Company has no commitments in that regard.

Off-Balance Sheet Arrangements

At June 30, 2012 the Company is not party to, and not currently party to, any off-balance sheet arrangements.

Financial Instruments and Other Instruments

During the quarter ended June 30, 2012 the Company did not engage in, and is not currently engaged in, any hedging or similar activities. At June 30, 2012, 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 June 30, 2012, the Company was party to the following transactions with related parties:

- Wages and benefits paid to officers of the Company totaled $248,750 for the quarters ended June 30, 2012 and 2011.

- Accounts payable and accrued liabilities to directors and/or entities associated with directors, totaled $4,000 at June 30, 2012. In addition, at June 30, 2012, the Company had accounts payable in the amount of $5,383,651 due and owing to Chet Morrison Contractors, LLC, which is indirectly controlled by Chester F. Morrison, Jr., its Chief Executive Officer.

- The Company is indebted to The K2 Principal Fund L.P. in the total amount of $6,463,000 pursuant to the two restated and modified notes resulting from the Transaction as discussed in detail above.

- On July 26, 2012 the Company entered into a secured Credit Facility which provides for borrowing up to $15 Million, to be used for general corporate purposes. The initial advance under the Credit Facility was $8 Million less a 2% original issue discount. Any additional advances are solely at the discretion of the lenders.

  The Credit Facility is a bridge loan until the Company secures a conventional revolving and/or term loan facility. The Company is currently in negotiations with other potential lenders for a conventional facility. The interest rate on all advances under the Credit Facility is 8% per annum and the term is for 60 days from the initial advance which term may be extended by the Lenders with payment by the Company thereafter on demand with a 2% penalty due on the outstanding balance on the maturity date. All subsidiaries of the Company are guarantors of any indebtedness owed under the Credit Facility.

  The K2 Principal Fund L.P. serves as “Administrative Agent” under the Credit Facility. Participating lenders in the Credit Facility, in addition to K2, are Chester F. Morrison, Jr. and Cretaceous LLC (Robert P. Murphy), who are each a related party to the Company. Additionally, none of the participants is a chartered bank, trust company or treasury bank.

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 to 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 during the first quarter of 2012 as the result of a one-time charge for under accrued cost associated with the abandonment of the East Cameron Block 129 field. Of this amount $940,000 was a non-cash accrual of estimated cost for pipeline disconnect and platform abandonment.

Changes in Accounting Policies and Auditors

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.

After a recommendation from the Audit Committee, a resolution was adopted by the Board of Directors authorizing the Company to change its year end from August 31 to December 31. The change is in response to the reverse takeover and coincides with calendar year-end basis of financial reporting adopted by Rooster Energy, L.L.C.

Additionally, effective July 17, 2012, the firm of BDO Canada LLP was terminated and Collins Barrow Calgary LLP was appointed as successor 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, and after giving effect to the Transaction, 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.

Pursuant to the new stock option plan approved by shareholders on April 20, 2012, on June 5, 2012 the Company awarded 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 the stock option plan (and the Proportionate Voting Shares each of which is convertible into a common share) there are presently no warrants, stock options or other securities convertible into common shares outstanding.

Forward Looking 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 August 29, 2012.

Additional Information

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