ROOSTER ENERGY LTD.

Management Discussion and Analysis
September 30, 2012

This management discussion and analysis ("MD&A") of Rooster Energy Ltd. ("Rooster" or, the "Company") reflects its September 30, 2012 financial results and operations as well as developments following September 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 and nine months ended September 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.

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 September 30, 2012, our primary assets consist of interests in twenty-five (25) producing oil and/or natural gas wells and seventeen (17) leases 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.

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.

Rooster (then known as Probe Resources Ltd.) was incorporated in British Columbia in 1988. The Company conducts business 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.

Business

At September 30, 2012, the Company’s interests in oil and natural gas leases consisted of interests in 25 producing wells and 17 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 third quarter 2012, the Company’s net oil and gas production averaged 1,224 barrels of oil and natural gas liquids and 12.8 million cubic feet of gas per day or 3,353 barrels of oil equivalent per day. The Company experienced approximately six days of production downtime in late August to early September, 2012 due to Hurricane Isaac. Approximately 6,500 barrels of oil and 56 mmcf of gas production were deferred due to the temporary shut-in of production resulting from the storm. The Company did not suffer any material damage to facilities or pipelines. The Company’s primary properties, which comprise over 80% of third quarter production and proved reserves, are as follows:

Vermilion Block 376 – The Company is the operator and owner of 100% of the operating rights in the lease covering Vermilion Block 376 and all wells thereon with the exception of the Vermilion 376 #A-3 well and Vermilion 376 #A-4 well in which it owns a 70% working interest (“WI”). Rooster commenced a drilling program on the lease in late February 2012 after shutting down production at the field from the then 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, i.e., the #A-3 and #A-4 wells, and one developmental well with a 100% WI, i.e., the #A-5 well. The Company’s net daily production from this lease for the third quarter 2012 averaged 1,450 barrels of oil equivalent per day.

Grand Isle Block 70 – The Company owns all of the record title and operating rights interest 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 successfully completed the Well #1. In the third quarter 2012 the Company’s net production from the field averaged 1,123 barrels of oil equivalent per day.

Eugene Island Block 28 - The Company owns 100% WI and operates Eugene Island Block 28, a federal lease located 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 third quarter 2012 the Company's net production from the field averaged 116 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 approximately 3 miles offshore the State of Louisiana. For the third quarter 2012 the Company's net production from the two producing wells in the field averaged 248 barrels of oil equivalent per day.

Ship Shoal Block 79 - The Company holds a non-operated 30.00% WI in Ship Shoal Block 79 located offshore the State of Louisiana. For the third quarter 2012, the Company's net production averaged 74 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. One on the lease covering Eugene Island Block 44 which comprises 5,000 acres (adjacent to our Eugene Island Block 28) and one on East Cameron Block 246 which comprises 5,000 acres. The Company's total bonus paid for acquisition of both leases and first year rental on each lease was $547,578. Both leases are effective on November 1, 2012 and the Company owns 100% of the record title interest in each lease.

Effective August 1, 2012, the Company agreed to sell all of its non-operated interest in Ship Shoal Block 189 for the sum of $2.85 million. The sale was not scheduled to close until after the end of the third quarter 2012.

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 third quarter and nine months ended September 30, 2012 and 2011:

Quarter to Quarter Financial Variations

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	2012	2011
Sales				
Oil (Bbl)	112,565	40,269	178,159	119,534
Natural gas (Mcf)	1,175,480	226,884	2,302,964	958,579
Oil (BOE) [a]	308,478	78,083	561,987	279,297
Oil (BOE/day) [a]	3,353	849	2,051	1,023
Oil ($/Bbl)	$ 84.54	$ 90.32	$ 90.25	$ 98.08
Natural gas ($/Mcf)	2.96	4.68	2.63	4.52
Summary statement of income				
Revenue	$ 12,997,594	$ 4,697,918	$ 22,159,397	$ 16,059,699
Expenses				
Lease operating costs	3,381,855	2,650,707	8,412,238	6,743,834
Depreciation and depletion	2,579,192	686,694	5,162,590	3,400,877
Exploration and evaluation	-	28,928	(303,543)	432,223
Plug and abandonment	-	-	2,362,072 [b]	-
General and administrative	1,009,100	939,130	2,174,207	2,666,058
Cost related to merger	-	-	779,306	-
Impairment expense	343,786	-	343,786	-
Stock-based compensation	190,755	-	289,885	-
Total costs and expenses	7,504,688	4,305,459	19,220,541	13,242,992
Operating income (loss)	5,492,906	392,459	2,938,856	2,816,707
Finance expenses [c]	(472,027)	(229,446)	(833,687)	(706,821)
Income (loss)	5,020,879	163,013	2,105,169	2,109,886
Income (loss) per share				
Basic	0.05	0.00	0.02	0.02
Diluted	0.05	0.00	0.02	0.02
Weighted average shares outstanding [d]				
Basic	105,465,823	91,281,400	99,201,899	91,281,400
Diluted	107,029,275	91,281,400	100,595,034	91,281,400
Capital expenditures	$ 676,390	$ 6,283,303	$ 26,742,395 [e]	$ 6,463,252
EBITDA [f]	$ 8,606,639	$ 1,079,153	$ 9,675,117	$ 6,217,584

(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) Finance expense includes accretion for asset retirement obligations.

(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) Certain prior quarter amounts have been reclassified to conform to the September 30, 2012 financial statement presentation.

(f) EBITDA 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 EBITDA as net income before finance expense, taxes, depreciation, amortization, accretion, impairments, stock-based compensation, and other non-cash expenses.

Sales

Oil volumes for the third quarter 2012 of 112,565 barrels and nine months ended September 30, 2012 of 178,159 barrels, respectively, are an increase of approximately 72,296 barrels (180%) and 58,625 barrels (49%), respectively, when compared with the third quarter 2011 and nine months ended September 30, 2011. The increase was primarily due to new production resulting from our successful three well Vermilion Block 376 drilling program which was completed and the wells brought online during the second quarter. Natural gas sales volumes increased approximately 948,596 mcf (418%) to 1,175,480 mcf in the third quarter 2012 and 1,344,385 mcf (140%) to 2,302,964 during the nine months ended September 30, 2012 relative to the third quarter 2011 and nine months ended September 30, 2011 primarily as the result of new gas production from Grand Isle Block 70 and the Vermilion Block 376.

Revenue

Oil and gas revenues of $12,997,594 for the third quarter and $22,159,397 for the nine months ended September 30, 2012 are an increase of approximately $8.3 million (177%) for the third quarter 2012 when compared with the third quarter 2011; and, approximately $6.1 million (38%) for the nine months ended September 30, 2012 when compared with the nine month period in 2011. That is primarily due to the increase in production volumes as previously discussed offset by lower commodity prices between the periods. Commodity prices were down approximately 30% for both the third quarter 2012 and nine months ended September 30, 2012 when compared with the same periods in 2011.

Expenses

Lease operating costs increased $731,148 (28%) for the third quarter 2012 compared with the third quarter 2011 and $1,668,404 (25%) for the nine months ended September 30, 2012 compared with the nine months ended September 30, 2011. The change was primarily due to production start-up costs at Vermilion Block 376, additional cost associated with the new production from Grand Isle Block 70 and costs associated with the properties owned by Probe Resources US Ltd. that were included. Lease operating costs per barrel of oil equivalent decreased $22.99 (68%) for the third quarter 2012 and $9.18 (38%) for the nine months ended September 30, 2012 as compared with the same periods in 2011 primarily as a result of increased volumes.

Depreciation and depletion expense increased $1,892,498 (276%) during the third quarter 2012 compared with the third quarter 2011 and an increase of $1,761,713 (52%) for the nine month period ended September 30, 2012 compared with 2011. The increase was again primarily due to the capital cost of and increased production from Grand Isle Block 70 and Vermilion Block 376 and production included from the Probe Resources US Ltd. properties.

Plug and abandonment expense during the nine months ended September 30, 2012 was the result of a one-time charge for under-accrued costs associated with the decommissioning of the East Cameron Block 129 field recorded in the first quarter of 2012.

General and administrative expenses increased by $69,970 (7%) for the quarter ended September 30, 2012 as compared with the quarter ended September 30, 2011. The increase primarily resulted from increased director and employee compensation related costs incurred in 2012 that were partially offset by no longer recognizing in 2012, overhead charges from our then parent company that had been charged in 2011. However, for the nine months ended September 30, 2012, general and administrative expenses decreased $491,851 (18%) as compared with the same period in 2011. The decrease was primarily due to no longer recognizing in 2012 the overhead charges from our then parent company that had been charged in 2011.

Costs related to the reverse merger completed in April 2012 were primarily legal and accounting professional services fees.

The Company recorded an impairment of $343,786 during the third quarter 2012 related to the expected future sale of all of our mineral interest, facilities, and equipment in Ship Shoal Block 189. The sale will have an effective date of August 1, 2012.

Stock-based compensation of $190,755 during the third quarter 2012 and $289,885 during the nine months ended September 30, 2012 is for the amortization of cost associated with employee and director stock options that were granted in June 2012.

Finance expenses increased for the third quarter 2012 as compared with third quarter 2011 primarily due to interest and fees associated with the Bridge Loan (defined in "Transactions with Related Parties" section). For the nine month period ended September 30, 2012 as compared with the same period in 2011, finance expenses decreased. The decrease was primarily due to a lower accretion rate for future plug and abandonment obligations and lower interest expense due to pay-down of related party payables during the third quarter 2012 which were partially offset by fees associated with the Bridge Loan.

Income

Net income, as a result of the foregoing, increased approximately $4.9 million to $5,020,879 for the third quarter 2012 as compared with the third quarter 2011. Net income was approximately $2.1 million for the nine months ended September 30, 2012 and the nine months ended September 30, 2011.

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 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							
	Sep. 30, 2012	Jun. 30, 2012	Mar. 31 2012	Dec. 31, 2011	Sep. 30, 2011	Jun. 30, 2011	Mar. 31, 2011	Dec. 31, 2010
Revenues	$ 12,997,594	$ 5,403,881	$ 3,757,922	$ 4,941,552	$ 4,697,918	$ 5,857,373	$ 5,504,408	$ 5,733,135
Income (loss) before discontinued and extraordinary items	5,020,879	(619,091)	(2,296,620)	1,415,392	163,013	1,066,906	879,968	(1,162,654)
Income (loss) before discontinued and extraordinary items (per share - basic)	0.05	(0.01)	(0.03)	0.02	0.00	0.01	0.01	(0.01)
Income (loss) before discontinued and extraordinary items (per share - diluted)	0.05	(0.01)	(0.03)	0.02	0.00	0.01	0.01	(0.01)
Net income (loss)	5,020,879	(619,091)	(2,296,620)	1,415,392	163,013	1,066,906	879,968	(1,162,654)
Net income (loss) per share - basic	0.05	(0.01)	(0.03)	0.02	0.00	0.01	0.01	(0.01)
Net income (loss) per share - diluted	0.05	(0.01)	(0.03)	0.02	0.00	0.01	0.01	(0.01)
OPERATIONS								
Sales								
Oil (Bbl)	112,565.01	37,385	28,209	38,863	40,269	38,263	41,002	51,330
Natural gas (Mcf)	1,175,480	811,970	315,513	252,355	226,884	360,659	371,036	418,340
Oil (BOE) (1)	308,478	172,714	80,795	80,922	78,083	98,373	102,841	121,054
Oil (BOE/day) (1)	3,353	1,898	888	880	849	1,081	1,143	1,316
Oil ($/Bbl)	$ 84.54	$ 94.80	$ 107.04	$ 103.33	$ 90.32	$ 107.67	$ 96.75	$ 79.33
Natural gas ($/Mcf)	2.96	2.28	2.31	3.48	4.68	4.82	4.14	3.97
Operating revenue								
Oil	$ 9,515,905	$ 3,544,266	$ 3,019,377	$ 4,015,774	$ 3,636,984	$ 4,119,916	$ 3,966,890	$ 4,072,231
Natural gas	3,478,439	1,852,868	729,617	879,208	1,060,934	1,737,457	1,537,518	1,660,904
Handling fees	3,250	6,747	8,927	46,570	-	-	-	-
Total	12,997,594	5,403,881	3,757,922	4,941,552	4,697,918	5,857,373	5,504,408	5,733,135
Expenses								
Lease operating expense	3,381,855	2,736,580	2,293,803	1,827,723	2,650,707	2,036,842	2,056,285	2,324,294
Lease operating expense per BOE (1)	10.96	15.84	28.39	22.59	33.95	20.71	19.99	19.20

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

Liquidity

These 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 September 30, 2012, the Company had a working capital deficiency of $18,415,980. However, the Company recorded a net profit of $5,020,879 for the third quarter 2012 and $2,105,169 for the nine month period ended September 30, 2012. EBITDA was $8,806,639 for the third quarter 2012 and $9,875,117 for the nine months ended September 30, 2012.

During the third quarter 2012, the Company obtained a credit facility in the amount of $15 million (the “Bridge Loan”), the terms of which are more specifically discussed below in the section entitled “Transactions with Related Parties” and was in discussions with several financial institutions for securing a longer term debt facility.

On August 29, 2012, the Company entered into a term sheet with a lending group for a private placement of no less than $22 Million and up to $25 Million of Senior Secured Notes due in 2014 and the issuance of Warrants. Subsequent to the end of the third quarter 2012 and more specifically on October 22, 2012, the Company and the administrative agent for the 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 $22.5 Million (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.

In association with the Note Purchase Agreement, Rooster 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 million common shares of the Company at an exercise price of $1.00 per common share. The warrants are subject to mandatory exercise or conversion, 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.

The Notes, the warrants and the common shares are issuable upon exercise or conversion, as applicable, The warrants are subject to applicable United States federal and state securities laws which may impose a hold period of not less than 12 months. In addition, unless permitted under applicable Canadian securities legislation, the securities may not be traded in Canada before February 22, 2013. It should be noted that no holder of the Notes or investor under the Warrant Purchase Agreement is a chartered bank, trust company or treasury bank or a related party to the Company.

Effective August 1, 2012, the Company agreed to sell all of its non-operated interest in Ship Shoal Block 189 for the sum of $2.85 million. The sale was substantially consummated after the end of the third quarter 2012.

The proceeds from the sale of the Notes were used to repay the Bridge Loan and certain accounts payable. Additionally, proceeds from the sale of interests in Ship Shoal Block 189 were used to pay certain accounts payable. The working capital deficit at September 30, 2012 has been eliminated and the Company has a working capital surplus subsequent to September 30, 2012. 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.

Asset Retirement Obligations

In addition to the amounts owed at September 30, 2012, the Company has an ongoing liability with respect to the decommissioning of wells and facilities. At September 30, 2012, asset retirement obligations totaled $18,996,789. 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 September 30, 2012, 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	-	-
Bridge Loan (2)	8,000,000	8,000,000	-	-	-
	$ 14,463,000	$ 8,000,000	$ 6,463,000	$ -	$ -

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

(2) The Bridge Loan was fully paid on October 22, 2012.

Additionally, the Company entered in a Purchase and Sale Agreement effective August 1, 2012, as amended in November, 2012 obligating it, upon satisfaction of the terms and conditions therein, to sell all of its 3.125% record title and operating interests in Ship Shoal Block 189 for the sum of $2.85 Million.

Capital Expenditures and Resources

During the quarter ended September 30, 2012, the Company had $676,390 in capital expenditures compared with $6,283,303 in the quarter ended September 30, 2011. For the nine months ended September 30, 2012 and 2011, capital expenditures were $26,742,395 and $6,463,252, respectively. Capital expenditures during the quarter and months ended September 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 third quarter.

At September 30, 2012, the Company did not have available capital resources on hand or debt or equity financing facilities to fund any planned or possible future capital expenditures. The Company's working capital deficit reflected during the quarter ended September 30, 2012 was partially funded with proceeds from operations and the Bridge Loan. The working capital deficit at September 30, 2012 has been eliminated and the Company has a working capital surplus subsequent to September 30, 2012. The Company anticipates that future capital expenditures will be funded by cash flow generated from operations, through loans or equity investments. 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 September 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 September 30, 2012 the Company did not engage in any hedging or similar activities. However, as required under the terms of the Note Purchase Agreement the Company entered into two (2) fixed price contracts pursuant to which it agreed to sell certain quantities of oil and gas. Specifically, for the period November 1, 2012 through October 31, 2013, the Company is obligated to sell 4,000 mmbtu per day of natural gas at a fixed price of $3.855 per mmbtu. For the period beginning November 1, 2012 through December 31, 2012, the Company is obligated to sell 350 barrels per day of oil at a fixed price of approximately $105.82 per barrel; and, for the period January 1, 2013 through June 30, 2012, the Company is obligated to sell 350 barrels per day of oil at a fixed price of approximately $102.03 per barrel.

At September 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 September 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 September 30, 2012 and 2011.

- Accounts payable and accrued liabilities to directors and/or entities associated with directors, totaled $95,500 at September 30, 2012. In addition, at September 30, 2012, the Company had accounts payable in the amount of $5,646,508 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.

- On July 26, 2012 the Company entered into the Bridge Loan. The initial advance under the Bridge Loan was $8 Million less a 2% original issue discount. The Bridge Loan was secured by a first priority mortgage on the Company's interest in Vermilion Block 376.

  The Bridge Loan was considered to be a short term obligation until the Company secured a conventional revolving and/or term loan facility. The interest rate on all advances under the Bridge Loan was 8% per annum and the term was for 60 days from the initial advance which term was extended until demand thereon by the Lenders with payment by the Company of a 2% penalty due on the outstanding balance on the maturity date. All subsidiaries of the Company were guarantors of the indebtedness owed under the Bridge Loan.

  The K2 Principal Fund L.P. served as "Administrative Agent" under the Bridge Loan. Participating lenders in the Bridge Loan, in addition to K2, were Chester F. Morrison, Jr. and Cretaceous LLC (Robert P. Murphy), who are each a reporting insider of the Company due to being either a significant shareholder and/or director. None of the participants was a chartered bank, trust company or treasury bank. Proceeds from the Note Purchase Agreement were used to fully satisfy the Bridge Loan. As a result, on October 22, 2012, K2 Principal Fund, L.P., as Administrative Agent, was paid the sum of $8,316,054 and it cancelled the mortgage in its favor that had been granted on the Company's interest in Vermilion Block 376 to secure the Bridge Loan.

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 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.

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.

Pursuant to the new 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 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 September 30, 2012.

Subject to the terms and conditions of a Warrant Purchase Agreement dated October 22, 2012, the Company has agreed to sell 9 million common shares at an exercise price of $1.00 per share.

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 November 29, 2012.

Additional Information

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