

ROOSTER ENERGY LTD.

Management Discussion and Analysis

December 31, 2012

This management discussion and analysis (“MD&A”) of Rooster Energy Ltd. (“Rooster” or, the “Company”) reflects its December 31, 2012 financial results and operations as well as developments following December 31, 2012 through the date of preparation of this MD&A. This MD&A should be read in conjunction with the Company’s audited consolidated financial statements and related notes as at and for the years ended December 31, 2012 and 2011, which were prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board (“IASB”).

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 December 31, 2012, our primary assets consist of interests in 22 producing oil and/or natural gas wells, 16 of which are operated, and 20 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 discover, develop, and exploit 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 discover, develop, and exploit 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 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.

Review Of Fiscal Year 2012

Fiscal year 2012 proved to be a transformational year for Rooster. In February, the Company officially separated from its former parent company, Rooster Resources, LLC, and became a C corporation. In April, Rooster completed its reverse takeover (RTO) of Probe Resources Ltd., and became a publically-traded company on the TSX Venture Exchange. In conjunction with the RTO, the Company completed a CA\$20.726 million equity offering. In October, the Company issued \$22.5 million of Senior Secured Notes due on October 22, 2014.

Rooster produced 821,354 barrels of oil equivalent (Boe) in 2012, more than double the 360,219 Boe produced in 2011. The higher sale volumes were the result two acquisitions and four new wells:

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

In 2012, the Company generated EBITDAX of \$16,721,070, up 73% from the \$9,692,034 generated in 2011 (for definition of EBITDAX, see “Results Of Operations”). However, Rooster recorded a \$3,687,669 net loss in 2012, down from the \$3,525,284 of net income recorded in 2011. Reported net income in 2012 was weighed down by \$3,734,313 of exploration expense associated with a non-commercial well at South Timbalier 198, and \$9,308,131 of non-recurring expenses.

Rooster’s proved and probable reserves (2P reserves) totaled 11,024,896 Boe (46% liquids), more than double the 4,244,413 barrels booked at year-end 2011. Proved reserves (1P reserves), which were 84% developed, totaled 4,018,332 Boe (55% liquids). The net present value of Rooster’s 2P reserves, discounted at 10% (PV-10%), totaled \$319,844,100, more than triple the \$87,064,300 assigned last year. Factors contributing to higher reserves and PV-10% include the acquisition of Probe Resources Ltd., additional interest in Vermilion 376 and successful exploratory drilling at Vermilion 376. For more information on the Company’s reserves, see the Company’s National Instrument 51-101 filed on April 8, 2013 on SEDAR.

Business

At December 31, 2012, the Company's interests in oil and natural gas leases consisted of interests in 22 producing wells and 20 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 Q4 2012, the Company's net crude oil sales averaged 850 barrels per day (Bopd), net natural gas liquids (NGLs) sales averaged 213 barrels of oil equivalent per day (Boepd), and net natural gas sales averaged 10,535 thousand cubic feet per day (Mcfpd); in aggregate, total crude oil, NGL, and natural gas sales averaged 2,819 Boepd. The Company's primary properties, which comprised 92% of Q4 2012 sale volumes and 89% of 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 and #A-4 wells, 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 development well with a 100% WI (the #A-5 well). In Q4 2012 the Company's net daily sales volumes at Vermilion 376 averaged 776 Boepd.

Grand Isle Block 70 – The Company owns all of the record title and operating rights interest and operates Grand Isle 70 located in the federal waters, offshore Louisiana. In September 2006 the #1 well was drilled on the lease by another operator and then temporarily abandoned for future completion. The Company acquired the lease for assumption of the plugging and abandonment liability of the #1 well. In October, 2011, the Company installed a tripod platform and a 4-inch export pipeline, and successfully completed the #1 well in March, 2012. In Q4 2012 the Company's net daily sales volumes at Grand Isle 70 averaged 1,184 Boepd.

Eugene Island Block 28 - The Company operates and owns a 100% WI in Eugene Island 28, a lease located approximately 15 miles offshore Louisiana. In Q4 2012 the Company's net daily sales volumes at Eugene Island 28 averaged 79 Boepd.

East Cameron Block 36/37 – The Company owns a 52% WI in East Cameron 36 and 37, and operates the field located three miles offshore Louisiana. The field produces natural gas and condensate from two wells, the #A-1 and #A-2, from Miocene-aged sands. The Company successfully recompleted the #A-2 well in October, 2012. In Q4 2012 the Company's net daily sales volumes at East Cameron 36/37 averaged 491 Boepd.

Ship Shoal Block 79 - The Company holds a non-operated 30% WI in Ship Shoal 79 located offshore the State of Louisiana. In Q4 2012 the Company's net daily sales volumes at Ship Shoal 79 averaged 72 Boepd.

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 was \$547,578 for acquisition of both leases and first year rental on each lease. Both leases became 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 \$2,850,000. The sale of Ship Shoal 189B was consummated in November, 2012, while the sale of Ship Shoal 189A was consummated in early January, 2013.

On March 20, 2013, Rooster submitted high bids on two lease blocks – East Cameron 39 and Vermilion 20 – at the Central Gulf of Mexico Lease Sale 227. 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)	2,448,865	4,477,521	326,224
Net interest expense and deferred financing costs	(848,534)	(952,237)	(509,468)
Deferred income tax expense	(5,288,000)	-	-
Net gain (loss)	(3,687,669)	3,525,284	(183,244)
Gain (loss) per share - basic	(0.04)	0.04	0.00
Gain (loss) per share - diluted	(0.04)	0.04	0.00
Total assets	96,577,261	39,965,322	34,699,496
Total long-term liabilities	54,331,401	13,008,253	13,753,440

Results of Operations

The following table summarizes production volumes, average sales prices and operating revenues for the fourth quarter and twelve months ended December 30, 2012 and 2011:

	For the three months ended December 31,		For the twelve months ended December 31,	
	2012	2011	2012	2011
Sales				
Oil (Bbl)	78,242	32,962	218,408	135,371
NGL (Bbl)	19,592	5,901	57,586	23,026
Natural gas (Mcf)	969,198	252,355	3,272,161	1,210,933
Total (BOE) ^(a)	259,368	80,922	821,354	360,219
Total (BOE/day) ^(a)	2,819	880	2,244	987
Oil (\$/Bbl)	\$ 103.48	\$ 111.25	\$ 104.79	\$ 107.20
NGL (\$/Bbl)	30.12	59.12	32.64	53.34
Natural gas (\$/Mcf)	3.48	3.48	2.88	4.31
Summary statement of income				
Revenue				
Oil	\$ 8,096,185	\$ 3,666,860	\$ 22,886,206	\$ 14,511,314
NGL	590,160	348,914	1,879,687	1,228,250
Natural gas	3,375,520	879,207	9,436,445	5,215,116
Handling fees	-	46,570	18,924	46,570
Total revenue	\$ 12,061,865	\$ 4,941,551	\$ 34,221,262	\$ 21,001,250
Expenses				
Lease operating costs	3,497,410	1,827,727	11,909,649	8,571,560
Depreciation and depletion	3,255,396	282,300	8,417,986	3,683,177
Exploration and evaluation	4,037,856	51,659	3,734,313	483,882
Impairment expense	26,485	1,047,454	370,271	1,047,454
Plug and abandonment	-	-	2,362,072 ^(b)	-
General and administrative	1,181,813	71,598	3,356,020	2,737,656
Bad debt expense	302,337	-	302,337	-
Cost related to merger	33,145	-	812,451	-
Stock-based compensation	217,413	-	507,298	-
Total expenses	12,551,855	3,280,738	31,772,397	16,523,729
Operating income (loss)	(489,990)	1,660,813	2,448,865	4,477,521
Unrealized gain on derivative liabilities	1,317,000	-	1,317,000	-
Finance expenses ^(c)	(1,331,847)	(245,416)	(2,165,534)	(952,237)
Income (loss) before tax expense	(504,837)	1,415,397	1,600,331	3,525,284
Deferred income tax expense:				
Due to change in tax status	5,461,000	-	5,461,000	-
Subsequent to change in tax status	(173,000)	-	(173,000)	-
Income (loss)	\$ (5,792,837)	\$ 1,415,397	\$ (3,687,669)	\$ 3,525,284
Income (loss) per share				
Basic	(0.05)	0.02	(0.04)	0.04
Diluted	(0.05)	0.02	(0.04)	0.04
Weighted average shares outstanding^(d)				
Basic	105,465,823	91,281,400	100,776,437	91,281,400
Diluted	105,465,823	91,281,400	100,776,437	91,281,400
Capital expenditures	\$ 1,305,351	\$ 4,538,105	\$ 32,208,705 ^(e)	\$ 11,001,357
EBITDAX ^(f)	\$ 7,349,497	\$ 3,042,226	\$ 16,721,070	\$ 9,692,034

(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) 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 78,242 barrels in Q4 2012 compared to 32,962 barrels in Q4 2011, an increase of 45,280 barrels (137%). For the year ended December 31, 2012, crude oil sales totaled 218,408 barrels compared to 135,371 barrels in the year ended December 31, 2011, an increase of 83,037 barrels (61%). The increases in both Q4 2012 and full year 2012 primarily reflect new production resulting from our successful three-well drilling program at Vermilion Block 376 which was completed during the second quarter 2012.

Natural gas liquid (NGL) sales totaled 19,592 barrels of oil equivalents (Boe) in Q4 2012 compared to 5,901 Boe in Q4 2011, an increase of 13,691 Boe (232%). For the year ended December 31, 2012, NGL sales totaled 57,586 Boe compared to 23,026 Boe in the year ended December 31, 2011, an increase of 34,560 Boe (150%).

Natural gas sales totaled 969,198 thousand cubic feet (Mcf) in Q4 2012 compared to 252,355 Mcf in Q4 2011, an increase of 716,843 Mcf (284%). For the year ended December 31, 2012, natural gas sales totaled 3,272,161 Mcf compared to 1,210,933 Mcf in the year ended December 31, 2011, an increase of 2,061,228 Mcf (170%). The increases in NGL and natural gas sales in both Q4 2012 and full year 2012 primarily reflect new gas production from Grand Isle 70 and East Cameron 36/37, partially offset by the sale of Rooster'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 259,368 Boe in Q4 2012 compared to 80,922 Boe in Q4 2011, an increase of 178,446 Boe (221%). For the year ended December 31, 2012, crude oil, NGL, and natural gas sales totaled 821,354 Boe compared to 360,219 Boe in the year ended December 31, 2011, an increase of 461,135 Boe (128%). Full year 2012 sale volumes were comprised of 27% crude oil, 7% NGLs, and 66% natural gas.

Realized Prices

Realized crude oil prices averaged \$103.48 per barrel in Q4 2012 compared to \$111.25 per barrel in Q4 2011, a decline of \$7.77 per barrel (7%). For the year ended December 31, 2012, realized crude oil prices averaged \$104.79 per barrel compared to \$107.20 per barrel in the year ended December 31, 2011, a decline of \$2.41 per barrel (2%). Most of Rooster'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. The declines in both Q4 2012 and full year 2012 primarily reflect overall declines in crude prices; WTI prices fell 6% year-over-year in Q4 2012, while full year 2012 prices declined 1%. The LLS price spread relative to WTI prices was unchanged in 2012, averaging a 14% premium.

Realized NGL prices averaged \$30.12 per Boe in Q4 2012 compared to \$59.12 per Boe in Q4 2011, a decline of \$29.00 per barrel (49%). For the year ended December 31, 2012, realized NGL prices averaged \$32.64 per barrel compared to \$53.34 per barrel in the year ended December 31, 2011, a decline of \$20.70 per barrel (39%). The declines in both Q4 2012 and full year 2012 primarily reflect overall declines in U.S. NGL prices; the Energy Information

Administration's (EIA) NGL composite index fell 35% year-over-year in Q4 2012, while full year 2012 prices declined 27%.

Realized natural gas prices averaged \$3.48 per Mcf in Q4 2012, unchanged from the \$3.48 per Mcf realized in Q4 2011. For the year ended December 31, 2012, realized natural gas prices averaged \$2.88 per Mcf compared to \$4.31 per Mcf in the year ended December 31, 2011, a decline of \$1.43 per Mcf (33%). The decline in full year 2012 primarily reflects overall declines in U.S. natural gas prices; the average Henry Hub natural gas prices increased 2% year-over-year in Q4 2012, but full year 2012 prices declined 31%.

Revenues

Crude oil revenues totaled \$8,096,185 in Q4 2012 compared to \$3,666,860 in Q4 2011, an increase of \$4,429,325 (121%). The year-over-year increase reflects a 137% increase in sale volumes, partially offset by a 7% decline in the average realized price. For the year ended December 31, 2012, crude oil revenues totaled \$22,886,206 compared to \$14,511,314 in the year ended December 31, 2011, an increase of \$8,374,892 (58%). The full year increase reflects a 61% increase in sale volumes, partially offset by a 2% decline in the average realized price.

NGL revenues totaled \$590,160 in Q4 2012 compared to \$348,914 in Q4 2011, an increase of \$241,246 (up 69%). The year-over-year increase reflects a 232% increase in sale volumes, partially offset by a 49% decline in the average realized price. For the year ended December 31, 2012, NGL revenues totaled \$1,879,687 compared to \$1,228,250 in the year ended December 31, 2011, an increase of \$651,437 (53%). The full year increase reflects a 150% increase in sale volumes, partially offset by a 39% decline in the average realized price.

Natural gas revenues totaled \$3,375,520 in Q4 2012 compared to \$879,207 in Q4 2011, an increase of \$2,496,313 (284%). The year-over-year increase reflects a 284% increase in sale volumes, while the average realized price was unchanged. For the year ended December 31, 2012, natural gas revenues totaled \$9,436,445 compared to \$5,215,116 in the year ended December 31, 2011, an increase of \$4,221,329 (81%). The full year increase reflects a 170% increase in sale volumes, partially offset by a 33% decline in the average realized price.

Total revenues totaled \$12,061,865 in Q4 2012 compared to \$4,941,551 in Q4 2011, an increase of \$7,120,314 (144%). For the year ended December 31, 2012, total revenues totaled \$34,221,262 compared to \$21,001,250 in the year ended December 31, 2011, an increase of \$13,220,012 (up 63%). Full year 2012 revenues were comprised of 67% crude oil, 5% NGLs, and 28% natural gas.

Expenses

Lease operating expenses totaled \$3,497,410 in Q4 2012 compared to \$1,827,727 in Q4 2011, an increase of \$1,669,683 (91%). For the year ended December 31, 2012, lease operating expenses totaled \$11,909,649 compared to \$8,571,560 in the year ended December 31, 2011, an increase of \$3,338,089 (39%). The increases in both Q4 2012 and full year 2012 primarily reflect 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 the addition of a new field at Grand Isle 70 in March, 2012, and the inclusion of operations owned by Probe Resources US, Ltd. Lease operating expenses averaged \$13.48 per Boe in Q4 2012 compared to \$22.59 per Boe in Q4 2011, which represents a 40% decline in per unit operating expenses year-over-year. For the year ended December 31, 2012, lease operating expenses averaged \$14.50 per Boe compared to \$23.80 per BOE in the year ended December 31, 2011, which represents a 39% decline in per unit operating expenses in full year 2012.

Depreciation and depletion expenses totaled \$3,255,396 in Q4 2012 compared to \$282,300 in Q4 2011, an increase of \$2,973,096. For the year ended December 31, 2012, depreciation and depletion expenses totaled \$8,417,986 compared to \$3,683,177 in the year ended December 31, 2011, an increase of \$4,734,809. The increases in both Q4 2012 and full year 2012 primarily reflect 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 \$12.55 per Boe in Q4 2012 compared to \$3.49 per Boe in Q4 2011, which represents a 260% increase in per unit operating expenses year-over-year. For the year ended December 31, 2012, depreciation and depletion expenses averaged \$10.25 per Boe, in line with the \$10.22 per BOE reported in the year ended December 31, 2011.

Exploration and evaluation expenses totaled \$4,037,856 in Q4 2012 compared to \$51,659 in Q4 2011, an increase of \$3,986,197. For the year ended December 31, 2012, exploration expenses totaled \$3,734,313 compared to \$483,882 in the year ended December 31, 2011, an increase of \$3,250,431. The increases in both Q4 2012 and full year 2012 primarily reflect drilling costs associated with the South Timbalier 198 #A-7 development well, which was deemed to be non-commercial in January, 2013.

Plugging and abandonment expenses totaled \$2,362,072 in in the year ended December 31, 2012, comprised of a \$1,422,072 cash component and a \$940,000 non-cash component. These expenses reflect a one-time charge recorded in Q1 2012 for under-accrued costs associated with the decommissioning of the East Cameron Block 129 field.

General and administrative expenses totaled \$1,181,813 in Q4 2012 compared to \$71,598 in Q4 2011, an increase of \$1,110,215. For the year ended December 31, 2012, general and administrative expenses totaled \$3,356,020 compared to \$2,737,656 in the year ended December 31, 2011, an increase of \$618,364. The increases in both Q4 2012 and full year 2012 primarily reflect higher director and employee compensation, partially offset by the elimination of overhead charges paid to Rooster's parent company in 2011.

Bad debt expenses totaled \$302,337 in Q4 2012 and the year ended December 31, 2012. One of the working interest owners at High Island 115 is delinquent in paying its share of operating expenses. The majority of the bad debt expense relates to an allowance created against the associated receivable.

Merger-related expenses totaled \$33,145 in Q4 2012 and \$812,451 for the year ended December 31, 2012. These expenses primarily include legal and accounting costs related to Rooster's reverse takeover of Probe Resources Ltd.

Impairment expenses totaled \$26,485 in Q4 2012 compared to \$1,047,454 in Q4 2011, a decline of \$1,020,969. For the year ended December 31, 2012, impairment expenses totaled \$370,271 compared to \$1,047,454 in the year ended December 31, 2011, a decline of \$677,183. Impairment expenses recorded in Q4 2012 primarily reflect: 1) lower forecasted commodity prices and a revision of estimated reserves, which resulted in carrying values exceeding fair market values; and 2) upward revisions of the asset retirement obligations associated with certain fields. In Q3 2012 the Company recorded an impairment expense related to the sale of all mineral interests, facilities, and equipment at Ship Shoal Block 189.

Stock-based compensation expenses totaled \$217,413 in Q4 2012 and \$507,298 for the year ended December 31, 2012. These expenses relate to the amortization of costs associated with employee and director stock options granted in June, 2012.

Finance expenses totaled \$1,331,847 in Q4 2012 compared to \$245,416 in Q4 2011, an increase of \$1,086,431. For the year ended December 31, 2012, finance expenses totaled \$2,165,534 compared to \$952,237 in the year ended December 31, 2011, an increase of \$1,213,297. Finance expenses in 2012 relate primarily to: 1) interest charged on debt secured by certain assets acquired from Probe Resources Ltd.; 2) interest and loan origination fees associated with a bridge loan that the Company entered into on July 26, 2012, and repaid on October 22, 2012; 3) 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 4) accretion of the Company's liability for asset retirement obligations (ARO).

Other items recorded in Q4 2012 and for the year ended December 31, 2012, include an unrealized gain on warrants of \$1,317,000. The unrealized gain relates to those warrants issued in conjunction with the 12% Senior Secured Notes (see "Liquidity"). Rooster's stock price, which was \$0.75 per share when the warrants were issued on October 22, 2012, declined to \$0.50 at December 31, 2012. The lower stock price reduced the fair market value of the warrants, which reduced the associated liability and resulted in a gain recorded in Q4 2012.

Deferred income tax totaled \$5,288,000 for the year ended December 31, 2012. Rooster changed its tax status in conjunction with its reverse takeover of Probe Resources Ltd., which resulted in the Company recognizing a deferred tax liability of \$5,461,000 at year-end 2012. This was partially offset by a deferred tax credit of \$173,000 related to operating activities following the merger.

Net Income

Net income (loss) totaled (\$5,792,837) in Q4 2012 compared to \$1,415,397 in Q4 2011, a decline of \$7,208,234. For the year ended December 31, 2012, net income (loss) totaled (\$3,687,669) compared to \$3,525,284 in the year ended December 31, 2011, a decline of \$7,212,953. Net income in full year 2012 was weighed down by \$3,734,313 of exploration expense associated with the non-commercial well at South Timbalier Block 198, and \$9,308,131 of non-recurring expenses, comprised of:

- \$5,461,000 of deferred tax expense that resulted from the change in the Company's tax status following its reverse takeover of Probe Resources Ltd.;
- \$2,362,072 of plugging and abandonment expenses (\$940,000 non-cash) related to a one-time charge for under-accrued costs associated with the decommissioning of the East Cameron 129 field;
- \$812,451 of transaction expenses that primarily include legal and accounting costs related to Rooster reverse takeover of Probe Resources Ltd.;
- \$370,271 of impairment expense, which was the result of lower commodity prices and revisions to reserves estimates, and upward revisions to ARO estimates; and
- \$302,337 of bad debt expense, the majority of which relates to a partner who is delinquent in paying its share of operating expenses at High Island Block 115.

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							
	Dec. 31, 2012	Sep. 30, 2012	Jun. 30, 2012	Mar. 31, 2012	Dec. 31, 2011	Sep. 30, 2011	Jun. 30, 2011	Mar. 31, 2011
Revenues	\$ 12,061,865	\$ 12,997,594	\$ 5,403,881	\$ 3,757,922	\$ 4,941,551	\$ 4,697,918	\$ 5,857,373	\$ 5,504,408
Income (loss) before discontinued and extraordinary items	(5,792,837)	5,020,879	(619,091)	(2,296,620)	1,415,397	163,013	1,066,906	879,968
Income (loss) before discontinued and extraordinary items (per share - basic)	(0.05)	0.05	(0.01)	(0.03)	0.02	0.00	0.01	0.01
Income (loss) before discontinued and extraordinary items (per share - diluted)	(0.05)	0.05	(0.01)	(0.03)	0.02	0.00	0.01	0.01
Net income (loss)	(5,792,837)	5,020,879	(619,091)	(2,296,620)	1,415,397	163,013	1,066,906	879,968
Net income (loss) per share - basic	(0.05)	0.05	(0.01)	(0.03)	0.02	0.00	0.01	0.01
Net income (loss) per share - diluted	(0.05)	0.05	(0.01)	(0.03)	0.02	0.00	0.01	0.01
OPERATIONS								
Sales								
Oil (Bbl)	78,242	82,984	30,903	26,279	32,962	29,629	33,006	39,775
NGL (Bbl)	19,592	29,581	6,483	1,930	5,901	10,640	5,257	1,227
Natural gas (Mcf)	969,198	1,175,480	811,970	315,513	252,355	226,884	360,659	371,036
Total (BOE) ⁽¹⁾	259,368	308,478	172,714	80,795	80,922	78,083	98,373	102,841
Total (BOE/day) ⁽¹⁾	2,819	3,353	1,898	888	880	849	1,081	1,143
Oil (\$/Bbl)	\$ 103.48	\$ 103.94	\$ 104.80	\$ 111.33	\$ 111.25	\$ 104.11	\$ 116.38	\$ 98.52
NGL (\$/Bbl)	30.12	30.09	47.14	48.56	59.12	51.91	53.04	39.23
Natural gas (\$/Mcf)	3.48	2.96	2.28	2.31	3.48	4.68	4.82	4.14
Operating revenue								
Oil	\$ 8,096,185	\$ 8,625,723	\$ 3,238,659	\$ 2,925,639	\$ 3,666,860	\$ 3,084,607	\$ 3,841,085	\$ 3,918,762
NGL	590,160	890,182	305,607	93,738	348,914	552,377	278,831	48,128
Natural gas	3,375,520	3,478,439	1,852,868	729,617	879,207	1,060,934	1,737,457	1,537,518
Handling fees	-	3,250	6,747	8,927	46,570	-	-	-
Total	12,061,865	12,997,594	5,403,881	3,757,922	4,941,551	4,697,918	5,857,373	5,504,408
Expenses								
Lease operating expense	3,497,410	3,381,855	2,736,580	2,293,803	1,827,727	2,650,707	2,036,842	2,056,285
Lease operating expense per BOE ⁽¹⁾	13.48	10.96	15.84	28.39	22.59	33.95	20.71	19.99

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

Liquidity

On April 30, 2012 Rooster completed its reverse takeover (RTO) of Probe Resources Ltd. In conjunction with the RTO, the Company completed an equity offering, raising net proceeds of \$20,122,951, of which \$10,000,000 was used to repay a loan to a related party. As a result, the Company was released from its obligation as a guarantor on the line of credit and term loan for its former parent. The remaining proceeds were used to fund Rooster's share of drilling and completion costs at Vermilion Block 376.

On July 26, 2012 the Company entered into a Bridge Loan. The initial advance under the Bridge Loan was \$8,000,000, 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.

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 the Bridge Loan and certain accounts payable. As at December 31, 2012, the Company is in compliance with all covenants, obligations and conditions under the Note Payable Agreement.

In association with the Note Purchase Agreement, Rooster entered into a Warrant Purchase Agreement with a five (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.

Effective August 1, 2012, the Company agreed to sell all of its non-operated interest in Ship Shoal Block 189 for the sum of \$2,850,000. The sale of Ship Shoal 189B was consummated in November, 2012, while the sale of Ship Shoal 189A was consummated in January, 2013. Proceeds from the sale of interests in Ship Shoal Block 189 were used to pay certain accounts payable.

At December 31, 2012, the Company had a cash balance of \$7,367,848, and a working capital surplus of \$2,409,617. 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 December 31, 2012, the Company has an ongoing liability with respect to the decommissioning of wells and facilities totaling \$18,071,240. 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 December 31, 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 Promissary Note ⁽¹⁾	463,000	-	463,000	-	-
Senior Secured Notes ⁽²⁾	19,470,426	-	19,470,426	-	-
	<u>\$ 25,933,426</u>	<u>\$ -</u>	<u>\$ 25,933,426</u>	<u>\$ -</u>	<u>\$ -</u>

(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 12% payable quarterly.

Capital Expenditures and Disposals

Capital expenses totaled \$1,305,351 in Q4 2012 compared to \$4,538,105 in Q4 2011, a decline of \$3,232,754. Capital expenses in Q4 2012 primarily reflect costs associated: 1) recompleting the East Cameron 37 #A-2 well; 2) the compressor for the Eugene Island 28 #6 well; and 3) bonuses paid for lease blocks at Eugene Island 44 and East Cameron 246. For the year ended December 31, 2012, capital expenses totaled \$32,208,705 compared to \$11,001,357 in the year ended December 31, 2011, an increase of \$21,207,348. Capital expenses in full year 2012 primarily reflect costs associated with: 1) completing the Grand Isle 70 #1 well; 2) drilling and completing the Vermilion Block 376 #A-3, #A-4, and #A-5 wells; and 3) drilling and completing the Ship Shoal Block 189 #A-10 well.

In addition, in Q4 2012 the Company recorded a \$4,037,856 charge for expenses related to the South Timbalier #A-7 development well. This well was deemed to be non-commercial in January, 2013, and all related costs incurred as of December 31, 2012 have been expensed. The Company expects to record an additional charge of approximately \$2,000,000 for expenses incurred after December 31, 2012.

Effective August 1, 2012, the Company agreed to sell all of its non-operated interest in Ship Shoal Block 189 for the sum of \$2,850,000. The sale was in two parts. The sale of Ship Shoal 189B was consummated in November, 2012, while the sale of Ship Shoal 189A was consummated in January, 2013.

Off-Balance Sheet Arrangements

At December 31, 2012 the Company is not party to, and not currently party to, any off-balance sheet arrangements.

Financial Instruments and Other Instruments

In Q4 2012, as required under the terms of the Note Purchase Agreement, the Company entered into two fixed price contracts pursuant to which it agreed to sell certain quantities of oil and gas. In addition, subsequent to December 31, 2012, the Company entered into a third fixed price contract. Rooster's fixed price contracts for 2013, net to its respective working interests, include:

- For the period January 1, 2013 through June 30, 2013, the Company is obligated to sell approximately 300 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 3,000 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 2,200 MMBtu per day of natural gas at a fixed price of \$3.60 per MMBtu.

At December 31, 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 December 31, 2012, 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 December 31, 2012. In addition, at December 31, 2012, the Company had accounts payable in the amount of \$4,736,472 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 \$8,000,000, 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 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 in 1Q 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 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. 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.

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 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 December 31, 2012.

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 April 8, 2013.

Additional Information

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