

May 1, 2006

## **President's Message**

As President, I am pleased to report operating and financial results for Marauder Resources East Coast Inc. ("Marauder" or the "Company") for the period ended December 31, 2005.

On September 30, 2005, by way of a share exchange, the Company acquired Marauder Resources Corp., a privately held company holding a 41% interest in Marauder. All of the former shareholders of Marauder Resources Corp. now hold their interests in the Company directly. As this transaction involved related parties, it was approved by the independent directors of the Company.

On November 18, 2005, the Dominion J14 well was spudded. The Company entered a farm-in agreement to participate as a joint venture partner with Encana. This well, plus the J-14a sidetrack well, was drilled to a depth of approximately 4444 metres but did not encounter any economic reservoirs of hydrocarbons. At year-end, the Company had advanced \$16.7 million pursuant to the farm-in agreement and had earned a minimum 20 percent working interest to a maximum 25 percent, including net holdings of 6,423 acres. The final percentage will be determined once the total capital expenditures have been finalized.

Marauder continues to own a 50% working interest in 18,414 acres which includes shallow rights at Panuke and Cohasset and all rights in the Balmoral block under two Nova Scotia production licenses.. In addition, the Company currently holds a 0.25% royalty interest in 110,000 acres covering two offshore exploration licenses.

Effective April 25, 2006, John C. Milford has resigned his position as Vice-President of Exploration to pursue other opportunities. We appreciate the contributions John has made to the operations of the Company and wish him success in his future endeavours.

The Board and management of the Company are presently considering strategic alternatives to maximize shareholder value.

On behalf of the Board of Directors,

*"Robert V. Shields"*

Robert V. Shields  
President  
Marauder Resources East Coast Inc.

## MANAGEMENT DISCUSSION AND ANALYSIS

The December 31, 2005 Management Discussion & Analysis (“MD&A”) for Marauder Resources East Coast Inc. (“Marauder” or the “Company”) should be read in conjunction with the audited consolidated financial statements and related notes for the years ended December 31, 2005 and 2004. The consolidated financial statements for the years ended December 31, 2005 and December 31, 2004 were issued under the name of Marauder and include the consolidated operations of Marauder and 1153845 Nova Scotia Limited (“NSRL”) and 1171340 Alberta Ltd. The consolidated financial statements for periods ended September 30, 2004 and prior were issued under the name of Endless Energy Corp. The financial data presented has been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). The reporting currency in the consolidated financial statements and in this MD&A is the Canadian dollar, unless otherwise stated.

Additional information on Marauder is available for review on SEDAR at [www.sedar.com](http://www.sedar.com). The Company’s shares trade on the TSX Venture Exchange under the trading symbol “MES”.

This MD&A is dated May 1, 2006.

**Special Note Regarding Non-GAAP Measures** – This MD&A includes references to financial measures commonly used in the oil and gas industry. The term “funds from (used in) operations”, defined as the net loss for the year adjusted for non-cash items in the statement of operations, before the change in non-cash working capital), should not be considered an alternative to, or more meaningful than, cash flow from operating activities or net income (loss) as determined in accordance with Canadian generally accepted accounting principles (“GAAP”) as an indicator of performance. The Company’s determination of funds from (used in) operations may not be comparable to that reported by other companies. The reconciliation between net loss and funds from operations can be found in the Statements of Cash Flows included in the financial statements noted above.

### OVERVIEW

In 2004, the Company changed its name from Endless Energy Corp. (“Endless”) to Marauder Resources East Coast Inc. following the approval of a Plan of Arrangement (the “Plan”) in June 2004. The Plan was between Endless, Marauder Resources Corp. (“MRC”), a privately held company, and NSRL whereby Endless acquired MRC’s 51% equity interest in NRSL in exchange for 19,361,510 shares of Endless, thus providing Endless with 100% ownership of NRSL. In conjunction with the Plan, Endless sold its Western Canadian Properties to two of its directors based on a third party fairness opinion.

Effective September 30, 2005, the Company completed a corporate reorganization. In conjunction with the reorganization, Marauder acquired MRC through a share exchange. Prior to the acquisition, MRC owned approximately 41.5% of the issued and outstanding shares of the Company. As a result of the corporate reorganization and acquisition of MRC all of the former shareholders of MRC, including Robert Shields, President and a Director and John Milford, Vice President, now hold their interests in the Company directly. As the acquisition of MRC was between related parties, it was approved by the independent directors of the Company and recorded at the carrying amount of MRC’s net assets. Upon completion of the share exchange, 54,669 shares of the Company were returned to treasury.

On November 21, 2005 Marauder announced that the Rowan Gorilla VI jack-up drilling rig had spudded the Encana / Marauder J-14 well on November 18, 2005. The well was expected to evaluate a prospect along trend with the Deep Panuke natural gas discovery where existing wells have production tested at rates in excess of 50 MMSCFD.

On December 28, 2005 the Company announced that the Dominion J-14 well on the Grand Pre block about 150 kilometers offshore Nova Scotia reached total depth of 3,700 meters and did not encounter a natural gas-bearing reservoir.

On January 23, 2006, the Company announced that the Dominion J-14a sidetrack well reached total depth at 4,440 meters and did not encounter any reservoir containing economic quantities of hydrocarbons. Subject to the terms of a farm-in agreement, Marauder earned a minimum 20 percent working interest to a maximum 25 percent in the exploration license, including net holdings in 6,423 acres. The final percentage will be determined once the total capital expenditures have been finalized. As at December 31, 2005, the Company had advanced \$16.7 million pursuant to the farm-in agreement.

At December 31, 2005, the Company applied the ceiling test to its capitalized assets and determined that there was an impairment of \$5,263,200. This impairment has been included in the depletion and depreciation expense for the year ended December 31, 2005.

An additional \$2.6 million was incurred in the first quarter of 2006 which will be written off as a result of this impairment.

## COMPARISON OF 2005 AND 2004 FINANCIAL INFORMATION

All Western Canadian Properties owned by the Company were sold effective July 1, 2004. As a result, there is no longer producing income within Marauder. Financial results for 2004 have been adjusted to reflect the Western Canadian Properties as discontinued operations. Financial information and related commentary discussed in this MD&A will focus primarily on continuing operations.

## SELECTED COMPARATIVE FINANCIAL INFORMATION

	For the three months ended		For the year ended	
	December 31 2005	December 31 2004	December 31 2005	December 31 2004
	\$	\$	\$	\$
Interest income	(898)	77,934	169,985	111,909
General and administrative expense	241,799	295,169	689,019	1,182,874
Loss for the period	3,002,224	217,235	3,280,091	3,591,719
Loss per share – basic and diluted	(0.06)	(0.04)	(0.07)	(0.13)
Funds flow used in continuing operations	(852,540)	(130,717)	(1,209,136)	(1,018,369)

## SELECTED COMPARATIVE FINANCIAL INFORMATION (continued)

	As at December 31	
	2005	2004
	\$	\$
Cash and cash equivalents	3,916,927	14,938,538

### Annual and Quarterly Information of Continuing Operations - 2005

2005	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Revenue	\$ 74,323	\$ 74,347	\$ 22,213	\$ (898)	\$ 169,985
General & Admin	\$ 132,108	\$ 211,295	\$ 103,817	\$ 241,799	\$ 689,019
Cash flow used in operations	\$ 62,097	\$ (359,618)	\$ (59,075)	\$ (852,540)	\$ (1,209,136)
Loss from operations	\$ 57,785	\$ 136,948	\$ 83,134	\$ 3,002,224	\$ 3,280,091
Per share – basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.06)	\$ (0.07)

### Annual and Quarterly Information of Continuing Operations - 2004

2004	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Revenue	\$ –	\$ –	\$ 33,975	\$ 77,934	\$ 111,909
General & Admin	\$ 279,586	\$ 173,136	\$ 434,983	\$ 295,169	\$ 1,182,874
Cash flow used in continuing operations	\$ (279,586)	\$ (173,136)	\$ (434,930)	\$ (130,717)	\$ (1,018,369)
Loss from continuing operations	\$ 279,586	\$ 173,136	\$ 2,921,762	\$ 217,235	\$ 3,591,719
Per share – basic and diluted	\$ (0.02)	\$ (0.01)	\$ (0.09)	\$ (0.00)	\$ (0.13)

## REVENUE

Revenue from continuing operations was comprised of interest earned on cash and cash equivalents balances in the amount of \$169,985 for 2005 compared to \$111,990 for 2004.

## GENERAL AND ADMINISTRATIVE

General and administrative expenses for 2005 were \$689,019 compared with \$1,182,874 for 2004. Administrative costs incurred in 2004 included fees related to the Plan, primarily legal, and were the main factors contributing to the higher expense in 2004.

## **STOCK-BASED COMPENSATION EXPENSE**

The fair value of options granted in 2005 and 2004 was estimated at \$2,379,040 and \$2,520,754, respectively, using the Black-Scholes pricing model. As the options granted vested immediately, the entire fair value was recorded as stock-based compensation expense at the time of grant. .

## **LOSS AND FUNDS USED IN OPERATIONS**

During the three months ended December 31, 2005, the Company incurred a loss of \$3,002,224 compared to a loss of \$217,235 for the three months ended December 31, 2004, all of which related to continuing operations for both periods. During the year ended December 31, 2005 the Company incurred a loss \$3,280,091 compared to a loss of \$4,052,360 for the year ended December 31, 2004, of which \$460,641 related to discontinued operations in 2004.

The increase in the 2005 loss for both the three months and year ended periods was primarily due to the impairment write-down of petroleum and natural gas assets in the amount of \$5,263,200, which is included in depletion and depreciation expense. The loss was reduced by the future income tax reduction of \$5,589,325 which relates to the renouncement of the flow-through shares in 2005. In addition, the Company incurred \$671,618 of interest in 2005 relating to Part XII.6 tax on the balance of 2004 flow-through proceeds for which expenditures were not incurred until the latter part of 2005.

Funds used in continuing operations during the three months ended December 31, 2005 were \$852,540 compared to \$130,717 for the three months ended December 31, 2004. The increase in the use of funds was primarily due to interest expense recorded in the fourth quarter of 2005.

Funds used in continuing operations during the year ended December 31, 2005 was \$1,209,136 compared to \$1,018,369 for 2004. The increase was due to 2005 interest expense offset by a reduction in general and administrative expenses in 2005 compared to those incurred in 2004.

## **DISPOSITIONS OF OIL AND GAS ASSETS**

The sale of the Company's Western Canadian Properties in July 2004 was approved by the shareholders as part of the Plan and was completed through the tendering of 606,918 common shares of Endless as payment for the properties. There were no asset sales in 2005 or 2004 related to continuing operations.

## **CAPITAL EXPENDITURES**

During the year ended December 31, 2005, the Company incurred \$16,915,349 of capital expenditures versus \$723,958 for 2004. Capital expenditures in 2005 were primarily related to the Company's participation in the Panuke offshore well.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company ended 2005 with \$3,916,927 in cash and cash equivalents and working capital of \$3,070,446 compared to \$14,938,538 and \$14,875,854, respectively, for 2004. During 2005, the Company raised net proceeds of \$6,127,719 through the issue of 4,349,760 units comprised of one common share and one-half common share purchase warrant, and 1,000,000 flow-

through shares. The primary draw on cash resources was \$16,915,349 of capital expenditures, the majority of which was incurred on the Company's farm-in with Encana.

## **COMMITMENTS AND CONTRACTUAL OBLIGATIONS**

Pursuant to flow-through shares issued in 2004, the Company was required to incur \$16,625,000 of qualifying flow-through expenditures. These expenditures were incurred during the last half of 2005 under the farm-in agreement with Encana.

Proceeds on flow-through shares issued in 2005 totaled \$1,150,000 for which the Company has until December 31, 2006 to incur the related qualifying flow-through expenditures. As at December 31, 2005, approximately \$126,000 had been incurred with the balance being anticipated to be incurred during the first quarter of 2006.

The Company has no borrowing facilities in place.

## **RELATED PARTY TRANSACTIONS**

In addition to the sale of Western Canadian Properties and the acquisition of MRC as described under "Overview", the Company had the following related party transactions:

- a) During the year ended December 31, 2005, the Company was charged \$219,393 (2004 – nil) by a legal firm in which an officer of the Company is a partner, and \$41,184 (2004 - nil) rent by a company controlled by an officer of Marauder. These amounts are recorded at the exchange amounts agreed to by the related parties.
- b) Included in accounts receivable at December 31, 2005 is \$21,000 due from an officer of the Company for legal fees related to the September 2005 acquisition of his holdings in MRC paid by the Company.

## **INCOME TAXES**

As at December 31, 2005, the Company had approximately \$4.4 million of tax pool balances and \$92.0 million of non-capital losses which commence expiry in 2009. The Company has not recognized the tax benefit of these balances and losses in the December 31, 2005 audited consolidated financial statements.

## **SHARE CAPITAL**

The Company commenced 2005 with 45,723,744 common shares outstanding with a book value of \$43,592,272. During the year, the Company issued 550,000 shares on the exercise of stock options, completed private placements for a total of 5,349,760 common shares, including 1,000,000 issued on a flow-through basis, and returned 54,669 common share to treasury. As a result, the Company had 51,568,835 issued and outstanding shares with a book value of \$43,216,268 as at December 31, 2005. No further shares have been issued to date.

The Company commenced 2005 with 612,500 warrants outstanding and issued an additional 2,379,649 warrants during the year for a total of 2,992,149 warrants outstanding at December 31, 2005 and as of the date of this MD&A.

The Company had 3,990,000 stock options outstanding at the beginning of 2005. During the year, 600,000 options expired, 550,000 options were exercised and an additional 2,250,000 options were granted. As of December 31, 2005 there were 5,090,000 stock options outstanding, all of which were exercisable. There has been no change in the number of options outstanding as of the date of this MD&A.

## **THE YEAR AHEAD**

Given Marauder's unsuccessful drilling results in 2005, management, together with the Board of Directors, is evaluating its strategic alternatives.

## **FINANCIAL AND DERIVATIVE INSTRUMENTS**

The Company did not enter into any financial derivative transactions in 2004, 2005 or as of the date of this MD&A.

## **OFF BALANCE SHEET ARRANGEMENTS**

Marauder does not have any special purpose entities nor is it a party to any off-balance sheet arrangements.

## **CRITICAL ACCOUNTING ESTIMATES**

The significant accounting policies used by Marauder are disclosed in note 3 to the consolidated 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. The following discusses such accounting policies and is included in the MD&A to aid the reader in assessing the critical accounting policies and practices of the Company and the likelihood of materially different results being reported. Marauder reviews its estimates regularly. The emergence of new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates.

The Company believes the following are the most critical accounting estimates used in the determination of its financial results.

### **Reserves Estimates**

On an annual basis, the Company engages independent petroleum consultants to evaluate 100% of its oil and gas reserves. Reserve engineering is an analytical process of estimating underground accumulations of oil and natural gas that can be difficult to measure. The accuracy of any reserve estimate is a function of the quality of available data, engineering and geological interpretation and judgment. Estimates of economically recoverable oil and natural gas reserves and future net cash flows necessarily depend upon a number of variable factors and assumption, such as historical production from the area, the assumed effects of regulations by governmental agencies and assumptions governing future prices, royalties and operating costs, along with development costs and work-over and remedial costs, all of which may in fact vary considerable from actual results.

Reserve estimates are used in the calculation of depletion and depreciation. A change in estimated reserves would result in a higher or lower depletion and depreciation charge to net

loss. Downward revisions to reserve estimates could also result in an impairment write-down of capital assets under the ceiling test.

### **Asset Retirement Obligations**

The Company recognizes the fair value of a liability for an asset retirement obligations in the period in which it is incurred and records a corresponding increase in the carrying value of the related long-lived asset. The fair value is determined through a review of engineering studies, industry guidelines, and management's estimate on a site by site basis. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the statement of operations. The liability is also adjusted due to revisions in either the timing or the amount of the original estimated cash flows associated with the liability. Estimates of the asset retirement costs are subject to uncertainty associated with the method, timing and extent of future retirement activities.

### **Income Taxes**

The Company records future tax assets and liabilities to account for the expected future tax consequences of events that have been recorded in its consolidated financial statements and its tax returns. These amounts are estimates and the actual tax consequences may differ from the estimates due to changing tax rates and regimes, as well as changing estimates of cash flows and capital expenditures in current and future periods. A valuation allowance is recorded to the extent that there is uncertainty regarding utilization of future tax assets.

### **CHANGES IN ACCOUNTING POLICIES**

The Canadian Institute of Chartered Accountants (CICA) has issued a number of accounting pronouncements, some of which may impact the Company's reported results and financial position in future periods.

### **Comprehensive Income/Financial Instruments/Hedges**

The CICA issued new standards in early 2005 for Comprehensive Income (CICA 1530), Financial Instruments (CICA 3855) and Hedges (CICA 3865), which will be effective for the reporting year-end 2007. The new standards will bring Canadian rules in line with current rules in the US. The standards will introduce the concept of "Comprehensive Income" to Canadian GAAP and will require that an enterprise (a) classify items of comprehensive income by their nature in a financial statement and (b) display the accumulated balance of comprehensive income separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position. Derivative contracts will be carried on the balance sheet at their mark-to-market value, with the change in value flowing to either net income or comprehensive income. Gains and losses on instruments that are identified as hedges will flow initially to comprehensive income and be brought into net income at the time the underlying hedged item is settled. It is expected that this standard will be effective for Marauder's 2007 reporting. Any instruments that do not qualify for hedge accounting will be mark-to-market with the adjustment (tax effected) flowing through the income statement.

As Marauder does not currently have any hedges in place, there is no impact based on the current position.

### **DISCLOSURE CONTROLS AND PROCEDURES**

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's

management as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by the annual filings, that the Company's disclosure controls and procedures as of the end of such period are effective to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to them by others within those entities. It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

## **MANAGEMENT COMMENTS ON FINANCIAL STATEMENTS**

The accompanying audited annual consolidated financial statements of Marauder Resources East Coast Inc. for the year ended December 31, 2005 have been prepared by Management and approved by the Audit Committee of the Company.

## **NOTE REGARDING FORWARD LOOKING STATEMENTS**

Certain information regarding Marauder set forth in this document, including management's assessment of Marauder's plans and future operations, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond Marauder's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, the lack of availability of qualified personnel or management, stock market volatility and ability to access capital from internal and external sources. Marauder's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Marauder will derive therefrom. The Company undertakes no responsibility to update the information provided herein.