



## **PRESIDENT'S MESSAGE**

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April 28, 2008

As President, I am pleased to report operating and financial results for Marauder Resources East Coast Inc. ("Marauder" or the "Company") for the year ended December 31, 2007.

In October 2007, EnCana Corporation announced the final go-ahead for placing the Deep Panuke natural gas field on production, having received regulatory approval for development. The field encompasses Production License 2901 in which Marauder holds a 50% working interest. EnCana has proposed unitizing the field and the eventual working interest for Marauder in the unit, after unitization is complete, is estimated to be 3.69%.

Marauder, in a press release dated October 4, 2007, announced a plan of arrangement for the corporate reorganization of Marauder, where Marauder would sell its natural gas interest to a wholly owned subsidiary, Baccaro Energy Ltd. ("Baccaro"), for cash. Coinciding with the proposed reorganization, Marauder executed a Letter of Intent to acquire Exxon Mobil and Shell Canada's interest in the Deep Panuke field. Since this announcement was made, the economics of the proposed purchase have changed, primarily due to the surging value of the Canadian dollar, among other factors. A third party engineering firm has re-evaluated the economics and Baccaro is considering the submission of a revised offer for the above interest.

In October 2007 Marauder's Board of Directors changed. Bill Smith and Phil Knoll resigned to join the Board of Baccaro. Their board positions have been filled by Don Kempf and Jon Axford.

Marauder has also been actively pursuing new business interests in North Africa for the past 20 months and believes the Company is getting close to obtaining an MOU (memorandum of understanding).

On behalf of the Board of Directors,

*"Robert V. Shields"*

Robert V. Shields  
President  
Marauder Resources East Coast Inc.



# MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2007

The December 31, 2007 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 for the years ended December 31, 2007 and 2006. 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 in Canadian dollars, 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 April 24, 2008.

**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 period 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 loss as determined in accordance with 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 (used in) operations can be found in the Statements of Cash Flows included in the financial statements noted above.

## OVERVIEW

Marauder has a 50% interest in the Production License 2901, located in the Deep Panuke gas field offshore Nova Scotia. EnCana Corporation ("EnCana"), the operator of the Deep Panuke gas field, has reached an Offshore Strategic Energy Agreement ("OSEA") with the Province of Nova Scotia. The OSEA establishes a framework with the Province for royalties, employment and industrial benefits, plus funding for research and education for the potential development of the Deep Panuke natural gas field.

In October 2007, EnCana announced the final go-ahead for placing the Deep Panuke natural gas field on production, having received regulatory approval from the Canada-Nova Scotia Offshore Petroleum Board for development of the project. In November 2007, EnCana entered into an agreement for construction of a production facility that EnCana will lease upon completion, anticipated in late 2010. The field encompasses Production License 2901 in which Marauder holds a 50% working interest. EnCana has proposed unitizing the field and the eventual working interest for Marauder in the unit, after unitization is complete, is estimated to be 3.69%.

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# MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2007

## SELECTED COMPARATIVE FINANCIAL INFORMATION

	Three months ended December 31		
	2007	2006	2005
<b>Statement of Operations and Deficit (\$)</b>			
Interest income	-	6	(898)
General and administrative	291,255	216,208	241,799
Net loss for the period	(6,914,438)	(216,921)	(3,002,224)
Net loss per share – basic and diluted	(0.13)	(0.00)	(0.06)
<b>Statement of Cash Flows (\$)</b>			
Funds flow used in operations	(291,255)	(217,100)	(852,540)
Net capital expenditures	52	-	2,811,176
<b>Weighted average number of shares</b>			
- basic and diluted	53,989,501	51,568,835	46,699,607

	Years ended December 31		
	2007	2006	2005
<b>Statement of Operations and Deficit (\$)</b>			
Interest income	-	9,901	169,985
General and administrative	598,953	643,152	689,019
Net loss for the year	(7,688,936)	(2,231,413)	(3,280,091)
Net loss per share – basic and diluted	(0.15)	(0.04)	(0.07)
<b>Statement of Cash Flows (\$)</b>			
Funds flow used in operations	(598,953)	(680,188)	(1,209,136)
Net capital expenditures	1,245	1,944,465	16,915,349
<b>Weighted average number of shares</b>			
- basic and diluted	52,311,615	51,568,835	46,623,236

## RESULTS OF OPERATIONS

### Revenue

No interest income was earned on cash balances during the three months and year ended December 31, 2007. During the comparative 2006 periods, \$6 and \$9,901 of interest was earned, respectively.



# MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2007

## General and administrative expenses

General and administrative expenses for the three months and year ended December 31, 2007 were \$291,255 and \$598,953 respectively as compared to \$216,208 and \$643,152 in the 2006 comparative periods. The increase in the fourth quarter of 2007 was a result of audit, reserve evaluation and travel costs. The overall decrease can be attributed to a significant reduction in professional fees during the 2007 periods.

## Depletion and depreciation and ceiling test impairment

The Company did not record depletion during the three months and year ended December 31, 2007 as the Company has not commenced production. Other than minor prior period adjustments, there were no capital expenditures incurred on petroleum and natural gas properties during the year ended December 31, 2007.

Depletion and depreciation expense in the first quarter of 2006 included a further ceiling test impairment from December 2005 resulting from an additional \$2.0 million of costs incurred on the drilling of the Dominion J14 well during the 2006 period. As this well did not encounter any economic reserves, a ceiling test impairment of \$2.0 million was recorded and is included in depletion expense for the year ended December 31, 2006. The reserve report from December 31, 2007 continues to support the book value of the petroleum assets and therefore no further impairment exists to date.

## Disposal of property and equipment

During the year ended December 31, 2007, the Company disposed of its working interest in an abandoned well and specific related land in Alberta. The proceeds from the disposition were \$100,000, of which \$57,562 was owed by the Company to the purchaser resulting in net proceeds of \$42,438.

## Net loss and funds used in operations

During the three months and year ended December 31, 2007, the Company incurred a net loss of \$6,914,438 and \$7,688,936, respectively. The comparative net losses for the 2006 periods were \$216,921 and \$2,231,413, respectively. The loss for the year ended December 31, 2007 was significantly higher primarily due to the valuation allowance provided for the non-capital tax losses. It is anticipated that these losses may expire prior to the Company being able to utilize the benefit of the losses. This recognition resulted in a future tax provision of \$6.6 million.

Funds used in operations during the three months and year ended December 31, 2007 were \$291,255 and \$598,953, respectively compared to \$217,100 and \$680,188, respectively, for the three months and year ended December 31, 2006.



# MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2007

## SELECTED HISTORICAL QUARTERLY INFORMATION

	DEC 07	SEP 07	JUN 07	MAR 07
Interest revenue	–	–	–	–
General and administrative expenses	291,255	130,682	88,026	88,990
Net loss	(6,914,438)	(206,431)	(478,381)	(89,686)
Net loss per share	(0.13)	(0.00)	(0.01)	(0.00)
Funds used in operations	(291,255)	(130,682)	(88,026)	(88,990)

  

	DEC 06	SEP 06	JUN 06	MAR 06
Interest revenue	6	–	–	9,895
General and administrative expenses	216,208	101,383	178,002	147,559
Net loss	(216,921)	(53,152)	(200,694)	(1,760,646)
Net loss per share	(0.00)	(0.00)	(0.01)	(0.03)
Funds used in operations	(217,100)	(147,422)	(178,002)	(137,664)

## CAPITAL EXPENDITURES

During the three months ended December 31, 2007 the Company incurred minimal capital expenditures, resulting in net total expenditures of \$1,245 for the year ended December 31, 2007. During the three months ended December 31, 2006, the Company reported no capital expenditures. Expenditures for the year ended December 31, 2006 totalled \$1,944,465.

## LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2006 the Company had a net working capital surplus of \$445,793. During 2007, the Company utilized \$594,541 for general and administrative purposes, received proceeds of \$100,000 from the disposal of the Ferrier well and incurred \$1,245 on capital expenditures. In addition, a private placement generated net cash proceeds of \$654,481, increasing the working capital surplus to \$600,076 at December 31, 2007.

## COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The Company does not have any significant commitments or contractual obligations at December 31, 2007.



# MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2007

## RELATED PARTY TRANSACTIONS

During the three months and year ended December 31, 2007, the Company had the following related party transactions:

- The Company was charged \$36,197 and \$110,552 respectively, for the three months and year ended December 31, 2007 (2006 – \$27,668 and \$45,917) by a legal firm in which a director of the Company is a partner.
- The Company was charged \$45,652 and \$141,931 respectively, for the three months and year ended December 31, 2007 (2006 – \$31,785 and \$122,321) for office rent by a corporation controlled by an officer and director of the Company.
- The Company has accrued a liability in the amount of \$281,795 (December 31, 2006 – \$502,514) for the indemnification of investors subject to reassessment as a result of an audit by the Canada Revenue Agency for unexpended renounced flow through share expenditures. An officer of the Company has indemnified the Company for these costs; as such, an equal amount receivable has been accrued.

These amounts are recorded at the exchange amounts agreed to by the related parties.

## INCOME TAXES

As at December 31, 2007, the Company has approximately \$5.4 million of tax pools and \$95.6 million of non-capital losses available for deduction against future taxable income. A valuation allowance of \$92.0 million has been provided for on the non-capital losses as they may not be realized prior to expiration. Non-capital losses expire between 2008 and 2026.

## SHARE CAPITAL

Pursuant to a private placement during 2007 the Company issued 2,420,666 common shares which increased its issued and outstanding shares to 53,989,501 as at December 31, 2007 and as at the date of this MD&A.

In April 2007, the Company modified the terms of the 3,400,000 options outstanding at the beginning of the year and granted an additional 1,475,000 options in April and July 2007. As at December 31, 2007 and to the date of this MD&A, the total options granted are 4,875,000 all of which are exercisable.

A total of 200,870 warrants were outstanding at December 31, 2006. During the three months ended March 31, 2007, all warrants expired unexercised. Pursuant to the private placement in September 2007, a total of 1,210,333 warrants were attached to the units sold, plus an additional 37,050 warrants were issued to one of the agents. As at December 31, 2007 a total of 1,247,383 warrants at an exercise price of \$0.50 were outstanding. These warrants expire in September 2008 and remain unchanged as at the date of this MD&A.



# MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2007

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## OUTLOOK

Marauder continues to evaluate strategic opportunities. Marauder's involvement in the development plan with EnCana for the Deep Panuke gas field is still being considered. Financing arrangements are being investigated so that a decision can be reached once the eventual working interest is determined.

In addition, management has been reviewing business opportunities elsewhere.

## FINANCIAL AND DERIVATIVE INSTRUMENTS

The Company did not enter into any financial derivative transactions in 2007 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.

## BUSINESS RISKS AND UNCERTAINTIES

Marauder is exposed to several operational risks inherent in exploring, developing, producing and marketing crude oil and natural gas. These inherent risks include: economic risk of finding and producing reserves at a reasonable cost; financial risk of marketing reserves at an acceptable price given current market conditions; cost of capital risk associated with securing the needed capital to carry out Marauder's operations; risk of environmental impact, including the potential impact of the Kyoto accord or other environmental initiatives or agreements, credit risk of non-payment for sales contracts and joint venture partners, and the potential impact of royalty rate revisions or other legislative changes on future production.

In order to mitigate these risks, Marauder maintains a comprehensive insurance program to reduce risk to an acceptable level and to protect it against significant losses. The Company's risk in regard to financial instruments is detailed in note 11 to the annual audited consolidated financial statements.

## CRITICAL ACCOUNTING ESTIMATES

The Company's financial statements are prepared in accordance with Canadian generally accepted accounting principles. A comprehensive discussion of the Company's significant accounting policies is contained in Note 2 to the audited consolidated financial statements for the year ended December 31, 2007. The Company's significant accounting policies are subject to estimates and key judgments about future events, many of which are beyond management's control.

## CHANGE IN ACCOUNTING POLICIES

On January 1, 2007, the Company adopted the new or revised Canadian accounting standards for accounting changes, comprehensive income, financial instruments—recognition and measurement and financial instruments—presentation and disclosures. The impact of the adoption of the new standards is disclosed in note 3 to the Company's December 31, 2007 audited consolidated financial statements.



# MANAGEMENT DISCUSSION AND ANALYSIS

**December 31, 2007**

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Additional disclosure requirements for financial instruments have been approved by the Canadian Institute of Chartered Accountants and will be required disclosure beginning January 1, 2008.

## **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, legislative changes, 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 occur, what benefits Marauder will derive therefrom. The Company undertakes no responsibility to update the information provided herein.