2010 FIRST QUARTER REPORT

FOR THE THREE MONTHS ENDED MARCH 31, 2010

TSX: RE

CORPORATE SUMMARY

FINANCIAL	**Three Months Ended 03/31/10**	Three Months Ended 03/31/09
Crude oil and natural gas revenue ('000)	**$16,840**	$11,683
Funds from operations ('000) [(1)]	**$6,963**	$3,896
Per share - basic	**$0.23**	$0.15
- diluted	**$0.22**	$0.15
Net income (loss) ('000)	**$ 53**	$(2,261)
Per share - basic	**$ -**	$(0.09)
- diluted	**$ -**	$(0.09)
Capital expenditures, net ('000)	**$13,665**	$3,374

	As at 03/31/10	As at 03/31/09
Working capital (deficiency) including bank debt ('000)	**$(32,016)**	$(38,100)
Common shares outstanding	**30,557,243**	25,899,843
Options outstanding	**1,718,881**	1,535,450

OPERATIONS	**Three Months Ended 03/31/10**	Three Months Ended 03/31/09
Average daily production		
Crude oil and natural gas liquids (bbls/d)	**2,281**	1,904
Natural gas (mcf/d)	**7,458**	11,486
Total (boe/d)	**3,524**	3,818
Average product prices		
Crude oil and natural gas liquids (Cdn$/bbl)	**$65.16**	$35.48
Natural gas (Cdn$/mcf)	**$5.16**	$5.42
Combined (Cdn$/boe)	**$53.09**	$33.99
Field netback (Cdn$/boe)[(1)]	**$26.68**	$14.05

Note [(1)] Funds from operations, funds from operations per share and field netback are not terms under generally accepted accounting principles (GAAP). Funds from operations represents cash generated from operating activities before changes in non-cash working capital and asset retirement expenditures. Rock considers funds from operations a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future growth through capital investment. Funds from operations per share is calculated using the same share basis which is used in the determination of net income (loss) per share. Field netback is calculated as crude oil and natural gas revenues after deducting royalties, operating costs and transportation costs, resulting in an approximation of initial cash margin in the field on crude oil and natural gas production. Rock's use of these non GAAP measurements may not be comparable with the calculation of similar measures for other companies.

LETTER TO THE SHAREHOLDERS

During the first quarter of 2010 Rock generated solid operating and financial results primarily from its heavy oil operations. The quarter was highlighted by the following achievements:

- Daily production averaged 3,524 boe per day (55% heavy oil, 9% light oil and natural gas liquids, and 36% natural gas);
- Funds from operations for the quarter of $7.0 million ($0.23/share);
- Positive net earnings due to proven reserve additions during the first quarter;
- Drilled 11 (11.0 net) heavy oil wells and 5 (2.3 net) natural gas wells with 100% success rate; and
- Drilled, completed and tested a vertical natural gas well into the Montney formation in Elmworth that exceeded our expectations and confirmed the existence of commercial natural gas on Rock's land in this core area.

Rock's daily production for the first quarter of 2010 averaged 3,524 boe per day (64% crude oil and natural gas liquids), and is currently estimated to be approximately 3,700 boe per day. The company is continuing with a planned capital program including the drilling of an additional 19 heavy oil wells in the Plains region and an additional 5 natural gas wells in the West Central Alberta core area. Rock expects daily production to reach 4,400 – 4,600 boe per day by year end with a product mix that is expected to be 70% crude oil and natural gas liquids.

Financially, Rock generated funds from operations of $7.0 million ($0.23 per basic share) in the first quarter of 2010 and net income of $0.1 million. Rock's realized price in the first quarter of 2010 was $53.09 per boe compared to $33.99 per boe in the first quarter of 2009. The increase in price realizations can be attributed to the increase in crude oil prices combined with the continued strength of narrow heavy oil differentials. These positive crude oil price movements more than offset the decline in natural gas prices. Rock generated a funds flow per boe of $21.96 compared to $11.34 per boe in the first quarter of 2009. An increase in our heavy oil operating costs occurred during the first quarter of 2010 as we experienced a higher level of fuel use and heavy oil well servicing as our heavy oil production increased.

Net capital expenditures for the first quarter of 2010 were $13.7 million and total net debt at the end of the quarter was $32.0 million against total bank credit lines of $50.0 million.

Rock's Board of Directors have approved a capital budget of $41.6 million for 2010 which is planned to be financed primarily from expected cash flow of $35.0 million. This capital program of 30 heavy oil wells and 10 natural gas wells will provide significant growth in our daily production, will continue to exploit our vertical drilling opportunities and will further confirm our Elmworth natural gas resource play. As announced in January 2010, the success of our 100% working interest vertical Montney test well has exceeded our expectations and has confirmed the existence of deeper Montney natural gas reserves as well as natural gas in the up-hole Bluesky and Nikanassin zones on our Elmworth lands in West Central Alberta. Rock is proceeding with designing an exploitation program and plans to drill at least one horizontal well by the end of 2010 using multistage fracturing techniques on the Montney zone and up to 3 vertical wells to confirm the extent of the play on our lands.

Rock is forecasting production to average 3,800 – 4,000 boe per day in 2010 and to grow by over 25% to exit the year at 4,400-4,600 boe per day. Assuming that crude oil prices average US $85.00 WTI per barrel for the remainder of 2010 and natural gas at AECO averages $4.00 CDN/mcf with an exchange rate of $1.00 CDN$/US$ the Company would generate cash flow of $35.0 million (or $1.15/share) and have year-end 2010 net debt of $32.0 million.

In April 2010, Rock announced the retirement of Peter V. Malowany from the Board of Directors. As a founding director of Rock, we would once again like to thank Pete for all his support and contribution during the last seven years.

Rock has developed an inventory of approximately 220 vertical drilling opportunities which are balanced between heavy oil and conventional natural gas plays. In addition, the Company has assembled a large land position in the Elmworth area that is at the forefront of an emerging resource play that could significantly transform our company and set up growth for 2011 and beyond. During 2010 Rock is focused on increasing our crude oil production and proving up our natural gas reserves. The Company is in a strong financial position with a foundation of funds flow and excess debt capacity to execute on our 2010 capital program. With the recent increase in our stock price, Rock is now well positioned to pursue complimentary acquisitions and mergers to potentially add another significant core area of operations to our strong portfolio of opportunities.

On behalf of the Board of Directors,

(Signed) "Allen J. Bey"

(Signed) "John H. Van de Pol"

May 10, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Rock Energy Inc. ("Rock" or the "Company") is a publicly traded energy company engaged in the exploration for and development and production of crude oil and natural gas in Western Canada. Rock's corporate strategy is to continue to grow and develop an oil and gas exploration and production company through internal operations and acquisitions.

Rock evaluates its performance based on net income, funds from operations, field netbacks and finding and development costs. Funds from operations are a measure used by the Company to analyze operations, performance, leverage and liquidity. Field netback is a benchmark used in the oil and gas industry to measure the financial contribution of crude oil and natural gas operations after the deduction of royalties, transportation costs, and operating expenses. Finding and development costs are another benchmark used in the oil and gas industry and are used by Rock to evaluate the capital costs incurred by the Company to find and bring reserves on-stream on a per unit basis, providing insight into the relative efficiency of capital investments.

Rock faces competition in the oil and gas industry for resources, including technical personnel and third-party services. The Company focuses on hiring and retaining personnel with the expertise to develop opportunities on existing lands and control operating and administrative cost structures. Rock also seeks to obtain the best price available based on the quality of its produced commodities.

The following discussion and analysis is dated May 10, 2010 and is management's assessment of Rock's historical financial and operating results, together with future prospects, and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2009. The discussion provided herein is incremental to that included in management's discussion and analysis in respect of its audited consolidated financial statements for the year ended December 31, 2009.

Basis of Presentation

Certain financial measures referred to in this discussion, such as funds from operations and funds from operations per share, are not prescribed by GAAP in Canada. Funds from operations is a key measure that demonstrates the ability to generate cash to fund expenditures. Funds from operations is calculated by taking cash provided by operations from the consolidated statement of cash flows and adjusting for changes in non-cash working capital and asset retirement expenditures. Funds from operations per share is calculated using the same methodology for determining net income (loss) per share. Rock's use of these non GAAP financial measures may not be comparable to similar measures presented by other companies. These financial measures are not intended to represent operating profits for the period nor should they be viewed as an alternative to cash provided by operating activities, net income (loss) or other measures of financial performance calculated in accordance with GAAP. The reconciliation between funds from operations and cash flow from operations for the three months ended March 31, 2010 and 2009 is presented in the table below.

('000's)	**Three Months Ended 03/31/10**	Three Months Ended 03/31/09
Cash provided by operations	**$7,921**	$4,925
Add (deduct):		
Changes in non-cash working capital	**(1,001)**	$(1,029)
Asset retirement expenditures	**43**	-
Funds from operations	**$6,963**	$3,896

All barrels of oil equivalent ("boe") conversions in this report are derived by converting natural gas to crude oil in the ratio of six thousand cubic feet ("mcf") of natural gas to one barrel ("bbl") of crude oil. Certain financial values are presented on a boe basis and such measurements may not be consistent with those used by other companies. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of six mcf to one boe is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Certain statements and information contained in this document, including but not limited to management's assessment of Rock's plans and future operations, production, reserves, revenue, commodity prices, operating and administrative expenditures, interest expense, future income taxes, drilling plans, acquisitions and dispositions, funds from operations, capital expenditure programs and debt levels, contain forward-looking statements. All statements other than statements of historical fact may be forward-looking statements. These statements, by their nature, are subject to numerous risks and uncertainties, some of which are beyond Rock's control including the effect of general economic conditions, industry conditions, regulatory and taxation regimes, volatility of commodity prices, currency fluctuations, the availability of services, imprecision of reserve estimates, geological, technical, drilling and processing problems, environmental risks, weather, the lack of availability of qualified personnel or management, stock market volatility, the ability to access sufficient capital from internal and external sources and competition

from other industry participants for, among other things, capital, services, acquisitions of reserves, undeveloped lands and skilled personnel, any of which may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such forward-looking statements, although considered reasonable by management at the time of preparation, may prove to be incorrect and actual results may differ materially from those anticipated in the statements made and, therefore, should not unduly be relied on. These statements speak only as of the date of this document. Rock does not intend and does not assume any obligation to update these forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

All financial amounts are in thousands of Canadian dollars (Cdn$) unless otherwise noted.

Guidance and Outlook

Rock issued guidance on March 23, 2010 for projected 2010 results. The Company is updating its guidance at this time primarily to reflect changes in commodity prices and exchange rates. Throughout 2010 Rock plans to maintain a balance sheet that has debt to annualized quarterly funds from operations ratio that is not in excess of 1:5:1.0. Rock's capital budget has been designed taking into account the need for winter access operations at Saxon in its West Central Alberta core area. The Company is well-positioned to monitor commodity prices and resulting funds flows and adjust our capital budget accordingly. Rock expects to drill 10 (5.5 net) natural gas wells in the West Central Alberta core area and 30 (30.0 net) heavy oil wells in the Plains core area.

Current strip pricing shows the WTI crude oil price forecast at US $85.00/bbl for the remainder of the year. Natural gas prices have been forecast to decline for the remainder of 2010 from first quarter AECO prices of $4.97 per mcf to an average AECO price of $4.00 per mcf for the remaining nine months of 2010. As a result of the adjustment in pricing and the Alberta royalty incentive program, royalty rates have been decreased to approximately 19 percent. Forecasted operating costs have increased to approximately $14.91 per boe for 2010 compared to $13.91 per boe in 2009. This increase reflects the steady increase of higher cost heavy oil wells in our production mix. General and administrative expenses are expected to be approximately $2.90 per boe compared to $2.53 per boe in 2009. This increase represents an increase in staff levels combined with bonus payments made in 2010 relating to 2009 performance. Interest costs on both an absolute and per boe basis are anticipated to be comparable to 2009.

The planned activities and assumptions outlined above result in a $41.6 million capital budget from which Rock is projecting 2010 annual production to increase by a range of 11 percent to 16 percent over average 2009 levels. Funds from operations of $35.0 million ($1.15 per basic share) are projected to increase by approximately 79 percent from 2009 levels due to higher commodity prices and production. Year-end net debt is projected to be $32.0 million with a debt to annualized fourth quarter funds from operations ratio of 0.7:1. The table below provides Rock's guidance.

	May 10, 2010 Guidance	**March 23, 2010 Guidance**
2010 production (boe/d)		
Annual	**3,800 –4,000**	3,800 – 4,000
Exit (December average)	**4,400 –4,600**	4,400 – 4,600
2010 funds from operations		
Annual	**$35.0 million**	$33.0 million
Annual - per basic share	**$1.15**	$1.08
2010 capital budget		
Expenditures	**$41.6 million**	$41.6 million
Wells Drilled	**40 – 45**	40 – 45
Total year-end net debt [1]	**$32.0 million**	$34.0 million
Pricing	**(April to December)**	(January to December)
Crude oil – W.T.I.	**US$85.00/bbl**	US$75.00/bbl
Natural gas – AECO	**$4.00/mcf**	$5.75 mcf
Cdn$/US$ exchange rate	**$1.00**	$0.95

[1] Net debt is the working capital deficiency including bank debt.

Production

Production by Product	Three Months Ended 03/31/10	Three Months Ended 03/31/09	Change
Heavy oil (bbls/d)	**1,953**	1,518	29%
Light oil (bbls/d)	**105**	141	(26)%
Natural gas (mcf/d)	**7,458**	11,486	(35)%
Natural gas liquids (bbls/d)	**223**	245	(9)%
Total boe/d (6:1)	**3,524**	3,818	(8)%

Production for the three months ended March 31, 2010 has decreased 8% over the same period last year due to normal production declines in natural gas production as drilling activity in 2009 was reduced due to low natural gas prices. Heavy oil production increases were primarily attributable to the successful heavy oil drilling program in 2009. Rock currently anticipates completing a 30 well heavy oil drilling program in the Plains area in 2010, 11 of which were drilled in the first quarter of 2010.

Product Prices

	Three Months Ended 03/31/10	Three Months Ended 03/31/09	Change
Realized product prices			
Heavy oil ($/bbl)	**$65.20**	$35.21	85%
Light oil ($/bbl)	**79.25**	38.82	104%
Natural gas ($/mcf)	**5.16**	5.42	(5)%
Natural gas liquids ($/bbl)	**58.11**	34.78	67%
Combined average ($/boe)	**$53.09**	$33.99	56%
Cdn$/US$ exchange rate	**0.961**	0.803	20%
Average reference prices			
Crude oil – W.T.I. Cushing, Oklahoma (US$/bbl)	**78.71**	43.08	83%
Crude oil – Edmonton light (Cdn$/bbl)	**80.07**	49.65	61%
Heavy oil – Western Canadian Select ("WCS") (Cdn$/bbl)	**72.54**	42.55	70%
Natural gas – Henry Hub Daily Spot (US$/mmbtu)	**5.14**	4.57	12%
Natural gas – AECO C Daily Spot (Cdn$/mcf)	**4.97**	4.95	-

Crude oil and natural gas liquid commodity prices strengthened considerably during the three months ended March 31, 2010 compared to the same period in 2009. Heavy oil prices have not only benefitted from rising WTI prices but also a narrowing of the heavy oil price differential. Corporate heavy oil prices in the first quarter of 2010 were in excess of $65 per barrel representing a 19% differential to Edmonton light oil compared to a 29% differential in the first quarter of 2009. The futures markets currently indicate that WTI prices may average US $85 per barrel for the remainder of 2010 therefore averaging US $83.43 for the year. For the first quarter of 2010, natural gas prices have continued to decline due to reduced industrial demand and increased US shale gas production. The current AECO natural gas prices is approximately $4.00 per mcf or 25% lower than the year end 2009 natural gas prices. Rock has not hedged any of its production at this point in time.

Revenue

The Company's revenue is primarily derived from crude oil and natural gas operations.

	Three Months Ended 03/31/10	Three Months Ended 03/31/09	Change
Crude oil and natural gas	**$16,840**	$11,683	44%

Although overall production levels decreased by 8% from the first quarter of 2009 to the first quarter of 2010, significantly improved commodity prices resulted in a 44% increase in crude oil and natural gas revenue for the first quarter of 2010 in comparison to the prior year.

Royalties

	Three Months Ended 03/31/10	Three Months Ended 03/31/09	Change
Royalties	**$3,183**	$2,615	22%
As a percentage of crude oil and natural gas revenue	**18.9%**	22.4%	(16)%
Per boe (6:1)	**$10.03**	$7.61	32%

Royalties for the three months ended March 31, 2010 are higher on an absolute and per boe basis in comparison to the same quarter of 2009 as a result of increased prices. On a percentage basis royalty rates were 18.9% of crude oil and natural gas revenue for the three months ended March 31, 2010 compared to 22.4% for the same period of 2009. This reduction is a result of a royalty incentive program initiated by the Alberta Government in 2009. The royalty incentive program allows for a reduced crown royalty rate of five percent for new wells tied in for production from April 1, 2009 to March 31, 2011. The incentive is subject to a limit based on 50,000 bbls of crude oil production or 500 mmcf of natural gas production.

Operating Expense

	Three Months Ended 03/31/10	Three Months Ended 03/31/09	Change
Operating costs	**$5,073**	$3,975	28%
Transportation costs	**122**	263	(54)%
	$5,195	$4,238	23%
Per boe (6:1)	**$16.38**	$12.33	33%

Operating expenses have increased on an absolute and boe basis during the three months ended March 31, 2010 over the same period in 2009 primarily due to well servicing and fuel costs on heavy oil wells and the increase in our overall production mix to higher operating cost heavy oil production. Overall operating costs per boe for the first quarter of 2010 are 19% above budgeted levels.

General and Administrative (G&A) Expense

	Three Months Ended 03/31/10	Three Months Ended 03/31/09	Change
Gross	**$1,568**	$1,035	51%
Per boe (6:1)	**$4.95**	$3.01	64%
Capitalized	**$395**	$382	3%
Per boe (6:1)	**$1.25**	$1.11	13%
Net	**$1,173**	$653	80%
Per boe (6:1)	**$3.70**	$1.90	95%

Gross and net G&A expenses increased on an absolute basis in the three months ended March 31, 2010 compared to the same period in 2009. Overall costs increased due to bonus payments during the first quarter of 2010 relating to 2009 performance with no corresponding bonus recorded in 2009. The impact of these bonuses on the first quarter of 2010 G&A was an increase of $236 or $0.75 per boe. On a boe basis, G&A expenses were also impacted by the decrease in production. G&A expenses for the remainder of the year are expected to decrease on a per boe basis and are expected to average approximately $2.90 per boe for the year. The Company capitalizes certain G&A expenses based on personnel involved in exploration and development activities, including certain salaries and related overhead costs.

Interest Expense

	Three Months Ended 03/31/10	Three Months Ended 03/31/09	Change
Interest expense	**$195**	$258	(24)%
Per boe (6:1)	**$0.62**	$0.75	(17)%

Interest incurred is as a result of bank borrowings. Interest expense has decreased in the first quarter of 2010 compared to the same period in 2009 due to significantly lower interest rates and debt levels. The average effective interest rate on debt for the first quarter of 2010 and the first quarter of 2009 was 3.0 percent.

Stock-Based Compensation Expense

	Three Months Ended 03/31/10	Three Months Ended 03/31/09	Change
Charge for period	**$146**	$189	(23)%
Per boe (6:1)	**$0.46**	$0.55	(16)%

Stock-based compensation costs are non-cash charges which reflect the estimated value of stock options issued to directors and employees of Rock. The value of the award is recognized as an expense over the period from the grant date to the date of vesting of the award. The Company capitalizes a portion of stock-based compensation expense related to personnel involved in exploration and development activities.

Depletion, Depreciation and Accretion (DD&A) Expense

	Three Months Ended 03/31/10	Three Months Ended 03/31/09	Change
Depletion and depreciation expense	**$6,653**	$7,557	(12)%
Accretion expense	**$117**	$64	83%
DD&A	**$6,770**	$7,621	(11)%
Per boe (6:1)	**$21.35**	$22.18	(4)%

The depletion and depreciation expense for the three months ended March 31, 2010 decreased 12% compared to the same quarter in 2009 primarily due to reserve additions for the year ended December 31, 2009 and the three months ended March 31, 2010. Lower depletion and depreciation expense is also expected to occur for the remainder of 2010.

Accretion represents the change in the time value of the asset retirement obligation ("ARO"). Accretion expense increased for the three months ended March 31, 2010 compared to the same period of 2009 due to increased estimates of abandonment costs recognized in the ARO liability at December 31, 2009. The underlying ARO may increase over a period based on new obligations incurred from drilling wells, constructing facilities, acquiring operations or adjusting future estimates of timing or amounts. Similarly this obligation can be reduced as a result of abandonment work undertaken and reducing future obligations.

Taxes

The Company pays Saskatchewan resource capital taxes based on its production in the province. Rock does not have current income tax payable and does not expect to pay current income taxes in 2010 as the Company has estimated resource tax pools available at March 31, 2010 of $121.8 million.

Funds from Operations and Net Income (Loss)

	Three Months Ended 03/31/10	Three Months Ended 03/31/09	Change
Funds from operations	**$6,963**	$3,896	79%
Per boe (6:1)	**$21.96**	$11.34	94%
Per share			
Basic	**$0.23**	$0.15	53%
Diluted	**$0.22**	$0.15	47%
Cash provided by operating activities	**$7,921**	$4,925	61%
Net income (loss)	**$53**	$(2,261)	103%
Per boe (6:1)	**$0.17**	$(6.58)	103%
Per share			
Basic	**$0.00**	$(0.09)	-
Diluted	**$0.00**	$(0.09)	-
Weighted average shares outstanding:			
Basic	**30,557,243**	25,899,843	18%
Diluted	**31,595,724**	25,899,843	22%

Funds from operations increased over the prior year period as lower production was more than offset by significantly higher commodity prices. Cash provided by operating activities has also increased for the three months ended March 31, 2010 as a result of increased commodity prices. The higher commodity prices also contributed to a return to net income of $53 during the three months ended March 31, 2010 compared to a net loss of $2,261 during the comparable period of 2009. Basic and diluted shares outstanding have increased due to the equity issue completed in October, 2009 and dilutive stock options.

Capital Expenditures

	Three Months Ended 03/31/10	Three Months Ended 03/31/09	Change
Land	**$314**	$89	253%
Seismic	**433**	-	-
Drilling and completions	**12,735**	2,225	472%
Facilities	**899**	657	37%
Capitalized G&A	**609**	382	59%
	$14,990	$3,353	347%
Drilling incentive credits	**(1,325)**	-	-
	$13,665	$3,353	307%
Office equipment	**-**	21	(76)%
Total net capital expenditures	**$13,665**	$3,374	305%

Capital spending in the first quarter of 2010 was significantly higher than the first quarter of 2009 due to increased drilling activity. The drilling activity in the first quarter of 2010 included 11 heavy oil wells in the Plains core area and five natural gas wells in the West Central Alberta core area. Successful first quarter drilling resulted in an increase in proved and probable reserves. Rock’s current capital budget for 2010 of $41.6 million includes drilling an additional 19 (19 net) heavy oil wells in the Plains core area during the second and third quarters of 2010 and an additional 5 (3.2 net) wells in the West Central Alberta core area prior to year end.

Liquidity and Capital Resources

Rock currently plans to finance the capital expenditure program for 2010 of $41.6 million from anticipated funds from operations of $35.0 million and a small component of debt. The Company has a net debt position of $32.0 million including a negative working capital position of $3.2 million at March 31, 2010. The Company’s total debt to first quarter 2010 annualized funds from operations ratio was 1.1 to 1. This ratio has continued to fall from 2.4 to 1 for the first quarter of 2009 primarily due to improved crude oil pricing and the equity financing completed during the fourth quarter of 2009. The Company expects to have a net debt position of approximately $32 million by the end of 2010 with a debt to fourth quarter 2010 annualized funds from

operations ratio of 0.7 to 1. The Company will continue to monitor capital, debt and cash levels and make adjustments in order to maintain an appropriate debt to funds from operations level.

The Company has a demand operating loan facility with a Canadian chartered bank. The facility is subject to the bank's valuation of the Company's crude oil and natural gas assets. The facility bears interest at the bank's prime rate or at prevailing banker's acceptance rate plus an applicable bank fee, which varies depending on the Company's debt to funds from operations ratio. The facility also bears a standby charge for un-drawn amounts. The facility is secured by a first ranking floating charge on all real property of the Company, its subsidiary and partnership and a general security agreement. A review was completed in April 2010 that established the available facility at $50 million. The next review for the facility is scheduled to be completed by August 1, 2010.

Selected Quarterly Data

The following table provides selected quarterly information for Rock.
(unaudited)

	Three Months Ended 03/31/10	Three Months Ended 12/31/09	Three Months Ended 09/30/09	Three Months Ended 06/30/09	Three Months Ended 03/31/09	Three Months Ended 12/31/08	Three Months Ended 09/30/08	Three Months Ended 06/30/08
Production (boe/d)	**3,524**	3,376	3,225	3,329	3,818	3,959	3,526	3,454
Crude oil and natural gas revenues	**$16,840**	$14,597	$12,124	$11,621	$11,683	$15,746	$24,432	$24,774
Average realized price ($/boe)	**$53.09**	$47.00	$40.84	$38.37	$33.99	$43.23	$75.27	$78.82
Royalties ($/boe)	**$10.03**	$8.37	$7.96	$5.16	$7.61	$9.24	$16.02	$16.53
Operating Expense ($/boe)	**$16.38**	$14.49	$14.50	$12.40	$12.33	$14.99	$13.08	$14.26
Field netback ($/boe) (ii)	**$26.68**	$24.14	$18.38	$20.81	$14.05	$19.00	$46.17	$48.03
G&A expense ($/boe)	**$3.70**	$3.20	$2.51	$2.58	$1.90	$2.72	$2.12	$2.43
Interest expense ($/boe)	**$0.62**	$0.70	$0.95	$0.92	$0.75	$0.91	$1.19	$1.47
Funds from operations (i)	**$6,963**	$6,150	$4,403	$5,195	$3,896	$5,520	$13,906	$13,807
Per share								
Basic	**$0.23**	$0.21	$0.17	$0.20	$0.15	$0.21	$0.54	$0.53
Diluted	**$0.22**	$0.20	$0.16	$0.20	$0.15	$0.21	$0.53	$0.53
Net income (loss)	**$53**	$(556)	$(1,712)	$(1,745)	$(2,261)	$(2,083)	$(1,266)	$4,020
Per share								
Basic	**$ -**	$(0.02)	$(0.07)	$(0.07)	$(0.09)	$(0.08)	$(0.05)	$0.16
Diluted	**$ -**	$(0.02)	$(0.07)	$(0.07)	$(0.09)	$(0.08)	$(0.05)	$0.15
Capital expenditures	**$13,665**	$10,424	$4,599	$2,095	$3,374	$9,254	$18,174	$6,345
	As at 03/31/10	As at 12/31/09	As at 09/30/09	As at 06/30/09	As at 03/31/09	As at 12/31/08	As at 09/30/08	As at 06/30/08
Working capital deficiency (surplus) (iii)	**$3,153**	$2,335	$(2,485)	$(975)	$3,083	$4,447	$4,496	$(2,403)

(i) Funds from operations is calculated as cash generated from operating activates before changes in non-cash working capital and asset retirement expenditures.
(ii) Field netback is calculated as crude oil and natural gas revenues less royalties and operating expenses.
(iii) Working capital deficiency is calculated as current assets less current liabilities excluding bank debt.

Crude oil and natural gas production increased steadily during 2008 from a combination of the growth in the West Central Alberta core area and increased heavy oil production in the Plains core area. Thereafter, crude oil and natural gas production decreased in the first three quarters of 2009 due to normal production declines as drilling activity was reduced due to low commodity prices. Production in the fourth quarter of 2009 started to increase as Rock began to execute an expanded heavy oil drilling program. Production continues to increase due to increased capital spending and is expected to increase in each quarter of 2010. Crude oil and natural gas revenues declined throughout the first three quarters of 2009 due to depressed commodity prices and decreased production. Prices and production began to increase during the fourth quarter of 2009 resulting in increased crude oil and natural gas revenues for the fourth quarter of 2009 and the first quarter of 2010. Royalties per boe have decreased since 2008 and averaged approximately 18% in 2009 primarily due to lower commodity prices. They were approximately 19% for the first quarter of 2010 due to the Alberta royalty incentive program initiated in 2009 and are expected to be approximately 19% for the remainder of 2010. Higher commodity prices during 2008 contributed to operating cost pressures particularly for trucking, fuel and well servicing costs. During the first half of 2009 a focus on operating expense reductions contributed to a lower operating expense of $12.40 per boe in the second quarter of 2009 and $12.33 per boe in the first quarter of 2009. Operating costs increased through the remainder of 2009 and first quarter of 2010 due to increased fuel and workover costs

initiated by the company as heavy oil prices improved and heavy oil drilling increased. G&A expenses increased during the fourth quarter of 2009 due to costs associated with year-end reporting. The first quarter of 2010 included bonus payments related to 2009 performance. Funds from operations have varied primarily due to changes in commodity price levels particularly in the second and third quarters of 2008 and again in the fourth quarter of 2009 and first quarter of 2010. Net income has improved over the last three quarters of 2009 and again during the first quarter of 2010 based on an increase in heavy oil pricing and from increased proved reserves recognized at December 31, 2009 and as at March 31, 2010. A goodwill write down of $5.7 million was taken in the third quarter of 2008. Management decided to reduce capital expenditures in the first three quarters of 2009 from the prior quarters in 2008 primarily due to an uncertain commodity price environment. For the fourth quarter of 2009 and the first quarter of 2010, capital expenditures increased as the Company initiated an expanded heavy oil program due to an improvement in heavy oil differentials and the introduction of the Alberta royalty incentive program.

Contractual Obligations

In the course of its business the Company enters into various contractual obligations including the following:

- Royalty agreements;
- Processing agreements;
- Right of way agreements; and
- Lease obligations for leased premises.

Obligations with a fixed term are as follows:

	2010	2011	2012
Office lease premises	$392	$523	$349
Processing agreements	$213	$230	$159

Outstanding Share Data

At March 31, 2010 Rock had 30,557,243 common shares outstanding and 1,718,881 stock options outstanding with an average exercise price of $1.36. At May 10, 2010 Rock has 30,569,993 common shares outstanding and 2,154,796 options to purchase common shares outstanding with an average exercise price of $2.35.

Disclosure Controls and Procedures

Management reported on its disclosure controls and procedures and the design of its internal controls over financial reporting in the year end 2009 MD&A. There has been no material change to the Company's disclosure controls or procedures or to the design of internal controls over financial reporting since that time.

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Institute of Chartered Accountants' (CICA) Accounting Standards Board (AcSB) confirmed that changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises' interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011 including comparatives for 2010. This changeover to IFRS represents a change due to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations.

The Company has created a high-level plan to execute and complete this conversion project that included the completion of a preliminary assessment of the significant differences between Canadian GAAP and IFRS. This assessment highlighted areas of difference that may impact the Company. Differences have been categorized as significant, moderate or low priority items. Significant priority items have fundamental differences between IFRS and Canadian GAAP and will require detailed analysis to facilitate policy decisions and may involve measurement differences or a combination of measurement and disclosure differences.

The Company is currently in the second phase of the project that is focusing on significant items that result in measurement differences. The Company is gathering data and analyzing the impact of these significant items. This detailed analysis will assess the impact of the significant differences to the Company and identify options available where choices in accounting policies are available. This analysis includes quantifying the effect on the Company's consolidated financial statements while

considering impact on all external reporting including commonly reported ratios, covenants and investor and analyst information. Policy selection documentation will include the impacts the decision will have on internal processes and controls, system requirements, external disclosure requirements and a plan for implementation.

The Company considers the following to be the key areas that may impact the consolidated financial statements;

(A) Transition Decisions

IFRS 1 "First Time Adoption of IFRS" provides certain optional exemptions for entities adopting IFRS for the first time.

IFRS 1 contains an exemptions whereby a Company may choose to apply IFRS to Property, Plant and Equipment prospectively to its full cost pool provided a ceiling test under IFRS standards, be conducted at the transition date. More specifically, a Company may choose to allocate the historical full cost pool to cost centers by utilizing either volume or values from current reserves at the transition date.

As part of the aforementioned exemption, IFRS 1 also allows the prospective adoption of the standards relating to the asset retirement obligation (ARO). The ARO liability is recalculated at January 1, 2010 using the IFRS methodology and any adjustments would be offset to opening retained earnings.

(B) Property, Plant and Equipment and Impairment of Assets

The Company believes there are differences in this area between IFRS and Canadian GAAP that may significantly impact the Company. Differences include items that may be expensed or capitalized, number of depletable bases, accounting treatment for disposition of assets, levels at which ceiling tests are performed and differences in detailed ceiling test calculations. The Company is currently analyzing and quantifying these differences and has not assessed the impact on the consolidated financial statements.

(C) ARO Liability

There may also be significant differences in the calculation of the ARO liability between IFRS and Canadian GAAP. The Company is in the process of evaluating the methodology by which its ARO liability will be calculated including the appropriate discount rate to use.

(D) Disclosure Requirements

Increased disclosure requirements are also necessary for IFRS. As each significant item is analyzed, disclosure requirements will be documented to ensure required information is available.

Staff training programs began in 2009 and will be ongoing as the project unfolds. The Company will also continue to monitor standards development and regulatory pronouncements which may affect the timing, nature or disclosure of its adoption of IFRS. Additional disclosures of the key elements of the transition plan and progress of the project will be provided as information becomes available.

Due to the impact of various accounting policy alternatives and anticipated changes to IFRS prior to the conversion date, Rock has not been able to fully assess the impact of IFRS conversion on its consolidated financial statements.

Critical Accounting Estimates

Management is required to use judgment and estimates in the application of generally accepted accounting principles when preparing the financial results of the Company. The use of judgments and estimates may have a significant impact on the financial results of the Company. Please refer to the Management's Discussion and Analysis for the year ended December 31, 2009 for a discussion outlining these accounting policies and practices, which are critical in determining Rock's interim financial results.

Business Risks

Rock is exposed to a number of business risks, some of which are beyond its control, as are all companies in the oil and gas industry. These risks can be categorized as operational, financial and regulatory.
Operational risks include generating, finding and developing, and acquiring oil and natural gas reserves on an economical basis (including acquiring land rights or gaining access to land rights), reservoir production performance, marketing, production, hiring and retaining employees, and accessing contract services on a cost-effective basis. Rock attempts to mitigate these risks by employing highly qualified staff and operating in areas where employees have expertise. In addition the Company outsources certain activities to be able to lever industry expertise, without having the burden of hiring full-time staff given the current scope of operations. Typically the Company has outsourced the marketing and certain engineering and land functions. Rock is attempting to acquire existing oil and natural gas operations; however, Rock will be competing against many other companies for such operations, many of which will have greater access to resources. As a small company, gaining access to contract services may be difficult given the competitive nature of the industry, but Rock will attempt to mitigate this risk by utilizing existing relationships.

Financial risks include commodity prices, the US/Canadian dollar exchange rate and interest rates, all of which are largely beyond the Company's control. Currently Rock has not used any financial instruments to mitigate these risks. The Company would consider using these financial instruments depending on the operating environment. The Company also will require access to capital. Currently Rock has a debt facility in place and intends to use its debt capacity in the future in conjunction with capital expenditures including acquisitions. It intends to use prudent levels of debt to fund capital programs based on the expected operating environment. It also intends to access equity markets to fund opportunities; however, the ability to access these markets will be determined by many factors, many of which will be beyond the control of the Company.

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to commodity prices. These conditions worsened in 2008 and are continuing in 2009, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to deteriorate and stock markets to decline substantially. However, in recent months these concerns are starting to moderate. These factors have negatively impacted company valuations and will impact the performance of the global economy going forward.

Petroleum prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and the demand of these commodities due to the current state of the world economies, OPEC actions and the ongoing credit and liquidity concerns. Volatile oil and natural gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and natural gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

In addition, bank borrowings available to the Company may, in part, be determined by the Company's borrowing base. A sustained material decline in prices from historical average prices could reduce the Company's borrowing base, therefore reducing the bank credit available to the Company which could require that a portion, or all, of the Company's bank debt be repaid. In the current economic climate, including the recent deterioration in commodity prices, the Company's ability to access both credit and equity markets may be compromised or prohibited as many credit lenders and equity investors are restricting funds available to companies like Rock and as a result, Rock may have to alter its future spending plans.

Environmental Regulation and Risk

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. The Company has put in place a corporate safety program and a site-specific emergency response program to help manage these risks. The Company hires third-party consultants to help develop and manage these programs and help Rock comply with current environmental legislation. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. In 2002, the Government of Canada ratified the Kyoto Protocol (the "Protocol"), which calls for Canada to reduce its greenhouse gas emissions to 6 percent below 1990 emission levels. The Federal government has introduced legislation aimed at reducing greenhouse gas emissions using a "intensity based" approach, the specifics of which have yet to be determined. Bill C-288, which is intended to ensure that Canada meets its global climate change obligations under the Kyoto Protocol, was passed by the House of Commons on February 14, 2007. There has been much public debate with respect to Canada's ability to meet these targets and the Federal government's strategy or alternative strategies with respect to climate change and the control of greenhouse gases.

Implementation of strategies for reducing greenhouse gases whether to meet the limits required by the Protocol or as otherwise determined could have a material impact on the nature of oil and natural gas operations, including those of the Company.

There were no changes to environmental regulations and risks during the first quarter of 2010, from those outlined in the MD&A of the Company as at December 31, 2009 which has been filed on SEDAR at www.sedar.com.

Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict the impact of those requirements on the Company and its operations and financial condition.

ROCK ENERGY INC.

Interim Consolidated Balance Sheets

March 31, 2010 and December 31, 2009
(unaudited)

(all amounts in $'000)	**March 31, 2010**	December 31, 2009
Assets		
Current assets:		
Accounts receivable	**$13,294**	$10,755
Prepaid expenses and deposits	**1,199**	1,324
	14,493	12,079
Property, plant and equipment (note 1)	**141,072**	133,653
	$155,565	$145,732
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	**$17,646**	$14,414
Bank debt (note 5)	**28,863**	22,997
	46,509	37,411
Future tax liability	**2,427**	2,320
Asset retirement obligation (note 6)	**8,014**	7,533
Shareholders' equity		
Share capital (note 3)	**96,168**	96,225
Contributed surplus (note 3)	**4,704**	4,553
Deficit	**(2,257)**	(2,310)
	98,615	98,468
Commitments (note 8)		
	$155,565	$145,732

See accompanying notes to the unaudited interim consolidated financial statements.

ROCK ENERGY INC.

Interim Consolidated Statements of Income (Loss), Comprehensive Income (Loss) and Retained Earnings (Deficit)
(*unaudited)*

(all amounts in $'000 except per share amounts)	**Three Months Ended March 31, 2010**	Three Months Ended March 31,2009
Revenues		
Crude oil and natural gas	**$16,840**	$11,683
Royalties	**(3,183)**	(2,615)
	13,657	9,068
Expenses		
Operating	**5,195**	4,238
General and administrative	**1,173**	653
Interest	**195**	258
Stock-based compensation (note 4)	**146**	189
Depletion, depreciation and accretion	**6,770**	7,621
	13,479	12,959
Income (loss) before income taxes	**178**	(3,891)
Taxes		
Provincial capital taxes	**75**	23
Future income taxes (reduction) (note 7)	**50**	(1,653)
Net income (loss) and comprehensive income (loss)	**53**	(2,261)
Retained earnings (deficit), beginning of period	**(2,310)**	3,964
Retained earnings (deficit), end of period	**$(2,257)**	$1,703
Basic and diluted earnings (loss) per share (note 3)	**$ -**	$(0.09)

See accompanying notes to the unaudited interim consolidated financial statements.

ROCK ENERGY INC.

Interim Consolidated Statements of Cash Flows
(unaudited)

(all amounts in $'000)	**Three Months Ended March 31, 2010**	Three Months Ended March 31,2009
Cash provided by (used in):		
Operating:		
Net income (loss)	**$ 53**	$(2,261)
Add (less) non-cash items:		
Depletion, depreciation and accretion	**6,770**	7,621
Stock-based compensation	**90**	189
Future income taxes (reduction)	**50**	(1,653)
Asset retirement expenditures	**(43)**	-
	6,920	3,896
Changes in non-cash working capital	**1,001**	1,029
	7,921	4,925
Financing:		
Repurchase of stock options	**(8)**	-
Increase in bank debt	**5,866**	842
	5,858	842
Investing:		
Property, plant and equipment	**(13,596)**	(3,374)
Changes in non-cash working capital	**(183)**	(2,393)
	(13,779)	(5,767)
Change in cash	**-**	-
Cash at beginning and end of period	**$ -**	$ -
Interest and cash taxes paid and received:		
Interest paid	**$200**	$258
Cash taxes paid	**$44**	$23

See accompanying notes to the unaudited interim consolidated financial statements.

Notes to the Interim Consolidated Financial Statements

For the Period Ended March 31, 2010 (all amounts in $'000 except per share amounts)
(unaudited)

These unaudited interim consolidated financial statements include the accounts of Rock Energy Inc. ("Rock" or the "Company") and its wholly-owned subsidiaries, Rock Energy Ltd. and Rock Energy Production Partnership. These unaudited interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the audited financial statements for the year ended December 31, 2009. The disclosures herein are incremental to those included with the annual consolidated financial statements. These unaudited interim consolidated financial statements and notes should be read in conjunction with the audited consolidated financial statements and the notes thereto in the Company's annual report for the year ended December 31, 2009. Preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results may differ from these estimates.

1. Property, Plant and Equipment

	March 31, 2010	December 31, 2009
Petroleum and natural gas properties	$238,363	$224,291
Office Equipment	1,511	1,511
	$239,874	$225,802
Accumulated depletion and depreciation	(98,802)	(92,149)
	$141,072	$133,653

At March 31, 2010, the depletable base for the petroleum and natural gas properties included $25,695 (December 31, 2009 – $14,628) of future development costs and excluded $15,591 (December 31, 2009 – $17,680) of unproved property costs.

During the quarter ended March 31, 2010, $395 (March 31, 2009 – $382) of administrative costs and $69 (March 31, 2009 – nil) of stock based compensation costs relating to exploration and development activities were capitalized as part of property, plant and equipment.

2. Risk Management and Financial Instruments

Commodity Price Risk:

Due to the volatile nature of commodity prices the Company is potentially exposed to adverse consequences if commodity prices decline. However, if commodity prices are hedged potential upside gains may also be forfeited. As of March 31, 2010 the Company did not have any commodity price contracts.

Foreign Currency Exchange Risk:

The Company is exposed to foreign currency fluctuations as crude oil and natural gas prices received are referenced in U.S. dollar-denominated prices. As of March 31, 2010 the Company did not have any foreign currency exchange contracts in place.

Credit Risk:

Substantially all of the Company's accounts receivable are with customers, joint interest partners and oil and natural gas marketers and are subject to normal industry credit risks. Receivables from customers, joint interest partners and oil and natural gas marketers are generally collected within one to three months. The Company attempts to mitigate this risk by entering into transactions with long-standing and reputable organizations and by obtaining partner approval of significant capital expenditures and payment of cash advances whenever possible. Further risk exists with joint interest partners as disagreements occasionally arise and may increase the potential for non-collection. Currently, there is no indication that amounts are non-collectable; thus, an allowance has not been set up. Receivables related to oil and natural gas marketers are normally collected on the 25th day of the month following production. To mitigate the risk on these receivables the Company will predominately establish relationships with large marketers that have strong credit ratings and solid reputations. Historically, the Company has not experienced any issues in collecting from its oil and natural gas marketers. As at March 31, 2010 the Company's receivables consisted of $541 (December 31, 2009 – $637) from joint interest partners, $6,151 (December 31, 2009 – $5,377) from oil and natural gas marketers, $5,110 (December 31, 2009 –$3,786) of drilling incentive credits and $1,492 (December 31, 2009 – $955) of other trade receivables.

Fair Value of Financial Instruments:

The Company's exposure under its financial instruments is limited to financial assets and liabilities, all of which are included in these financial statements. The fair values of the financial assets and liabilities included in the balance sheet approximate their carrying amounts.

Interest Rate Risk:

The Company is exposed to interest rate risk to the extent that bank debt is at a floating short-term rate of interest. The Company does not have any financial or interest rate contracts in place as of March 31, 2010. A one percent change to the floating short-term interest rates is estimated to result in a $48 change in net income for the first quarter of 2010.

3. Share Capital and Contributed Surplus

Authorized:

Unlimited number of voting common shares, without stated par value.
300,000 preferred shares, without stated par value of which none have been issued.

Common Shares Issued:

	Number	**Amount**
Issued and outstanding on December 31, 2008	25,899,843	$81,600
Issued for flow-through shares [(i)]	300,000	219
Issued on exercise of stock options	7,400	11
Issued for cash on equity financing [(ii)]	4,350,000	15,225
Share issue costs (net of future income taxes of $292)	-	(830)
Issued and outstanding on December 31, 2009	30,557,243	$96,225
Future tax effect of flow-through share renouncements	-	(57)
Issued and outstanding on March 31, 2010	30,557,243	$96,168

[(i)] The Company issued flow-through shares to a new management appointee in April 2009.
[(ii)] The Company completed an equity financing on October 29, 2009 of 4,350,000 common shares at $3.50 per share for gross proceeds of $15,225 (net proceeds of $14,103).

Per Share Amounts:

Per share amounts have been calculated on the weighted average number of shares outstanding. The weighted average number of common shares outstanding for the three month period ended March 31, 2010 was 30,557,243 (March 31, 2009 – 25,899,843).

In computing the diluted per share amount, the treasury method was used. For the three month period ended March 31, 2010 on a diluted basis there were 31,595,724 weighted average shares outstanding (March 31, 2009 – 25,899,843) after giving effect to dilutive stock options.

Stock Options:

The Company has a stock option plan ("Plan") under which it may grant options to directors, officers and employees for the purchase of up to 10 percent of the issued and outstanding common shares of the Company. Options are granted at the discretion of the Board of Directors. The exercise price, vesting period and expiration period are also fixed at the time of grant at the discretion of the Board of Directors. The initial grant of options vests yearly in one-third tranches beginning on the first anniversary of the grant date and expires one year after vesting. The following table summarizes the stock options outstanding at March 31, 2010;

	Number of Options	Weighted Average Exercise Price
December 31, 2008	1,744,204	$3.09
Granted	1,615,399	1.03
Exercised [i]	(50,985)	1.38
Forfeited	(302,676)	2.50
Cancelled	(1,367,028)	3.15
Expired	(46,666)	4.79
December 31, 2009	1,592,248	$1.06
Granted	165,000	4.10
Exercised[ii]	(20,034)	0.94
Forfeited	(18,333)	0.86
March 31, 2010	1,718,881	$1.36

[i] 43,585 options were put back to the Company for the in-the-money gain.
[ii] 20,034 options were put back to the Company for the in-the-money gain.

Options outstanding and exercisable under the stock option plan are summarized below as at March 31, 2010:

	Outstanding Options			Exercisable Options	
Exercise Prices	Number of Options	Weighted Average Exercise Price	Weighted Average Years to Expiry	Number of Options	Weighted Average Exercise Price
$0.84 - $0.99	1,274,215	$0.87	1.96	16,950	$0.94
$1.61 - $2.09	279,666	$1.94	2.31	-	-
$2.94 - $4.41	165,000	$4.41	2.91	-	-
	1,718,881	$1.36	2.11	16,950	$0.94

Contributed Surplus:

	Three Months Ended March 31,2010	Year Ended December 31,2009
Opening balance	**$4,553**	$3,458
Stock-based compensation expense	**159**	1,180
Net benefit on options exercised [i]	**(8)**	(85)
Closing balance	**$4,704**	$4,553

[i] The benefit of options exercised for shares are recorded as a reduction of contributed surplus and an increase to share capital.

4. Stock Based Compensation

Options granted to employees and non-employees are accounted for using the fair value method. The fair value of 165,000 common share options granted during the period ended March 31, 2010 was estimated to be $357. The fair value of common share options as at the grant date is determined using the Black-Scholes option pricing model with the following assumptions for options issued during the period ended March 31, 2010:

Risk free interest rate:	1.69%	Expected volatility:	83%
Expected life:	Three-year average	Expected dividend yield:	0%

5. Bank Debt

The Company has a demand operating credit facility with a Canadian chartered bank subject to the bank's valuation of the Company's crude oil and natural gas properties. The limit under the facility at April 7, 2010 was $50 million. The facility is secured by a first ranking floating charge on all real property of the Company, its subsidiary and partnership, and a general security agreement. The facility bears interest at the bank's prime rate or at prevailing bankers acceptance rate plus an applicable bank fee, which varies depending on the Company's debt-to-funds from operations ratio. The facility also bears a standby charge for un-drawn amounts. The amount of the facility is subject to a borrowing base test performed on a periodic basis by the lender, based primarily on reserves and using commodity prices estimated by the lender as well as other factors. A decrease in the borrowing base could result in a reduction to the credit facility. The next review for the facility is to be completed before August 1, 2010.

6. Asset Retirement Obligation (ARO)

The ARO results from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Company estimates the total undiscounted amount of cash flows required to settle its ARO at March 31, 2010 to be approximately $13,201 (December 31, 2009 – $12,459) including expected annual inflation of 1.5 percent (December 31, 2009 – 1.5 percent). A credit-adjusted risk-free rate of 8 percent (December 31, 2009 – 8 percent) was used to calculate the fair value of the ARO. These obligations are expected to be incurred from the current year through 2028 and are expected to be funded through general corporate funds at the time of retirement.

The following table outlines a reconciliation of the ARO:

	Three Months Ended March 31,2010	Year Ended December 31,2009
Opening balance	**$7,533**	$4,497
Liabilities incurred	**371**	390
Accretion	**117**	262
Revisions	**36**	2,496
Actual retirement expenditures	**(43)**	(112)
Closing balance	**$8,014**	$7,533

(i) Revisions to the ARO are a result of changes in current estimates of future abandonment costs.

7. Income Taxes

The provision for income taxes varies from the amount that would be computed by applying the expected tax rate to income (loss) before income taxes. The principal reasons for differences between such "expected" income tax expense and the amount actually recorded are as follows:

	Three Months Ended March 31,2010	Three Months Ended March 31,2009
Income (loss) before income taxes	**$178**	$(3,891)
Statutory income tax rate	**28.4%**	29.8%
Expected income taxes (reduction)	**$51**	$(1,159)
Add (deduct):		
Stock-based compensation	**23**	56
Change in rate	**(2)**	(544)
Other	**(22)**	(6)
Future income taxes (reduction)	**$50**	$(1,653)

8. Commitments

The Company has the following obligations with fixed terms:

	2010	**2011**	**2012**
Office lease premises	$392	$523	$349
Processing arrangements	$213	$230	$159

9. Capital Disclosures

In order to continue the Company's future exploration and development program, the Company must maintain a strong capital base. A strong capital base will enable the Company to access the equity and debt markets when deemed advisable and maintain existing shareholders as well as attract new investors. In order to maintain a strong capital base, the Company continually monitors the risk-reward profile of its exploration and development projects and the economic indicators in the market including commodity prices, interest rates and foreign exchange rates. It then determines increases or decreases to its capital budget.

The Company considers shareholders' equity, bank debt and working capital to be components of its capital base. The Company can access or increase capital through the issuance of shares, through bank borrowings, which are based on crude oil and natural gas reserves, and by building cash reserves by reducing its capital expenditure program.

The Company monitors its capital based primarily on its debt to annualized funds flow ratio. Debt includes bank debt plus or minus working capital. Annualized funds flow is calculated as cash flow from operations before changes in non-cash working capital and asset retirement expenditures from the Company's most recent quarter multiplied by four. The Company intends to manage its debt at a ratio not to exceed 1.5:1 depending on the timing and nature of the Company's activities. To facilitate the management and control of this ratio, the Company prepares an annual operating and capital expenditure budget. The budget is updated when critical factors change. These factors include economic factors such as the state of equity markets, changes to commodity prices, interest rates and foreign exchange rates and non-economic factors such as the Company's drilling results and its production profile. The Company's Board of Directors approves the budget and changes thereto.

At March 31, 2010 the Company's debt to annualized funds flow ratio was 1.1:1.

The Company's share capital is not subject to external restrictions but the Company does have financial covenants in regards to its operating bank facility. The facility requires that the Company maintain a working capital ratio, as defined, of not less than 1:1. The calculation allows for the unused portion of the credit facility to be added to current assets and deduction of the current portion of bank debt from the current liabilities. The Company was in compliance with this covenant as at March 31, 2010.

Corporate Information

BOARD OF DIRECTORS
Stuart G. Clark [1] [2] [3]
Chairman of the Board
Independent Businessman

Allen J. Bey [4]
Chief Executive Officer
Rock Energy Inc.
Calgary, Alberta

Malcolm T. D. Adams [3] [4]
Vice President Corporate Development
Zapata Energy Corp.
Calgary, Alberta

Peter V. Malowany [2] [4]
President
Morgas Ltd.
Calgary, Alberta

James K. Wilson [2] [3]
Vice President, Finance and
Chief Financial Officer
Grizzly Resources Ltd.
Calgary, Alberta

[1] Chairman of the Board
[2] Member of the Audit Committee
[3] Member of the Compensation, Nomination and Governance Committee
[4] Member of the Reserves Committee

OFFICERS
Allen J. Bey
Chief Executive Officer

John H. Van de Pol
President and
Chief Financial Officer

Jeffrey G. Campbell
Senior Vice President and
Chief Operating Officer

Grant A. Zawalsky
Corporate Secretary

AUDITORS
KPMG LLP

BANK
National Bank of Canada

SOLICITORS
Burnet, Duckworth & Palmer LLP

STOCK EXCHANGE LISTING: TSX
Stock Symbol: RE

ENGINEERING CONSULTANT
GLJ Petroleum Consultants Ltd.

REGISTRAR & TRANSFER AGENT
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ABBREVIATIONS

bbl	barrel(s)
bcf	billion cubic feet
boe	barrels of oil equivalent
bps	basis points
CDOR	Certificate of Deposit Offered Rate
GJ	gigajoule
hectare	1 hectare is equal to 2.47 acres
km	kilometre
mbbls	thousand barrels
mboe	thousand barrels of oil equivalent mboe/day thousand barrels of oil equivalent per day
mcf	thousand cubic feet
mmcf	million cubic feet
mmbbls	million barrels
mmboe	million barrels of oil equivalent
NGL	natural gas liquids
W.T.I.	West Texas Intermediate

rockenergy INC.