GASTAR EXPLORATION LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTER ENDED MARCH 31, 2005

DATED: May 13, 2005

All information contained herein is effective as at May 13, 2005

This report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and as contemplated by Canadian securities regulators' Form 51-102F1. Although Gastar believes that its expectations are based on reasonable assumptions, it can give no assurance that its goals and assumptions will be achieved. Important factors that could cause actual results to differ materially from those in the forward looking statements contained herein, include, among others, the success and timing of certain projects, acquisitions, and the success in acquiring and drilling oil and gas properties. A further discussion of forward looking statements and potential factors that could cause results to differ materially from those in the forward looking statements are available in Gastar's Annual Report and other filed documents.

MANAGEMENT'S DISCUSSION ("MD&A") OF OPERATING RESULTS

This management discussion and analysis, dated May 13, 2005, pertains to the consolidated operations, financial positions, and changes in cash flows of Gastar Exploration, Ltd. and its subsidiaries ("the Company") for the three month period ended March 31, 2005. This information should be read in conjunction with the Company's consolidated financial statements included in the interim and annual filing documents. Where relevant, specific references to the notes accompanying the financial statements have been made in this discussion (references to "Note" refers to notes to the Interim Consolidated Financial Statements). These financial statements have been prepared in accordance with the accounting policies as described in Note 2 of the Company's Consolidated Financial Statements. A reconciliation to United States generally accepted accounting principles ("GAAP") is included in Note 16. A discussion of the external economic and industry factors affecting Gastar is presented in the Annual Information Form. Gastar's management is responsible for the reliability and timeliness of the information contained herein. In 2001, the Company changed its reporting currency from Canadian dollars to United States dollars.

The Company began trading on the Toronto Stock Exchange under the symbol "YGA" with the opening of the market on Thursday, January 24, 2002.

FIRST QUARTER 2005 HIGHLIGHTS

The following activities occurred which Gastar's management believes are important milestones for the Company's pursuit of its corporate strategy:

- The Gastar Cheney #1 ("Cheney #1") well was completed and began initial production at a gross sales rate of approximately 7 MMCFD. The production rate has since declined to approximately 1.8 MMCFD. The Company plans on re-stimulating the well during the second or early third quarter of 2005.
- Gastar initiated the drilling of its fourth and fifth Deep Bossier wells in East Texas, the Gastar Greer #1 ("Greer #1") and Gastar Fridkin-Kaufman Ltd. #2 ("F-K #2") wells, respectively.
- Gastar announced that its 2004 year-end net proven reserves totaled 20.7 Bcfe and year-end net 2P (proven and probable) reserves totaled 62.2 Bcfe based on constant price assumptions under Canadian guideline 51-101 in reports from Netherland, Sewell & Associates, Inc.
- Gastar announced that it, and First Source Texas, Inc. ("FST"), have increased their leasehold position in the East Texas Deep Bossier Hilltop area from 35,000 gross acres to approximately 45,000 gross acres (21,612 net acres to Gastar's interest).

MANAGEMENT STRATEGY

Gastar's management has the following beliefs:

- Natural gas is an environmentally friendly fuel that will be increasingly valued in the United States and Australia.
- Large potential natural gas projects exist and these countries offer access to well developed infrastructures that would generally allow gas project development.
- Gastar has the ability to assemble the technical, commercial, and financial resources needed to pursue these potential projects.
- If Gastar successfully develops one, or several, large potential natural gas projects, it can create substantial shareholder value.
- Gastar has made a significant natural gas discovery in the Deep Bossier formation in the Hilltop area of East Texas that warrants additional exploration and development.

Based on these beliefs, Gastar has pursued a strategy that includes:

- Assembling a portfolio of high-potential natural gas exploration and development projects.
- Combining lower-geologic risk coal bed methane ("CBM") projects (Wyoming and Australia) with higher-risk conventional gas exploration (Texas and West Virginia).
- Limiting capital commitments and reducing risk by maintaining financial flexibility through accessing various sources of capital and monetizing portions of certain assets through joint venture arrangements with other industry participants.
- Accelerating exploration and development drilling on the Company's Hilltop area Deep Bossier play.

Gastar uses modern CBM technology to attempt to develop commercial gas production from known coal beds on CBM projects. In exploring for conventional gas reservoirs, Gastar uses advanced petroleum industry technology, geophysics and geologic science to identify and pursue high potential natural gas prospects. The Company, often with partners, performs technical and commercial evaluations of the prospects that may ultimately result in exploratory drilling and commercial gas production. Gastar has used this approach to invest in coal bed methane properties in Wyoming and Australia. Two vertical wells and one horizontal well were drilled and completed by Gastar's joint venture partner on Gastar's PEL 238 project in New South Wales, Australia in 2004. Also, an additional core hole was also drilled testing the extent of the coals.

The Company has also acquired a significant acreage position and participated in four wells testing the Deep Bossier geologic horizon of the Hilltop structure in East Texas. The Gastar Fridkin-Kaufman #1 ("F-K #1") began initial production operations in late September 2004. The Company has finalized the drilling and completion of the Cheney #1 well which was placed on production on February 10, 2005 at an initial rate of 7 MMCFD (approximately 4 MMCFD net to Gastar). The Company has drilled the LOR #1 well, to further test the Deep Bossier horizon in the Hilltop area, and is currently in the process of attempting to complete the well and place it on production. The Company is also participating in the drilling of the Greer #1 and F-K #2 wells to test the Deep Bossier potential. Subsequent to the end of the quarter, the Company announced that it had successfully fracture stimulated the LOR #1 well and expects the well to produce at an initial gross sales rate of 6 to 8 MMCFD of natural gas (3.3 to 4.4 MMCFD net to Gastar) commencing in early June. Gastar also announced the finalizing of plans to re-stimulate the Cheney #1 well using a revised fracture stimulation design that appears to have been successful in the LOR #1 well. Gastar believes that the Cheney #1 well is exhibiting signs of reservoir damage that can be corrected with a re-stimulation. Gastar's management believes that after several years of developing the current asset base, the Company is well positioned to pursue the exploration and development of its properties.

Capital resources greater than those currently produced by existing operations will be needed to fully explore and develop these properties. With the recent notes offerings and currently expected operating cash flows, Gastar's management believes that the Company has or can raise the resources needed to fund currently estimated 2005 and 2006 operating and capital requirements. The Company's capital requirements and liquidity are discussed in later sections.

Exploration for natural gas is inherently risky and the success of these strategies is subject to numerous risks. Management cannot guarantee that its strategy will find natural gas, or that if natural gas is found, it will be commercially viable. The stock market in general, and the market for oil and gas exploration companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating results or asset values of those companies. These broad market and industry factors may seriously impact the market price and trading volumes of the Company's stock, regardless of the Company's actual operating performance. See Gastar's Annual Information Forms and other filings for further discussions on industry and company risks.

BUSINESS ENVIRONMENT

		Average for the three month period ended March 31, 2005		Average for the three month period ended March 31, 2004		Average for the three month period ended March 31, 2003
Average Henry Hub Cash Prices*($ per MMBtu)	**$**	**6.40**	**$**	5.61	**$**	6.90
Average CIG Cash Prices*($ per MMBtu)	**$**	**5.71**	**$**	4.94	**$**	4.07
Average Henry Hub - CIG differential ($ per MMBtu)	**$**	**0.69**	**$**	0.67	**$**	2.83
Average Katy Hub Prices ($ per MMBtu)	**$**	**6.09**	**$**	5.40	**$**	5.93
WTI Average ($ per Barrel)**	**$**	**49.88**	**$**	35.32	**$**	34.00

**Gas prices are from Natural Gas Week*

***Oil prices are from Platts North American Crude Wire*

The price that Gastar receives for its natural gas production is influenced by both national gas price trends and regional gas prices. On a national basis, natural gas prices increased in 2004 generally due to increases in crude oil prices, economic growth and general concerns about future gas supplies. Since most of Gastar's production for the first quarter of 2005 was located in East Texas, Wyoming regional gas prices had less impact than previous quarters. First quarter 2005 gas price differentials were $0.05 more than fourth quarter 2004 differentials ($0.69 vs. $0.64), as measured by the basis differential (i.e. the difference between Henry Hub gas prices and gas prices on the Colorado Interstate Gas ("CIG") pipeline system in Wyoming). Katy, Texas is the major pricing location for the Company's East Texas production while CIG is the major pricing location for Gastar's Powder River Basin gas.

During early 2005, crude oil prices continued to firm and appeared to have stabilized at prices ranging from $50 to $55 per barrel. Continuing tightness of supply, stronger than expected economic growth and less sensitivity to higher energy prices in major global economies (United States, Europe and Asia) were credited with being the prime factors in sustained higher crude oil prices. The higher crude oil prices continued to support higher natural gas prices even though natural gas continued to trade at less than parity on an energy equivalent basis to crude oil. In addition, early estimates, subject to change when numbers are finalized, of 2004 natural gas production indicate a continued sequential industry-wide decline from the prior year's already declining production. This factor is believed by many industry analysts to be irreversible for North American markets for at least several years.

With the beginning of Gastar's Texas production operations in the third quarter of 2004, the majority of Gastar's near-term future production is expected to be from Texas. For the first quarter 2005, gas production from the Company's East Texas assets accounted for approximately 80% of Gastar's total gas production. Gas prices for Hilltop field production will generally be priced based on market prices at the Katy, Texas regional hub. Although significant monthly variances occur in the price differentials between Katy prices and Henry Hub prices, over the last five years Katy prices have averaged $0.11 per MMbtu less than Henry Hub. Gastar's Hilltop production will generally be priced based on Katy prices less gathering, processing and transportation fees.

The Company does not currently have any financial derivative or "hedge" positions on any of its future oil or gas sales. All oil and natural gas sales are either sold directly in spot markets or sold through marketing or sales contracts priced at daily or monthly spot prices.

BUSINESS FACTORS

The natural gas exploration and production business is subject to certain internal and external factors and risks that can negatively impact companies in the industry. Gastar is impacted by external factors, as are other industry participants. The following external factors and risks are some, but certainly not all, of the factors and risks that could materially impact the oil and gas industry and Gastar: oil and gas prices; availability of capital; availability and cost of critical equipment including rigs, service equipment, and other equipment; environmental and regulatory laws and requirements; leases from governmental bodies; pipeline access; reliance on a few key individuals; environmental regulation, and other factors. See Gastar's Annual Information Forms and other filings for a further discussion on industry and company risks.

OVERALL PERFORMANCE

For the three month period ended March 31		**2005 (000's)**		2004 (000's)		2003 (000's) (restated)
Revenue, net of royalties	**$**	**4,732**	$	356	$	564
Net Loss	**$**	**(3,620)**	$	(617)	$	(994)
Shares outstanding[1]		**114,198**		112,824		102,550
Weighted average shares outstanding		**113,788**		107,265		103,846
Fully diluted weighted average shares outstanding		**127,798**		122,012		114,289
Per share						
Net loss[2]	**$**	**(0.032)**	$	(0.006)	$	(0.010)

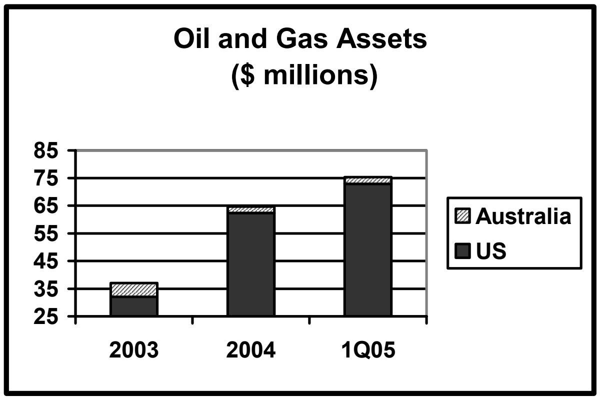
[1] As of May 13, 2005, total shares outstanding are 114,658,945. At March 31, 2005, the Company has reserved 35,075,203 shares to be issued pursuant to the conversion of convertible debt (up to 6,849,315), exercise of options (23,228,600) and the exercise of warrants (4,997,288).

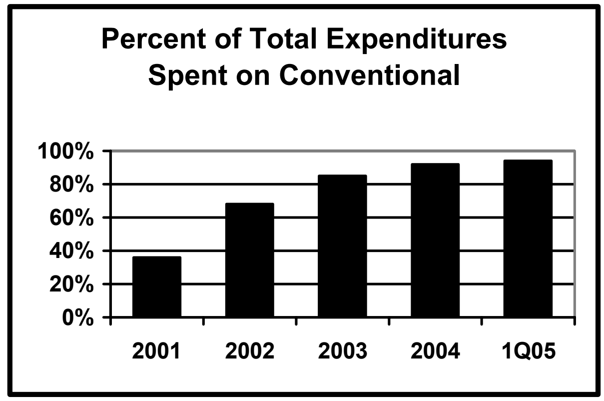
[2] Diluted loss per share amounts resulting from potential exercise of the options outstanding have not been disclosed as such would be anti-dilutive.

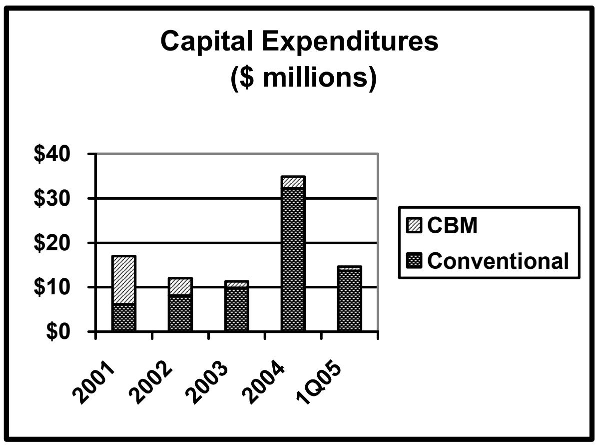
		March 31, 2005 (000's)		December 31, 2004 (000's)		December 31, 2003 (000's) (restated)
Exploration and development expenditures[1]	**$**	**12,847**	$	30,294	$	6,816
Leasehold expenditures	**$**	**1,810**	$	4,651	$	4,529
Total assets	**$**	**93,793**	$	94,296	$	40,683
Total liabilities	**$**	**66,347**	$	64,047	$	8,465

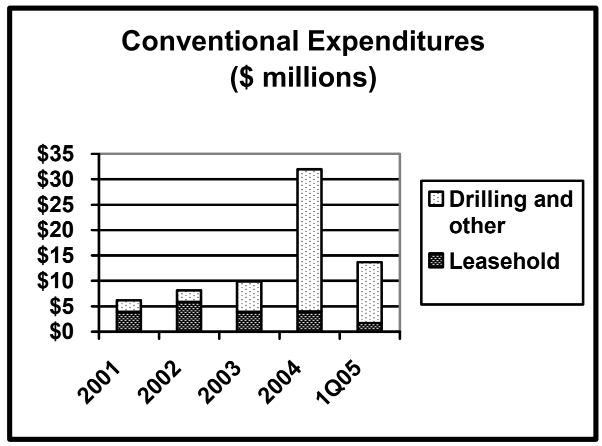
[1]Exploration and development expenditures and leasehold expenditures include all capital additions including non-cash expenditures.

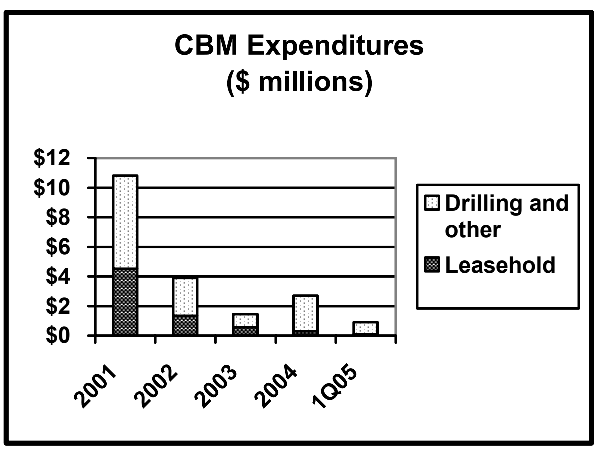
While incurring a net loss over the last four years, Gastar's management believes that capital allocation and the amount of capital expenditures are the major indicators of the Company's 2005 performance and future potential. While Gastar maintained its level of CBM capital expenditures in the first quarter of 2005, the Company continued to increase its commitment to conventional exploration with approximately 94% of total first quarter 2005 expenditures on conventional gas opportunities. Over the last several years, Gastar has increasingly focused its capital expenditures on conventional gas exploration in the Hilltop area of East Texas, indicating management's view of the attractive Hilltop investment potential. This trend continued in the first quarter of 2005 with Gastar spending approximately $12 million on conventional exploration. Total oil and gas assets increased in the first quarter to approximately $75.3 million, up approximately 17% from year end 2004. Oil and gas assets increased primarily due to continued investment in the Cheney #1, LOR #1, Greer #1 and F-K #2 wells and additional acreage in the Hilltop area.











ACQUISITIONS AND DIVESTITURES

The Company continually evaluates its property holdings and may, from time to time, decide to divest certain assets that are deemed to be non-strategic or which, in management's belief, may be attractive to the then current merger and acquisition ("M&A") environment. Proceeds from asset sales will likely be used initially for debt reduction and ultimately will be redeployed to core operating areas.

Income Statement Discussion

First Quarter 2005 versus First Quarter 2004

Gastar's natural gas production volumes increased materially with the initiation of production from the Company's East Texas property. Gastar's management cautions that this data may not give a complete picture of the Company's current and future performance. Review of the Company's quarterly results is presented in the section entitled Quarterly Operating and Financial Review.

		(000's)
1Q 2004 Net Loss	$	(617)
Change in:		
Oil Volumes		**22**
Gas Volumes		**3,146**
Oil Prices		**11**
Gas Prices		**1,196**
Royalty and production taxes		**(417)**
Operating expenses		**(687)**
General and administrative expense		**(804)**
Interest expense and debt issue costs		**(1,616)**
Depletion expense		**(2,892)**
Accretion expense convertible notes		**100**
Deferred charge		**(285)**
Compensation expense		**(793)**
Foreign exchange gain (loss)		**(12)**
Other		**28**
1Q 2005 Net Loss	**$**	**(3,620)**

- Commodity prices were higher in 2005 for both oil and gas.
- Total production volumes for 2005 were up significantly because of the following: commencement of F-K #1 well production in the third quarter of 2004, commencement of Cheney #1 well production in the first quarter of 2005 and production increases from new wells drilled in the Powder River Basin of Wyoming ("PRB").
- Depletion increased due to higher production rates from the F-K #1 and Cheney #1 well production.
- General and administrative expenses were up in 2005, as the Company, effective January 1, 2005, hired and employed directly certain Geostar employees as members of the management team.
- Operating expenses were higher in 2005 primarily due to increased production volumes and an increased number of producing wells.
- Interest expense and amortization of debt issuance costs were up due to the $15 million and $10 million senior unsecured notes offering, the $3.25 million subordinated unsecured notes payable and the $30 million Convertible Senior Unsecured Debentures.
- Compensation expense increased due to the issuance of stock options in April and August of 2004 (Note 7).

Balance Sheet Discussion

As stated previously, Gastar's management believes that capital allocation and the amount of capital investment are better indicators of the Company's future potential. Presented below are the significant variances in assets that occurred in the first three months of 2005.

2005 Asset Variance

		(000's)
Total Assets, year end 2004	$	94,296
Change in:		
Cash and equivalents		**(11,296)**
Accounts receivable		**(13)**
Revenue receivable		**1,506**
Current portion of deferred lease charge		**(68)**
Deferred charges		**(447)**
Cash call receivable		**(979)**
Oil and gas properties:		
Expenditures		**14,657**
Sales		**(1,004)**
Depletion		**(3,096)**
Asset retirement costs		**250**
Oil and gas property commitments		**-**
Asset impairment		**-**
Mineral resource properties		**29**
Capital assets		**88**
Other		**(130)**
Total Assets, 1Q 2005	**$**	**93,793**

The significant first quarter 2005 asset variances from year end 2004 are as follows:

- Total Assets decreased approximately $503,000 primarily due to the decrease in cash and cash equivalents partially offset by the net increase in oil and gas properties.
- Cash and equivalents decreased primarily due to funds advanced of $7.14 million for drilling activities on the Greer #1 and F-K #2 wells and payments to Geostar of $2.6 million. The remaining cash was spent on other general corporate purposes.
- Revenue receivable increased due to the accrual of production not yet received.
- Deferred charges decreased due to amortization and the commencement of the drilling of the Greer #1 well (Note 5).
- In the quarter, Gastar advanced $7.14 million for Texas drilling activities on the Greer #1 and F-K #2 wells. The cash call receivable balance was reduced by $8.12 million due to drilling and completion spending on the LOR #1, Greer #1 and F-K #2 wells (Note 3).
- Oil and gas properties increased by approximately $10.8 million. This was primarily due to increased expenditures in the Hilltop area. Significant variances are as follows:
    - Increase in properties due to expenditures of approximately $13.7 million in the Hilltop area, including the Cheney #1, LOR #1, Greer #1 and F-K #2 wells.
    - Change in properties due to the reduction of $1,002,513 related to the drilling of the Greer #1 well.
    - Reduction in properties due to depletion of $3 million from increased production.

Liability variance:

Total liabilities increased in 2005 by approximately $2.3 million to a balance of $66 million primarily due to an increase in accounts payable. The Accounts payable-joint venture partner balance increased as property development continued. Drilling advances declined $1 million as the Company began drilling the Greer #1 well in the first quarter.

QUARTERLY OPERATING AND FINANCIAL REVIEW

Given the highly seasonal nature of gas pricing and production, Gastar believes that comparing full-year production results with partial year data is not representative of its actual performance. The Company is therefore presenting the following information on a quarterly basis. Interim financial data is not audited by the Company's independent Auditors.

	March 31, 2005 ($ in 000's)	Dec. 31, 2004 ($ in 000's)	Sept. 30, 2004 ($ in 000's)	June 30, 2004 ($ in 000's)	March 31, 2004 ($ in 000's)	Dec. 31, 2003 ($ in 000's)	Sept. 30, 2003 ($ in 000's) (restated)	June 30, 2003 ($ in 000's) (restated)
Production (Mcfed)[1]	**9,484**	8,260	1,868	1,111	960	574	575	1,396
Average Price ($/Mcfe)	**$ 5.54**	$ 5.75	$ 4.73	$ 5.11	$ 4.13	$ 3.91	$ 4.11	$ 3.72
Revenue net of royalties[2]	**4,732**	4,373	814	516	356	207	218	473
Cash and cash equivalents	**4,546**	15,842	555	8,868	1,828	681	2,033	8,809
Revenue receivable	**3,198**	1,693	-	-	-	-	-	-
Current deferred charges	**170**	238	134	-	-	-	-	-
Property and Equipment	**75,487**	64,563	57,057	45,363	39,124	37,725	32,103	30,133
Deferred Charges	**4,850**	5,298	1,583	1,530	336	400	558	658
Long Term Obligations	**61,530**	62,249	19,421	21,816	4,008	3,991	3,649	4,559
Short Term Obligations	**4,817**	1,800	12,262	6,015	6,830	4,474	9,821	9,671
Net Income (Loss)	**(3,620)**	(3,225)	(2,033)	(804)	(617)	(783)	(1,117)	(1,021)
Income (Loss) Per Share	**$ (0.032)**	$ (0.028)	$ (0.018)	$ (0.007)	$ (0.006)	$ (0.007)	$ (0.010)	$ (0.010)

(1) In developing thousand cubic feet equivalent (Mcfe), Gastar uses a conversion of 1 barrel of oil is equivalent to 6,000 cubic feet (6 Mcf) of natural gas. Actual valuation may differ depending on location, quality differentials, current prices, and other factors. Gastar reports gas volumes net of royalties.

(2) In 2004, the Company reclassified production taxes, which were netted against revenues in prior years, to lease operating expenses.

Quarterly Review

During the first quarter of 2005 production increases in East Texas associated with the Cheney #1 and production increases in the Powder River Basin more than offset declines in the producing rate of the Company's initial completion of the F-K #1 well. Average daily production increased by approximately 14.5% from 8.3 MMcfd in the fourth quarter of 2004 to 9.5 MMcfd in the first quarter of 2005.

Realized gas prices improved dramatically in the Powder River Basin in 2003 and 2004 with field prices increasing as regional pipeline constraints were removed with the construction of new pipelines and as overall US gas prices increased. See Business Environment section for further discussion of quarterly gas price variances.

2005 OUTLOOK

Gastar's 2005 Outlook remains essentially unchanged from the Annual MD&A.

RESULTS OF OPERATIONS

For the three months ended March 31 ($ in 000's unless otherwise noted)		**2005**		2004[1]		2003[1]
US Natural Gas, Net of Royalties						
Natural Gas volume (Mcf per day)		**9,436**		959		1,744
Total realized Natural Gas revenue, net of transportation and selling ("T&S") expenses	**$**	**4,468**	$	300	$	483
Average realized Natural gas price (per Mcf)	**$**	**5.26**	$	3.47	$	3.07
US Oil and Gas Liquids						
Oil and Gas Liquids Volumes (Barrels per day)		**8**		-		3
Total realized Oil and Gas Liquids revenue, net of T&S expenses	**$**	**34**	$	.5	$	7
Average Oil and Gas Liquids price (per Barrel)	**$**	**45.80**	$	31.13	$	30.53
Oil and Natural Gas volume equivalence (Mcfe per day)		**9,484**		960		1,760
Total realized Oil and Gas revenue, net of T&S expenses	**$**	**4,502**	$	300	$	490
Average realized Natural Gas price equivalents (per Mcfe)	**$**	**5.27**	$	3.47	$	3.09
Total Lease Operation Expense and Production Taxes[1] ("LOE")	**$**	**1,084**	$	155	$	159
Average LOE per Mcfe	**$**	**1.27**	$	1.79	$	1.00
Total T&S expenses	**$**	**230**	$	56	$	75
Average T&S per Mcfe	**$**	**0.27**	$	0.65	$	0.47
Total LOE and T&S expenses	**$**	**1,314**	$	211	$	233
Average LOE and T&S per Mcfe	**$**	**1.54**	$	2.44	$	1.47
Gross profit per Mcfe (Average realized price – Average LOE expenses)	**$**	**4.00**	$	1.68	$	2.09

[1]In 2004, the Company reclassified production taxes, which were netted against revenues in prior years, to lease operating expenses.

Gastar was active in seven major natural gas exploration project areas during the period ended March 31, 2005. Worldwide, the Company has about 3.4 million gross acres of CBM properties located in the Powder River Basin of Wyoming and Montana and in Petroleum Exploration License ("PEL") 238 in New South Wales, Australia, and the onshore portion of the Gippsland Basin of Victoria, Australia. Gastar also has approximately 76,000 gross acres of conventional natural gas properties in the West Virginia Appalachian Basin, the Hilltop field in East Texas, and the East Lost Hills field of California. The Company also has overriding royalty rights on CBM properties in the Cherokee Basin of eastern Kansas.

A combination of higher natural gas prices in Wyoming, lower average LOE and T&S costs per Mcfe and increased gas production associated with the F-K #1 well and Cheney #1 well in East Texas resulted in an improvement of 138% in gross profit per Mcfe for Q1 2005 versus Q1 2004 ($4.00/Mcfe vs. $1.68/Mcfe).

SEGMENTED DATA

Gastar's two main geographic areas of operations are the US and Australia. Since Gastar currently has no commercial production in Australia, the Company does not independently report earnings for Australia. The Company does not report oil and gas property book value by geographic location within a country. Investments in gas assets are presented by country as follows:

		United States ($ in 000's)		**Australia ($ in 000's)**		**Total ($ in 000's)**
Gross Acreage						
Developed		21,867		~2,200		24,067
Undeveloped		111,755		~3.4 million		~3.5 million
Total		133,622		~3.4 million		~3.5 million
Book Value by Reserve Classification						
Proved	$	47,065	$	551	$	47,616
Unproved		34,267		2,312		36,579
Total	$	81,332	$	2,863	$	84,195
Book Value by Category						
Leasehold	$	27,760	$	3,092	$	30,852
Drilling		64,624		2,777		67,401
Geological and geophysical		1,562		306		1,868
Asset sales		(12,614)		(3,312)		(15,926)
Subtotal	$	81,332	$	2,863	$	84,195
Asset retirement		1,673		80		1,753
Accumulated depletion		(7,539)		-		(7,539)
Impairment		(2,606)		(519)		(3,125)
Total	$	72,860	$	2,424	$	75,284

Gastar's strategy has been to acquire acreage in high potential gas fields. As a result, approximately 43% of Gastar's property assets are considered unproved and do not have any proved reserves associated with them. Management can give no assurance that undeveloped properties, representing over 98% of all gross acreage, will ultimately be produced commercially.

CORPORATE OVERVIEW

Please refer to the Company's Annual Information Form for complete details of the working interest and properties held in the United States and Australia.

United States

Powder River Basin

In the first quarter of 2005, approximately 28 wells were drilled. As of the end of the first quarter, approximately 330 total wells were on production.

Deep Hilltop Area, East Texas

In January of 2005, the Company announced that Gastar, through its wholly owned subsidiary, First Source Gas, LP ("FSG LP") and First Texas Gas LP ("FTG") as operator have initiated drilling activity on Gastar's fourth Deep Bossier well in the Hilltop area of East Texas. The new well, the Greer #1 well is located approximately ½ mile from the F-K #1 well and has been permitted to a depth of 20,000 feet. Gastar expects to have an approximate 74% working interest position in the Greer #1 well and its 640-acre unit. The well is expected to take approximately 110 days to drill and an additional 60 to 90 days to attempt completions and production tests if apparent pays sands are encountered.

In early 2005, FTG as operator, signed a contract with Nabors Drilling USA, L.P., a subsidiary of Nabors Industries (AMEX: NBR) for Nabors Rig 792 to drill an offset to the F-K #1 well. The F-K #2 was spudded on February 21, 2005 and will be drilled to a projected depth of 20,000 feet to test the same Deep Bossier pay zones encountered in the F-K #1 well as well as the deeper potential pays encountered in the F-K #1 well but not produced due to ineffective fracture stimulation design. The F-K #2 well will be located approximately 2,200 feet from the F-K #1 well. On May 2, 2005 the F-K #2 was drilling at an approximate depth of 14,350 feet. Gastar expects to hold a 73% working interest position in the F-K #2 well.

Subsequent to the end of the quarter, the Company announced that it had successfully fracture stimulated the LOR #1 well and expects the well to produce at an initial gross sales rate of 6 to 8 MMCFD of natural gas (3.3 to 4.4 MMCFD net to Gastar) commencing in early June. Gastar also announced the finalizing of plans to re-stimulate the Cheney #1 well using a revised fracture stimulation design that appears to have been successful in the LOR #1 well. Gastar believes that the Cheney #1 well is exhibiting signs of reservoir damage that can be corrected with a re-stimulation.

Australia

PEL 238, New South Wales, Australia

During the first quarter of 2005 Gastar, along with Eastern Star Gas and Hillgrove Resources continued production testing of the recently drilled CBM wells on the PEL 238 concession in New South Wales, Australia. The group also began planning for a second quarter 2005 expansion of water handling capacity and maintenance type re-works of the CBM wells currently on production test.

Onshore Gippsland Basin, Victoria, Australia

Gastar finalized plans for two dedicated CBM pilot wells to be drilled in the second quarter of 2005 on the onshore Gippsland Basin CBM project area. The CBM wells are planned to be drilled, completed open-hole and tested commencing in late April 2005.

CAPITAL COMMITMENTS AND CAPITAL OBLIGATIONS

Except for the following, Gastar's capital commitments and capital obligations remain essentially unchanged from the Annual MD&A:

On April 19, 2005 Gastar announced that it had entered into a Letter of Intent ("LOI") with Geostar Corporation for the acquisition of Geostar's interest in the East Texas Deep Bossier play and in the Powder River Basin for $37.5 million in cash and $6 million in stock at closing and an additional $25 million cash payment in January 2006. In addition, Geostar will receive a payment in stock during the first quarter of 2007 based upon a look-back provision on the East Texas assets, based on a required number of wells, and based on net reserve additions valued at $1.75/mcf less attributable capital expenditures, attributable to Geostar's former position on the East Texas costs. In a separate transaction, Gastar announced its intention to acquire an option to purchase up to 50% interest in the brown coal mining rights to existing and future mining licenses held by a Geostar subsidiary in the Gippsland Basin of Victoria, Australia. The price of the option is $2.5 million at closing and $2.5 million in January 2006 for up to 25% interest and another $5 million payable on or before July 31, 2006 for an additional 25% interest. The option is exercisable for 90 days following the delivery to Gastar of a final feasibility study on the initial mining and processing facility. If exercised, the option cost will be US $1.00 per ton of coal reserves to be mined and processed in the initial facility related to the feasibility study. The option will be payable in a combination of cash and stock, not to exceed 50% in cash.

The Company has a letter of credit in the amount of $126,698 bearing interest at a rate of 2.71%, with a maturity date of January 15, 2006 and is non-secured.

On May 3, 2005 Western Gas Resources, Lance Oil and Gas Company, Inc and Williams Production RMT Company filed a lawsuit against First Sourcenergy Wyoming, Inc., First Sourcenergy Group, Inc. and others over a dispute that has arisen concerning a June 2002 Lease Exchange and Purchase Agreement between certain of the parties. The issue involves a certain gas gathering agreement and its applicability to some of the properties exchanged under the June 2002 Agreement. A formal response to the Complaint is not due until June 2005. The Company believes that it has multiple strong defenses to this action and intends to vigorously advance its positions. Further, at this very preliminary stage, it would appear that the Company's exposure is significantly lower than that of the other defendants.

Major discretionary 2005 capital expenditures are expected to be:

- The Company expects to participate in six deep Bossier wells to be drilled in East Texas. The estimated gross cost to drill and complete each well is $12 million. Gastar expects to own an average 75% working interest position in these wells. In March 2005, the first two wells in this program, the Greer #1 well and the F-K #2 well, were being drilled to projected total depths of 19,000 feet each;
- The Company expects to participate in a drilling program of approximately 225 CBM wells in Wyoming of which its net share of capital costs is projected to total $3 million;
- The Company expects to participate in the drilling of eight to ten additional CBM wells in New South Wales, Australia on the PEL 238 concession. In addition, the Company expects to participate in the construction of gathering systems and other infrastructure in the area. The projected total cost to Gastar for these activities is USD $3.85 million;
- The Company expects to drill two CBM pilot wells in the Gippsland Basin in Victoria, Australia. In addition, the Company expects that it will participate in a coring program to evaluate the Mineral Sands potential on this property. Gastar's estimated net share of these projected costs is USD $1.6 million;
- The Company expects to continue to add to its leasehold positions in the East Texas Basin and in the Powder River Basin.

The Company has the following commitments at March 31, 2005:

Commitments	Recognized in Financial statements	Amount (000's)	Due in 1 year (000's)	1-3 Years (000's)	4-5 Years (000's)	After 5 years (000's)
Site restoration (Note 6)	Yes - Liability	**1,980**	418	572	774	216
Installation, mobilization, demobilization of Gas Plant F-K #1 well and Cheney #1 well	Yes – Liability	**77**	-	77	-	-
Equipment Leases and Related costs	No	**944**	578	366	-	-
Senior notes	Yes – Liability	**26,483**	-	26,483	-	-
Convertible notes	Yes – Liability and Equity	**30,000**	-	-	30,000	-
Subordinated, unsecured notes payable	Yes - Liability	**3,250**	-	-	3,250	-
Total		**$ 62,734**	996	27,498	34,024	216

The Company may pursue additional business transactions that would have a material impact on Gastar's financial condition.

CAPITAL REQUIREMENTS AND LIQUIDITY

In the first quarter of 2005, the Company expended approximately $14.7 million on oil and gas properties. At the end of the quarter, approximately $4.5 million remains in available cash for future capital commitments and approximately $5.3 million remains as a cash call receivable for ongoing drilling and completion activities.

To execute the Company's operational plans, particularly its drilling plans in East Texas, additional funds will be needed for acreage acquisition, seismic and other geologic analysis, drilling, undertaking completion activities and for general corporate purposes. While Gastar has been successful in the past, the Company cannot be certain that future funds will be available to fully execute the Company's plans. During 2004, and continuing into 2005, the availability of capital for energy related companies has been high. Given the continued forecasts for high crude oil and natural gas prices, the Company believes that sufficient capital to execute its operational plans will be available through either debt or equity financings.

Gastar is highly dependent upon natural gas pricing. Each $0.10 per mcf change in gas prices changes Gastar's annual revenues about $340,000 at first quarter 2005 production volumes. A material decrease in current and projected natural gas prices could impair the Company's ability to raise additional capital on acceptable terms. Likewise, a material decrease in current and projected natural gas prices could also impact the Company's ability to divest of certain non-core assets and thus could impact the Company's ability to fund future activities. Under the terms of the Company's $25 million senior unsecured notes, the proceeds from asset sales must be used to repay outstanding debt.

For a full discussion of the risks and sensitivities, refer to Gastar's additional filed documents.

Gastar currently has no gas price financial instruments or hedges in place. Similarly, the Company has no financial derivatives. The gas marketing contracts that affect the company's interest markets natural gas on a monthly "spot" market price. Given the uncertainty of the timing and volumes of the Company's natural gas production that will be available for sale into the market this year, Gastar does not currently plan to enter into any long-term fixed-price gas contracts, swap or hedge positions, other gas financial instruments or financial derivatives in 2005 at gas prices other than market-related prices.

Gastar also has no off balance sheet financing and currently has no plans to enter into any at this time.

Gastar currently has no restrictions on its ability to transfer funds between its subsidiaries other than usual and ordinary covenants related to the Company's inability to make "Restricted Payments" as defined in the Trust Indenture between Gastar Exploration, Ltd. and CIBC Mellon Trust Company dated as of the 12th day of November 2004. The Company is not in arrears on any financial instrument payments.

RELATED PARTY

(a) In 2001, the Company entered into a POA with Geostar. The POA was rescinded effective January 1, 2005 and replaced with a joint operating agreement as detailed in Note 9 (c) below. Pursuant to the terms of the original agreement, the Company had the option to participate as a working interest partner in properties in which Geostar and its subsidiaries have interests in on an "at cost" basis, subject to Gastar's full due diligence review, prior to its participation election. Upon agreeing to participate, the Company was responsible for its proportionate share of actual costs expended by Geostar and its subsidiaries to various arms length parties on an "at cost" basis. The accounts payable balance of $600,811 at December 31, 2004, represented amounts owed to Geostar and its subsidiaries for oil and gas property development. .

(b) The consolidated statements also include approximately $450 (2004 - $40,500) in seismic reprocessing and other administrative fees to a subsidiary of Geostar, based on current independent, third-party industry billing rates. The seismic reprocessing fees were capitalized to oil and gas properties.

(c) Effective January 1, 2005, the Company, FSW, and Geostar entered into a Joint Operating Agreement ("JOA") covering an Area of Mutual Interest ("AMI") in the East Texas Basin, with Gastar as a Non Operator and Geostar as Operator. Under the terms of the JOA, Geostar will receive overhead reimbursement equal to 12.5% of development costs for the first 10 wells drilled after the effective date, 10% of the development costs for the 11th through 20th wells and 8.5% of the developments costs for subsequent wells. As a result, Geostar will no longer charge Gastar a proportionate amount of direct salary and shared premises rent expense for Geostar employees providing administrative and technical support services to Gastar. At March 31, 2005, Geostar billed FSW $1,407,838 which was equal to 12.5% of development costs for the Greer #1 and F-K #2 wells. These have been capitalized to property and equipment (Note 4). These amounts were paid subsequent to the end of the quarter.

There is a balance of $2,672,486 payable to Geostar as the operator pursuant to the JOA at March 31, 2005. Of the total revenue receivable on the balance sheet, $3,040,552 (2004 - $1,588,633) represents amounts that will be owed from Geostar as operator of the properties, once it receives the revenue from the third party gas purchaser. These amounts were settled subsequent to the end of the quarter.

(d) Effective January 1, 2005 the Company has agreed to hire and employ directly certain Geostar employees as members of the management team. The Company will invoice Geostar for their share of common costs, if applicable.

All related party transactions in the normal course of operations have been measured at the agreed to exchange amounts, which is the amount of consideration established and agreed to by the related parties and which is similar to those negotiated with third parties.

All of the related party transactions were undertaken with Geostar, a company that is both a significant shareholder and the current operator of the oil and gas properties in Texas and West Virginia. Geostar has provided financing and administrative support to the Company under the terms of the POA as described above since the Company commenced operations. Effective January 1, 2005, the terms of the arrangement have been renegotiated and formalized via the JOA as described above.

CRITICAL ACCOUNTING ESTIMATES

Gastar's related critical accounting estimates remain essentially unchanged from the Annual MD&A.

CHANGES IN ACCOUNTING POLICIES

Gastar's related changes in accounting policies remain essentially unchanged from the Annual MD&A.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Gastar's related financial instruments and other instruments remain essentially unchanged from the Annual MD&A.

Additional information is available in the Company's Annual Information Form for 2004 and other corporate filings. These documents are available at www. Sedar.com.

This report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and as contemplated by Canadian securities regulators' Form 51-102F1. Although Gastar believes that its expectations are based on reasonable assumptions, it can give no assurance that its goals and assumptions will be achieved. Important factors that could cause actual results to differ materially from those in the forward looking statements contained herein, include, among others, the success and timing of certain projects, acquisitions, and the success in acquiring and drilling oil and gas properties. A further discussion of forward looking statements and potential factors that could cause results to differ materially from those in the forward looking statements are available in Gastar's Annual Report and other filed documents.