Management's Discussion and Analysis

This management's discussion and analysis ("MD&A") of Rooster Energy Ltd. ("Rooster" or, the "Company") reflects its March 31, 2015 financial results and operations This MD&A, dated May 29, 2015, should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes as at and for the three months ended March 31, 2015, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by International Accounting Standards Board ("IASB"), and with the Company's audited consolidated financial statements and related notes at and for the year ended December 31, 2014. All dollar amounts are stated in U.S. dollars, unless otherwise noted. Additional information regarding the Company is available on SEDAR at www.sedar.com and on the Company's website at www.roosterenergyltd.com.

Overview

The Company was incorporated in British Columbia in 1988. On April 30, 2012 the Company completed the acquisition of all of the membership interest in Rooster Energy, LLC. The transaction was treated as a reverse acquisition of the Company by Rooster Energy, LLC. The Company conducts business through its wholly owned subsidiaries, Rooster Energy, LLC, Rooster Petroleum, LLC, Rooster Oil & Gas, LLC, Probe Resources US Ltd., Cochon Properties, LLC ("Cochon"), and Morrison Well Services, LLC ("Well Services"). On November 17, 2014, the Company completed the acquisitions of all of the membership interests of Cochon and Well Services. Because all three entities had a common controlling shareholder, the acquisitions were accounted for using the "continuity of interest" method; as such, all historical financials have been adjusted to incorporate the two recently-acquired wholly-owned subsidiaries.

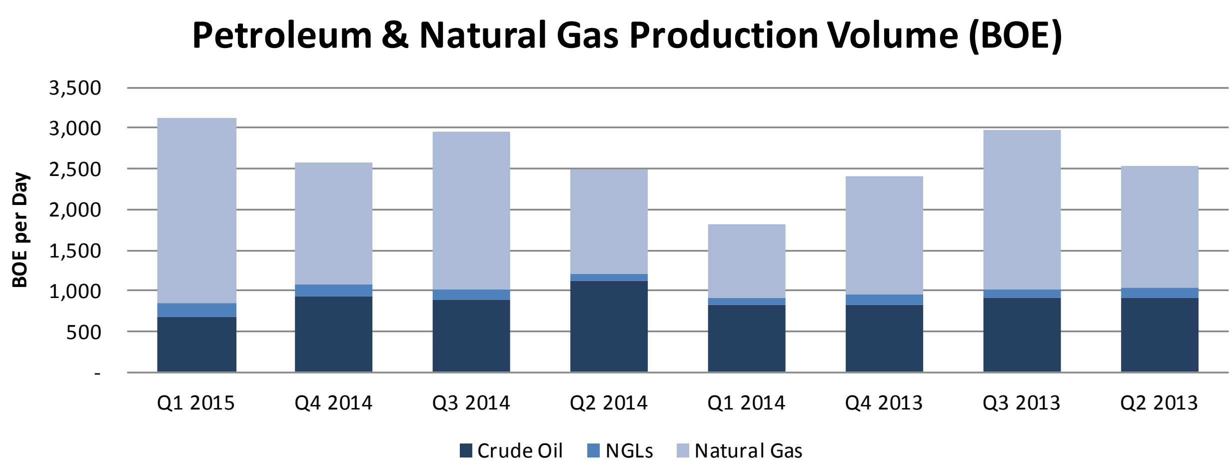
Our common stock trades on the TSX Venture Exchange under the ticker symbol "COQ". The terms "the Company", "we", "us", "our" and similar terms, when used in the present tense, prospectively or for historical periods since April 30, 2012 refer to us and our subsidiaries, and for historical periods prior to May 1, 2012 refer to Rooster Energy, L.L.C. and its wholly owned subsidiaries, Rooster Petroleum, LLC, and Rooster Oil & Gas, LLC, unless the context indicates otherwise.

We are an integrated oil and natural gas company with an exploration and production (E&P) business and a leading downhole and subsea well intervention and plugging and abandonment (P&A) service business. This combination enables us to operate and manage the entire lifecycle of a well from drilling through abandonment and provides us with a significant advantage in exploiting offshore reserves and resources in the Gulf of Mexico. Our operations are located in the state waters of Louisiana and the shallow waters of the Gulf of Mexico, mature regions that have produced since 1936.

Exploration and Production (E&P) business

Finding and economically developing oil and natural gas reserves is critical to our financial success. Key drivers of performance in the business for the Company are the: (i) ability to successfully discover, develop, and exploit commercial oil and natural gas reserves on our properties; and (ii) the ability to optimize profitability from the operation of our properties. Further, our ability to successfully discover, develop, and exploit properties is a function of, among other things: (i) our ability, or the ability of our partners that operate wells in which the Company is a non-operating interest owner, to retain drilling rigs, drillers, personnel and supplies to carry out drilling and workover operations in a professional and cost effective manner; (ii) the ultimate results of such drilling or workover operations; (iii) the availability, on commercially reasonable terms, of transportation, storage, handling, processing and other facilities to service producing wells; and (iv) our ability to finance the costs of such operations. Our ability to optimize profitability from the operation of producing properties is a function of, among other things: (i) lease operating expenses, which may be beyond our control, particularly on wells operated by third parties; (ii) volumes of oil and natural gas produced; and (iii) prevailing prices for oil and natural gas.

At March, 31, 2015, our E&P operations consisted of 41 gross wells capable of producing, some of which are on leases that have been producing since the 1950s. We have five primary term leases and the remaining leases that we have interest in are held by production. We believe that the quality of our properties and our field acquisition strategy reduces our development risk and promotes operating efficiencies.



Well Services business

Our Well Services business primarily provides P&A service in the shallow waters of the Gulf of Mexico with 16 rigless complementary sets of P&A equipment, or “spreads”. A spread consists of a pump powered by a diesel engine, wireline units, cement blenders, tanks and assorted tools. Our team includes both E&P engineers (specializing in reservoir, drilling, completion, and construction) and P&A engineers. The combined expertise of our engineers allows us to provide our customers with extensive technical support, exceptional safety performance and high quality customer service. Our customers include many of the largest operators of wells in the Gulf of Mexico.

In addition to our work for third party customers, our Well Services business is strategic to our E&P business, as we are able to utilize our Well Services business to evaluate and acquire mature fields with exploitable upside for minimal costs. Through the utilization of our in-house P&A expertise, we are able to cost effectively manage our own E&P liabilities.

See Note 17 to the financial statements for segment information pertaining to the E&P business and the Well Services business.

Non-IFRS Measures

This report contains financial terms that are not considered measures under IFRS, such as funds flow from operations, funds flow per share, EBITDA, EBITDAX, net debt, operating netback and working capital. These measures are commonly utilized in the oil and gas industry and are considered informative for management and shareholders. Specifically, funds flow from operations and funds flow per share reflect cash generated from operating activities before changes in non-cash working capital. Management considers funds flow from operations and funds flow per share important as they help evaluate performance and demonstrate the Company's ability to generate sufficient cash to fund future growth opportunities and repay debt. EBITDA is defined as earnings before interest, taxes, depreciation, and amortization adjusted for non-cash items such as unrealized gains and losses on risk management contracts, and stock based compensation. EBITDAX is an industry measure equivalent to EBITDA but for the fact that it neutralizes the impact of some companies expensing rather than capitalizing exploration costs. Profitability relative to commodity prices per unit of production is demonstrated by an operating netback. Working capital represents current assets less current liabilities.

Funds flow from operations, funds flow per share, EBITDA, EBITDAX, net debt, operating netbacks and working capital are not defined by IFRS, and consequently are referred to as non-IFRS measures. Accordingly, these amounts may not be compatible to those reported by other companies where similar terminology is used, nor should they be viewed as an alternative to cash flow from operations, net income or other measures of financial performance calculated in accordance with IFRS.

Financial and Operating Highlights

Financial Highlights	Three months ended March 31, 2015	2014
Total BOE Volumes [a]	281,457	163,964
Average BOEPD Volumes [a]	3,127	1,822
Total revenue	$ 14,473,520	$ 16,707,469
Net Income (loss)	$ (918,254)	$ (3,626,159)
Net income (loss) per share		
Basic	$0.00	($0.01)
Diluted	$0.00	($0.01)
Weighted average shares outstanding		
Basic	324,099,502	324,099,502
Diluted	324,099,502	324,099,502
EBITDAX [b]		
Oil & Gas	$ 2,136,653	$ 1,336,283
Well Services	2,577,874	56,754
Corporate allocation & eliminations	(881,320)	(1,080,792)
Total EBITDAX	$ 3,833,207	$ 312,245
Capital expenditures	$ 1,644,164	$ 2,300,165

(a) Natural gas volumes are converted to BOE on the basis of 6 Mcf per 1 barrel
(b) This is non-IFRS measures

The following table provides reconciliation from net income (loss) to EBITDAX.

EBITDAX[(a)] Calculation	Three months ended March 31, 2015	2014
Net income (loss)	$ (918,254)	$ (3,626,159)
Unrealized (gain) loss on Commodity Contracts	697,865	-
Depreciation and depletion	1,767,687	2,285,219
Exploration and evaluation, net	-	-
Bad debt	17,174	86,973
Stock-based compensation	186,063	416,097
Impairment, net	-	(714,050)
Asset retirement expense	(555,641)	-
Unrealized (gain) loss on financing warrants	(1,000)	(751,000)
Finance expenses	3,034,313	1,999,165
Deferred income tax expense (recovery)	(395,000)	616,000
EBITDAX	$ 3,833,207	$ 312,245

(a) This is a non-IFRS measure commonly used in the oil and gas industry.

First Quarter 2015 Highlights

The Company produced 281,457 barrels of oil equivalent ("BOE") in the quarter ended March 31, 2015, compared to 163,964 BOE produced in the quarter ended March 31, 2014, a 72% increase. The higher sales volumes were primarily the result of increased production at the Vermilion 67 field. Well Services utilization in Q1 2015 averaged 27% compared to 29% in Q1 2014 as a weak operating environment resulting from lower commodity prices was further compounded by winter seasonal weakness. This was offset by higher decommissioning revenues as the Company ramped up activity related to its turnkey abandonment contracts. In Q1 2015, the Company generated EBITDAX of $3,834,696 compared to $312,245 generated in Q1 2014, a more than 10x increase. Higher EBITDAX was driven primarily by lower operating and general & administrative (G&A) expenses within both segments. The Company recorded a net loss of $918,254 in Q1 2015 compared to a net loss of $3,626,159 recorded in Q1 2014.

Financial Review

The following tables are an analysis of the line items in the Company's Condensed Interim Consolidated Statement of Income (Loss) and Comprehensive Income (Loss) and are comparisons of the current quarter activities vs. the same quarter in the prior year, unless otherwise noted.

Petroleum & Natural Gas Volumes	Three months ended March 31, 2015	2014	Change
Crude Oil (Bbls)	62,242	75,137	-17%
Natural Gas Liquids ("NGL") (BOE)	13,667	7,104	92%
Natural Gas (mcf)	1,233,287	490,336	152%
Total (BOE) [(a)]	281,457	163,964	72%
Average Crude Oil (BOPD)	692	835	-17%
Average NGL (BOEPD)	152	79	92%
Average Natural Gas (MCFPD)	13,703	5,448	152%
Average Total (BOEPD) [(a)]	3,127	1,822	72%

(a) Gas volumes are converted to BOE on the basis of 6 Mcf per 1 Bbl

Lower crude sales resulted from lower production at Vermilion 376, as compressor repairs lead to only 66% uptime in Q1 2015. This was offset by higher natural gas sales resulting primarily from higher production at Vermilion 67. In aggregate, production averaged 3,127 BOE per day in Q1 2015 compared to 1,822 BOE per day in Q1 2014, a 72% increase.

Sales volumes in Q1 2015 were comprised of 22% crude oil, 5% NGLs, and 73% natural gas.

Petroleum & Natural Gas Sales, Average Benchmark and Realized Prices	Three months ended March 31, 2015	2014	Change
Crude Oil Sales	$ 2,707,947	$ 7,537,699	-64%
NGL Sales	30,828	255,603	-88%
Natural Gas Sales	3,171,378	2,579,125	23%
Total Petroleum & Natural Gas Revenues	$ 5,910,153	$10,372,427	-43%
Realized Crude Oil Prices ($/Bbl)	$43.51	$100.32	-57%
West TX Intermediate (Benchmark - $/Bbl)	$48.54	$98.75	-51%
Sales Price as a percent of Benchmark	90%	102%	
Realized NGL prices ($/Bbl)	$2.26	$35.98	-94%
EIA NGL Index (Benchmark - $/Bbl)	$5.38	$11.19	-52%
Sales Price as a percent of Benchmark	42%	321%	
Realized Natural Gas prices ($/mcf)	$2.57	$5.26	-51%
Henry Hub (Benchmark - $/mcf)	$2.90	$5.20	-44%
Sales Price as a percent of Benchmark	89%	101%	

The decline in crude oil revenue for the three months ended March 31, 2015, reflects a 57% drop in average realized price, combined with a 17% decline in sale volumes. Most of the Company's crude oil pricing is derived from a combination of West Texas Intermediate (WTI) crude prices and the Louisiana Light Sweet (LLS) spread relative to WTI prices. The decline in the realized price in Q1 2015 was largely the result of a 51% decline in WTI crude prices, combined with a lower LLS premium relative to WTI.

The decline in NGL revenues for the three months ended March 31, 2015, reflects a 92% increase in sale volumes, offset by a 94% drop in the average realized price. The drop in NGL prices primarily reflects overall decline in domestic NGL prices, as the Energy Information Administration's NGL composite index fell 52% in Q1 2015. The Company's average realized price was further depressed due to higher production at Vermilion 67, which incurs relatively high processing fees.

The increase in natural gas revenues reflect a 152% increase in sale volume partially offset by a 51% decline in average realized prices. Lower realized natural gas prices primarily reflect lower domestic natural gas prices; prices at the Henry Hub were down 44% in Q1 2015 from year-ago levels. The Company's average realized price was further depressed due to higher production at Vermilion 67, which incurs relatively high gathering and transportation fees.

Total revenues related to the sale of oil, NGLs, and natural gas fell 43% in Q1 2015, as a 72% increase in sale volumes was offset by lower realized prices. Oil & gas revenues in Q1 2015 were comprised of 46% crude oil, 1% NGLs, and 53% natural gas.

	Three months ended March 31,		
Production Handling Revenues	2015	2014	Change
Production Handling	$ 42,056	$ 545,692	-92%

The decline in production handling revenues reflects lower third-party volumes being processed through the Company's platforms.

Well Services &	Three months ended March 31,		
Decommissioning Contracts Revenue	2015	2014	Change
Well Services	$ 3,671,227	$ 4,780,294	-23%
Decommissioning Contracts	$ 3,186,389	$ 1,009,056	216%

The decrease in well services revenues reflects a 20% drop in revenues per day combined with a 2% drop in utilization. Utilization in Q1 2015 continued to be hampered by lower operator cash flows resulting from lower commodity prices, as well as winter seasonal weakness.

The increase in decommissioning revenues relates to higher activity levels, as the Company successfully abandoned six wells and another five wells in progress at March 31, 2015. The remaining inventory at March 31, 2015 included 48 wells and 27 platforms that the Company has been contracted to plug and/or abandon.

	Three months ended March 31,		
Gain on Commodity Contracts	2015	2014	Change
Realized Gain on Commodity Contracts	$ 2,361,560	$ -	-
Unrealized Loss on Commodity Contracts	$ (697,865)	$ -	-

The Company was required by its Senior Secured Notes holder to put commodity contracts in place. With the continued decline of oil and natural gas prices in Q1 2015, these contracts are "in the money." However as commodity prices recover, the unrealized gains reported in earlier periods may reverse.

Total Revenue	Three months ended March 31, 2015	2014	Change
Total Revenue	$14,473,520	$16,707,469	-13%

Lower revenues in Q1 2015 were largely the result of lower oil & gas and well services revenues, partially offset by higher revenues associated with decommissioning revenues and gains recorded on oil & gas derivative contracts.

Expenses	Three months ended March 31, 2015	2014	Change
Lease Operating	$ 6,211,624	$ 7,910,908	-21%
Cost of Well Services	2,946,839	3,848,178	-23%
Depreciation and Depletion	1,767,687	2,285,219	-23%
Repairs and Maintenance	175,216	453,734	-61%
General and administrative	3,053,452	3,973,022	-23%
Bad debt	17,174	86,973	-80%
Stock-based compensation	186,063	416,097	-55%
Impairment, net	-	(714,050)	-100%
Total Expenses	$13,802,414	$18,260,081	-24%

Lower operating costs were driven primarily by lower maintenance expenses at West Delta 44/45. Lease operating expenses averaged $22 per BOE in Q1 2015 compared to $48 per BOE in Q1 2014, which represents a 54% drop in per unit operating expenses.

Lower well service expenses were primarily related to reduced labor costs resulting from cost-cutting initiatives.

Lower general and administrative expenses are primarily attributable to cost-cutting initiatives in both the Oil & Gas and Well Services segments, as well as lower allocation of corporate overhead expenses at Well Services.

Lower depreciation and depletion expenses primarily reflect the relatively low cost of bringing new production online over the last twelve months.

Repair and maintenance expenses reflect non-capitalized costs associated with Well Services' equipment. Lower repair and maintenance expenses resulted from cost-cutting initiatives following the prolonged drop in utilization.

Bad debt expense totaled $17,174 in Q4 2014, due primarily to minority partners in non-producing fields who have failed to pay operating expenses.

Stock-based compensation expenses relate to the amortization of costs associated with employee, officer and director stock options granted since June 2012. The decrease in stock-based compensation expenses in Q1 2015 resulted from options forfeitures exceeding options grants over the last twelve months.

The Company incurred no impairment expenses in Q1 2015; the recovery recorded in Q1 2014 related to a reversal of the impairment previously recorded for High Island 141.

Gain (Loss) on Settlement of Asset Retirement Obligations	Three months ended March 31, 2015	2014	Change
Gain (Loss) on Settlement of Asset Retirement Obligations	$ 1,050,442	$ (209,382)	602%

The recorded gain resulted from actual costs related to the asset retirement obligations on turnkey contracts coming in below estimates.

Unrealized Gain (Loss) on Financing Warrants	Three months ended March 31, 2015	2014	Change
Unrealized Gain (Loss) on Financing Warrants	$ 1,000	$ 751,000	-100%

The recorded gains relate to financing warrants issued in 2012. The decline in the Company's publicly-traded stock price reduced the liability associated with the financing warrants, which required the Company to record an unrealized (non-cash) gain.

Finance Expenses, net	Three months ended March 31, 2015	2014	Change
Finance Expenses, net	$ 3,034,313	$ 1,999,165	52%

Finance expenses are comprised of the following: 1) interest and accretion of debt discounts associated with the Company's senior secured notes and related party notes payable; and 2) accretion of the Company's liability for asset retirement obligations ("ARO"). A detailed schedule is provided in note 12 to the financial statements.

Deferred income tax expense (recovery)	Three months ended March 31, 2015	2014	Change
Deferred income tax expense (recovery)	$ (395,000)	$ 616,000	-164%

Deferred taxes reflect 35% (corporate tax rate) of the Company's pretax income, excluding non-taxable deductions for stock-based compensation, and unrealized gains or losses on financing warrants.

Net Income (Loss)	Three months ended March 31, 2015	2014	Change
Net Income (Loss)	$ (918,254)	$ (3,626,159)	75%

The improvement in net loss in Q1 2015 was the result of lower operating expenses, partially offset by higher finance expenses.

Summary Quarterly Results

The following is a summary of selected quarterly information that has been derived from both the unaudited quarterly financial statements and the audited annual financial statements of the Company. This summary should be read in conjunction with the respective financial statements for the periods indicated.

	For the three months ended							
	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013
Financial								
Total revenue	$14,473,520	31,393,494	23,883,429	22,392,627	16,707,469	20,335,012	28,186,709	21,223,817
Net income (loss)	($918,254)	(8,757,554)	1,287,717	1,356,630	(3,626,159)	(7,739,098)	4,478,059	(291,743)
Net income (loss) per share								
Basic	0.00	(0.03)	0.02	0.00	(0.01)	(0.05)	0.05	(0.01)
Diluted	0.00	(0.03)	0.02	0.00	(0.01)	(0.05)	0.05	(0.01)
Oil & Gas Operations								
Sale volumes								
Crude oil (Bbls)	62,242	85,686	82,641	102,218	75,137	75,945	84,829	83,809
NGLs (Bbls)	13,667	13,182	10,595	8,173	7,104	12,168	9,052	10,560
Natural gas (Mcf)	1,233,287	826,837	1,075,481	693,917	490,336	796,086	1,083,740	815,877
Total (BOE) [1]	281,457	236,674	272,483	226,043	163,964	220,794	274,504	230,348
Daily (BOE per day) [1]	3,127	2,573	2,962	2,484	1,822	2,400	2,984	2,531
Realized prices								
Crude oil (per Bbl)	$ 43.51	$ 70.50	$ 98.72	$ 103.23	$ 100.32	$ 96.75	$ 109.25	$ 103.91
NGLs (per BOE)	2.26	16.96	27.84	37.43	35.98	33.06	21.67	25.87
Natural gas (per Mcf)	2.57	3.35	3.64	4.25	5.26	3.47	3.25	3.54
Total (per BOE)	$ 21.00	$ 38.16	$ 45.41	$ 61.08	$ 63.26	$ 47.63	$ 47.32	$ 51.52
Revenue								
Crude oil	$ 2,707,947	$ 6,040,663	$ 8,158,200	$ 10,551,457	$ 7,537,699	$ 7,347,729	$ 9,267,302	$ 8,708,341
NGLs	30,828	223,601	295,009	305,882	255,603	402,323	196,196	273,169
Natural gas	3,171,378	2,766,254	3,919,860	2,948,794	2,579,125	2,765,593	3,525,416	2,886,355
Production handling	42,056	118,747	163,881	434,515	545,692	581,078	624,956	757,381
Realized gain on commodity contracts	2,361,560	270,742	0	0	0	0	0	0
Unrealized gain on commodity contracts	(697,865)	7,169,970	0	0	0	0	0	0
Total	$ 7,615,904	$ 16,589,977	$ 12,536,950	$ 14,240,649	$ 10,918,119	$ 11,096,723	$ 13,613,870	$ 12,625,246
Expenses								
Lease operating expenses	$ 6,211,624	$ 6,686,265	$ 8,229,623	$ 7,314,255	$ 7,910,908	$ 8,533,639	$ 5,634,826	$ 4,840,826
Lease operating expenses per BOE [1]	$ 22.07	$ 28.25	$ 30.20	$ 32.36	$ 48.25	$ 38.65	$ 20.53	$ 21.02
Well Services Operations								
Average spreads	16.0	16.0	16.0	15.0	15.0	13.7	12.7	12.0
Days worked	383	611	815	653	398	825	1,096	714
Average utilization	27%	42%	55%	48%	29%	66%	94%	65%
Revenue								
Well services	$ 3,671,227	$ 7,134,422	$ 9,728,895	$ 8,319,470	$ 4,780,294	$ 8,546,100	$ 13,011,220	$ 8,397,558
Decommissioning contract revenue	3,186,389	4,669,095	1,617,584	2,832,508	1,009,056	692,189	1,561,619	201,013
Total	$ 6,857,616	$ 11,803,517	$ 11,346,479	$ 11,151,978	$ 5,789,350	$ 9,238,289	$ 14,572,839	$ 8,598,571
Expenses								
Cost of well services	$ 2,946,839	$ 5,137,607	$ 6,081,906	$ 5,040,106	$ 3,848,178	$ 5,014,082	$ 7,377,879	$ 5,059,273
Repairs and maintenance	175,216	393,063	469,537	368,324	453,734	303,462	497,837	420,002
Total	$ 3,122,055	$ 5,530,670	$ 6,551,443	$ 5,408,430	$ 4,301,912	$ 5,317,544	$ 7,875,716	$ 5,479,275
Gain (loss) on asset retirement obligation	$ 1,050,442	$ (1,176,314)	$ (404,818)	$ 209,382	$ (209,382)	$ (147,314)	$ (340,451)	$ -

Seasonality

In general, the Company's business is not subject to seasonal factors and trends, although adverse weather conditions may result in temporary declines in production volumes and revenues and resulting decreases in profitability. In particular, operations in the Gulf of Mexico expose the Company to hurricane and tropical storm risks (which are insured by the Company) and, less often, cold weather risks that may result in declines in production associated with temporary cessations of production during such weather events and extended cessations of production associated with damage to facilities and/or pipelines arising from such risks. The Company did not incur any declines in production volumes and revenues or a resulting decrease in profitability as a result of any adverse weather conditions in Q1 2015.

Liquidity

As disclosed in prior periods, on October 22, 2012, the Company entered into a Note Purchase Agreement (the "NPA"), as amended, under which Rooster Oil & Gas, LLC, and Probe Resources US Ltd., as Co-Issuers, issued the senior secured notes ("Notes") due on October 22, 2014 in the aggregate principal amount of $22.5 million.

On November 17, 2014, the Company entered a note purchase agreement pursuant to which the Company issued senior secured notes in the amount of US$45.0 million due on February 14, 2016 ("Senior Secured Notes"). The proceeds of the Senior Secured Notes were used to: 1) repay the outstanding obligations owed to the holders of the Notes issued pursuant to the NPA; 2) fund the $10 million cash portion of the purchase price for Well Services; and 3) payment towards trade accounts payable over sixty days and provide for other general corporate purposes. Net proceeds to the Company totaled approximately $8.5 million, after deducting the original issue discount, the outstanding principal, fees, and interest paid to the holders of the Notes, the $10 million portion of the purchase price for Well Services and certain transaction fees and expenses; the majority of these funds were used to reduce trade accounts payable exceeding 60 days.

On April 26, 2012, the Company entered into a secured credit facility (the "Related Party Note #1") with a significant shareholder of the Company for $6,463,000 with interest at Libor +5% per annum, due at maturity. Effective November 17, 2014, the interest rate was increased to 14.5%.

On October 11, 2013, the Company entered into a secured credit facility (the "Related Party Note #2") with The K2 Principal Fund, L.P., and Chester F. Morrison, Jr., who are both significant shareholders of the Company (and Mr. Morrison is a director) that provided for borrowing up to CAD $8.0 million to be used for general corporate purposes. The interest rate is 9% per annum on all advances, and the only advance under the credit facility was CAD $4.0 million (less a 2% original issue discount and administrative fees).

Effective March 7, 2014, the Company entered into an additional secured credit facility with Chester F. Morrison, Jr. (the "Related Party Note #3") which provides for borrowing up to US$10 million, to be used for general corporate purposes. The interest rate is 14% per annum on all advances under the Second

Credit Facility. The initial advance in March, 2014, was US $4.4 million; in May, 2014, the Company drew an additional US $2.8 million (less a 10% original issue discount and administrative fees).

In connection with the Senior Secured Notes, the holder, the Company and each of the parties to the Related Party Note #1, Related Party Note #2 and Related Party Note #3 (see the Company's March 31, 2015 financial statement note 8) entered into intercreditor and subordination agreements that prohibit any payments on the related party indebtedness until the Senior Secured Notes are fully satisfied. Additionally, the Related Party Note #1, Related Party Note #2 and Related Party Note #3 were amended to extend the maturity date of each of those loans to no earlier than one year following the maturity date of the Senior Secured Notes.

Because the Company's Senior Secured Notes are due within twelve months as of March 31, 2015, they have been classified as current liabilities. However, as a result of the extension of maturity dates on the Related Party Note #1, the Related Party Note #2 and the Related Party Note #3 until after satisfaction of obligations of the Company owed on the Senior Secured Notes, all subordinated secured indebtedness owed by the Company are classified as long term liabilities at March 31, 2015.

At March 31, 2015, the Company had a working capital deficit of $48,607,704. This working capital deficiency includes the following:

- The decommissioning contract receivable booked in current assets totals $27,491,691. The Company entered into three turnkey decommissioning contracts in 2012-2013 with aggregated payments (both milestone and completion) totaling approximately $126.4 million, and assumed the ARO liability. At March 31, 2015, $86,484,246 of this contract remained to be collected, of which $32,503,739 is expected to be collected within the next twelve months. However, under IFRS the decommissioning contact receivable has been recorded to match the ARO liability (before accretion and discounting). As a result, the Company includes the incremental $5,012,048 of current decommissioning contract receivable as part of its internal analysis of working capital.

- The deferred revenues booked in current liabilities total $4,554,530. The deferred revenues relate to milestone payments associated with the aforementioned turnkey decommissioning contract. The Company has allocated the milestone payments to all work covered by the three contracts, and will recognize such payments as income as the work is completed. At March 31, 2015, $11,670,784 of deferred revenues remained on the Company's balance sheet, of which $4,554,530 is expected to be recognized within the next twelve months. As a result, the Company excludes the $4,554,530 of current deferred revenues as part of its internal analysis of working capital.

- The loans payable booked in current liabilities total $41,894,791. On February 14, 2015, the Senior Secured Notes were within one year of the maturity date per the terms of the Note Purchase Agreement. The Company has entered into a term sheet with its existing lender to increase the amounts loaned under the Senior Secured Notes and extend the maturity beyond February 14, 2016. Absent an extension of the maturity date, the Company will have to raise capital in order to pay the Senior Secured Notes at maturity. To address its funding requirements, the Company will have to seek financing through debt and/or equity financing, asset sales or other alternatives. There is, however, no assurance that the outcome of these matters will be successful. As a result, the Company has excluded $41,376,063 of current loans payable from its internal analysis of working capital.

Management has accounted for the decommissioning contract is in accordance with IFRS. Internally, the Company views the entire decommissioning contract in its analysis of working capital. Therefore, the Company's internal analysis of working capital at March 31, 2015 is improved by $50,942,641 ($5,012,048 for the current portion of the remaining contract receivable, plus $4,554,530 for the current portion of the deferred revenue, plus $41,376,063 for the current portion of loans payable) to a surplus of $2,334,937.

Asset Retirement Obligations

In addition to the amounts owed at March 31, 2014, the Company has an ongoing liability with respect to the plugging and abandonment of wells and decommissioning of facilities totaling $85,876,826 on a discounted basis; however, $68,634,027 of this liability is covered by a turnkey contract with a third party. The timing and amount of settling such asset retirement obligations are based on management's best estimate at this time. In the event of unforeseen developments, the Company may be required to incur asset retirement costs sooner than otherwise anticipated and in amounts exceeding the asset retirement obligations recorded on the balance sheet.

Contractual Obligations

At March 31, 2015, principal contractual obligations requiring fixed payments consisted of the following:

	Payments Due By Period				
	Total	Less Than 1 Yr	1 - 2 Years	2 - 5 Years	Over 5 Years
Senior Secured Notes (1)	$ 41,376,063	$ 41,376,063	$ -	$ -	$ -
Related Party Note #1 (2)	6,202,110		6,202,110		
Related Party Note #2 (3)	2,717,090		2,717,090		
Related Party Note #3 (4)	6,840,777		6,840,777		
Promissory Note (5)	518,728	518,728			
	$ 57,654,768	$ 41,894,791	$ 15,759,977	$ -	$ -

(1) $45,000,000 Payable on February 14, 2016 with interest payable quarterly at LIBOR + 11.5% per annum
(2) $6,463,000 Payable on February 14, 2017 with interest at 15.5% per annum payable at maturity
(3) Cdn$4,000,000 Payable on February 14, 2017 with interest at 9% per annum payable at maturity
(4) $7,150,000 Payable on February 14, 2017 with interest at 14% per annum payable at maturity
(5) Matures on May 25, 2015 with interest at 2.5% per annum. This was paid in full by the date of this MD&A

Additionally, the Company leases its corporate headquarters located at 16285 Park Ten Place, Suite 120, Houston, Texas 77084 pursuant to a lease agreement with a five (5) year term beginning July 1, 2012 through June 30, 2017. For the period January 1, 2015 through June 30, 2015 the base rental rate is $17,024 per month, increasing to $17,328 per month for July 1, 2015 through December 31, 2015.

Capital Expenditures

Capital expenditures totaled $1,644,164 in Q1 2015 and $2,300,165 in Q1 2014. Capital expenditures in Q1 2015 primarily reflect recompletion costs at Vermilion 67, Grand Isle 70, Eugene Island 18 and East Cameron 36.

Off-Balance Sheet Arrangements

The Company has no off balance sheet arrangements and is not a party to any off-balance sheet arrangements.

Financial Instruments and Other Instruments

As a condition for closing the Senior Secured Notes, the Company was required to sell forward certain quantities of its oil and natural gas production over the term of the Senior Secured Notes (December, 2014, through February, 2016). Accordingly, the Company has entered into fixed price swap agreements; at March 31, 2015, the Company is obligated swap 600 BOPD and 6,730 MMBTUPD of oil and natural gas sales priced monthly at floating prices for the same quantity at fixed prices of $77.50 per barrel of oil LLS and $3.81 per MMBTU NYMEX of natural gas, respectively.

At March 31, 2015, the Company did not have, and currently does not have, any derivative securities, financial or other instruments.

Transactions with Related Parties

During the three months ended March 31, 2015, the Company had the following transactions and balances with related parties:

- At March 31, 2015, the Company had accounts payable in the amount of $11,281,491 (of which $7,610,138 is current) due and owing to Chet Morrison Contractors, LLC, which is indirectly owned and controlled by Chester F. Morrison, Jr., who is a director and significant shareholder of the Company.

- In April, 2012, the Company entered into a subordinated secured credit facility ("Related Party Note #1") with a significant shareholder of the Company for $6,463,000. At March 31, 2015, accrued interest related to the credit facility totaled $2,471,792 and the liability on the financial statements was $6,202,110.

- In October, 2013, the Company entered into a subordinated secured credit facility ("Related Party Note #2") which provides for borrowing up to CAD $8.0 million, with an initial advance of CAD $4.0 million (see "Liquidity"). At March 31, 2015, accrued interest related to the credit facility totaled $426,377 and the liability on the financial statements was $2,717,090. Chester F. Morrison, Jr., who funded 40% of the credit facility, is a director and significant shareholder of the Company.

- In March, 2014, the Company entered into a secured credit facility ("Related Party Note #3") with Chester F. Morrison, Jr., who is a related party, which provides for borrowing up to $10 million, with an initial advance of $4.4 million (see "Liquidity"). In May, 2014, the Company drew an additional $2.8 million from the credit facility. At March 31, 2015, accrued interest related to the credit facility totaled $981,561 and the liability on the financial statements was $6,840,777. Mr. Morrison is a director and significant shareholder of the Company.

- In March, 2014, the Company received a promissory note from Chester F. Morrison, Jr. in the principal amount of $4 million, with an interest rate of 3.25% per annum. Accrued interest receivable on this note totaled $136,766 at March 31, 2015. This note will mature on February 14, 2017. Mr. Morrison is a director and significant shareholder of the Company.

Equity Capital

Share Capital

The Company is authorized to issue an unlimited number of common shares (that may be converted to proportionate voting shares) and an unlimited number of preferred shares issuable in series with no par value.

As of the date hereof, there were 65,071 proportionate voting shares (each convertible to 1,000 common shares) and 259,028,502 common shares issued and outstanding, or the issued share capital on a fully diluted basis is the equivalent of 324,099,502 common shares. No preferred shares are issued or outstanding.

Warrants

As of December 31, 2014, the Company had 13,429,813 warrants outstanding exercisable at USD$0.67 per share until October 22, 2017. During the first three months of 2015 no warrants were exercised. Subsequent to March 31, 2015, no warrants were exercised.

Options

During the three months ended March 31, 2015, the Company granted 300,000 stock options, had no options exercised and 450,177 options were forfeited. Subsequent to March 31, 2015, 10,245,963 options were granted, no options were exercised and 250,000 options were forfeited. As of the date of this MD&A, the following stock options were outstanding:

Grant Date	Number Outstanding	Remaining Contractual Life	Exercise Price	Expiry Date	Number Exercisable
Jun. 05, 2012	4,035,468	7.00 years	CAD $0.50	Jun. 05, 2022	2,757,098
Sep. 11, 2013	3,932,984	8.25 years	CAD $0.82	Sep. 11, 2023	1,419,253
May 16, 2014	300,000	9.00 years	CAD $0.61	May. 16, 2024	100,000
Mar. 02, 2015	300,000	9.75 years	CAD $0.07	Mar. 02, 2025	-
May 06, 2015	10,245,963	10.00 years	CAD $0.14	May. 06, 2025	10,245,963
	18,814,415				14,522,314

The maximum shares reserved for issuance under the Company's stock option plan is 21,396,510 shares; thus the Company now has remaining available to issue 2,357,320 shares.

Legal Proceedings

We regularly analyze current information and, as necessary, provide accruals for probable liabilities on the eventual disposition of these matters. In the opinion of management, at December 31, 2014 there were no lawsuits threatened or pending legal matters that could have a material impact on our consolidated results of operations, financial position or cash flows.

Subsequent Events

On February 14, 2015, the Senior Secured Notes were within one year of the maturity date per the terms of the Note Purchase Agreement. The Company has entered into a term sheet with its existing lender to increase the amounts loaned under the Senior Secured Notes and extend the maturity beyond February 14, 2016. Absent an extension of the maturity date, the Company will have to raise capital in order to pay the Senior Secured Notes at maturity. To address its funding requirements, the Company will have to seek financing through debt and/or equity financing, asset sales or other alternatives. There is, however, no assurance that the outcome of these matters will be successful.

Forward Looking Information and Statements

This MD&A may contain forward looking information related to planned drilling program, production, revenue, commodity prices, royalties, capital expenditures and commitments, operating costs, general and administrative expenses, funds flow from operations, financing plans, liquidity and capital resources and debt settlement. Forward-looking information is based on expectations and estimates as of the date of this document, and is information that is subject to known and unknown risks and other factors that may cause future actions, conditions or events to differ materially from the anticipated actions, conditions or events expressed or implied by such forward-looking information. Forward-looking information is information that does not relate strictly to historical or current facts, and can be identified by the use of the future tense or other forward-looking words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “estimate”, “should”, “could” “may”, “objective”, “projection”, “forecast”, “continue”, “strategy”, “position” or the negative of those terms or other variations of them or comparable terminology.

Further examples of such forward-looking information in this document include but are not limited to the following, each of which is subject to significant risks and uncertainties and is based on a number of assumptions, which may prove to be incorrect including: the amounts recorded for depletion, depreciation and accretion, the provision for asset retirement obligations and the ceiling test, which are based on estimates of reserves, production rates, petroleum and natural gas prices, future costs and other relevant assumptions. Stock-based compensation expense is based upon estimates using the Black-Scholes option pricing model.

Critical Accounting Policies, Estimates and New Accounting Pronouncements

A detailed summary of the Company's critical accounting policies and estimates is included in Notes 2 and 3 to the audited financial statements for the year ended December 31, 2014. Any changes to these policies and estimates are included in Note 3 to the unaudited condensed interim consolidated financial statements for the period ended March 31, 2015.

Risks and Uncertainties

Risks include, but are not limited to, the availability and costs of financing, general economic conditions, storm weather risks, and risks associated with the oil and gas industry (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the financial health of joint venture partners; health, safety and environmental risks; and the uncertainty of dealing with government and obtaining regulatory approvals).

At this time, the most significant risk relates to the uncertainty of the Company's ability to finance development plans and ongoing operations, the results of any such development operations and future oil and gas prices and the current volatility in these markets. Revenues and funds flow from operations will be impacted positively or negatively depending on the ultimate variance to our forecast assumptions. Furthermore, the outcome of commodity price changes are expected to impact our capital spending plans and the ability of joint venture partners and other sources of capital funding to provide financing for projects.

Operations may be unsuccessful or delayed as a result of competition for services, supplies and equipment, mechanical and technical difficulties, ability to attract and retain employees on a cost effective basis, commodity and marketing risk and seasonality. The company is subject to significant drilling risk and uncertainties including the ability to find oil and gas reserves on an economic basis, and is also exposed to risks relating to the inability to obtain timely regulatory approvals, surface access, access to third party gathering and processing facilities, transportation and other third party related operational risks.

Financial risks that the Company is exposed to include, but are not limited to, access to debt or equity markets and fluctuations in commodity prices, interest rates and the Canadian/US dollar exchange rate.

It is anticipated that subsequent events and developments may cause a change to the assumptions made by us. The Company does not have an intention to update this forward-looking information, except as required by applicable securities laws. This forward-looking information represents the Company's views as of the date of this document and such information should not be relied upon as representing its views as of any date subsequent to the date of this document. Highlighted here are important factors that could cause actual results, performance or achievements to vary from those current expectations or estimates expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations.

There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. These factors are not intended to represent a complete list of factors that could affect the Company.

Management's Report on Internal Control Over Financial Reporting

In connection with National Instrument 52-109 - *Certification of Disclosure in Issuer's Annual and Interim Filings* ("NI 52-109") adopted by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company are required to file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and the respective accompanying Management's Discussion and Analysis.

The Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Other Information

Abbreviations Commonly Used in the Oil & Natural Gas Industry

bbl	barrel
bblpd	barrels of oil per day
boe	barrel of oil equivalent – see note
boepd	barrels of oil equivalent per day
mbbls	thousand barrels
mcf	thousand cubic feet
mcfpd	thousand cubic feet per day

Note: The boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf to 1 boe is based on the energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead

Directors

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Paul A. Crilly
Robert P. Murphy
Steven A. Weyel

Senior Officers

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Chief Executive Officer and President
Tod J. Darcey
Sr. Vice President – Operations
Kenneth F. Tamplain, Jr.
Sr. Vice President, General Counsel & Secretary
Stephen M. Holder
Chief Financial Officer

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Netherland, Sewell & Associates, Inc.

Auditors:
Collins Barrow Calgary LLP

Legal Counselors:
Stikeman Elliott LLP (Canada)
Baker, Donelson, Bearman, Caldwell & Berkowitz, PC (United States)

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